

11 March 2022

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

PSC INSURANCE GROUP LTD (PSI) – CAPITAL RAISING

PSI advises that it has received binding commitments for a capital raising via a placement of 17,777,778 fully paid ordinary shares (**Shares**) to selected institutional and sophisticated investors to raise \$80 million at \$4.50 per Share (representing a 5.3% discount to the closing price on 9 March 2022) (**Placement**). The Joint Lead Managers were Bell Potter Securities and E&P Corporate Advisory.

PSI appreciates the show of support and confidence in the Group and its strategy.

The Shares will be issued under the Placement on 16 March 2022 and will rank equally with all Shares on issue. The Placement will be made under PSI's existing capacity under Listing Rule 7.1 and accordingly will not require shareholder approval.

PSI provides a market update as follows:

- The funds will be used over time to assist with the funding of acquisitions in accordance with our growth strategy. We anticipate that funds will be deployed in a similar manner to the funds raised in November 2020.
- Since January 2021, the Group has completed 12 acquisitions for an aggregate base purchase price of \$119m and contributing \$16m in additional EBITDA on an annualised basis.
- The Group is well within its stated gearing threshold of a net leverage ratio¹ range of 2.0-2.5 times. Based on our FY22 guidance, the current net leverage ratio is at 2.1-2.3 times.
- Following full deployment of this equity capital, we anticipate an estimated pro-forma net leverage ratio range of 1.9-2.0 times.
- The recently upgraded debt facilities have ~\$90m in available limits and this provides the Group a subsequently strong medium-term platform to assist with our growth.
- The Group has a good pipeline of acquisition opportunities. In particular, we are considering acquisitions of UK and Australian commercial broking businesses, with a number under due diligence.

The attached presentation provides further details of the Company's acquisition strategy and proposed use of funds from the Placement.

¹ Debt + Vendor Debt – Cash + \$20m working capital "float"

Please direct any queries to Tony Robinson, Managing Director, on 0407 355 616 or Joshua Reid, Chief Financial Officer, on (03) 8593 8303.

Authorised for release by the PSC Insurance Group Board.

A handwritten signature in black ink, appearing to read 'S. Abbott'.

Stephen Abbott

Company Secretary

Forward looking statements

This announcement contains forward-looking statements, which address a variety of subjects including statements regarding expected growth rates and financial results. Statements that are not historical facts, including statements about our beliefs, plans and expectations, are forward-looking statements. Such statements are based on our current expectations and information currently available to management and are subject to a number of factors and uncertainties, which could cause actual results to differ materially from those described in the forward-looking statements. The Company's management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or the ASX Listing Rules. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from our historical experience and our present expectations or projections.

2022

CAPITAL RAISING

10th March 2022

SHARE OFFER SUMMARY

Positioning the Group to execute M&A strategy



THE OFFER

Institutional Placement of \$80 million at an Offer Price of \$4.50 per share.



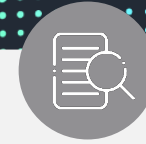
USE OF FUNDS

- To assist with the execution of M&A in line with Group strategy. Key areas of deployment remaining Australian and UK commercial broking.
- Maintain current debt levels reflecting global market volatility.



OPERATING PERFORMANCE

- 1H performance was very strong with underlying EBITDA increase of 42% to 1H contribution of \$41m. Organic growth was 20% and the acquisitions have all performed well.
- FY22 guidance upgraded to an underlying EBITDA range of \$87-92m and underlying NPATA of \$57-61m.



TRACK RECORD

- \$70m raised in CY 2020 successfully deployed.
- Average blended multiple of ~ 7.5x EBITDA.

ACQUISITION SUMMARY - 2021

2020 Capital of \$70m Successfully Deployed



\$70m (\$60m Placement and \$10 underwritten DRP) in equity capital raised in Q2 of FY21. Main acquisitions since this time have been Absolute, Abaco and Trust (all UK commercial brokers) and Alliance Insurance in Australia.



Since January 2021, the Group has completed 12 acquisitions with purchase price of \$118.6m and \$15.9m of expected EBITDA (~ 7.5x multiple).



\$85.7m of capital has been deployed and \$32.9m remains payable, which will be paid largely via the Group's expanded debt facility and existing cash balances.



The Group net leverage ratio* is currently ~ 2.1-2.3 times, based on our FY22 underlying EBITDA, within our target range of 2.0-2.5 times. This raising will enable us to execute on our strategy whilst not increasing debt in uncertain times.

* Debt + Vendor Debt - Cash Balance + \$20m working capital "float"

A\$m	Trust	Abaco	Absolute	Alliance	Others	Total
Purchase Price	27.9	42.8	13.4	23.9	10.6	118.6
EBITDA	4.5	4.0	2.1	3.3	2.0	15.9
Paid	18.9	30.4	11.1	18.1	7.2	85.7
Payable	8.9	12.4	2.4	5.8	3.4	32.9

USE OF FUNDS

Experienced Acquirers with Strong Record on Integration



Consistent history of executed M&A
– FY19 \$11m, FY20 \$130m, FY21 \$74m, FY22 YTD \$31m.



In Australia, the larger acquisitions to be for new business units (8-10x EBITDA multiple range) and small bolt-on's to existing businesses (5-8x range).



Focus on Australian and UK commercial broking opportunities (~ 50%/50%).



In UK, these will be for new business units (8-10x range).



APPENDIX

2022

HALF-YEAR RESULTS

Tony Robinson (Managing Director)

John Dwyer (Executive Director)

Joshua Reid (Chief Financial Officer)



SUMMARY INFORMATION

This document has been prepared by PSC Insurance Group Limited (ACN 147 812 164) (PSC). It is a presentation of general financial and commercial information about PSC's activities current as at 23rd February 2022. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with PSC's other announcements released to ASX (available at www.asx.com.au). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate.



FORWARD LOOKING STATEMENTS

This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of PSC, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that the actual outcomes will not differ materially from these statements. Neither PSC nor any other person gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Except as required by applicable law or the ASX Listing Rules, PSC disclaims any obligation or undertaking to publicly update any forward looking statements, whether as a result of new information or future events. Statements about past performance are not necessarily indicative of future performance.



TERMINOLOGY

This presentation uses Underlying NPATA and Underlying EBITDA and other related measures to present a clear view of the underlying profit from operations. Underlying NPATA comprises consolidated profit after tax and before amortisation expense adjusted for value adjustments for the carrying value of assets or associates, contingent consideration adjustments, and other revenue and costs considered non-operating in nature or related to acquisition activities. It is used consistently and without bias year on year for comparability. These measures are not audited by the Group's auditors. A reconciliation to statutory profit is provided in this Presentation.

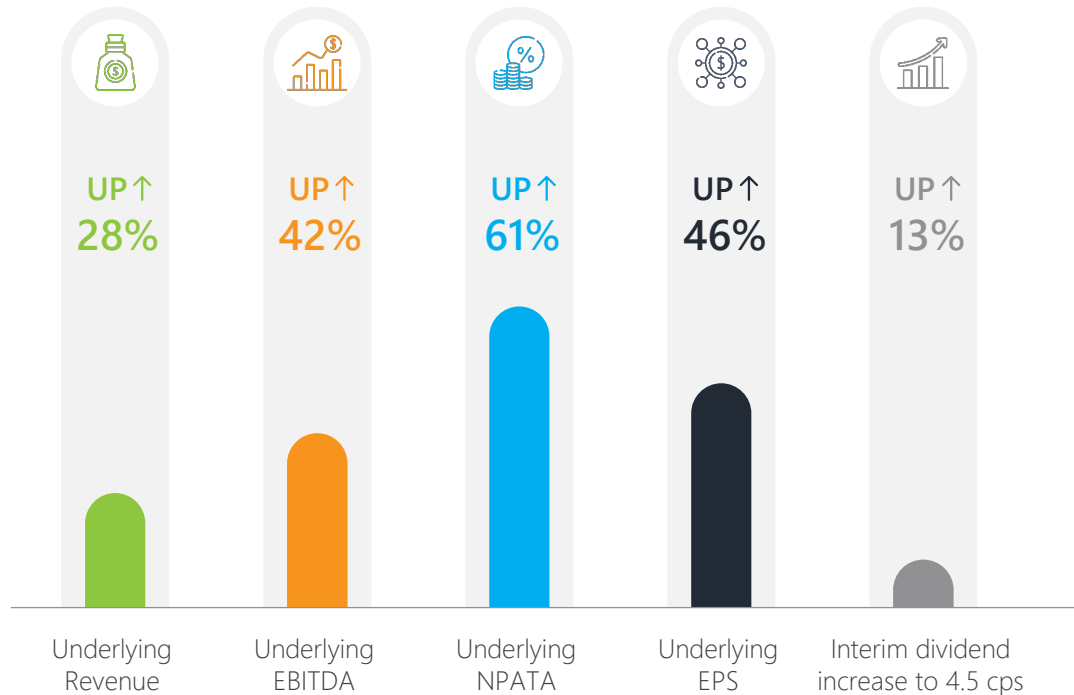


NOT AN OFFER

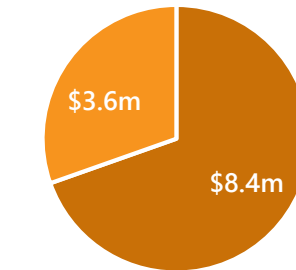
This document does not constitute an offer, invitation, solicitation, recommendation, advice or recommendation with respect to issue, purchase, or sale of any shares or other financial products in PSC. This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any "US person" (as defined in Regulation S under the US Securities Act of 1933, as amended (Securities Act) (US Person)). Securities may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration. PSC shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States.

FINANCIAL HIGHLIGHTS

Strong Results Show Strength in Highly Diversified Business Model
Strong Outlook for Full Year

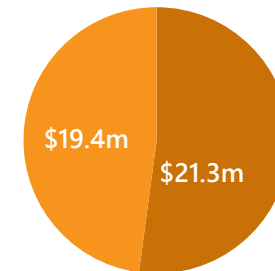


Strong EBITDA Growth in Key Regions



■ AU/NZ ■ UK/HK

Growing UK EBITDA Contribution



■ UK/HK ■ AU/NZ

FINANCIAL RESULTS SUMMARY

Strong balance of organic growth + accretive acquisitions that have integrated well

(\$m) – Half-Year	2022	2021	Growth
Underlying Revenue	119.7	93.7	28%
Underlying Costs	-79.0	-65.0	
Underlying EBITDA	40.7	28.7	42%
Net AASB16 adjustment	-0.3	-0.3	
Interest	-4.8	-4.4	
Depreciation	-1.1	-1.0	
Amortisation	-6.1	-4.1	
Non-Operating Revenue	0.4	3.4	
Non-Operating Costs	-6.2	-3.2	
Net Profit Before Tax	22.5	19.1	18%
Tax	-6.0	-5.4	
NPAT	16.6	13.6	21%
Underlying EBITDA (AASB 16 Adj.)	40.7	28.7	42%
Underlying EBITDA	40.4	28.4	42%
Underlying NPATA	27.6	17.1	61%



Strong revenue growth of 28% and EBITDA growth of 42%.



Organic EBITDA growth of \$5.7m (+20%), strong performance across all segments.



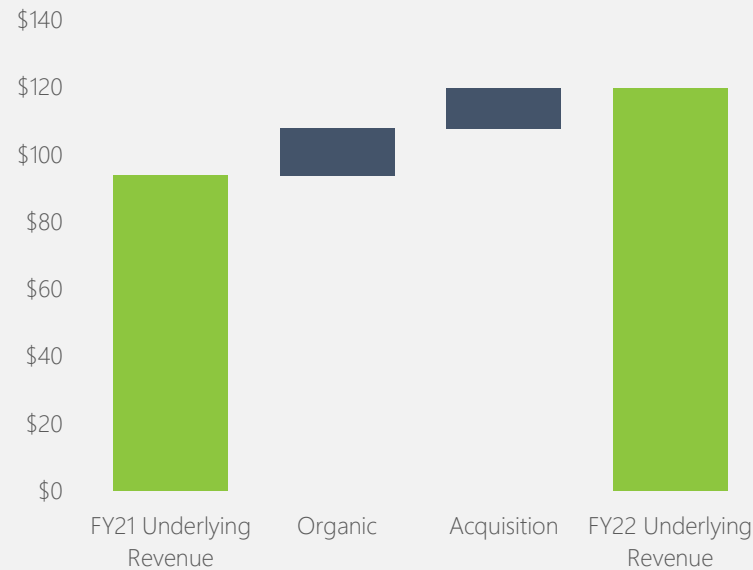
Acquisitions contributed EBITDA growth of \$6.3m. Good performance from PSC UK Insurance Brokers, PSC Alliance and AU/NZ bolt-ons.

GROWTH DRIVERS

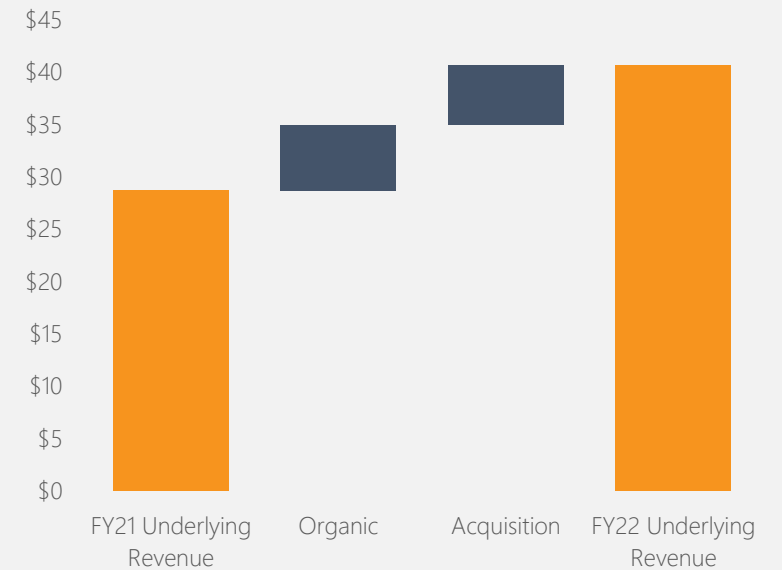
Strong Organic Growth; Acquisitions Perform Well

- Acquisitions contributed \$12.0m in incremental revenue and \$6.3m incremental EBITDA. Absolute, Abaco and Trust now form the core of PSC UK Insurance Brokers and are performing well at strong margins. PSC Alliance has performed well and is a new office in the AU distribution platform.
- Strong organic growth in the period, with revenue growth of \$14.0m (+15%) and EBITDA growth of \$5.7m (+20%). Strong markets, increasing client count and improved margins.

UNDERLYING REVENUE (\$M)



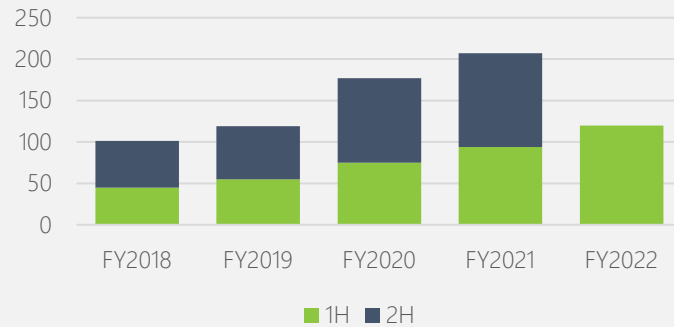
UNDERLYING EBITDA (\$M)



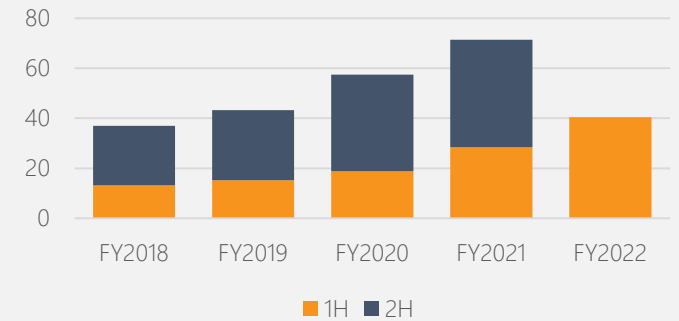
TRACK RECORD OF GROWTH CONTINUES

Strong Record of Growth

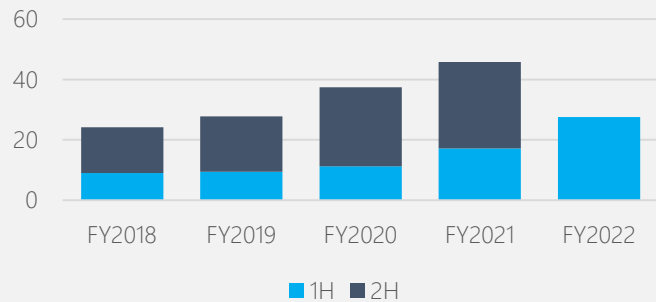
UNDERLYING REVENUE (\$M)



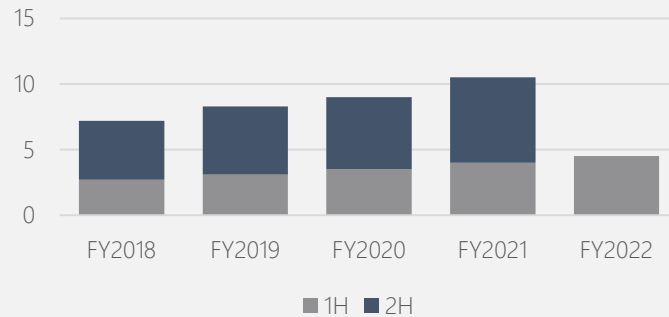
UNDERLYING EBITDA (\$M)



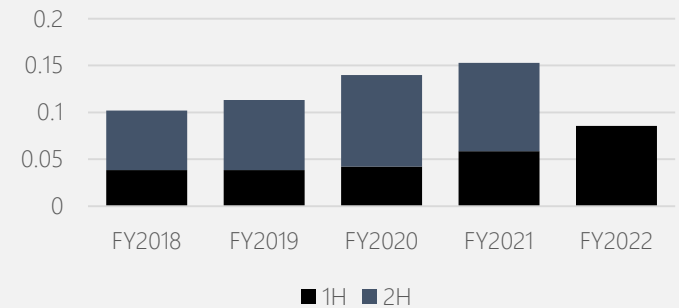
UNDERLYING NPATA (\$M)



DIVIDENDS - cps



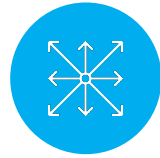
UNDERLYING EPS - cps



DIVERSIFIED BUSINESS MODEL

Diversification by Region, Class and Business Type

Strong results show:



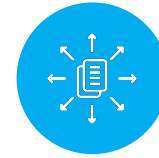
Benefits of multi-national business model – strong organic growth in the UK and opportunities for expanding PSC UK Insurance Brokers; expansion in New Zealand; new platform in Hong Kong.



Expertise and specialist skills – strong growth evident in the period from specialist skills across Cyber, D&O, PI and construction.



Market leading businesses and teams – focus on 'autonomy with responsibility' and alignment ('corporate partnership model'); expanded Group LTI arrangements will enhance alignment over the medium term.



Diversified insurance intermediary business operating as SME broker, UK wholesaler, international wholesaler and speciality underwriting agency.

STRATEGY AT WORK

Acquisition of Alliance Insurance



Excellent addition to the Australian Broking franchise.



Expectation of ~ \$3m+ EBITDA on an annualised basis.



Melbourne based broking business with >20 staff and ~\$7m in revenue.



Strong start with PSC; excellent team who have settled in well.



STRATEGY AT WORK

Expansion of New Zealand Distribution Platform



Strong expansion of Group owned broking business with acquisition of Montage Insurance Brokers and a bolt-on of an AR business in the period.



Strong growth in AR numbers in PSC Network (> 60 in NZ). The start-up life broking Network business is growing well.



Change in regulatory and licensing environment creating opportunity.



(A\$m)	2020A	2021A	2022F
Revenue	2.6	3.1	5.4
EBITDA	0.7	0.8	2.0

STRATEGY AT WORK

Debt Refinance Creates Long Term Platform to Continue Acquisition Strategy

	Before	After
Cost of Funds	4.7%	3.1%
Limits (A\$m)	190	265
Unused Capacity	15	90
Term (Unexpired)	3 years	5.5 years



Blue chip panel of funders; CBA, Macquarie, HSBC and Citi across an expanded bank debt facility and Pricoa with a Note issuance facility.



All funders taking a view on the Group position. Previously there was an Australian facility and a UK facility.



Lending covenants provide a buffer above the Group target Net Leverage range of 2.0-2.5 times.

STRATEGY AT WORK

Continued Focus of Building & Retaining Strong Executive & Leadership Team



Greater depth in capabilities in the Group in a dynamic market for talent.



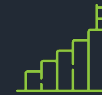
Use of long term incentives to share value fairly and lock in alignment over 4-6 years.



We lent non recourse funds to acquire 4.8m shares in the first half to key executives across the Group with an expectation of ~ 3.5m in the second half.



There are currently ~ 16.5m (5% of total) loan funded shares on issue across 41 executives.



This has proven a simple and effective incentive and alignment structure since IPO over 6 years ago.



The EPS impact of the LTI is reflected in the dilution from the number of shares on issue (we exclude the implied option costs from underlying earnings to avoid a double count).

SEGMENT RESULTS

PSC business model enables **growth + diversity**



DISTRIBUTION (AUSTRALIA)

Distribution EBITDA up \$2.8m (17%). Broking businesses, Networks and Workers Comp all performing well.



AGENCY (AUSTRALIA)

Agency EBITDA up \$1.4m, driven by strong performance from Chase Underwriting. Medisure also trading well, with no earnings drag from the online travel insurance business this period.



UNITED KINGDOM

UK EBITDA up materially by \$8.8m. Acquisitions contributed \$4.0m increase. Very strong organic growth in Paragon ('International Wholesale'), and sound growth across all of Carrolls ('Domestic Wholesale'), PSC UK Insurance Brokers ('Retail'), Breeze and Chase ('MGAs').



GROUP

Group EBITDA contribution lower given increase in insurance and executive costs.



SEGMENT RESULTS



(\$m) – FY22	Distribution	Agency	UK	Group	TOTAL
Underlying Revenue	47.4	8.4	63.1	0.8	119.7
	40%	7%	52%	1%	
Reported NPAT	12.5	2.1	11.1	-9.1	16.6
Reported EBITDA	20.7	3.4	19.3	-5.4	38.1
Underlying EBITDA (AASB16 Adj.)	19.2	3.6	20.4	-2.5	40.7
% of Total	47%	9%	50%	-6%	
Underlying EBITDA Growth: PCP	17%	65%	75%	-65%	42%
EBITDA Growth	2.8	1.4	8.8	-1.0	12.0
Organic	0.6	1.4	4.7	-1.0	5.7
Acquisition	2.3	0.0	4.0	0.0	6.3

(\$m) – FY21	Distribution	Agency	UK	Group	TOTAL
Underlying Revenue	41.0	7.0	45.1	0.7	93.8
	44%	7%	48%	1%	
Reported NPAT	9.9	1.4	4.5	-2.2	13.6
Reported EBITDA	16.8	2.3	9.8	2.1	31.0
Underlying EBITDA (AASB16 Adj.)	16.3	2.2	11.7	-1.5	28.7
% of Total	57%	8%	41%	-5%	

STATUTORY NPAT RECONCILIATION



Revenue excluded from Underlying Earnings: represents gains in the fair value adjustments on investments. Small changes in the period with BP Marsh largely flat.



Expenses excluded from Underlying Earnings:

- ~ \$2.2m charge relating to the release of prepaid debt fees post the repayment of Barings UK debt facility.
- ~ \$2.0m relating to deferred consideration fair value changes (strong performance from Absolute, Abaco and Trust which now form PSC UK Insurance Brokers).
- ~ \$0.6m relating to implied option costs from the Group LTIP.
- ~ \$0.8m relating to professional fees from acquisition activity.



Underlying NPATA up 61% to \$27.6m and underlying EPS up 46% to 8.6 cents per share.



Average tax rate of 27%.



(\$m)	2022	2021	Growth
Statutory NPAT	16.6	13.6	21%
Amortisation	6.1	4.1	
Revenue excluded from Underlying - Tax Adjusted	-0.3	-2.4	
Expenses excluded from Underlying - Tax Adjusted	5.2	1.8	
Underlying NPATA	27.6	17.1	61%
W.avg. Shares (m)	323.0	292.7	
Underlying EPS	8.6 cents	5.9 cents	46%
Average Tax Rate	27%	28%	



OPERATING CASH FLOW RECONCILIATION



After-tax operating cash flow up 44% on prior period to \$50m.



As previous, first half strongest cash period as revenue booked in peak June period is collected.



(\$m)	2022	2021
Statutory NPAT	16.6	13.6
Non-Cash Items	13.4	3.5
Change in Working Capital	20.2	17.7
Operating Cash Flow	50.2	34.8

BALANCE SHEET



Debt facilities refinanced with material cost savings, increased limits (\$90m undrawn) and maturity (average 5.5 years). Group net leverage within the target 2.0-2.5 times range.



Increase in intangibles represents acquisition activity, the largest in the period being Alliance at ~ \$25m.

(\$m)	Dec-21	Jun-21	Comments
Cash - Own	49.0	47.8	Majority of acquisition activity funded with cash balances
Working Capital	10.7	37.2	Usual seasonal pattern of debtor collections post June peak period
Total Liquidity	59.7	85.0	
Intangible Assets	455.5	420.9	Alliance Insurance, Montage Insurance, AU/NZ bolt-ons
Investments	60.9	61.1	BP Marsh \$45m
Fixed Assets, Net	38.8	38.8	Includes East Melb, PPE
Vendor Obligations	-37.7	-35.8	Final GGIB payment made and Alliance payable ~ \$7m
Deferred Tax, Net	-26.2	-27.2	
Borrowings	-183.9	-176.7	Debt facilities refinanced, net increase ~ \$7m
Other	-20.5	-19.8	
Net Assets	346.1	346.4	
Equity:			
Share Capital	332.8	331.2	
Retained Profits	46.7	51.4	Seasonal - 1H lower profit half, higher cash half
Reserves/NCI	-33.3	-36.1	
	346.1	346.4	

SUMMARY & OUTLOOK

- Strong prospects for the Group supported by organic growth, strong pipeline of current opportunities and disciplined allocation of capital
- Guidance for Full Year Upgraded



Strong organic growth led by favourable market conditions, increased client count and improved (market leading) margins.



Acquisitions have been performing well and pipeline of future activity is consistent with historical position.

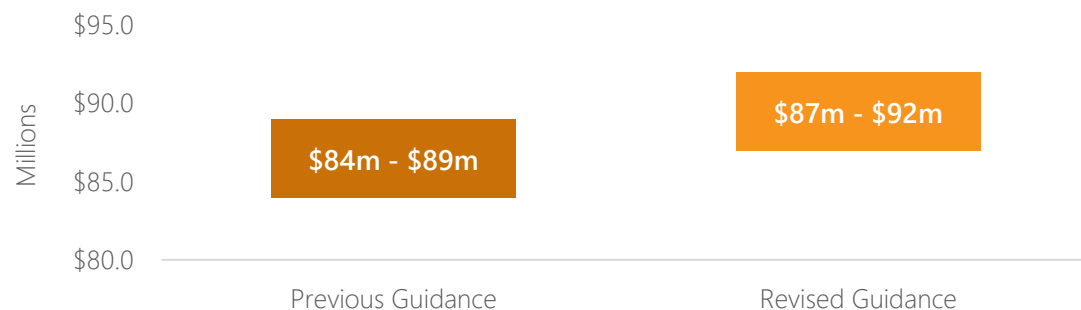


Expectations that increases in insurance prices is slowing in coming periods.

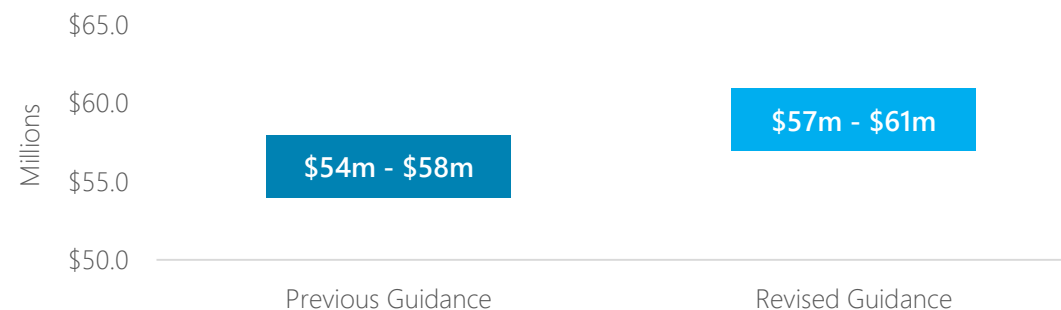


Given the stronger than expected first half, the Group upgrades its market guidance of underlying EBITDA to an updated range of \$87-92m (from \$84-89m) and underlying NPATA to an updated range of \$57-61m (from \$54-58m).

Guidance - Underlying EBITDA



Guidance - NPATA





APPENDIX

DISTRIBUTION



BROKING

- Organic growth exceeding market – organic GWP growth of 11%, we estimate blended market and ‘client size’ growth of 9% across our businesses.
- Hard markets has meant it is more challenging for our teams to get client risks placed.

NETWORKS

- Growth materially exceeding market – driven by growth in AR numbers and AR business growth, we estimate blended market growth of 4-5% across the AU and NZ Network business.
- PSC Insurance Brokers NZ making a meaningful contribution and growing strongly.

WORKERS COMPENSATION SERVICES

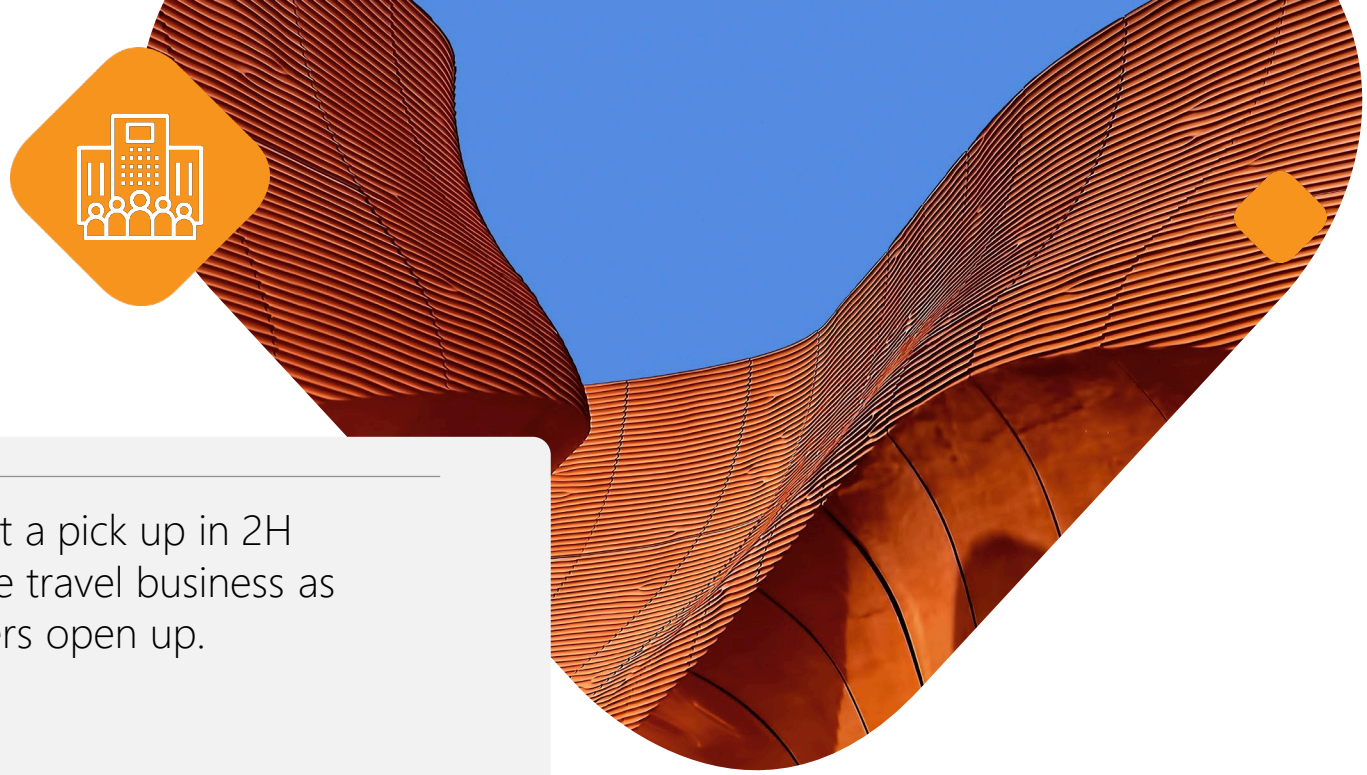
- Increasing penetration and value add to the Broking and Networks teams.
- Higher deferred revenue in the period has headwind in this half which will unwind in the second half.

LIFE BROKING

- Remains a value add for our Broking and Networks clients.



AGENCY



GWP growth of 26% and revenue growth of 19%. Strong market growth in construction sector and strong capacity and underwriting performance driving results.

Expect a pick up in 2H for the travel business as borders open up.



UNITED KINGDOM



PARAGON

Strong growth aided by:

- Hardening rates in Cyber, D&O and PI.
- Strong IPO activity.
- Continued crypto currency success.

Rates expected to moderate in future periods.



PSC INSURANCE BROKERS UK

- Integration complete for Absolute, Abaco and Trust.
- Trading as PSC UK Insurance Brokers with effect 1st January.
- Strong new business growth.
- Migrating to one platform with effect 1st July.



CARROLLS

- Recruited Australian property broking team and increased capacity to benefit from prevailing market conditions.
- Sales to brokers via online platforms continues to grow.



MGA'S

All capacity renewed in challenging conditions.
Strong period for new business.

