24 August 2022

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

PSC INSURANCE GROUP LTD (PSI) – 2022 FULL YEAR RESULTS ANNOUNCEMENT

Please find attached:

- FY22 Full Year 30 June 2022 Results Announcement.

Other documents lodged today are:

- Appendix 4E.
- 2022 Annual Report.
- Investor presentation. As previously released to the Market a Results Announcement conference call will be held at 9.00 am today.
- Notification of dividend / distribution. The FY22 final dividend is 7.5 cents per share franked to 60%, payable 12 October 2022. The DRP will be active for this dividend.
- Appendix 4G.

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 to the ASX by the PSC Insurance Group Limited Board.

Stephen Abbott

Company Secretary

PSC FY 2022 RESULTS ANNOUNCEMENT

Key financial highlights in 2022 were:

- UNDERLYING REVENUE UP 23% TO $254.3M.
- UNDERLYING EBITDA UP 30% TO $93.5M[1].
- UNDERLYING NPATA UP 40% TO $64.0M.
- EPS GROWTH OF 28% TO 19.3 CPS.

Year in Review:

The 2022 financial year has been a successful one for the business and its stakeholders.

The year is a product of the efforts of all the individuals in the business and a tribute to their capabilities and energy. As we have said many times, the success of this business is a product of the calibre of our people and particularly those who serve our clients and build our client base.

We continue to build out the size of the partnership of those individuals who drive the business, and the leadership team that help those individuals be better in their roles. That expansion comes by recruiting and integrating people into PSC, or as part of a group recruitment through the purchase of a business. This applies to all the regions in which we operate. Expansion of our team this year has seen us bring some wonderful groups of people into PSC via the merger with a number of businesses, the two largest of which are the teams at Alliance and AWIB. We welcome them all.

An important part of maintaining a strong partnership of individuals is for them to meet personally. This provides us with a chance to share knowledge and information, and to build stronger working relationships, which has been difficult recently. As travel restrictions have eased people have started to spend more time together and the business has started to create more opportunities for that to occur.

Continuing that will be a key to our success in future years. As part of that, I am delighted that we will once again, be able to have a group wide conference later this year where we will be bringing people together in Sydney from the UK, Hong Kong, New Zealand and Australian businesses.

When businesses grow, the challenge of leadership and the challenge of maintaining a consistent set of beliefs and values becomes both more important and requires more effort. We spend a lot of time working on that aspect of the business and it is a key part of the successful leadership in the business.

A key to that is understanding what is important to us, particularly in the way we make decisions. A simple example is how we think about what we do and remaining true to our goals and purpose. We need to be able to answer questions like, have we been fair (to our clients, to our people and partners, to our suppliers), have we been respectful or have we demeaned or undervalued someone's contribution?

Given individuals in the business have significant autonomy, we also need to make sure they think about decisions in a consistent way. That means we need to be tied together on what is the right decision in any given situation. For example, if the choice is between a simple solution and a complex one, we will always take the simple. If the choice is between a solution that creates a great short term outcome however potentially a long term problem and a solution which potentially creates a short term problem however will deliver a great long term outcome, we will always choose the latter.

1 Adjusted for AASB16 impact of ~ -$0.4m to ensure like for like comparison with prior years.

Understanding those decisions and communicating them consistently is a key to our past success and our future success. This all feeds into our PSC DNA of empowering people, respecting others and driving to succeed. If we can continue to hold true to all of the above, the future for this business will be as successful as our past.

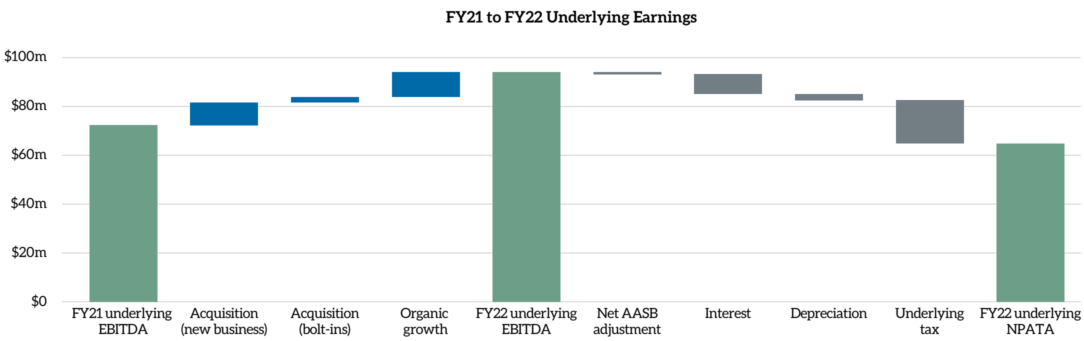
It is an evolving and ever changing environment and whilst some things don't change, such as the importance of our clients and our people, others do. Looking forward we are showing signs of change and moves to respond to a changing environment. Our partnership with AUB on a large retail broking opportunity in the UK is an example. We have not traditionally partnered with other groups however are delighted to be doing it with AUB in this situation. We have similar approaches to broking and similar values, which will ensure that this partnership works well. With the competition for broking businesses in the UK continuing to heat up, we need to be open to looking for different paths to continue our growth there. The joint venture with AUB is a good indication of our flexibility to change as our environment changes.

We will continue to be open to ideas and opportunities that create value for our shareholders even if those are a little outside our historic approach. Another example is our expansion in Hong Kong. Post balance date we have signed an agreement to acquire an additional business in Hong Kong for the equivalent of ~ A$7.8m. We now have a stable and growing footprint in Hong Kong and while we will not make further investments until we establish we can earn sound returns, it is exciting to be operating in a new region. Progress since our first investments have been encouraging, and this approach of modestly seeding a new region is the approach we adopted in the UK when we first stepped into that market, and also in New Zealand. Both regions are now performing very well and we expect the same success in Hong Kong.

All of the above makes me confident of our future and that we will continue to grow, continue to be a rewarding place to work and continue to make a contribution to our clients that helps them build their prosperity.

Year in Review (Financial Commentary):

We summarise the components of our 2022 growth below:

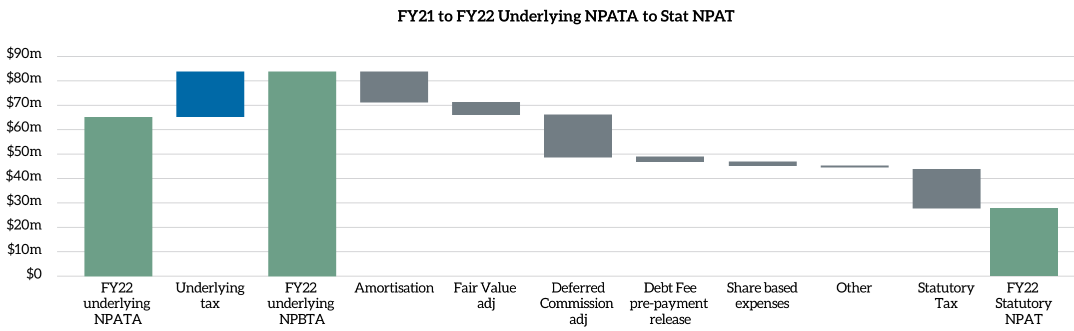


At an EBITDA of $93.5m, the results are stronger than we envisioned this time last year when we forecast an EBITDA range of $84-89m and higher than the range of $87-92m when we upgraded in February. This has been driven by stronger organic growth across all areas of the Group and performances from the acquisitions being ahead of plan.

Comments:

- Organic growth across the Group was strong at $9.6m (13%), with this growth being broad based across the 3 operating segments, with EBITDA margins increasing from 35% to 37%. Distribution contributed $3.4m, Agency $4.4m, UK $3.7m and Group -$1.9m.
- Acquisition growth across the Group was $11.9m. The UK segment contributed $6.8m of this increase, being a 9 month incremental contribution of both Abaco and Trust and a 3 month incremental contribution from Absolute. The balance of $5.1m was across the Distribution segment in Australia and New Zealand, where 12 acquisitions were completed in the financial year. The largest acquisitions being Alliance (completed in September 2021) and AWIB (completed in June 2022), and the balance being smaller bolt-in acquisitions. A majority of these came via our PSC Network businesses in Australia and New Zealand. The largest share of the increase in Distribution was ~ $2.8m from the Alliance acquisition and there was a one month contribution from AWIB.
- Distribution: we had strong performance across the Australian broking businesses, the PSC Network business (across Australia and New Zealand) and continued growth in the workers compensation services business. Market conditions have remained challenging, with rates generally higher than we expected and patchy appetite and service levels across the underwriting market. The AWIB acquisition has provided the Group with a market leading position in the fire protection industry, which we expect to provide growth opportunities both locally, and in time in the New Zealand and UK markets. Organic revenue growth was ~ 8% and organic EBITDA growth was ~ 9%.
- Agency: the Australian underwriting agency businesses had a very strong year with organic revenue growth of ~ 29%, and organic EBITDA growth of $4.4m. The key driver of this result was the Chase Underwriting business. Premium rates continued to increase in the construction space and its market leading presence and product assisted with overall share of the market. We also saw a material turn-around in the travel insurance agency business, whereby pre-Covid levels of business returned in the final 4 months of the financial year. The travel business moved from a loss making position in FY21 to a sound profit in FY22 and which contributed ~ $1.0m to the organic growth position of the segment. We also saw good growth in the medical agency business.
- UK: the UK segment, which also includes our Hong Kong businesses, had a successful year with 27% revenue growth and 37% EBITDA growth ($10.5m). The organic growth was $3.7m (13% growth), which was assisted by a favourable FX conversion (~ $0.6m). Paragon contributed ~ $2.0m of this organic growth (~ 12% growth) and Carrolls ~ $1.2m (~ 31% growth). We also saw organic growth in Breeze Underwriting, Chase UK and the UK retail businesses (after adjusting for acquired growth). The rate of organic growth moderated in the second half, largely driven by the Paragon business, where the D&O rates reduced and more Cyber business was being retained in the local US underwriting markets.
- Interest costs are down on the prior period due to the partial impact of Group's debt refinance in November. We have also seen a reduction in the underlying tax rate from ~ 29% to 27% driven mainly by the increasing contribution from our UK businesses.
- This has resulted in a 40% increase in underlying NPAT before amortisation to $64.0m, well ahead of our upgraded guidance range of $57-61m.

Key adjustments to reconcile underlying to statutory results are below:



Comments:

- Fair Value (Investments) – this reduced over the period and produced a negative contribution of $5.3m. This was largely the result of a negative fair value adjustment on BP Marsh (-$6.2m), with the share price reducing from £3.33 to £3.01 and an unfavourable FX conversion between the periods.
- Non-operating charges – totalled $20.8m, the main items were:
  - Fair value increases in the expected value of deferred consideration on previous acquisitions of ~ $17.0m, these largely resulting from the strong performance of the UK retail and Alliance acquisitions.
  - A release of ~ $2.2m from prepaid bank fees following the repayment of the Barings debt facility.
  - A charge of ~ $1.7m relating to implied options under the Group's LTI.
- Amortisation – of approximately $12.6m, which has increased given the Group's continued acquisition activity.

Dividend and Outlook:

The Chairman announced an increased final dividend of 7.5 cents per share, franked to 60%, bringing total dividends for the financial period to 12.0 cents per share, franked to ~ 64%. Franking has reduced for this dividend given the increased contribution from our UK businesses.

We remain confident in the future prospects of the Group. As that relates to FY23, we note as follows:

- The expected annualised impact of acquisitions completed in FY22 is ~ $2.6m.
- We expect continued organic growth across all of our operating segments with broadly favourable market rates, however we operate in a dynamic setting and these are subject to change.
- The competition for new talent remains very high in all our operating markets, and we expect this will pressure wage costs more than usual. In addition we are seeing travel and entertainment related costs increase, which should also commensurately lead to revenue growth with a small lag.

- We expect that the Tysers UK 'retail' joint venture with AUB will settle before the end of the calendar year. Based on receiving a contribution from the joint venture for a six month period, we would expect it to generate ~ A$4-5m in a share of EBITDA for FY23 (being a 50% contribution for half a year).
- We expect to undertake a number of additional acquisitions in FY23, however these are excluded from our earnings guidance.

After accounting for the expected FY23 contribution of the Tysers UK 'retail' joint venture, we expect an underlying EBITDA range of $105-110m and an underlying NPATA range of $70-73m.

This is represented below at the EBITDA mid-point: