

22 February 2023

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

PSC INSURANCE GROUP LTD (PSI) – FY23 HALF-YEAR RESULTS ANNOUNCEMENT

Please find attached:

- FY23 Half-Year 31 December 2022 Results Announcement.

Other documents lodged today are:

- Appendix 4D and Financial Report for the Half-Year Ended 31 December 2022.
- FY23 Half-Year Results Shareholder and Investor presentation.
- Notification of dividend / distribution. The dividend is at 5.2 cents per share and franked to 60%. The DRP will be active for the interim FY23 dividend. Dividend date of payment is 6 April 2023.

As announced to the Market on 15 February 2023, a Half-Year Results shareholder and investor conference call will commence at 9.00 am today.

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 INSURANCE GROUP LTD (PSI) –

HALF YEAR 31 DECEMBER 2022 RESULTS

ANNOUNCEMENT

PSI is pleased to announce a 15% increase in underlying revenue to \$137.8 million and 19% increase in underlying earnings before interest, tax, depreciation and amortisation (EBITDA)¹ to \$48.6 million and a 27% increase in underlying net profit after tax before amortisation (NPATA) to \$35.2 million.

A dividend of 5.2 cents per share has been declared for the period, a 16% increase on the prior period. This will be franked to 60%.

Statutory NPAT attributable to members increased 31% to \$21.3 million.

These are good results that demonstrate the ability of the Group to grow in an uncertain economic environment. This is due to the strong fundamentals we enjoy: the non-discretionary nature of business insurances of our clients, their renewable (annual) nature, good conversion to cash and good margins of profitability.

We have again achieved organic growth across all operating segments of the Group. As is our strategy, we continue to make culturally and strategically aligned additions to the Group via acquisition at our targeted level of returns, despite in some instances the high multiples being paid in the sector across our primary Australian and UK markets.

Key specific highlights in this period include:

- A strong organic growth performance, contributing a \$4.8 million EBITDA (12%) increase on the prior year. These increases were across all operating segments, with good growth in the UK wholesale, Paragon and MGA businesses and strong growth in the Australian agency businesses, with Chase Underwriting continuing to trade well and being aided by good market conditions and the strong return of the online travel insurance business.
- During the period, we completed the acquisitions of:
 - Charter-Union Insurance Brokers: a Hong Kong based commercial insurance broker. We now have three businesses in Hong Kong which is a good base to assess the market and grow organically.
 - Trade Credit Risk: is a specialist trade credit insurance broker and adds a new capability to our Australian broking franchise.
 - Aviation Marine General Insurance (AMGI): was a member of the PSC Network and has joined the Group as a base for two further bolt-in acquisitions and form a new broking business within the Australian broking franchise.

After "AASB16" depreciation and interest and normalising for traditional rent expense.

- Acquisition EBITDA growth was \$3.1 million in the period. Alan Wilson Insurance Brokers and PSC Alliance Insurance Brokers are performing well with integration of both complete. The NZ insurance broking acquisitions are performing to expectation and we have now developed a material base to continue to grow that business. The performance of Charter-Union has been pleasing and Trade Credit Risk and AMGI completed close to balance date.
- Just prior to balance date we completed two equity accounted investments:
 - Bay Building Group: are an insurance building business with a national presence. Our 40% investment enables us to expand the existing claims service providers that service our Australian broking clients.
 - Eldon Risk Partners: we have taken a 40% equity interest. ERP are a UK based start-up providing specialised broking services to private equity firms and other investment managers globally.
- The Group raised \$80m in capital in March 2022. As indicated at the time, we are progressively and prudently deploying this capital, with ~ 75% deployed or committed at balance date.

Outlook:

With a stronger than expected first half, we have upgraded our full year guidance to an underlying EBITDA range of \$104-108 million (from \$101-105 million) and an underlying NPATA range of \$72-75 million (from \$70-73 million). These results exclude any contribution from the Tysers UK retail JV opportunity that we are continuing to work on with the AUB Group.

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

FINANCIAL HIGHLIGHTS:

UNDERLYING REVENUE UP 15% TO \$137.8M.

UNDERLYING EBITDA UP 19% TO \$48.6M.

UNDERLYING NPATA UP 27% TO \$35.2M.

UNDERLYING EPS UP 17% TO 10.0 CENTS PER SHARE FOR THE 6 MONTHS.

STATUTORY NPAT UP 30% TO \$21.5M.

INTERIM DIVIDEND INCREASED BY 16% TO 5.2 CENTS PER SHARE, FRANKED TO 60%.

Underlying Revenue:

\$m	FY23	FY22	Change	%
Revenue	137.8	119.7	+18.0	+15%

Increased underlying revenue of \$18.0 million was comprised as follows:

- Acquisitions contributed approximately \$7.6 million. The majority of this growth (\$5.5 million) was from the annualisation of FY22 acquisitions, and in particular from AWIB, PSC Alliance and a number of Australian and NZ broker acquisitions, mainly sourced from the PSC Network of AR's. The AWIB business has performed well, with further growth within its fire protection industry specialty. This growth is in both direct and wholesale clients. With regard the acquisitions in FY23, Charter-Union is performing to expectations and contributed \$1.4 million of revenue growth for the 4 month period. At this early stage, Trade Credit Risk and AMGI are performing to expectations.
- Organic growth contributed approximately \$10.4 million (~ 9%). Comprising a \$3.5 million increase in Distribution (~ 8%), a \$1.8 million increase in Agency (~ 22%), a \$4.2 million increase in the UK segment, including \$0.5m from Hong Kong (~ 7% growth in the UK businesses).
- Organic growth in the Distribution businesses has been good. Market conditions remain favourable. There are still some difficulties in placing or finding enough capacity on some risks, especially higher hazard property risks. Also, we are seeing some revenue growth from the expansion and growth of our clients.
- Organic growth was strong in Agency and driven by the performance of Chase Underwriting and the strong return of the online travel insurance business. On the current trajectory, the travel business is expected to be larger and more profitable than pre-pandemic.
- Organic growth in the UK businesses was good, with Australian dollar growth in Paragon of 8% and growth in Carrolls and the MGA businesses of 6%. In particular with Paragon we saw good growth in cyber, PI (E&O) and health-care however a slowing in D&O.
- The sterling was ~ 6% weaker against the Australian dollar over the period. This has reduced the Australian dollar revenue on translation by ~ \$3.6 million over the period. This was partially offset by the sterling weakness against the US dollar helping Paragon's sterling revenue (~ A\$2.9 million benefit).
- Paragon's constant currency revenue growth for the period was 5%, Carrolls and MGA businesses was 12% and the UK commercial broking businesses 3%.
- Increasing interest rates provided a benefit in the Australian businesses over the period as we earned more interest on our client money cash balances. Interest income growth was ~ \$1.5 million.

Underlying EBITDA:

\$m	FY23	FY22	Change	%
EBITDA	48.6	40.7	+7.9	+19%

Underlying EBITDA does not add-back the depreciation and interest associated with the AASB16 lease obligations and adjusts for cash rent.

Increased underlying EBITDA of \$7.9 million was comprised as follows:

- Acquisitions contributed growth of approximately \$3.1 million, with \$2.3 million from the annualisation of FY22 acquisitions and the balance from the acquisitions completed in the current financial period.
- Organic growth was strong and increased \$4.8 million (~ 12%). Comprising a \$0.3 million increase in Distribution (~ 2%), a \$1.1 million increase in Agency (~ 30%) and a \$3.4 million increase in the UK (~ 16%). The Distribution businesses saw a controlled and planned increase in costs to invest to foster revenue growth, and the return of activities curtailed by the pandemic reflected in increased travel, entertainment and conference costs. The EBITDA margin in the period for the Distribution businesses of ~ 39% compares to ~ 35% in the immediate period prior to the pandemic.

Statutory NPAT and Underlying NPATA:

Underlying NPATA was 61% higher at \$27.6 million.

\$m	FY23	FY22	Change	%
Statutory NPAT	21.5	16.6	+5.9	+30%
Amortisation	6.9	6.1		
Revenue excluded from Underlying Results – Tax Adjusted	-0.1	-0.3		
Expenses excluded from Underlying Results – Tax Adjusted	6.8	5.2		
Underlying NPATA	35.2	27.6	+7.6	+27%
W.avg Shares	351.5	323.0		
Underlying EPS	10.0 cents	8.6 cents	+1.4 cents	+17%
Average Tax Rate	27%	27%		

Note:

- Revenue excluded from underlying results is the fair value adjustments on listed and other investments. In the current period there was a small increase in values, and the investment value of BP Marsh was largely flat. Current book value of BP Marsh is ~ \$39 million.
- Expenses excluded from underlying results comprised as follows: 1) given the good performance of the acquisitions, and in particular Absolute, Abaco, Trust and PSC Alliance, a ~ \$4.0 million charge following the revaluation of deferred consideration 2) option expenses of ~ \$1.3 million relating to the Group's LTI plan and 3) transaction and other professional costs of ~ \$1.5 million relating mainly to the Group's acquisition activity.

Balance Sheet and Cashflow:

The balance sheet remains in a strong position following the March 2022 capital raising and the debt facilities have \$83 million in undrawn limits.

We have deployed or committed ~ 75% of the \$80 million raised in March 2022 and have good capacity for 'business as usual' acquisition opportunities, with a balance date leverage ratio of ~ 1.4 times, well below our target range of 2.0-2.5 times.

The process of working on the Tysers UK retail JV and entering in to binding documentation is progressing. We expect the equity funding requirement will be ~ A\$65-100 million, depending on whether the JV takes on debt.

Operating cash-flow over the period was strong with a 13% increase to ~ \$57 million. As is previously the case, the first half of the financial period is materially the stronger cash generating period.

Dividend:

The Directors have declared an increase in the interim dividend to 5.2 cents per share, a 16% increase on the prior period. This will be franked to 60%. Record date will be 8 March 2023 and a payment date of 6 April 2023.