22 February 2023

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

**PSC INSURANCE GROUP LTD (PSI) – 2023 HALF-YEAR RESULTS PRESENTATION**

Please find attached our FY23 Half-Year Results Presentation.

As announced to the market on 15 February 2022, a shareholder and investor conference call will commence at 9 am today. Investor presentations commence today and will continue over the next two weeks.

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

Yours faithfully,

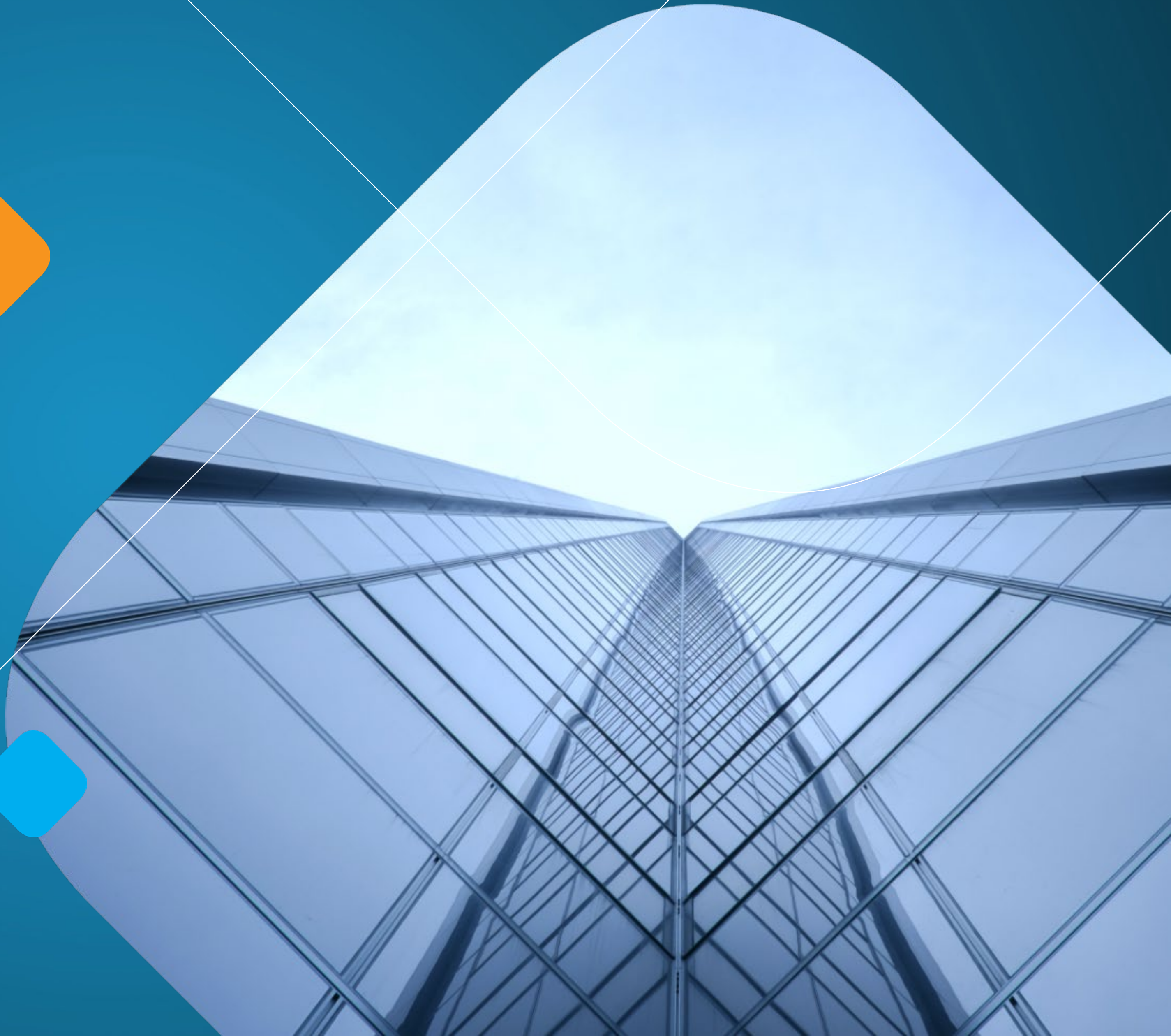
**Stephen Abbott**

**Company Secretary**

PSC INSURANCE GROUP

2023

# 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 22nd February 2023. 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

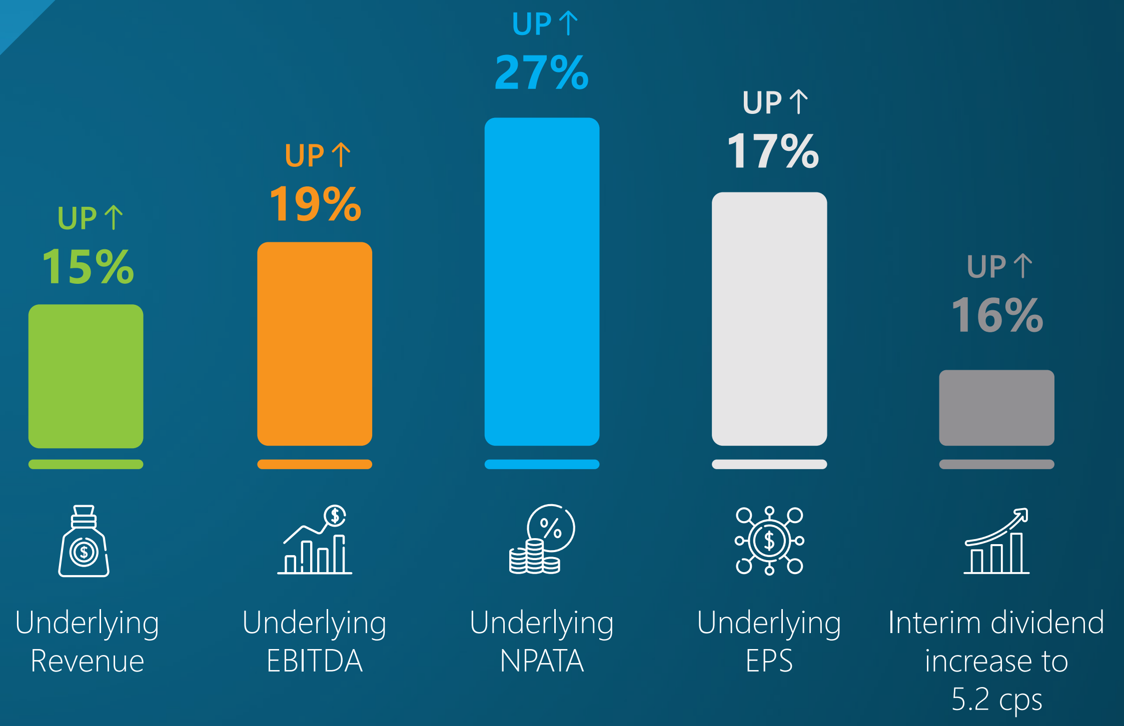
This document does not constitute an offer, invitation, solicitation, recommendation, advice or recommendation with respect to issue, purchase, or sale of any shares or other financial products in PSC.

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

Enhanced Scale & Capability Produce Strong Results



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# FINANCIAL RESULTS SUMMARY

## Business as Usual – Growth in Challenging Economic Environment

Strong revenue growth of 15% and EBITDA growth of 19%.

Organic EBITDA growth of $4.8m (+12%), strong performance across all segments.

Acquisitions contributed EBITDA growth of $3.1m. Good performance from AWIB, Charter-Union and PSC Alliance.

| ($m) – Half-Year → | 2023 | 2022 | Growth |
|---|---|---|---|
| Underlying Revenue | 137.8 | 119.7 | 15% |
| Underlying Costs | -89.2 | -79.0 | |
| Underlying EBITDA | 48.6 | 40.7 | 19% |
| Net AASB16 adjustment | -0.0 | -0.3 | |
| Interest | -4.0 | -4.8 | |
| Depreciation | -1.0 | -1.1 | |
| Amortisation | -6.9 | -6.1 | |
| Non-Operating Revenue | 0.1 | 0.4 | |
| Non-Operating Costs | -7.3 | -6.2 | |
| Net Profit Before Tax | 29.4 | 22.5 | 30% |
| Tax | -7.9 | -6.0 | |
| NPAT | 21.5 | 16.6 | 30% |
| | | | |
| Underlying EBITDA (AASB 16 Adj.) | 48.6 | 40.7 | 19% |
| Underlying EBITDA | 48.6 | 40.4 | 20% |
| Underlying NPATA | 35.2 | 27.6 | 27% |



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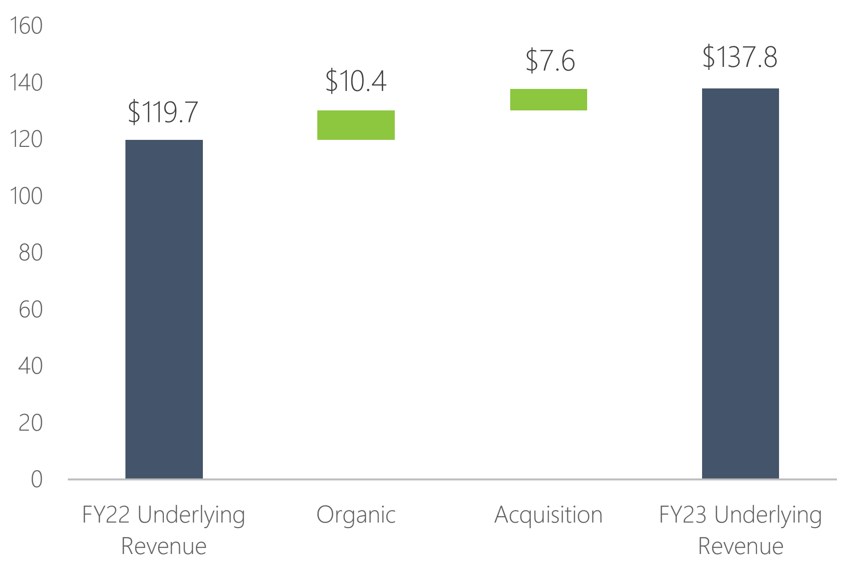
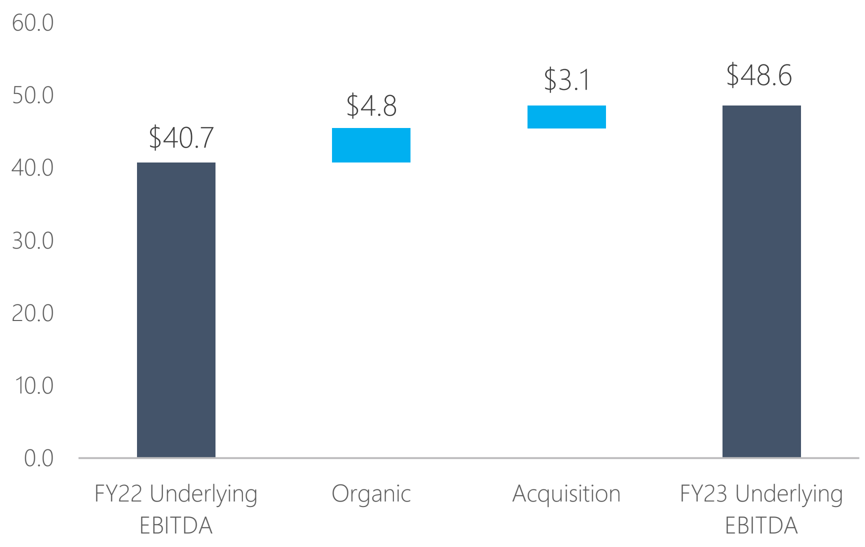
# GROWTH DRIVERS

## Strong Organic Growth and Incremental Acquisitions Performing Well

### HY REVENUE ($M)




### HY EBITDA ($M)

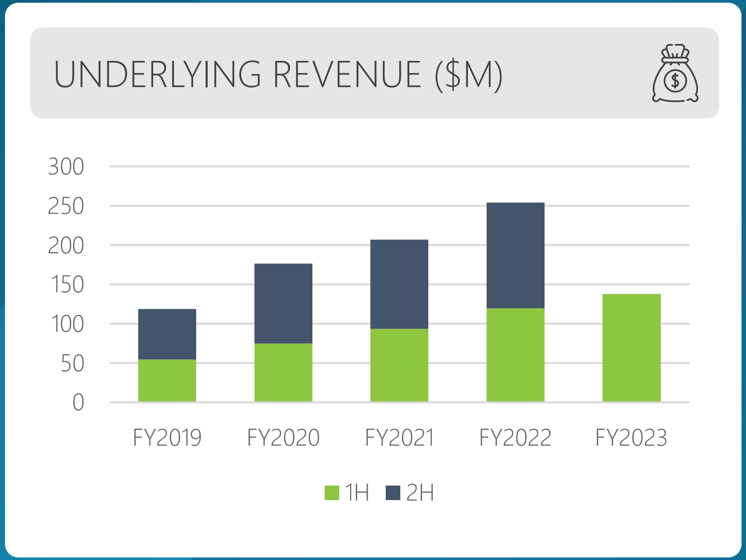


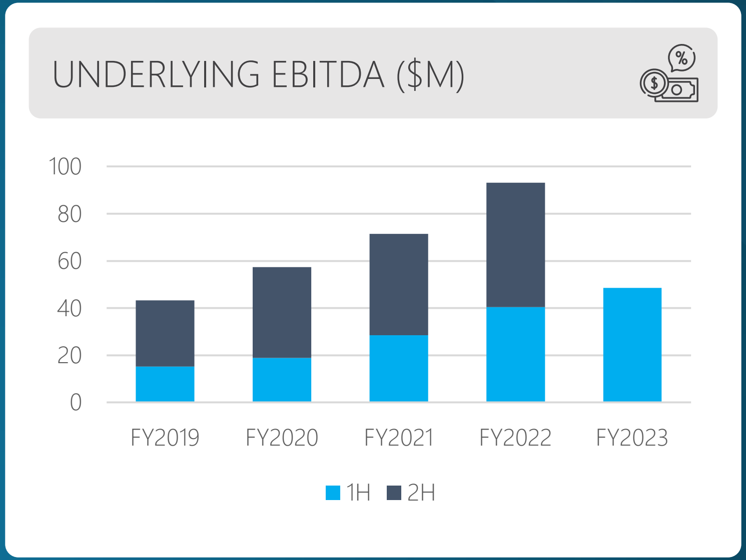

Acquisitions contributed $7.6m in incremental revenue and $3.1m incremental EBITDA. AWIB performing to expectations and full 12 month performance of PSC Alliance. Performance of Charter-Union in HK has been pleasing.

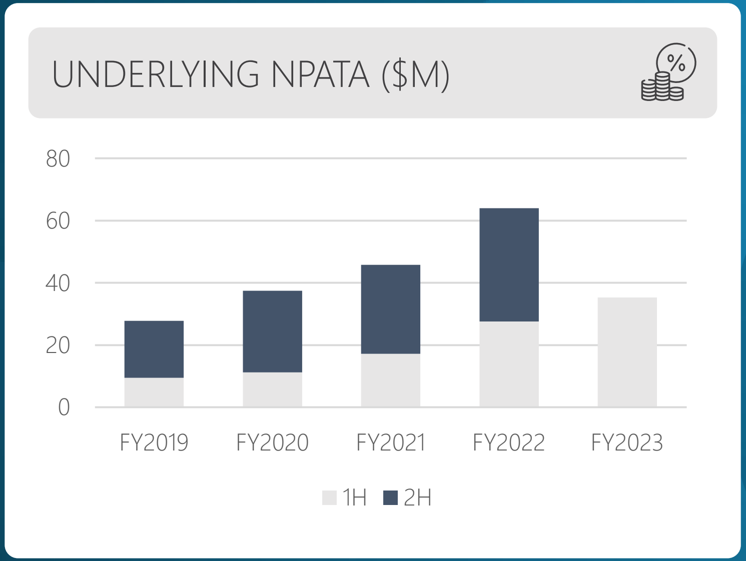
Strong organic growth in the period, with revenue growth of $10.4m (+9%) and EBITDA growth of $4.8m (+12%). Good performance across the operating segments; macro impacts (interest rates, FX) were a net positive, in a period with controlled increase in costs off pandemic lows.

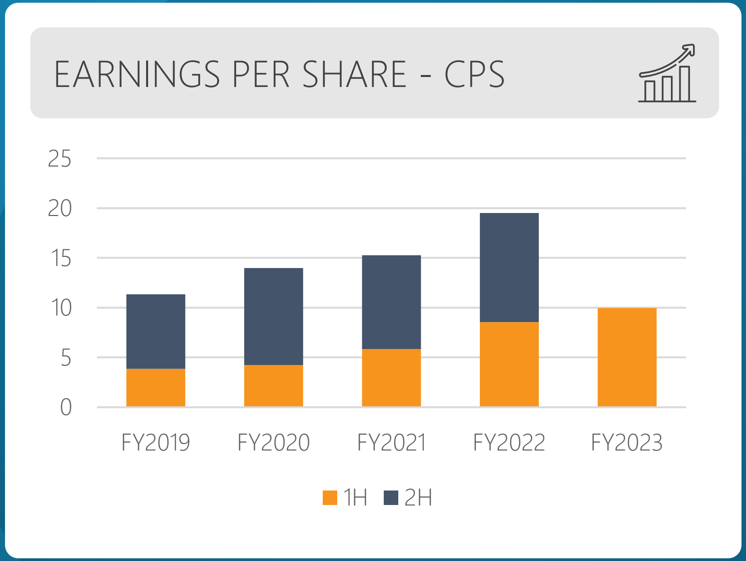
# TRACK RECORD OF GROWTH CONTINUES

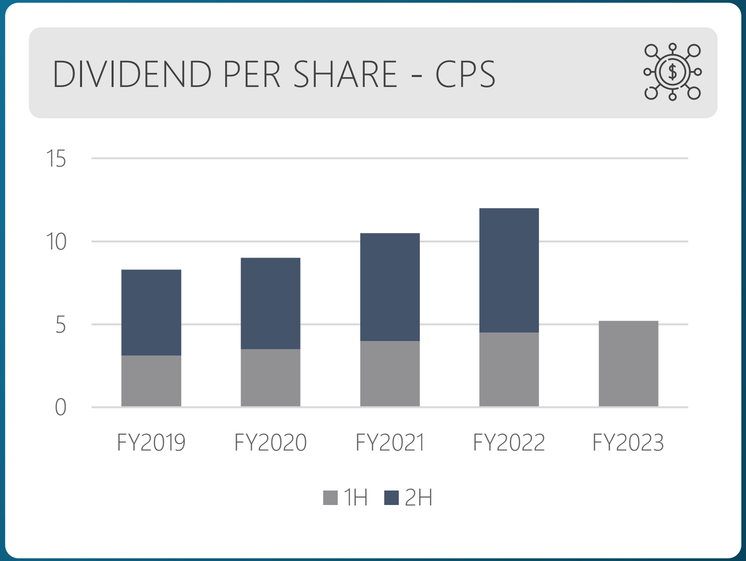
Strong Record of Growth



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# INCREASING SCALE & CAPABILITY

## Continuing to Invest in Sustainable Growth Platform

Scale allows exploring alternatives around own policy wordings and IT platforms.

High acquisition prices globally – evolve and adapt at how we are seeking opportunities.

6 regions – AU, UK, NZ, Hong Kong, Ireland, Bermuda.

Diversified businesses – SME broker, UK wholesale, international wholesale and specialty underwriting agency.

Investing in technology to expand platforms and improve productivity.

Continued strengthening of senior team – Pat Miller has moved to the UK and Ben Goodall now heads up Australian broking.

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# CONTINUE TO FIND ACQUISITION OPPORTUNITIES IN A COMPETITIVE MARKET

## 1H 2023 Acquisitions

- **Charter-Union** a specialist SME broker in HK, materially improving the scale of HK operations.
- **Trade Credit Risk** adds capability to the Group for our existing clients.
- **PSC AMGI** – acquire long-standing AR and bolt-in 2 acquisitions for a new NSW branch.
- **2 new investments:** 1) Bay Building Group – insurance building company to broaden service delivery and choice for our clients 2) Eldon Risk Partners – UK based broking start-up specialising in PE funds and investment vehicles globally.

| Acquisition | Purchase Price | Upfront | Comment |
|---|---|---|---|
| Charter-Union | 8.1 | 5.6 | Hong Kong insurance broking |
| Trade Credit Risk | 5.5 | 4.5 | New broking capability - 90% ownership |
| Aviation Marine | 3.4 | 2.5 | New broking branch in NSW - initial 70% ownership |
| | **17.0** | **12.6** | |
| **Investment** | | | |
| Bay Building Group | 12.0 | 12.0 | Insurance building services - 40% investment |
| Eldon Risk Partners | 0.7 | 0.7 | UK specialist broking start-up - 40% investment |
| | **29.7** | **25.3** | |

| Acquisition | Revenue @100% | EBITDA @ 100% |
|---|---|---|
| Charter-Union | 4.1 | 1.3 |
| Trade Credit Risk | 2.0 | 0.5 |
| Aviation Marine | 1.7 | 0.9 |
| | **7.8** | **2.7** |
| *Adj Multiple* | *2.4* | *7.1* |



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# STRATEGY AT WORK

## Expansion of Hong Kong Businesses: Initial Small Steps in to a new Region

- Charter-Union Insurance Brokers completed in August-22.
- Now operating 3 businesses: Charter-Gilman, Charter-Union and Trans Pacific.
- Focus on organic growth and efficiencies.

Charter Gilman Insurance
基利民保險

Pro-forma 12 month contribution expected at A$7.7m revenue and A$1.7m EBITDA.

Capital deployed ~ A$14m.

# STRATEGY AT WORK

## Forming a new NSW based Broking branch

Long standing PSC Network partner (AMGI) joins PSC with an initial 70% equity position taken.

PSC AMGI acquires complementary WSC Insurance and a Reliance Partners portfolio (post balance date). Pro-forma 12 month contribution expected at ~ A$4.1m revenue and ~ A$1.6m EBITDA.

Final ownership ~ 85-86% and PSC holds a call option to move to 100% after 4 years.

Disciplined acquisition married to highly capable execution

# SEGMENT RESULTS

Growth in Challenging Economic Environment shows Defensive Qualities

## DISTRIBUTION
(AUSTRALIA)

Distribution EBITDA up $2.9m (15%). Broking businesses and Networks performing well.

## AGENCY
(AUSTRALIA)

Agency EBITDA up $1.1m (30%), driven by strong performance from Chase Underwriting and the online travel insurance returning post Covid.

## UNITED KINGDOM

UK EBITDA up $3.9m (19%). Organic revenue growth in Paragon of ~ 5% at constant currency and USD tailwind ('International Wholesale'), and good growth across Carrolls ('Domestic Wholesale') and Breeze and Chase ('MGA's)'. PSC UK Insurance Brokers integrating as planned.

## GROUP

Group EBITDA contribution steady on prior period.



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# SEGMENT RESULTS

| ($m) – FY23 | Distribution | Agency | UK | Group | TOTAL |
|---|---|---|---|---|---|
| Underlying Revenue | 57.0 | 10.3 | 68.9 | 1.6 | **137.8** |
| | 41% | 8% | 50% | 1% | |
| Reported NPAT | 11.4 | 3.2 | 13.9 | -7.0 | **21.5** |
| Reported EBITDA | 21.2 | 4.8 | 22.7 | -4.4 | **44.4** |
| Underlying EBITDA (AASB16 Adj.) | 22.0 | 4.6 | 24.4 | -2.5 | 48.6 |
| **% of Total** | **45%** | **10%** | **50%** | **-5%** | |
| **Underlying EBITDA Growth: PCP** | **15%** | **30%** | **19%** | **-1%** | **19%** |
| **EBITDA Growth** | **2.9** | **1.1** | **3.9** | **0.0** | **7.9** |
| Organic | 0.3 | 1.1 | 3.4 | 0.0 | 4.8 |
| Acquisition | 2.6 | 0.0 | 0.5 | 0.0 | 3.1 |

| ($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%** | |



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# STATUTORY NPAT RECONCILIATION

| ($m) | 2023 | 2022 | Growth |
|---|---|---|---|
| Statutory NPAT | 21.5 | 16.6 | 30% |
| Amortisation | 6.9 | 6.1 | |
| Revenue excluded from Underlying - Tax Adjusted | -0.1 | -0.3 | |
| Expenses excluded from Underlying - Tax Adjusted | 6.8 | 5.2 | |
| Underlying NPATA | 35.2 | 27.6 | 27% |
| W.avg. Shares (m) | 351.5 | 323.0 | |
| Underlying EPS | 10.0 cents | 8.6 cents | 17% |
| Average Tax Rate | 27% | 27% | |

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:

- ~ $4.0m relating to deferred consideration fair value changes (good performance from Absolute, Abaco, Trust and PSC Alliance).
- ~ $1.3m relating to implied option costs from the Group LTIP.
- ~ $1.5m relating to professional fees relating mainly to acquisition activity.

Underlying NPATA up 27% to $35.2m and underlying EPS up 17% to 10.0 cents per share.

Average tax rate of 27%.



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# OPERATING CASH FLOW RECONCILIATION

| ($m) | HY2023 | HY2022 |
|---|---|---|
| Statutory NPAT | 21.5 | 16.6 |
| Non-Cash Items | 15.1 | 13.4 |
| Change in Working Capital | 20.2 | 20.2 |
| Operating Cash Flow | 56.8 | 50.2 |

After-tax operating cash flow up 13% on prior period to ~ $57m.

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



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# BALANCE SHEET

> 75% of the $80m capital raised in March 2022 deployed or committed.

The Group gearing position is soundly placed for 'business as usual' M&A activity.

| ($m) | Dec-22 | Jun-22 | Comments |
|---|---|---|---|
| Cash - Own | 94.1 | 106.1 | Acquisition activity funded with cash balances in the period |
| Working Capital | 8.9 | 32.8 | Usual seasonal pattern of debtor collections post June peak period |
| **Total Liquidity** | **103.0** | **138.9** | |
| Intangible Assets | 479.0 | 457.3 | Increases include Charter-Union, AMGI, Trade Credit Risk |
| Investments | 68.8 | 55.0 | BP Marsh $39m; additions BBG $12m, ERP $0.7m |
| Fixed Assets, Net | 35.0 | 37.2 | Includes East Melb, PPE |
| Vendor Obligations | -39.6 | -41.2 | |
| Deferred Tax, Net | -28.9 | -32.1 | |
| Borrowings | -187.5 | -187.0 | $83m in undrawn limits |
| Other | -17.8 | -19.4 | |
| **Net Assets** | **412.1** | **408.8** | |
| | | | |
| Equity: | | | |
| Share Capital | 419.0 | 411.7 | Increases due to acquisition consideration |
| Retained Profits | 37.0 | 42.2 | Seasonal - 1H lower profit half, higher cash half |
| Reserves/NCI | -43.9 | -45.1 | |
| | **412.1** | **408.8** | |



PSC INSURANCE GROUP

# FUNDING CAPACITY

## Strong current funding position with the Tysers JV funding pending

| | HY2023 | FY2023 |
|---|---|---|
| Debt | 187.5 | |
| Property Debt | -7.6 | |
| Cash | -94.1 | |
| Working Capital 'Float' | 20.0 | |
| Vendor Obligations | 39.3 | |
| **Adjusted Net Debt** | **145.1** | **270.1** |
| **Underlying EBITDA** | **105.0** | **117.5** |
| **Leverage Ratio** | **1.40** | **2.30** |

The FY2023 position is a hypothetical position assuming $125m in acquisitions, we now expect the Tyser's JV funding requirement to be ~ A$100m.

Our net debt adjusts for cash balance net of a working capital 'float' and adds vendor obligations.

The hypothetical 2023 scenario with $125m in acquisitions would see leverage increase.

Current leverage ratio of 1.40 times is well below target range.



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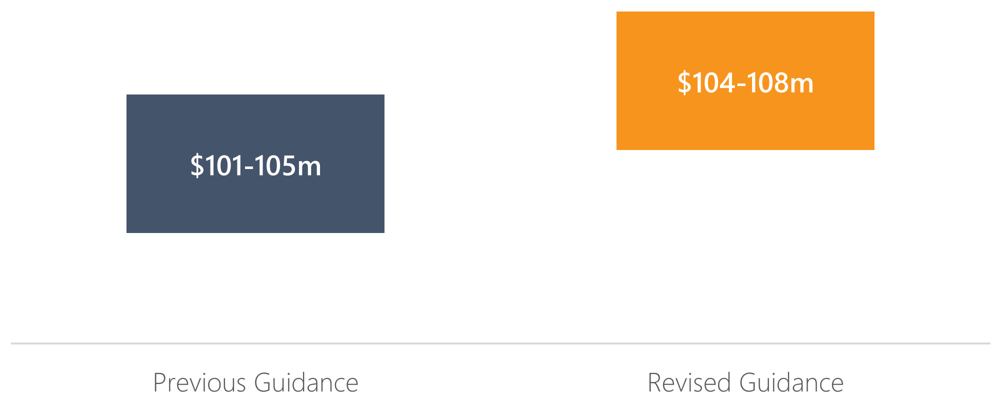
# OUTLOOK

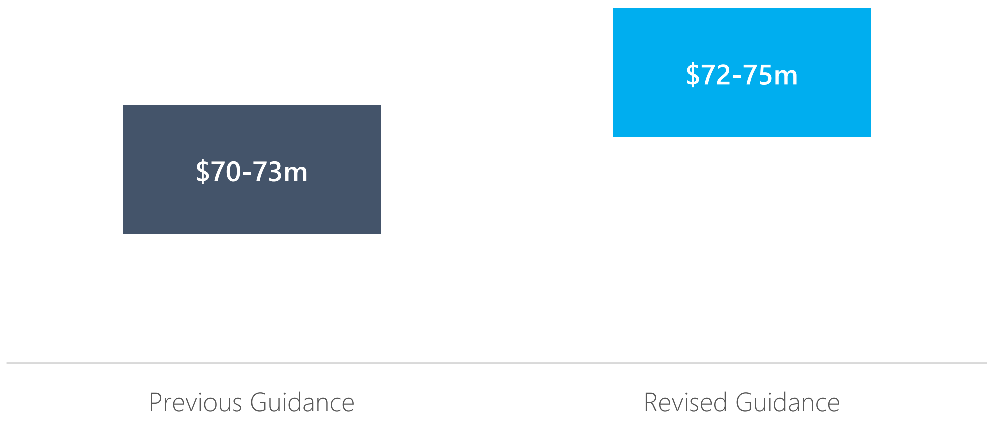
## Guidance for Full Year Upgraded after good first half

Given the stronger than expected first half, the Group upgrades its market guidance of underlying EBITDA to an updated range of $104-108m (from $101-105m) and underlying NPATA to an updated range of $72-75m (from $70-73m), excluding any Tyser's JV contribution.

### Guidance - Underlying EBITDA




### Guidance - NPATA



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# APPENDIX



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# DISTRIBUTION

## BROKING

- Rates increasing, at lower rate than 12 months ago. Rates in property and motor classes harder than elsewhere.
- Challenges remain in placements on high hazard property risks in particular.
- Recruitment challenges have eased slightly over recent months.

PSC INSURANCE BROKERS

## NETWORKS

- We have completed 8 acquisitions of AR businesses over calendar 2022.
- AR numbers have increased to 202 across Australia and NZ.
- 12 new AR's have replaced the acquisitions.

PSC NETWORK INSURANCE PARTNERS

## WORKERS COMPENSATION SERVICES

- Provides WC consulting services to medium and large size companies.
- Value add to the Broking and Network client base.

PSC WCS. PSC SAFEX

## LIFE BROKING

Remains a value add for our Broking and Networks clients.

PSC LIFE

# AGENCY

Chase Underwriting business continues to perform strongly, with GWP growth > 15% and revenue growth > 20%.

The online travel business has recovered quickly and is on a trajectory for better performance and scale than pre-pandemic.

Travel Insuranz DON'T WORRY. JUST TRAVEL.

Chase UNDERWRITING

insure4less online travel insurance

BREZE UNDERWRITING

Medisure indemnity australia



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# UNITED KINGDOM

## PARAGON

- Good growth with 'constant currency' revenue growth of 5% and EBITDA c-c growth of 7%.
- Strong performances across PI (E&O), cyber and health teams. D&O down a small amount with rates reducing and M&A down a small amount with less acquisition activity.
- Travel related costs to US picking up and continuing to invest in staff.

Paragon

## PSC UK INSURANCE BROKERS

- Migrated to the Acturis broking platform.
- New office sourced for Turners in Leicester.
- Integration complete with focus on revenue growth.

PSC UK INSURANCE BROKERS

## CARROLLS

- Strong performance in the period with 13% £ revenue growth and improved margins.
- Continue to develop and launch new online products distributed via expanding broker distribution platform.

CARROLLS BROKING UNDERWRITING ONLINE

## MGA'S

- Strong performance in the period with 11% £ revenue growth and improved margins.
- We expect completion of the Ensurance UK acquisition Q3 FY23.

Breeze Underwriting Chase UNDERWRITING



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