

23 August 2023

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

PSC INSURANCE GROUP LIMITED (PSI) – 2023 FULL YEAR RESULTS ANNOUNCEMENT

Please find attached:

- FY23 Full Year 30 June 2023 Results Announcement.

Other documents lodged today are:

- Appendix 4E.
- 2023 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 DRP will be active for the final FY23 dividend payable on 11 October 2023.
- 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.

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

Stephen Abbott

Company Secretary

PSC FY 2023 RESULTS ANNOUNCEMENT

Key financial highlights in 2023 were:

- UNDERLYING REVENUE UP 17% TO \$298.6M.
- UNDERLYING EBITDA UP 19% TO \$111.0M¹.
- UNDERLYING NPATA UP 23% TO \$78.4M.
- EPS GROWTH OF 15% TO 22.2 CPS.

Year in Review:

The 2023 financial year has been another successful step in our journey to build a globally significant insurance broking and specialty business.

The year has been a period where we have cemented our position in a number of areas and laid very solid foundations in important and exciting segments of the global insurance market. As importantly, we took the final steps in our journey to be independent of other players in the Australian and New Zealand (NZ) market place as is our position in all other countries. We achieved this by establishing our own insurance trading platform. If you hear us talk about APEX, it is the system that we have developed and will continue building to drive improvements for our clients and for our brokers. We had delayed the development of this platform, believing that when it became appropriate for us to make that move, we could do so cost effectively and in a manner that ensured the system was flexible enough to shift and be reshaped as the industry changes and opportunities appear.

We are delighted that this is what has now been possible. Our platform allows insurers to compete in a way that other platforms preclude, and that is an enormous advantage to our clients and we believe that ultimately, providing the best possible outcome to clients, achieves the best result for us.

The financial year 2023 has also been a year in which a number of small acquisitions have started to pay off and the number of opportunities to seed start-ups has risen. We have grabbed a number of those opportunities and are confident that a good number of them will make significant contributions to PSC in future years.

Eldin Risk Partners is one start-up we are excited about and it is a good example of how our expertise in the insurance broking and specialty industry has allowed us to find, structure and assist individuals who are wanting to build businesses. Eldin Risk Partners is based in London and is a global insurance buying and advice business that assists large financial sponsors and other large investment groups and funds to access insurance scale benefits to get better value insurance placements for their portfolio companies.

We have also acquired the Ensurance business in the United Kingdom (UK) to help build our construction underwriting capabilities, where the business serves both the local market and offshore markets. While this is a small acquisition it has significant upside under the skills of the existing executives in this part of the business (Adam Burgess and Simon Challinor in particular).

We often take small steps into markets which we know, however don't know well. If those first small steps produce positive results, we continue to invest. Our move into the UK and NZ are examples where we entered gently, and now have significant businesses. Our most recent such move was the purchase of a number of small businesses in Hong Kong as an entry into the Asian market place.

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

Our current aggregate investment into the Hong Kong market is approximately \$14 million. Under the leadership of Hei Wong this small step into the Asian market is already starting to deliver solid results. We picked Hong Kong as the best place to start as it is a market we know and we have had the pleasure of working with Hei Wong over a long period of time and we knew we had capable leadership in that country.

The PSC Network business run by Tony Walker has worked through the challenges of the move to APEX. While APEX is already a wonderful foundation for growth and will continue to improve, change creates disruption and the PSC Network business felt that most directly. It is a tribute to the commitment of our partners (our authorised Representatives and others) in PSC Network and the leadership and ability of Tony Walker and his team that they worked through the period of change.

We had a change of leadership in the broking business in Australia with Pat Miller heading to the UK to build his skills and capabilities and, as importantly, to provide the businesses in the UK with an understanding of why PSC's values and culture help drive success. Ben Goodall has taken up the role of head of broking in Australia and the ability to bring someone into that role with the history in the industry that Ben brings is a reminder of the depth and capabilities of the broad leadership group in PSC.

I have mentioned a number of executives in preceding paragraphs and it is important to note that there are many more worthy of mentioning given the contribution that they have made and do make each day. I will mention some of those in reports in future years. The key point of that comment is to note the strength of our leadership capabilities and that is true in all the jurisdictions in which we operate and in all the functions and activities we undertake.

That strength is important as we are operating in a growing number of countries. We now have a presence in Australia, New Zealand, Hong Kong, the United Kingdom, Bermuda and Ireland. We are looking and aspiring to grow in each of those areas. Our ambitions grow as quickly as our achievements. The last year has also had its disappointments. A significant one was that our joint venture with AUB Group Limited in the Tysers retail broking business didn't come to fruition. We met a number of the Tysers executives and were impressed with them and what they had achieved.

Although we did not complete the Tysers investment, financial year 2023 was still a year where we invested over \$50 million in buying businesses around the world. We looked at a lot of opportunities and liked many more than we acquired, however we were often not at the offer price others were prepared to offer. We believe that this disciplined approach is a key to the continued contribution that our acquisition strategy makes to earnings per share growth. We are prepared to pay sensible market prices for opportunities. We know that the larger the opportunity, the more relevant and unique it is in terms of assisting us to achieve our aspirations, the higher the price we will need to pay to be the successful bidder. In these situations, we would expect the growth rate to be higher and the risk lower to justify that market price.

At the moment some assets we see have achieved prices that we can't justify. That may partly be because of our approach with our customer centric view, which can minimise short term cost savings or the opportunity to quickly uplift revenue potentially at the risk of achieving the best client outcomes.

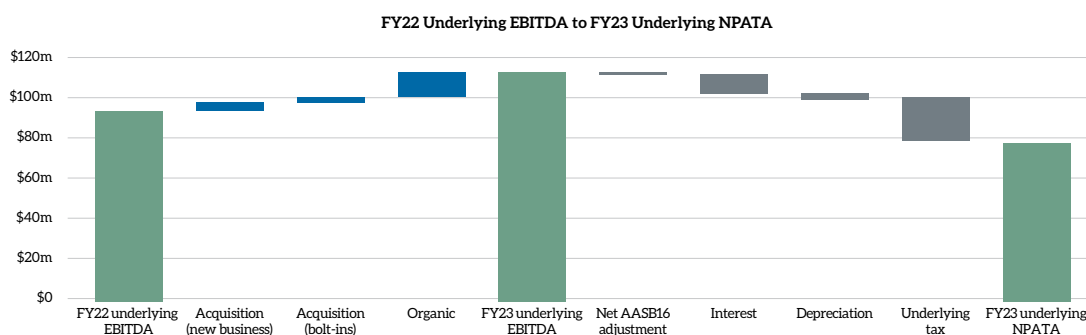
This isn't a concern for us as our principal goal has been and will continue to be to drive the development of skill and capabilities that ensure we continue to achieve outstanding organic revenue growth. When we look to invest in businesses, one of the things we focus on is the ability of the business via the people in those businesses to continue to achieve organic growth. The businesses we have merged into PSC through the year definitely meet that criteria.

We are looking forward to another successful year in financial year 2024 given our approach remains the same. That is, to ensure we help our clients build their prosperity, and we remain a rewarding place to work.

The Board plays an important role in all organisations. We believe a Board can make its greatest contribution if the Directors have substantial industry experience. This is certainly true for PSC. A key person in our journey has been Brian Austin in his role as Chair of the Board. Brian has announced he is stepping down from that role at our Annual General Meeting in November, with Paul Dwyer stepping in as Chair. Thankfully Brian will remain on the Board and will additionally take up the role of Chair of the PSC Asian businesses.

Year in Review (Financial Commentary):

We summarise the components of our 2023 growth below:



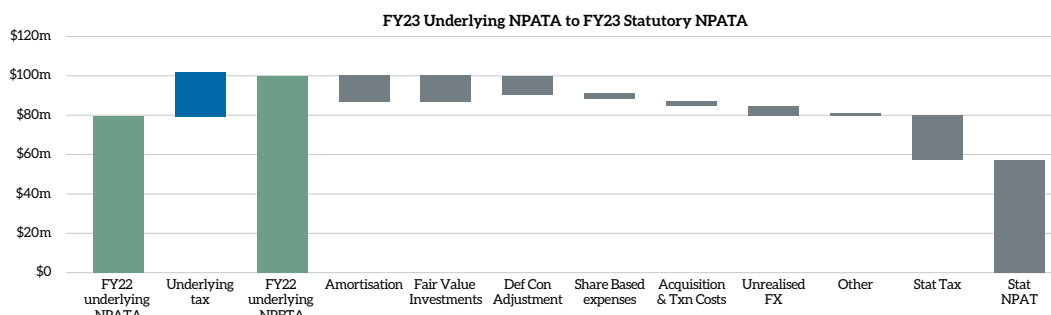
At an EBITDA of \$111.0m (growth of \$17.5m), the results are stronger than we envisioned this time last year when we forecast an EBITDA range of \$101-105m and higher than the range of \$104-108m when we upgraded in February. This has been driven by good organic growth across all areas of the Group and performances from the acquisitions being ahead of plan.

Comments:

- Organic growth across the Group was strong at \$10.6m (11%), with this growth being broad based across the 3 operating segments, with EBITDA margins remaining steady at 37%. Distribution contributed \$2.1m, Agency \$1.9m, UK \$5.4m and Group \$1.2m. This was assisted by supportive market and macro-economic factors (interest rate increases and FX volatility), and client numbers have increased.
- Acquisition growth across the Group was \$7.0m. The Distribution businesses were the main driver (\$6.1m) of this growth. Alan Wilson Insurance Brokers (AWIB) performed very well, with very good growth in their fire protection businesses. The formation of the new PSC AMGI WSC branch following those acquisitions has been performing exceptionally and the PSC Trade Credit Risk is also above plan. Additionally we completed ~ 12 small bolt-in's of portfolios across the Australian and NZ branch network. In our offshore markets we made 3 acquisitions which contributed \$1.7m. Charter-Union Insurance Brokers is performing ahead of expectation and the Ensurance UK and Turner Rawlinson acquisitions were completed in the second half and are integrating as expected. Finally, our investments in Eldin Risk Partners and Bay Building Group made a combined small loss position and we expected these to be positive contributors going forward.

- Distribution: performed well with 19% revenue growth (\$20.9m) and 17% EBITDA growth (\$8.1m), with continued strong performance across the Australian broking businesses and the PSC Network business (across Australia and New Zealand). Market conditions remained generally supportive of financial performance, with different policy classes experiencing different price dynamics. The teams have adapted well to our transition to the Apex platform, and we expect efficiency and productivity benefits to continue in to the new financial year. We have adopted an updated revenue recognition process for our workers compensation services business, which had the once-off impact of reducing revenue in that business by ~ \$2m. Organic revenue growth was ~ 8% and organic EBITDA growth was ~ 4%.
- Agency (Specialty): the Australian underwriting agency and specialty businesses had another strong year with revenue growth of ~ 14% (\$2.9m) and EBITDA growth of ~ 17% (\$1.9m). This growth was roughly shared between the Chase Underwriting and online travel insurance businesses. There are a number of exciting opportunities expected over the coming financial year with these businesses, with Ensurance Australia expected to join in November and adding PI to our product mix, and 2 start-up opportunities with new products in advanced planning.
- UK: the UK segment, which also includes our Hong Kong businesses, had a successful year with 15% revenue growth (\$18.1m) and 18% EBITDA growth (\$7.1m). The organic EBITDA growth was \$5.4m (14% growth), which was well assisted by favourable foreign exchange (FX) conversion given the strong US dollar over the period.
 - Paragon had a good period, with constant-currency revenue growth of 10% and constant-currency EBITDA growth of 9%. The E&O, cyber, healthcare, UK Professions and Casualty teams all grew revenue well, whilst the D&O revenue was flat in the period.
 - The domestic wholesale businesses (Carrolls and Breeze Underwriting) grew very strongly with revenue growth of 14% and EBITDA growth of 25%. Carrolls continues to grow as we invest in on-line platforms and increased business from our distribution base.
 - The key focus for the retail business has been on integration as we have moved to one broking platform and increasingly harmonise processes and approach to market. With the acquisition of Turner Rawlinson later in the period, the revenue base of the business is now meaningful at greater than £15m, and we are expecting good growth in to the new financial year.
 - We completed the Ensurance UK acquisition during the year, which is highly complementary to the Chase UK operations. Integration is progressing as expected and these businesses are expected to contribute revenue greater than £4m on an annualised basis and be a meaningful earnings contributor.
 - The Hong Kong business has shown very pleasing progress during the period, with EBITDA increasing from a little over breakeven to greater than HK\$10m (~ A\$2m). This is a significant achievement, with this growth approximately apportioned between the acquisition of Charter-Union and organic growth.
- Interest costs are up a little due to an increase in rates, however this increase was moderated by the full year impact of the debt refinance in November 2021. We have also seen a reduction in the underlying tax rate from ~ 27% to ~ 25%, we expect this rate to increase in the coming financial period driven by the recent increase in the UK company tax rate from 19% to 25%.
- This has resulted in a 23% increase in underlying NPAT before amortisation to \$78.4m, well ahead of our guidance range of \$72-75m.

Key adjustments to reconcile underlying to statutory results are below:



Comments:

- Fair Value (Investments) – this produced a positive contribution of \$15.1m given the strong share price performance of B.P. Marsh & Partners PLC, which sold its largest investment holding (Kentro Capital) at approximately book value in the period.
- Non-operating charges – totalled \$20.2m, the main items were:
 - Fair value increases in the expected value of deferred consideration on previous acquisitions of ~ \$8.9m, indicating the sound performance of the recently completed acquisitions.
 - Expenses of ~ \$3.1m relating to legal and other transaction related costs.
 - A charge of ~ \$2.8m relating to implied options under the Group's LTI.
 - Net charges related to FX movements of ~ \$4.7m.
- Amortisation – of approximately \$14.7m, which has increased given the Group's continued acquisition activity.

Dividend and Outlook:

The Chairman announced an increased final dividend of 8.3 cents per share, franked to 60%, bringing total dividends for the financial period to 13.5 cents per share, franked to 60%. As previously announced, we expect an underlying EBITDA range of \$122-127m (+10%-14%) and an underlying NPATA range of \$82-86m (+5-10%).

We remain confident in the future prospects of the Group. As relates to FY24, we note as follows:

- The expected annualised impact of acquisitions completed in FY23 is ~ \$3.0m.
- We expect continued organic growth across all of our operating segments, our guidance range implies expected organic EBITDA growth of 7-12%.
- The above excludes any acquisitions completed through FY24, including the recently announced Ensurance Australia acquisition.
- The NPATA guidance is reflective of an increase in the UK company tax rate to 25%, which was effective from 1 April 2023.

This is represented below at the EBITDA mid-point:

