



28th August 2014

The Manager
Company Announcements
Australian Securities Exchange
Level 6, Exchange Centre,
20 Bridge Street
Sydney, NSW 2000

Dear Sir / Madam,

Re: Presentation on Results for the year ended 30th June 2014

Attached for immediate release is Austbrokers Holdings Limited (AUB) Presentation on results for the year ended 30th June 2014.

Yours faithfully,

Stephen Rouvray
Company Secretary
Austbrokers Holdings Limited

For further information, contact Steve Rouvray Tel: (02) 9935 2201
Mobile: 0412 259 158

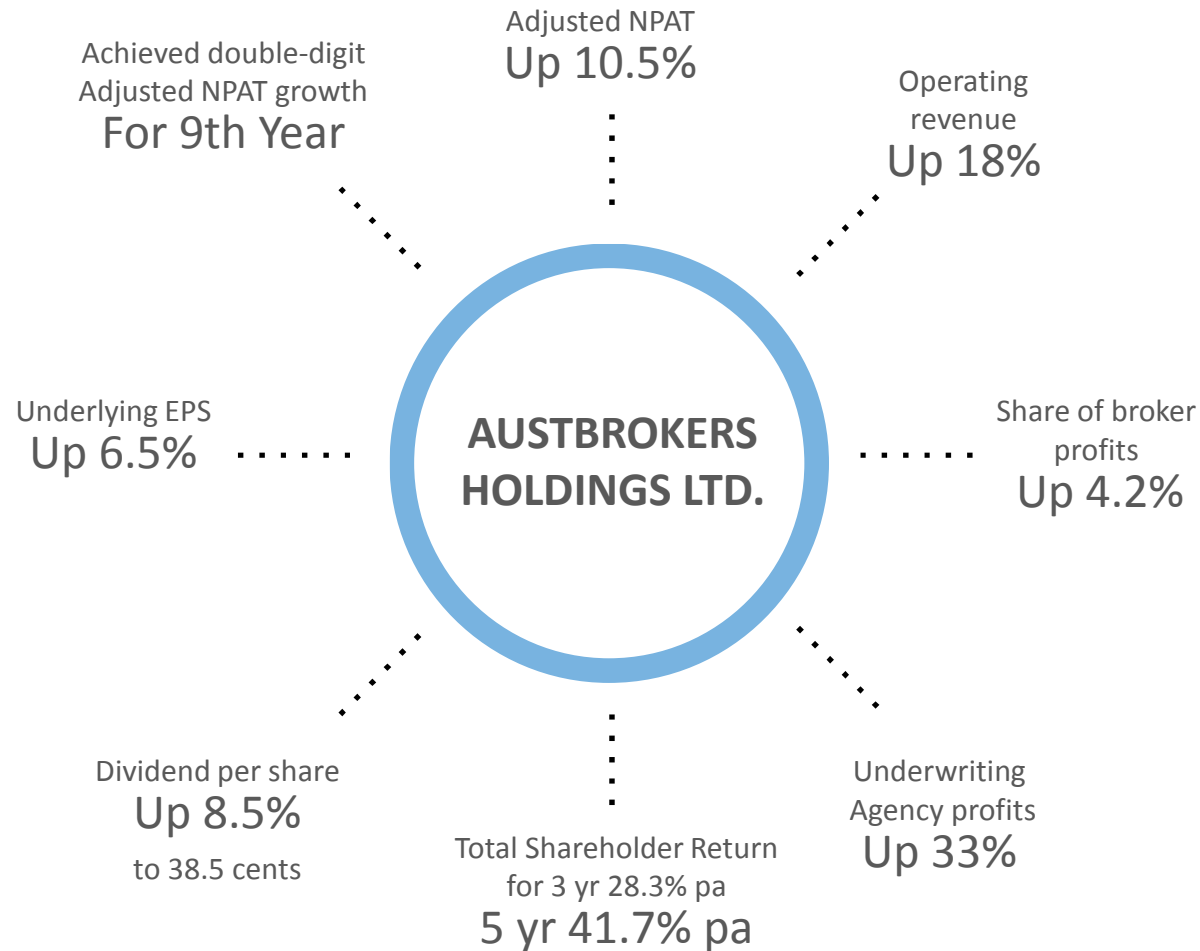


AUSTBROKERS HOLDINGS LTD

FY2014 RESULTS

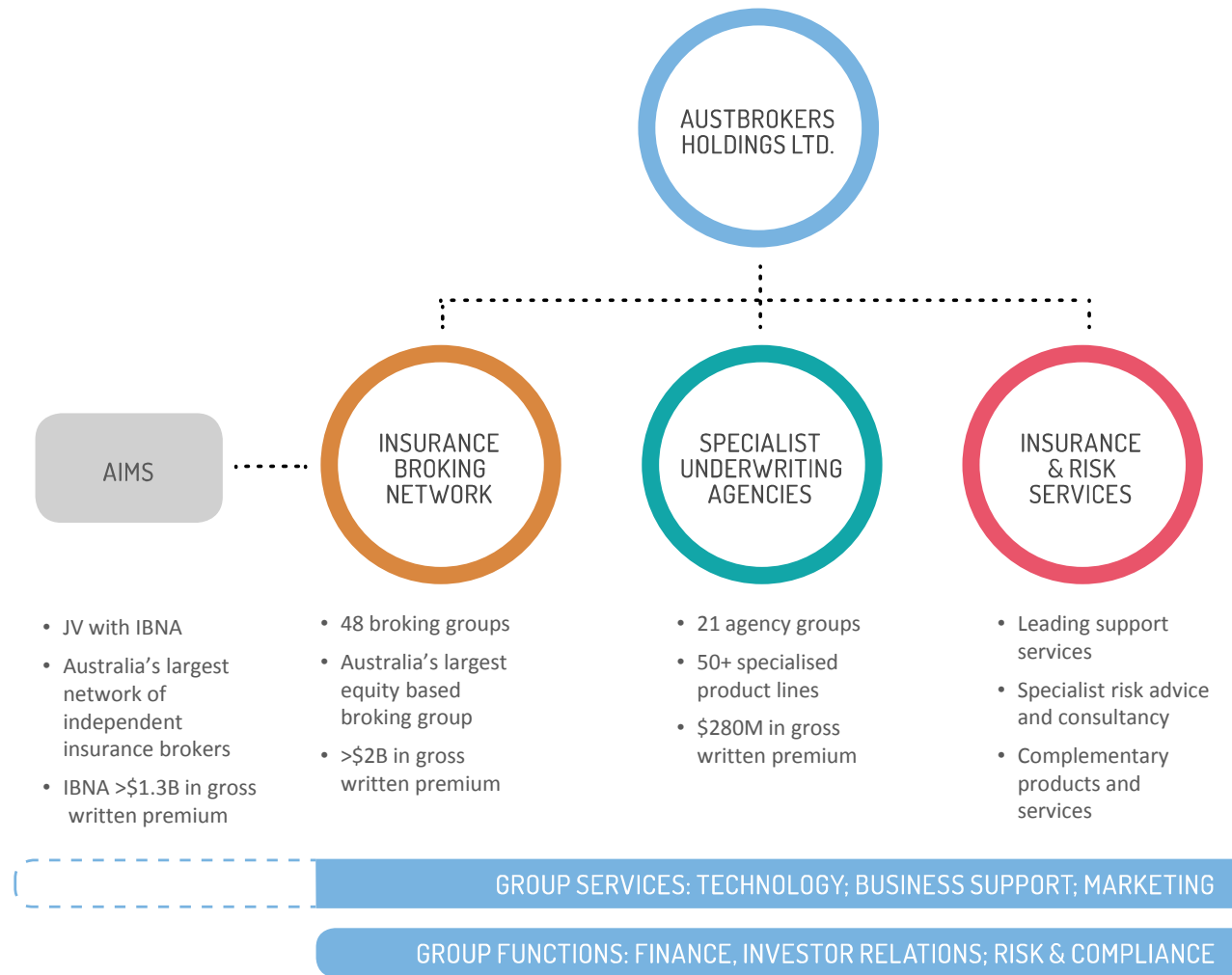
THURSDAY 28 AUGUST 2014

GROUP STRONGLY POSITIONED



WHO WE ARE

Australia's leading equity based insurance broking, underwriting agency and risk services group. Pioneers of the 'Owner-Driver' model.



GROWTH ACROSS ALL BUSINESS DIVISIONS



INSURANCE BROKING NETWORK

- Commission / fee income up 12.1%
- 6.2% profit growth
- Profit commissions up 18.5%
- Premium funding up 16%
- 10 bolt-on & stand alone acquisitions
- Successful integration of FY13 acquisitions
- Recent acquisition (FY15)



SPECIALIST UNDERWRITING AGENCIES

- Revenue growth 40%
- 33% net profit growth
- Significant growth from start-up agencies
- Successful integration of FY13 acquisitions
- New SURA brand launched
- Recent acquisition (FY15)



INSURANCE & RISK SERVICES

- New division established
- Complementary risk services and support
- Recent acquisition (FY15)

GROUP SERVICES INVESTMENT DELIVERING RESULTS



BUSINESS TECHNOLOGY

- 80% of operating businesses utilizing common Data Centre
- CBS broking system & Citrix environment upgraded
- 99.9% system availability
- Business Intelligence tools rolled out across all divisions
- Technology solutions to meet new Privacy legislation delivered

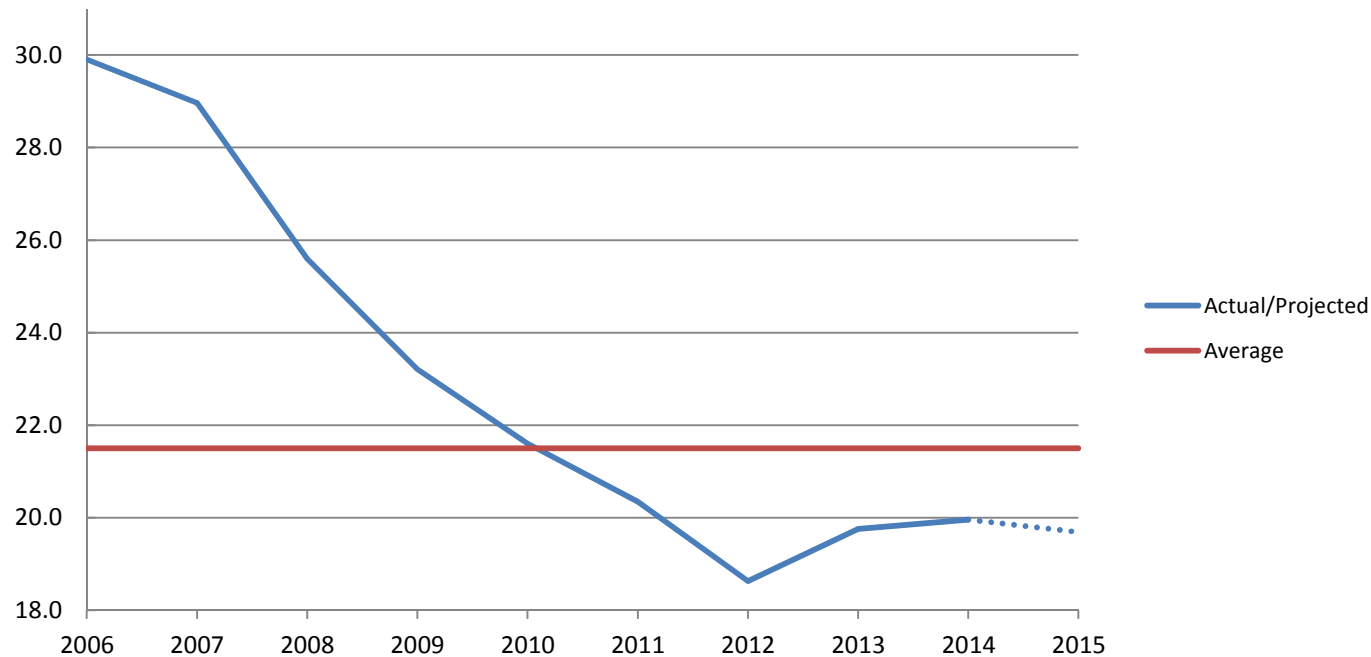
BUSINESS SERVICES & SUPPORT

- 60% of operating businesses gaining significant efficiencies through use of central Back Office capabilities
- Online HR management tools rolled out across network
- Investment in industry leading Risk & Compliance capability

OPERATING OFFICE

- Specialist Group marketing competencies
- 'iClose' placements delivered; full policy administration capabilities underway
- Investment in Change & Delivery competencies

INCOME TO EXPENSE RATIO HELD BELOW 10 YEAR ROLLING AVERAGE



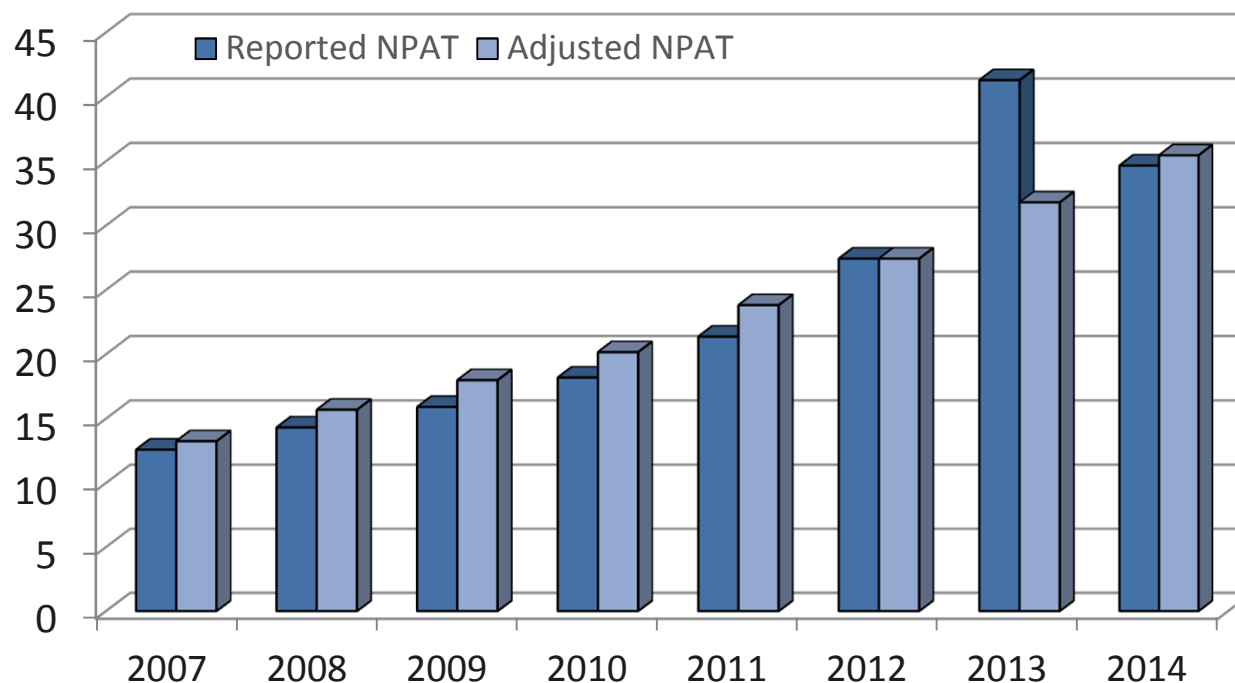
- Corporate expenses as % of income (share pre-tax profits from business operations)
- Stated Group objective of managing income: expense ratio below rolling 10 year average
- Ongoing investment in business within defined parameters enabling optimisation of Group operating model

FINANCIAL PERFORMANCE

CONSISTENT PROFITABLE GROWTH SINCE LISTING



\$M



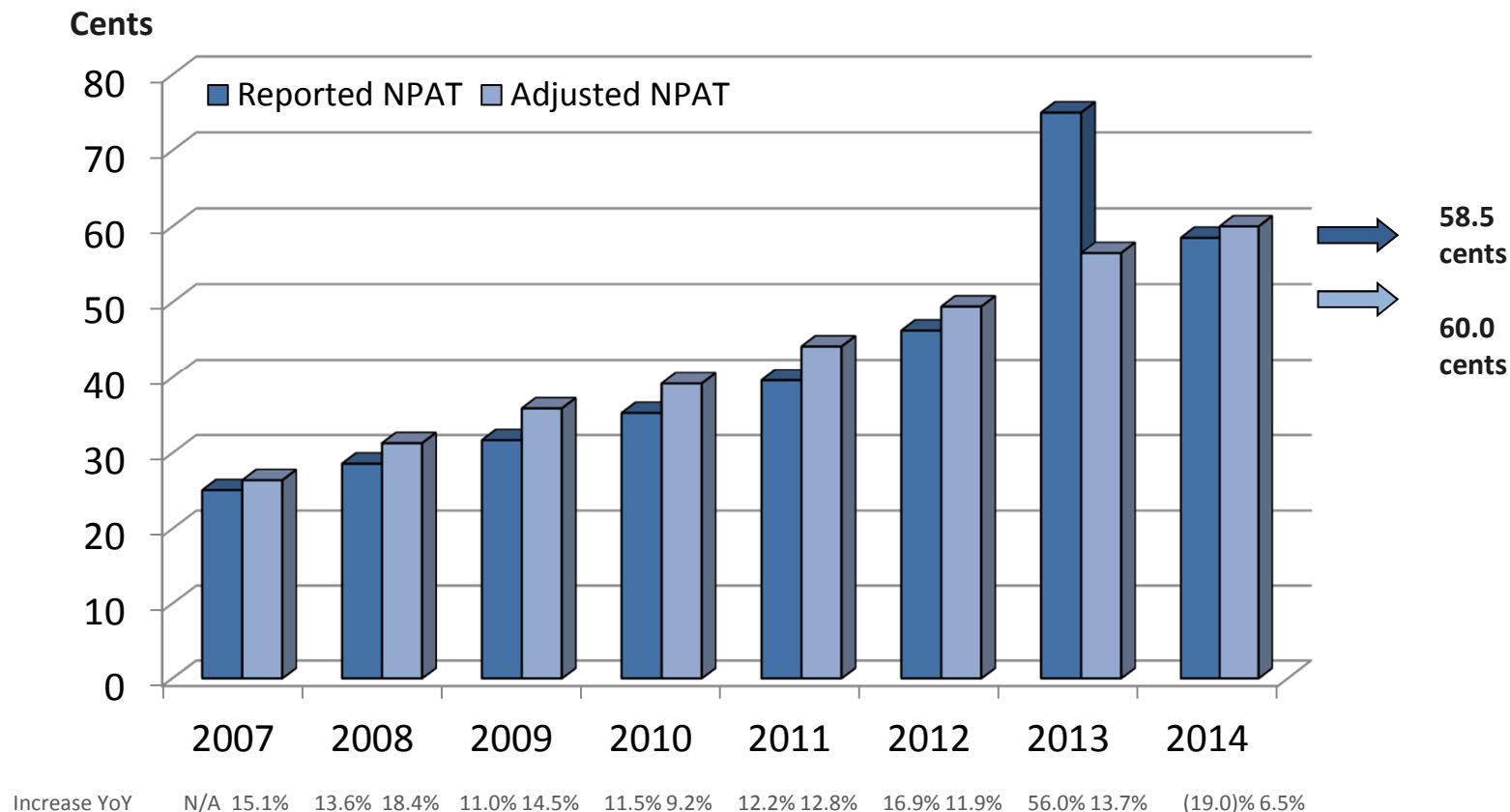
→ \$35.450

→ \$34.655

Increase YoY N/A 15.3% 13.7% 8.5% 11% 14.7% 11.5% 12.1% 17.5% 18.1% 20.0% 15.0% 60.7% 17.1% (18.9)% 10.5%

- Adjusted NPAT: Net profit after tax before amortisation of intangibles, adjustments to the carrying value of associates, profits arising from acquisition and sale of interests in associates and controlled entities and contingent consideration adjustments
- 14.5% CAGR in Adjusted NPAT over last 5 years

EARNINGS PER SHARE UP 6.5%

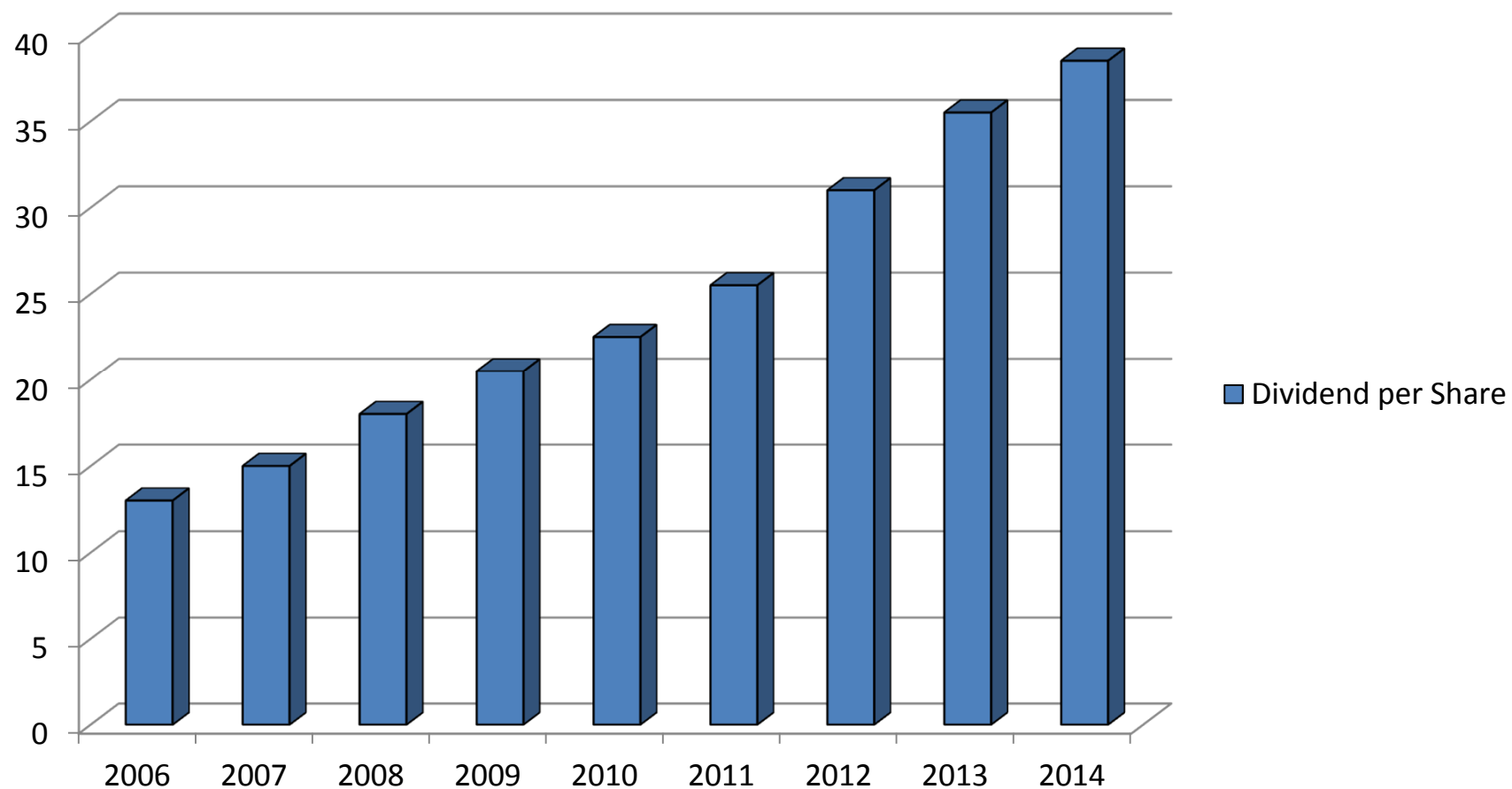


- 9th consecutive increase in earnings per share when accounting adjustments are eliminated
- 10.8% CAGR in earnings per share over last 5 years

SHAREHOLDERS BENEFITING FROM SUCCESS



Cents



- Dividend per share FY14 38.5 cents up 8.5%
- DRP will remain in place. Proposed to fully underwrite DRP
- Payout ratio on an Adjusted NPAT basis is 65% (FY13 63%)

REPORTED NPAT NEEDS RECONCILIATION



	FY14 \$'000	FY13 \$'000	Variance %
Revenue from ordinary activities	198,745	168,040	18.3
Income arising from sale of interests in Associates and controlled entities and adjustments to carrying values of associates and to contingent consideration	3,355	12,413	(73.0)
Expenses from ordinary activities	(144,754)	(118,614)	(22.0)
Borrowing costs	(3,333)	(3,081)	(8.2)
Profit before tax	54,013	58,758	(8.1)
Income tax expense	(11,611)	(11,221)	(3.5)
Net profit	42,402	47,537	(10.8)
Profit attributable to minority interest	(7,747)	(6,334)	(22.3)
Net profit attributable to members	34,655	41,203	(15.9)

- NPAT Distorted due to fair value adjustments to carrying values of acquisitions and amortisation
- Growth in revenue and expenses reflects acquisitions and organic growth



UNDERLYING NPAT REMAINS ROBUST



	FY14 \$'000	FY13 \$'000	Variance %
Reported Profit attributable to members	34,655	41,203	(15.9)
Add (Less) Net Loss (Profit) after tax on sale of interests in associates and controlled entities and contingent consideration adjustments*	512	(276)	
Add (Less) adjustments to the carrying value of associates (net of income tax \$462,000, 2013 – nil)*	(3,405)	(12,001)	
Profit from operations	31,762	28,926	9.8
Amortisation of intangibles net of tax*	3,688	3,149	17.1
Net profit after tax from operations before amortisation of intangibles (Adjusted NPAT)	35,450	32,075	10.5

* Information derived from the consolidated financial statements which have been subject to audit by the company's auditors.

Amortisation of intangibles is a non cash item and may fluctuate depending on acquisitions and their timing. It may also reduce as existing intangibles are fully amortised. These items may or may not recur and can distort underlying performance compared to prior periods.

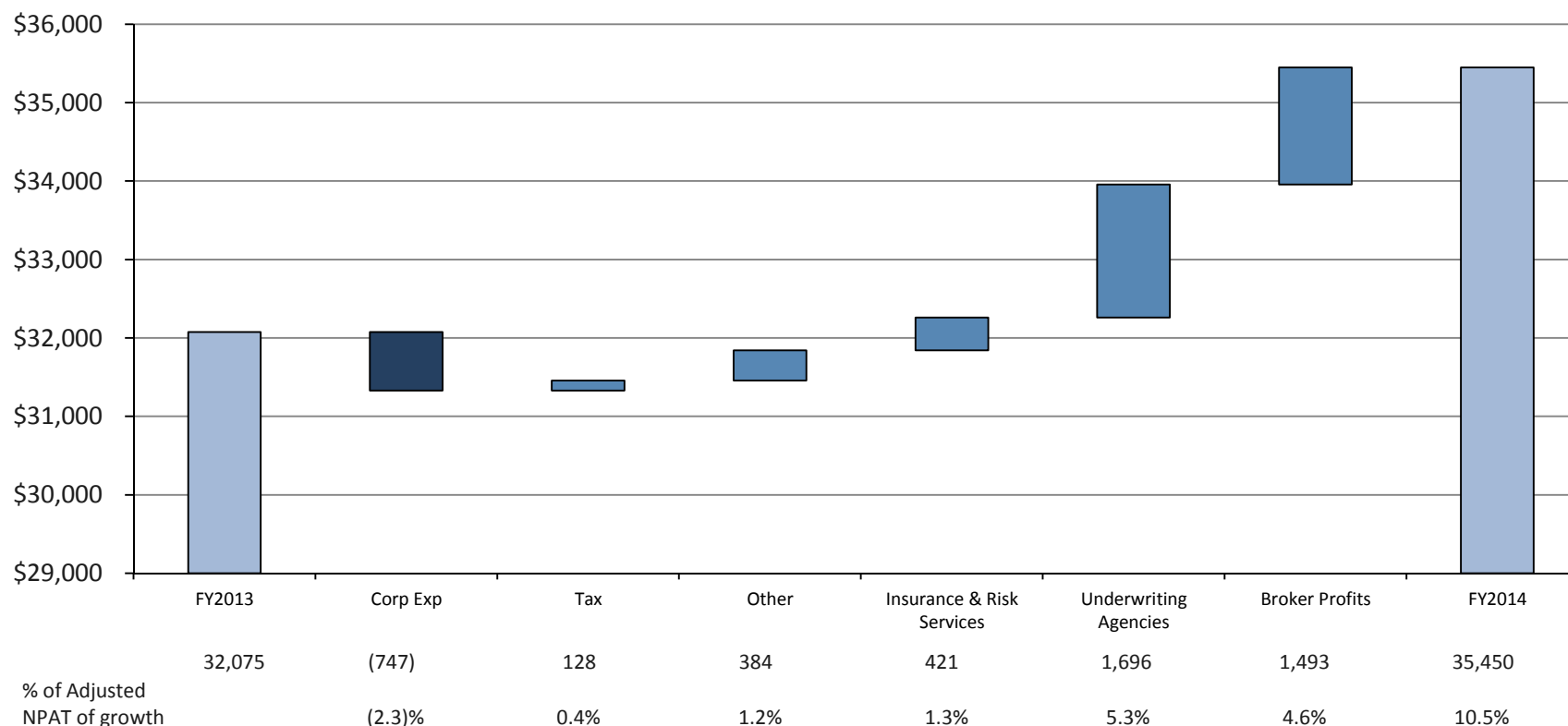
- Profit growth remains strong at 10.5% (Adjusted NPAT)
- 13.7% increase in 2HY - contributed \$20.8 million to FY14 results (59%)
- Achieved across all 3 business divisions (Broking 4.6%, Underwriting 5.3%, Risk Services 1.3%)



BALANCED CONTRIBUTION TO GROWTH OVER FY13



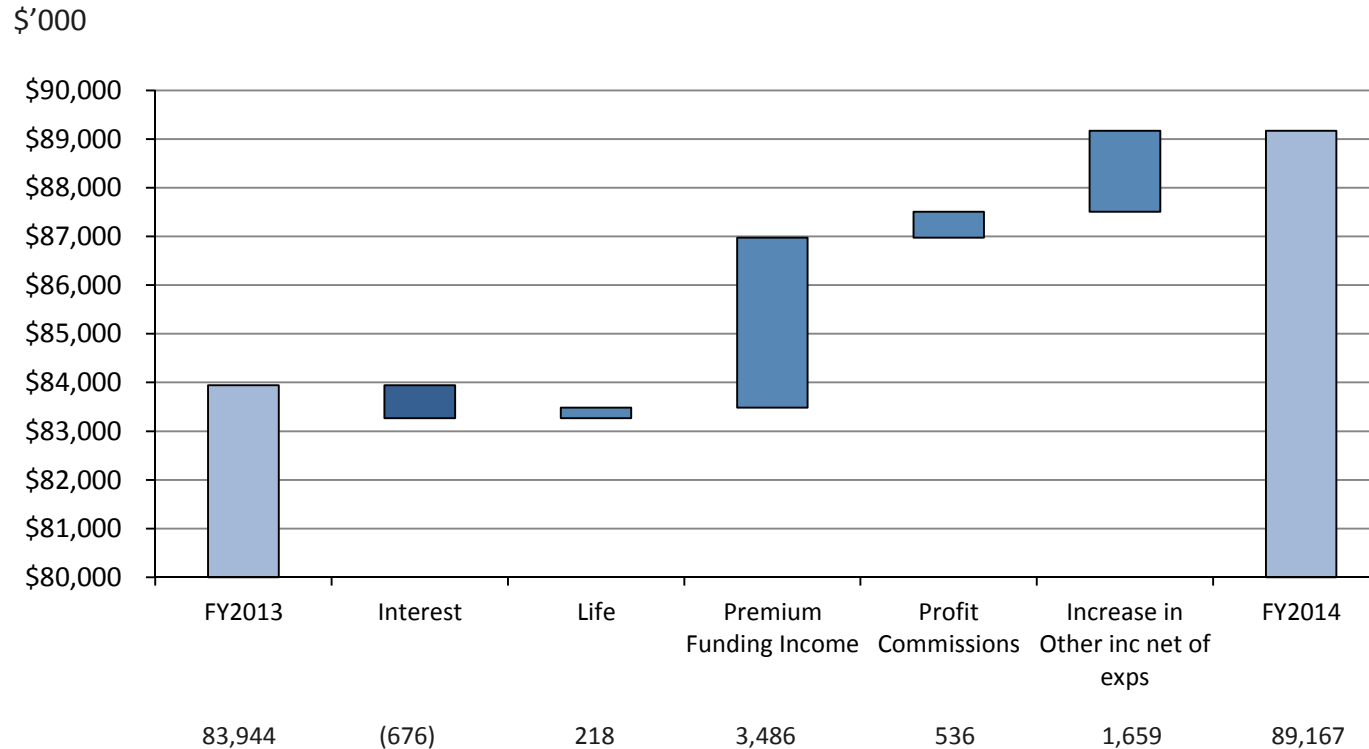
\$'000



- Growth from all business divisions shows diversity and strength of business strategy
- Increase in corporate expenses to build platform for continued growth . Also includes \$500,000 restructuring cost
- Broker acquisitions contributed 5.9% to Adjusted NPAT Growth
- Contribution from new Insurance & Risk Services division



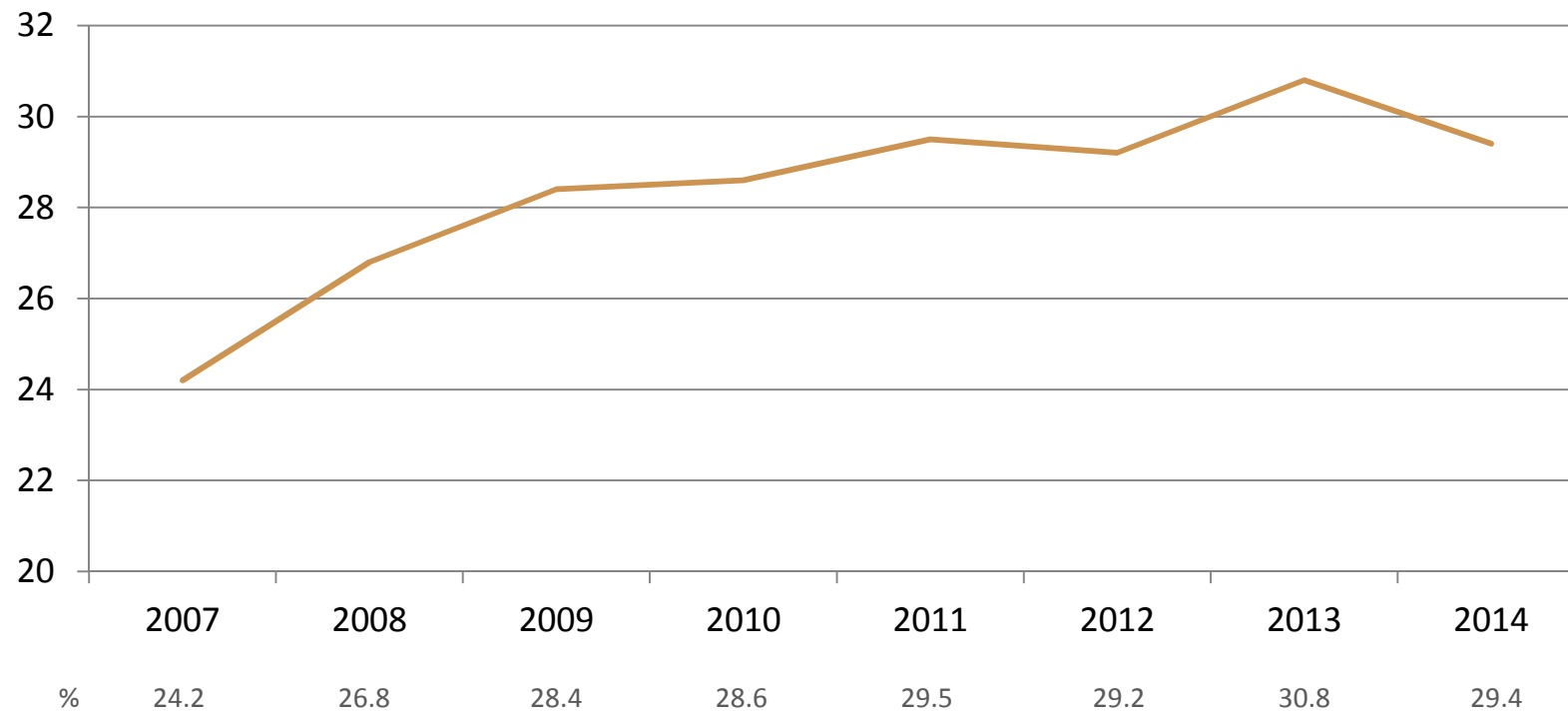
BROKER PROFITS UP 6.2%



Note: Broker profits are before tax and before deducting outside interests

- Continued growth in Premium Funding
- Interest income reduction from lower rates still a negative. Real reduction before acquisitions circa \$1.8 million
- Profit Commissions up on last year and better underwriting results
- Acquisitions contributed 6.0% to broker profit growth
- Loss of major accounts in first half impacted growth

INSURANCE BROKING MARGIN* IMPACT



* Profits as a percentage of income

- Decline due to lower interest earnings and loss of income in first half. Also acquisition of corporate broker – lower margins. Underlying margin maintained
- Base commission and fees represented 18.2% of base premiums (FY13 17.9%)
- Commission and fee split 63%/37% (FY13 65%/35%) – increase in fees

UNDERWRITING AGENCIES



\$'000	FY 2014	FY 2013	INCR/(DECR)	INCR/(DECR)%
Commission and Fees	37,252	26,580	10,672	40.2%
Profit Commission	1,681	797	884	110.9%
Claims Handling Fee	651	766	(115)	(15.0)%
Interest	659	655	4	0.6%
Other Income	71	16	55	343.8%
	40,314	28,814	11,500	39.9%
Expenses	(27,022)	(19,368)	(7,654)	39.5%
Net Profit before Tax	13,292	9,446	3,846	40.7%
Outside Shareholders Interest	(3,514)	(2,091)	(1,423)	68.1%
Net Profit before Tax after outside shareholder interests	9,778	7,355	2,423	32.9%

33% growth in NPBT after profit attributable to other parties to \$9.778 million

- Approximately one third growth from acquisitions and start up businesses
- Increase in total income excluding start ups and acquisitions of 22%
- Commission and fees income increased 27% excluding acquisitions
- Profit commissions were up by \$884,000 – underwriting profitable business
- Expenses excluding acquisitions and start ups were up 20% – increased resourcing to keep pace with growth
- Contributed 50% of group net adjusted NPAT growth

INSURANCE & RISK SERVICES – A FIRST



Contributed 1.3% to overall growth of 10.5% (adjusted NPAT)

- Commenced February 2014 with acquisition of 50% of Procare group
- Early in development of opportunities to grow in this sector
- Complementary products and services provide value to our partners and clients
- Group services being deployed across the division

FUNDING COSTS REDUCED & GEARING REMAINS LOW



- Total consolidated entities debt \$54 million – includes subsidiaries which have separate facilities
- Austbrokers Holdings facility from St George Bank - \$15 million available (term to 30/05/16)
- Estimated \$14 million committed for future payments for completed acquisitions
- Strong net cash flow of ~\$20 million over the next twelve months after earn out payments and assuming underwritten DRP
- Key ratios – consolidated (including borrowings in controlled entities of \$21 million):
 - ❑ Interest cover ratio – 17 times (EBITDA basis)
 - ❑ Gearing of 16.7% (debt to debt plus equity)
 - ❑ Comfortably meet Banking Covenants
- Borrowing by associates at 30th June 2014 not on Austbrokers balance sheet \$41.8 million to fund acquisitions and some premium funding activity

OUTLOOK

MARKET CONDITIONS FY15



- Premium rates
 - ❑ Stable to soft premium rate environment in commercial lines
 - ❑ Competition maintains pressure on rates
- Lower interest rate environment likely to continue
- Moderate economic growth forecast but patchy economic outlook may have impact on SME
- Insurance broking industry rationalisation and age demographics will continue to present acquisition opportunities (both bolt-on and stand alone)

STRATEGIES FY15



Growth across all 3 divisions

- Continue acquisitions across all divisions, as well as start-up opportunities in Underwriting and Insurance & Risk Services pillars
- Increased central support for growth opportunities at local level
- Utilise trusted advisor status to provide additional client risk management services leveraging Group capabilities
- Expand underwriting agency capability through products and service differentiation

Optimisation of operating model will continue to underpin future growth across the Group

- Centralised service provision – continue to develop best practice services to create efficiencies and effectiveness
 - ❑ Technology ‘backbone’ and Data Centre capabilities
 - ❑ Compliance and risk management
 - ❑ Business Centre services – accounting, tax, payroll, HR and treasury
 - ❑ Marketing and business development capabilities
- Automate broking processes to develop efficiencies – full policy administration incorporating iClose & development of CRM system
- Underwriter relationship & product development via AIMS for marketing advantage and development of AIMS value proposition to support growth
- Premium Funding – continued growth and development through Hunter partnership including automation of quoting process
- Life risk & Superannuation - continue to develop cross sell, stand alone and integrated propositions with broking operations

WELL POSITIONED FOR FY15



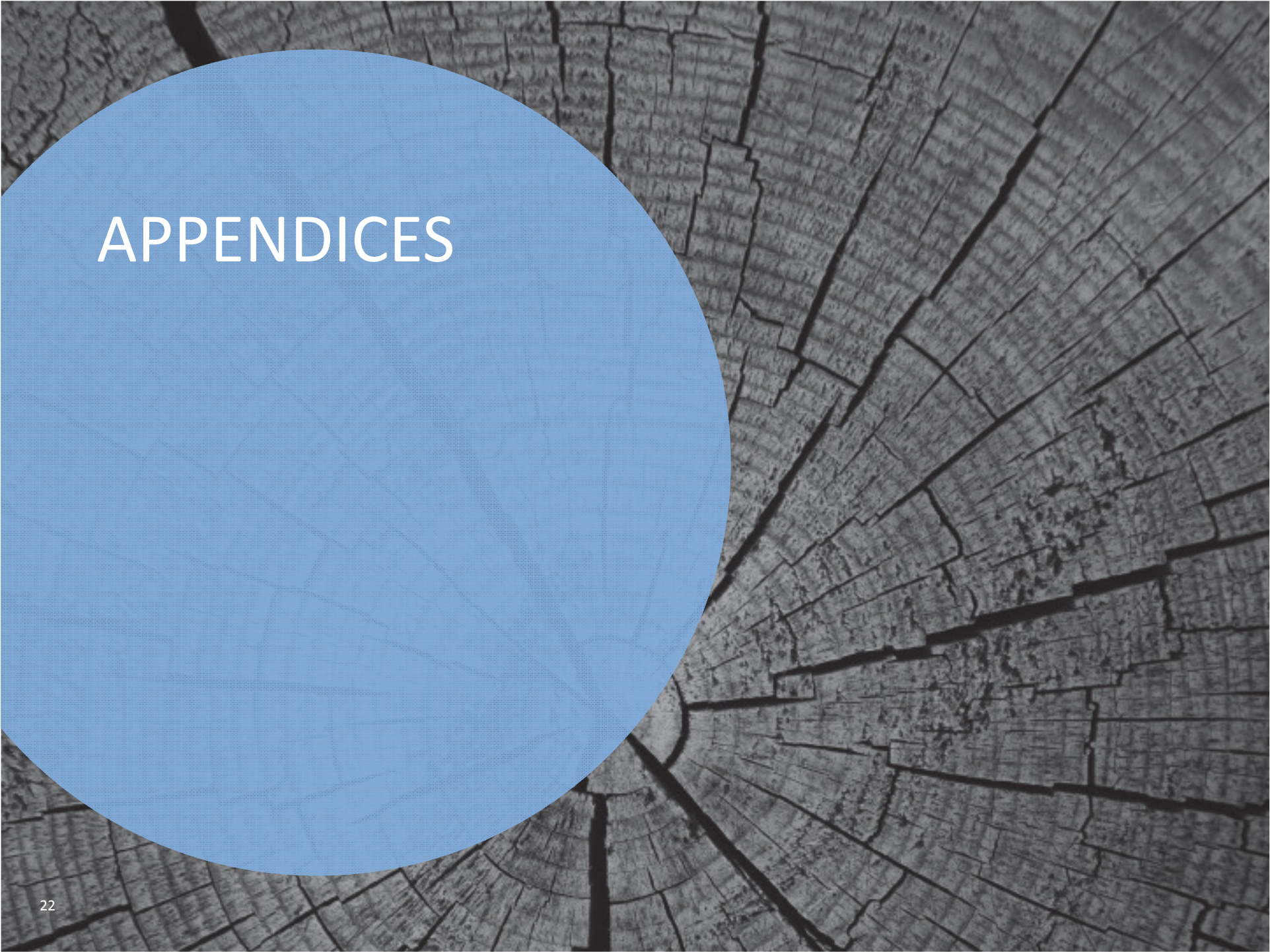
FY15 will benefit from

- Groundwork undertaken in FY14 in developing systems and processes
- Organic growth expected to continue to emerge through broker network initiatives
- Insurance broking industry consolidation – continuing acquisition opportunities
- More stable interest rate environment enhances good sell opportunities

As a result

- The underlying NPAT (before amortisation of intangibles profits on sale and adjustments to contingent consideration) for FY15 is budgeted to increase in the range of 5% - 10% over FY14
- Degree of growth will depend on market conditions including acquisition opportunities, premium rate movements, interest rate stability, the level of profit commissions and the impact of prevailing economic conditions on the SME sector

This release may contain forward looking statements relating to future matters, which are subject to known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Austbrokers and the Austbrokers Group to be materially different from those expressed in this announcement. Except as required by law and only to the extent so required, neither Austbrokers nor any other person warrants that these forward looking statements relating to future matters will occur.

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APPENDICES

APPENDIX 1 – FY14 RESULTS: MANAGEMENT PRESENTATION

AUSTBROKERS
HOLDINGS LTD

	FY 2014	FY 2013	VARIANCE	VARIANCE
	\$'000	\$'000	\$'000	%
BROKER OPERATIONS				
COMMISSION AND FEES	248,883	222,113	26,770	12.1%
LIFE INCOME	11,939	11,721	218	1.9%
PROFIT COMMISSIONS	3,431	2,895	536	18.5%
PREMIUM FUNDING	25,326	21,840	3,486	16.0%
INTEREST	9,043	9,719	(676)	-7.0%
OTHER INCOME	4,694	4,679	15	0.3%
REVENUE	303,316	272,967	30,349	11.1%
EXPENSES	(214,149)	(189,023)	(25,126)	13.3%
PROFIT FROM BROKING OPERATIONS	89,167	83,944	5,223	6.2%
PROFIT FROM UNDERWRITING AGENCIES	13,292	9,446	3,846	40.7%
PROFIT FROM INSURANCE & RISK SERVICES	1,203	-	1,203	0.0%
PROFIT BEFORE TAX, CORPORATE EXPENSES AND AMORTISATION OF INTANGIBLES	103,662	93,390	10,272	11.0%
PROFIT ATTRIBUTABLE TO OTHER PARTIES	(40,765)	(35,650)	(5,115)	14.3%
PROFIT BEFORE TAX, CORPORATE OFFICE EXPENSES AND AMORTISATION OF INTANGIBLES (AFTER OUTSIDE EQUITY INTERESTS)	62,897	57,740	5,157	8.9%
CORPORATE OFFICE				
INCOME	2,530	2,185	345	15.8%
EXPENSES	(14,717)	(13,854)	(863)	6.2%
NET CORPORATE OFFICE EXPENSES	(12,187)	(11,669)	(518)	4.4%
PROFIT BEFORE TAX AND AMORTISATION OF INTANGIBLES	50,710	46,071	4,639	10.1%
INCOME TAX	(15,260)	(13,996)	(1,263)	9.0%
NET PROFIT AFTER TAX AND BEFORE AMORTISATION OF INTANGIBLES	35,450	32,075	3,376	10.5%

Adjusted NPAT basis



APPENDIX 1 – FY14 RESULTS: MANAGEMENT PRESENTATION



\$'000	FY 2014	FY 2013	VARIANCE \$	VARIANCE %
CONSOLIDATED BROKERS				
COMMISSION AND FEES	115,164	96,977	18,187	18.8%
LIFE INCOME	7,966	8,003	(37)	-0.5%
PROFIT COMMISSIONS	1,299	533	766	143.7%
PREMIUM FUNDING	8,308	6,967	1,341	19.2%
INTEREST	3,369	3,260	109	3.3%
OTHER INCOME	1,949	1,862	87	4.7%
REVENUE FROM CONSOLIDATED BROKERS	138,055	117,602	20,453	17.4%
EXPENSES FROM CONSOLIDATED BROKERS	(98,613)	(80,792)	(17,821)	22.1%
PROFIT FROM CONSOLIDATED BROKERS	39,442	36,810	2,632	7.2%
EQUITY ACCOUNTED BROKERS				
COMMISSION AND FEES	133,719	125,136	8,583	6.9%
LIFE INCOME	3,973	3,718	255	6.9%
PROFIT COMMISSIONS	2,132	2,362	(230)	-9.7%
PREMIUM FUNDING	17,018	14,873	2,145	14.4%
INTEREST	5,674	6,459	(785)	-12.2%
OTHER INCOME	2,745	2,817	(72)	-2.6%
REVENUE FROM EQUITY ACCOUNTED BROKERS	165,261	155,365	9,896	6.4%
EXPENSES FROM EQUITY ACCOUNTED BROKERS	(115,536)	(108,231)	(7,305)	6.7%
PROFIT FROM EQUITY ACCOUNTED BROKERS	49,725	47,134	2,591	5.5%
PROFIT FROM BROKING OPERATIONS	89,167	83,944	5,223	6.2%

APPENDIX 2 – CASH FLOW



	2014 \$'000	2013 \$'000
Cash flows from operations	<u>36,455</u>	<u>27,940</u>
Cash flows from investing activities		
- Acquisitions*	(13,477)	(2,350)
- Sales proceeds / loan repayments	7,594	4,197
- Plant equipment / other	<u>(2,500)</u>	<u>(1,816)</u>
	<u>(8,383)</u>	<u>31</u>
Cash flows from financing activities		
- Dividends	(17,366)	(13,420)
- Proceeds from share capital & DRP	6,940	2,414
- Net borrowings	(3,821)	9,918
- Payments for deferred settlements	<u>(7,938)</u>	<u>(3,022)</u>
	<u>(22,185)</u>	<u>(4,110)</u>
Net increase in cash ex broker trust account	5,887	23,861
Increase in broker trust account cash	<u>(4,423)</u>	<u>11,230</u>
Net increase in cash	<u>1,464</u>	<u>35,091</u>

*Acquisitions is made up of the following:

	FY 2014	FY 2013
Cash payments for acquisitions	\$(17,676,000)	\$(42,438,000)
Cash acquired (including trust)	<u>\$ 4,199,000</u>	<u>\$40,088,000</u>
	<u>\$(13,477,000)</u>	<u>\$(2,350,000)</u>