



25th February 2015

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 Half Year Ended 31st December 2014

Attached for immediate release is Austbrokers Holdings Limited (AUB) Presentation on results for the Half Year ended 31st December 2014.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'SR' followed by a stylized flourish.

Stephen Rouvray
Company Secretary
Austbrokers Holdings Limited

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

AUSTBROKERS HOLDINGS LTD

1HY15 RESULTS

WEDNESDAY 25 FEBRUARY 2015



PERFORMANCE SUMMARY 1HY15

- **Reported NPAT up 8.3%** on 1HY14 to \$13.9m
- **Adjusted NPAT decreased by 14.8%** (\$14.6m to \$12.4m on adjusted basis)
- Adjusted NPAT impacted by both acquisition and Group investment expenses. Investments made to grow market share, drive increased efficiency and underpin future growth. **Resulting income to flow into 2HY15 and beyond**
- **Strength in Owner:Driver business model** mitigating the premium reduction environment in Insurance Broking. Compensating actions generated **increased fee income and client/policy growth resulting in broking income increase vs 1HY14**
- Adherence to clearly defined Group strategy **driving income growth in all market facing areas** and ensuring continued diversification of profit generation.
- **Largest acquisition spend/commitment** in AUB history (FY13 \$42m; 1HY15 \$45m) to underpin future growth potential
- Provision and usage of Group Services increasing over the period across partner businesses
- Growth in Adjusted NPAT for full year anticipated to be in the range 0-5% vs FY14

KEY PERFORMANCE INDICATORS 1HY15

REPORTED
NPAT **↑8.3%**

Dividend per share maintained
at 12 CENTS PER SHARE

ADJUSTED NPAT
↓14.8%

OPERATING
REVENUE **↑6%**

UNDERLYING
EPS **↓18%**

BROKER INCOME
↑1.4%

CLIENT
BASE **↑4.3%**

Premium
funding
income **↑2.7%**

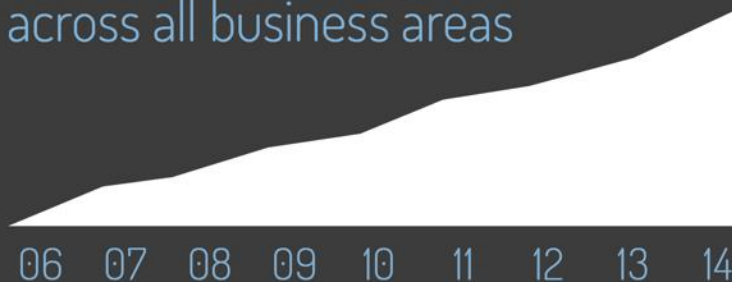
Risk Services
contributed
to overall group growth **↑2.8%**

UNDERWRITING
AGENCY INCOME **↑26%**

More than
\$2.5B
GWP

.....
~30 YRS
active
partnership
experience

Continued income growth
across all business areas



A white silhouette map of Australia and New Zealand is centered on a dark background. Text is overlaid on the map.

Equity in 70+
businesses across
250+ locations

LARGEST equity
based broking group

LEADING
insurance broking,
underwriting agencies,
& risk services group

LARGEST broking
cluster in NZ

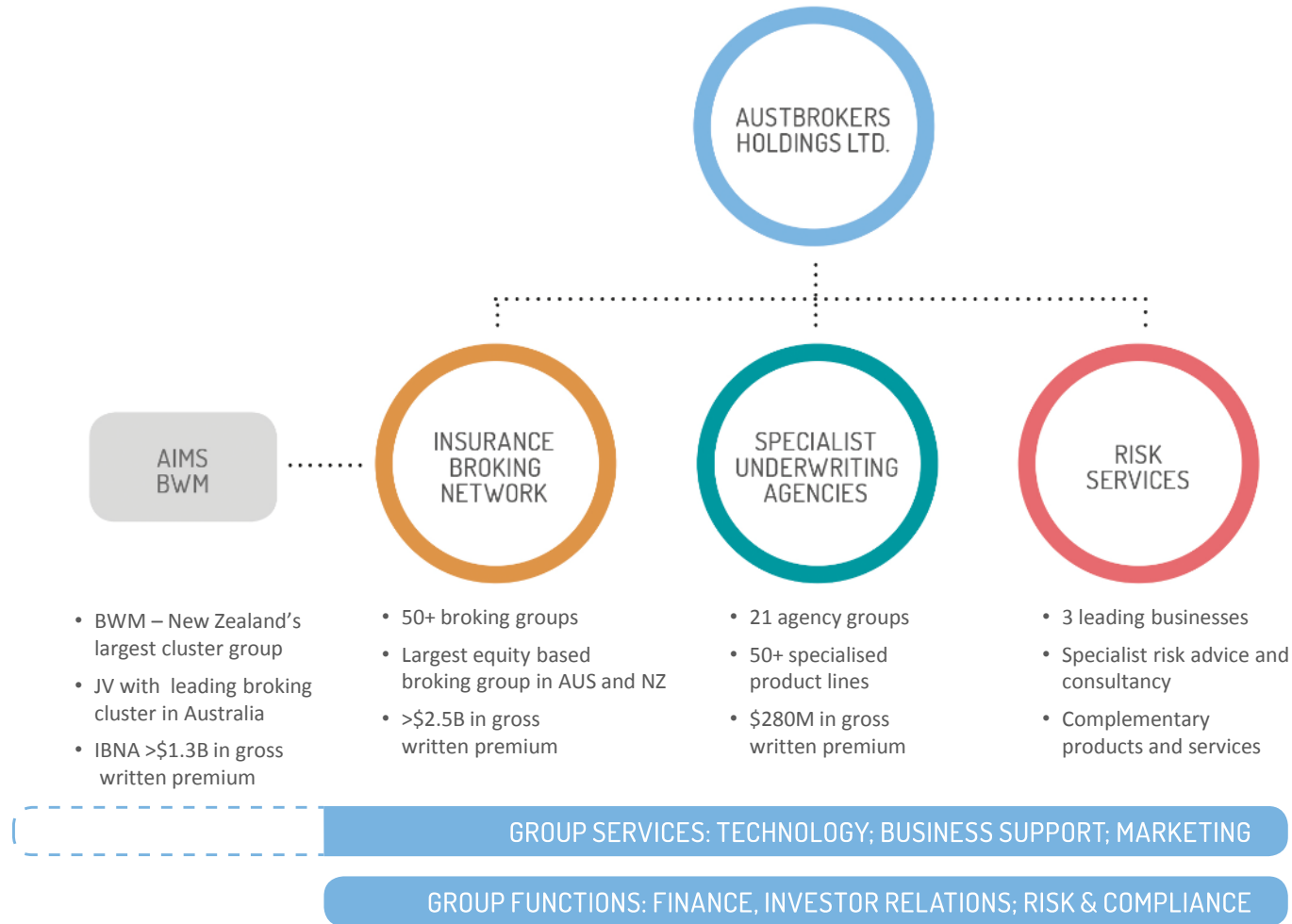
JV with LEADING
broking cluster
in AUS

.....
450,000+ clients and
growing

.....
Staff >2,700

A DIVERSIFIED GROUP

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



INCOME GROWTH ACROSS ALL BUSINESS DIVISIONS

INSURANCE
BROKING
NETWORK

⋮

INCOME $\uparrow 1.7\%$
(commission/fee)

POLICY $\uparrow 4.3\%$
GROWTH

PREMIUM $\uparrow 2.7\%$
FUNDING

PREMIUM RATE 10% $\downarrow$

NEW BUSINESS $\uparrow$

SPECIALIST
UNDERWRITING
AGENCIES

⋮

INCOME
 $\uparrow 26\%$

NEW
BUSINESS $\uparrow$

RISK
SERVICES

⋮

CONTRIBUTION
 $\uparrow 2.8\%$
to total growth

NEW
BUSINESS $\uparrow$

INVESTMENTS IN GROUP SERVICES IMPROVE SERVICE AND EFFICIENCY

LEADING TECHNOLOGY

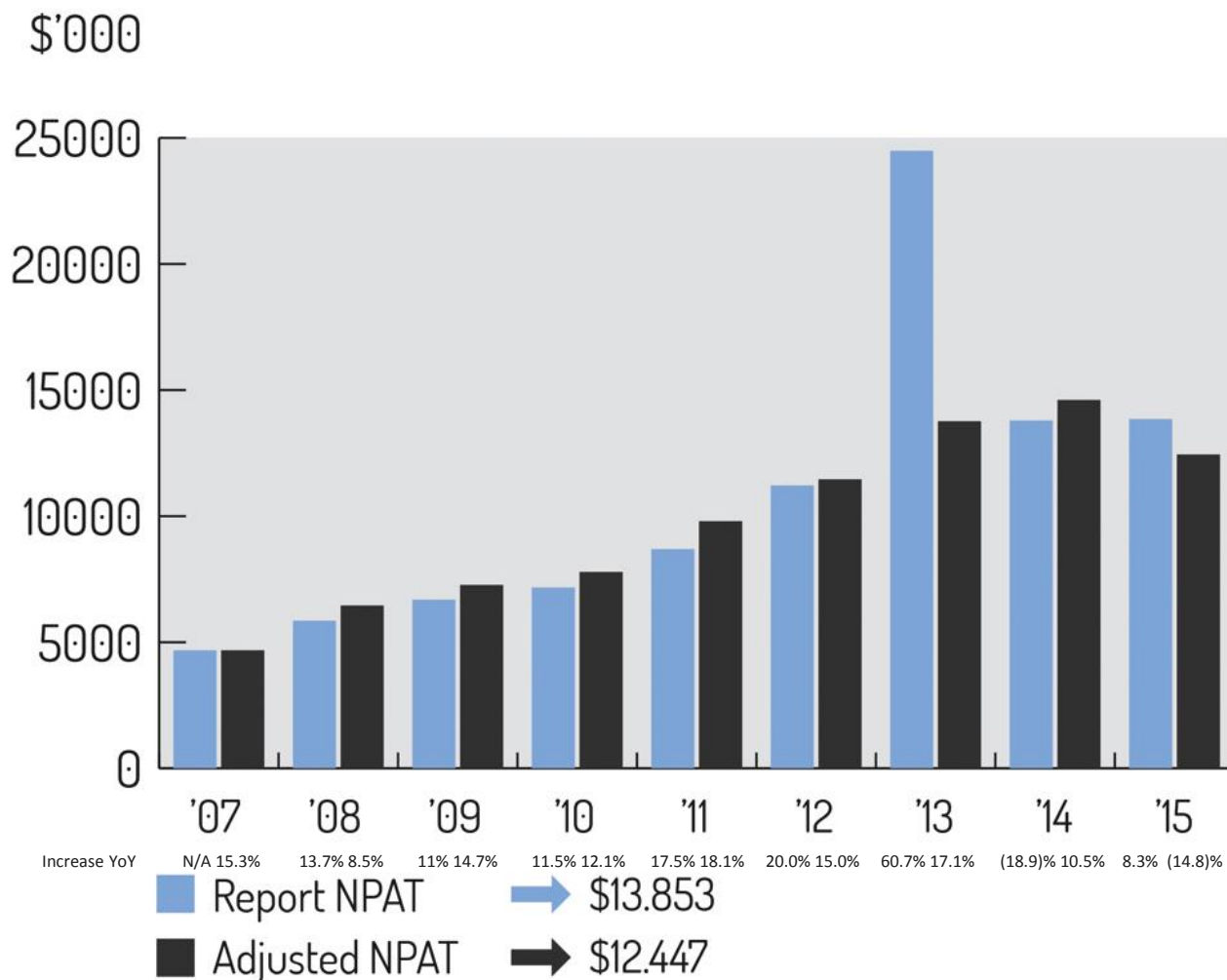
-  80% of businesses integrated into AUB central data centre
-  1st class core technology provided at cost
-  Leading privacy, trust and security
-  Online & electronic enablement:
 - CRM system
 - Underwriting agencies products – straight through processing
 - Premium funding

DRIVING EFFICIENCY

-  Over 50% of partner businesses gaining operational efficiency through central back-office service
-  Investment in industry leading Risk and Compliance capability
-  Common broking platform enabling leading insights and analytics

FINANCIAL PERFORMANCE

1HY GROWTH SINCE ASX LISTING



CONTINUED 1HY NPAT GROWTH

- NPAT of \$13.9 million up 8.3% on 1HY14
- Adjusted NPAT down 14.8%

NPAT: Net Profit after tax attributable to members.

Adjusted NPAT: Net profit after tax before amortisation of intangibles before profits on business sold, adjustment to contingent consideration for acquisitions and fair value adjustment to carrying value of associates on date at which they became controlled entities.

DIVIDEND MAINTAINED - EARNINGS PER SHARE

- Interim dividend per share 1HY15 12.0 cents (1HY14 12.0 cents)
- DRP in place but not underwritten
- Payout ratio on adjusted NPAT is 60% (FY14 65%)

REPORTED NPAT NEEDS RECONCILIATION

	1HY15 \$'000	1HY14 \$'000	Variance %
Revenue from ordinary activities	97,691	92,184	6.0
Income arising from sale of interests in Associates and controlled entities and adjustments to carrying values of associates and to contingent consideration (no income tax applicable)	3,525	-	-
Expenses from ordinary activities	(79,804)	(70,551)	(13.1)
Borrowing costs	(1,795)	(1,476)	(21.6)
Profit before tax	19,617	20,157	(2.7)
Income tax expense	(2,956)	(4,241)	30.0
Net profit	16,661	15,916	4.7
Profit attributable to minority interest	(2,808)	(3,125)	10.1
Net profit attributable to members*	13,853	12,791	8.3

*NPAT distorted due to fair value adjustments to carrying values of acquisitions and amortisation

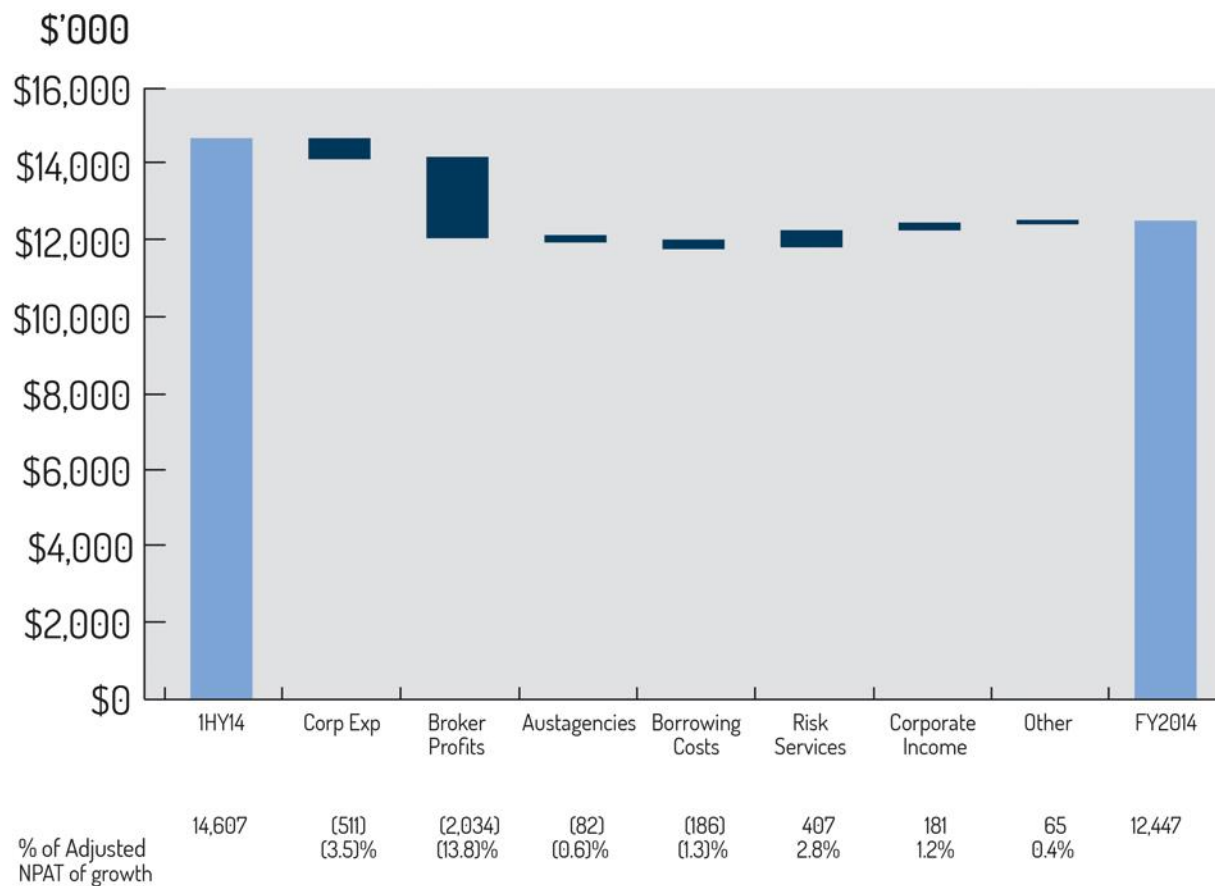
UNDERLYING NPAT

	1HY15 \$'000	1HY14 \$'000	Variance %
Reported Profit attributable to members	13,853	12,791	8.3
Add (Less) adjustments to the carrying value of associates (no income tax applicable)*	(3,525)	-	
Profit from operations	10,328	12,791	(19.3)
Amortisation of intangibles net of tax*	2,119	1,816	(16.7)
Net profit after tax from operations before amortisation of intangibles (Adjusted NPAT)	12,447	14,607	(14.8)

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

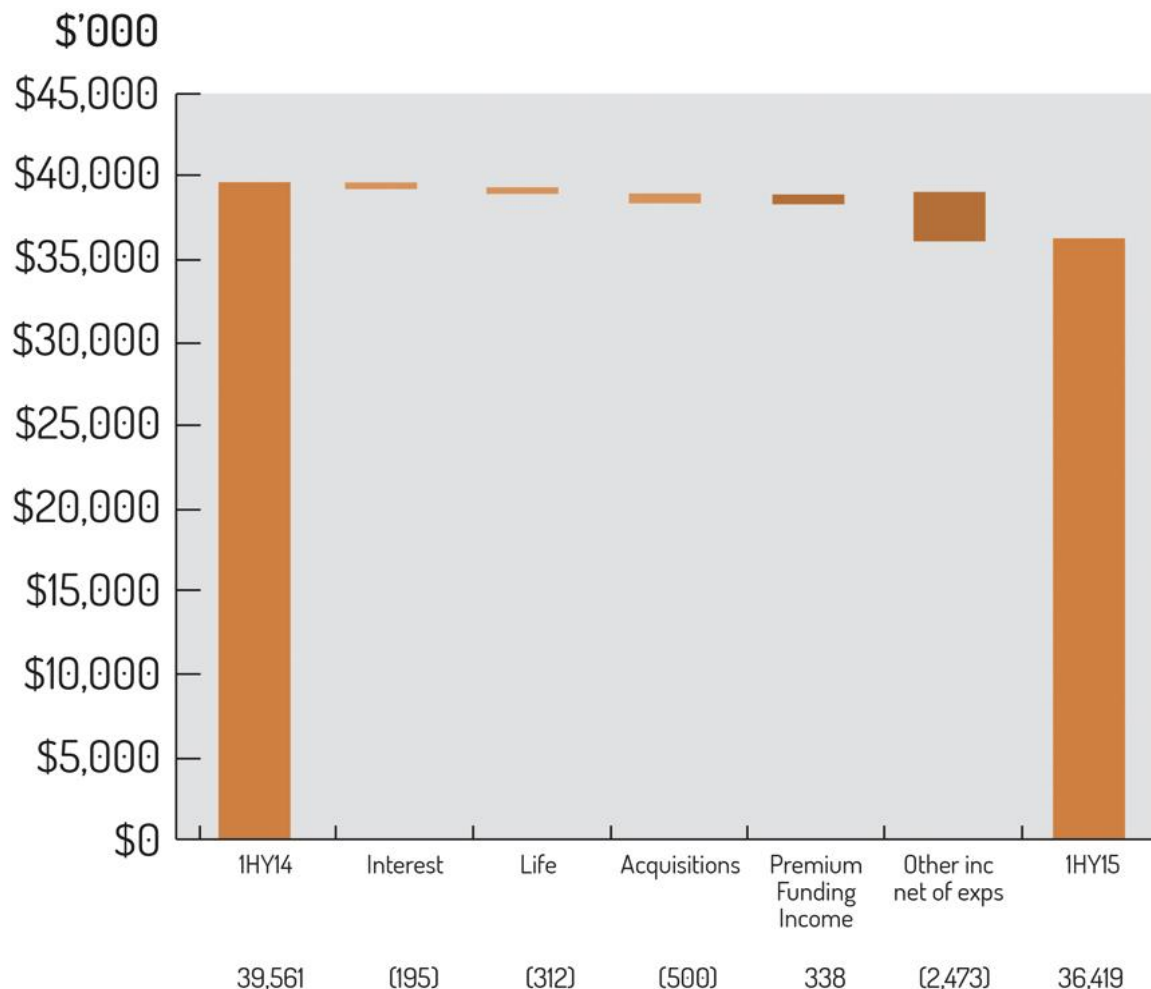
Amortisation of intangibles is a non cash item and may fluctuate depending on acquisitions and their timing. It may also reduce as existing intangibles are fully amortised. These items may or may not recur and can distort underlying performance compared to prior periods.

CONTRIBUTION TO 1HY15



- Increase in corporate expenses and technology investments to build platform for continued growth
- Broker acquisitions, acquisition costs (2.9%) and increased borrowings (1.3%) impacted growth by 4.2%
- Deferral of broker income decreased growth by 2.7%
- Risk Services contribution

BROKER PROFITS IMPACTED BY SOFT MARKET



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

- Continued growth in Premium Funding
- Interest income reduction from lower rates still a negative
- After costs acquisitions contributed negatively growth
- Deferral of income from 1HY to 2HY

INSURANCE BROKING MARGIN* IMPACT



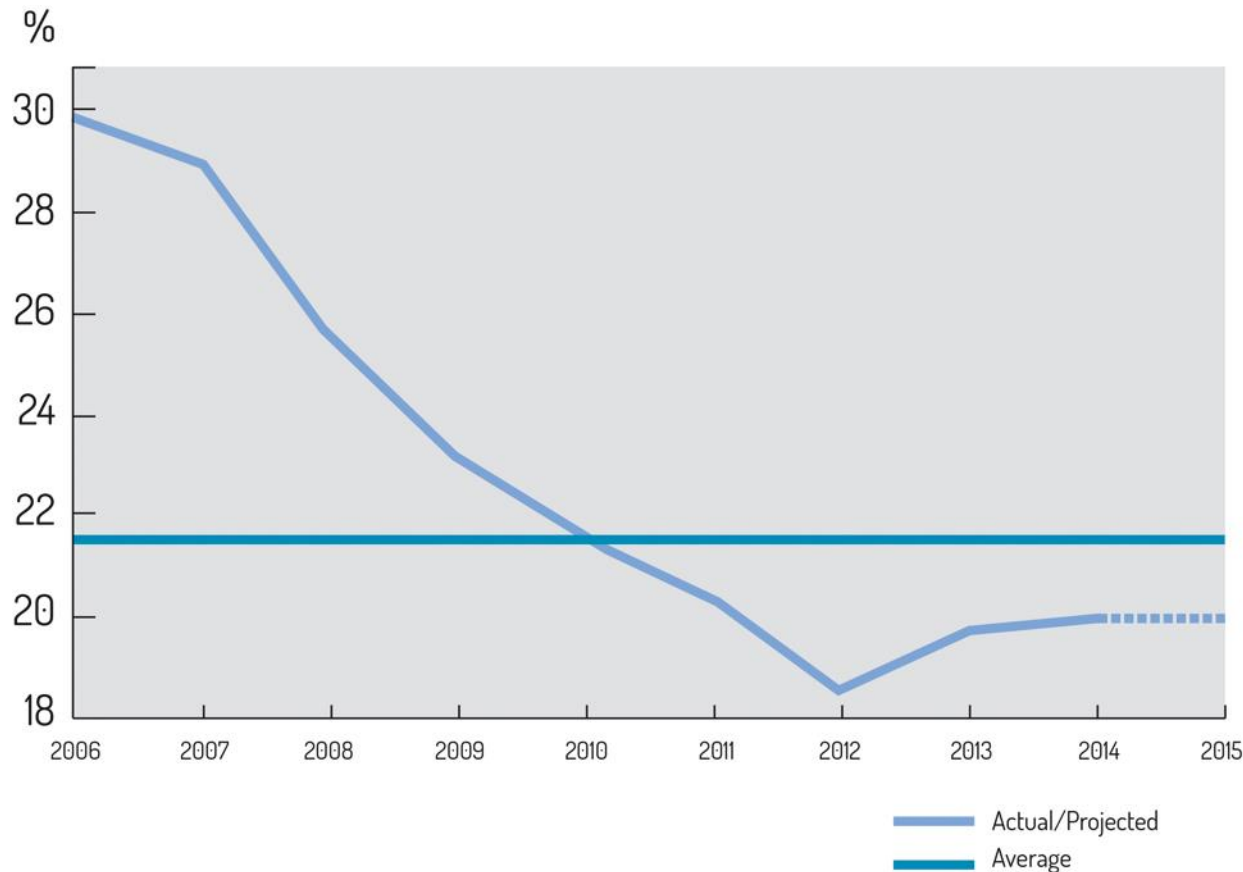
- Base commission and fees represented 18.2% of base premiums (1HY14 17.4%)
- Commission and fee split 62.5%/37.5% (1HY14 65%/35%) – due to increase in fees
- Margins have been impacted by negative contributions and related costs from acquisitions – accounts for 1.3% of margin erosion

UNDERWRITING AGENCIES

Total income up 26%

- 21% growth in net commission and fees to \$20.5 million
- Profit commissions up \$938,000 – underwriting profitable business
- Expenses excluding acquisitions and start ups were up 35% – increased resourcing and technology costs to keep pace with growth
- Acquisition profits budgeted for 2HY (negative in 1HY)

INCOME TO EXPENSE RATIO HELD BELOW HISTORIC ROLLING AVERAGE



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

RISK SERVICES – A FIRST

Contributed 2.8% to overall growth

- Commenced February 2014 with acquisition of 50% of Procure group
- Supplemented by acquisitions of Risk Strategies (July 2014) and Altius Group (February 2015)
- Early in development of opportunities to grow in this sector
- Complementary products and services provide value to our partners and clients

FUNDING POSITION

- Total consolidated entities debt \$60 million – includes subsidiaries which have separate facilities
- Austbrokers Holdings acquisition facility from St George Bank fully drawn (term to 30/05/16) following Altius acquisition at \$45 million
- NZ dollars \$13 million facility drawn in February 2015
- Estimated \$34 million committed to future payments for completed acquisitions
- Current cash available for acquisitions - \$10 million
- Strong net cash flow of ~\$12 million over the next twelve months after earn out payments and assuming final dividend underwritten DRP
- Key ratios – consolidated (including borrowings in controlled entities of \$23 million):
 - Interest cover ratio – 13 times (EBITDA basis)
 - Gearing of 17.3% (debt to debt plus equity)
 - Comfortably meet Banking Covenants
- Borrowing by associates at 31st December 2014 not on Austbrokers balance sheet \$43.3 million to fund acquisitions and some premium funding activity

OUTLOOK

MARKET CONDITIONS FY15

- Premium rates
 - 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)

GROWTH STRATEGIES FY15

Continue to seek growth across all 3 divisions

- Continue to diversify income growth via acquisitions and organic opportunities across all divisions, as well as start-up opportunities in Underwriting Agencies and Risk Services areas
- Leverage back office, service and support investments to enable future growth
- 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
- Build upon Risk Service capabilities to support cross selling and growth

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 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

WELL POSITIONED FOR FY15

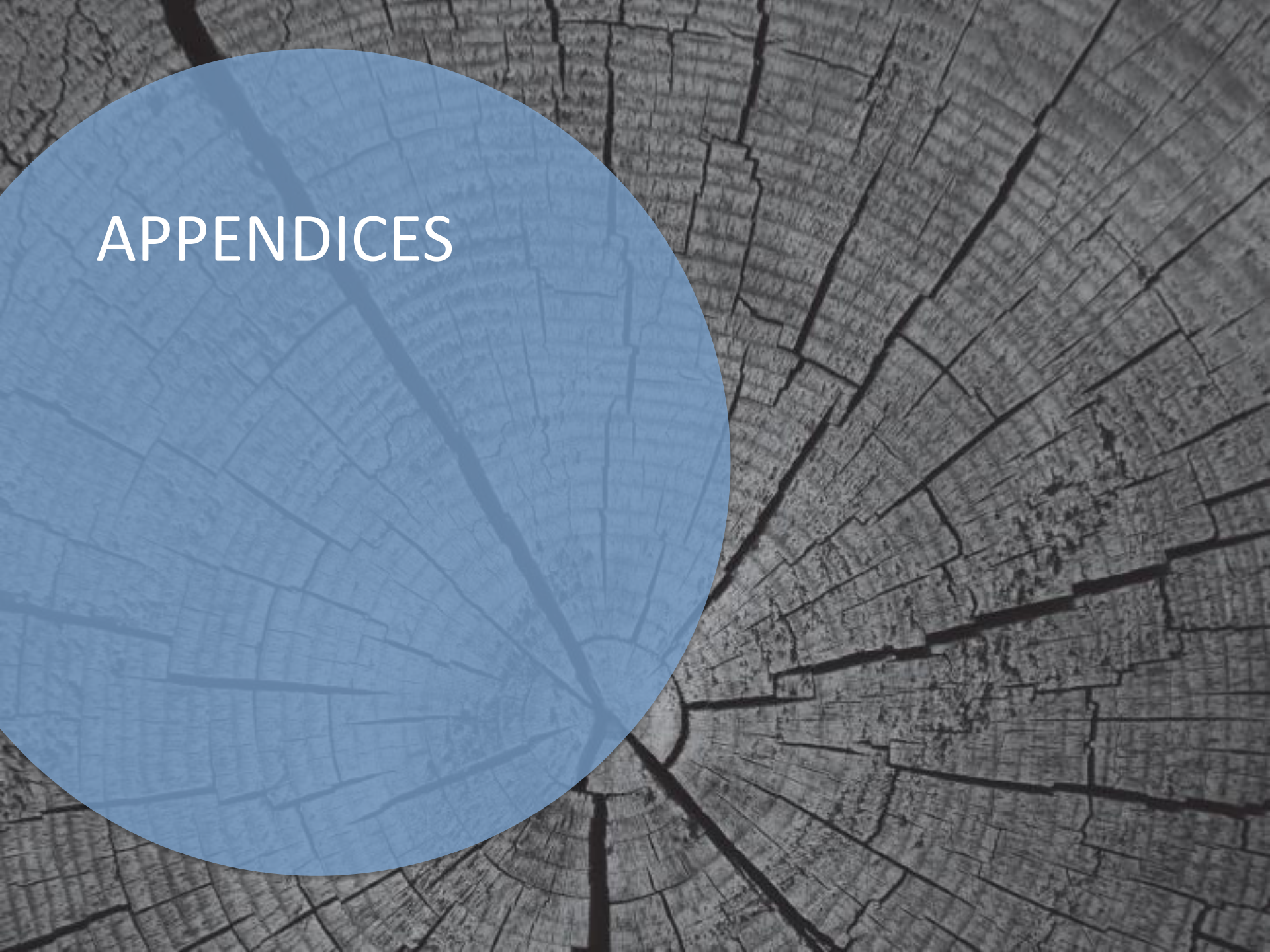
2HY15 will benefit from

- Groundwork undertaken in FY14 and first half in developing products, systems and processes
- Organic growth expected to continue to emerge through broker network initiatives
- Deferred income being booked
- Insurance broking consolidation – continuing acquisition opportunities
- Underwriting Agencies – significant investment in technology and workflow over last 12 months, and specifically in last half year, has enabled cost reduction programme to be implemented resulting in > \$1m annualised savings
- Contributions from acquisitions – Nexus, AMIR, Altius Group, NZ

As a result

- As advised in our market update on 23 January 2015, the underlying Adjusted NPAT (before amortisation of intangibles profits on sale and adjustments to contingent consideration) for FY15 is budgeted to increase in the range of 0% - 5% over FY14
- Degree of growth will depend on market conditions, 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.



APPENDICES

APPENDIX 1 – 1HY15 RESULTS

	1HY 2015 \$'000	1HY 2014 \$'000	VARIANCE \$'000	VARIANCE %
BROKER OPERATIONS				
Commission And Fees	122,465	120,386	2,079	1.7%
Life Income	6,025	6,337	(312)	-4.9%
Profit Commissions	224	266	(42)	-15.8%
Premium Funding	12,872	12,534	338	2.7%
Interest	4,779	4,974	(195)	-3.9%
Other Income	3,111	2,928	183	6.3%
Revenue	149,476	147,425	2,051	1.4%
Expenses	(113,057)	(107,864)	(5,193)	4.8%
Profit From Broking Operations	36,419	39,561	(3,142)	-7.9%
Profit Attributable To Other Parties	(16,489)	(16,860)	371	-2.2%
Austbrokers Share Of Brokers Profits	19,930	22,701	(2,771)	-12.2%
Profit From Underwriting Agencies	5,290	5,135	155	3.0%
Profit Attributable To Other Parties	(1,503)	(1,231)	(273)	22.2%
Austbrokers Share Of Underwriting Profits	3,787	3,904	(118)	-3.0%
Profit From Insurance & Risk Services	1,161	-	1,161	0.0%
Profit Attributable To Other Parties	(580)	-	(580)	0.0%
Austbrokers Share Of Insurance & Risk Services	581	-	581	-
Profit Before Tax, Corporate Office Expenses And Amortisation Of Intangibles (After Outside Equity Interests)	24,298	26,605	(2,307)	-8.7%
CORPORATE OFFICE				
Income	1,294	1,035	259	25.0%
Expenses	(7,906)	(6,910)	(996)	14.4%
Net Corporate Office Expenses	(6,612)	(5,875)	(737)	12.5%
Profit Before Tax And Amortisation Of Intangibles	17,686	20,730	(3,044)	-14.7%
Income Tax	(5,239)	(6,123)	884	-14.4%
Net Profit After Tax And Before Amortisation Of Intangibles	12,447	14,607	(2,160)	-14.8%

APPENDIX 1 – 1HY15 RESULTS

	\$'000	1HY 2015	1HY 2014	VARIANCE \$	VARIANCE %
Consolidated Brokers					
Commission And Fees		54,239	51,218	3,021	5.9%
Life Income		4,143	4,268	(125)	-2.9%
Profit Commissions		224	132	92	69.7%
Premium Funding		4,869	4,756	113	2.4%
Interest		1,701	1,845	(144)	-7.8%
Other Income		1,654	1,731	(77)	-4.4%
Revenue From Consolidated Brokers		66,830	63,950	2,880	4.5%
Expenses From Consolidated Brokers		(52,482)	(47,778)	(4,704)	9.8%
Profit From Consolidated Brokers		14,348	16,172	(1,824)	-11.3%
Equity Accounted Brokers					
Commission And Fees		68,226	69,168	(942)	-1.4%
Life Income		1,882	2,069	(187)	-9.0%
Profit Commissions		-	134	(134)	-100.0%
Premium Funding		8,003	7,778	225	2.9%
Interest		3,078	3,129	(51)	-1.6%
Other Income		1,457	1,197	260	21.7%
Revenue From Equity Accounted Brokers		82,646	83,475	(829)	-1.0%
Expenses From Equity Accounted Brokers		(60,575)	(60,086)	(489)	0.8%
Profit From Equity Accounted Brokers		22,071	23,389	(1,318)	-5.6%
Profit From Broking Operations		36,419	39,561	-3,142	-7.9%

APPENDIX 2 - UNDERWRITING AGENCIES

	1HY15 \$'000	1HY14 \$'000	INC/(DECR)%
Commission and Fees	20,556	16,969	21%
Profit Commission	1,058	120	882%
Claims Handling Fee	300	351	(15)%
Interest	386	334	16%
Other Income	93	13	715%
Total Income	22,393	17,787	26%
Expenses	(17,109)	(12,652)	(35)%
Net Profit before Tax	5,284	5,135	3%
Outside Shareholders Interest	(1,497)	(1,231)	(22)%
Net Profit before Tax after outside shareholder interests	3,787	3,904	(3)%

APPENDIX 3 – 1HY15 CASH FLOW

	1HY15 \$'000	1HY14 \$'000
Cash flows from operations	14,967	20,094
Cash flows from investing activities		
- Acquisitions*	(20,978)	(2,446)
- Sales proceeds / loan repayments	(159)	559
- Plant equipment / other	(814)	(872)
	(21,951)	2,759
Cash flows from financing activities		
- Dividends	(10,429)	(10,366)
- Proceeds from share capital & DRP	7,205	6,950
- Net borrowings	5,634	2,457
- Payments for deferred settlements	(1,491)	(3,732)
	919	(9,605)
Net increase in cash ex broker trust account	(6,065)	7,730
Increase in broker trust account cash	(3,292)	(8,504)
Net decrease in cash	(9,357)	(774)

*Acquisitions is made up of the following:	1HY 15	1HY14
Cash payments for acquisitions	\$(31,063,000)	\$(5,450,000)
Cash acquired (including trust)	\$ 10,085,000	\$3,004,000
	\$(20,978,000)	\$(2,446,000)