



26<sup>th</sup> November 2015

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

Dear Sir,

Attached is a copy of the prepared Chief Executive Officer's address and presentation which will be delivered at Austbrokers Holdings Limited's Annual General Meeting being held at 10.00am today.

Yours faithfully

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S.S. Rouvray  
**Company Secretary**  
Austbrokers Holdings Limited

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**AUSTBROKERS HOLDINGS LTD**  
**CEO'S ADDRESS TO ANNUAL GENERAL MEETING 26<sup>TH</sup> NOVEMBER 2015**

Thank you Richard and I'd like to add my welcome to everyone here today. Importantly I would like to take this opportunity of thanking Richard on behalf of the management, staff and partners for his 10 years of service to Austbrokers as our Chairman since listing and, from a personal perspective, for his help and guidance to myself over the past three years. Richard, your support has been tremendous and I thank you deeply and we wish you and Elizabeth our very best wishes. As ever, change is a constant and it's great to welcome Paul Lahiff as our new 'non-Exec Director and also congratulate David as our incoming Chairman, we look forward to working with you both. I would also like to take this opportunity of thanking and acknowledging Steve Rouvray, our previous CFO and retiring Company Secretary for his dedication and enormous contribution to the success of Austbrokers. Steve, on behalf of all of us, our heartfelt thanks and best wishes to you and Gae as you enter the next period in your life.

**Agenda**

Today I would like to apprise you of our results as at the end of FY15; reflect on the achievements during the year despite the challenges of a very soft insurance market; provide clarity as to our key guiding principles; share with you our Group Strategy and overarching Objectives; link these to our operating model and indeed how we present ourselves to the market. I will finish off by providing an update as to the year to date and our growth expectations.

**Who we are**

I am extremely proud that we are now the largest equity-based Risk Solutions group in Australasia. Austbrokers' has leveraged its strengths extremely well to ensure the aspirations of long term sustainable growth are met with our plans built upon strong strategic foundations, which I will expand on later. We now have over 450k clients, predominantly SME and midmarket businesses served by our partners. From a broking perspective we represent in excess of \$2.6 billion dollars of GWP and our underwriting agencies, strategic alliances and joint venture partnerships take this figure to approximately \$4.5 billion – a significant share of the markets' we operate in and this provides scale benefits to our partners and member firms. Our Underwriting Agency operations have grown to now account for in excess of \$300 million GWP by following a clear strategy to achieve 'top 3' positions in chosen market segments. Our Risk Services and Injured Worker solutions Partner businesses are delivering positive results and the benefits of collaboration are evident. I am particularly proud of the fact that over the last year we have established the Group as the third largest broking organisation in New Zealand with aspirations to grow further.

**FY15; Performance Summary**

Despite the well reported 'headwinds' of an extremely 'soft' insurance market, the Group again delivered another solid set of results and continued the tradition of growing NPAT, the 10<sup>th</sup> successive year of growth since listing. As you can see from the slide, our Group revenue increased 9.4% with the corporate cost ratio improving in the year and our adjusted NPAT increasing 2.5% over FY14. A key feature of the year was the continued diversification of our profit generation with the percentage of non-broking profit improving from 12% in FY12 to 23% in FY15 which helps insulate the Group from the vagaries of the insurance cycle. The annual dividend increased by over 3% over FY14 and our dividend yield was a positive 4.8%. Importantly, our 5 year Total Shareholder Return continues to be ahead of the market long term average. Let me give you a brief summation of our business area performance:

**Insurance Broking** demonstrated resilience given the decline in premium rates during the year with the level of broking income decline less than the market decline in premium rates. Our Broking Shareholder partners ensured that the underlying organic growth drivers all showed positive trends despite lower premiums placing pressure on commission income. While broking income reduced in

FY2015, client numbers and policy count increased as did contribution from premium funding and life insurance. This positions the businesses well for the future. Acquisition activity continued on both a stand-alone and bolt-on basis and included the acquisition, through the 80% owned NZ Broker Holdings, of the manager of the largest broking cluster group in New Zealand and 50% of the country's largest independent broker. In Australia, acquisitions included a 50% shareholding in Nexus and a number of bolt on acquisitions within the network. A highlight of the year was the increased levels of collaboration between the broking entities and the recently acquired Risk Services businesses to provide enhanced risk propositions to clients. In Australia, the strength of our relationship with IBNA under the AIMS banner continued to build scale and opportunity for both broking entities.

**Underwriting Agencies** continued their strong growth during the period with a 29% growth in revenue, and profit contribution before tax up 35% resulting in a profit contribution over double that of 3 years ago. This was achieved by following our strategic ambition of becoming a top 3 underwriting agency in our chosen market segments. The use of the owner: driver model has seen increasing revenue contribution from agency start-ups over the last 3 years and these now contribute approximately 25% to Underwriting Agencies profit before tax. The Underwriting Agencies' result benefited from securing long term contracts with key insurers which has enabled the business to improve commissions, improve underwriting profit share commissions and earn additional fees for both the financial year and the longer term. These contracts reflect the value of the business model we have developed and our relationships with insurers. Furthermore, Profit commissions earned for the year increased over the prior year based on the continued quality of the underwriting performance and the finalisation of commissions on the sale of a portfolio. We invested heavily in the business during the year to ensure we continue to support future growth. Key initiatives implemented in the current year included the rebranding of the business to SURA, investment in management and resourcing to support the strong organic growth of recent start-ups. Systems investments were made in redesigning product offerings in Latitude with the launch of SURA 360, to enhance ease of doing business and deliver back office synergies. The business implemented an offshoring strategy targeted at controlling future growth in costs, initially around pre-underwriting analytics, and policy administration.

The **Risk Services** division was established in 2014 following the acquisition of 50% of the Procare Group. The group acquired two businesses to further expand the Group's capabilities; a 60% interest in Altius Group, a leading provider of rehabilitation and related services; and a 50% interest in Risk Strategies Pty Ltd which offers risk based consulting services to its clients. Since year end the Group acquired a 60% interest in Allied Health Australia Pty Ltd, a leading rehabilitation services provider in the NSW market. Services offered by the division are highly complementary to those provided by our existing operating businesses and provide solutions to clients, insurers and brokers in the areas of claims management, rehabilitation services, investigations, staff training and risk surveys amongst others. We have seen good evidence in the take up of these services by our partners. Importantly, these businesses have been impacted less by the insurance cycle.

### **Our Core Business Principles**

I am particularly pleased that, despite the challenging market environment, we adhered to our three key disciplines. These principles underpin all that we do and provide focus and stability moving forward. Our three core principles are as follows:

- 1 – Stay true to our Business Model (Owner:Driver partnership model)
- 2 – Execute on our agreed Strategy – to be the leading provider of total risk solutions for our clients
- 3 – Stay focused on delivery of our Operating model – supporting our business partners with market leading services, at cost, to help improve their efficiency

### **The Group's Strategic Goal**

Over the year, we have been focussed on the development, agreement and articulation of our strategy. I am a great believer in keeping strategy simple and this is enshrined in the statement of our

strategic goal: “to be the leading provider of risk management solutions to our clients”. Remembering the vast majority of our end clients are businesses and businesses face three key areas of risk: physical risk; people risk; financial risk. Our ambition is to help ensure our partners have the appropriate tools to assess and provide solutions for the relevant risks the clients face for example, whether that be assessing the potential issues relating to losing the business premises; getting injured workers back to work successfully or helping provide relevant financial solutions to protect the business owner against loss of income etc. By creating the relevant competencies we also widen the markets and distribution channels available to us for example the provision of injured workers rehabilitation services can be utilised by a broker supporting their client; by an insurer as part of their Workers Compensation insurance solution and by a larger client who, given their scale, can procure the services directly.

### **The Group’s Strategic Objective**

Whilst our goal is to ensure we are leading provider of risk management solutions to our clients, the objective of the company is to provide long term, sustainable growth for our shareholders. As previously mentioned, the execution of our strategic plan will be underpinned by the disciplined focus around our Business model; our client-centric strategy and our operating model. Furthermore, the execution of our strategic plan brings with it additional benefits relating to income diversification in turn broadening the profit generation sources for the Group. We expect all our business areas to contribute, whether that be Australian Broking; Underwriting or Risk Services now with the addition of our international operations in New Zealand where we will look to leverage our competencies and capabilities.

### **Demonstrating Successful Execution to Date**

There is a time-honoured phrase: ‘the proof of the pudding is in the eating’, and whilst I am both pleased and proud that our strategy is logical and pragmatic, the result will inevitably be registered on the scoreboard. Using the template of the previous slide it is gratifying to see the outcomes of both our disciplined focus and the results being delivered as a result of diversifying our profit generation. Remember, everything we do has to tie-back to our over-arching strategic intent of being the leader in the provision of risk management solutions for our clients. As I’ve already mentioned, each area is contributing to profit and they are helping underpin our long term sustainable growth objective.

### **Our Operating Model - Organising Ourselves to Support Sustained Growth**

From an **Operating Model and Organisation design** perspective, we have ensured that we have applied requisite resource and focus to our business areas both market facing (Equity Broking; Broking Cluster management; Specialist Underwriting; Risk Services) and support orientated (Business Technology; Marketing; HR; Risk and Compliance; Business Centre) in addition to providing the relevant capabilities to support the listed Company. We continue to ensure the delivery of market leading services, provided at cost, to aid the effectiveness and efficiency of our partner businesses and will continue to invest in our people, technology, processes and systems. The internal development of the full policy administration system designed to enable operational efficiencies across the network was completed and now requires our insurer partners to complete the final phase of work required at their end (programmed for FY2016). During the year, the iClose platform was deployed into selected Underwriting Agencies businesses to aid operational efficiency and is already delivering expected benefits. The roll out of the group Customer Relationship Management (CRM) system and sales platform to assist our partners with their business growth activities progressed well and is currently ahead of plan. During the year, the business technology systems underwent continuous upgrading to enhance our cyber security and privacy considerations. The vast majority of the operating businesses take advantage of the Group’s centralised Data Centre, common broking system and administrative back office services that are a key part of the operating model.

### **Our Name and Brand**

Finally, and as previously foreshadowed in the Notice of Meeting we will be asking shareholders to approve a change in the company name. I would like to explain the rationale for our thinking. The

majority of the Group's income is generated in the Broking arena but we now have very significant interests in the Underwriting agency and Risk Services areas. Furthermore, our expansion internationally to become the third largest broking entity in New Zealand is further evidence of our diversification. In light of these developments we have undertaken a review of our naming conventions and branding approach - to ensure the names we utilise are relevant to all the segments and geographies that we serve. As we have evolved, so have our business area names to the extent that:

- The Austbrokers name and brand is highly relevant to our Australian insurance broking business;
- NZbrokers is relevant to our New Zealand insurance broking business;
- The SURA group brand continues to broaden as a more generic name for our Underwriting Agency area
- Risk Services businesses have brand names relevant to their areas of operation.

As I'm sure you will agree, there is strong equity in all our existing Group business area brands, so we have no intention of changing them. However, what has become apparent is that, given the broad range of activities, the Group's (Austbrokers Holdings Limited) name needs to be agnostic to the different business areas. To this end, later in the meeting, we will be seeking shareholder approval to change the Group company name from Austbrokers Holdings Limited to AUB Group Limited. You will see on the slide how the name and brand convention is proposed to operate.

#### **FY16 Outlook and Approach**

Looking forward, the commercial lines insurance market continues to be challenging, and while premium rates are expected to stabilise, premium growth is unlikely before late FY2016. So far this year, we have seen lower levels of premium rate reduction than the corresponding period last year and pleasingly we continue to experience positive trends in the underlying organic drivers e.g. client and policy count that we reported on at the year end. Drivers of revenue in Risk Services remain positive and are not impacted by the soft insurance cycle. We will continue to build on the strength of our business strategy, collaboration across the Group, our core 'owner-driver' business model and to optimise our Group operating model to be the leading Insurance Broking, Specialist Underwriting and Risk Services group. As our products and services mix continues to expand, this will enable growth across our business divisions building value for our partners and for our clients in Australia and New Zealand. We expect continued organic growth, supplemented by executing relevant acquisition and start-up investment opportunities. We will continue to invest appropriately to ensure the continued development of our value proposition ensuring, we are highly relevant and attractive to future partners, staff and clients. It is our objective to continue to contain costs below the rolling 7 year average.

As previously stated the Group is targeting growth in Adjusted NPAT for FY2016 of 5% over FY2015. The achievement of this target is subject to prevailing economic conditions.

Finally, I would just like to take this opportunity of thanking Richard and the Board for their support, to the Management and the Austbrokers Holdings team for their hard work and dedication during a period of substantive change and also to all our partner shareholders, without whose efforts our results would not be possible.

Many thanks.  
M.P.L Searles

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This announcement 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 Holdings Limited 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.

# AUSTBROKERS HOLDINGS LTD

## ANNUAL GENERAL MEETING

### MANAGING DIRECTORS REPORT

26<sup>TH</sup> NOVEMBER 2015



# AGENDA

- Who we are
- FY15 results
- Our defining principles and disciplines
- Group Strategy
- How we organise and execute
- Delivering to shareholders
- Group brand
- FY16 outlook and approach

# WHO ARE AUSTBROKERS?

As at November 2015

**450,000+** clients and growing

**~30  
YRS**  
active  
partnership  
experience

People  
**>3,000**

Directly represent  
**\$2.6B GWP**  
via equity partners, plus \$1.9B  
GWP through cluster partners,  
for a combined  
**= \$4.5B GWP**



**LARGEST** equity based risk management,  
advice and solutions specialist in Australasia

**Top 3  
underwriting  
agency**  
in chosen  
markets

**Leading  
people  
risk  
solutions  
provider**

**Largest broking  
cluster in NZ,**  
and JV with leading  
cluster in AUS



# PERFORMANCE SUMMARY FY15

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## YEAR-ON-YEAR GROWTH.

Result within guidance, above consensus forecast,  
Adjusted NPAT up 2.5% on FY14 to \$36.3M.

↑ 2.5%

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## DIVIDEND INCREASED.

Increase of 3.1% over FY14 to 39.7c per share.

↑ 3.1%

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## DIVIDEND YIELD FULLY FRANKED

(based on closing price at 26/08/15)

5%

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## GROUP REVENUE INCREASED.

Increase of 9.4% over FY14 to \$217.3M.

↑ 9.4%

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## GROUP COST:INCOME RATIO HELD.

Ratio held beneath rolling 7 year average at 18.9%.

Ratio declining given rolling average (FY12: 22.9%; FY15: 20.6%).

18.9%

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## TOTAL SHAREHOLDER RETURN.

Continues to be ahead of market long term average.

3yrs – 15.1%  
5yrs – 22.9%

# OUR CORE BUSINESS PRINCIPLES

Our activities are driven by adherence to **3 key principles**:

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Focused deployment of our **Business Model** – the ‘owner-driver’ model, whereby we work with our partners to enable mutuality of success.

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Focused delivery of our **Strategy** ensuring discipline and clarity of execution.

Focused on the disciplined delivery of our **Operating Model** ensuring all activities conform to our Vision, Purpose and Values.

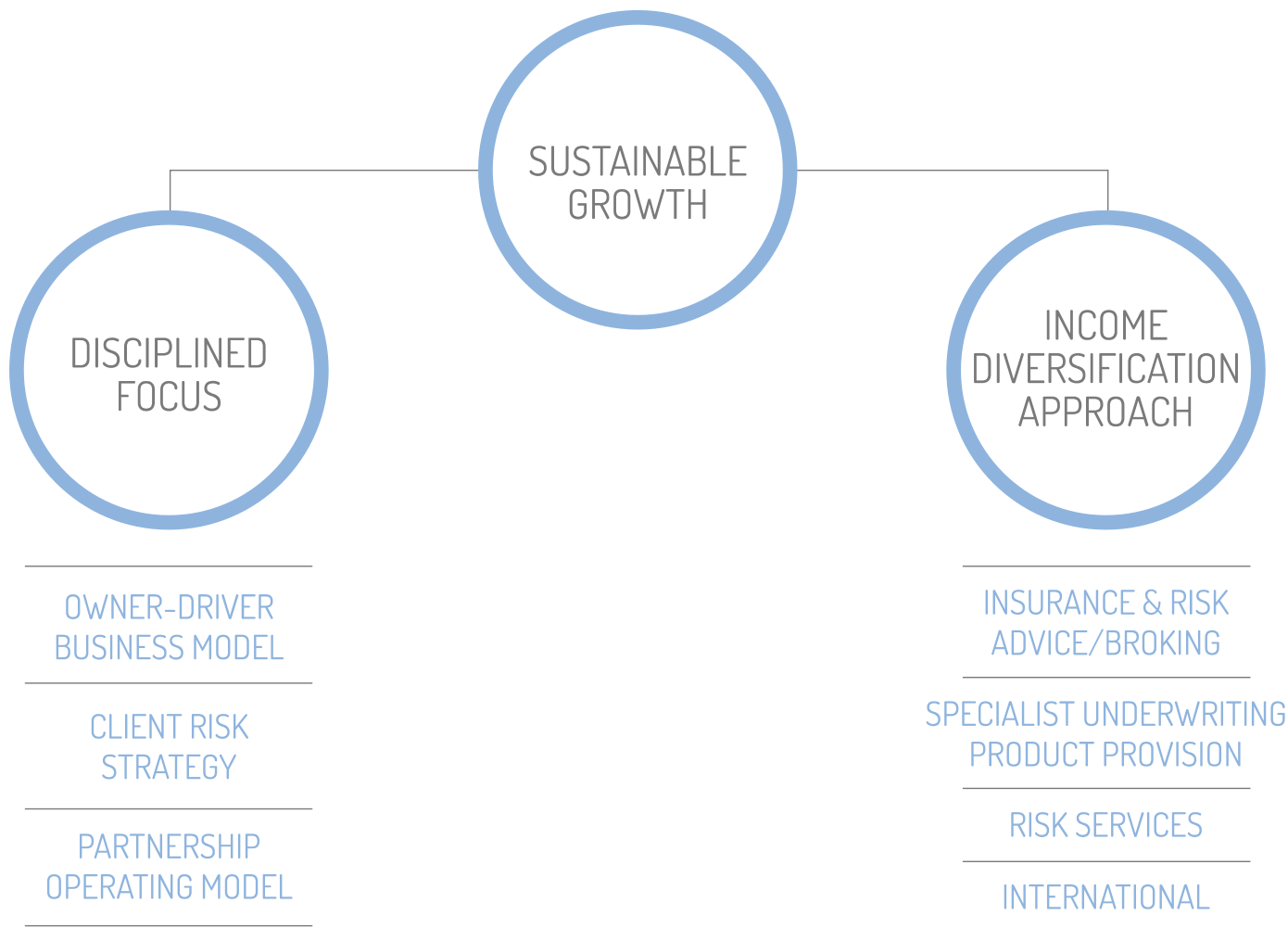
# THE GROUP'S STRATEGIC GOAL

To be the leading provider of risk management advice solutions to our clients.



# THE GROUP'S STRATEGIC OBJECTIVE

Long term sustainable growth.



# DELIVERING AGAINST OUR STRATEGY FY15

Demonstrating measurable success to date



SUSTAINABLE  
GROWTH

## DISCIPLINED FOCUS

### OUTPERFORMING INDUSTRY DYNAMICS

BROKING COMMISSION & FEES	↑3.1%
CLIENT NUMBERS	↑4.9%

PREMIUM FUNDING	↑0.8%
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PROFIT COMMISSIONS IN UNDERWRITING WITH LONG TERM CONTRACTS SECURED	↑34%
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EQUITY OWNER-DRIVER BUSINESSES NOW:	75
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SOLID COST CONTROL	BELOW 7 YEAR ROLLING AVERAGE
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## INCOME DIVERSIFICATION APPROACH

INCOME FROM NON-BROKING SOURCES	23%
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RISK SERVICES CONTRIBUTION OUTPERFORMED	\$1.5M VS FY14
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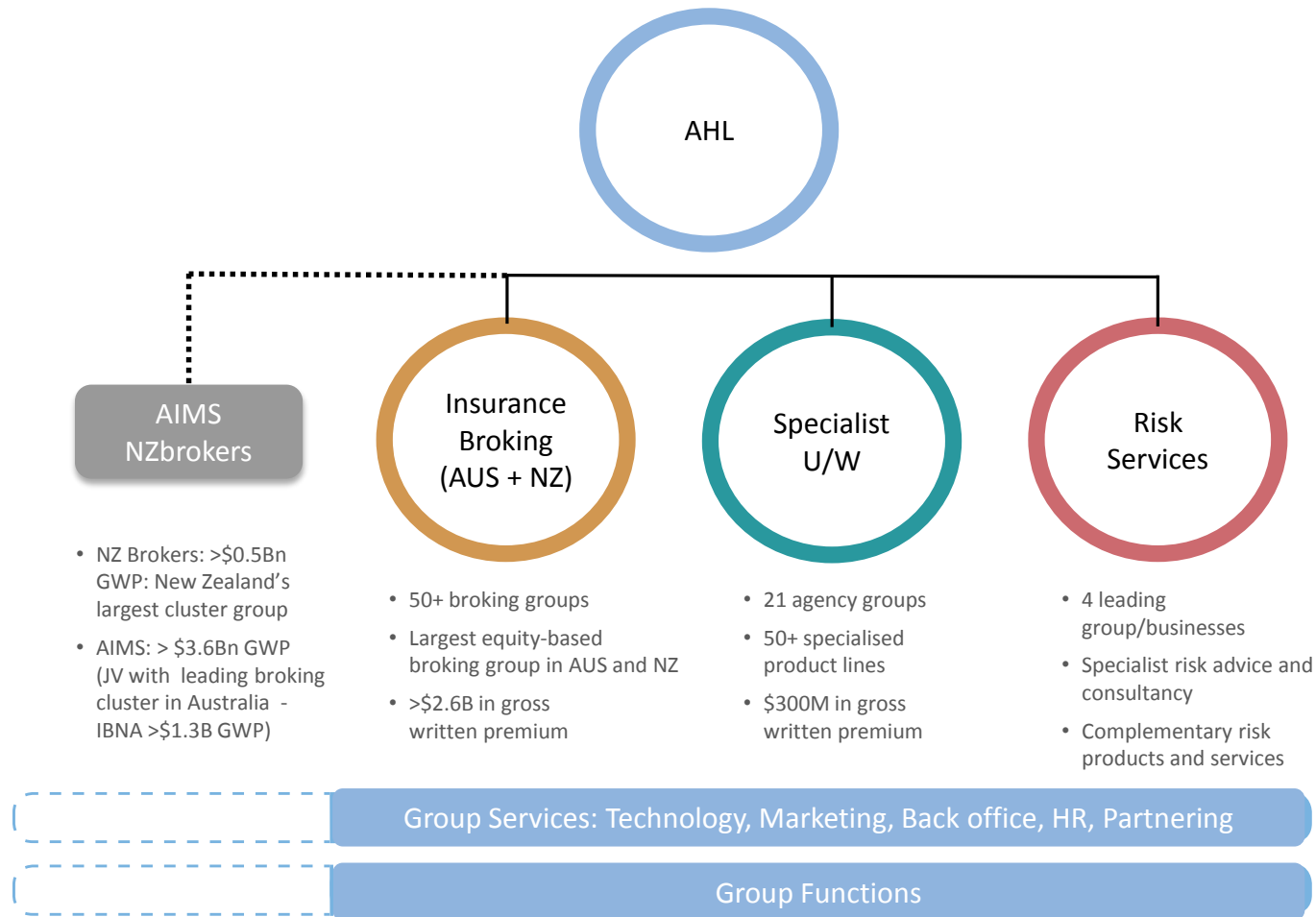
INTERNATIONAL EXPANSION TO BECOME NZ'S LARGEST CLUSTER GROUP AND THIRD LARGEST BROKING ORGANISATION.	>\$500M GWP
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SPECIALIST UNDERWRITING AGENCY START UPS CONTRIBUTING	25% TO AGENCIES NPBT
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NEW EQUITY FIRMS	6
NETWORK MEMBER ADDITIONS SINCE 01/07/14	53

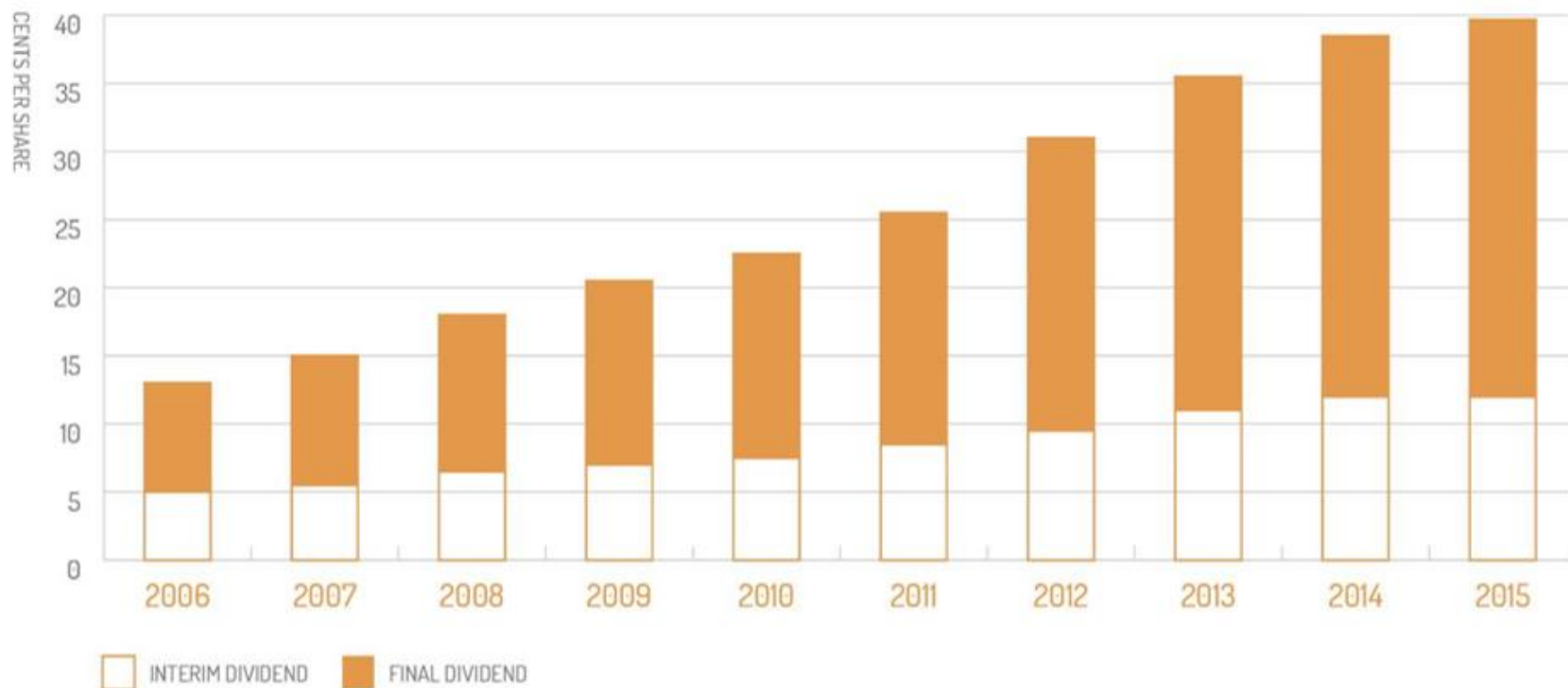
# A DIVERSIFIED GROUP

Focused on the delivery of risk management advice and solutions to our clients



# CONTINUING TO DELIVER TO SHAREHOLDERS

- Final dividend per share of 27.7 cents brings full year dividend to 39.7 cents up 3.1% on FY14.
- DRP remains in place for final dividend, however will not be underwritten.
- Payout ratio on adjusted NPAT is 67% (FY14 64%)
- CAGR over 9 years 13%



# HOW WE WILL LOOK TOMORROW

## Group Brand



## Business Areas

Insurance Broking Network



Specialist Underwriting



Risk Services

Brands below

## Partner Businesses (example)





# FY16 OUTLOOK UPDATE

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The commercial lines insurance market outlook remains challenging, and while premium rates are expected to stabilise in FY2016 in Australia and New Zealand, premium growth is unlikely before late FY2016/FY2017. Experience to date has shown rate decline less than PYP. Underlying organic growth drivers remain positive e.g. and policy client numbers, life and premium funding income. Drivers of revenue in Risk Services are positive and are not impacted by the soft insurance cycle.

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We will continue to build on the strength of our business strategy, our core 'owner-driver' business model and to optimise our Group operating model to be the leading Insurance Broking, Specialist Underwriting and Risk Services group. As our products and services mix continues to expand, this will enable growth across our business divisions building value for our partners and for our clients in Australia and New Zealand.

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In FY2016, the Group expects continued underlying organic growth, supplemented by executing relevant acquisition and start-up investment opportunities across Insurance Broking, Underwriting Agencies and Risk Services in Australia and New Zealand.

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The previous investments in strengthening the management team and building key competencies will support the continued evolution of the operating model with the objective of underpinning growth. We will continue to invest appropriately to ensure the continued development of our value proposition ensuring we are highly relevant and attractive to future partners, staff and clients. It is our objective to continue to contain costs below the rolling 7 year average.

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The Group re-affirms that it is targeting growth in Adjusted NPAT for FY2016 of 5% over FY2015. The achievement of this target is subject to prevailing economic conditions.

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# AUSTBROKERS HOLDINGS LTD

ANNUAL GENERAL MEETING

