



27 October 2016

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

Dear Sir

**2016 AGM ADDRESSES TO SHAREHOLDERS**

The Company will address shareholders today at its Annual General Meeting to be held at 10am at the Sheraton on the Park (Castlereagh Room), 161 Elizabeth Street, Sydney NSW.

Attached is a copy of the Chairman's address, Managing Director & CEO's address and AGM presentation.

Yours faithfully

A handwritten signature in blue ink that reads "Linda Ellis".

**Linda Ellis**  
**Group Company Secretary & Corporate Counsel**

**Steadfast Group Limited**

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**STRENGTH WHEN YOU NEED IT**



## 2016 AGM Chairman's Address

27 October 2016

Ladies and gentleman:

On behalf of the Board, I am pleased to report that Steadfast Group delivered another year of strong growth in revenue and profits in FY16.

- Underlying revenues were up 54% year-on-year to \$460 million;
- Net profit after tax grew 44% to \$60 million excluding non-trading net gains;
- Underlying cash EPS increased 12% to 11 cents per share; and
- Our fully franked dividend for the year rose 20% to 6 cents per share.

This strong performance was against a backdrop of continued low growth and flat premium rates in the insurance industry. The main drivers of our growth in profit were the acquisitions made in FY15, the synergies generated from these acquisitions and from our existing businesses, and the resilience of our diversified business model.

Thanks to strong support from existing and new shareholders, along with the capital raising last year to fund transformational acquisitions, our ASX market capitalisation has risen to around \$1.7 billion. Steadfast is now ranked in the ASX 150 index. Pleasingly, around 23% of the Group is owned by Steadfast Network Brokers who continue to share in the excellent benefits provided by Steadfast.

Shareholders who invested in Steadfast when we listed in August 2013 have benefited from a 107% total return on their investment. Those who also participated in the rights issue in early 2015 have benefited from a 138% return.

During FY16 we made a number of bolt-on and small strategic acquisitions. Most of these acquisitions were in insurance broking and included buying new brokers as well as larger stakes in existing brokers. A number of large acquisition opportunities did not materialise as they did not fit our strict acquisition criteria based on culture, strategic fit and price.

Gross written premium placed by Steadfast Network Brokers was \$4.5 billion, an increase of 4% compared to FY15 in a flat pricing environment. The growth was driven by new members and new Network brokers. With \$4.2 billion GWP in Australia and \$0.3 billion in New Zealand, we remain the largest general insurance broker network in Australia and New Zealand with 346 brokers in over 1,000 offices. We have only lost one broker from the Network since our listing and increased the Network by 105 brokers. This is due to the premier and unique service offering that we provide to our network.

We continue to adopt a prudent approach to capital management. The Board has set maximum corporate gearing at 25% and approved an additional 5% leverage for subsidiary borrowings. As at 30<sup>th</sup> September, the corporate gearing ratio was 18% and the subsidiary gearing ratio was 2%. We have in place long-term corporate debt facilities of \$285 million and corporate debt of \$192 million, giving us substantial balance sheet capacity for the future.

Corporate governance remains a key role for your Board. This includes a regular review of management performance against business plans and of our largest businesses. The Board is pleased to again report that the strong corporate governance and risk management in place have enabled Steadfast to report no material breaches during the year.

Shortly, shareholders will have the opportunity to ask questions and to vote on the Remuneration Report. We have listened to market feedback and current accepted practice and made some changes to the remuneration structure for our senior management team which will come into effect in FY17. The changes relate to both short and long-term incentives and importantly they continue to align senior management's interests with the long-term interests of shareholders. The Board firmly believes in an incentive structure which is based on stretch targets, increasing shareholder wealth, individual performance and financial outperformance against our peers. We do not support the increasing trend to include further "soft" issues which are increasingly being adopted by many listed companies.

The Group's first quarter results show that the business is tracking to plan and that we are progressing well with ongoing initiatives to improve the service to our network and the financial performance. This gives us the confidence to re-affirm our FY17 guidance and our ability to continue to grow the network and profitability of the Group.

Robert Kelly will provide more detail on the first quarter and outlook for FY17. He will also address strategic initiatives being developed and implemented for the benefit of our network and shareholders.

In closing, I would like thank all those who have contributed to the continued growth of Steadfast, including our valued employees led by our tireless and highly experienced Managing Director & CEO Robert Kelly, our brokers, our underwriting agencies, our strategic partners, our shareholders and our end customers. I would also like to extend my gratitude to my fellow Directors for their strong commitment to governance and to their contribution to another successful year.

I will now hand over to Robert to address the meeting whom I thank for extending his commitment to remain at the helm of Steadfast for at least the next four years.

Thank you.

## **AGM Address from the Managing Director & CEO**

27 October 2016

Thank you Frank and good morning everyone.

### **Steadfast's 20 Year Journey**

Twenty years ago, 43 insurance brokers formed a group to compete against the large international players in Australia. We called the network Steadfast as we were determined to work together to create more buying power and a voice for independent brokers. Just over three years ago, 279 Steadfast Network Brokers voted to take the company public to participate in consolidating the insurance broking market in Australia and New Zealand. The IPO in August 2013 enabled Steadfast to become a co-owner of broker and broker-related businesses as well as remain the largest general insurance broker network in Australia and New Zealand.

The Steadfast share price debuted at \$1.15 giving us a market capitalisation of \$576 million. Our market cap has since grown threefold to around \$1.7 billion. It's been a great ride over the past 20 years and particularly over the last three. Hold on tight everybody as our journey has just begun.

### **Growth in Cash EPS since ASX Listing**

As we celebrate Steadfast's 20<sup>th</sup> anniversary and third year as a listed public company, we are proud to have achieved another year of record performance. As you can see from the chart on the slide, growth in underlying cash earnings per share was over 12% in FY16 compared to FY15.

The strong growth was helped by acquisitions made during the previous financial year – in particular the Calliden, CHU and UAA agency acquisitions which transformed Steadfast into the largest underwriting agency group in Australia, and diversified our earnings mix.

In light of a flat pricing environment and low inflation, the performance from our existing brokers and agencies was solid and reflected their resilience in challenging markets. Our complementary businesses faced stronger market pricing pressures but continue to enhance the Group's revenues.

Pleasingly, we have shown growth in profits every year since listing. Over the past three years the average annual growth in our Cash EPS has been 17.5%.

### **Steadfast Network**

The next slide shows a graphic of the different elements of the Steadfast Network. Our Network continues to revolve around our customers who are mainly small to medium size enterprises. They seek to focus on the advice our brokers can give them rather than just the price.

At the core of our business are our brokers. We have 346 Network brokers and over 1,000 offices in Australia, New Zealand, Singapore and London. They placed gross written premiums of over \$4.5 billion last year, giving us a 27% market share in Australia and a 10% share in New Zealand.

Underwriting agencies are a significant part of our Group, contributing 45% to our earnings in FY16. They focus on niche markets and sell through Steadfast Network Brokers as well as brokers outside the Network. Our agencies generated \$745 million of GWP last year, making them the largest underwriting agency group in Australia and New Zealand.

We continue to build our network that is “stronger together”. This involves further enhancing the premier services provided to our brokers and agencies and ultimately the value provided to their client base, our end customers. It also involves building and developing relationships with our Strategic Partners and meeting the needs of our end customers.

To revolutionise the services we provide to our Network and Strategic Partners, we continue to embark on new frontiers of client service...

## **New Frontiers of Client Service**

These new frontiers will be influenced by three key initiatives:

1. Bringing the next generation of IT systems to our brokers, agencies and Strategic Partners;
2. Rolling out our client trading platform, which delivers improved product, service and efficiency with a panel of strategically aligned insurer partners; and
3. Accessing new insurance capacity with our Lloyd’s of London ‘super’ binder.

All of these initiatives are designed to enhance the customers’ experience in buying insurance through Steadfast.

## **Steadfast’s Proprietary IT Systems**

The next slide outlines our proprietary IT systems for our brokers and agencies. We have built our own IT systems to have control over our destiny and our data. Our technology team of over 50 people is working on the continuing development and roll out of Virtual Underwriter, INSIGHT and InsuranceCONNECT. All three platforms are revolutionary, bespoke to our users and tailored to the next generation.

We will capture more data, analyse more data and deliver more data faster – from anywhere, at any time and on any device.

We aim to make the Virtual Underwriter the leading online marketplace for Steadfast Network Brokers, underwriting agencies and Strategic Partners. The Steadfast Client Trading Platform, Steadfast Direct and our London ‘super’ binder all link into to the Virtual Underwriter.

## **Steadfast Client Trading Platform**

The Steadfast Client Trading Platform is exclusive to the Steadfast Network and participating insurer partners. It gives clients extra cover, wider choice, claims expedition and direct access into our claims triage processes. It allows for competitive pricing because it reduces the cost for the insurer of doing business with Steadfast Network Brokers.

For brokers it provides best-in-class products, the benefits of using the Virtual Underwriter, cost savings, business intelligence and data analytics, all contained within our own database.

Platform partners have the opportunity to write more GWP through the Steadfast Network and benefit from cost savings per transaction.

Business pack was launched in June. Professional lines were introduced last month. Liability is earmarked for December. Commercial motor is scheduled for March next year and property is to be rolled out by 31 May 2017, just in time for the major June renewal period.

## **Our Lloyd's of London 'super' Binder**

Our London 'super' binder came into effect in August and is able to participate in the Client Trading Platform. They said it couldn't be done both in Australia and London and we did it thanks to the help of our co-brokers JLT and Steadfast Re. The next goal is to see how much of the Network's relevant \$2 billion market they can win.

## **Other Group Strategic Initiatives**

Other group strategic initiatives are outlined on the next slide.

- To better compete in the market, we continue to offshore more of our non-client, administrative tasks.
- We aim to keep and foster our leadership team as well as the rest of our valued employees within the Steadfast Group. Last month we promoted Samantha Hollman to COO. I have worked with Sam for 16 years and she has held a number of executive roles at Steadfast.
- We look to balance capital management and cash flows with dividends and EPS accretion. Everything we do is to create long term value for our shareholders.
- We seek to support our complementary businesses as they play an important role in our Network.
- We continue to develop our relationship with Strategic Partners as evidenced by the rollout of our client trading platform.
- We are increasing our international footprint with a growing network in New Zealand and an expanding presence in Asia.

- And finally, we remain the natural acquirer of Steadfast Network Brokers. We have a due diligence team of five who report to our CFO, Stephen Humphrys, and who are tasked with converting, where appropriate, our robust pipeline of acquisition opportunities. We will continue to follow our strict acquisition guidelines referred to by the Chairman.

## **Re-affirming FY17 Guidance**

Based on a first quarter that is in line with our budget and prevailing flat market conditions, we are re-affirming our guidance for FY17.

As we have been saying for the past 12 months, we expect to see price increases and further signs of a hardening market around the June 2017 renewal period as insurance companies need to address their declining profits and unsustainable pricing. Steadfast will be in a strong position to benefit from this cyclical change.

In the meantime, we continue to benefit from a defensive SME customer base and only a 2% exposure to the high-end corporate market that is more susceptible to pricing pressure. We also benefit from a diversified business model – well diversified by broker, agency, geographic region and product line – and a strategy that includes growth by acquisition based on a disciplined and successful due diligence processes.

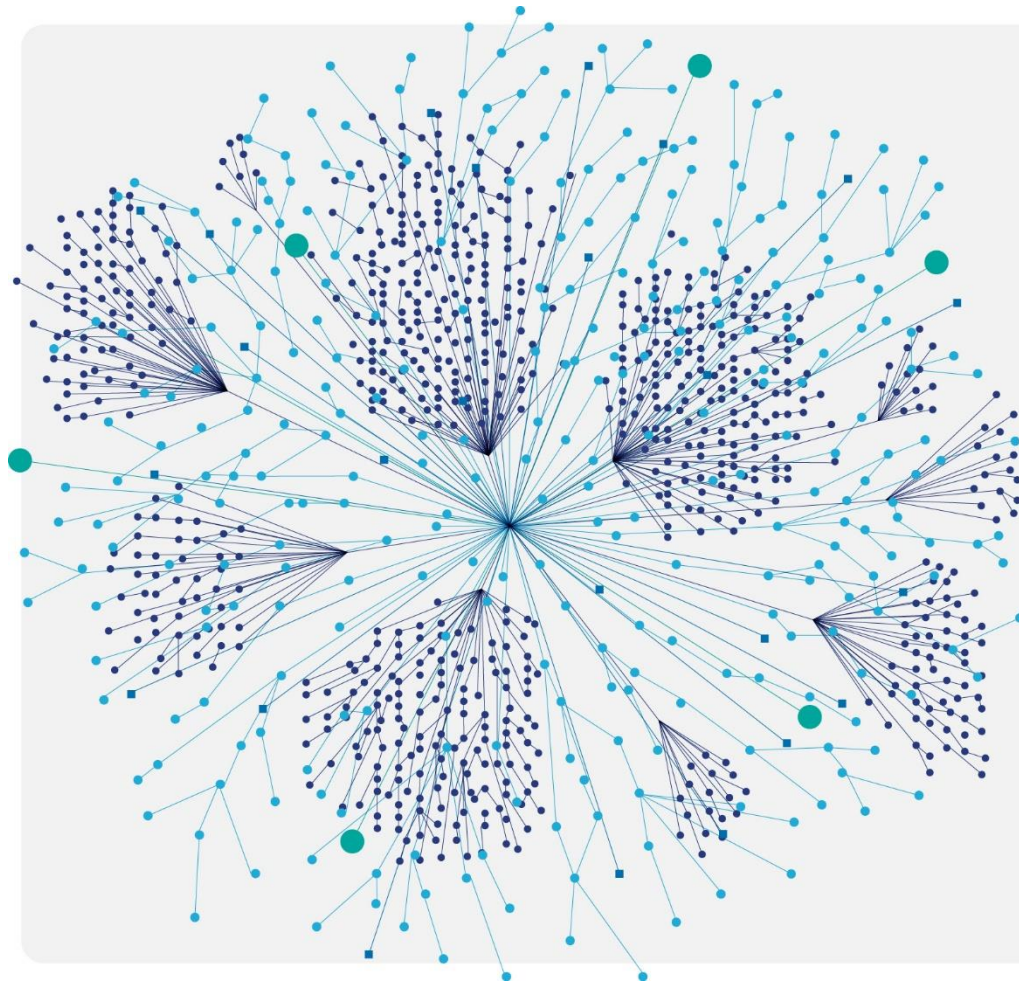
Steadfast has grown tremendously over the past 20 years and especially since our ASX listing. What hasn't changed is the quality and enthusiasm of the people that work for Steadfast and our unique business model. We make things happen by working together to make the Network and its stakeholders stronger.

I would like to thank our employees, senior management team, board members, Network brokers, underwriting agencies and strategic partners for their valued contribution to Steadfast's growth and success this year. I would also like to thank our shareholders for their support in enabling the Group to enhance the value of the Steadfast Network, its members and its partners.

We have accomplished a lot in the past 20 years but there is still so much more to do. I look forward to creating further value for Steadfast and its stakeholders.

I will now hand you back to Frank.





Steadfast Group Limited  
**2016**  
Annual General Meeting

27 OCTOBER 2016

**346 brokerages**  
**1,149 offices**  
**22 underwriting agencies**  
**6 complementary businesses**





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Certain non-IFRS financial information has been included within this presentation to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Steadfast uses these measures to assess the performance of the business and believes that the information is useful to investors. Non-IFRS information, including underlying P&L items, pro-forma P&L items, EBITA, NPATA and Cash EPS (NPATA per share), have not been subject to review by the auditors. FY13 and FY14 results are pro-forma and assume the Pre-IPO Acquisitions and the IPO Acquisitions were included for the full reporting period (all of the IPO Acquisitions completed on 7 August 2013). Prior period cash EPS have been adjusted to reflect the re-basing of EPS post the February/March 2015 1:3 rights issue. All references to Aggregate refer to the 100% aggregation of all investees' results regardless of Steadfast's ownership interest.

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Local currencies have been used where possible. Prevailing current exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate. All references starting with "FY" refer to the financial year ended 30 June. All references starting with "1H FY" refer to the financial half year ended 31 December.



# Chairman

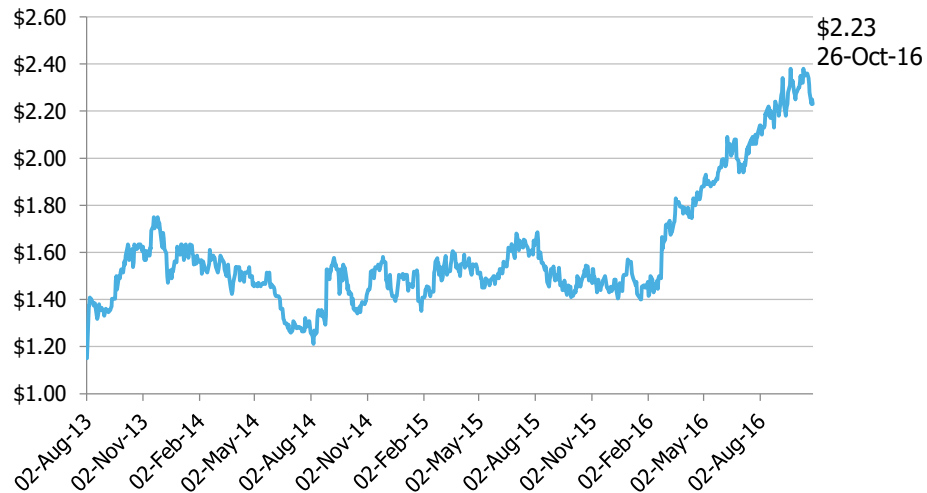
Frank O'Halloran AM

# Strong Shareholder Returns

## FY16 Financial Highlights

- Underlying revenues **+54%** to \$460m
- Net profit after tax (excluding non-trading net gains) **+44%** to \$60m
- Underlying cash EPS **+12%** to 11cps
- Our fully franked dividend for the year **+20%** to 6cps

## SDF Price Performance since IPO



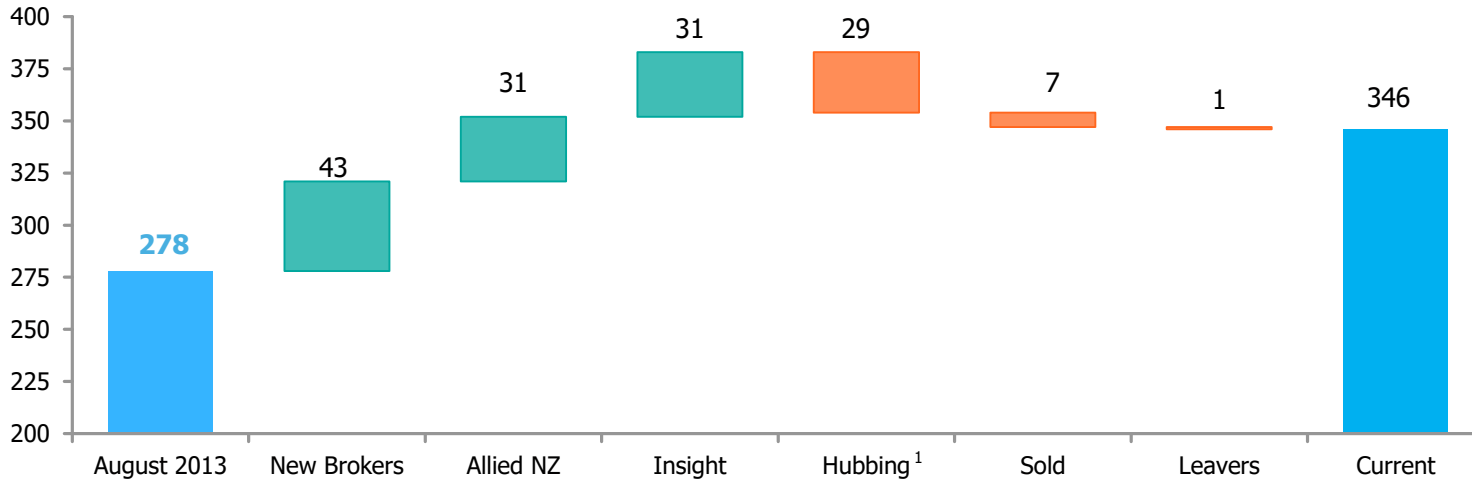
## Total Shareholder Return (TSR)

- **107%** since the ASX listing in August 2013
- **138%** for those who also participated in the rights issue in early 2015

# Steadfast Network – from strength to strength

105 brokers have joined and only one broker has left the Network since the IPO

## Number of Steadfast Network Brokers



- 346 brokers = 309 Australian brokers + 37 New Zealand brokers

<sup>1</sup> Hubbing reflects the impact of merging one or more brokers together to create back office cost synergies and scale.



# Prudent approach to Capital Management

**18%** corporate gearing ratio<sup>1</sup> versus  
**25%** board approved maximum corporate gearing ratio

	As at 30/09/16	Board maximum
<b>Debt</b>		
Corporate	\$192m <sup>2</sup>	\$302m
Subsidiary	\$33m	\$86m
Total debt	\$225m	\$388m
<b>Gearing ratio</b>		
Corporate	18%	25%
Subsidiary	2%	5%
Total gearing ratio <sup>1</sup>	20%	30%

<sup>1</sup> Gearing ratio calculated as debt/(debt plus equity).

<sup>2</sup> Total corporate debt facility is \$285m.



# Managing Director & CEO

Robert Kelly

# Steadfast's 20 Year Journey

Over the past 20 years, Steadfast has grown to become the largest general insurance broker network and the largest underwriting agency group in Australia & New Zealand.

The Group's market cap since listing on the ASX in August 2013 has risen threefold to \$1.7 billion.

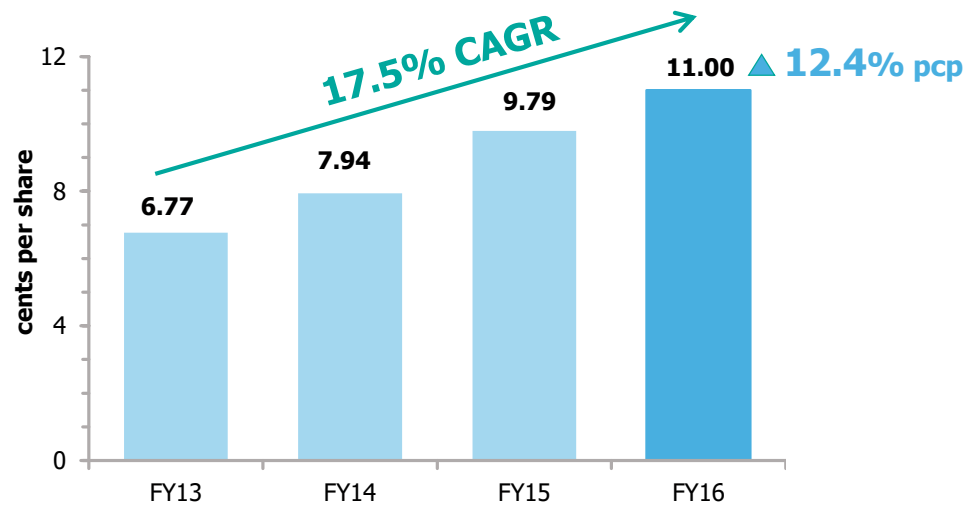
This is just the beginning...





# Growth in Cash EPS since ASX Listing

## Underlying Cash EPS<sup>1</sup>: FY13 – FY16

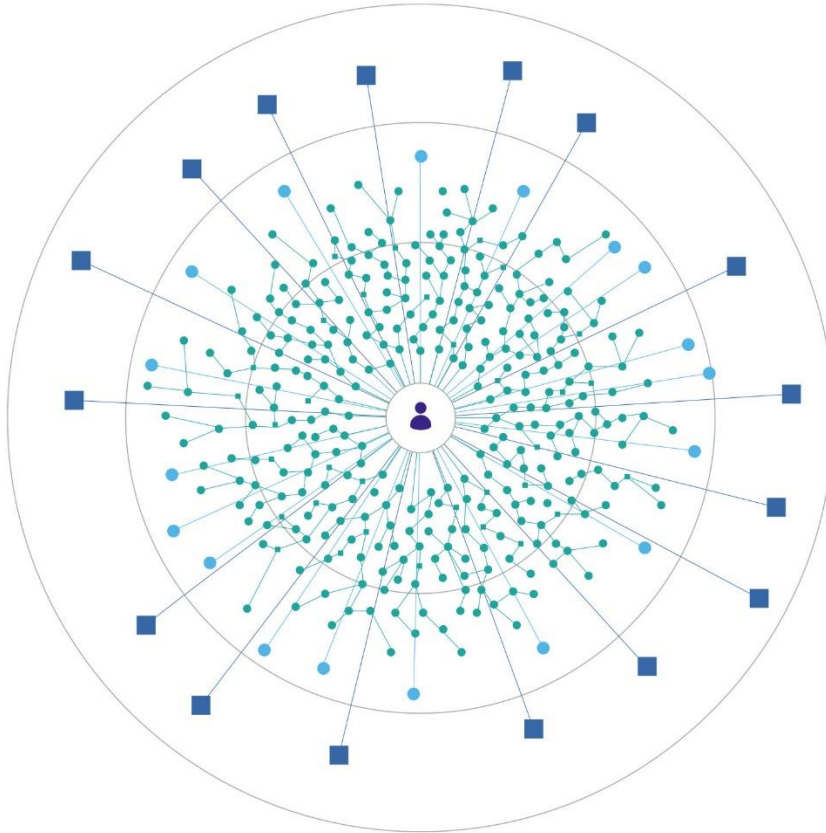


## Growth drivers

- Acquisitions of brokers and agencies, including the Calliden and QBE agencies in FY15
- Solid performance from our existing brokers and agencies in challenging markets

<sup>1</sup> FY13-FY14 Cash EPS restated to reflect 1:3 rights offering in February/March 2015

# Steadfast Network



- **Customers**  
84% relates to defensive SME market
- **Network brokers**  
346 and 1,149 offices in Australia, New Zealand, Singapore & London
- **Complementary Businesses**  
22 underwriting agencies, Macquarie Pacific Funding, White Outsourcing, Steadfast Technologies, Steadfast Re, Steadfast Life and Meridian Lawyers
- **Network Services**  
160 services available to all brokers
- **Strategic Partners**  
major insurance companies in Australia & New Zealand, premium funders and other service providers



***WE CONTINUE TO  
EMBARK ON NEW  
FRONTIERS OF  
CLIENT SERVICE***



# New Frontiers of Client Service

- 1 Use of transformational **IT systems** for our brokers, underwriting agencies and Strategic Partners

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- 2 Benefits from a market leading **client trading platform**

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- 3 Access to new insurance capacity via our Lloyd's of **London 'super' binder**

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# Steadfast's Proprietary IT Systems

## VIRTUAL UNDERWRITER

- Virtual marketplace for Steadfast Network Brokers, Steadfast Underwriting Agencies and insurers
- Full cycle policy management with only one data input
- Links to Steadfast Client Trading Platform, Steadfast Direct and Lloyd's of London 'super' binder
- Interfaces with INSIGHT and underwriterCENTRAL

## INSIGHT

- Broking platform that provides client, policy and claims management
- Powerful search engine with leading data recovery and security features
- Launched at the Steadfast Convention in April 2016

## underwritercentral™

- Underwriting agency platform that provides client, policy and claims management
- First platform to electronically interface with Lloyd's of London
- Purchased by Steadfast in April 2016



# Steadfast Client Trading Platform (SCTP)

**6** insurers including Steadfast London 'super' binder

**1** platform using Virtual Underwriter and INSIGHT

**1** point of data entry

## **Key benefits for clients and Steadfast Network Brokers**

- Better product coverage and service
- Ease of transaction
- Claims expedition and triage

## **Key benefits for platform partners**

- Cost savings per transaction
- Ease of transaction
- Better access to Steadfast Network



# Steadfast Lloyd's of London 'Super' Binder

## Old arrangement

**30** syndicates

**16** binders

**3** brokers

- Expensive and inefficient

## New arrangement

**6** syndicates

**1** binder

**1** co-broking solution

- Much simpler solution
- Substantial cost savings
- Better access to the Steadfast Network
- Client centric underwriter negotiations
- Stability of capacity and growth assured

**Access to relevant Steadfast Network of \$2.0b GWP**





# Other Group Strategic Initiatives

- 1** Continue the rollout of our offshoring division for IT, marketing and finance

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- 2** Retain senior management team

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- 3** Balance capital management and cash flows with dividend and EPS accretion

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- 4** Seek to support our complementary businesses inside and outside the Network

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- 5** Consolidate and develop our Strategic Partner relationships

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- 6** Expand our footprint in New Zealand and Asia

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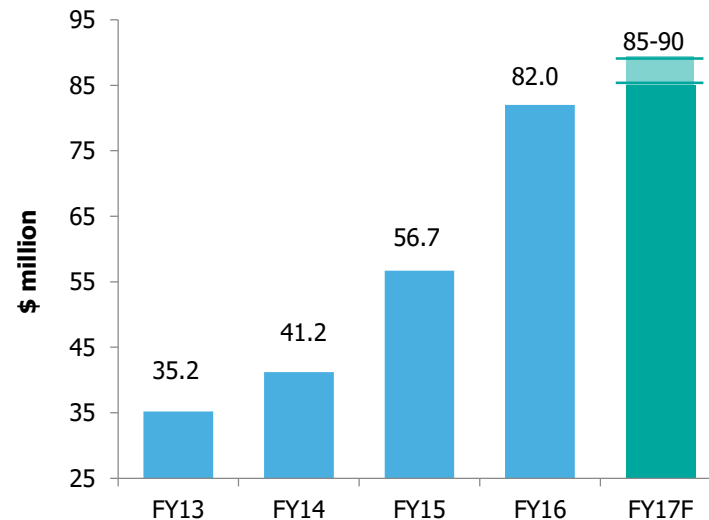
- 7** Be the natural acquirer of Steadfast Network Brokers

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# Re-affirming FY17 Guidance

- FY17 underlying NPATA guidance range of \$85m-\$90m, driven by:
  - Organic growth
  - Growth from strategic initiatives
- Key assumptions include flat market conditions and no material acquisitions
- Acquisition opportunities continue unabated
- Well positioned for upside when market hardens

Underlying NPATA<sup>1</sup>



<sup>1</sup> FY13 and FY14 are both pro-forma; FY15-FY17 are underlying

<sup>1</sup> Also refer to key risks on pages 29-31 of Steadfast's 2016 Annual Report