

23 February 2022

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

PSC INSURANCE GROUP LTD (PSI) – 2022 HALF-YEAR RESULTS PRESENTATION – RE-RELEASE

Please find attached a re-release of our FY22 Half-Year Results Presentation. This re-release corrects an error on page 14 of the presentation for the second last bullet point with the correct information being:

- Underlying NPATA up 61% to \$27.6m and underlying EPS up 46% to 8.6 cents per share

Please direct any queries to Tony Robinson, Managing Director, on 0407 355 616 or Joshua Reid, Chief Financial Officer, on (03) 8593 8303.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'S. Abbott' followed by a stylized 'H'.

Stephen Abbott
Company Secretary

2022

HALF-YEAR RESULTS

Tony Robinson (Managing Director)

John Dwyer (Executive Director)

Joshua Reid (Chief Financial Officer)



SUMMARY INFORMATION

This document has been prepared by PSC Insurance Group Limited (ACN 147 812 164) (PSC). It is a presentation of general financial and commercial information about PSC's activities current as at 23rd February 2022. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with PSC's other announcements released to ASX (available at www.asx.com.au). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate.



FORWARD LOOKING STATEMENTS

This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of PSC, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that the actual outcomes will not differ materially from these statements. Neither PSC nor any other person gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Except as required by applicable law or the ASX Listing Rules, PSC disclaims any obligation or undertaking to publicly update any forward looking statements, whether as a result of new information or future events. Statements about past performance are not necessarily indicative of future performance.



TERMINOLOGY

This presentation uses Underlying NPATA and Underlying EBITDA and other related measures to present a clear view of the underlying profit from operations. Underlying NPATA comprises consolidated profit after tax and before amortisation expense adjusted for value adjustments for the carrying value of assets or associates, contingent consideration adjustments, and other revenue and costs considered non-operating in nature or related to acquisition activities. It is used consistently and without bias year on year for comparability. These measures are not audited by the Group's auditors. A reconciliation to statutory profit is provided in this Presentation.

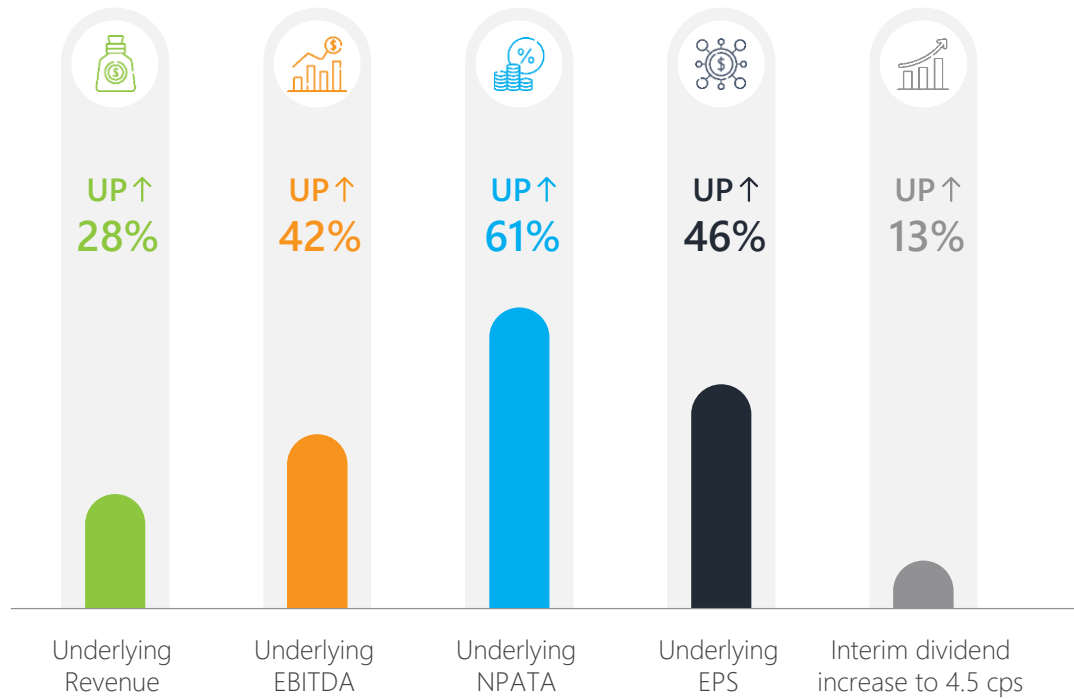


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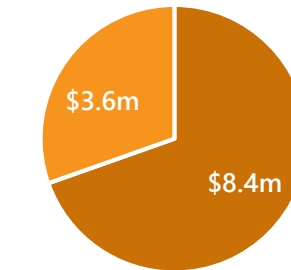
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FINANCIAL HIGHLIGHTS

Strong Results Show Strength in Highly Diversified Business Model
Strong Outlook for Full Year

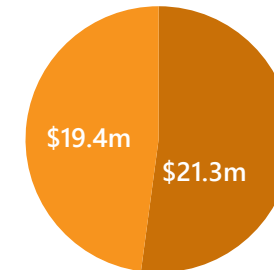


Strong EBITDA Growth in Key Regions



■ AU/NZ ■ UK/HK

Growing UK EBITDA Contribution



■ UK/HK ■ AU/NZ

FINANCIAL RESULTS SUMMARY

Strong balance of organic growth + accretive acquisitions that have integrated well

(\$m) – Half-Year	2022	2021	Growth
Underlying Revenue	119.7	93.7	28%
Underlying Costs	-79.0	-65.0	
Underlying EBITDA	40.7	28.7	42%
Net AASB16 adjustment	-0.3	-0.3	
Interest	-4.8	-4.4	
Depreciation	-1.1	-1.0	
Amortisation	-6.1	-4.1	
Non-Operating Revenue	0.4	3.4	
Non-Operating Costs	-6.2	-3.2	
Net Profit Before Tax	22.5	19.1	18%
Tax	-6.0	-5.4	
NPAT	16.6	13.6	21%
Underlying EBITDA (AASB 16 Adj.)	40.7	28.7	42%
Underlying EBITDA	40.4	28.4	42%
Underlying NPATA	27.6	17.1	61%



Strong revenue growth of 28% and EBITDA growth of 42%.



Organic EBITDA growth of \$5.7m (+20%), strong performance across all segments.



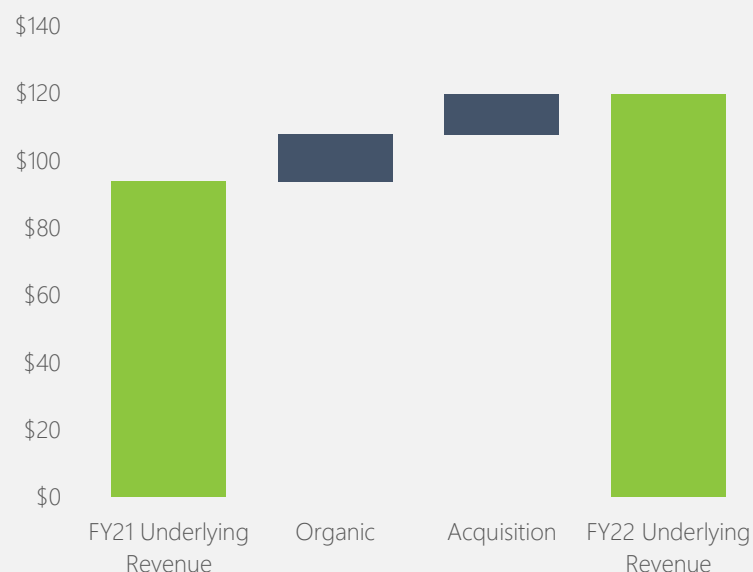
Acquisitions contributed EBITDA growth of \$6.3m. Good performance from PSC UK Insurance Brokers, PSC Alliance and AU/NZ bolt-ons.

GROWTH DRIVERS

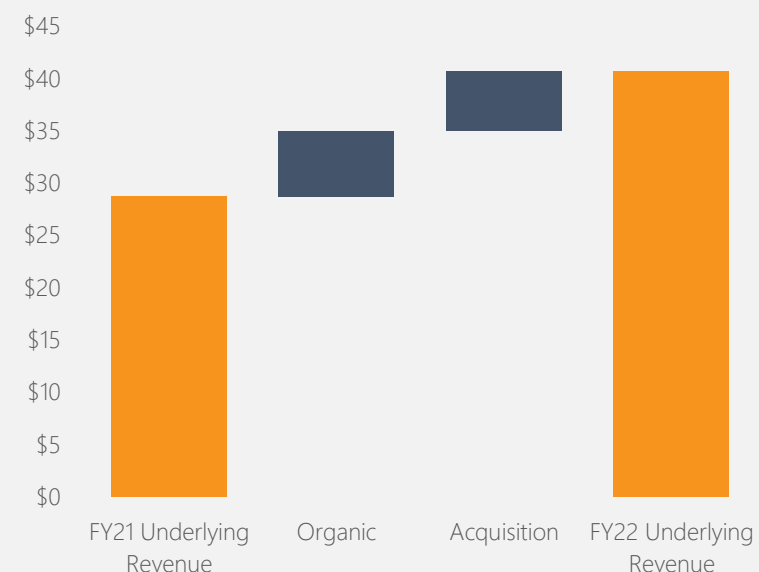
Strong Organic Growth; Acquisitions Perform Well

- Acquisitions contributed \$12.0m in incremental revenue and \$6.3m incremental EBITDA. Absolute, Abaco and Trust now form the core of PSC UK Insurance Brokers and are performing well at strong margins. PSC Alliance has performed well and is a new office in the AU distribution platform.
- Strong organic growth in the period, with revenue growth of \$14.0m (+15%) and EBITDA growth of \$5.7m (+20%). Strong markets, increasing client count and improved margins.

UNDERLYING REVENUE (\$M)



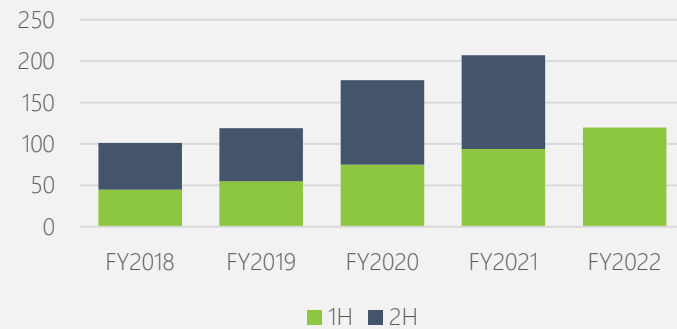
UNDERLYING EBITDA (\$M)



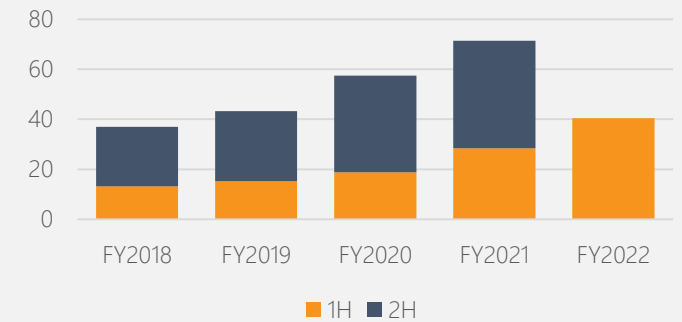
TRACK RECORD OF GROWTH CONTINUES

Strong Record of Growth

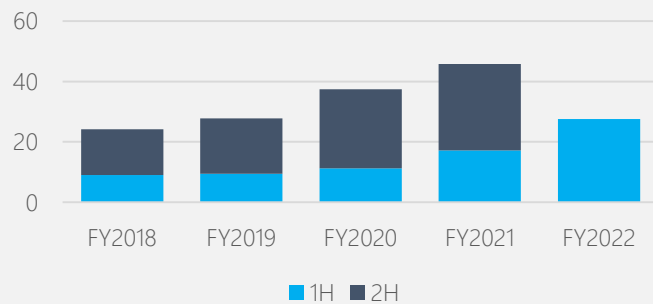
UNDERLYING REVENUE (\$M)



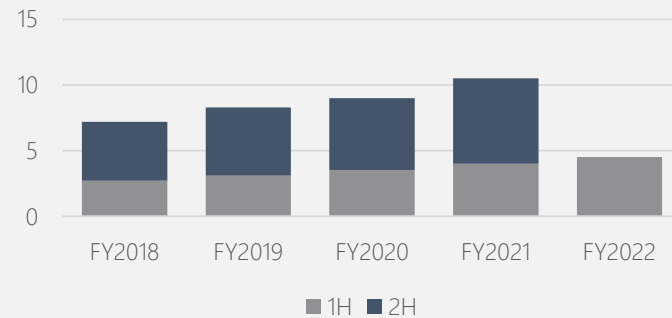
UNDERLYING EBITDA (\$M)



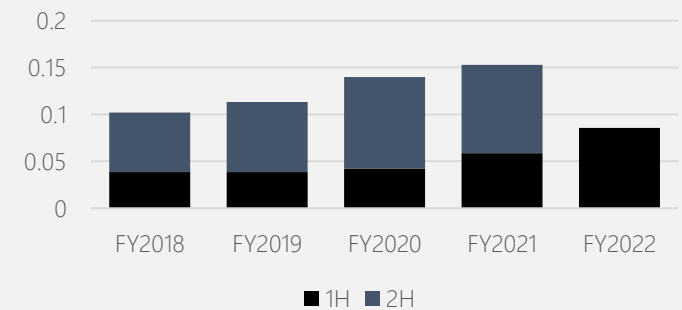
UNDERLYING NPATA (\$M)



DIVIDENDS - cps



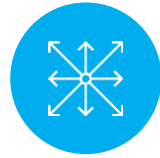
UNDERLYING EPS - cps



DIVERSIFIED BUSINESS MODEL

Diversification by Region, Class and Business Type

Strong results show:



Benefits of multi-national business model – strong organic growth in the UK and opportunities for expanding PSC UK Insurance Brokers; expansion in New Zealand; new platform in Hong Kong.



Expertise and specialist skills – strong growth evident in the period from specialist skills across Cyber, D&O, PI and construction.



Market leading businesses and teams – focus on 'autonomy with responsibility' and alignment ('corporate partnership model'); expanded Group LTI arrangements will enhance alignment over the medium term.



Diversified insurance intermediary business operating as SME broker, UK wholesaler, international wholesaler and specialty underwriting agency.

STRATEGY AT WORK

Acquisition of Alliance Insurance



Excellent addition to the Australian Broking franchise.



Expectation of ~ \$3m+ EBITDA on an annualised basis.



Melbourne based broking business with >20 staff and ~\$7m in revenue.



Strong start with PSC; excellent team who have settled in well.



STRATEGY AT WORK

Expansion of New Zealand Distribution Platform



Strong expansion of Group owned broking business with acquisition of Montage Insurance Brokers and a bolt-on of an AR business in the period.




Strong growth in AR numbers in PSC Network (> 60 in NZ). The start-up life broking Network business is growing well.



Change in regulatory and licensing environment creating opportunity.



(A\$m) 	2020A	2021A	2022F
Revenue	2.6	3.1	5.4
EBITDA	0.7	0.8	2.0

STRATEGY AT WORK

Debt Refinance Creates Long Term Platform to Continue Acquisition Strategy

	Before	After
Cost of Funds	4.7%	3.1%
Limits (A\$m)	190	265
Unused Capacity	15	90
Term (Unexpired)	3 years	5.5 years



Blue chip panel of funders; CBA, Macquarie, HSBC and Citi across an expanded bank debt facility and Pricoa with a Note issuance facility.



All funders taking a view on the Group position. Previously there was an Australian facility and a UK facility.



Lending covenants provide a buffer above the Group target Net Leverage range of 2.0-2.5 times.

STRATEGY AT WORK

Continued Focus of Building & Retaining Strong Executive & Leadership Team



Greater depth in capabilities in the Group in a dynamic market for talent.



Use of long term incentives to share value fairly and lock in alignment over 4-6 years.



We lent non recourse funds to acquire 4.8m shares in the first half to key executives across the Group with an expectation of ~ 3.5m in the second half.



There are currently ~ 16.5m (5% of total) loan funded shares on issue across 41 executives.



This has proven a simple and effective incentive and alignment structure since IPO over 6 years ago.



The EPS impact of the LTI is reflected in the dilution from the number of shares on issue (we exclude the implied option costs from underlying earnings to avoid a double count).

SEGMENT RESULTS

PSC business model enables **growth + diversity**



DISTRIBUTION (AUSTRALIA)

Distribution EBITDA up \$2.8m (17%). Broking businesses, Networks and Workers Comp all performing well.



AGENCY (AUSTRALIA)

Agency EBITDA up \$1.4m, driven by strong performance from Chase Underwriting. Medisure also trading well, with no earnings drag from the online travel insurance business this period.



UNITED KINGDOM

UK EBITDA up materially by \$8.8m. Acquisitions contributed \$4.0m increase. Very strong organic growth in Paragon ('International Wholesale'), and sound growth across all of Carrolls ('Domestic Wholesale'), PSC UK Insurance Brokers ('Retail'), Breeze and Chase ('MGAs').



GROUP

Group EBITDA contribution lower given increase in insurance and executive costs.

SEGMENT RESULTS

(\$m) – FY22	Distribution	Agency	UK	Group	TOTAL
Underlying Revenue	47.4	8.4	63.1	0.8	119.7
	40%	7%	52%	1%	
Reported NPAT	12.5	2.1	11.1	-9.1	16.6
Reported EBITDA	20.7	3.4	19.3	-5.4	38.1
Underlying EBITDA (AASB16 Adj.)	19.2	3.6	20.4	-2.5	40.7
% of Total	47%	9%	50%	-6%	
Underlying EBITDA Growth: PCP	17%	65%	75%	-65%	42%
EBITDA Growth	2.8	1.4	8.8	-1.0	12.0
Organic	0.6	1.4	4.7	-1.0	5.7
Acquisition	2.3	0.0	4.0	0.0	6.3

(\$m) – FY21	Distribution	Agency	UK	Group	TOTAL
Underlying Revenue	41.0	7.0	45.1	0.7	93.8
	44%	7%	48%	1%	
Reported NPAT	9.9	1.4	4.5	-2.2	13.6
Reported EBITDA	16.8	2.3	9.8	2.1	31.0
Underlying EBITDA (AASB16 Adj.)	16.3	2.2	11.7	-1.5	28.7
% of Total	57%	8%	41%	-5%	

STATUTORY NPAT RECONCILIATION



Revenue excluded from Underlying Earnings: represents gains in the fair value adjustments on investments. Small changes in the period with BP Marsh largely flat.



Expenses excluded from Underlying Earnings:

- ~ \$2.2m charge relating to the release of prepaid debt fees post the repayment of Barings UK debt facility.
- ~ \$2.0m relating to deferred consideration fair value changes (strong performance from Absolute, Abaco and Trust which now form PSC UK Insurance Brokers).
- ~ \$0.6m relating to implied option costs from the Group LTIP.
- ~ \$0.8m relating to professional fees from acquisition activity.



Underlying NPATA up 61% to \$27.6m and underlying EPS up 46% to 8.6 cents per share.



Average tax rate of 27%.

(\$m)

2022

2021

Growth

Statutory NPAT

16.6

13.6

21%

Amortisation

6.1

4.1

Revenue excluded from Underlying - Tax Adjusted

-0.3

-2.4

Expenses excluded from Underlying - Tax Adjusted

5.2

1.8

Underlying NPATA

27.6

17.1

61%

W.avg. Shares (m)

323.0

292.7

Underlying EPS

8.6 cents

5.9 cents

46%

Average Tax Rate

27%

28%

OPERATING CASH FLOW RECONCILIATION



After-tax operating cash flow up 44% on prior period to \$50m.



As previous, first half strongest cash period as revenue booked in peak June period is collected.



(\$m)

2022

2021

Statutory NPAT

16.6

13.6

Non-Cash Items

13.4

3.5

Change in Working Capital

20.2

17.7

Operating Cash Flow

50.2

34.8

BALANCE SHEET



Debt facilities refinanced with material cost savings, increased limits (\$90m undrawn) and maturity (average 5.5 years). Group net leverage within the target 2.0-2.5 times range.



Increase in intangibles represents acquisition activity, the largest in the period being Alliance at ~ \$25m.

(\$m)	Dec-21	Jun-21	Comments
Cash - Own	49.0	47.8	Majority of acquisition activity funded with cash balances
Working Capital	10.7	37.2	Usual seasonal pattern of debtor collections post June peak period
Total Liquidity	59.7	85.0	
Intangible Assets	455.5	420.9	Alliance Insurance, Montage Insurance, AU/NZ bolt-ons
Investments	60.9	61.1	BP Marsh \$45m
Fixed Assets, Net	38.8	38.8	Includes East Melb, PPE
Vendor Obligations	-37.7	-35.8	Final GGIB payment made and Alliance payable ~ \$7m
Deferred Tax, Net	-26.2	-27.2	
Borrowings	-183.9	-176.7	Debt facilities refinanced, net increase ~ \$7m
Other	-20.5	-19.8	
Net Assets	346.1	346.4	
Equity:			
Share Capital	332.8	331.2	
Retained Profits	46.7	51.4	Seasonal - 1H lower profit half, higher cash half
Reserves/NCI	-33.3	-36.1	
	346.1	346.4	

SUMMARY & OUTLOOK

- Strong prospects for the Group supported by organic growth, strong pipeline of current opportunities and disciplined allocation of capital
- Guidance for Full Year Upgraded



Strong organic growth led by favourable market conditions, increased client count and improved (market leading) margins.



Acquisitions have been performing well and pipeline of future activity is consistent with historical position.

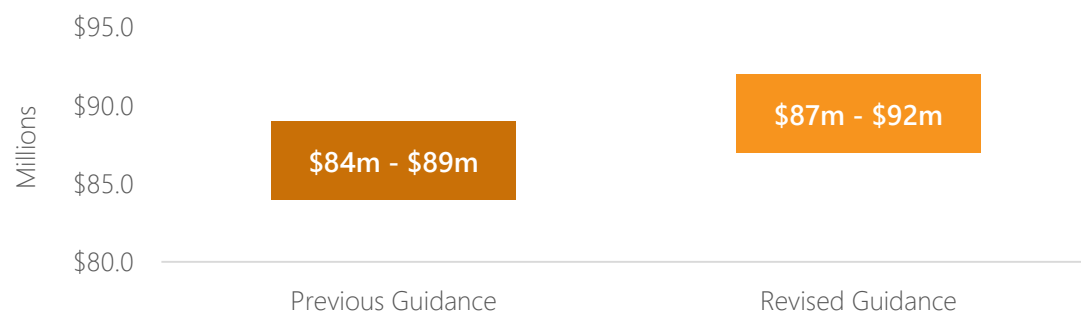


Expectations that increases in insurance prices is slowing in coming periods.

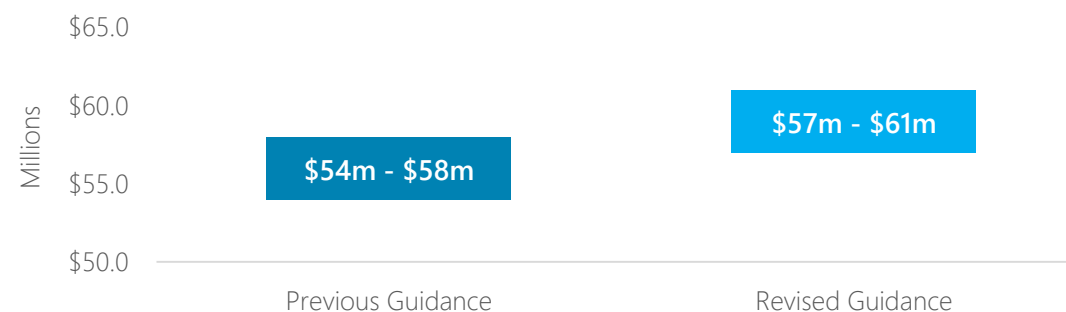


Given the stronger than expected first half, the Group upgrades its market guidance of underlying EBITDA to an updated range of \$87-92m (from \$84-89m) and underlying NPATA to an updated range of \$57-61m (from \$54-58m).

Guidance - Underlying EBITDA



Guidance - NPATA



APPENDIX

DISTRIBUTION



BROKING

- Organic growth exceeding market – organic GWP growth of 11%, we estimate blended market and 'client size' growth of 9% across our businesses.
- Hard markets has meant it is more challenging for our teams to get client risks placed.

NETWORKS

- Growth materially exceeding market – driven by growth in AR numbers and AR business growth, we estimate blended market growth of 4-5% across the AU and NZ Network business.
- PSC Insurance Brokers NZ making a meaningful contribution and growing strongly.

WORKERS COMPENSATION SERVICES

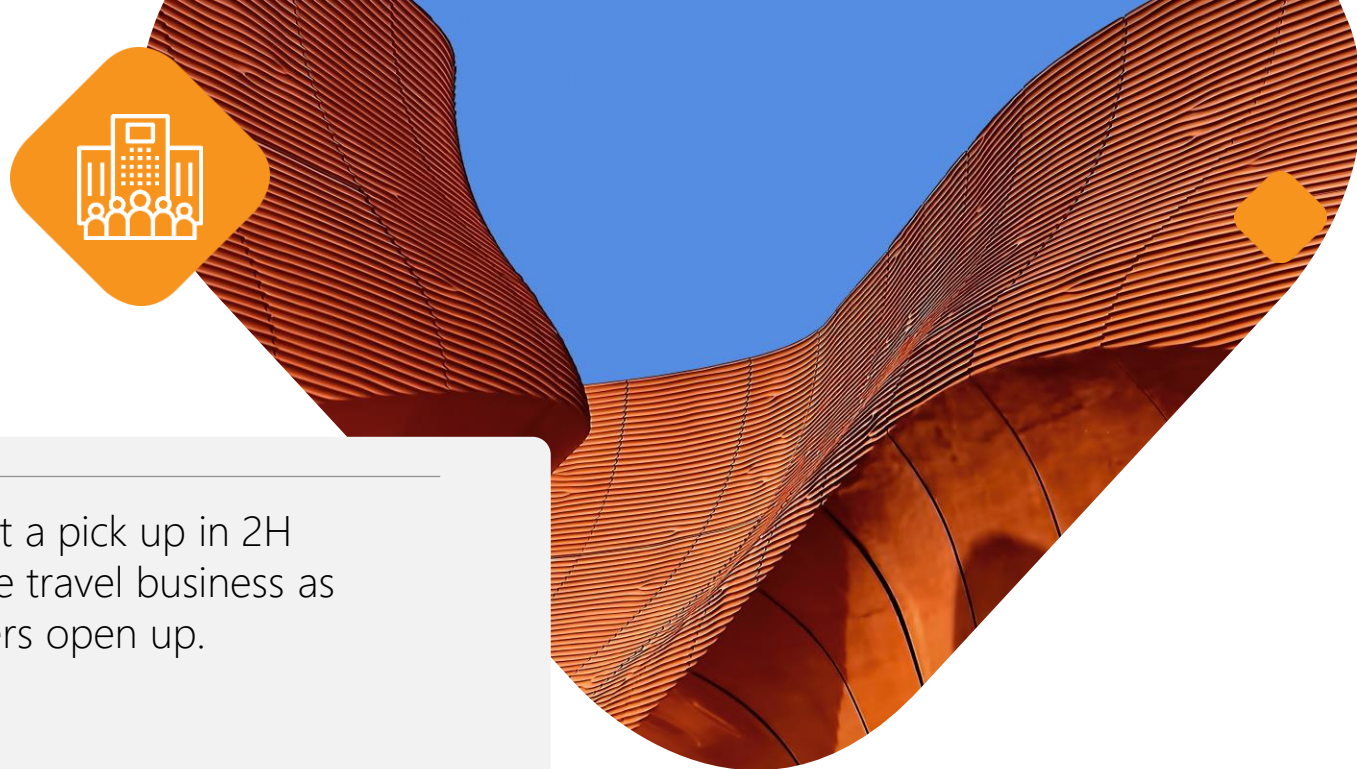
- Increasing penetration and value add to the Broking and Networks teams.
- Higher deferred revenue in the period has headwind in this half which will unwind in the second half.

LIFE BROKING

- Remains a value add for our Broking and Networks clients.



AGENCY



GWP growth of 26% and revenue growth of 19%. Strong market growth in construction sector and strong capacity and underwriting performance driving results.

Expect a pick up in 2H for the travel business as borders open up.

C



UNITED KINGDOM



PARAGON

Strong growth aided by:

- Hardening rates in Cyber, D&O and PI.
- Strong IPO activity.
- Continued crypto currency success.

Rates expected to moderate in future periods.



PSC INSURANCE BROKERS UK

- Integration complete for Absolute, Abaco and Trust.
- Trading as PSC UK Insurance Brokers with effect 1st January.
- Strong new business growth.
- Migrating to one platform with effect 1st July.



CARROLLS

- Recruited Australian property broking team and increased capacity to benefit from prevailing market conditions.
- Sales to brokers via online platforms continues to grow.



MGA'S

All capacity renewed in challenging conditions.
Strong period for new business.

