

Ensurance delivers positive revenue growth and establishes Australian Casualty Division

Sale of UK operations to PSC Insurance Group Ltd (ASX: PSI) poised for completion in Q3 2023

Highlights:

- ✓ **FY2023 second quarter revenue of \$2.2M, with continued strong growth from the Company's Australian operations.**
- ✓ **Unaudited quarterly profit of \$53K, compared to \$278K for the previous corresponding period (PCP).**
- ✓ **This reflects increased costs associated with the establishment of the new Casualty Division in Australia and legal costs associated with the disposal of the UK operations.**
- ✓ **Gross Written Premium (GWP) of \$17.4M for the quarter.**
- ✓ **Quarterly revenue for the Australian business of \$875K, up from \$617K in the PCP.**
- ✓ **Establishment of the Australian Casualty Division more than doubles Ensurance's accessible premium market in Australia, delivering a significant growth opportunity.**
- ✓ **Disposal of the UK operations nearing completion, with the transaction targeted for completion on 28 February 2023.**

Ensurance Limited (ASX: ENA) (**Ensurance or the Company**) is pleased to advise that it has continued to deliver on its growth objectives in the second quarter of the 2023 financial year (FY2023), with strong revenue growth from its Australian operations and the establishment of a new Casualty Division in Australia, delivering a significant new growth pathway.

Revenue for the December quarter was \$2.2M, a 4% increase over the previous corresponding period (PCP), including revenue from the Company's Australian operations of \$878K, up 42% over the PCP.

This resulted in a profit before tax of \$53K (PCP: \$278K), with the profit result reflecting increased costs associated with the establishment of the new Casualty Division in Australia and legal costs associated with the disposal of the UK operations. These costs were in line with forecast.

Gross Written Premiums (GWP) increased by 6% to \$17.4M, including a 14% increase in Australian GWP.

The disposal of the UK operations is in the final stages, with a Binding Sale & Purchase Agreement signed with PSC Insurance Group (ASX: PSI) in November. Regulatory approval for the sale in the UK was received subsequent to the end of the quarter, paving the way for targeted completion of the A\$8.2M transaction in the third quarter of the current financial year (FY2023).

Commenting on the December quarter, Ensurance CEO, Tom Kent, said:

“This has been a pleasing quarter for the Company, with strong revenue performance from our Australian operations – and continued steady growth in our Gross Written Premiums.

“We are particularly pleased to have established a Casualty Division in Australia, with new Environmental Impairment Liability and General Liability products under development and scheduled for release in the third quarter of FY2023. This sector represents a huge growth opportunity for Ensurance, with an addressable market for these products in Australia exceeding A\$3.5 billion.

“We will be seeking to aggressively grow our market share in this area in the coming months.

“The establishment of the Casualty Division in Australia, together with legal costs associated with the imminent sale of our UK operations, saw a reduction in our net profit compared with the previous corresponding period, however these initiatives have allowed us to put the foundations in place for our next phase of growth and expansion.”



December Quarter Summary

Financial Results

Quarterly financial results are presented below in three sections:

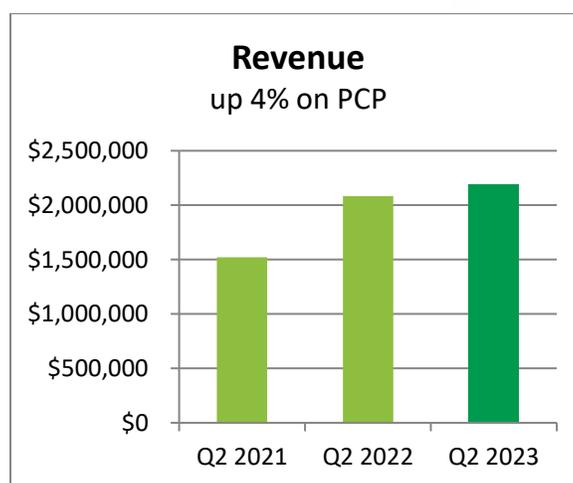
- (i) a comparison of quarter-on-quarter growth against the PCP;
- (ii) a dataset of year-to-date financials, compared with the PCP for FY22 and FY21; and
- (iii) a summary of financial results broken down by UK and Australian regional operations.

Financial results and Quarterly Activity Reports are presented on a consolidated basis in Australian Dollars (AUD).

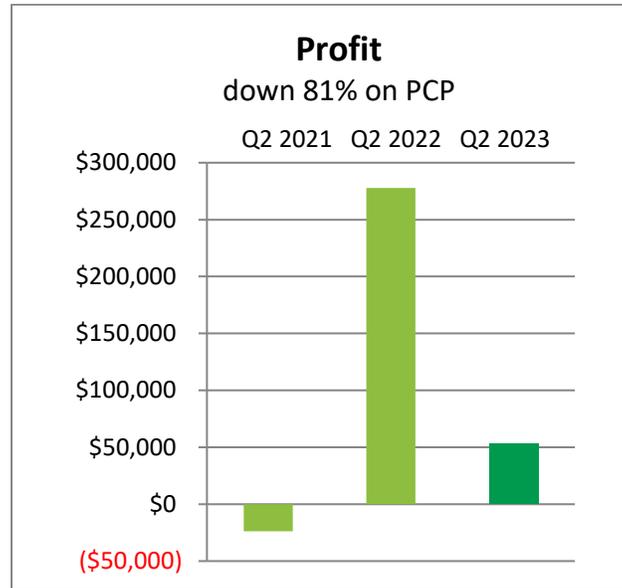
(i) *Previous Corresponding Period (PCP) Analysis*

QUARTERLY RESULTS	Q2 FY2021	Q2 FY2022	Q2 FY2023	% Change from PCP
Fees and Commissions	1,446,270	2,081,005	2,152,281	+ 3 %
Other Income	75,975	267	2,853	+ 969 %
Revenue	1,522,245	2,081,272	2,155,134	+ 4 %
Profit / (loss) before income tax	(23,763)	277,751	53,228	- 81 %
Gross Written Premium	9,733,500	16,437,200	17,431,359	+ 6 %

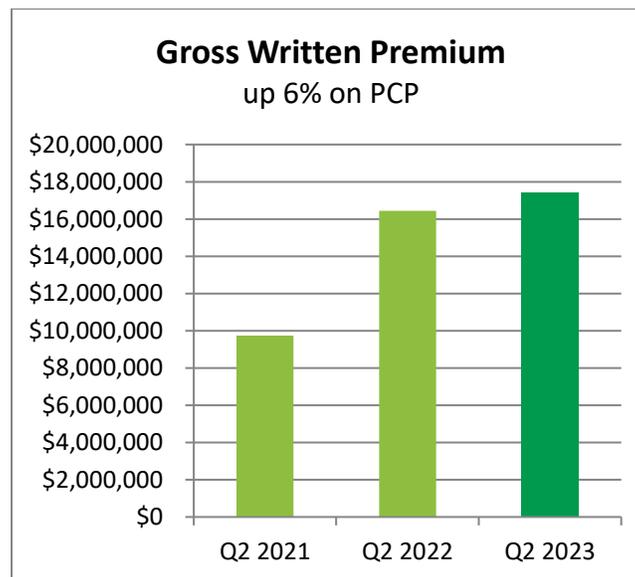
Company Revenue – Q2 difference by corresponding reporting period



Group profit / (loss) – Q2 difference by corresponding reporting period



Company Gross Written Premium – Q2 difference by corresponding reporting period

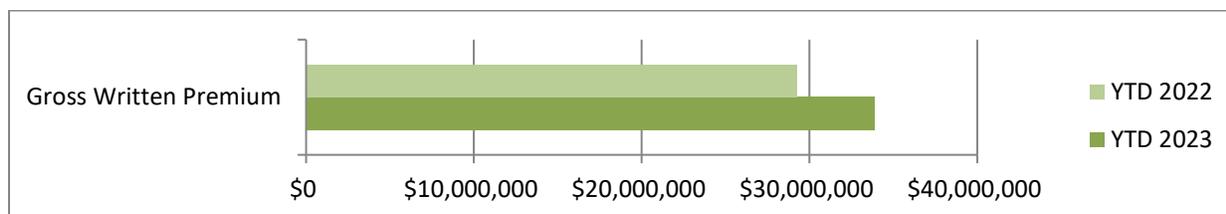


(ii) Year to Date (YTD) Analysis

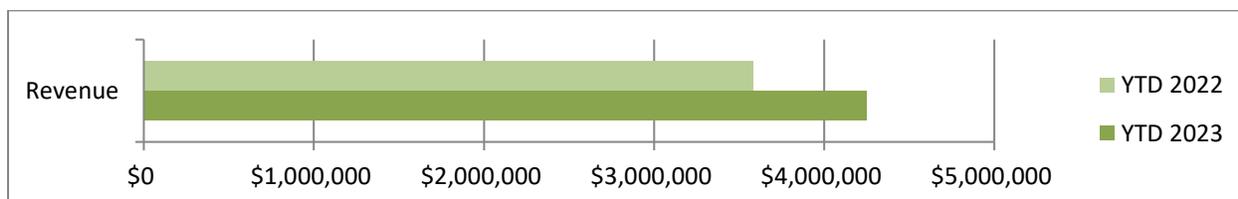
	Revenue		Gross Written Premium	
YTD 2023		\$4,214,936		\$33,859,989
YTD 2022		\$3,580,702		\$29,257,040
YTD 2021		\$2,415,181		\$17,010,000
Increase on YTD	(+ 18%)	+ \$ 634,234	(+ 16%)	+ \$ 4,602,949

Year to Date (YTD)

Company Gross Written Premium – YTD Q2 Results

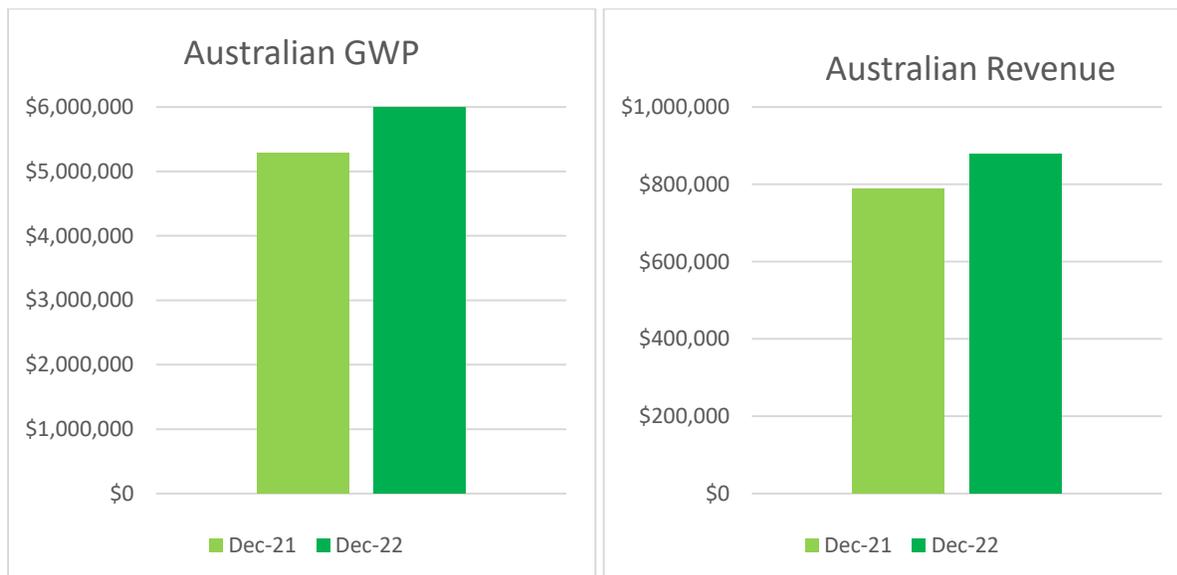


Company Revenue – YTD Q2 Results

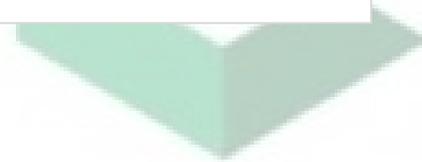
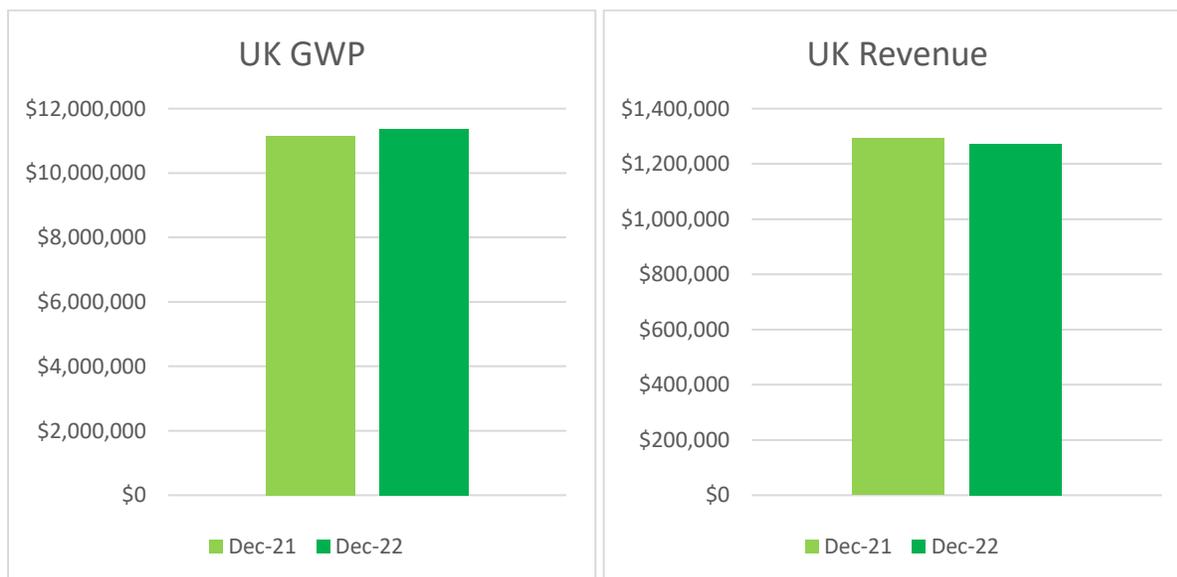


(iii) Regional breakdown of financial results

Australian GWP and Revenue – Q2 by corresponding reporting period



UK GWP and Revenue – Q2 by corresponding reporting period



Operations Update

Australia

The Professional Indemnity (PI) market for construction-related professionals (consulting engineers, architects, project managers, etc.), on the whole remains relatively stable. Despite a number of new market entrants, capacity remains restricted in a number of key areas in which the PI team operates.

Rate movement is holding, particularly in construction PI, and the team has been very successful in achieving significant rate increases on renewals. Average rate increases are 10-15%, but higher on more complex or higher risk accounts. An increased flow of Design & Construct submissions (a new class/occupation for Ensurance) has been achieved following the withdrawal of some competitors and inconsistent behaviour from other competitors in this class. The team aims to build on this momentum and create a strong foothold within the industry.

During the December quarter, two new PI Products were released to our broking market, and we anticipate releasing a further series of products during quarter 3 and 4 of this financial year.

The newly established Casualty Division, headed up by Andrew Hookings in our Sydney office, was launched during the quarter. Environmental Impairment Liability and General Liability products are under development and scheduled for release in quarter 3 of this financial year.

The addressable market in Australia for these product lines exceeds A\$3.5 billion and, in light of this significant market opportunity, the Australian division of the business will be focusing a significant amount of its effort into cross-marketing and distribution of these complementary products.

Throughout the quarter, a number of acquisition opportunities were considered and evaluated by the Board. We note that, at this time, the elevated valuations of underwriting agencies we are seeing in the M&A market would result in a lower return on investment for our business than investing in organic growth (i.e., by continuing to scale-up the business by hiring new staff and releasing additional products). That said, the pipeline of potential acquisitions is strong, and the Company will continue to consider opportunities as and when they arise.

United Kingdom

Terrorism revenue is currently ahead of budget due to the partnerships and relationships built up over the past few years, with growth in both the UK and USA influencing results. The pricing on Terrorism classes is increasing as the War & Political Violence insurers have had substantial losses due to the war in Ukraine. This has also affected markets reinsurance pricing, with increases of approximately 30-40% seen on the previous year.

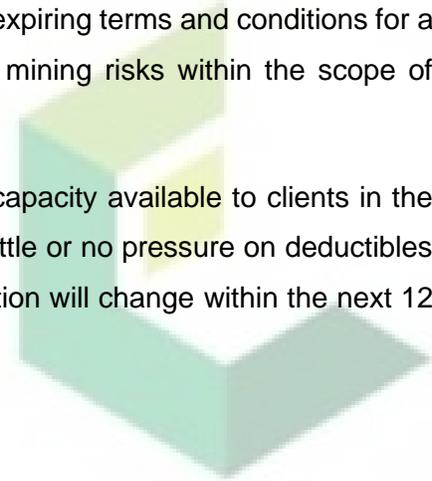
Construction results for the second quarter of this financial year are positive. Ensurance has seen a gradual and constantly improving flow of risks, getting back to normal levels of business throughout the fourth quarter of the calendar year, which is expected to continue as the market transitions to a new normal post pandemic state of operating.

Trading levels within the construction sector are returning to more usual levels, and our intermediaries / brokers are returning to a more face-to-face office-based model

With specific regard to the Homebuild product, Ensurance continues to position itself within this niche market. The newly reduced minimum premiums agreed by the carrier, AXA XL, have helped to increase the customer base that the business can reach, especially in the regions where house prices and building costs are lower than those seen in the London metropolitan area. The underwriting performance of the book continues to be strong, with loss ratios coming in at less than 10%.

The International Engineering binder was recently renewed at expiring terms and conditions for a second 12-month term and expanded to include operational mining risks within the scope of acceptable classes of risk.

Trading conditions remain more than acceptable with limited capacity available to clients in the sectors we target. Rates are stable or improving and there is little or no pressure on deductibles or widening policy coverage. We do not foresee that this situation will change within the next 12 months.



A large part of the UK portfolio is tied into the energy sector, particularly around the hydrocarbon production industries and, with the ongoing crisis in Ukraine keeping energy prices high worldwide, the clients within our portfolio are not suffering any kind of economic pressure. Fleet sizes are increasing and consequently sums insured are going up. The construction sector in the territories we can write in, remains steady, with a flow of well rated projects available for consideration.

Corporate Update – Disposal of UK Operations

The Company has now received regulatory approval from the Financial Conduct Authority (FCA) in the United Kingdom to transfer control of Ensurance UK Limited to the purchaser. The target completion date for this transaction is 28/02/2023.

Related Party Transactions

Payments to related parties of the Company and their associates in section 6 of Appendix 4C, amounted to \$128K for the December 2022 quarter. This includes the Non-Executive Chairman's salary of \$41K and \$49K annual leave payout from his previous Executive role; Executive Director salary of \$74K and Non-Executive Director fees of \$17K.

Summary of Cash Position and Expenditure during the Period

The Company held cash and cash equivalents at the end of the quarter of \$1.16M. Quarterly operating expenditure during the quarter was \$1.97M. This included \$1.4M in staffing costs.

In financing activities, a final payment of \$37K was paid to Close Brothers Premium Finance. This finance arrangement is now complete.

ENDS



This release has been authorised by the Board.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Ensurance Limited (ASX: ENA)

ABN

80 148 142 634

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,001	4,314
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(1,403)	(2,791)
(f) administration and corporate costs	(568)	(1,185)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	4
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other income	-	-
1.9 Net cash from / (used in) operating activities	32	339
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(4)
(d) investments	-	-
(e) intellectual property	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets (Rental Bond)	-	(23)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (2021 Income tax paid for TKSR)	-	(99)
2.6	Net cash from / (used in) investing activities	(3)	(126)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(37)	(73)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	(37)	(73)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,166	1,019
4.2	Net cash from / (used in) operating activities (item 1.9 above)	32	339

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(126)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(37)	(73)
4.5	Effect of movement in exchange rates on cash held	5	4
4.6	Cash and cash equivalents at end of period	1,163	1,163

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,163	1,122
5.2	Call deposits	-	44
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,163	1,166

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	181
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (Principal Finance Loan)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	32
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,163
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,163
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 January 2023

Authorised by: The Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.