For personal use only

22 February 2021

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

PSC INSURANCE GROUP LTD (PSI) – 2021 HALF-YEAR RESULTS PRESENTATION

Please find attached our FY21 Half-Year Results Presentation. As announced to the market on 18 February 2021, a shareholder and investor conference call will commence at 9 am today. Investor presentations commence today and will continue over the next two weeks.

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,



Stephen Abbott

Company Secretary

For personal use only

PSC INSURANCE GROUP

2021 HALF YEAR RESULTS



Tony Robinson – Managing Director
John Dwyer – Executive Director
Joshua Reid – Chief Financial Officer
Rohan Stewart – Chief Executive Officer

For personal use only

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 22nd February 2021. 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.

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.

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.

NOT AN OFFER

This document does not constitute an offer, invitation, solicitation, recommendation, advice or recommendation with respect to issue, purchase, or sale of any shares or other financial products in PSC. This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any "US person" (as defined in Regulation S under the US Securities Act of 1933, as amended (Securities Act) (US Person)). Securities may not be offered or sold in the United States or to US Persons absent registration or an exemption from registration. PSC shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States.

For personal use only

FINANCIAL HIGHLIGHTS

Strong Results Show Business Model Resilience

UP 25% Underlying Revenue

UP 52% Underlying EBITDA

UP 50% Underlying NPATA

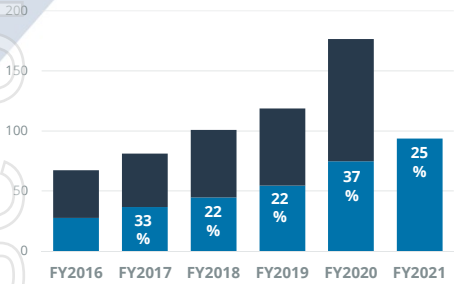
UP 36% Underlying EPS

UP 14% Fully franked interim dividend increase to 4.0 cps

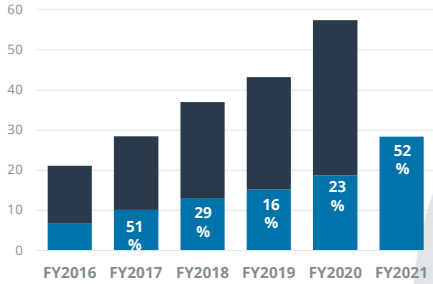
For personal use only

TRACK RECORD OF GROWTH CONTINUES

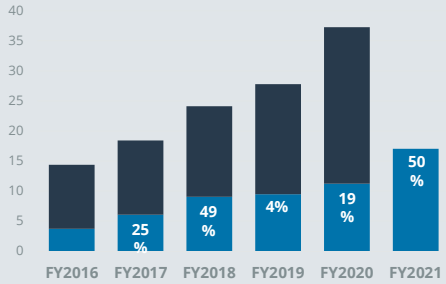
Strong Record of Growth



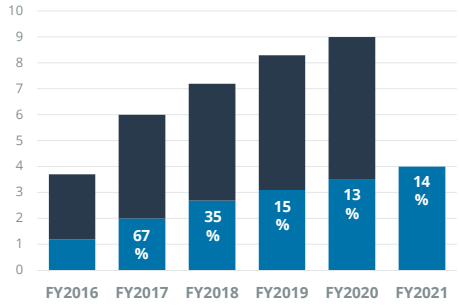
UNDERLYING REVENUE



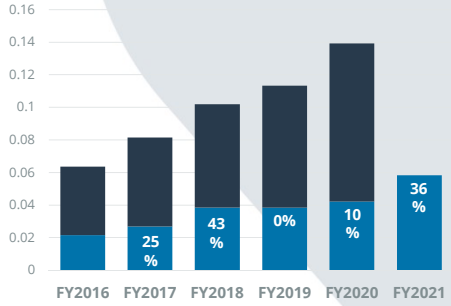
UNDERLYING EBITDA



UNDERLYING NPATA



DIVIDENDS - CPS



EARNINGS PER SHARE - CPS

1H 2H

For personal use only

ORGANIC GROWTH FOCUS

Autonomy with Responsibility

Strong organic growth reflecting:

- Client-first focus.
- Businesses are led, not managed.
- Hard markets – opportunity to differentiate.
- Building team capability, expertise and accountability.
- Prospecting and sales focus.
- Operational improvements and efficiencies.

For personal use only

OPERATIONAL HIGHLIGHTS

Strong Results in Challenging Conditions; Advancement of UK Commercial Broking Strategy

- Drive to maintain strong sense of corporate partnership in an environment dominated by ‘work from home’.
- Maintenance on a focus on organic growth.
- Integration of significant new businesses and teams.
- Established a presence in a new region (Hong Kong).

For personal use only

FINANCIAL RESULTS SUMMARY

($m)	2021	2020	Growth
Underlying Revenue	93.8	74.8	25%
Underlying Costs	-65.1	-55.9	
Underlying EBITDA	28.7	18.9	52%
Net AASB16 adjustment	-0.3	-0.0	
Interest	-4.4	-2.4	
Depreciation	-1.0	-1.0	
Amortisation	-4.1	-1.7	
Non-Operating Revenue	3.4	-0.8	
Non-Operating Costs	-3.2	-1.3	
Net Profit Before Tax	19.1	11.8	62%
Tax	-5.4	-3.0	
NPAT	13.6	8.8	55%
Underlying EBITDA (AASB16 Adj)	28.7	18.9	52%
Underlying EBITDA	28.4	18.9	50%
Underlying NPATA	17.1	11.4	50%

COMMENTARY

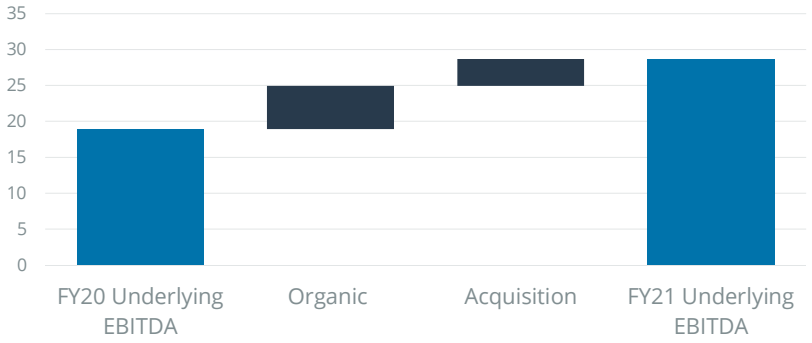
- Strong revenue growth of 25% and EBITDA growth of 52%.
- Organic EBITDA growth of $6.0m (+32%); organic revenue growth $3.2m (+4.4%) and cost reductions of $2.8m.
- Acquisitions contributed EBITDA growth of $3.8m; largely UK Segment.

For personal use only

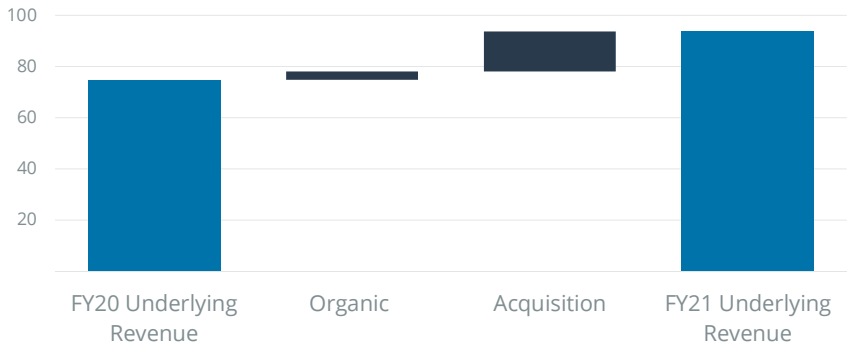
GROWTH DRIVERS

Strong Return of Organic Growth; Acquisitions Perform Well

Underlying EBITDA



Underlying Revenue



COMMENTARY

- Acquisitions contributed $15.7m in incremental revenue and $3.8m incremental EBITDA. Paragon continues to perform well, with 8% revenue growth for CY.
- Strong organic growth of 32% in the period – led by revenue growth of $3.2m (+4.4%) and cost reductions of $2.8m on prior year. Revenue growth of $3.2m is net of a $0.7m fall from pandemic related reduction in the online travel insurance business.

For personal use only

SEGMENT RESULTS



DISTRIBUTION

Distribution EBITDA up $3.3m, largely all organic growth. Broking businesses, Networks and Workers Comp all performing well.



AGENCY

Agency EBITDA up $0.6m off the back of cost reductions. Revenue down $0.6m due to the Online Travel Insurance business. Chase, Breeze and Medical all up or steady on prior year.



UNITED KINGDOM

UK EBITDA up $5.3m. Acquisitions contributed $3.5m increase. Strong organic growth across Paragon, Carrolls, Breeze and Chase. Weaker performances from APG and Turners, with APG ongoing operations being merged with Carrolls and APG entity being placed in to 'run-off'.



GROUP

Group EBITDA increased by $0.6m, with an increase in investment income and some cost reductions.

For personal use only

SEGMENT RESULTS

($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**
	57%	**8%**	**41%**	**-5%**	
Underlying EBITDA Growth: PCP	**25%**	**37%**	**83%**	**29%**	

($m) – FY20	Distribution	Agency	UK	Group	TOTAL
Underlying Revenue	37.3	7.6	29.4	0.5	**74.8**
	50%	10%	39%	1%	
Reported NPAT	6.3	1.2	5.5	-4.2	**8.8**
Reported EBITDA	11.5	1.8	7.4	-2.6	**18.1**
Underlying EBITDA (AASB16 Adj)	13.0	1.6	6.4	-2.1	**18.9**
	69%	**8%**	**34%**	**-11%**	

For personal use only

STATUTORY NPAT RECONCILIATION

($m)	2021	2020	Growth
Statutory NPAT	13.6	8.8	55%
Amortisation	4.1	1.8	
Non-Operating Revenue - Tax Adjusted	-2.4	0.6	
Non-Operating Costs - Tax Adjusted	1.8	0.2	
Underlying NPATA	17.1	11.4	50%
W.avg. Shares (m)	292.7	265.1	
Underlying EPS	5.9 cents	4.3 cents	36%
Average Tax Rate	29%	25%	

COMMENTARY

- Non-operating revenue: represents gains in the fair value adjustments on investments. Main driver in the period was an increase in BP Marsh shares.
- Non-operating costs :

1. ~ $2.8m charge relating to the restructure of APG.
2. ~ $1.0m relating to acquisition related costs and deferred consideration fair value changes.
3. ~ $0.4m relating to FX changes.
4. Positive impact of $2.4m fair value change in Paragon hedge book.

- Underlying NPATA up 50% to $17.1m and underlying EPS up 36% to 5.9 cents per share.
- Average tax rate of 29%, up on prior year given increase in non-deductible amortisation expense.

For personal use only

OPERATING CASHFLOW RECONCILIATION

($m)	2021	2020
Statutory NPAT	13.6	8.8
Non-Cash Items	3.5	3.0
Change in Working Capital	17.7	6.6
	34.8	**18.4**
Net Trust Account Movements	-0.7	-4.0
Operating Cashflow	**34.1**	**14.4**

COMMENTARY

- After tax operating cashflow up very strongly on prior period to $34.1m.
- Driven by increased profitability, stronger debtor collections and lower taxes paid.
- First half strongest cash period as revenue booked in peak June period is collected.

BALANCE SHEET

($m)	Dec-20	Jun-20	Comments:
Cash - Own	103.2	26.0	Strong balances post capital raise and strong operating cash flow
Working Capital	18.4	40.6	Strong debtor collections and lower tax payments
	121.7	**66.6**	
Intangible Assets	332.2	316.4	Absolute Insurance Brokers and Hong Kong entities purchased in the period
Investments	45.9	43.0	Includes BP Marsh, increases mainly fair value changes.
Fixed Assets, Net	16.7	16.8	Includes East Melb, PPE
Vendor Obligations	-19.1	-24.1	Reduced over period, mainly due to a tranche payment on GGIB
Deferred Tax, Net	-13.4	-16.2	
Borrowings	-173.4	-158.5	Increased to support acquisition activity; surplus funds in cash for time being
Other	-1.8	0.7	
Net Assets	**308.8**	**244.5**	
Equity:			
Share Capital	316.0	243.0	$70m in capital raised in the period.
Retained Profits	36.9	39.2	Seasonal - 1H lower profit half, higher cash half
Reserves/NCI	-44.2	-37.8	
	308.8	**244.5**	

COMMENTARY

- Very strongly placed with $70m in equity capital raised during the period to assist with future acquisition activity.
- Net debt of the Group now ~ $25m (inclusive of financial and non-operating assets).
- Current cash resources and available debt limits allow capacity for ~ $100m in acquisitions and remain comfortably inside historical gearing target range (~ $145m including financial and non-operating assets).

For personal use only

For personal use only

SUMMARY & OUTLOOK

Strong Results Show Business Model Resilience

- Return to strong organic growth and acquisitions have performed well.
- Stable group of key brokers and executives.
- Solid acquisition pipeline – longer to complete reflecting current travel restrictions.
- Strong balance sheet with significant capacity to acquire.
- Expectations that current insurance rate market will remain.
- The Group re-affirms its market guidance of underlying EBITDA at the top end of the $65-70m range.

For personal use only

APPENDIX



For personal use only

DISTRIBUTION

INSURANCE BROKING

PSC INSURANCE BROKERS

PSC NETWORK INSURANCE PARTNERS

SPECIALISATIONS

CCF INSURANCE

IMGA Insurance Marketing Group of Australia

PSC PROPERTY SYNC INSURANCE BROKERS

National Franchise Insurance Brokers

PSC WCS.

PSC SAFEX

WWSI worldwide sports insurance

LIFE BROKING

CERTUS LIFE RISK

Broking

- Growth exceeding market – GWP growth of 10%.
- Customers generally coping well with economic conditions.
- Watching legal outcomes regarding the BI test cases closely.

Networks

- Growth exceeding market – GWP growth of 12%.
- Merger of Connect and Reliance Partners to PSC Network Insurance Partners – better outcomes for all partners.

Workers Compensation Consulting

- Strong growth in period; increase in PE and government work.
- Strong cross referrals with Broking – a strong differentiator in competitive market.

Life Broking

- Remains a value add for our Broking clients.

For personal use only

AGENCY

Chase Underwriting

- Good business performance in challenging conditions in the construction underwriting market.

Breeze Underwriting

- New products and team performing well.
- Return to growth in GWP and revenue.

Travel

- Business impacted by current travel restrictions.
- Well placed when normal conditions return; costs minimised for the time being.

For personal use only

UNITED KINGDOM

Carrolls

- Acquired and successfully integrated Carroll Insurance Group.
- Continue to grow on-line quote and bind presence.
- Brexit ready - licence granted; new Dublin office.

Paragon

- Brexit ready – licence granted; new Dublin office.
- Revenue growth of 8% for CY.
- Hardening markets continue in D&O, E&O, Casualty and Cyber.

Absolute Insurance Brokers

- Acquisition completed in October.
- Integration complete.

Turner Insurance

- New MD appointed.