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The Manager
Market Announcements Office
Australian Securities Exchange Ltd
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FOR RELEASE TO THE MARKET

Half Year FY2021 Results - Investor Presentation Speaking Notes

Please find attached for immediate release in relation to AUB Group Limited (**ASX: AUB**) the following document:

- Half Year FY2021 Results - Investor Presentation Speaking Notes.

ENDS

This release has been authorised by Michael Emmett, Chief Executive Officer and Managing Director.

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About AUB Group
AUB Group Limited is Australasia's largest equity-based insurance broker network driving approximately A$3.6 billion GWP, servicing 700,000 clients and over one million policies across more than 450 locations.

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AUB Group FY21HY Results – Presentation Notes

Opening [Michael Emmett]

- I'd like to thank our brokers and staff who, despite facing tremendous adversity and difficulty, have pulled together to help us deliver an excellent financial result. I'd also like to acknowledge our clients whose resilience in the face of the pandemic and their continuing confidence in our services and advice is crucial to our business.

Slide 2 – Key Messages [Michael Emmett]

- Summary of key messages on slide 2. Disciplined execution of our strategic initiatives are starting to be realised and will enable us to achieve multi-year profit growth.
- The Underlying Net Profit after tax for the first half of $30.7m reflects year on year growth of 44.2% including very strong underlying organic profit growth of 22.5%.
- We are pleased with this result and specifically with the performance across our Australian broking businesses together with exceptional revenue and profit growth in BizCover since acquisition. We continue to make very positive progress with our strategic initiatives including the roll-out of our two key technology platforms, ExpressCover for broking and Sentinel for Agencies. We made further strategic acquisitions and continued to consolidate and scale our existing broking and agency businesses. These strategies have enabled our continued revenue growth and margin improvement and position us well for future performance.
- In December we announced the restructuring of the Agencies, in part enabled by the acquisition of 360 Underwriting Solutions. We see significant potential to grow Agencies in the current market and also to improve agency profit margins through consolidation and technology deployment. We anticipate the financial benefits of this to flow through in FY22.
- As announced in January, we have agreed the sale of Altius and expect this to complete before the end of April. This finalises our strategic withdrawal from Health and Rehabilitation Services having exited Allied Health in April 2020.
- In November we upgraded our underlying net profit after tax guidance to a range of $60m to $62m. Given our strong performance in the first half and the momentum we're observing in the business, we are further upgrading our guidance for FY21 to be in the range of $63m to $65m reflecting growth on FY20 Underlying net profit after tax of between 17.9% and 21.7%.

Slide 3 – Financial Highlights 1H21 [Michael Emmett]

- Our focus has been to improve EBIT margin by efficiently growing revenue whilst also leveraging scale to reduce costs across the business.
- During the first half we delivered strong revenue growth of 14.3% whilst also improving the underlying EBIT margin by 640bps to 31.3%. This margin improvement together with savings from the Head Office cost reduction program have resulted in a strong Underlying Net Profit after Tax of $30.7m for the half, an improvement on H1'20 of 44.2%.
- The Board has determined that an interim dividend of 16c cents per share be paid, an increase of 10.3% on the prior year reflecting our confident outlook.

Slide 4 – 1H21 Financial Performance: Divisional [Michael Emmett]

- Performance of Australian Broking is excellent with strong revenue growth and a significant improvement in profit margin to 32.9% - an improvement of 740 basis points. Revenue growth arose from a combination of factors including:
    - Increased remuneration from new insurer arrangements including on the ExpressCover platform,

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- increases in products and services delivered to clients and
- revenue from new clients and partners.

- In New Zealand our platform and brand position us well to take advantage once the market returns to growth. At present premium rate growth in New Zealand is flat however we remain on the look-out for acquisitions to complement our current geographic footprint as well as to expand customer segments.
- At the AGM we foreshadowed that several of our Underwriting Agencies are performing poorly. There are varying reasons for this including top line impacts from COVID-19, issues with binders together with a lack of operational efficiency driven by sub-scale and manual processes. Our acquisition of 360 Underwriting together with related synergy benefits will reverse this trend. In addition, our operational improvements and deployment of the Sentinel technology will reduce our cost to serve and enable both revenue and profit margin improvements in Agencies. In the medium term we anticipate the profit margin in Agencies to exceed that of Broking.
- Given our imminent exit from Health and Rehabilitation Services, we will cease to report this as a division. In acknowledging the strategic importance of BizCover and our related investments in platforms like ExpressCover, we will commence reporting these Platform businesses as a separate division in August.

Slide 5 – Australian Broking: Reaping Rewards [Michael Emmett]

- Slide 5 unpacks the excellent performance in Australian Broking, which is clearly our key profit driver. Our strategy for Austbrokers has been to implement changes that grow revenue and improve profit margin. We have depicted the EBIT margin improvements already achieved as widening jaws on this slide and provide examples for each of the strategic initiatives. I'll run through some of the first half achievements now.
  - We are making good progress with consolidating businesses in our network to improve scale and specialisation. Recent examples include the establishment of new partnerships with MGA to run the InterRISK SME portfolio and, separately, to run the HCI broking business.
  - Our acquisition approach is delivering strong benefit to the group adding not only profits but also enhancing our capabilities. Our investment in Experien has significantly enhanced our market position in the Medical and Dental industries and strengthened our capability in Life Advisory.
  - Austbrokers Comsure is now well positioned. It was created by merging Citycover and Comsure and acquiring Bestmark. Austbrokers Comsure is now the leading Broker and Risk advisor to the motor dealership industry in Australia and the largest Austbroker in Queensland.
  - Our implementation of technologies to support our brokers is paying dividends. ExpressCover is now widely used by Austbrokers to process high volume, low premium-value policies for clients. Volumes placed on the platform are in line with our first-year targets albeit that we set these at relatively modest levels. We have also recently launched a range of bots and automated interfaces to further improve customer service and to reduce manual effort for brokers.
  - Our early success in identifying and removing costs both at a head office level and in businesses in which we are majority owners has continued. In the first half we achieved after tax savings of $1.2m against our full year target of $2.4m.
  - The reduction in central costs enabled us to reduce recoveries to partner firms assisting the EBIT margin improvements in the network.
- As we've said previously, these initiatives are about building multi-year momentum in profit growth. Whilst we are pleased with progress to date, we are confident that each initiative will continue to deliver benefits over a number of years with continued improvements in profits.
- Our investment in BizCover was an important strategic step for AUB. We include more detail on the business in this slide deck to help you understand its performance and tremendous growth potential.

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Slide 6 – BizCover: Exceptional Performance [Michael Emmett]

- Slides 6 to 8 describe the performance of BizCover since our investment as well as other additional information about the business.
- On slide 6, you'll note the excellent growth in revenue and profit achieved by BizCover since our investment in Feb 2020. We also describe on the right side of the page current initiatives underway to ensure the sustainability of growth in the business. These include current initiatives to expand in New Zealand as well as to increase BizCover's share of wallet of existing customers by offering personal home and motor on the Australian platform.

Slide 7 – BizCover: Vision and Mission [Michael Emmett]

- Slide 7 summarises why we believe BizCover is special. BizCover's market position is the consequence of 10 years of technology investment and business model refinement. This is not to be underestimated.
- The business has a massive addressable market in Australia with strong prospects for growth in New Zealand and other international markets.
- Exceptional NPS scores, with December's at 71, are testament to the service levels and value proposition offered to customers.
- At 31 December 2020 the business had an attractive Lifetime Value to Customer Acquisition Cost ratio of >3.

Slide 8 – BizCover: Established in SME Insurance Market [Michael Emmett]

- On slide 8 you'll see a graphic depiction of the four primary channels through which BizCover delivers services including the Austbrokers-exclusive ExpressCover platform. Currently there is a comprehensive commercial insurance product offering to clients and this will be extended to include personal lines offerings later in 2021. These products are offered in partnership with a strong portfolio of insurance partners shown at the bottom of the slide.

Slide 9 – Reinvigorating the Agencies Division [Michael Emmett]

- Slide 9 reflects the new structure to reinvigorate Agencies as announced in December. We are making good progress although, we do recognize that our agencies division is sub-scale. In order to address this, we have restructured the Division into three parts with the largest, General Commercial, spearheaded by our investment in 360 Underwriting Solutions. We will look to continue to expand Agencies across each of these three parts.
- Improvement in performance of the Agencies division is a cornerstone of our profit plans for FY22. The investment in 360 Underwriting Solutions is an important element of these plans and will enable not only growth from the acquisition itself but also through synergy benefits to crystalise during FY22.

Slide 10 –Exit from Health & Rehabilitation on Track [Michael Emmett]

- On slide 10 we cover the exit from Health and Rehabilitation Services. You may recall that we sold our ownership in Allied Health in April 2020 and, as announced in January 2021, we have agreed the sale of the Altius Group which we expect to complete before the end of April.
- AUB Group's cash proceeds from this sale net of tax & transaction costs will amount to $57 million.
- These proceeds will be used to reduce AUB Group's corporate borrowings and provide capacity for acquisitions. This will have the effect of reducing our banking covenant ratios – Gearing to c. 30% and leverage ratio to c. 2:1

Slide 11 – 1H21 Financial Performance: Overview [Mark Shanahan]

- High-level waterfall reflecting key contributions to first half profit growth of 44.2% - key highlights:
  - Strong Organic growth contributed $4.8m to underlying net profit. This resulted from both increased revenue as well as carefully managed costs.
  - $3.5m of the total of $4m of the growth in profits from acquisitions was contributed by BizCover and Experien, both of which are proving to be excellent acquisitions.

- JobKeeper receipts of $1.7m are disclosed separately. It's worth noting that only 5% of JobKeeper receipts relate to companies in which AUB Group has a controlling stake and also that the majority of receipts, circa $800k, relate to Procare, a people intensive services business which was particularly impacted by COVID-19. Excluding JobKeeper, first half Underlying Net Profit after tax growth on 1HFY20 was 36.2%. JobKeeper receipts by the Group substantially ceased at the end of September 2020.

Slide 12 – AUB Corporate Cashflow [Mark Shanahan]

- The information presented covers the period to 31 December so does not incorporate the Altius sale.
- You will note ongoing strong operating cash generation at the Group level, reflecting the health of the underlying business as well as our ongoing monitoring of cash flows across the group.
- Borrowings at Group entity level during the half amounted to $40mn which, along with strong operating cash inflows funded acquisitions and the payment of dividends to AUB's shareholders.
- At the end of the period our Gearing ratio was 34% and leverage was 2.3:1, both well within covenant requirements of 45% and 3:1 respectively.

Slide 13 – Shareholder Returns [Mark Shanahan]

- Underlying EPS growth for the half was 43.2% versus the prior corresponding period. In view of this strong performance and the healthy operating cash outcome, the Board has determined that an Interim Dividend of 16 cents per share be paid – an increase of 10.3% over the first half of financial year 20.
- Further detailed financial and business information is included in the appendices to our presentation released this morning.

Slide 14 – FY21 – Guidance Upgrade [Michael Emmett]

- As we've described, we delivered stronger business performance in the first half than forecast. This coupled with our plans for the second half gives us confidence to upgrade our guidance for the year.
- In the waterfall chart at the top of the slide we've depicted our estimate of the profit contribution for the second half from each of organic, premium rate and acquisition components. As you'll note, the vast majority of profit during the second half, namely $26m to $28m, is from organic performance. We have estimated that premium rate increases will generate a contribution to Underlying Net Profit after Tax of $2.9m in the second half. This is based on assumed rate increases in the range of 5%-6%. The estimated profit contribution from acquisitions of $3.4m is primarily from 360 Underwriting and Experien.
- In the graph at the bottom of the slide we reflect for completeness the guidance upgrades provided during the year. Considering first half performance and progress with strategic initiatives, we now expect FY21 Underlying Net Profit after Tax to be in the range of $63m to $65m representing growth on FY20 of between 17.9% and 21.7%.

Closing [Michael Emmett]

- 1H21 was an important period for the group during which we were able to demonstrate the benefit of our investment in BizCover, grow broking revenue, improve broking profits across our existing network, agree the sale of Altius to finalise our exit from Health and Rehabilitation Services, strongly progress the implementation of our two key technology platforms, make further strategic investments including in 360 Underwriting and Experien and to continue our strategy to consolidate and scale existing businesses. These strategic initiatives position us well for strong, continued growth in the second half and in FY22.

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