



25th August 2011

The Manager
Company Announcements
Australian Securities Exchange
Level 6, Exchange Centre,
20 Bridge Street
Sydney, NSW 2000

Dear Sir / Madam,

Re: Presentation on Results for the Year ended 30th June 2011

Attached for immediate release is Austbrokers Holdings Limited (AUB) Presentation on results for the Year ended 30th June 2011.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'SR' followed by a flourish.

Stephen Rouvray
Company Secretary
Austbrokers Holdings Limited

For further information, contact Steve Rouvray Tel: (02) 9935 2201
Mobile: 0412 259 158

AUSTBROKERS HOLDINGS LIMITED

Financial Year 2011
Results Presentation

Thursday 25th August 2011

Lach McKeough CEO
Steve Rouvray CFO



Agenda

- **Overview**
 - **Business Overview**
 - **FY 2011 Business Highlights**
 - **FY 2011 Financial Highlights**
- **FY 2011 Financial Performance**
- **FY 2012 Outlook**

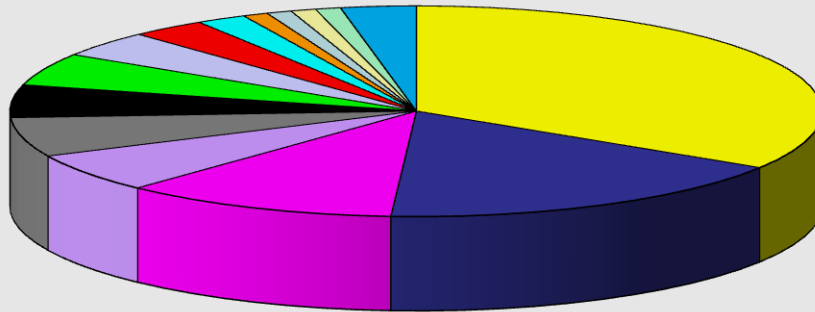
Business Overview

- **Austbrokers is one of the top four insurance broking networks in Australia**
 - Over 1,600 personnel engaged in the business
 - Over \$1.4 billion in gross written premiums placed (\$1.1 billion pure premium)
 - Wide geographical spread over 110 locations
 - Regional presence
 - Solid SME business base
 - Corporate capability

Business Overview (con't)

- **Insurance Broking owner-driver model**
 - 41 member broker firms
 - 22 50% owned
 - 16 51% - 85% owned
 - 3 100% owned
 - Represented in over 110 locations
- **Underwriting agency business**
 - Austagencies are authorised to write business on behalf of licensed insurers – no underwriting risk
 - Writes \$100 million in premiums annually
 - Specialist underwriting agencies
 - General property, liability agencies
- **Alliance with IBNA – A&I Member Services (AIMS)**
 - \$2.5 billion premium (\$2.1 billion pure premium) and 120 businesses
 - AIMS value proposition to underwriters to develop products and closer relationships
 - Provide succession solution for IBNA members
 - Quality products for insureds

Network Premium Distribution by Class



- 34% Property
- 17% Motor Commercial
- 11% Liability
- 6% Workers Compensation
- 6% Professional Indemnity
- 5% Householders
- 5% Farm
- 4% Private Motor
- 3% Contractors
- 2% Marine Cargo
- 1% Marine Hull
- 1% Livestock
- 1% Personal Accident
- 1% Bonds
- 3% Other

FY 2011 Highlights

- **Acquisitions Direct**
 - 50% Country Wide Insurance Brokers on 1st April 2011. Based in Perth, offices in rural WA – income \$6 million
- **Acquisitions in the Network**
 - Rivers (50%) acquired portfolio in Cairns - income \$540,000
 - MGA (50%) acquired 50% of portfolio in Perth – income \$510,000
 - Adroit (50%) acquired portfolio in Albury – income \$180,000
 - MGIB (70%) acquired business in Bunbury – income \$400,000
 - Austbrokers Countrywide (50%) acquired portfolio – income \$500,000 and remaining 55% of John Smith Insurance Brokers and reached agreement to acquire 80% of Hamilton and Hamilton business on 1st October 2011 – income \$700,000
 - Terrace (85%) acquired a portfolio - \$400,000 income
 - Coast to Coast (50%) acquired portfolios – income \$450,000
 - A number of smaller portfolios by various brokers
 - Acquisitions totalled 13 for the year

FY 2011 Highlights (con't)

- **Premium Funding**

- Joint Venture with Pacific Premium Funding (GE Company) – contributed \$11.7 million of total premium funding income – up 10.3%
- Arrangement extends to end of FY 2012

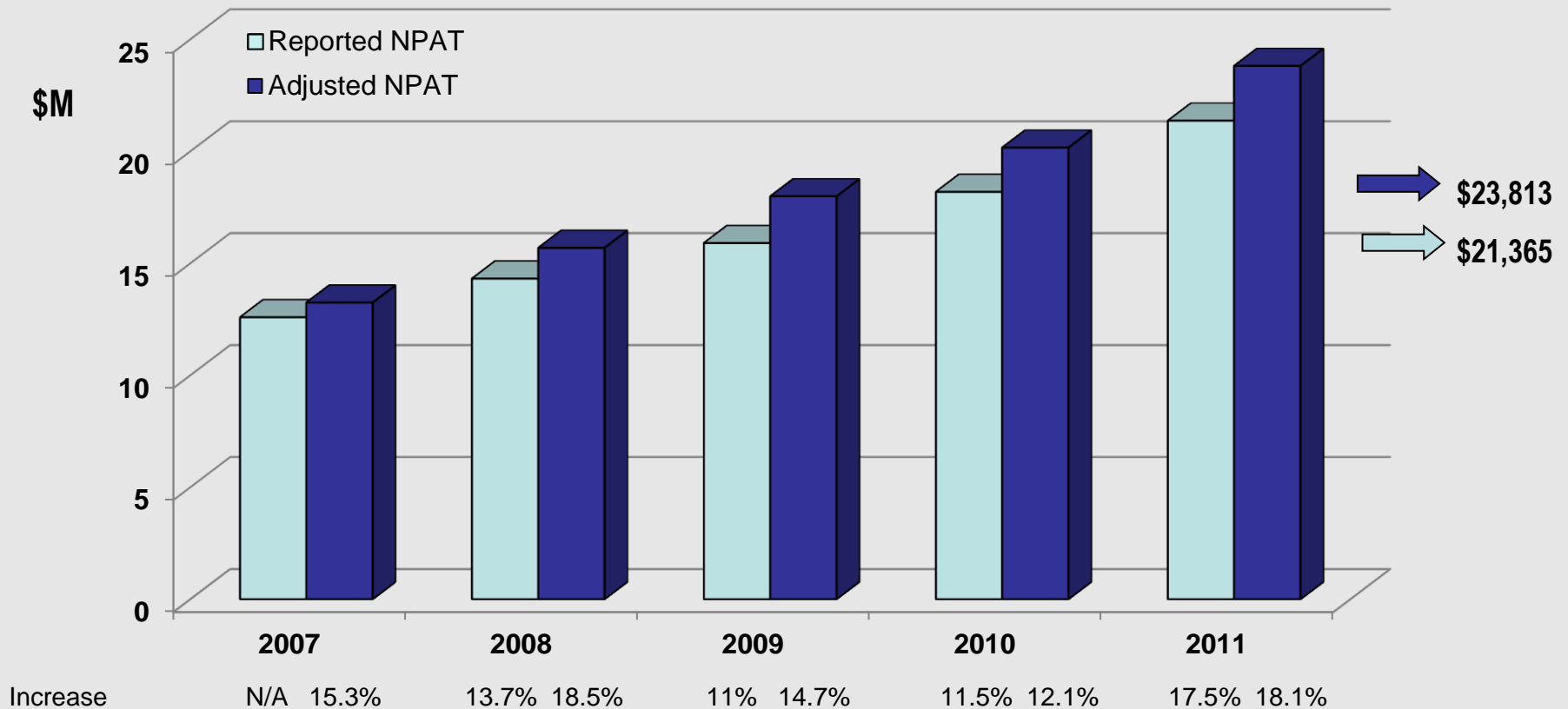
- **IT Broker Processing Platform**

- Developed EDI processing platform using iClose to connect brokers to five major underwriters for quoting and placement of businesspak policies
- Implemented businesspak product in iClose in August
- Ability to expand solution to incorporate other products and insurers
- Platform has integrated tools to assist broking process which include access to specialist broking resources including policy coaching and policy comparison
- Major efficiency gains for brokers and potential to improve broking processes

FY 2011 Highlights (con't)

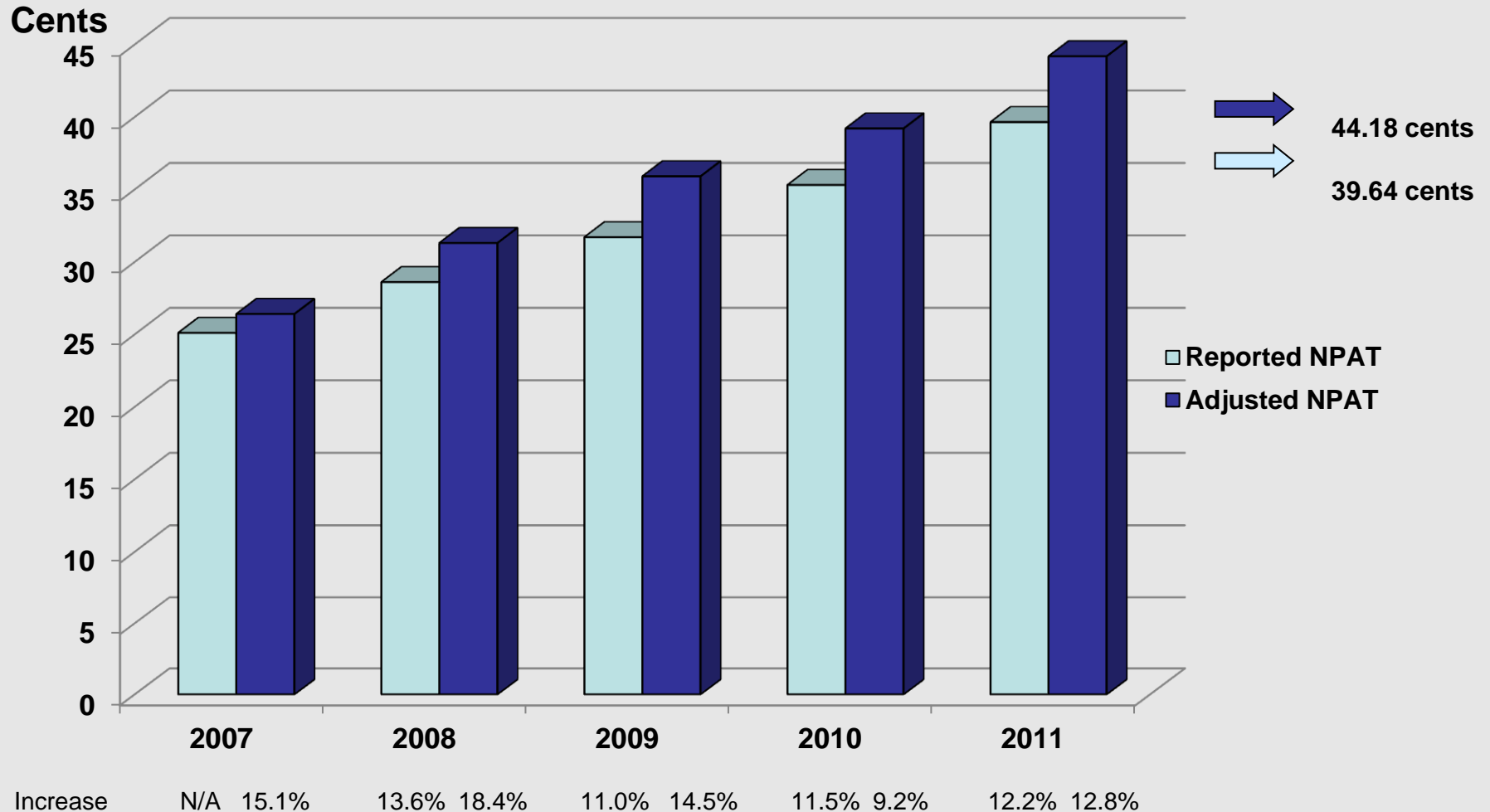
- **Synergies / Efficiencies**
 - 33 brokers now operate on the central DataCentre for at least some services
 - Development of Austbrokers Business Centre to provide back office services – servicing 16 businesses
- **Owner Driver**
 - Acquired additional minor shareholdings to assist succession
- **Underwriting Agencies**
 - Increased commission and fee income by 32.3% (17.5% excluding acquisitions)
 - Acquired plant equipment underwriting agency CEMAC – income \$1 million
 - Acquired 50% Celestial Underwriting Agency
 - Start up joint ventures in Construction and Engineering Underwriting

Profit Growth 2007 – 2011



Adjusted NPAT – Net profit after tax before amortisation of intangibles and profits on businesses / portfolios sold

Earnings Per Share FY 2007 - 2011



FY 2011 Financial Performance

\$'000	FY 2011	FY 2010	% change
Broker Revenue (net of commission Paid)	225,470	206,114	9.4
Brokers & Agencies Profit (AHL share)	42,930	37,752	13.7
Profit (before tax and amortisation of intangibles and sales of businesses)	34,203	29,087	17.6
NPAT Reported	21,365	18,189	17.5
NPAT (before amortisation of intangibles and sales of businesses) – Adjusted NPAT	23,813	20,165	18.1

Agenda

- Overview

- **FY 2011 Financial Performance:**

- Income statement – as per Financial Report
- Reconciliation to Adjusted NPAT
- Profit and loss statement – detailed
- Balance sheet
- Other financials
- Changes to accounting standards

- FY 2011 outlook

FY 2011 Results – Management Presentation

	FY 2011 \$'000	FY 2010 \$'000	Variance %
Revenue from ordinary activities	114,288	105,610	8.2
Expenses from ordinary activities	(79,963)	(76,562)	4.4
Borrowing costs	(2,446)	(2,451)	(0.2)
	31,879	26,597	19.8
Profit from sale of interests in subsidiaries	249	621	(60.0)
Profit before tax	32,128	27,218	18.0
Income tax expense	(7,109)	(5,898)	20.5
Net profit	25,019	21,320	17.3
Profit attributable to minority interest	(3,654)	(3,131)	16.7
Net profit attributable to members	21,365	18,189	17.5

FY 2011

Profit after tax

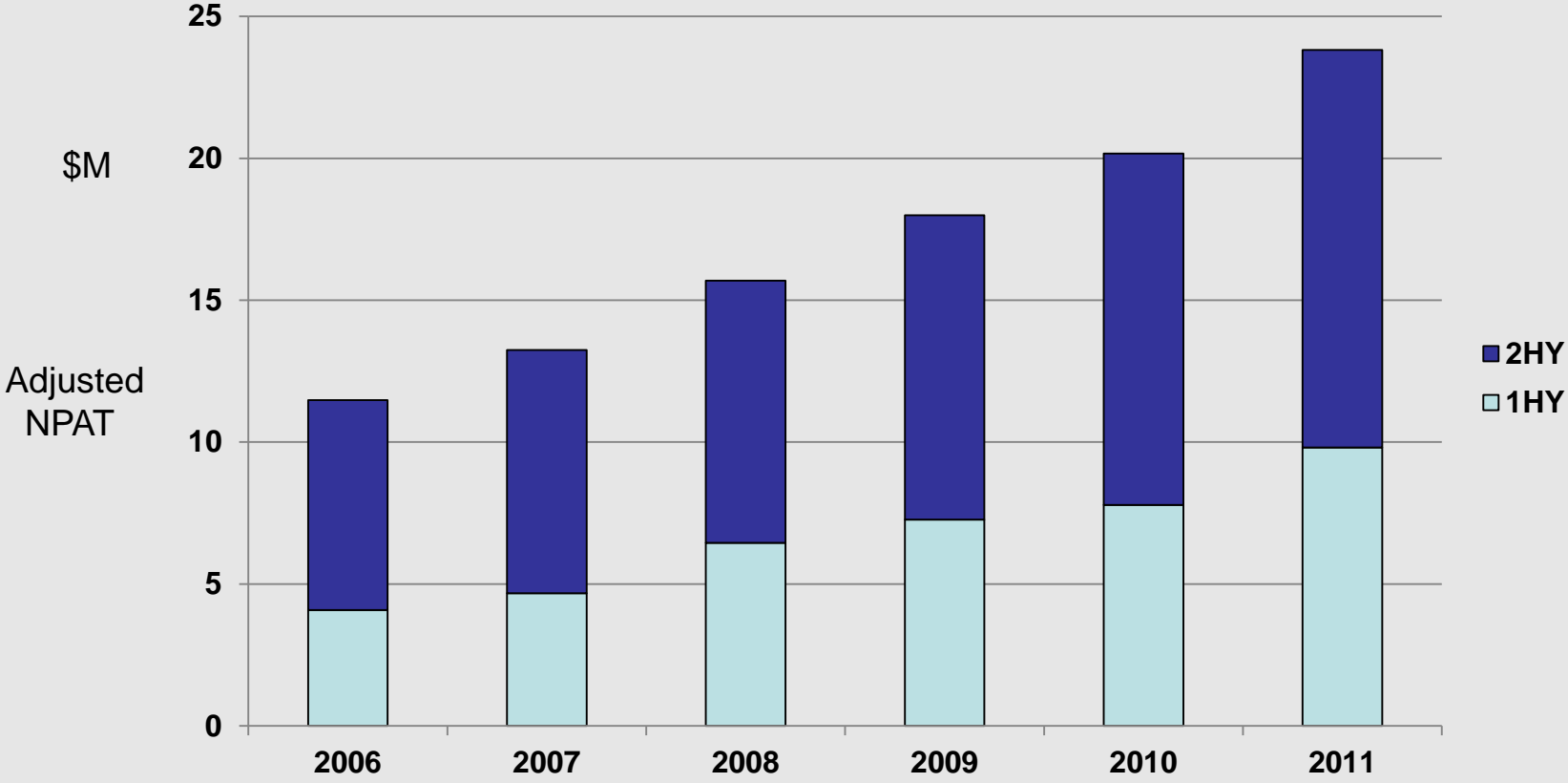
Reconciliation of reported NPAT to NPAT before profits relating to divestments and amortisation of intangibles

	FY 2011 \$'000	FY 2010 \$'000
Reported profit attributable to members	21,365	18,189
Profits after tax on sale of business	(105)	(572)
Profit from ongoing operations	21,260	17,617
Amortisation of intangibles net of tax	2,553	2,548
Net profit after tax from continuing Operations before amortisation Of intangibles (Adjusted NPAT)	23,813	20,165

FY 2011 Compared to FY 2010 - Highlights

- Adjusted NPAT for FY 2011 at \$23.8 million (2010 \$20.2 million)
 - Adjusted NPAT excludes \$0.1 million profits on sale of businesses and \$2.6 million amortisation of intangibles expense
 - exceeded 2010 Adjusted NPAT by \$3.6 million – 18.1%
 - 2HY contributed \$14 million NPAT to 30 June 2011 result, a 13% increase (59% of FY - 61% in 2010)
 - 2HY growth lower than 1HY at 25.9% due to loss of significant account in May and lesser contribution from increased interest rates than in 1HY
- NPAT Earnings Per Share (excluding profits on sale of businesses)
 - 44.2 cents before amortisation (FY 2010 39.2 cents) – 12.8% increase
 - 39.5 cents after amortisation (FY 2010 34.2 cents) – 15.3% increase

2011 FY Compared to 2010 FY



	2006	2007	2008	2009	2010	2011
2HY	64%	65%	59%	60%	61%	59%
1HY	36%	35%	41%	40%	39%	41%

Dividend

Dividend

- 17 cents per share fully franked – up from 15 cents last year
- Full year dividend 25.5 cents per share up 13.3% on FY 2010
- Above eps growth of 12.8% on an adjusted NPAT basis or 12.2% on reported NPAT
- Dividend reinvestment plan suspended for final dividend

FY 2011 Results – Management Presentation

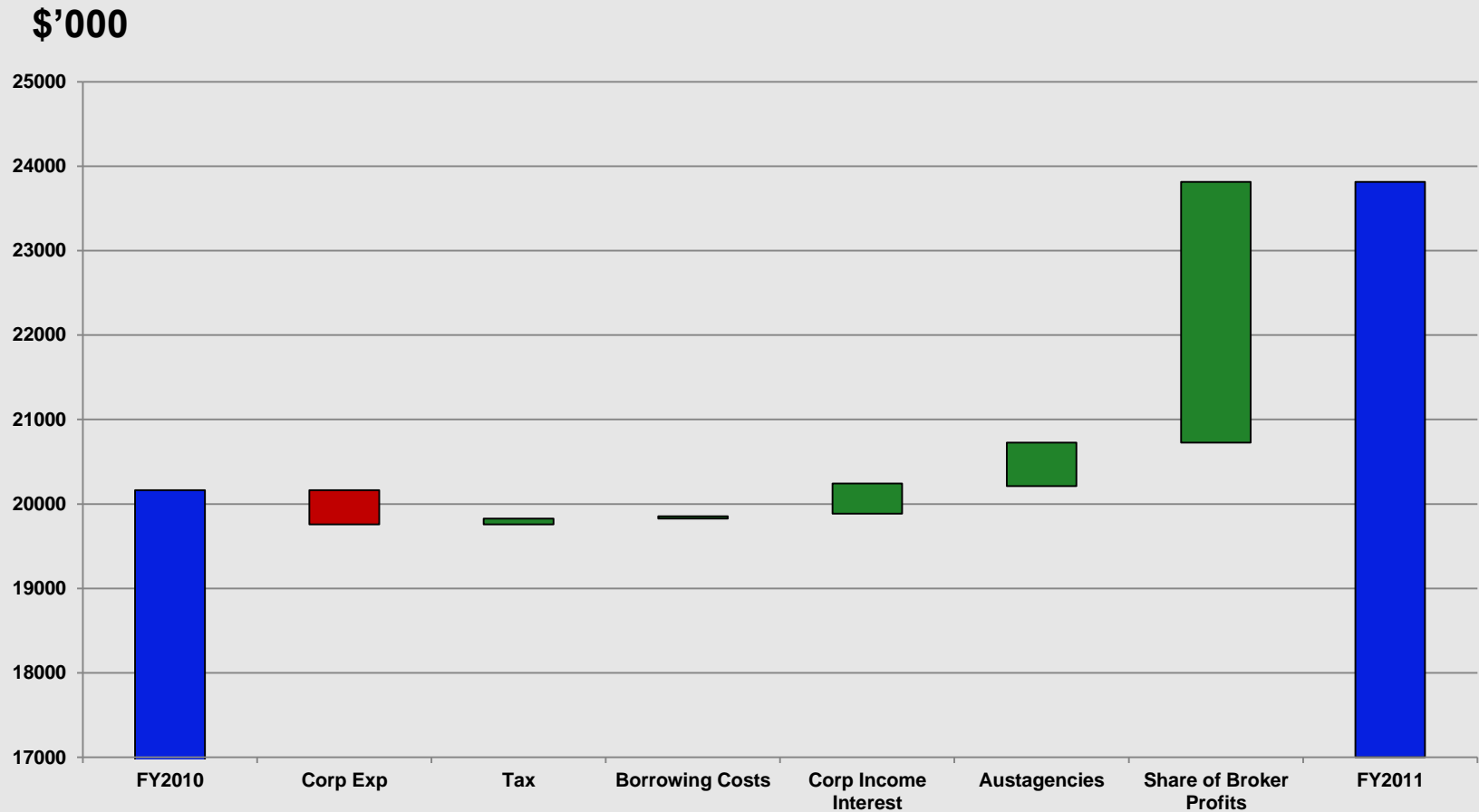
	FY 2011	FY 2010	VARIANCE	VARIANCE
	\$'000	\$'000	\$'000	%
BROKER OPERATIONS				
COMMISSION AND FEES	184,495	169,301	15,194	9.0%
LIFE INCOME	8,620	8,107	513	6.3%
PROFIT COMMISSIONS	1,910	1,078	832	77.2%
PREMIUM FUNDING	15,746	14,970	776	5.2%
INTEREST	9,819	7,419	2,400	32.3%
OTHER INCOME	4,880	5,239	(359)	-6.9%
REVENUE	225,470	206,114	19,356	9.4%
EXPENSES	(158,845)	(147,276)	(11,569)	7.9%
PROFIT FROM BROKING OPERATIONS	66,625	58,838	7,787	13.2%
PROFIT FROM UNDERWRITING AGENCIES	4,022	3,232	790	24.4%
PROFIT BEFORE TAX, CORPORATE EXPENSES AND AMORTISATION OF INTANGIBLES	70,647	62,070	8,577	13.8%
PROFIT ATTRIBUTABLE TO OTHER PARTIES	(27,718)	(24,318)	(3,400)	14.0%
PROFIT BEFORE TAX, CORPORATE OFFICE EXPENSES AND AMORTISATION OF INTANGIBLES (AFTER OUTSIDE EQUITY INTERESTS)	42,930	37,752	5,177	13.7%
CORPORATE OFFICE				
INCOME	1,789	1,312	477	36.4%
EXPENSES	(10,516)	(9,977)	(539)	5.4%
NET CORPORATE OFFICE EXPENSES	(8,727)	(8,665)	(62)	0.7%
PROFIT BEFORE TAX AND AMORTISATION OF INTANGIBLES	34,203	29,087	5,116	17.6%
INCOME TAX	(10,389)	(8,921)	(1,468)	16.5%
NET PROFIT AFTER TAX AND BEFORE AMORTISATION OF INTANGIBLES	23,813	20,165	3,648	18.1%

FY 2011 Results – Management Presentation

\$'000	FY 2011	FY 2010	VARIANCE \$	VARIANCE %
CONSOLIDATED BROKERS				
COMMISSION AND FEES	63,055	59,665	3,390	5.7%
LIFE INCOME	4,965	4,668	297	6.4%
PROFIT COMMISSIONS	820	448	372	83.0%
PREMIUM FUNDING	4,840	4,561	279	6.1%
INTEREST	3,093	2,245	848	37.8%
OTHER INCOME	1,395	2,334	(939)	-40.2%
REVENUE FROM CONSOLIDATED BROKERS	78,168	73,921	4,247	5.7%
EXPENSES FROM CONSOLIDATED BROKERS	(55,037)	(53,672)	(1,365)	2.5%
PROFIT FROM CONSOLIDATED BROKERS	23,131	20,249	2,882	14.2%
EQUITY ACCOUNTED BROKERS				
COMMISSION AND FEES	121,440	109,636	11,804	10.8%
LIFE INCOME	3,655	3,439	216	6.3%
PROFIT COMMISSIONS	1,090	630	460	73.0%
PREMIUM FUNDING	10,906	10,409	497	4.8%
INTEREST	6,726	5,174	1,552	30.0%
OTHER INCOME	3,485	2,905	580	20.0%
REVENUE FROM EQUITY ACCOUNTED BROKERS	147,302	132,193	15,109	11.4%
EXPENSES FROM EQUITY ACCOUNTED BROKERS	(103,808)	(93,604)	(10,204)	10.9%
PROFIT FROM EQUITY ACCOUNTED BROKERS	43,494	38,589	4,905	12.7%
PROFIT FROM BROKING OPERATIONS	66,625	58,838	7,787	13.2%

Note – due to movements of brokers from consolidated to equity accounted above increases are distorted. Excluding the effect of these movements consolidated would show higher growth and equity accounted lower

Increase in NPAT FY 2011 vs FY 2010



Notes

1. Corporate income increase due to higher interest rates and increased funds on deposit
2. Corporate expenses increased due to higher employee incentives in line with performance

Analysis of Contribution to Growth in NPAT

Growth in Adjusted NPAT

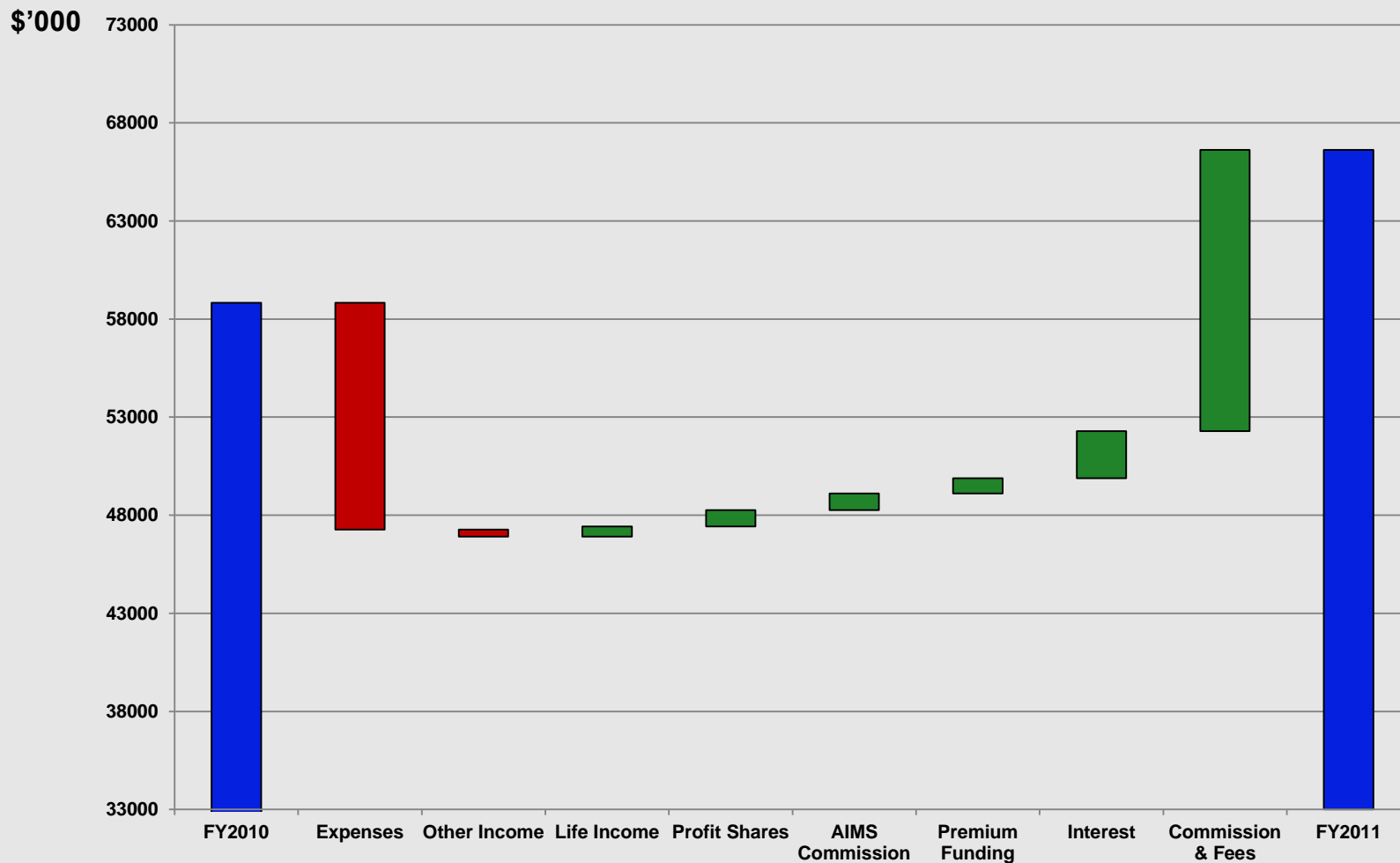
	\$'000	% of Growth
Share of broker profits	3,086	15.3
Austagencies	515	2.6
Corporate interest earnings	357	1.8
Borrowing costs	28	0.1
Tax	67	0.3
Offset by		
Corporate expenses	<u>(405)</u>	<u>(2.0)</u>
Total	<u>3,648</u>	<u>18.1</u>

Notes

Corporate interest earnings up due to increased cash held and higher interest rates

Corporate expenses increased due to higher incentive provisions in line with performance

Increase in Pre-Tax Broker Profits FY 2011 from FY 2010



Increase in Broker Pre Tax Profits FY 2011 vs FY 2010

	\$'000	%
Increase in Commission and fees	14,334	
Increase in premium funding	776	
Increase in interest earnings	2,400	
Increase in AIMS commission	860	
Increase in Life income	513	
Increase in profit commission	832	
Offset by		
Other income	(359)	
Increase in expenses	(11,569)	
Total Increase	7,787	13.2%

Broker Profits as % of Broker Income

Profits (before tax) as a percentage of Broker Income

	Including Austagencies	Insurance Broking only
2011	29.4%	29.5%
2010	28.5%	28.6%
2009	28.3%	28.4%
2008	26.7 %	26.8%
2007	24.8%	24.2%
2006	25.2%	
2005	23.4%	
2004	22.3%	
2003	20.8%	

Base commission and fees represented 18% of base premiums (2010 17.5%)

Commission and fee split 65% / 35% (2010 66% / 34%)

Commission and fee increase across the network excluding acquisitions was approximately 6% (net organic growth)

Austagencies Results

\$'000	PROFIT IMPACT			
	FY 2011	FY 2010	INCR / (DECR)	INCR / (DECR) %
Commission and fees	12,905	9,758	3,147	32.3
Profit commission	688	1,176	(488)	(41.5)
Claims handling fees	325	294	31	10.5
Interest	532	298	234	78.5
Other income	<u>86</u>	<u>1</u>	<u>85</u>	
	14,536	11,527	3,009	26.2
Expenses	<u>10,514</u>	<u>8,295</u>	<u>2,219</u>	<u>26.8</u>
Net Profit before income tax	4,022	3,232	790	24.4
Other shareholder interest	<u>(140)</u>	<u>(90)</u>	<u>(50)</u>	<u>55.6</u>
Net Profit after other shareholder interest	<u>3,882</u>	<u>3,142</u>	<u>740</u>	<u>23.6</u>

- Commission & Fee is up by 32.3%, 17.5% excluding acquisitions
- Expenses are up by 27.8% due to increased resourcing, 17% excluding acquisitions
- Interest increased due to higher interest rates
- Lower profit commissions due to reduced underwriting profits
- Other income represents marketing allowances from underwriters

Balance Sheet (con't)

Assets	30 June 2011 \$000	30 June 2010 \$000
Current Assets		
Cash at Bank	37,326	23,840
Cash at Bank – Trust	65,008	57,147
Receivables	102,090	90,350
Other financial assets	679	1,461
Total Current Assets	205,103	172,798
Non Current Assets		
Receivables	173	163
Plant Equipment	4,508	4,674
Investments equity accounted	78,690	72,177
Other financial assets	182	128
Intangibles	74,961	72,198
Deferred Tax Assets	3,710	3,206
Total Non current Assets	162,224	152,546
Total Assets	367,327	325,344

Balance Sheet (con't)

Liabilities	30 June 2011 \$000	30 June 2010 \$000
Current Liabilities		
Payables	160,017	138,196
Tax Liabilities	4,718	3,326
Provisions	8,194	7,452
Interest bearing loans and borrowings	622	481
Total Current Liabilities	173,551	149,455
Non Current Liabilities		
Provisions	1,510	1,312
Borrowings	34,279	34,418
Deferred Tax Liabilities	4,671	5,585
Total Non Current Liabilities	40,460	41,315
Total Liabilities	214,011	190,770
Net Assets	153,316	134,574
Equity		
Contributed Equity	70,750	60,844
Retained earnings	65,349	56,387
Other reserves	2,255	1,833
Asset Revaluation Reserve	2,656	3,234
Outside equity interest	12,306	12,276
Total Equity	153,316	134,574

Cash Flow

	2011	2010
	\$'000	\$'000
Cash flows from operations	<u>27,127</u>	<u>24,248</u>
Cash flows from investing activities		
- Acquisitions	(8,017)	(2,827)
- Sales proceeds / loan repayments	2,214	151
- Plant equipment	<u>(1,346)</u>	<u>(756)</u>
	<u>(7,149)</u>	<u>(3,432)</u>
Cash flows from financing activities		
- Dividends	(10,463)	(9,311)
- Proceeds from share capital & DRP	4,761	7,347
- Net borrowings	522	(86)
- Payments for deferred settlements	<u>(1,312)</u>	<u>(11,973)</u>
	<u>(6,492)</u>	<u>(14,023)</u>
Net increase in cash ex broker trust account	13,486	6,793
Increase in broker trust account cash	<u>7,861</u>	<u>5,536</u>
Net increase in cash	<u>21,347</u>	<u>12,329</u>

Funding

- Free cash currently \$10 million
- Facility from St George Bank
 - limit \$44.1 utilised at June 2011
 - \$27.3 million at holding company level
 - \$5.6 million in subsidiaries
- Facility term is 5 years to August 2013
- Estimated \$3.1 million committed for future payments for completed acquisitions will be met from cash flow
- Funding available from facility for future acquisitions around \$11 million
- Key ratios – consolidated
 - Interest cover ratio – 16.5 times (EBITDA basis)
 - Gearing 19%, range up to 30% (debt to debt plus equity)
 - Comfortably meet financial undertakings to Bank
- Borrowing by associates at 30 June 2011 not on Austbrokers balance sheet - \$36.3 million which has increased due to funding of acquisitions
 - Borrowings largely for acquisition funding
 - Interest cover ratio 17 times (as a group)

Agenda

- Business Overview
- FY 2011 Financial Performance

- **FY 2012 Outlook**
 - **Market conditions**
 - **Strategy**
 - **Outlook**

Market Conditions FY 2012

- Premium rates
 - Underwriters are seeking increases following poor claims experience
 - Competition dampens extent of increases desired by underwriters
 - Premium rate movements vary across classes
- Relatively stable interest rate environment
- Moderate economic growth forecast but patchy economic outlook may have impact on SME
- Age demographics in insurance broking industry indicates that continued acquisition opportunities for direct acquisitions or portfolio / bolt on businesses should be available

Strategies FY 2012

- Growth – acquisition activity to continue
 - business development – marketing strategies
 - marketing initiatives implemented to increase cross sell of insurance products
- Expand underwriting agency capability
- Centralised services to create efficiencies
 - IT Central DataCentre
 - Compliance and Risk Management
 - Business Centre services – accounting, tax, payroll, HR and Treasury
- Automation of broking processes to develop efficiencies – roll out of iClose
- Underwriter relationship / product development via AIMS (IBNA Joint Venture) for marketing advantage
- Premium funding – continued growth and development
- Life risk and superannuation - continue to develop cross sell

Outlook FY 2012

- Premium rate increases being sought by underwriters
- Economic outlook uncertain – impact on SME sector
- Insurance broking industry consolidation – continuing acquisition opportunities
- Organic growth expected to continue to emerge through broker network initiatives and premium rate increases
- Uncertainty over profit commissions particularly with storms and floods in 2011 impacting underwriting results
- Organic growth and bolt on acquisitions should maintain the increase in consolidated NPAT before amortisation of intangibles for FY 2011 in the range of 5% - 10% over FY 2010
- Longer term outlook continues to be favourable with acquisition opportunities likely to present and premium rates more likely to increase moderately

This presentation may contain forward looking statements relating to future matters, which are subject to known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Austbrokers and the Austbrokers Group to be materially different from those expressed in this announcement. Except as required by law and only to the extent so required, neither Austbrokers nor any other person warrants that these forward looking statements relating to future matters will occur.