



27th August 2013

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 2013

Attached for immediate release is Austbrokers Holdings Limited (AUB) Presentation on results for the year ended 30th June 2013.

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 (AUB)

FY 2013 Results Presentation

Tuesday 27 August, 2013

Mark Searles, CEO & MD
Steve Rouvray, CFO

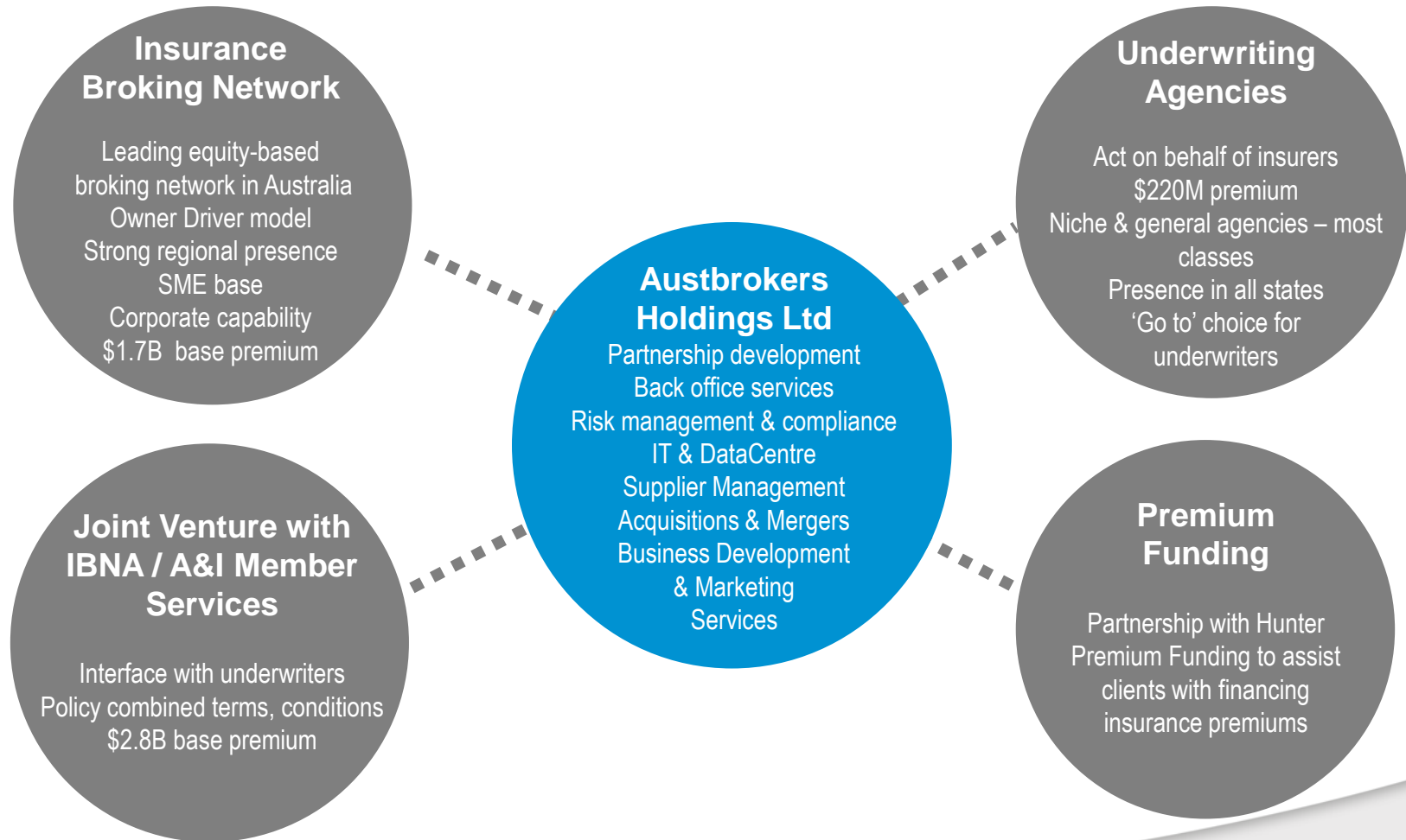


Agenda

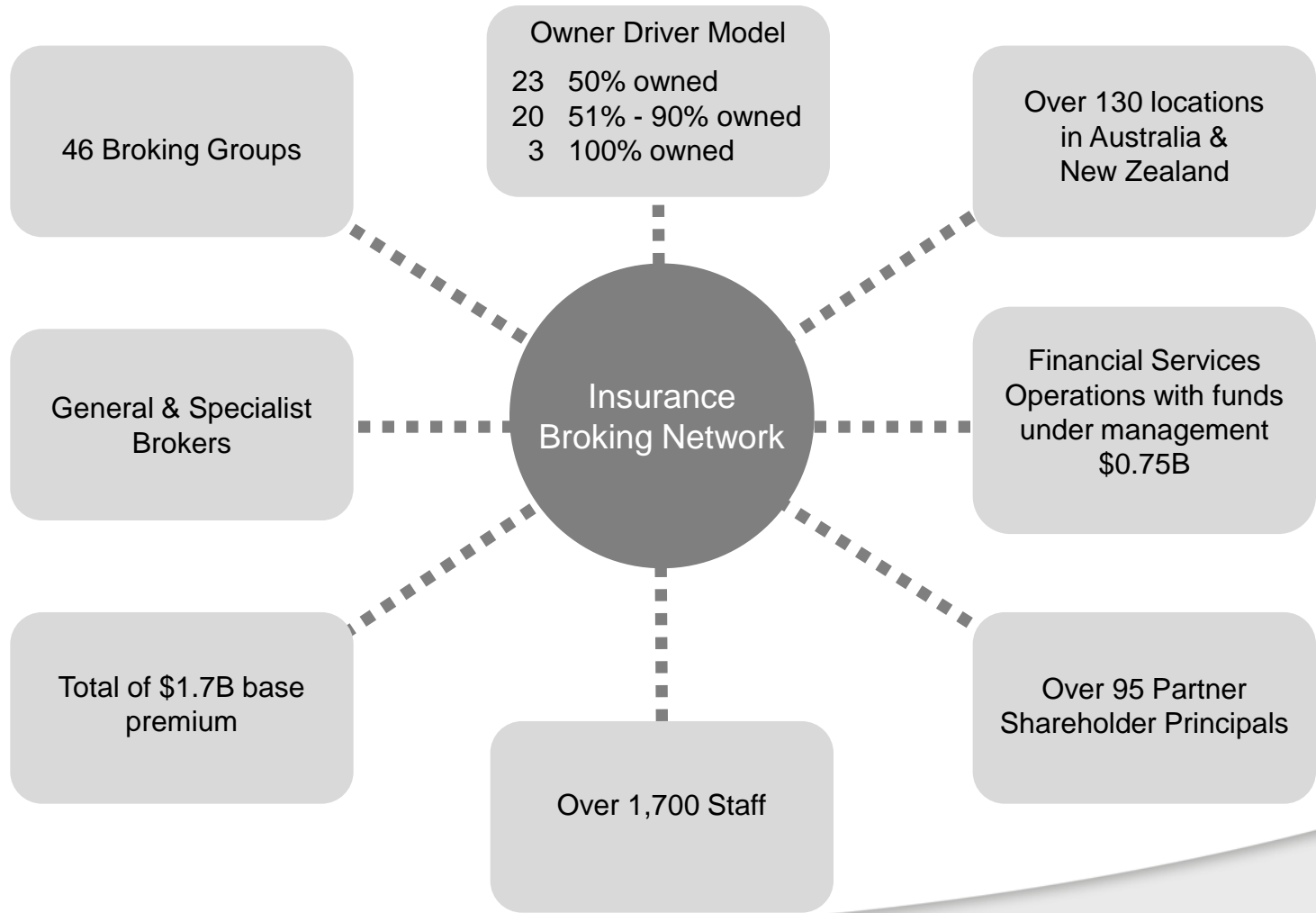
- **Overview**
 - Business Overview
 - FY 2013 Financial Highlights
 - FY 2013 Operational Highlights
- **FY 2013 Financial Performance**
- **FY 2014 Outlook**

Overview

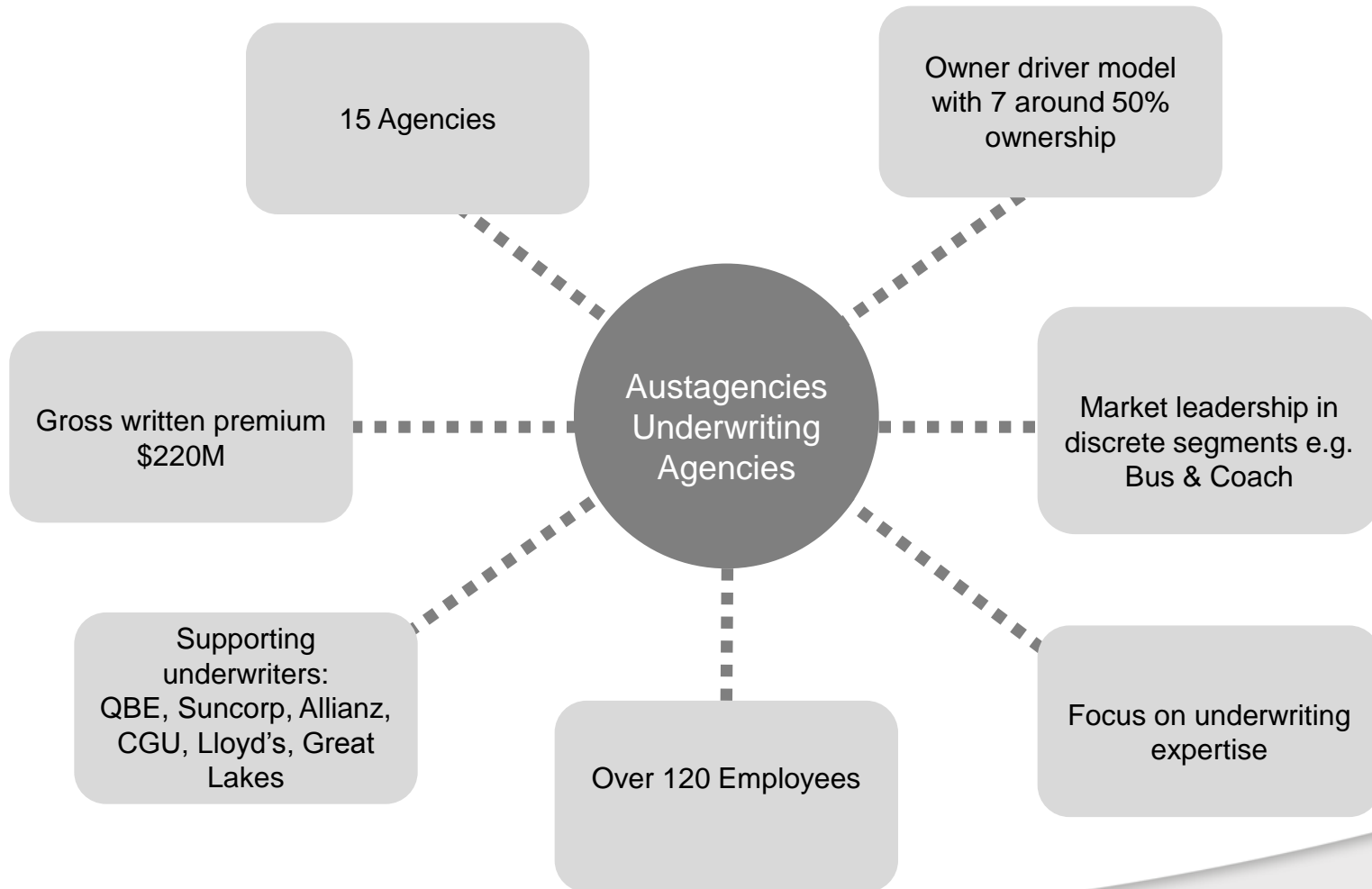
Business Overview



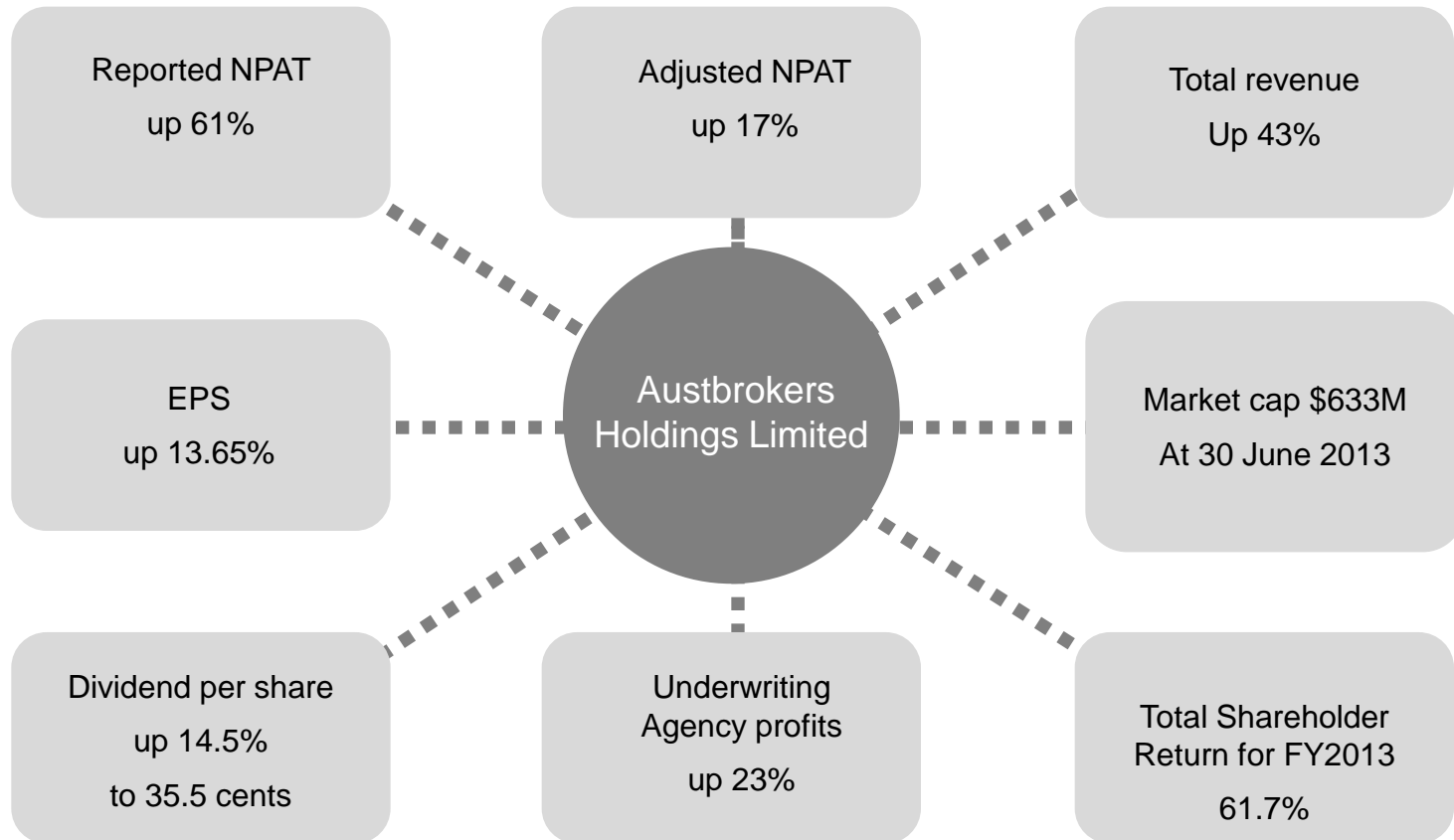
Insurance Broking



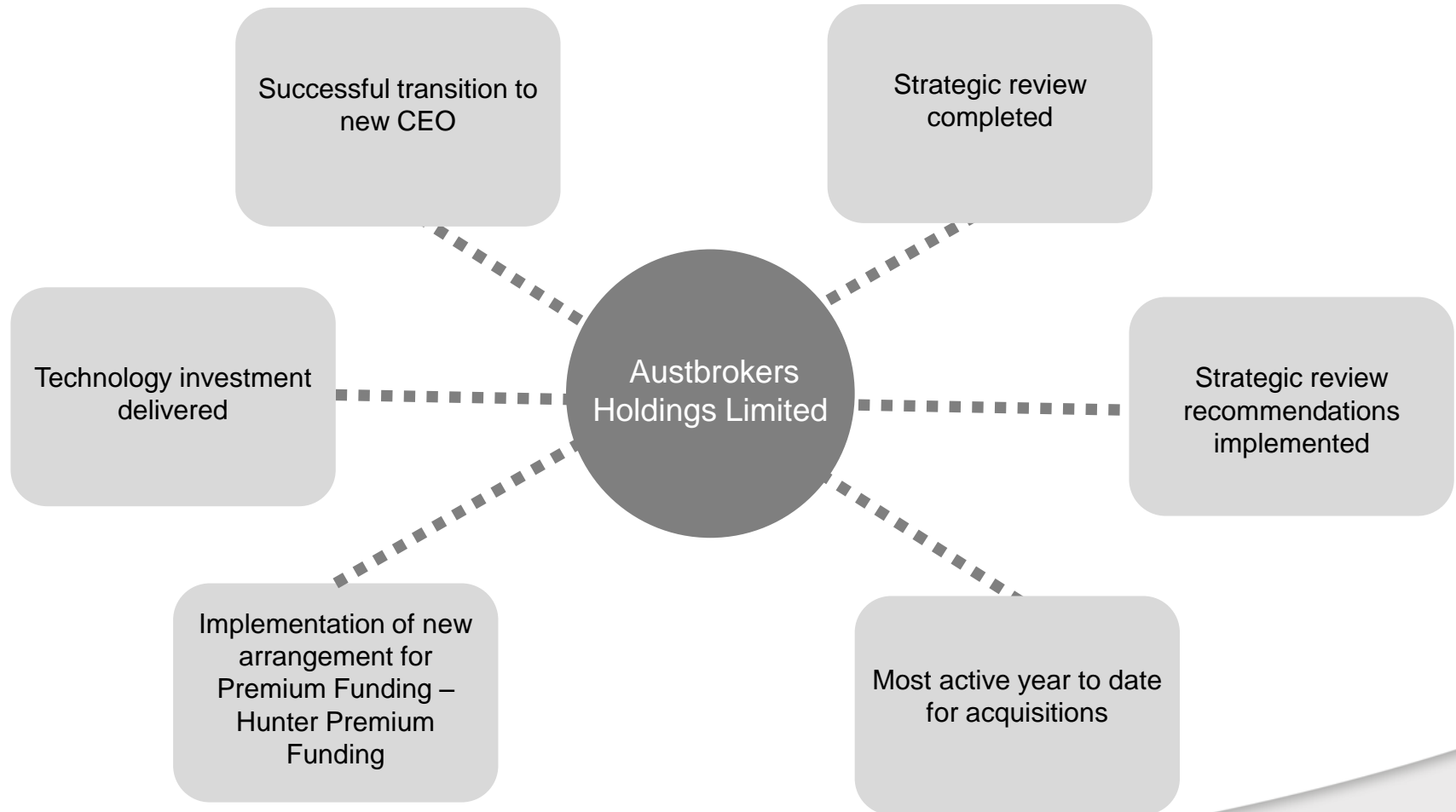
Underwriting Agencies



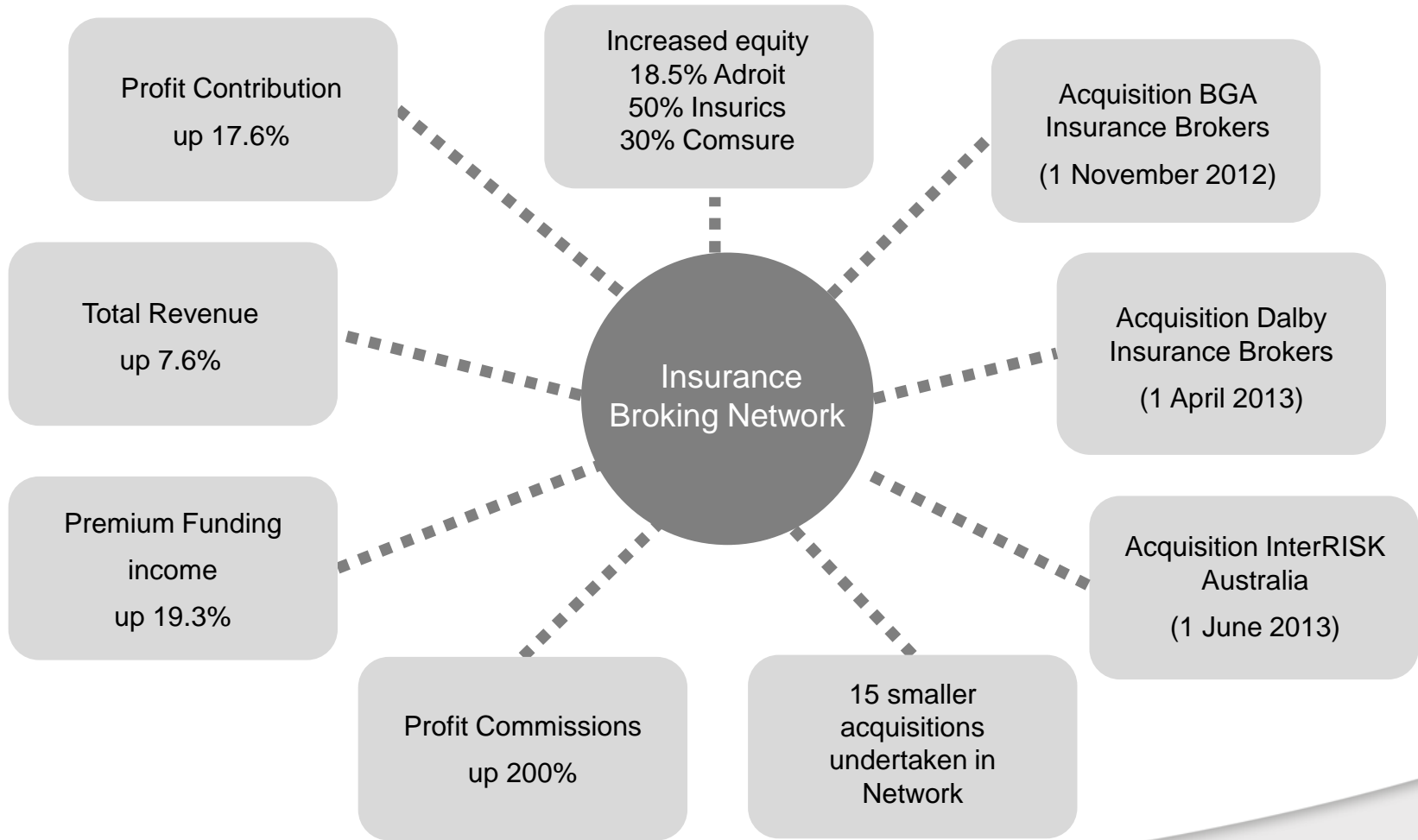
FY 2013 Financial Highlights



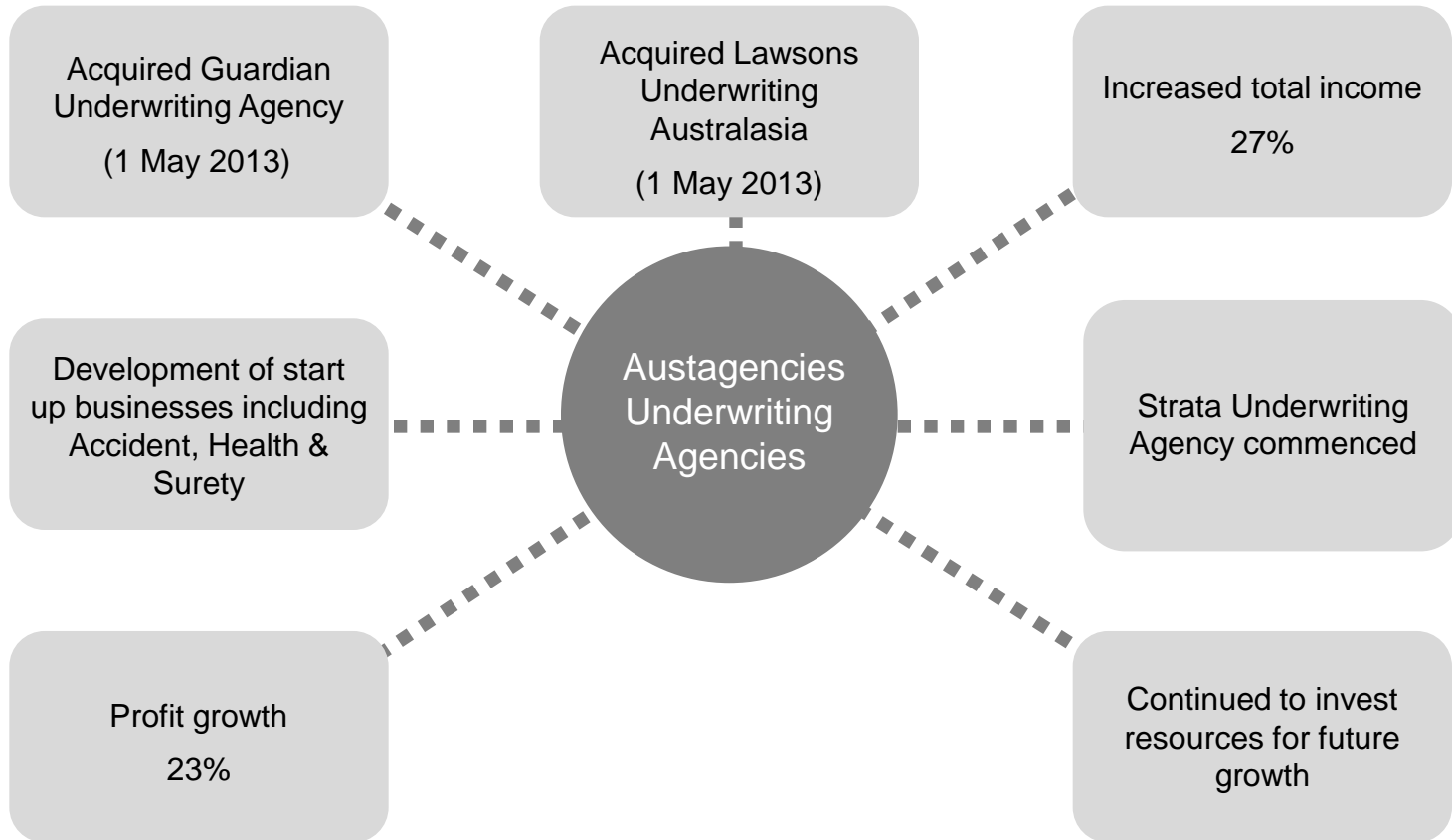
FY 2013 Operational Highlights



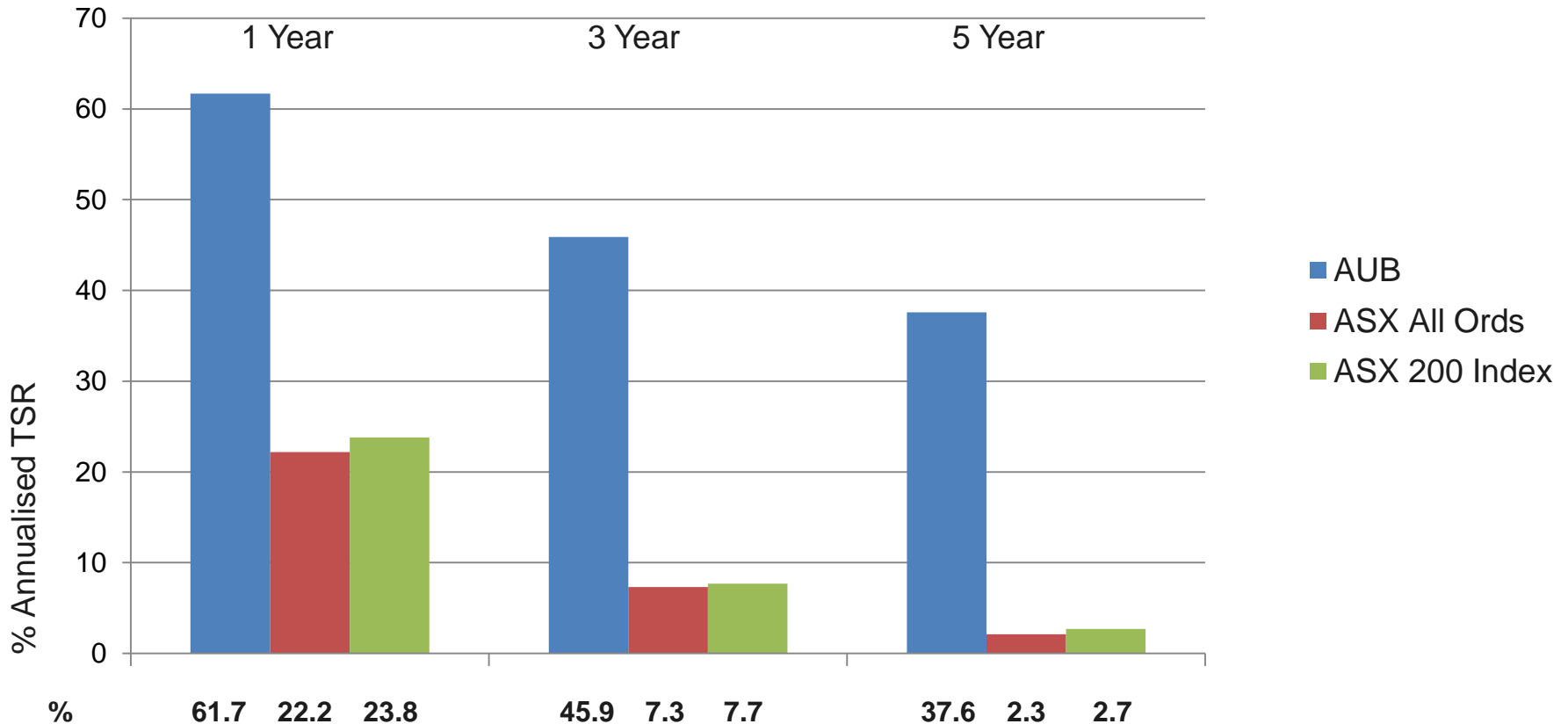
FY2013 Operational Highlights (cont.)



FY13 Operational Highlights (cont.)



AUB Total Shareholder Return - 30th June 2013



Notes

- 1 Total Shareholder Return means the pre-tax return to shareholders on shares, calculated as the increase (or decrease) in the share price added to the dividends received during a period divided by the share price at the beginning of the period.
- 2 Prior performance is not necessarily a reliable indicator of future performance

FY 2013 Financial Performance

- **Income statement – as per Financial Report**
- **Reconciliation to Adjusted NPAT**
- **Highlights FY 2013 compared to FY 2012**
- **Profit Growth FY 2007 – 2013**
- **Earnings per share FY 2007 – 2013**
- **1HY – 2HY Adjusted NPAT split**
- **Broker Profits FY2013 movement from FY2012**
- **Dividend**
- **Adjusted NPAT FY2013 movement from FY2012**
- **Broker Profits as % of Broker Income**
- **Balance sheet**
- **Funding**

FY 2013 Results Financial Statement Presentation

	FY 2013 \$'000	FY 2012 \$'000	Variance %
Revenue from ordinary activities	168,040	125,430	34.0
Income arising from sale of interests in Associates and controlled entities & adjustments to contingent consideration	12,413	192	
Expenses from ordinary activities	(118,614)	(85,678)	38.4
Borrowing costs	(3,081)	(2,576)	19.6
Profit before tax	58,758	37,368	57.2
Income tax expense	(11,221)	(7,697)	45.8
Net profit	47,537	29,671	60.2
Profit attributable to minority interest	(6,334)	(4,031)	57.1
Net profit attributable to members	41,203	25,640	60.7

Reconciliation of Reported NPAT to Adjusted NPAT

	FY 2013 \$'000	FY 2012 \$'000	Variance %
Reported Profit attributable to members	41,203	25,640	61
Less Net Profit after tax on sale of interests in associates, associates & controlled entities & contingent consideration adjustments *	(276)	-	
Less adjustments to the carrying value of associates (no income tax)*	(12,001)	(192)	
Tax credit relating to prior years*	-	(631)	
Profit from ongoing operations	28,926	24,817	17
Amortisation of intangibles net of tax*	3,149	2,578	22
Net profit after tax from operations before amortisation of intangibles (Adjusted NPAT)	32,075	27,395	17

* This information has been derived from the consolidated financial statements which have been subject to audit by the company's auditors

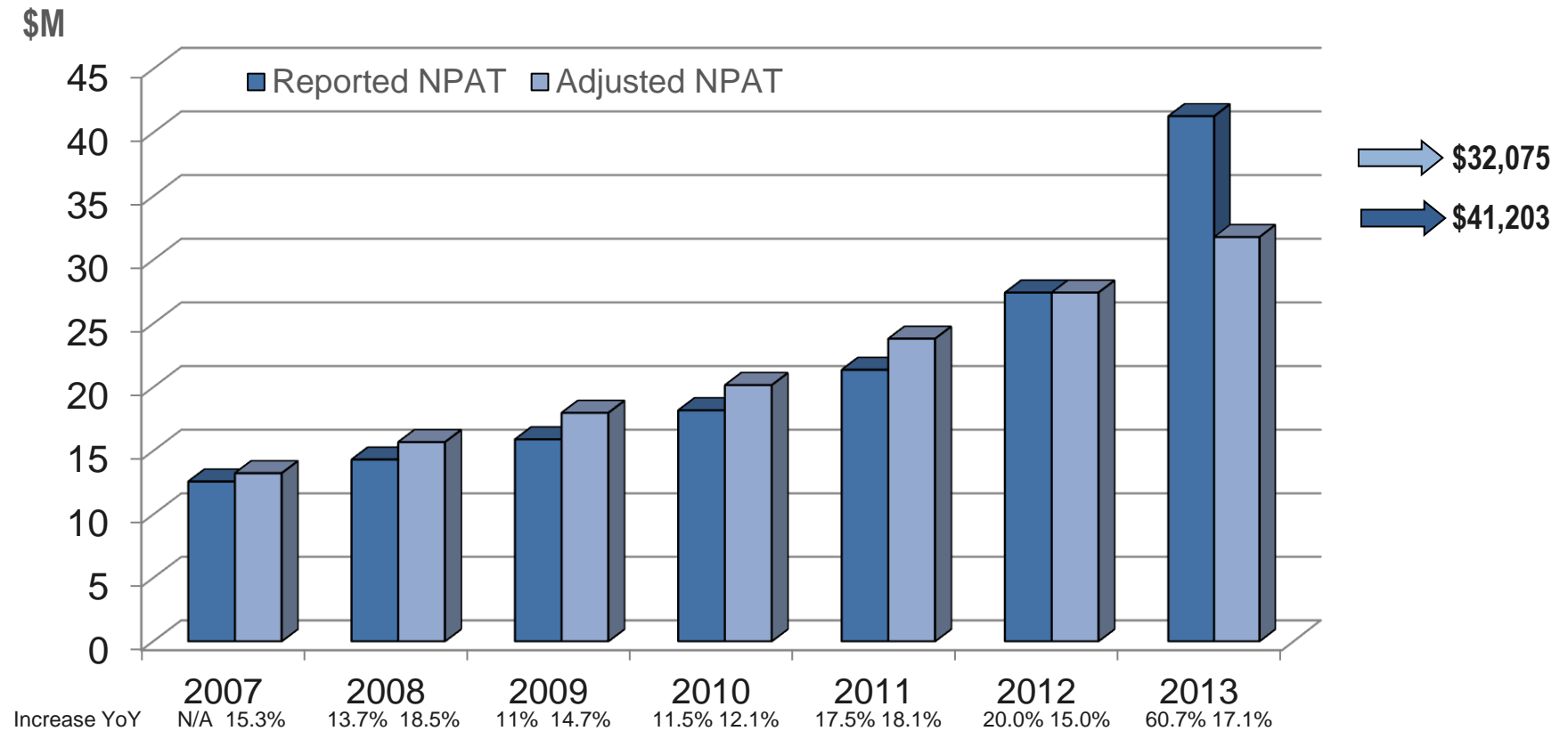
Elimination of the items above provides a basis for analysis of the underlying performance of the company. Amortisation of intangibles is a non cash item and may fluctuate depending on acquisitions and their timing. It may also reduce as existing intangibles are fully amortised. These items may or may not recur and can distort underlying performance compared to prior periods.

Highlights FY 2013 compared to FY 2012

Adjusted NPAT for FY 2013 at \$32.1 million (2012 \$27.4 million)

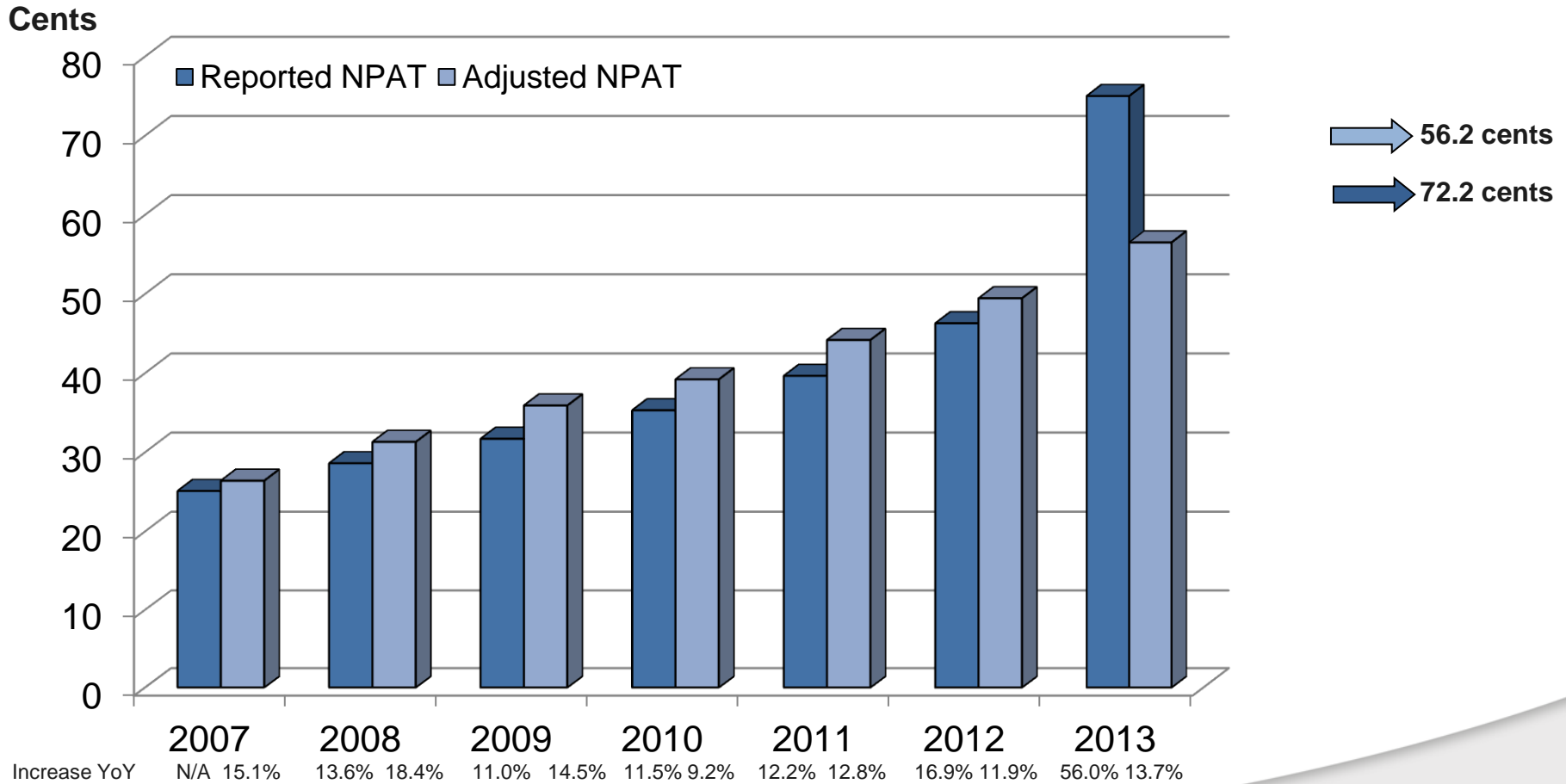
- Adjusted NPAT excludes \$12.413 million adjustment arising from acquisition and sale of interests in associates and controlled entities, \$3.149 million amortisation of intangible expenses
- Exceeded 2012 Adjusted NPAT by \$4.7 million – 17.1%
- 2HY contributed \$18.3 million NPAT to 30 June 2013 result, a 15.1% increase (59% of FY - 58% in 2012)
- 17.1% growth largely from insurance brokering 16.6% and underwriting agencies 3.5% off set by increased corporate expenses and benefited from a lower effective tax rate
- Stand alone acquisitions in broker network and underwriting agencies contributed approximately 3.3% of growth

Profit Growth 2007 – 2013

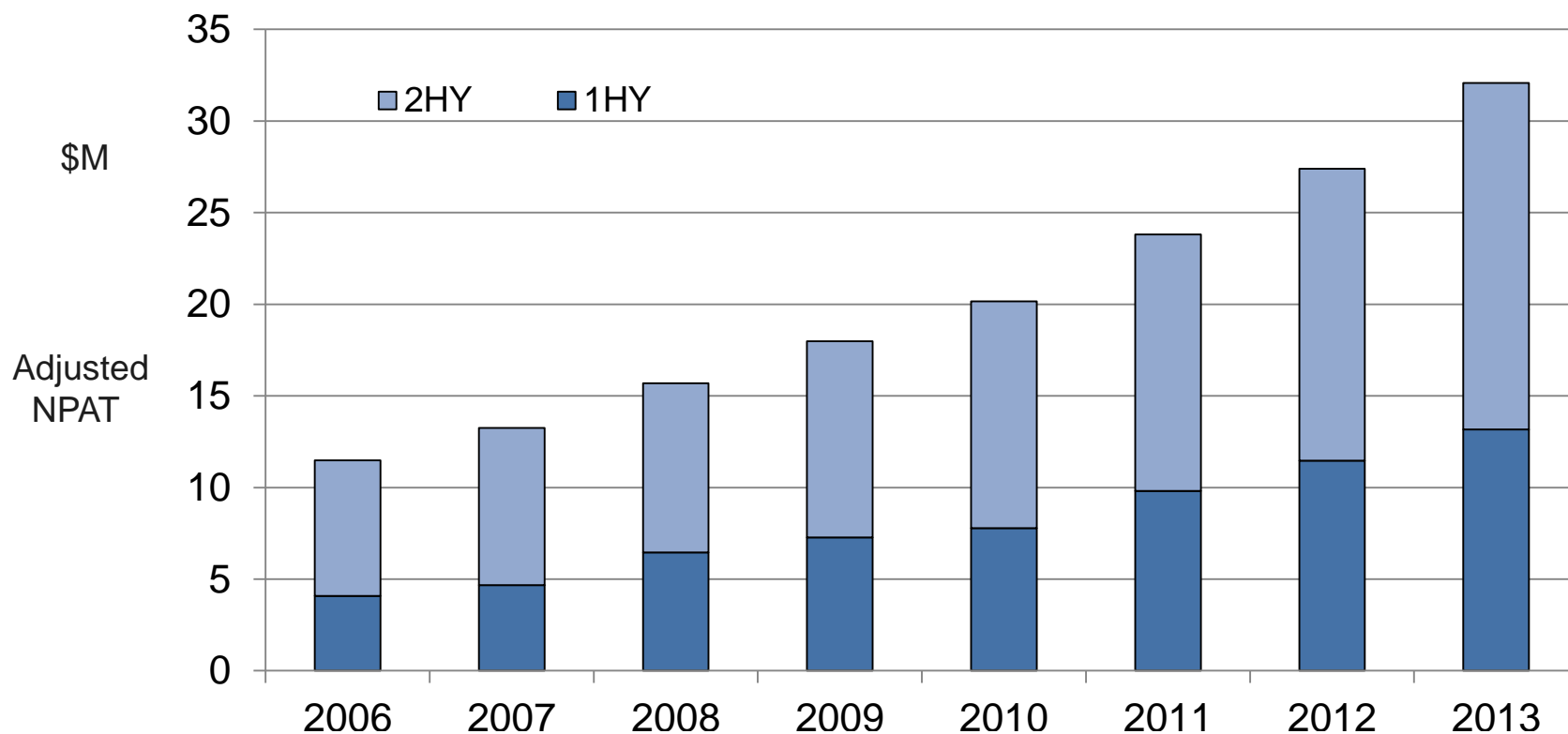


Adjusted NPAT – Net profit after tax before amortisation of intangibles, adjustments to the carrying value of associates, profits arising from acquisition and sale of interests in associates and controlled entities and contingent consideration adjustments

Earnings Per Share FY 2007 - 2013



1HY – 2HY Adjusted NPAT Split



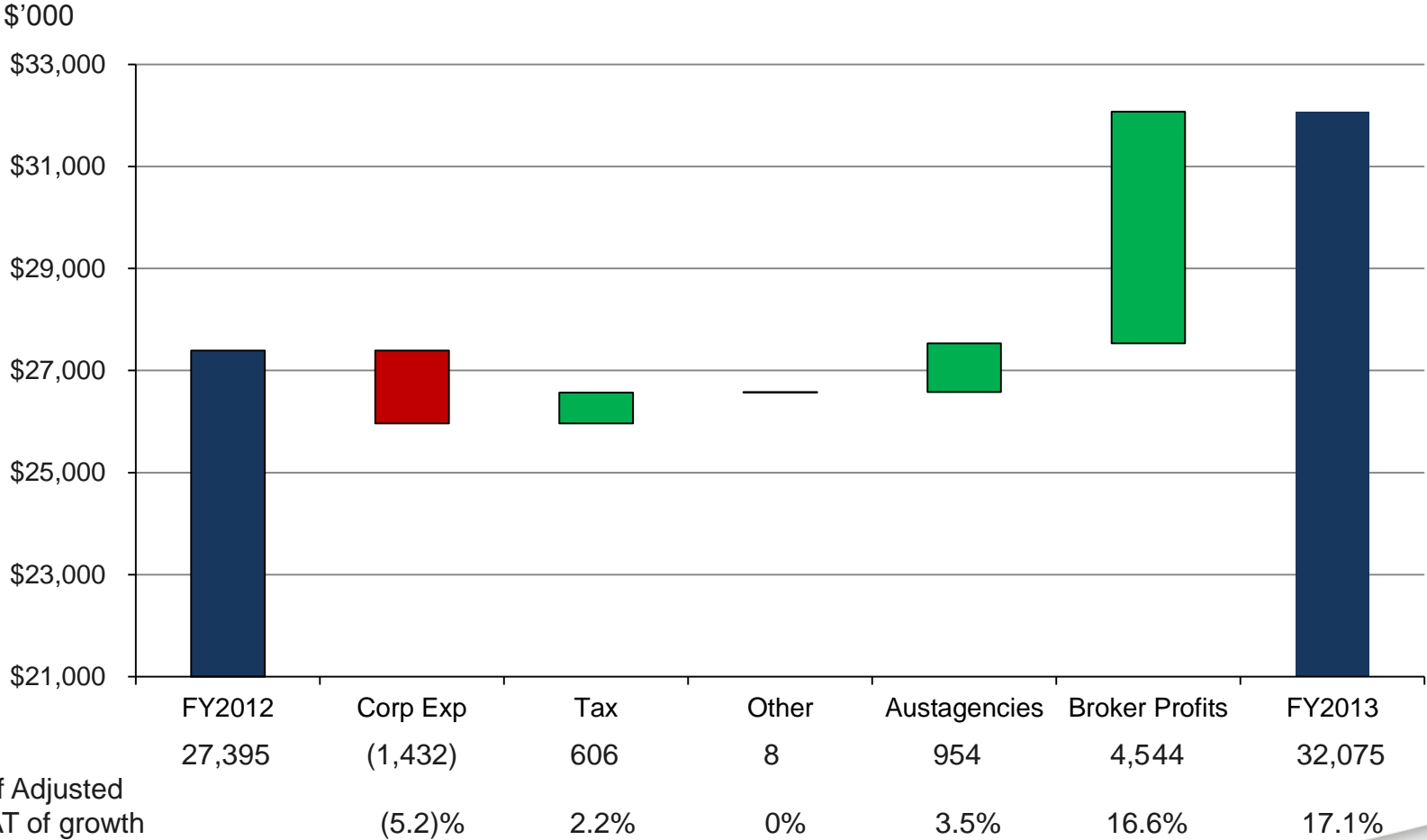
Financial Year

2HY	64%	65%	59%	60%	61%	59%	58%	59%
1HY	36%	35%	41%	40%	39%	41%	42%	41%

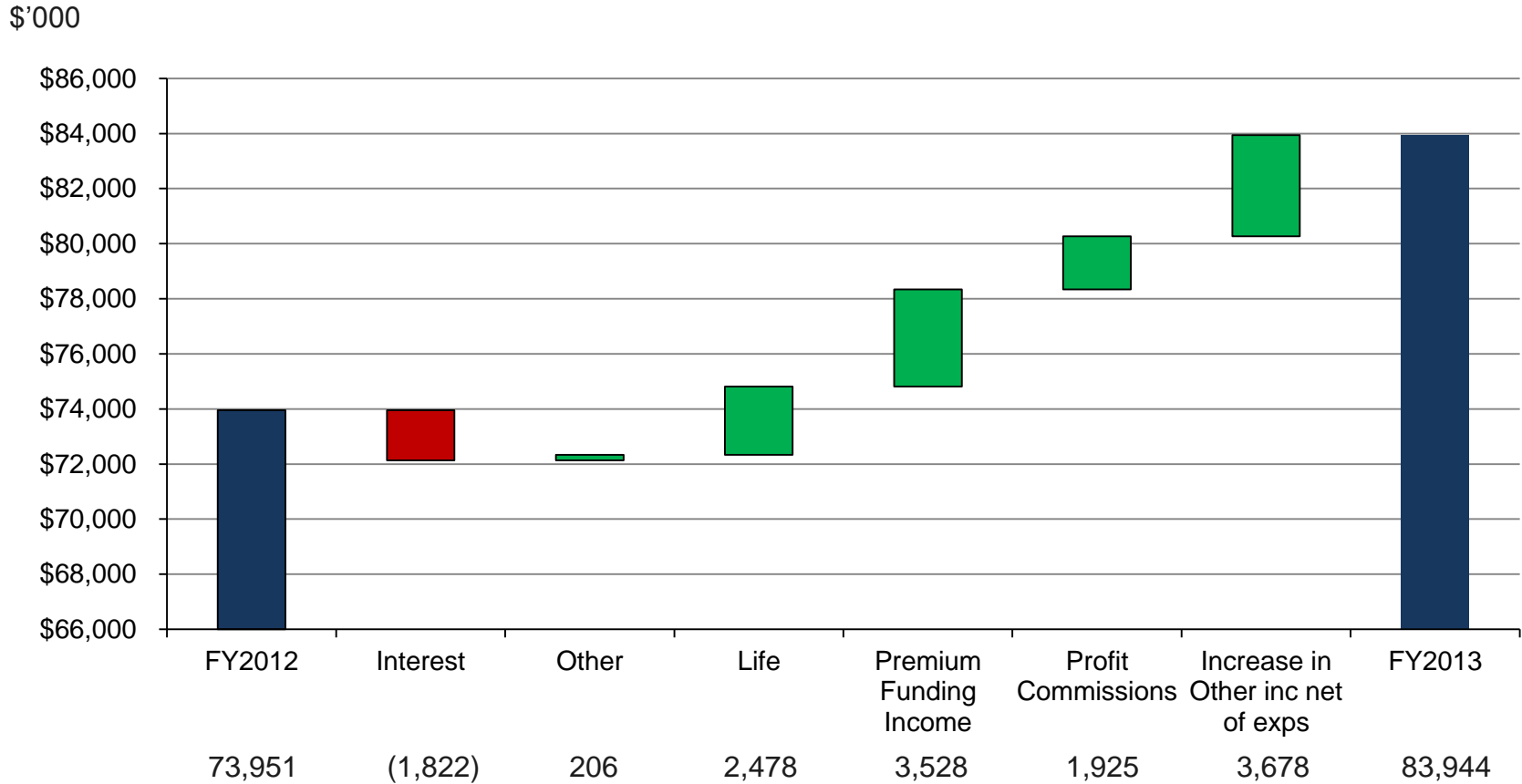
Dividend

- 24.5 cents final dividend per share fully franked – up from 21.5 cents last year
- Full year dividend 35.5 cents per share up 14.5% on FY 2012 which is above eps growth of 13.7% on an adjusted NPAT basis
- Eligible for reinvestment under Dividend Reinvestment Plan
- Dividend Reinvestment Plan proposed to be underwritten
- Payout ratio on Adjusted NPAT 63% (FY 2012 62%)

Adjusted NPAT FY2013 movement from FY2012

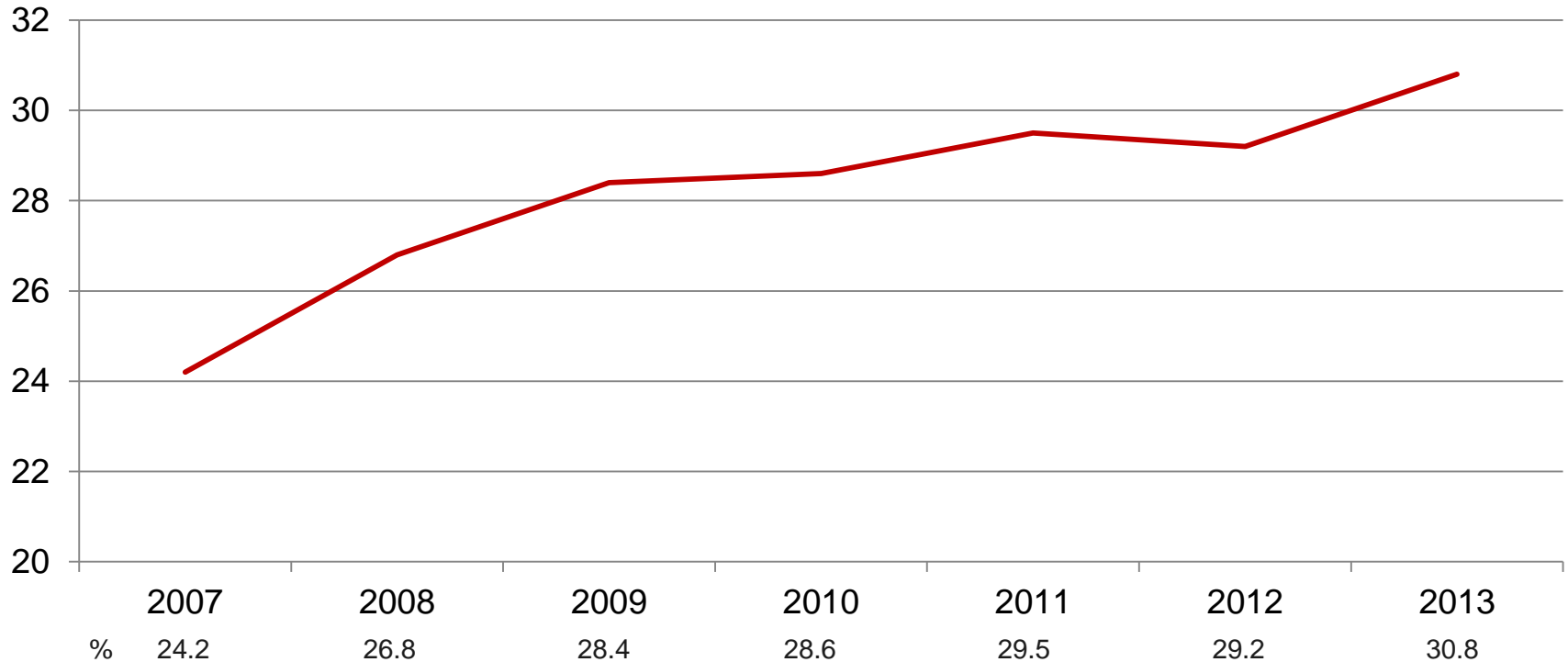


Broker Profits FY2013 movement from FY2012



Note: Broker profits are before tax and before deducting outside interests

Broker Profits as % of Broker Income



Base commission and fees represented 17.9% of base premiums (2012 17.9%)

Commission and fee split 65% / 35% (2012 65% / 35%)

Commission and fee increase across the network excluding acquisitions was approximately 3% - 4% (net organic growth)

Austagencies

Growth in NPBT after minorities of 23% to \$7.355 million

- Approximately two thirds growth from acquisitions and start up businesses
- Increase in total income excluding start ups and acquisitions of 11%
- Commission and fees income increased 14.9% excluding acquisitions
- Profit commissions were down by \$376,000
- Expenses excluding acquisitions and start ups were up 11% - increased resourcing
- Contributed 20% of Austbrokers Adjusted NPAT growth

Balance Sheet

- Increase in following balance sheet items

Cash at Bank Trust	\$37.7M
Receivables	\$39.5M
Payables	\$72.0M

results from associates becoming controlled entities and acquisitions made during the year

- Increase in intangibles of \$75.8M is the result of recognition of 100% of intangibles relating to associates becoming controlled entities and the acquisitions made during the year
- Increase in borrowings of \$14.5M due largely to newly consolidated entities existing debt of \$8M as well as borrowings for new acquisitions
- Refer Appendix 3 for full balance sheet

Funding

- Total consolidated entities debt \$53 million – includes subsidiaries who have separate facilities
- Austbrokers Holdings bank facility from St George Bank
 - limit \$40 million at holding company level
 - \$35 million drawn
 - \$5 million undrawn
 - Facility term is three years to 30th May 2016
- Estimated \$8 million committed for future payments for completed acquisitions
- Funding available from facility for future acquisitions \$5 million with free cash around \$12 million over the next twelve months assuming underwritten DRP
- Key ratios – consolidated (including borrowings in related companies of \$18 million)
 - Interest cover ratio – 18 times (EBITDA basis)
 - Gearing of 18.7% (debt to debt plus equity)
 - Comfortably meet Banking Covenants
- Borrowing by associates at 30th June 2013 not on Austbrokers balance sheet - \$44.4 million which has increased due to funding of acquisitions
 - Borrowings largely for acquisition funding and premium funding
 - Interest cover ratio 18 times

FY 2014 Outlook

- **Market Conditions**
- **Strategy**
- **Outlook**

Market Conditions FY 2014

- Premium rates
 - Underwriters continue to seek increases particularly property classes
 - Competition restrains extent of increases achievable
 - Premium rate movements vary across classes
- Lower interest rate environment continuing
- 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
- Insurance broking industry rationalisation will continue to present acquisition opportunities

Strategies FY 2014

- Optimisation of operating model to continue to underpin future growth across the group
- Growth: – focus on 3 key pillars: **organic; acquisition; Austagencies**
 - focus on increased support for broker growth at a local level
 - acquisitions activity to continue
 - expand underwriting agency capability through product and acquisition growth
- Centralised service provision – continue to develop best practice services to create efficiencies and effectiveness
 - Technology ‘backbone’ and DataCentre capabilities
 - Compliance and Risk Management
 - Business Centre services – accounting, tax, payroll, HR and Treasury
 - Marketing and business development capabilities
- Automation of broking processes to develop efficiencies – further development of iClose, business intelligence reporting
- Underwriter relationship / product development via AIMS (IBNA Joint Venture) for marketing advantage and development of AIMS value proposition to support growth
- Premium funding – continued growth and development through Hunter partnership
- Life risk and superannuation - continue to develop cross sell, stand alone and integrated with broking operations

Outlook FY 2014

FY 2014 WILL BENEFIT FROM

- Additional contributions from FY 2013 acquisitions
- Organic growth expected to continue to emerge through broker network initiatives
- Insurance broking industry consolidation – continuing acquisition opportunities

BUT

- Following good insurer underwriting results, pressure is expected on premium rate rises limiting growth
- Uncertainty over profit commissions for FY2014 which depend on underwriting results
- Further reduction in deposit interest rates – average cash rate for FY2014 down 19% on FY2013 following August reduction
- Removal of FSL in Vic will impact premium funding and interest earnings
- Economic outlook continues to be uncertain – impacting in particular on SME sector

AS A RESULT

- The underlying NPAT (before amortisation of intangibles profits on sale and adjustments to contingent consideration) for FY 2014 is budgeted to increase in the range of 5% - 10% over FY2013
- The degree of growth that can be achieved will depend on market conditions including acquisition opportunities, premium rate movements, whether there are further interest rate reductions, the level of profit commissions and the impact of prevailing economic conditions on the SME sector.

Appendix 1

FY 2013 Results: Management Presentation

FY 2013 Results: Management Presentation

	FY 2013	FY 2012	VARIANCE	VARIANCE
	\$'000	\$'000	\$'000	%
BROKER OPERATIONS				
COMMISSION AND FEES	222,113	209,144	12,969	6.2%
LIFE INCOME	11,721	9,243	2,478	26.8%
PROFIT COMMISSIONS	2,895	970	1,925	198.5%
PREMIUM FUNDING	21,840	18,312	3,528	19.3%
INTEREST	9,719	11,541	(1,822)	-15.8%
OTHER INCOME	4,679	4,473	206	4.6%
REVENUE	272,967	253,683	19,284	7.6%
EXPENSES	(189,023)	(179,732)	(9,291)	5.2%
PROFIT FROM BROKING OPERATIONS	83,944	73,951	9,993	13.5%
PROFIT FROM UNDERWRITING AGENCIES	9,446	6,941	2,505	36.1%
PROFIT BEFORE TAX, CORPORATE EXPENSES AND AMORTISATION OF INTANGIBLES	93,390	80,892	12,498	15.5%
PROFIT ATTRIBUTABLE TO OTHER PARTIES	(35,650)	(32,047)	3,602	-11.2%
PROFIT BEFORE TAX, CORPORATE OFFICE EXPENSES AND AMORTISATION OF INTANGIBLES (AFTER OUTSIDE EQUITY INTERESTS)	57,740	48,845	16,100	33.0%
CORPORATE OFFICE				
INCOME	2,185	2,124	61	2.9%
EXPENSES	(13,854)	(11,064)	(2,790)	25.2%
NET CORPORATE OFFICE EXPENSES	(11,669)	(8,940)	(2,729)	30.5%
PROFIT BEFORE TAX AND AMORTISATION OF INTANGIBLES	46,071	39,905	6,166	15.5%
INCOME TAX	(13,996)	(12,510)	(1,486)	11.9%
NET PROFIT AFTER TAX AND BEFORE AMORTISATION OF INTANGIBLES	32,075	27,395	4,680	17.1%

FY 2013 Results: Management Presentation

\$'000	FY 2013	FY 2012	VARIANCE	
			\$	%
CONSOLIDATED BROKERS				
COMMISSION AND FEES	96,977	70,963	26,014	36.7%
LIFE INCOME	8,003	5,607	2,396	42.7%
PROFIT COMMISSIONS	533	453	80	17.7%
PREMIUM FUNDING	6,967	5,246	1,721	32.8%
INTEREST	3,260	3,282	(22)	-0.7%
OTHER INCOME	1,862	1,298	564	43.5%
REVENUE FROM CONSOLIDATED BROKERS	117,602	86,849	30,753	35.4%
EXPENSES FROM CONSOLIDATED BROKERS	(80,792)	(61,838)	(18,954)	30.7%
PROFIT FROM CONSOLIDATED BROKERS	36,810	25,011	11,799	47.2%
EQUITY ACCOUNTED BROKERS				
COMMISSION AND FEES	125,136	138,181	(13,045)	-9.4%
LIFE INCOME	3,718	3,636	82	2.3%
PROFIT COMMISSIONS	2,362	517	1,845	356.9%
PREMIUM FUNDING	14,873	13,066	1,807	13.8%
INTEREST	6,459	8,259	(1,800)	-21.8%
OTHER INCOME	2,817	3,175	(358)	-11.3%
REVENUE FROM EQUITY ACCOUNTED BROKERS	155,365	166,834	(11,469)	-6.9%
EXPENSES FROM EQUITY ACCOUNTED BROKERS	(108,231)	(117,894)	9,663	-8.2%
PROFIT FROM EQUITY ACCOUNTED BROKERS	47,134	48,940	(1,806)	-3.7%
PROFIT FROM BROKING OPERATIONS	83,944	73,951	9,993	13.5%

Appendix 2

Austagencies Results

Austagencies Results

\$'000	FY 2013	FY 2012	INCR/(DECR)	INCR/(DECR)%
Commission and Fees	26,580	20,064	6,516	32.5%
Profit Commission	797	1,173	(376)	(32.1)%
Claims Handling Fee	766	635	131	20.6%
Interest	655	724	(69)	(9.5)%
Other Income	16	98	(82)	(83.7)%
	28,814	22,694	6,120	27.0%
Expenses	19,368	15,753	3,615	23.0%
Net Profit before Tax	9,446	6,941	2,505	36.1%
Outside Shareholders Interest	(2,091)	(948)	(1,143)	120.6%
	7,355	5,993	1,362	22.7%

Commission & Fee is up by 32.5% (14.9% before acquisitions and start ups)

Expenses are up by 23% due to increased resourcing (11.3% before acquisitions and start ups)

Interest decreased due to lower interest rates

Lower profit commissions earned this year

Appendix 3

Balance Sheet

Balance Sheet

Assets	30 June 2013	30 June 2012
	\$000	\$000
Current Assets		
Cash at Bank	38,083	40,743
Cash at Bank – Trust	112,610	74,859
Receivables	156,698	117,167
Other financial assets	1,716	1,316
Total Current Assets	309,107	234,085
Non Current Assets		
Receivables	264	261
Plant Equipment	7,455	5,058
Investments equity accounted	82,169	79,553
Other financial assets	424	152
Intangibles & Goodwill	158,639	82,836
Deferred Tax Assets	6,006	5,194
Total Non current Assets	254,957	173,054
Total Assets	564,064	407,139

Balance Sheet (cont.)

Liabilities	30 June 2013 \$000	30 June 2012 \$000
Current Liabilities		
Payables	253,395	181,420
Tax Liabilities	6,071	3,655
Provisions	9,963	8,418
Interest bearing loans and borrowings	10,132	1,130
Total Current Liabilities	279,561	194,623
Non Current Liabilities		
Provisions	2,469	1,871
Borrowings	42,753	33,384
Deferred Tax Liabilities	8,883	4,971
Total Non Current Liabilities	54,105	40,226
Total Liabilities	333,666	234,849
Net Assets	230,398	172,290
Equity		
Contributed Equity	90,586	76,036
Retained earnings	100,390	77,017
Other reserves	5,173	3,873
Asset Revaluation Reserve	1,500	2,109
Outside equity interest	32,749	13,255
Total Equity	230,398	172,290

Appendix 4

Cash Flow

Cash Flow

	2013 \$'000	2012 \$'000
Cash flows from operations	<u>28,338</u>	<u>27,357</u>
Cash flows from investing activities		
- Acquisitions *	(2,350)	(7,703)
- Sales proceeds / loan repayments	4,197	184
- Plant equipment / other	<u>(1,816)</u>	<u>(2,111)</u>
	<u>(31)</u>	<u>(9,630)</u>
Cash flows from financing activities		
- Dividends	(13,420)	(15,078)
- Proceeds from share capital & DRP	2,414	2,380
- Net borrowings	9,918	(426)
- Payments for deferred settlements	<u>(3,022)</u>	<u>(1,186)</u>
	<u>(4,110)</u>	<u>(14,310)</u>
Net increase in cash ex broker trust account	23,861	3,417
Increase in broker trust account cash	<u>11,230</u>	<u>9,851</u>
Net increase in cash	<u>35,091</u>	<u>13,268</u>

*Acquisitions is made up of the following:

	FY 2013	FY 2012
Cash payments for acquisitions	\$(42,438,000)	\$(8,604,000)
Cash acquired (including trust)	<u>\$40,088,000</u>	<u>\$ 901,000</u>
	<u>\$(2,350,000)</u>	<u>\$(7,703,000)</u>