



27th August 2012

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 2012

Attached for immediate release is Austbrokers Holdings Limited (AUB) Presentation on results for the Year ended 30th June 2012.

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 2012
Results Presentation

Monday 27th August 2012

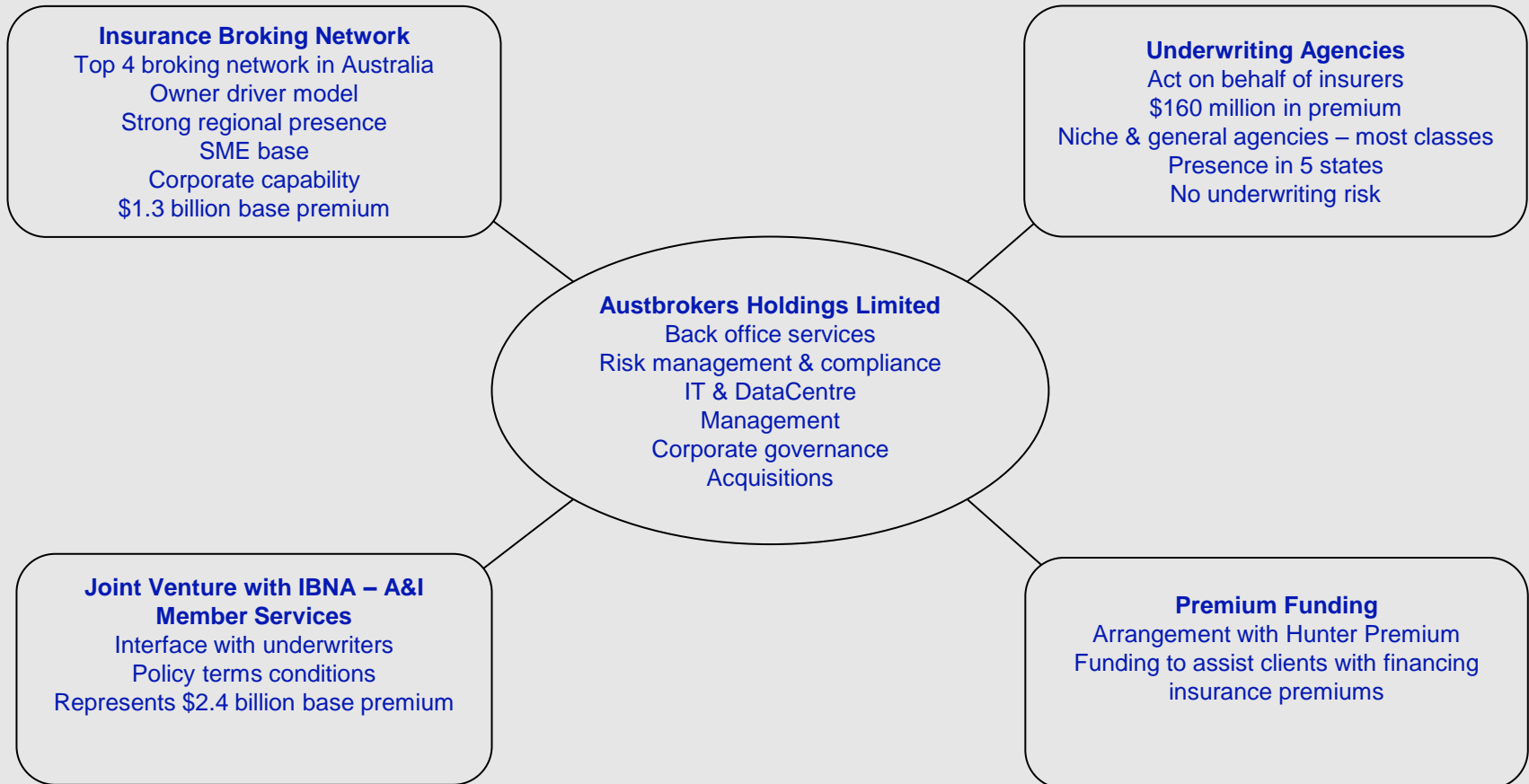
Lach McKeough CEO
Steve Rouvray CFO



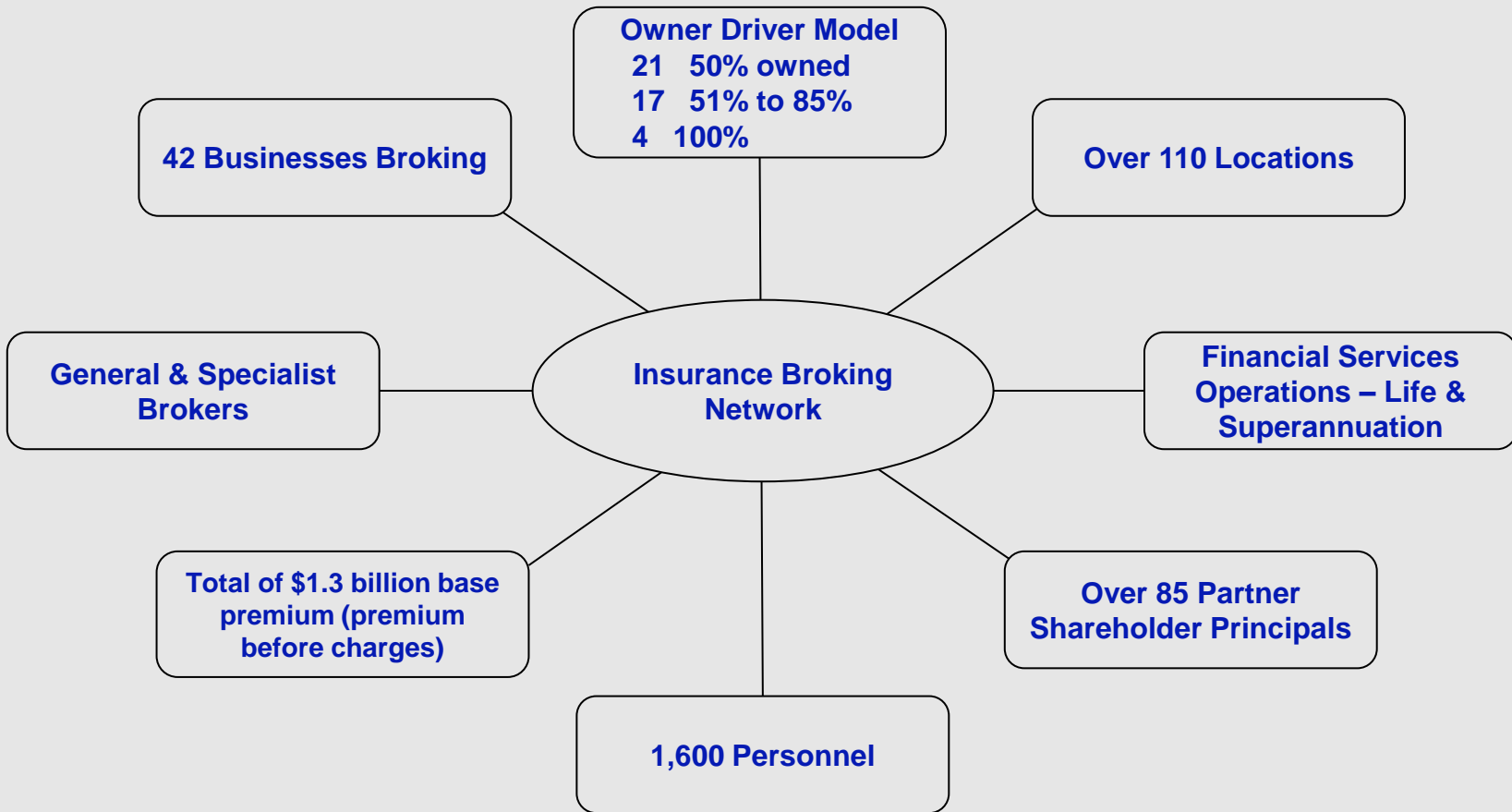
Agenda

- **Overview**
 - **Business Overview**
 - **FY 2012 Financial Highlights**
 - **FY 2012 Operational Highlights**
- FY 2012 Financial Performance
- FY 2013 Outlook

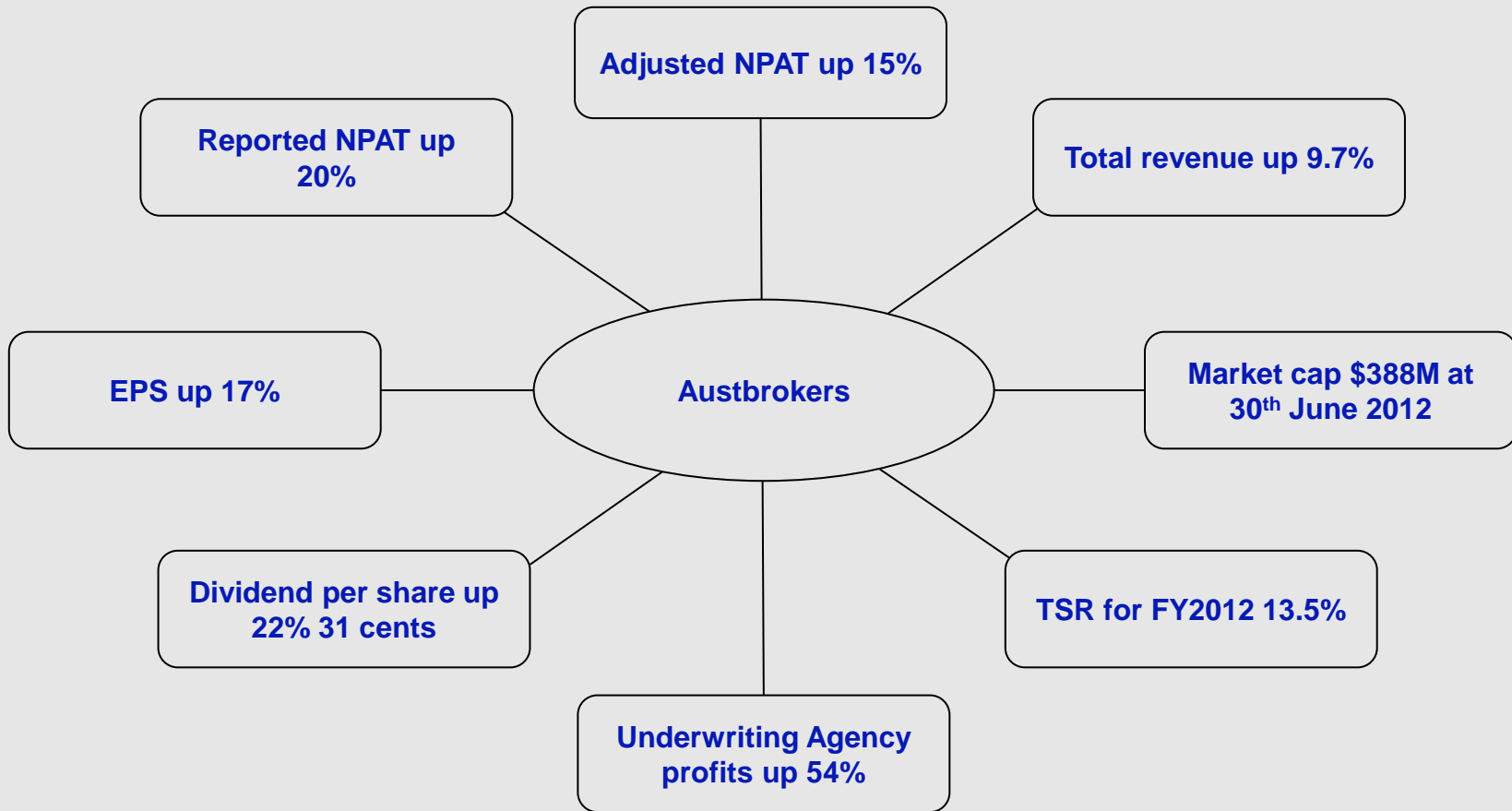
Business Overview



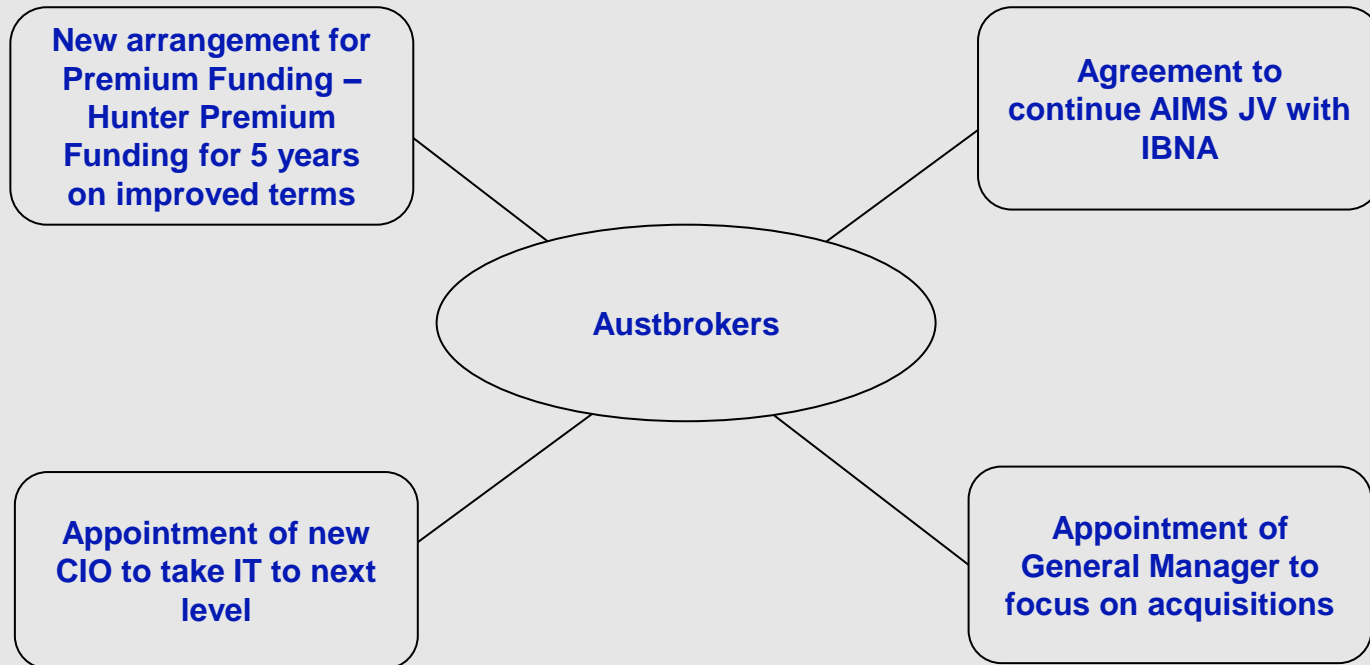
Business Overview con't



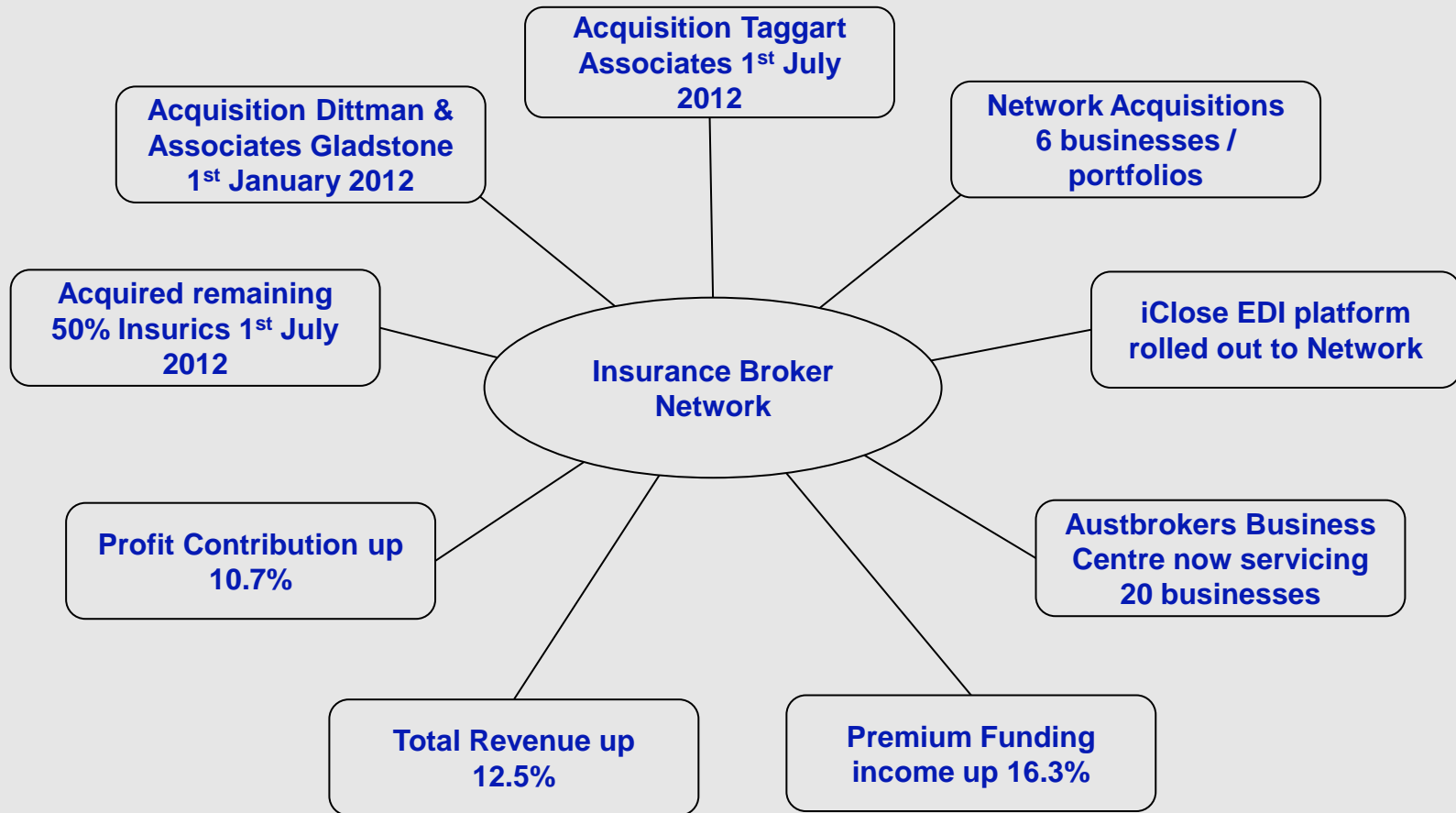
FY2012 Financial Highlights



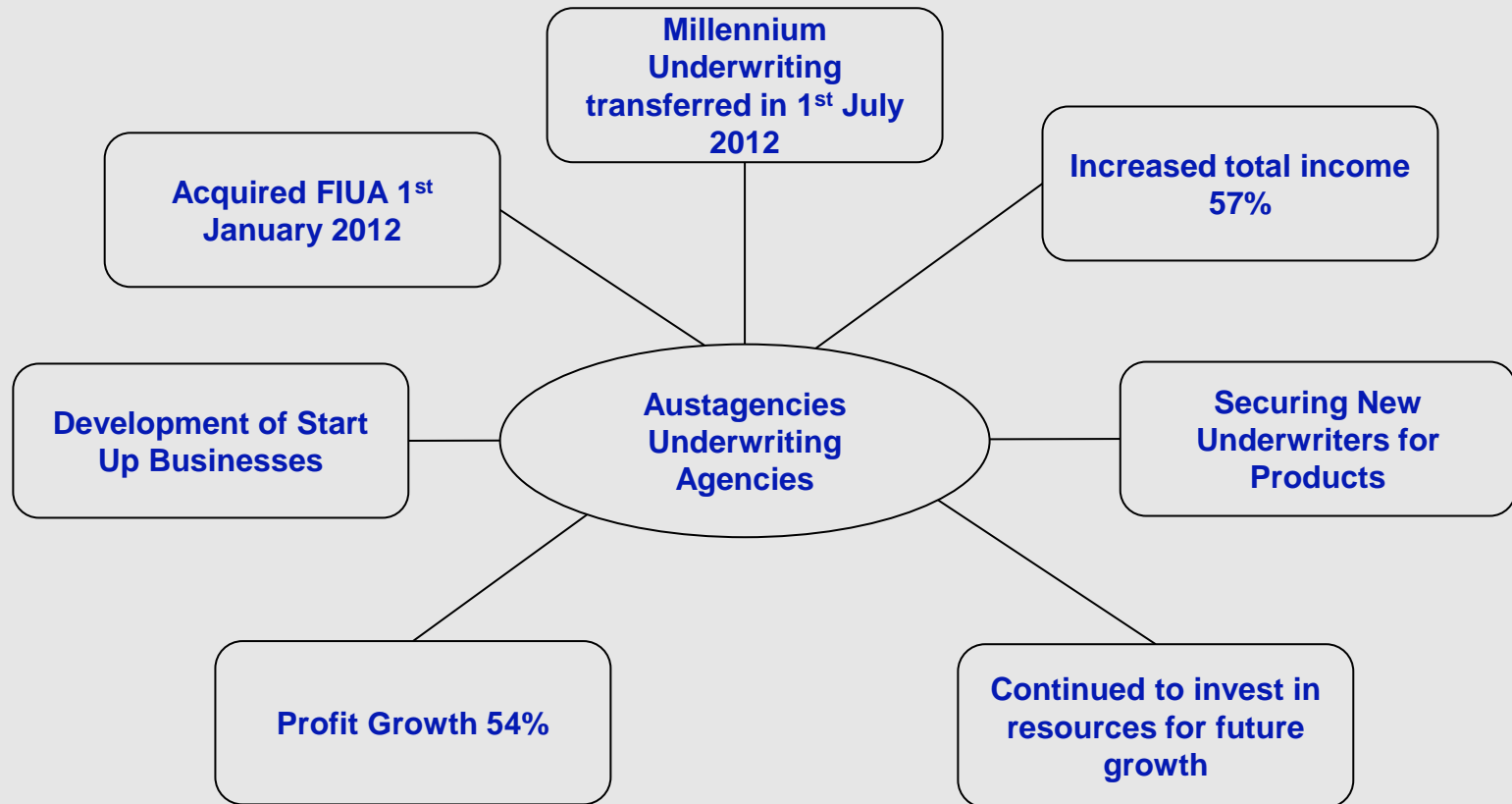
FY2012 Operational Highlights



FY2012 Operational Highlights con't



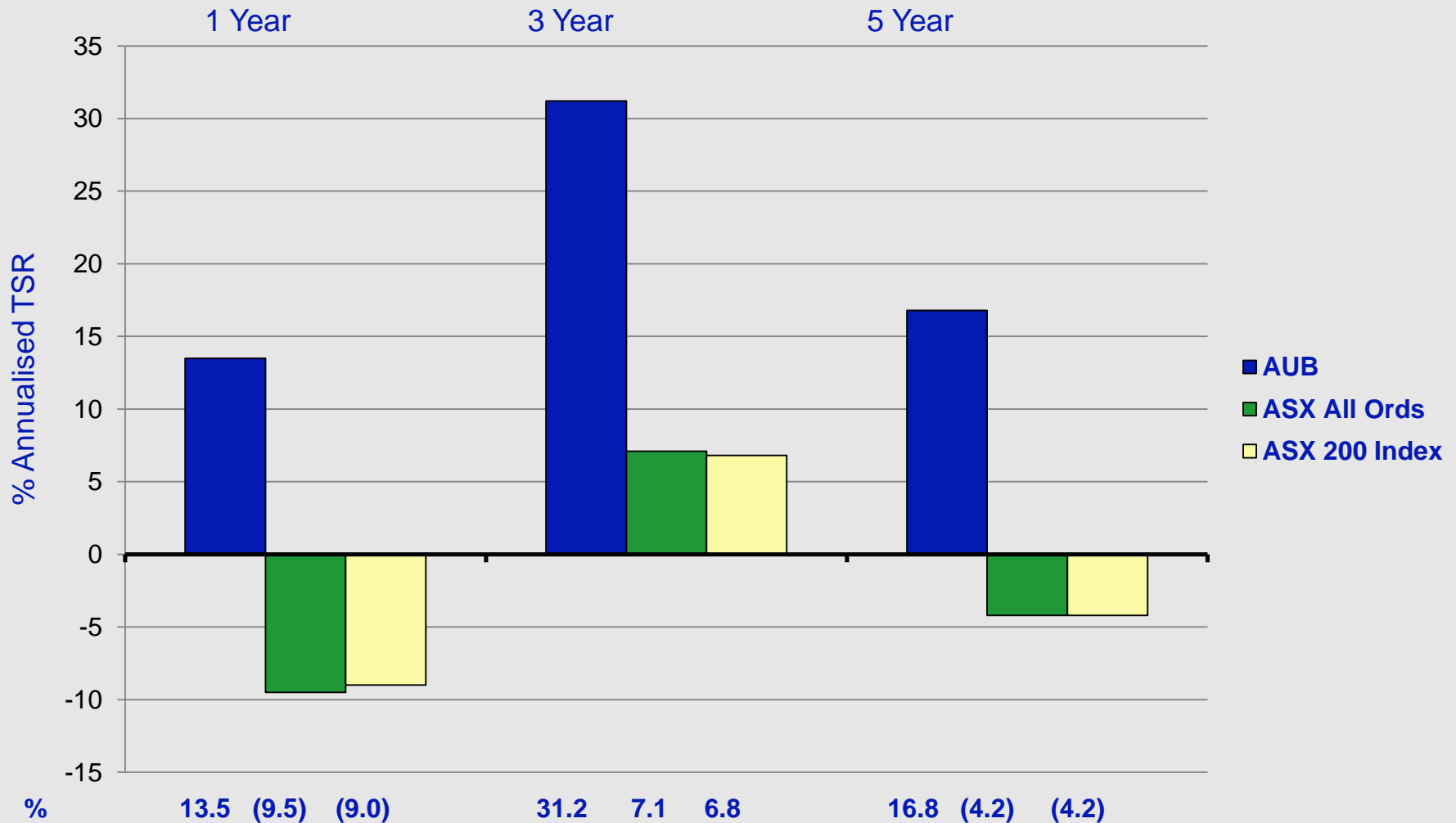
FY2012 Operational Highlights con't



FY 2012 Financial Performance

\$'000	FY 2012	FY 2011	% change
Broker Revenue (net of commission Paid)	253,683	225,470	12.5
Brokers & Agencies Profit (AHL share)	48,845	42,930	13.8
Profit (before tax and amortisation of intangibles and sales of businesses)	39,905	34,203	16.7
NPAT Reported	25,640	21,365	20.0
NPAT (before amortisation of intangibles and sales of businesses) – Adjusted NPAT	27,395	23,813	15.0

AUB Total Shareholder Return Performance to 30th June 2012



Agenda

- Overview

- **FY 2012 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 2013 outlook

FY 2012 Results – Financial Statement Presentation

	FY 2012	FY 2011	Variance
	\$'000	\$'000	%
Revenue from ordinary activities	125,430	114,288	9.7
Profit from sale of interests in controlled entities & adjustments to contingent consideration	192	249	(22.9)
Expenses from ordinary activities	(85,678)	(79,963)	7.1
Borrowing costs	(2,576)	(2,446)	5.3
Profit before tax	37,368	32,128	16.3
Income tax expense	(7,697)	(7,109)	8.3
Net profit	29,671	25,019	18.6
Profit attributable to minority interest	(4,031)	(3,654)	10.3
Net profit attributable to members	25,640	21,365	20.0

FY 2012 Reconciliation of Reported NPAT to Adjusted NPAT

	FY 2012 \$'000	FY 2011 \$'000
Reported Profit attributable to members	25,640	21,365
Profits on sale of interest in associates and controlled entities*	-	(105)
Adjustment in contingent consideration on acquisition of controlled entity*	(192)	-
Tax credit relating to prior years*	(631)	-
Profit from ongoing operations	24,817	21,260
Amortisation of intangibles net of tax*	2,578	2,553
Net profit after tax from operations before amortisation of intangibles (Adjusted NPAT)	27,395	23,813

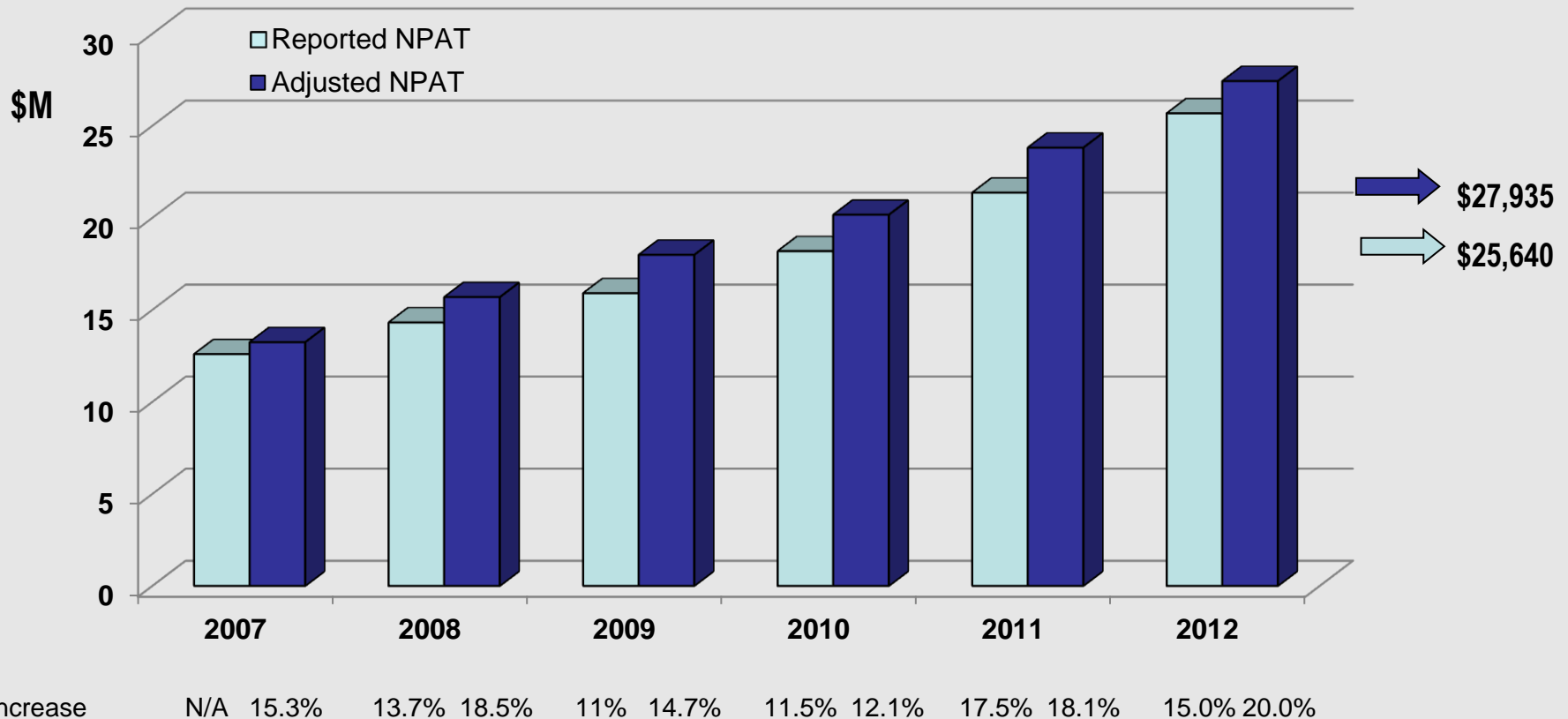
* This information has been derived from the consolidated financial statements which have been subject to review by the company's auditors

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

FY 2012 Compared to FY 2011 - Highlights

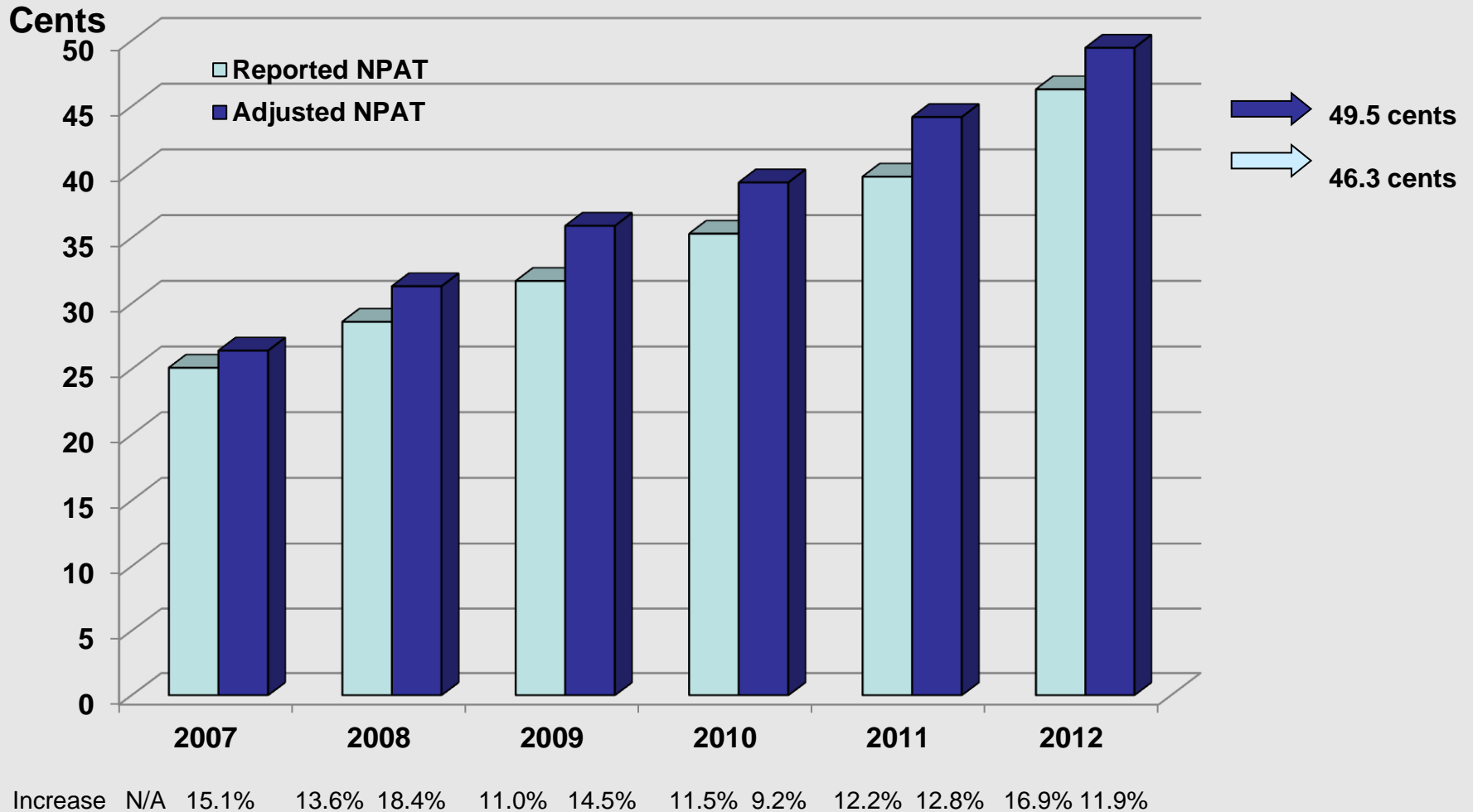
- Adjusted NPAT for FY 2012 at \$27.4 million (2011 \$23.8 million)
 - Adjusted NPAT excludes \$0.2 million adjustment to contingent earn out payments, \$2.6 million amortisation of intangibles expense, \$0.6 million tax credit relating to prior period
 - Exceeded 2011 Adjusted NPAT by \$3.6 million – 15%
 - Expensing of acquisition costs and amortising discount on contingent consideration payments reduced growth by almost 2%
 - 2HY contributed \$15.9 million NPAT to 30 June 2012 result, a 13.6% increase (58% of FY - 59% in 2011)
 - 2HY growth lower than 1HY at 13.6% due to movement of business and lower interest rates
 - 15% growth largely from insurance brokering 10.7% and underwriting agencies 6.2% off set by increased corporate expenses and tax
 - Direct acquisitions in broker network and underwriting agencies contributed approximately 5% of growth

Profit Growth 2007 – 2012

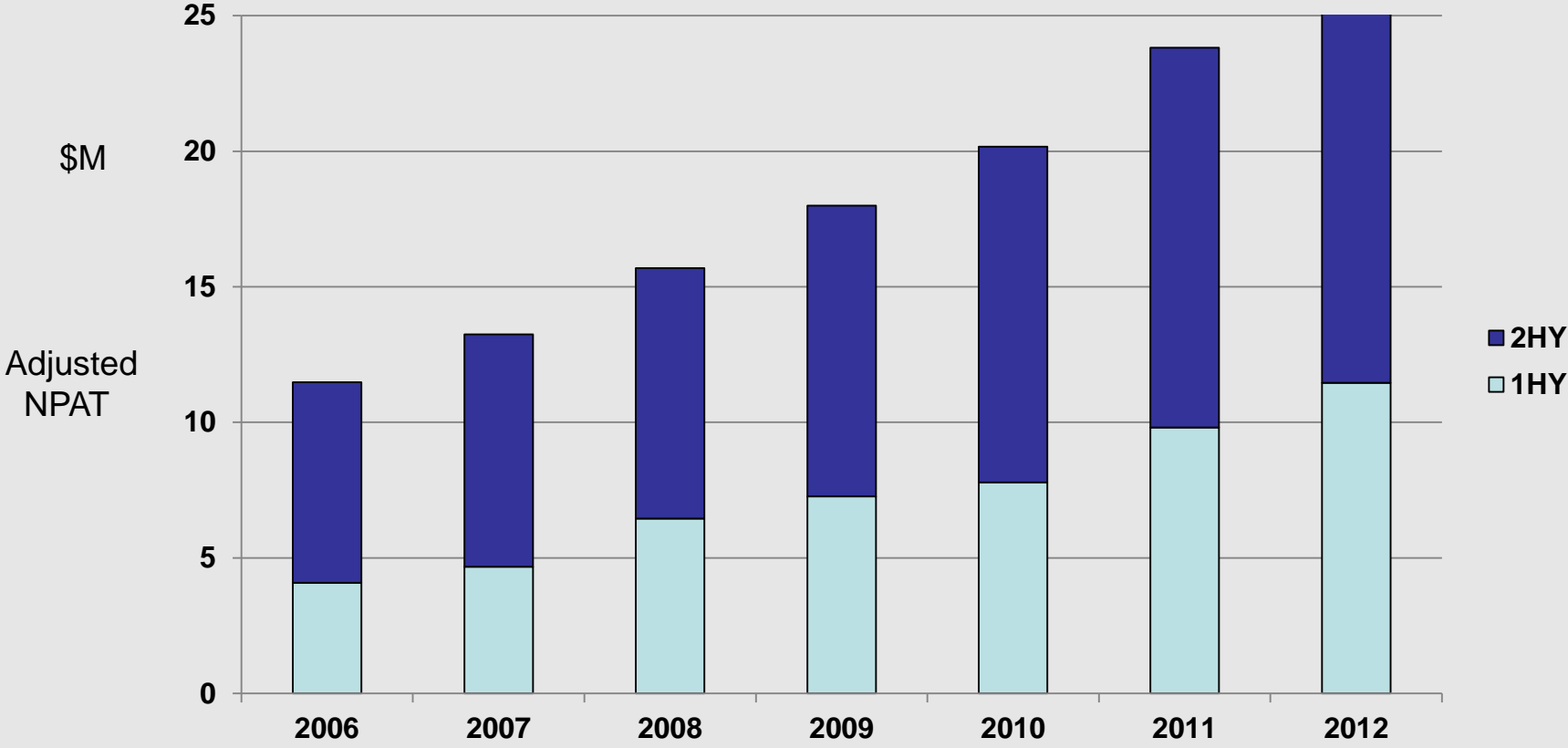


Adjusted NPAT – Net profit after tax before amortisation of intangibles and profits on businesses / portfolios sold

Earnings Per Share FY 2007 - 2012



2012 FY Compared to 2011 FY



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

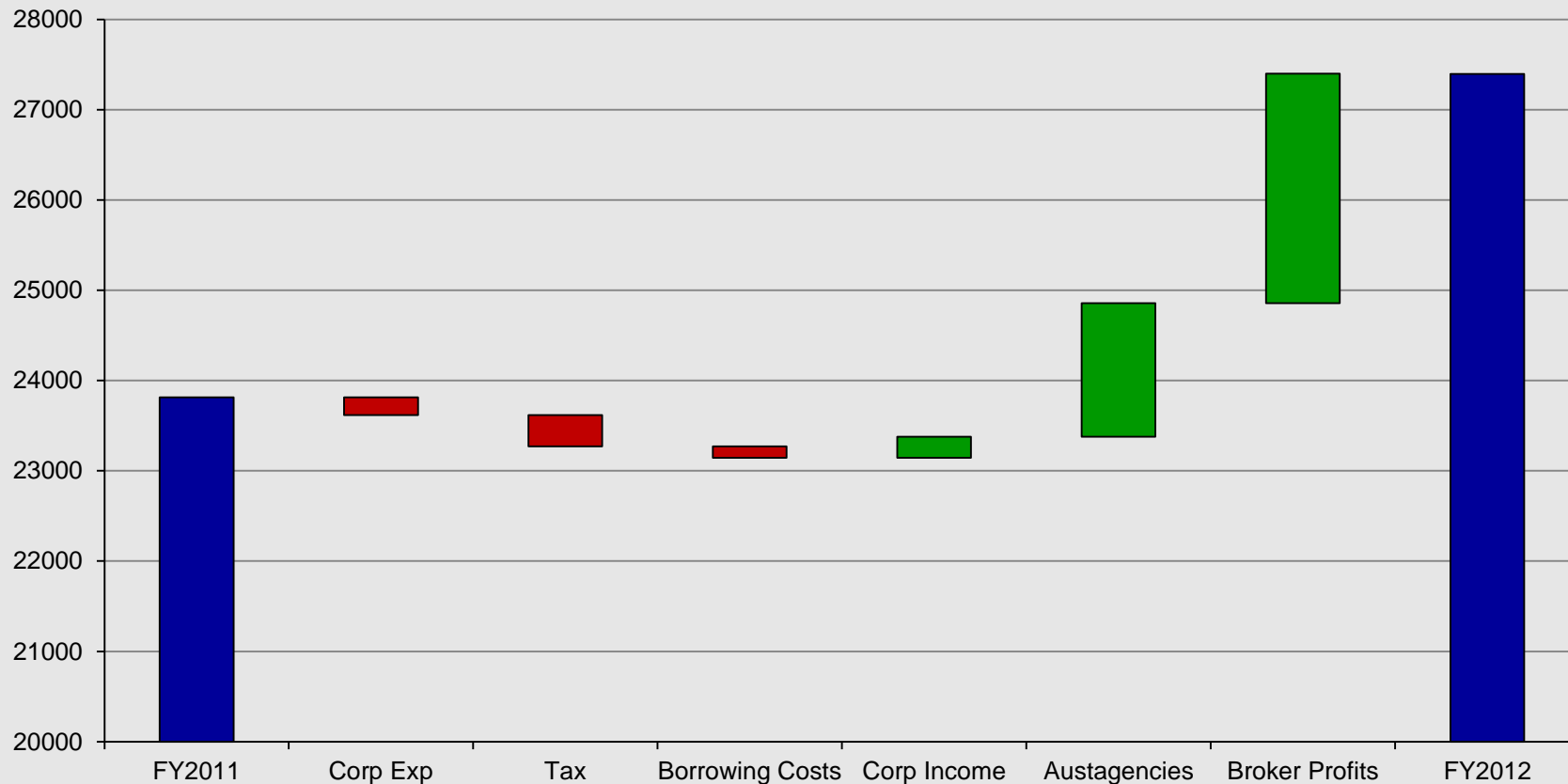
Dividend

Dividend

- 21.5 cents per share fully franked – up from 17 cents last year
- Full year dividend 31.0 cents per share up 21.6% on FY 2011
- Above eps growth of 11.9% on an adjusted NPAT basis or 16.9% on reported NPAT
- Eligible for reinvestment under Dividend Reinvestment Plan
- Payout ratio on Adjusted NPAT plus tax credit 62% (FY 2011 58%)

Increase in Adjusted NPAT FY2012 vs FY2011

\$'000

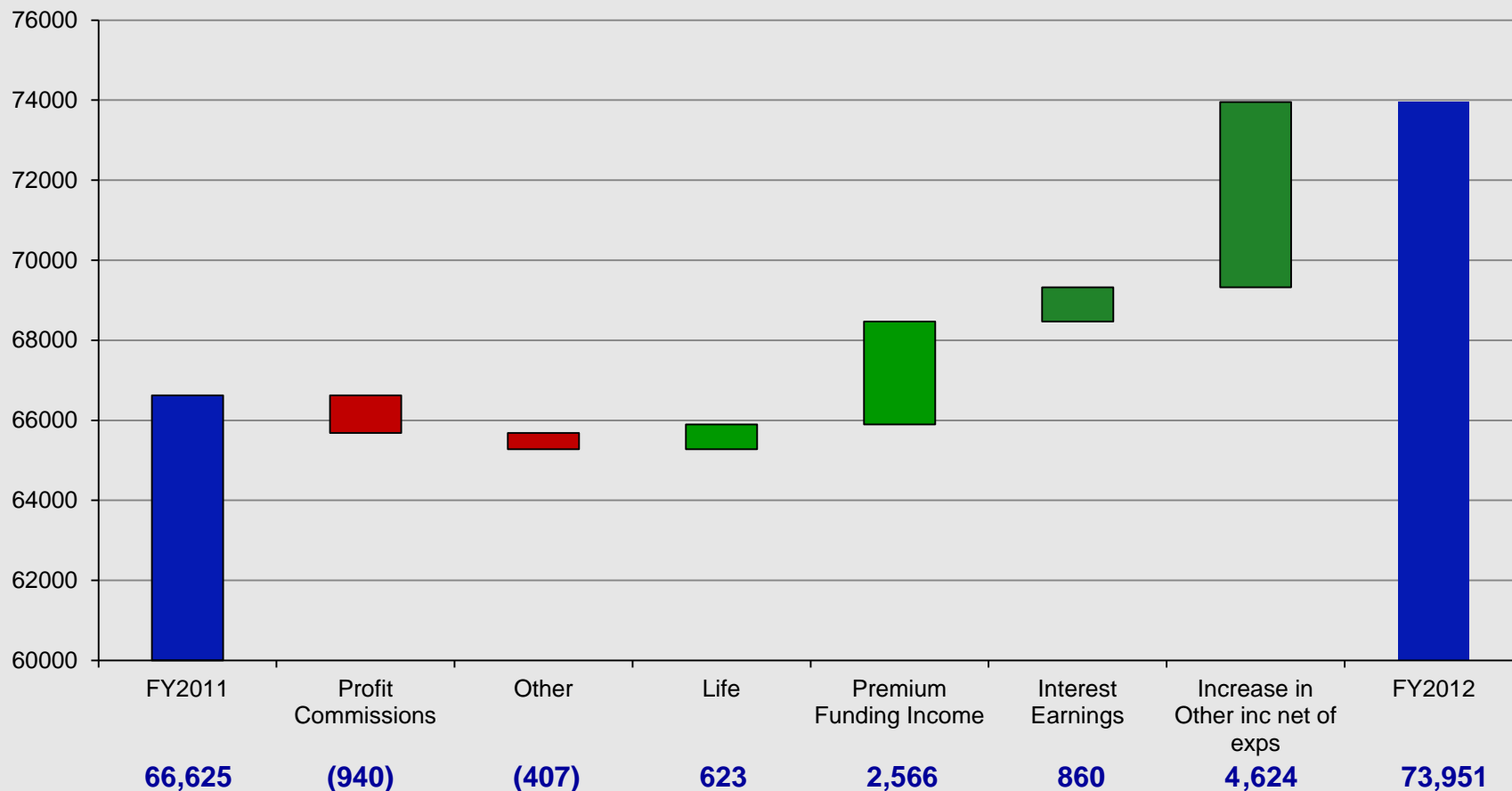


% of Adjusted NPAT of growth

FY2011	23,813	(197)	(345)	(127)	235	1,477	2,539	27,395
		(0.8)%	(1.4)%	(0.5)%	1.0%	6.2%	10.7%	

Increase in Pre-Tax Broker Profits FY2012 from FY2011

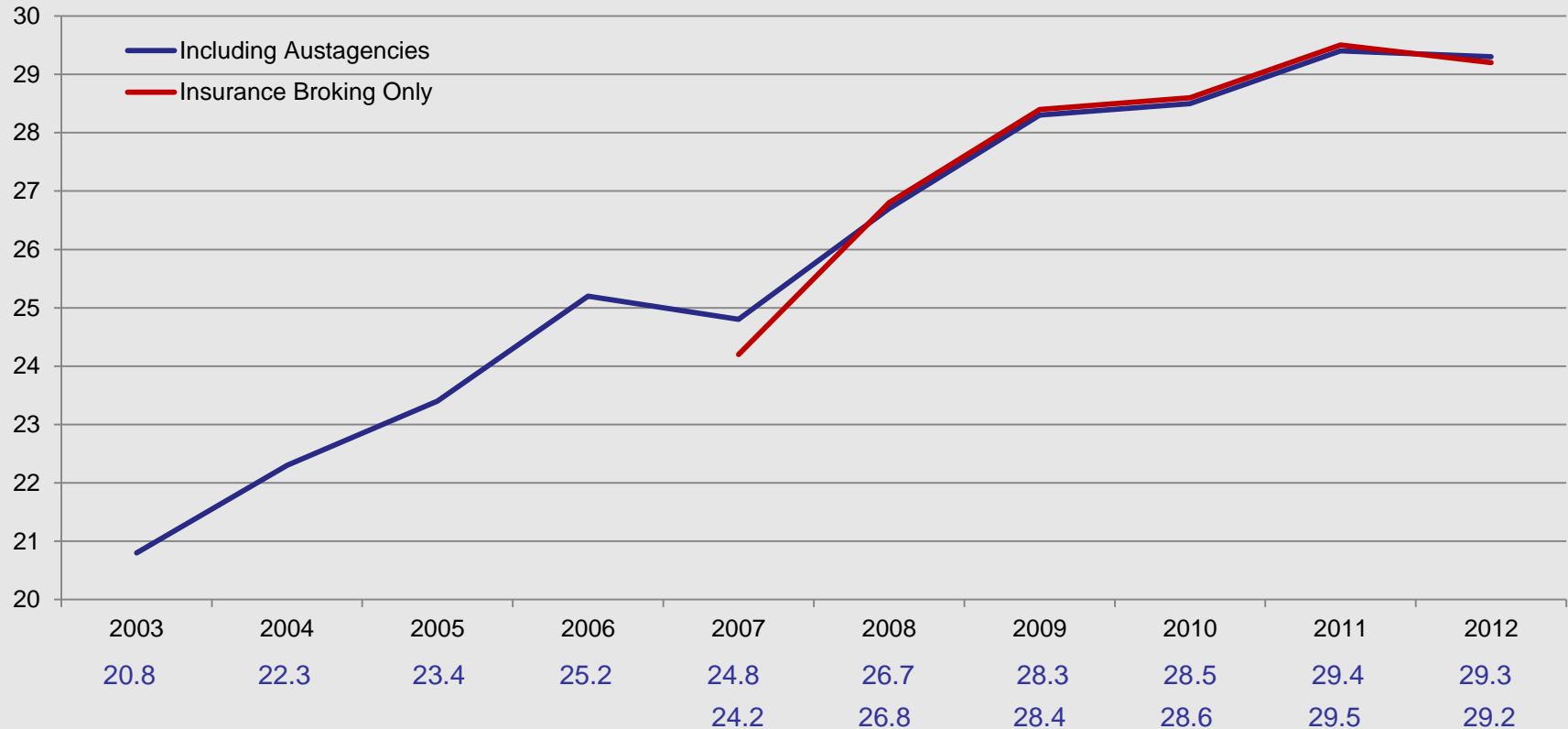
\$'000



Note: These are before deducting outside interests

Broker Profits as % of Broker Income

Profits (before tax) as a percentage of Broker Income



Base commission and fees represented 17.6% of base premiums (2011 17.9%)

Commission and fee split 65% / 35% (2011 65% / 35%)

Commission and fee increase across the network excluding acquisitions was approximately 5% - 6% (net organic growth)

Austagencies

Growth in NPBT after minorities of 54% to almost \$6 million

- Approximately half growth from acquisitions of FIUA and flow on from CEMAC
- Increase in total income excluding acquisitions of 20%
- Commission and fees income increased 18% excluding acquisitions
- Profit commissions were up by \$631,000 (\$547,000 excluding acquisitions)
- Expenses excluding acquisitions were up 19% - increased resourcing and higher incentive payments linked to growth
- Contributed 6.2% of Austbrokers Adjusted NPAT growth

Balance Sheet (con't)

Assets	30 June 2012 \$000	30 June 2011 \$000
Current Assets		
Cash at Bank	40,743	37,326
Cash at Bank – Trust	74,859	65,008
Receivables	117,167	102,090
Other financial assets	1,316	679
Total Current Assets	234,085	205,103
Non Current Assets		
Receivables	261	173
Plant Equipment	5,058	4,508
Investments equity accounted	79,553	78,690
Other financial assets	152	182
Intangibles & Goodwill	82,836	74,961
Deferred Tax Assets	5,194	3,710
Total Non current Assets	173,054	162,224
Total Assets	407,139	367,327

Balance Sheet (con't)

Liabilities	30 June 2012 \$000	30 June 2011 \$000
Current Liabilities		
Payables	181,420	160,017
Tax Liabilities	3,655	4,718
Provisions	8,418	8,194
Interest bearing loans and borrowings	1,130	622
Total Current Liabilities	194,623	173,551
Non Current Liabilities		
Provisions	1,871	1,510
Borrowings	33,384	34,279
Deferred Tax Liabilities	4,971	4,671
Total Non Current Liabilities	40,226	40,460
Total Liabilities	234,849	214,011
Net Assets	172,290	153,316
Equity		
Contributed Equity	76,036	70,750
Retained earnings	77,017	65,349
Other reserves	3,873	2,255
Asset Revaluation Reserve	2,109	2,656
Outside equity interest	13,255	12,306
Total Equity	172,290	153,316

Cash Flow

	2012	2011
	\$'000	\$'000
Cash flows from operations	<u>27,357</u>	<u>27,127</u>
Cash flows from investing activities		
- Acquisitions	(7,703)	(8,017)
- Sales proceeds / loan repayments	184	2,214
- Plant equipment	<u>(2,111)</u>	<u>(1,346)</u>
	<u>(9,630)</u>	<u>(7,149)</u>
Cash flows from financing activities		
- Dividends	(15,078)	(10,463)
- Proceeds from share capital & DRP	2,380	4,761
- Net borrowings	(426)	522
- Payments for deferred settlements	<u>(1,186)</u>	<u>(1,312)</u>
	<u>(14,310)</u>	<u>(6,492)</u>
Net increase in cash ex broker trust account	3,417	13,486
Increase in broker trust account cash	<u>9,851</u>	<u>7,861</u>
Net increase in cash	<u>13,268</u>	<u>21,347</u>

Note \$8.9 million spent on acquisitions and \$4.0 million committed for contingent consideration

Funding

- Facility from St George Bank
 - limit \$38 million at holding company level
 - \$27 million drawn
 - \$11 million undrawn
- Facility term is 5 years to August 2013
- Estimated \$6 million committed for future payments for completed acquisitions and acquisition since 30 June 2012
- Funding available from facility for future acquisitions around \$11 million with free cash around \$10 million over the next twelve months
- 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 2012 not on Austbrokers balance sheet - \$41.5 million which has increased by \$5 million due to funding of acquisitions
 - Borrowings largely for acquisition funding
 - Interest cover ratio 16 times (as a group)

Agenda

- Business Overview
- FY 2012 Financial Performance

- **FY 2013 Outlook**
 - **Market conditions**
 - **Strategy**
 - **Outlook**

Market Conditions FY 2013

- 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
- 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 2013

- Growth – acquisition activity to continue
 - business development – marketing strategies to expand customer base
 - to increase cross sell of insurance products
- Expand underwriting agency capability through product and acquisition growth
- 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 – further development of iClose, business intelligence reporting
- Underwriter relationship / product development via AIMS (IBNA Joint Venture) for marketing advantage
- Premium funding – continued growth and development through Hunter arrangement
- Life risk and superannuation - continue to develop cross sell

Outlook FY 2013

- 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 depending on underwriting results
- Organic growth and acquisitions are budgeted to increase the underlying NPAT (before amortisation of intangibles profits on sale and adjustments to contingent consideration) for FY 2013 in the range of 5% - 10% over FY 2012

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.

Appendix 1

FY 2012 Results – Management Presentation

	FY 2012	FY 2011	VARIANCE	VARIANCE
	\$'000	\$'000	\$'000	%
BROKER OPERATIONS				
COMMISSION AND FEES	209,144	183,633	25,511	13.9%
LIFE INCOME	9,243	8,620	623	7.2%
PROFIT COMMISSIONS	970	1,910	(940)	-49.2%
PREMIUM FUNDING	18,312	15,746	2,566	16.3%
INTEREST	11,541	10,681	860	8.1%
OTHER INCOME	4,473	4,880	(407)	-8.3%
REVENUE	253,683	225,470	28,213	12.5%
EXPENSES	(179,732)	(158,845)	(20,887)	13.1%
PROFIT FROM BROKING OPERATIONS	73,951	66,625	7,326	11.0%
PROFIT FROM UNDERWRITING AGENCIES	6,941	4,022	2,919	72.6%
PROFIT BEFORE TAX, CORPORATE EXPENSES AND AMORTISATION OF INTANGIBLES	80,892	70,647	10,245	14.5%
PROFIT ATTRIBUTABLE TO OTHER PARTIES	(32,048)	(27,718)	(4,330)	15.6%
PROFIT BEFORE TAX, CORPORATE OFFICE EXPENSES AND AMORTISATION OF INTANGIBLES (AFTER OUTSIDE EQUITY INTERESTS)	48,845	42,930	5,915	13.8%
CORPORATE OFFICE				
INCOME	2,124	1,789	335	18.7%
EXPENSES	(11,064)	(10,516)	(548)	5.2%
NET CORPORATE OFFICE EXPENSES	(8,940)	(8,727)	(213)	2.4%
PROFIT BEFORE TAX AND AMORTISATION OF INTANGIBLES	39,905	34,203	5,702	16.7%
INCOME TAX	(12,510)	(10,389)	(2,121)	20.4%
NET PROFIT AFTER TAX AND BEFORE AMORTISATION OF INTANGIBLES	27,395	23,813	3,582	15.0%

FY 2012 Results – Management Presentation

	\$'000	FY 2012	FY 2011	VARIANCE \$	VARIANCE %
CONSOLIDATED BROKERS					
COMMISSION AND FEES		70,963	63,055	7,908	12.5%
LIFE INCOME		5,607	4,965	642	12.9%
PROFIT COMMISSIONS		453	820	(367)	-44.8%
PREMIUM FUNDING		5,246	4,840	406	8.4%
INTEREST		3,282	3,093	189	6.1%
OTHER INCOME		1,298	1,395	(97)	-7.0%
REVENUE FROM CONSOLIDATED BROKERS		86,849	78,168	8,681	11.1%
EXPENSES FROM CONSOLIDATED BROKERS		(61,838)	(55,037)	(6,801)	12.4%
PROFIT FROM CONSOLIDATED BROKERS		25,011	23,131	1,880	8.1%
EQUITY ACCOUNTED BROKERS					
COMMISSION AND FEES		138,181	120,578	17,603	14.6%
LIFE INCOME		3,636	3,655	(19)	-0.5%
PROFIT COMMISSIONS		517	1,090	(573)	-52.6%
PREMIUM FUNDING		13,066	10,906	2,160	19.8%
INTEREST		8,259	7,588	671	8.8%
OTHER INCOME		3,175	3,485	(310)	-8.9%
REVENUE FROM EQUITY ACCOUNTED BROKERS		166,834	147,302	19,532	13.3%
EXPENSES FROM EQUITY ACCOUNTED BROKERS		(117,894)	(103,808)	(14,086)	13.6%
PROFIT FROM EQUITY ACCOUNTED BROKERS		48,940	43,494	5,446	12.5%
PROFIT FROM BROKING OPERATIONS		73,951	66,625	7,326	11.0%

Appendix 2

Austagencies Results

	\$'000	PROFIT IMPACT		
		FY 2012	FY 2011	INCR / (DECR)
Commission and fees	20,064	12,905	7,159	55.5
Profit commission	1,173	542	631	116.4
Claims handling fees	635	325	310	95.4
Interest	724	532	192	36.1
Other income	98	232	(134)	(57.8)
	22,694	14,536	8,158	56.1
Expenses	15,753	10,514	5,239	49.8
Net Profit before income tax	6,941	4,022	2,919	72.6
Other shareholder interest	(948)	(140)	(808)	
Net Profit after other shareholder interest	5,993	3,882	2,111	54.4