



1st May 2013

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

Dear Sir / Madam,

Re: Presentation to Macquarie Australia Conference

Attached is a presentation to be given to Macquarie Australia Conference today.

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

Presentation Macquarie Australia Conference

1 May 2013

Mark Searles CEO & Managing Director



Agenda

- **Business Overview**
 - History
 - Business Overview
 - Strategy

- Financial Performance

- Outlook

History

- Business established 1985 in Mercantile Mutual (later ING) utilising “owner:driver” model
- Growth by acquisition and development of existing business
- Developed back office services in IT (one broking software platform) and compliance
- IPO November 2005 \$2.00 offer price
- Market price at COB 29/04 \$10.42
- Grown every year, stayed true to ‘owner:driver’ philosophy

“Owner-Driver” Model



“Owner:Driver”

- Purchasing power
- Management and strategic support through ROMs
- Assistance in obtaining capital
- Standardised IT platform
- Product development
- Comprehensive compliance program
- Knowledge sharing
- Performance benchmarking
- Professional Indemnity cover
- Owned underwriting business
- Business Centre for back office

Equity interest
(typically 50%)



Equity interest
(typically 50%)

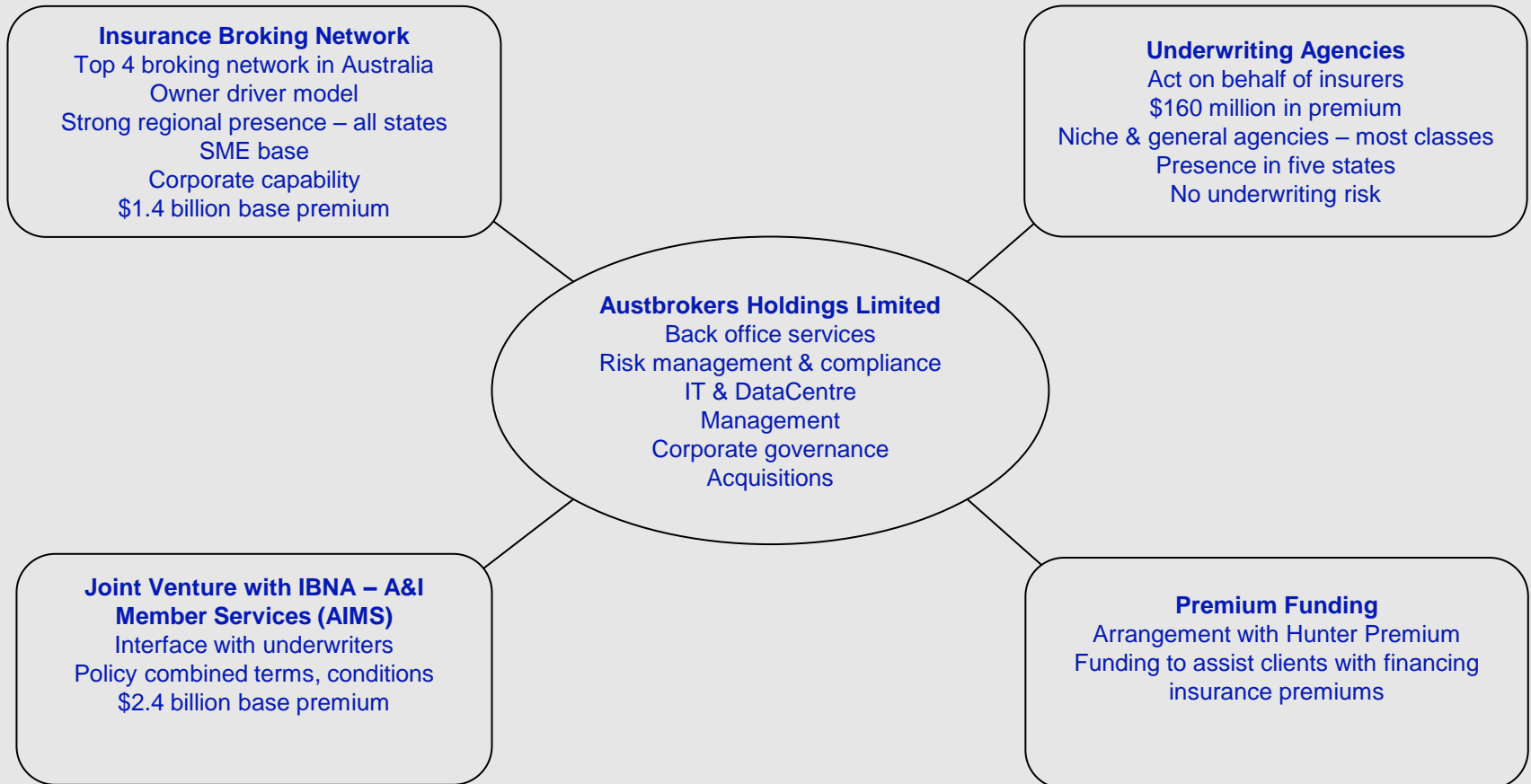


Member Firm

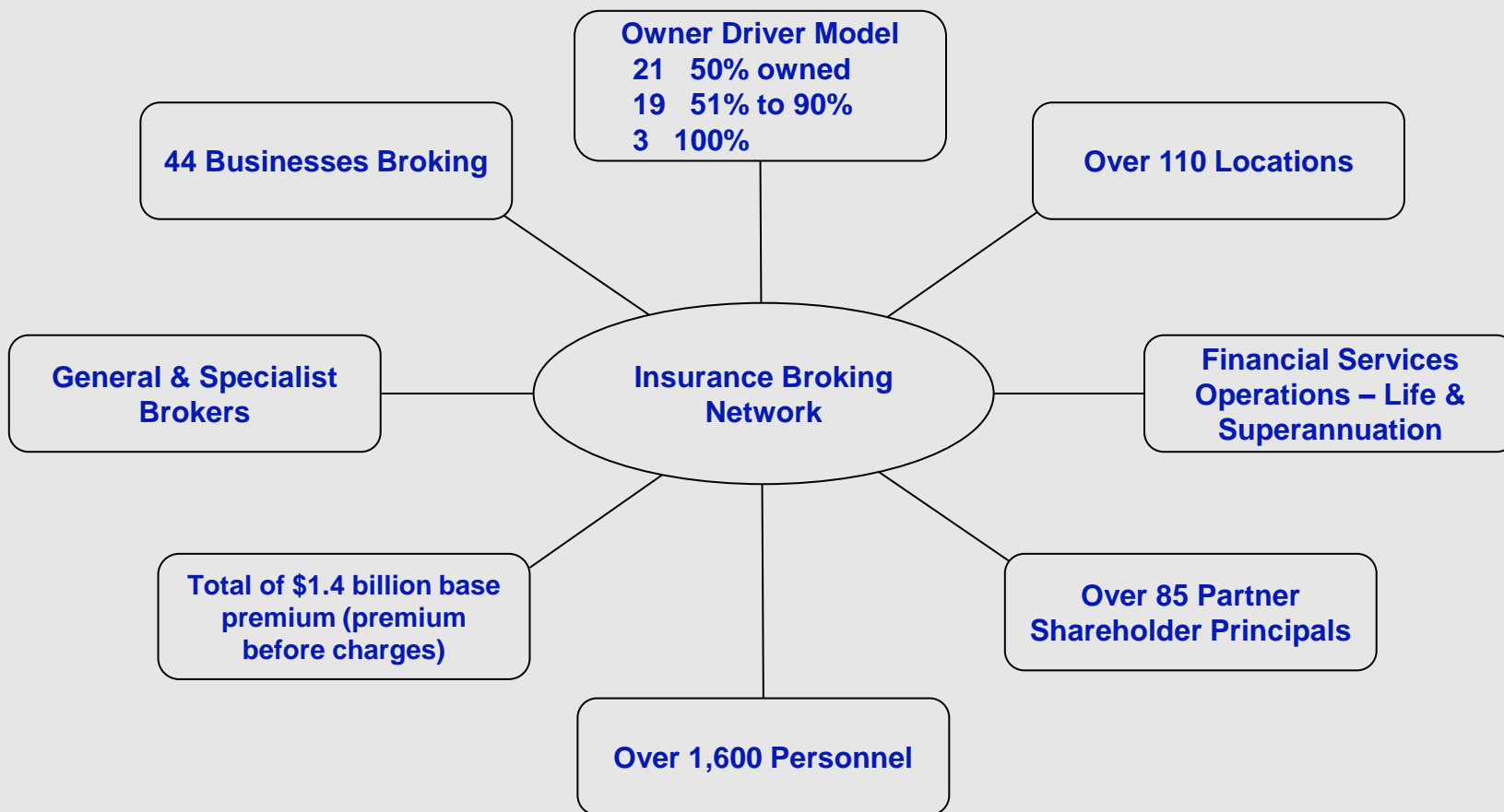
Incentivised Principals

- Retain equity in business
- Day-to-day management
- Client relationships
- Driven to perform
- Local people, knowledge and identity
- Understanding of local markets

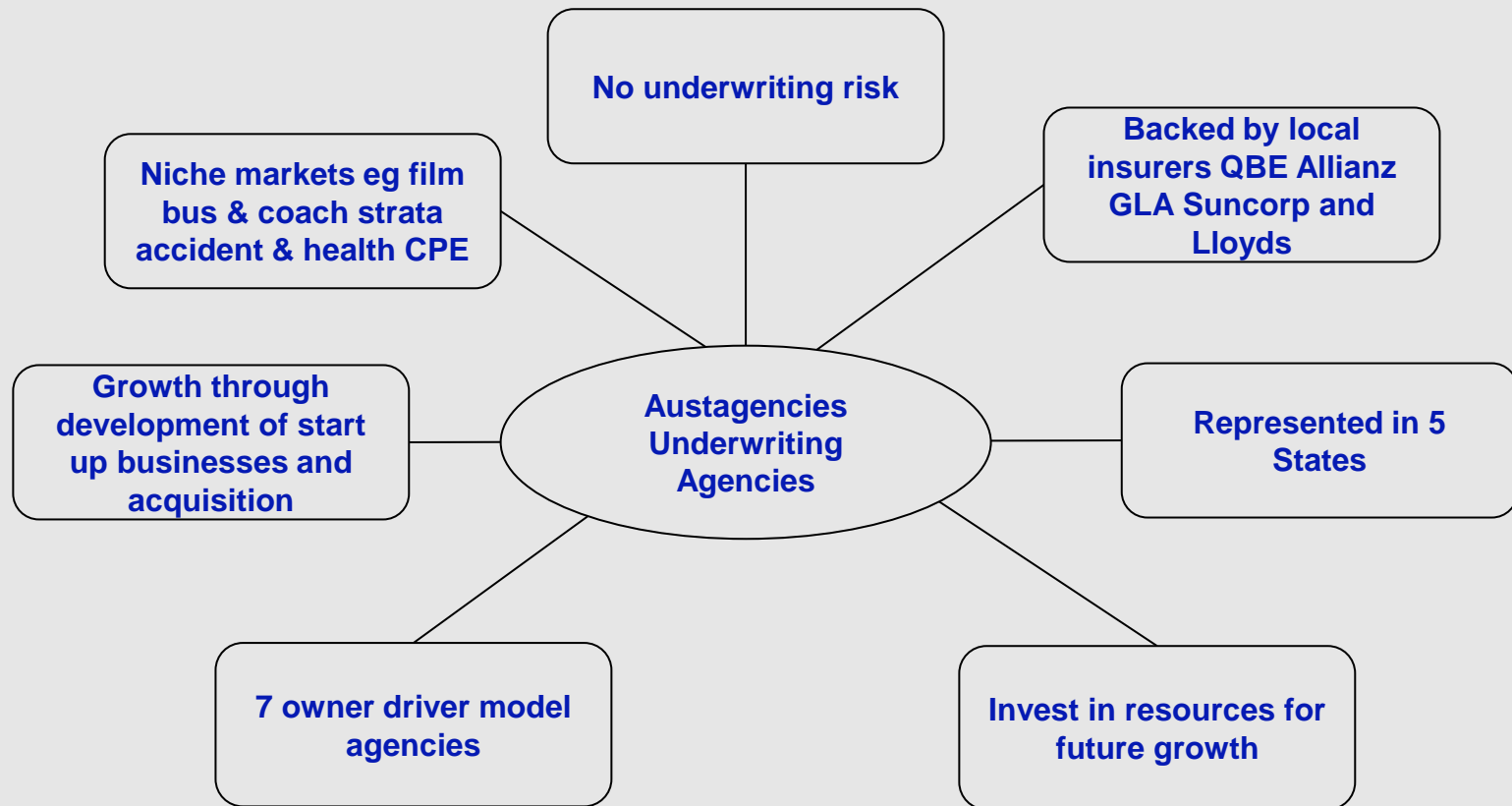
Business Overview



Business Overview - Broking



Business Overview – Underwriting Agency



Strategies

- **Optimisation of operating model** to continue to underpin future growth across the group
- **Growth** – acquisition activity to continue
 - focus on increasing cross sell of insurance products
 - continue to expand underwriting agency capability through product and acquisition growth
- **Central service provision**; continue to develop best practice centralised services to create efficiencies
- **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 businesses both stand alone and integrated with broking operations

Agenda

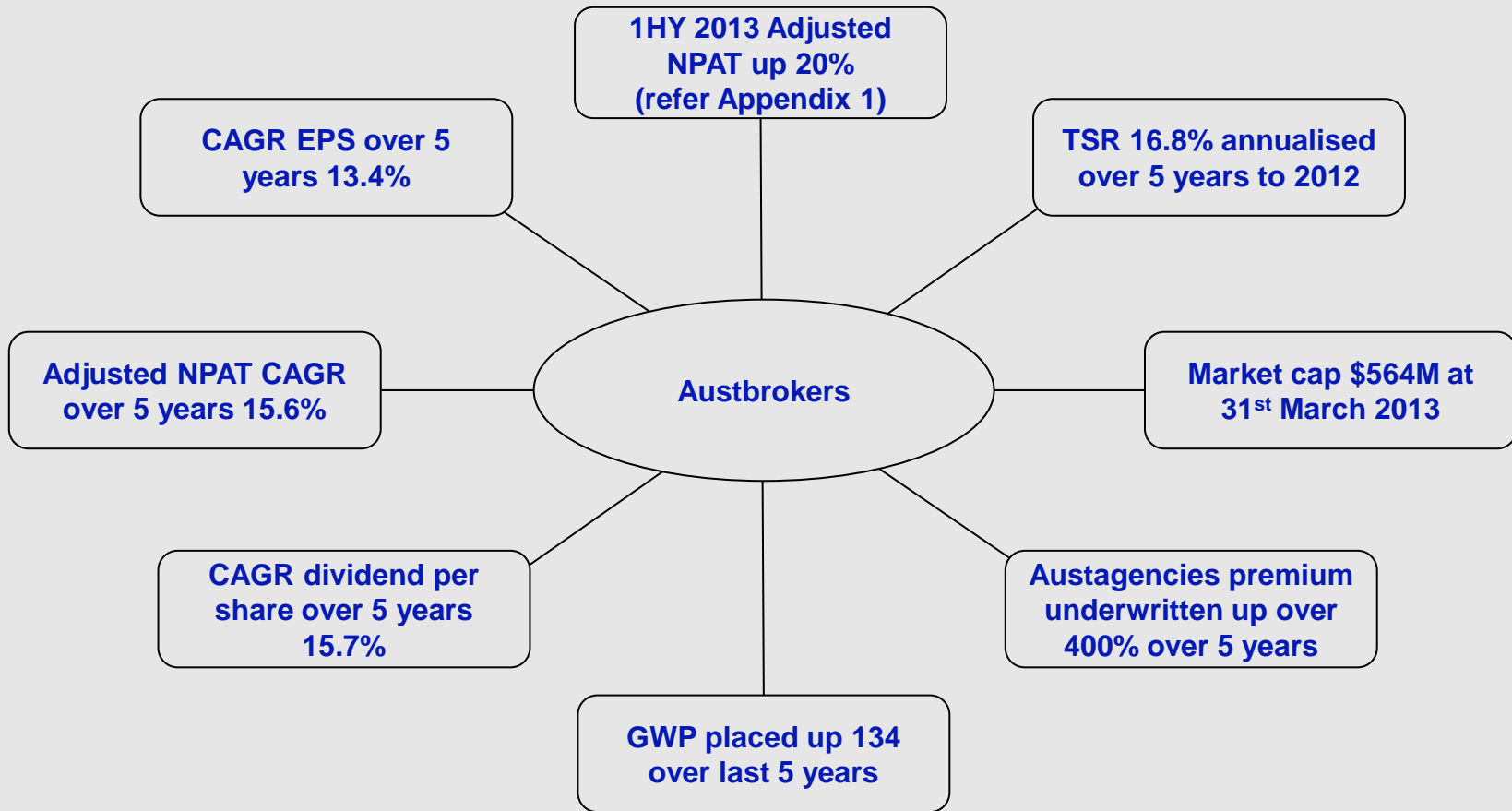
- Business overview

- **Financial Performance:**

- Financial highlights
- Total shareholder return
- Profit growth
- EPS growth
- Funding

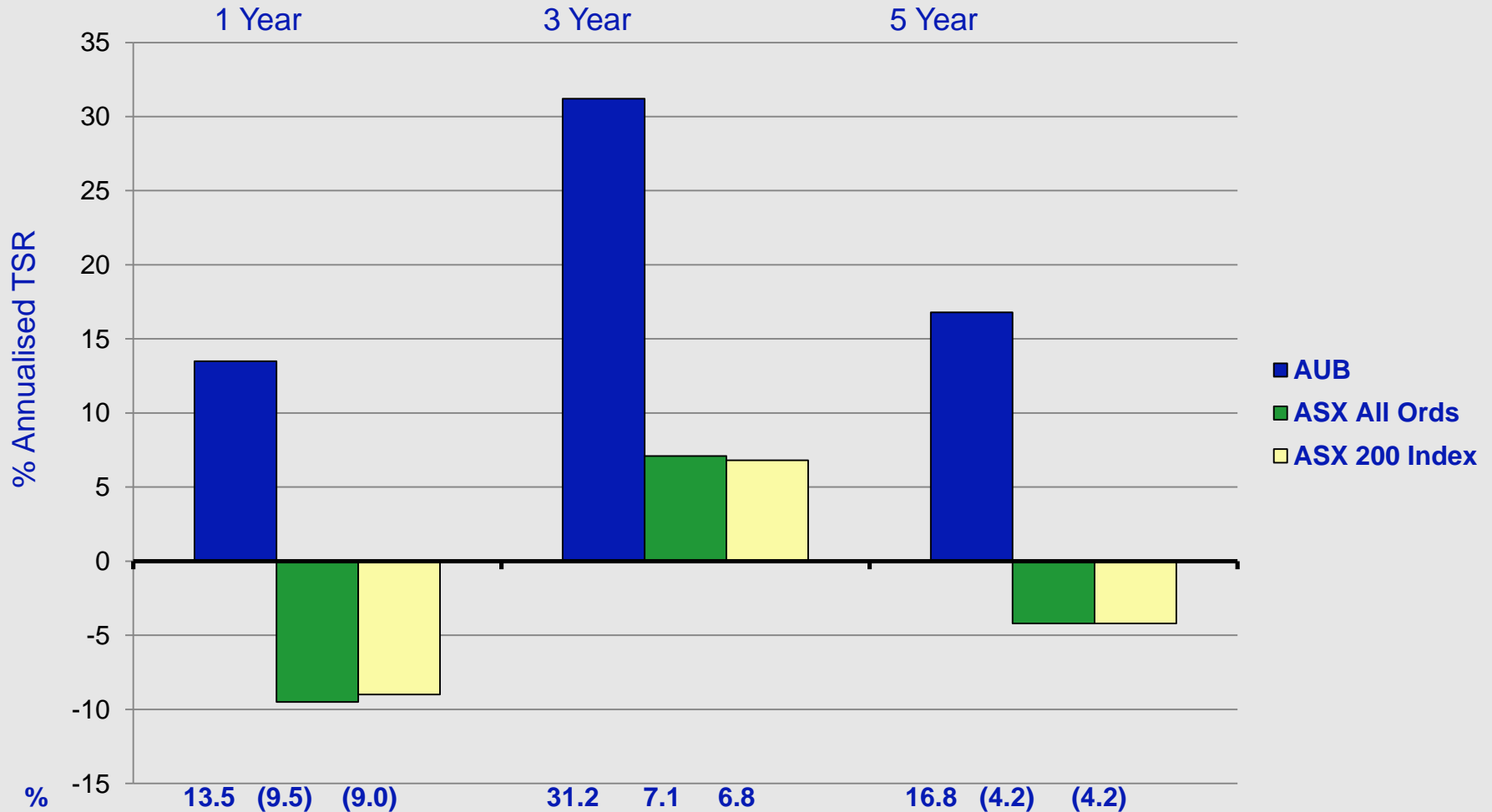
- Outlook

Financial Highlights

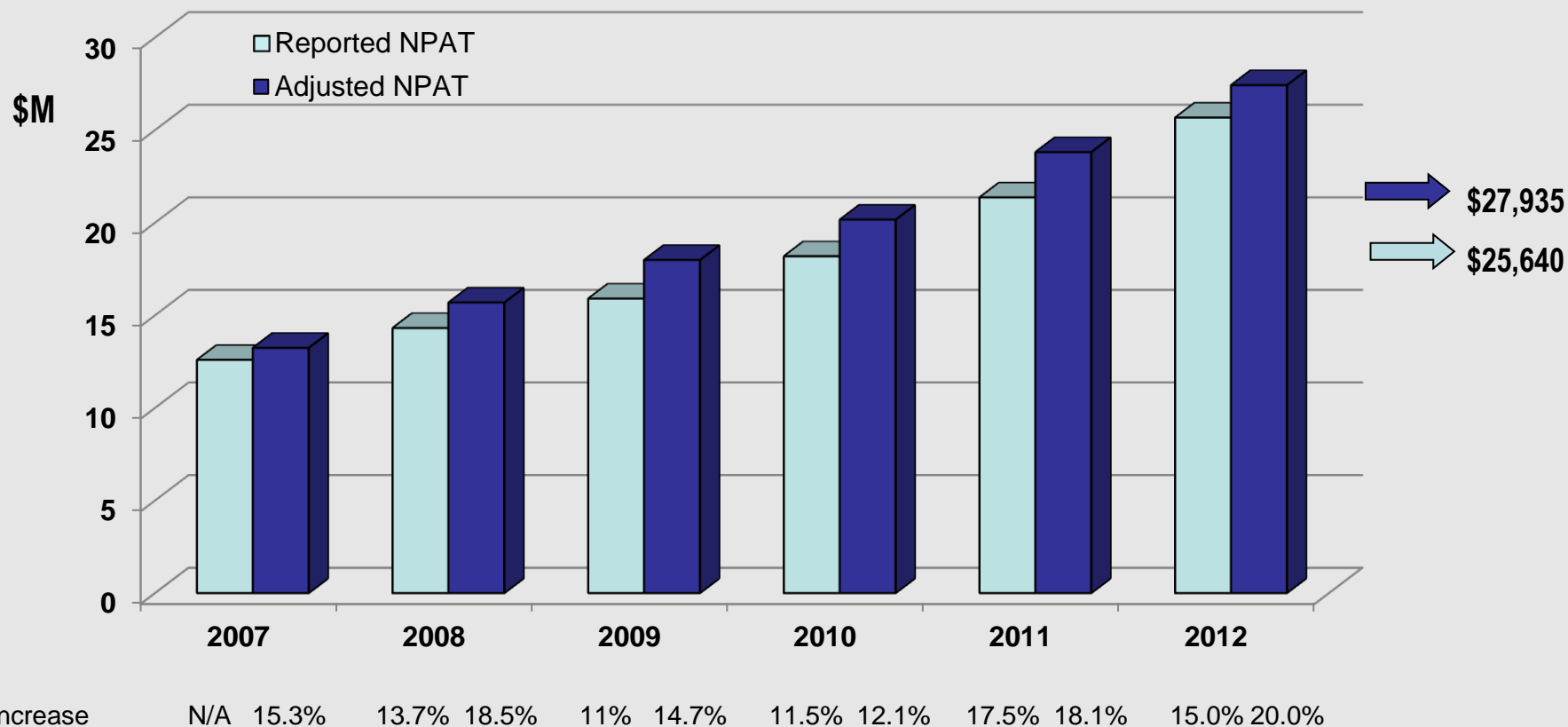


Adjusted NPAT – see definition slide 11

AUB Total Shareholder Return Performance

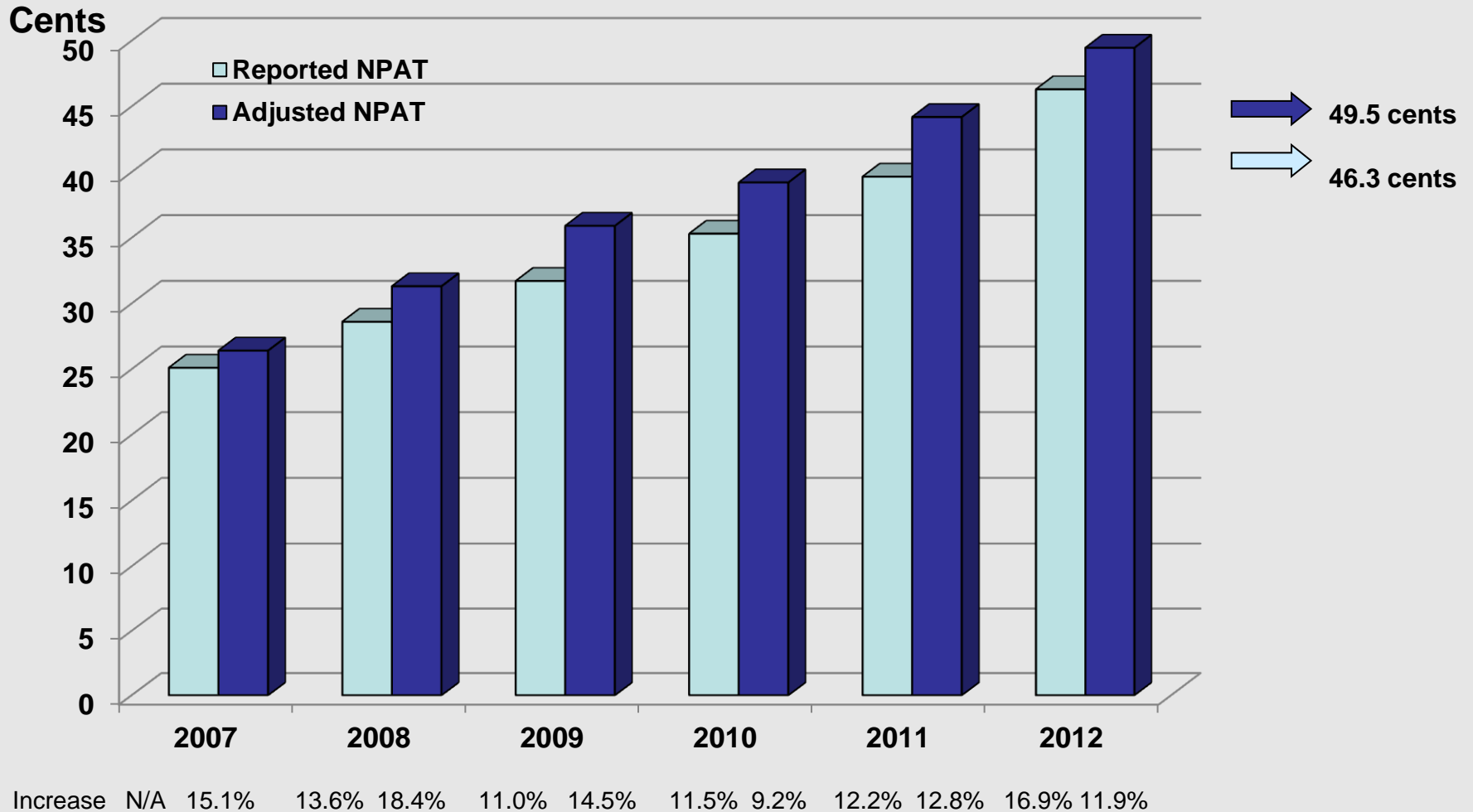


Profit Growth 2007 – 2012



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

Earnings Per Share FY 2007 - 2012



Funding

- Current facility with St George Bank expires August 2013
- Reached Agreement for new facility – in process of documenting
 - limit \$40 million at holding company level
 - \$10 million undrawn available for acquisitions
- Facility term is 3 years to April 2013.
- Funding available from facility for future acquisitions around \$23 million (with free cash around \$13 million) over the next twelve months assuming maintenance of DRP
- Key ratios – consolidated
 - Interest cover ratio – 16.8 times (EBITDA basis)
 - Gearing 17%, range up to 30% (debt to debt plus equity)
 - Comfortably meet financial undertakings to Bank
- Borrowing by associates not on Austbrokers balance sheet - \$38.6 million
- Borrowings largely for acquisition funding
 - Interest cover ratio 16 times (as a group)

Agenda

- Business Overview
 - Financial Performance
- **Outlook**
 - **Market conditions**
 - **Outlook**

Market Conditions

- 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
- Insurance broking industry consolidation will continue to present acquisition opportunities

Outlook

- Premium rate increases being sought by underwriters
- Economic outlook remains uncertain – impact on SME sector
- Insurance broking industry consolidation – continuing acquisition opportunities
- Further growth and development in underwriting agency business with continued investment in capability in specific market segments
- Organic growth expected to continue to emerge through broker network initiatives and premium rate increases
- Build-out of core competencies improves acquisition attractiveness and organic growth potential

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.

1HY 2013 Results – Management Presentation

	1HY 2013	1HY 2012	VARIANCE	VARIANCE
	\$'000	\$'000	\$'000	%
BROKER OPERATIONS				
COMMISSION AND FEES	105,074	97,897	7,177	7.3%
LIFE INCOME	6,018	4,827	1,191	24.7%
PROFIT COMMISSIONS	241	202	39	19.3%
PREMIUM FUNDING	11,654	10,217	1,437	14.1%
INTEREST	5,434	6,014	(580)	-9.6%
OTHER INCOME	2,890	2,438	452	18.5%
REVENUE	131,311	121,595	9,716	8.0%
EXPENSES	(94,117)	(87,998)	(6,119)	7.0%
PROFIT FROM BROKING OPERATIONS	37,194	33,597	3,597	10.7%
PROFIT FROM UNDERWRITING AGENCIES	3,876	2,352	1,524	64.8%
PROFIT BEFORE TAX, CORPORATE EXPENSES AND AMORTISATION OF INTANGIBLES	41,070	35,949	5,121	14.2%
PROFIT ATTRIBUTABLE TO OTHER PARTIES	(15,902)	(14,655)	(1,248)	8.5%
PROFIT BEFORE TAX, CORPORATE OFFICE EXPENSES AND AMORTISATION OF INTANGIBLES (AFTER OUTSIDE EQUITY INTERESTS)	25,168	21,295	3,874	18.2%
CORPORATE OFFICE				
INCOME	1,058	1,005	53	5.3%
EXPENSES	(6,393)	(5,761)	(632)	11.0%
NET CORPORATE OFFICE EXPENSES	(5,335)	(4,756)	(579)	12.2%
PROFIT BEFORE TAX AND AMORTISATION OF INTANGIBLES	19,833	16,539	3,295	19.9%
INCOME TAX	(6,074)	(5,078)	(996)	19.6%
NET PROFIT AFTER TAX AND BEFORE AMORTISATION OF INTANGIBLES	13,759	11,461	2,298	20.1%

1HY 2013 Reconciliation of Reported NPAT to Adjusted NPAT

	1HY 2013 \$'000	1HY 2012 \$'000
Reported Profit attributable to members (NPAT)	24,489	11,214
Fair value adjustments to the carrying value of associates at the date at which they became controlled entities*	(12,630)	-
Adjustment in contingent consideration on acquisition of controlled entity (net of non controlling interests)*	414	(398)
Tax credit relating to prior years*	-	(631)
Profit from ongoing operations	12,273	10,185
Amortisation of intangibles net of tax*	1,486	1,276
Net profit after tax from operations before amortisation of intangibles (Adjusted NPAT)	13,759	11,461

* 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. These items may or may not recur and can distort underlying performance compared to prior periods. 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

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 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