



27th August 2009

The Manager
Company Announcements
ASX Ltd
Level 6, Exchange Centre,
20 Bridge Street
Sydney, NSW 2000

Dear Sir / Madam,

Re: Presentation on Results for the Year ended 30 June 2009

Attached for immediate release is Austbrokers Holdings Limited (AUB)
Presentation on results for the Year ended 30 June 2009.

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 2009
Results Presentation**

Thursday 27th August 2009

Lach McKeough CEO

Steve Rouvray CFO

Agenda

- **Overview**
 - **Business Overview**
 - **FY 2009 Business Highlights**
 - **FY 2009 Financial Highlights**

- FY 2009 Financial Performance

- FY 2010 Outlook

Business overview



- **Austbrokers is one of top four insurance broking networks in Australia**
 - Client base of over 255,000
 - Over 1,300 personnel engaged in the business
 - \$1.3 billion in gross written premiums placed
 - Wide geographical spread over 80 locations
 - Regional presence
 - Solid SME business base
 - Corporate capability

Business overview (con't)

- **Insurance Broking owner-driver model**
 - 40 member broker firms
 - 20 50% owned
 - 17 51% - 80% owned
 - 3 100% owned
- **Underwriting agency business**
 - Entities are authorised to write business on behalf of licensed insurers – no underwriting risk
 - Austagencies
 - Writes \$60 million in premiums annually
 - Specialist underwriting agencies
 - General property, liability agencies
- **Alliance with IBNA – A&I Member Services (AIMS)**
 - \$2 billion premium and 120 businesses
 - AIMS value proposition to underwriters to develop products and closer relationships
 - Provide succession solution for IBNA over time
 - Quality products for insureds

FY 2009 Highlights



- **Acquisitions Direct**

- 50% of SRG Corporate – Perth & Gold Coast on 1 July 2008
- FWR portfolio from Horsells in November 2008 by Austbrokers Sydney
- Mortlock portfolio by Austbrokers Sydney on 1 July 2008
- 50% Austral Insurance Brokers – Perth on 30 June 2009

- **Acquisitions in the Network**

- Stateplan acquired bus portfolio - \$300,000 in income
- Austbrokers Financial Solutions acquired 75% of SPT Financial Services
- Western United Insurance Broker acquired Pollock portfolio in Adelaide - \$300,000 income
- Citycover acquired Scarborough Insurance Brokers on 31 December 2008 - \$600,000 income
- Markeys acquired 75% of Sandersons Insurance Brokers on 1 January 2009 \$950,000 income
- Oxley Insurance Brokers acquired Graham Herring Insurance Brokers in Forster in May 2009 - \$500,000 income
- Austbrokers Countrywide acquired 45% of John Smith Insurance Brokers effective 1 July 2009
- Austbrokers Phillips acquired a financial planning business on 1 July 2009 with income of \$165,000

FY 2009 Highlights



- **Increase in Equity**

- 10% of SPT (now 60% owned)
- 20% of Austbrokers City State (now 100% owned)
- 20% of North Cost Insurance Brokers (now 70% owned)
- 40% of Dolphin Insurance (now 100% owned)
- 16% of Austbrokers Phillips (now 66% owned)
- 15% of Austbrokers Trade Credit (now 65% owned)

- **Premium Funding**

- Continuing promotion and development of Joint Venture with Pacific Premium Funding (GE Company)
- Exercised option to renew agreement for further 3 years

FY 2009 Highlights



- **Synergies / Efficiencies**

- Merger of BHI and Austbrokers ALIB 1 October 2008
- Continued transfers of brokers to central DataCentre now co-located with Telstra – now over 70% of users in the group

- **IBNA Joint Venture (AIMS)**

- Presentation to and agreement for value proposition to underwriters
- Launch of new policy wordings

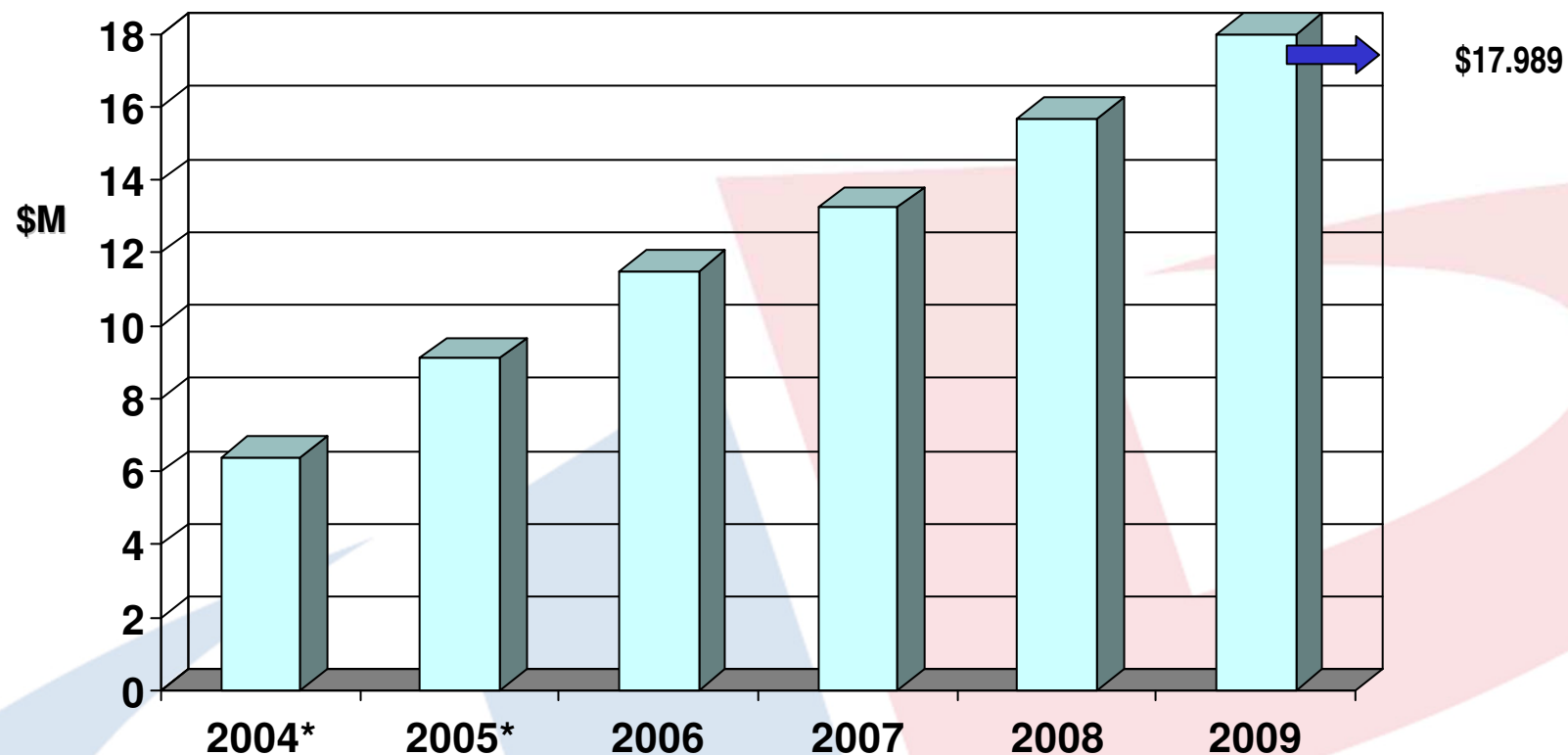
- **Owner Driver**

- Divested small equity interests
 - Finsura 10% (now 70% owned)
 - Austbrokers RWA 20% (now 60% owned)
 - Austbrokers AEI Transport 2.5% (now 65% owned)

- **Underwriting Agencies**

- Increased commission and fee income by 8%
- Developed new agencies

Profit Growth 2003 - 2009



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

* From Prospectus dated 30 September 2005 adjusted for profits from businesses sold as part of the IPO restructuring

FY 2009 financial performance



\$'000	Actual 2009	Actual 2008	% change
Broker Revenue (net of commission paid)	190,335	171,993	10.8%
Brokers Profit (AHL share)	34,735	29,700	17.0%
Profit (before tax and amortisation of intangibles and sales of businesses)	27,011	23,634	14.3%
NPAT (before amortisation of intangibles and sales of businesses) – Adjusted NPAT	17,989	15,691	14.6%

Agenda

- Overview

- **FY 2009 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 2010 outlook

Income Statement



AUSTBROKERS HOLDINGS LIMITED

A.B.N. 60 000 000 715

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Company	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Revenue	4 (i)	78,089	64,938	-	-
Other income	4 (ii)	4,566	5,982	12,019	16,030
Share of profit of associates	4 (iii)	14,393	12,636	-	-
Other expenses	4 (iv)	(71,795)	(61,843)	(571)	(483)
Finance costs	4 (v)	(2,289)	(1,685)	-	(50)
Profit before tax and sale of associates		22,964	20,028	11,448	15,497
Profit from sale of interest in controlled entities, associates and broking portfolios		486	265	530	406
Profit before income tax		23,450	20,293	11,978	15,903
Income tax expense	5	4,932	4,084	(80)	96
Net Profit for the period		18,518	16,209	12,058	15,807
Profit attributable to minority interest		2,615	1,893	-	-
Net profit attributable to members of parent		15,903	14,316	12,058	15,807
Basic earnings per share (cents per share)	6	31.7	28.6	24.0	31.5
Diluted earnings per share (cents per share)	6	31.4	28.3	23.8	31.2
Dividends paid per share (cents per share)	8	18.5	16.0	18.5	16.0
Dividends proposed per share (cents per share) not recognised at balance date	8	13.5	11.5	13.5	11.5

Profit after tax

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

	FY Actual 2009 \$ '000	FY Actual 2008 \$ '000
Reported Profit attributable to members	15,903	14,316
Profits after tax on sale of businesses	(486)	(489)
Profit from ongoing operations	<u>15,417</u>	<u>13,827</u>
Amortisation of intangibles net of tax	2,572	1,864
Net profit after tax from continuing operations before amortisation of intangibles (Adjusted NPAT)	<u>17,989</u>	<u>15,691</u>

Increase in amortisation includes \$167,000 increase relating to prior year resulting from increased acquisition price

FY 2009 Results – Management Presentation

	FHY 2009	FHY 2008	VARIANCE	VARIANCE
	\$'000	\$'000	\$'000	%
BROKER OPERATIONS				
COMMISSION AND FEES	155,784	141,178	14,606	10.3%
LIFE INCOME	7,710	7,188	522	7.3%
PROFIT COMMISSIONS	1,126	796	330	41.5%
PREMIUM FUNDING	13,197	10,599	2,598	24.5%
INTEREST	8,432	9,103	(671)	-7.4%
OTHER INCOME	4,086	2,879	1,207	41.9%
REVENUE	190,335	171,743	18,592	10.8%
EXPENSES	(136,288)	(125,625)	(10,663)	8.5%
PROFIT FROM BROKING OPERATIONS	54,047	46,118	7,929	17.2%
PROFIT FROM UNDERWRITING AGENCIES	2,586	2,483	103	4.1%
PROFIT BEFORE TAX, CORPORATE EXPENSES AND AMORTISATION OF INTANGIBLES	56,633	48,601	8,032	16.5%
PROFIT ATTRIBUTABLE TO OTHER PARTIES	(21,898)	(18,901)	(2,997)	15.9%
PROFIT BEFORE TAX, CORPORATE OFFICE EXPENSES AND AMORTISATION OF INTANGIBLES (AFTER OUTSIDE EQUITY INTERESTS)	34,735	29,700	5,035	17.0%
CORPORATE OFFICE				
INCOME	1,821	2,723	(902)	-33.1%
EXPENSES	(9,545)	(8,789)	(756)	8.6%
NET CORPORATE OFFICE EXPENSES	(7,724)	(6,066)	(1,658)	27.3%
PROFIT BEFORE TAX AND AMORTISATION OF INTANGIBLES	27,011	23,634	3,377	14.3%
INCOME TAX	(9,023)	(7,943)	(1,080)	13.6%
NET PROFIT AFTER TAX AND BEFORE AMORTISATION OF INTANGIBLES	17,989	15,691	2,298	14.6%

FY 2009 Results – Management Presentation



	FHY 2009	FHY 2008	VARIANCE	VARIANCE
	\$'000	\$'000	\$'000	%
CONSOLIDATED BROKERS				
COMMISSION AND FEES	53,950	44,958	8,992	20.0%
LIFE INCOME	4,096	3,458	638	18.4%
PROFIT COMMISSIONS	655	466	189	40.6%
PREMIUM FUNDING	4,197	3,318	879	26.5%
INTEREST	2,406	2,566	(160)	-6.2%
OTHER INCOME	1,095	866	229	26.4%
REVENUE FROM CONSOLIDATED BROKERS	66,399	55,632	10,767	19.4%
EXPENSES FROM CONSOLIDATED BROKERS	(50,277)	(42,843)	(7,434)	17.4%
PROFIT FROM CONSOLIDATED BROKERS	16,122	12,789	3,333	26.1%
EQUITY ACCOUNTED BROKERS				
COMMISSION AND FEES	101,834	96,220	5,614	5.8%
LIFE INCOME	3,614	3,730	(116)	-3.1%
PROFIT COMMISSIONS	471	330	141	42.7%
PREMIUM FUNDING	9,000	7,281	1,719	23.6%
INTEREST	6,026	6,537	(511)	-7.8%
OTHER INCOME	2,991	2,013	978	48.6%
REVENUE FROM EQUITY ACCOUNTED BROKERS	123,936	116,111	7,825	6.7%
EXPENSES FROM EQUITY ACCOUNTED BROKERS	(86,011)	(82,782)	(3,229)	3.9%
PROFIT FROM EQUITY ACCOUNTED BROKERS	37,925	33,329	4,596	13.8%
PROFIT FROM BROKING OPERATIONS	54,047	46,118	7,929	17.2%

Above is impacted by movements of brokers from equity to consolidated. If adjusted consolidated income is up 6.6%, expenses 6.8% and profit 6.6% and equity income up 11.0%, expenses 9.3% and profit 11.0%.

FY 2009 compared to FY 2008 - Highlights

- Adjusted NPAT for FY 2009 at \$18 million (2007 \$15.7 million)
 - Adjusted NPAT excludes \$0.5 million profits on sale of businesses and \$2.6 million amortisation of intangibles expense
 - exceeded 2008 Adjusted NPAT by \$2.3 million – 14.6%
 - 2HY contributed \$11.3 million NPAT to 30 June 2009 result (63% of FY - 59% in 2008)
 - 2HY higher due to increase in business in June
- NPAT Earnings Per Share (excluding profits on sale of businesses)
 - 35.8 cents before amortisation (FY 2008 31.3 cents) – 14.4% increase
 - 30.7 cents after amortisation (FY 2008 27.6 cents) – 11.2% increase
- Final Dividend of 13.5 cents per share fully franked payable on 23 October bringing total dividend for year to 20.5 cents per share (2008 18 cents) – 13.9% increase

Analysis of Contribution to Growth in NPAT



Growth in Adjusted NPAT

	\$'000	% of Growth
Share of broker profits		
- Direct acquisitions FY 2009	281	1.8
- Existing network	2806	17.9
Austagencies	84	0.5
Lower effective tax	218	1.4
Offset by		
Corporate Income	(353)	(2.2)
Interest earnings	(279)	(1.8)
Corporate net expenses	(267)	(1.7)
Borrowing costs	<u>(192)</u>	<u>(1.2)</u>
Total	<u>2,298</u>	<u>14.6</u>

Corporate net expenses increased due to a decline in external cost recoveries, normal cost increases. Offset by lower incentive expenses. Underlying increase in expenses was 1.5%

Corporate income down due to payment of override life commissions direct to brokers and non recurring items

Borrowing costs increased and interest earned declined due to earn out payments and lower interest rates

Broker Income / Expenses FY2009 vs FY 2008



	Increase (Decrease) %	Increase (Decrease) Ex Direct Acquisitions %
Commission & Fees	10.3	7.8
Life Income	7.3	7.3
Profit Commissions	41.6	37.1
Premium Funding	33.8	33.6
Interest earned	<u>(14.3)</u>	<u>(15.4)</u>
Total Income	<u>17.2</u>	<u>15.9</u>
Expenses	<u>8.4</u>	<u>5.9</u>

Net base commission and fees 17.5% of pure premium (2008 18%)

Fees 6.1% of premium (2008 6.7%)

Commission: fee split 65% : 35% (2008 63% : 37%)

Broker results very good given economic environment and reduction in interest earnings

Broker Profits as % of Broker Income

Profits (before tax) as a percentage of Broker Income

	Including Austagencies	Insurance Broking only
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%	

Austagencies Underwriting Agencies



\$'000	PROFIT IMPACT			
	FY 2009	FY 2008	INCR / (DECR)	INCR / (DECR) %
Commission and fees	8,446	7,820	626	8.0
Profit commission	1,166	1,011	155	15.3
Interest	421	723	(302)	(41.8)
Other income	<u>15</u>	<u>34</u>	<u>(19)</u>	<u>(55.9)</u>
	10,048	9,588	460	4.8
Expenses	<u>7,462</u>	<u>7,105</u>	<u>367</u>	<u>5.2</u>
Net Profit before income tax	<u>2,586</u>	<u>2,483</u>	<u>103</u>	<u>4.1</u>

- Income up due to increases in Latitude, Australian Bus & Coach and Uitas offset by declines in Cinesure (film and television production) and cessation of SMB business
- Increase in expenses due largely to additional resources to expand and distribute agency products
- Growth in commission and fees was 14% excluding SMB portfolio lost due to sale of business.
- Lower interest rates and reduced cash on deposit partially offset these gains

Balance Sheet



Assets	30 June 2009 \$000	30 June 2008 \$000
Current Assets		
Cash at Bank	17,047	23,640
Cash at Bank – Trust	51,611	35,016
Receivables	87,594	69,621
Short term investments	703	2,297
Total Current Assets	156,955	130,574
Non Current Assets		
Receivables	27	67
Plant Equipment	5,845	4,544
Investments equity accounted	67,561	53,848
Broker Loans	1,037	1,390
Intangibles	73,649	60,676
Deferred Tax Assets	2,627	2,195
Total Non current Assets	150,746	122,720
Total Assets	307,701	253,294

Balance Sheet (cont)



	30 June 2009	30 June 2008
Liabilities	\$000	\$000
Current Liabilities		
Payables	141,488	112,718
Tax Liabilities	3,316	3,663
Provisions	6,822	5,020
Interest bearing loans and borrowings	611	501
Total Current Liabilities	152,137	121,902
Non current liabilities		
Provisions	1,629	2,446
Trade Payables	28	78
Borrowings	33,606	20,216
Deferred Tax Liabilities	6,048	4,983
Total Non current liabilities	41,311	27,723
Total Liabilities	193,448	149,625
Net Assets	114,253	103,699
Equity		
Contributed Equity	49,959	49,707
Retained earnings	48,301	41,097
Other reserves	1,345	816
Asset Revaluation Reserve	3,788	3,278
Outside equity interest	10,860	8,771
Total Equity	114,253	103,669

Cash Flow



	2009	2008
	\$'000	\$'000
Cash flows from operations	<u>28,139</u>	<u>19,403</u>
Cash flows from investing activities		
- Acquisitions	(23,402)	(18,522)
- Sales proceeds / loan repayments	5,687	4,985
- Plant equipment	<u>(1,726)</u>	<u>(1,110)</u>
	<u>(19,441)</u>	<u>(14,647)</u>
Cash flows from financing activities		
- Dividends	(11,795)	(8,889)
- Net borrowings	<u>10,491</u>	<u>4,627</u>
	<u>(1,304)</u>	<u>(4,262)</u>
Net increase in cash	<u>10,002</u>	<u>494</u>

\$16.6 million in cash flows from operations relates to brokers trust accounts (\$2.1 million in FY2008)

Other Financials

Funding

- Facility from St George Bank – limit \$44.4 million including subsidiaries \$6.4 million
- Facility term is to August 2013
- Drawn bank facility at 30 June 2009
 - \$25 million – interest rate locked in at 6.8% pa until October 2011
 - \$7.7 million in subsidiaries
 - Undrawn amount of \$11.7 million based on net \$38 million
- Estimated \$14 million committed for future payments for completed acquisitions payable 2009 – 2010
- Underwritten DRP could raise \$6.7 million in October 2009
- Gearing currently 22.7%, target maximum 30% (debt / debt + equity)
- Compliant with all bank financial undertakings – interest cover ratio 12.7 times
- Borrowing by associates at 30 June 2009 not on Austbrokers balance sheet - \$28.5 million
 - Includes borrowings for own premium funding activities
 - IAA loans to Authorised Representatives
 - Acquisition funding

New Accounting Standards FY2010

Changes to AASB 3 Accounting for Business Combinations will change current accounting policies and impact results

- Acquisition costs will be expensed
- Under / over estimations of final acquisition prices where earn outs are involved will be taken to profit and loss
 - Underestimations will be an expense
 - Overestimations will give rise to income (but possible impairment implications)
- Increases in equity from 50% or below to above 50% will give rise to profits or losses
- Sell downs of equity will no longer give rise profits and losses unless sold down to 50% or below

Agenda

- Business Overview
- FY 2009 Financial Performance

• **FY 2010 Outlook**

- *Market conditions*
- *Strategy*
- *Outlook*

Market conditions

- Premium rates
 - Indications from underwriters of premium rate increases
 - Premium rate movements will vary across classes
- Lower interest rate environment
- Uncertainty over the extent of economic slowdown and impact on business
- Superannuation and financial planning businesses' income impacted by falls in funds under management due to decline in stock market
- Age demographics in insurance broking industry indicates that continued acquisition opportunities for direct acquisitions or portfolio / bolt on businesses should be available

Strategy

- Growth – acquisition activity to continue
 - business development – marketing strategies
 - marketing initiatives implemented to increase cross sell of insurance products
- Expand underwriting agency capability
- Back office synergies and efficiencies – transfer of brokers to central IT DataCentre, mergers, centralising back offices where possible
- Underwriter relationship / product development via AIMS (IBNA Alliance) for marketing advantage
- Premium funding – growth and development of existing relationship with Pacific / GE
- Life risk and superannuation - continue to develop cross sell

- Premium rate increases now likely to occur but rate and timing of increase uncertain
- Insurance broking industry consolidation – continuing acquisition opportunities
- Organic growth expected to continue to emerge through broker network initiatives and at least some rate increases
- Uncertainty over profit commissions depending on underwriting results
- Additional borrowing costs arising from earn out payments to be made in FHY2010
- Lower interest rates reduce FY2010 interest income vs FY2009
- Economic recovery and increased business activity timing uncertain
- At this stage, in the absence of unforeseen market events, the increase in consolidated NPAT before amortisation of intangibles for FY 2010 is anticipated to be driven primarily by organic growth and to be in the range of 5% - 10% over FY 2009
- Longer term outlook is favourable with acquisition opportunities likely to present. Indications from insurers are that premium rates need to increase and business activity is expected to improve as the economy recovers.

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.