

AUB GROUP

FY19 Results

Presentation

August 2019



Mike Emmett

CEO and Managing Director



Mark Shanahan

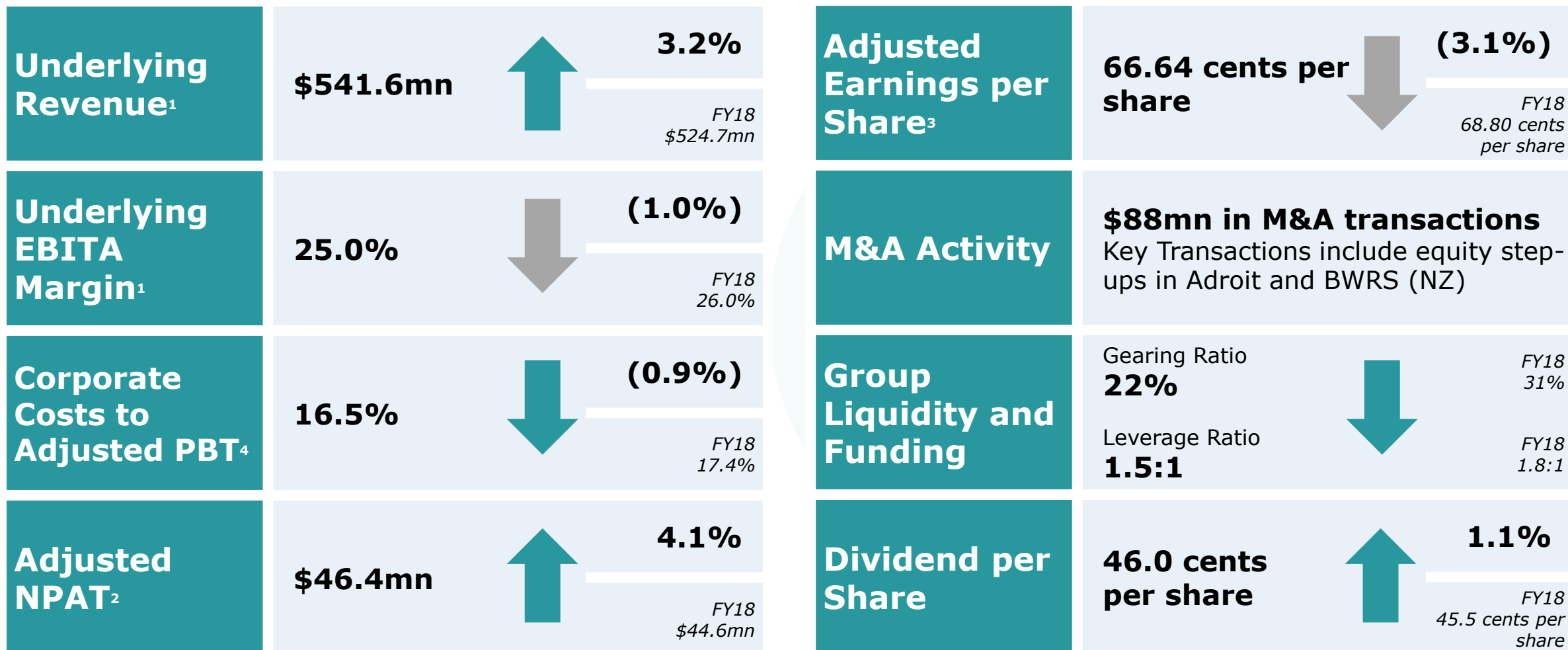
CFO





FY19 Performance Overview

FY19 PERFORMANCE SNAPSHOT - GROUP



1. Underlying Results: In order to give a more comprehensive view of performance, figures include results from 'associates' (not consolidated in the financial statements) at an aggregate 100% of all business revenues, expenses and profits with those of the consolidated businesses before deducting outside shareholder interests.

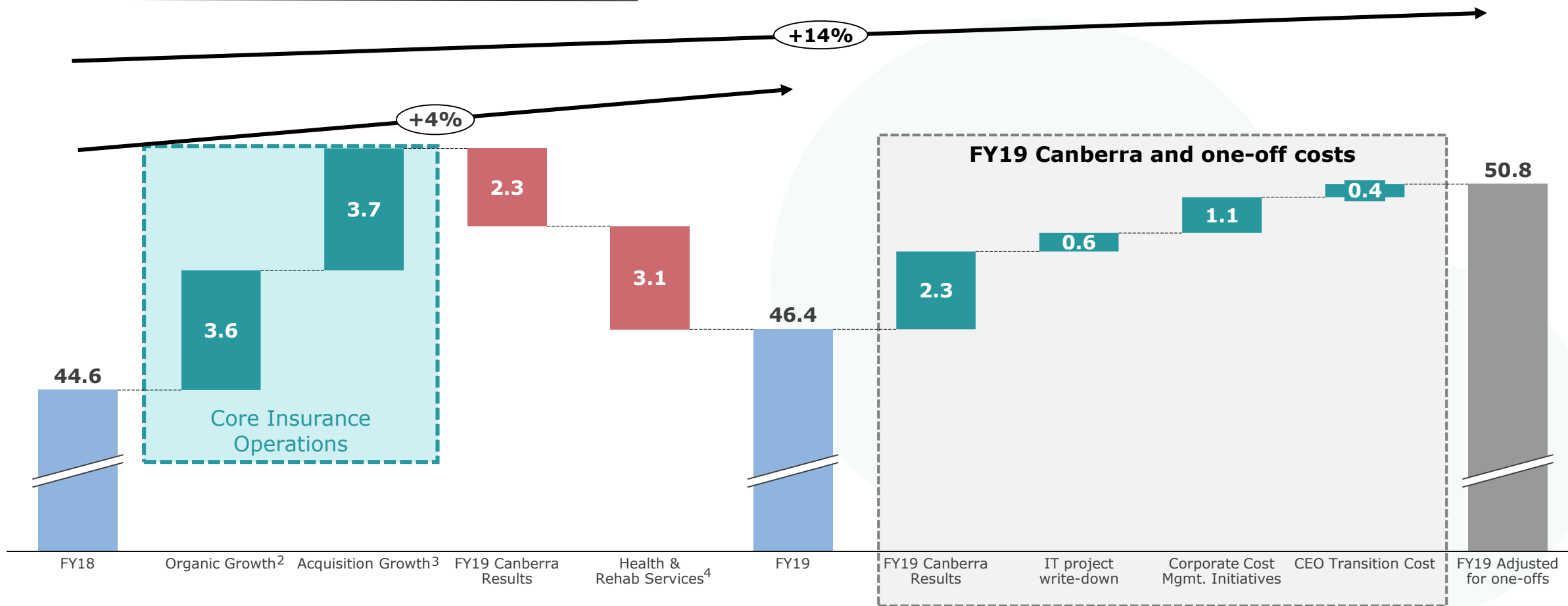
2. Adjusted NPAT is used by management and the board to assess operational performance and excludes non-operational items, such as profits and losses on sale of equity interests, fair value adjustments to carrying values on ownership changes, changes to estimates or payments of deferred contingent consideration amounts, impairment adjustments and amortisation of intangible assets

3. FY18 EPS includes a TERP adjustment of 98.6%. Adjusted EPS is calculated using Adjusted NPAT / (weighted average number of shares on issue).

4. Corporate cost to Adjusted PBT calculated as AUB corporate costs (excluding acquisition, finance and project costs) as a % of Adjusted PBT before corporate costs and tax.

FY19 PERFORMANCE BREAKDOWN - GROUP

FY18 to FY19 Adjusted NPAT¹ Breakdown (\$mns)















1. Adjusted NPAT is used by management and the board to assess operational performance and excludes non-operational items, such as profits and losses on sale of equity interests, fair value adjustments to carrying values on ownership changes, changes to estimates or payments of deferred contingent consideration amounts, impairment adjustments and amortisation of intangible assets

2. Organic growth excludes FY19 acquisitions growth, FX, FY19 Canberra results and Health and Rehabilitation services.

3. Acquisition growth includes the net effect of acquisitions, divestments and increased equity stakes in FY19.

4. Health and Rehabilitation business includes consolidated performance of Altius and Allied, components of Risk Services.

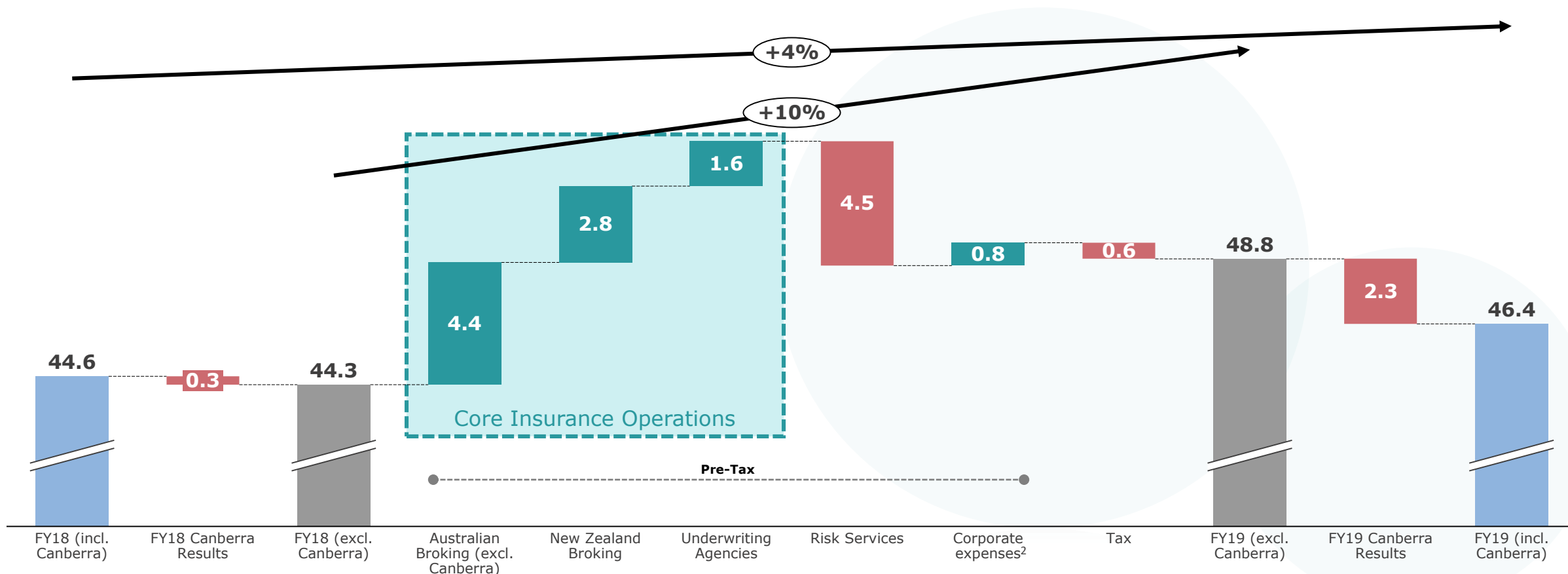
FY19 PERFORMANCE SNAPSHOT - DIVISIONAL

Vs. FY18 comparative period	AUSTRALIAN BROKING²	NEW ZEALAND BROKING	UNDERWRITING AGENCIES	RISK SERVICES²
Underlying ¹ Revenue	\$343.6mn  1.8% 4.1% (excl. Canberra)	\$50.6mn  19.3%	\$61.4mn  8.5%	\$85.9mn  (2.4%)
Underlying ¹ EBIT Margin	29.7%  0.2% 1.0% (excl. Canberra)	33.6%  (3.2%)	33.8%  (1.1%)	6.7%  (9.0%)
PBT attributable to equity holders of parent company	\$52.8mn  3.7% 11.0% (excl. Canberra)	\$9.2mn  41.5%	\$15.5mn  11.6%	\$2.4mn  (66.1%)
Organic Growth % ³ (PBT attributable to equity holders of parent company)	4.9%	3.4%	9.1%	(66.1%)

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2. Corporate costs for Australian Broking and Risk Services, previously captured in Corporate expenses after recoveries, have been reclassified to the respective divisions. Comparative information has been restated to conform with the presentation in the current period – refer to Analyst Pack – A5.0.
3. Organic growth attributable to equity holders of parent entity excludes FY19 acquisitions growth and FX. Australian Broking excludes impact of Canberra.

FY19 PERFORMANCE BREAKDOWN – BY DIVISIONS

FY18 to 19 Adjusted NPAT¹ Divisional Breakdown (\$mns)



1. Adjusted NPAT is used by management and the board to assess operational performance and excludes non-operational items, such as profits and losses on sale of equity interests, fair value adjustments to carrying values on ownership changes, changes to estimates or payments of deferred contingent consideration amounts, impairment adjustments and amortisation of intangible assets.
 2. Corporate expenses including acquisition expense and net interest.

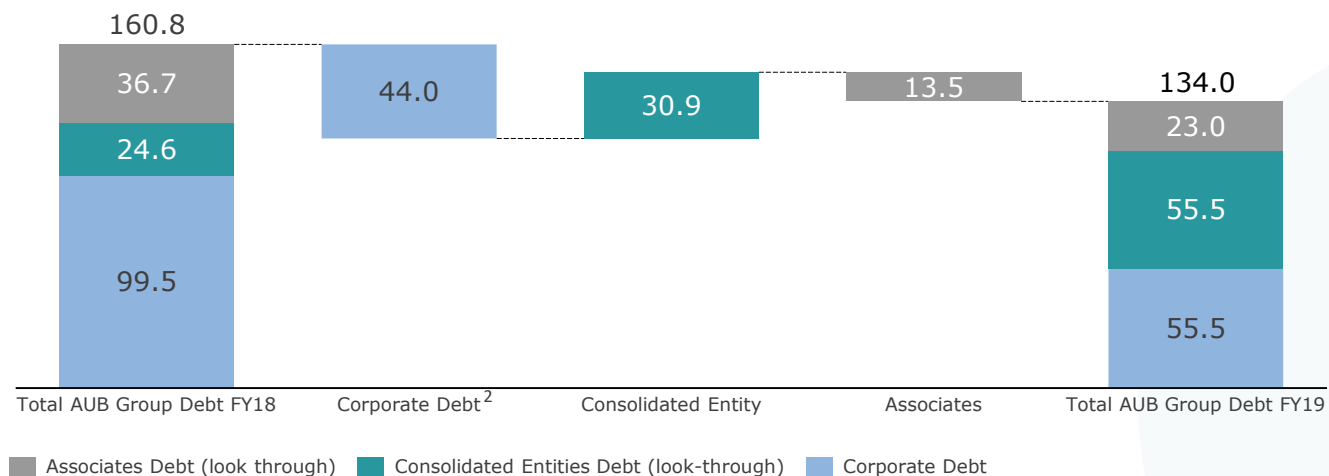
STRONG BALANCE SHEET AND CAPITAL POSITION

Consolidated Balance Sheet Overview (\$mns)	FY19	FY18	Movement (\$mns)	Movement (%)
Cash	70.0	58.7	11.3	19.3%
Cash - Trust	150.0	100.0	50.0	50.0%
Interest-bearing loans and borrowings	104.5	121.2	(16.7)	(13.8%)
Investment in Associates	127.5	155.9	(28.4)	(18.2%)
Intangible assets and goodwill	401.1	267.1	134.0	50.2%
Total Assets	1,019.9	781.1	238.8	30.6%
Total Liabilities	536.5	423.9	112.6	26.6%
Total Equity	483.4	357.2	126.2	35.3%

- Investments (the aggregate of Investments in Associates and Intangible Assets and Goodwill) have increased to \$529mn, up \$96m due to acquisitions.
- Cash in Trust and Total Liabilities have increased for the same reason.
- AUB Group's share of borrowing by associates as at 30 June 2019 not on the AUB Group balance sheet reduced to \$23.0m (FY18 \$36.7mn) mainly due to step up acquisitions in Adroit and BWRS causing their debt to be consolidated.

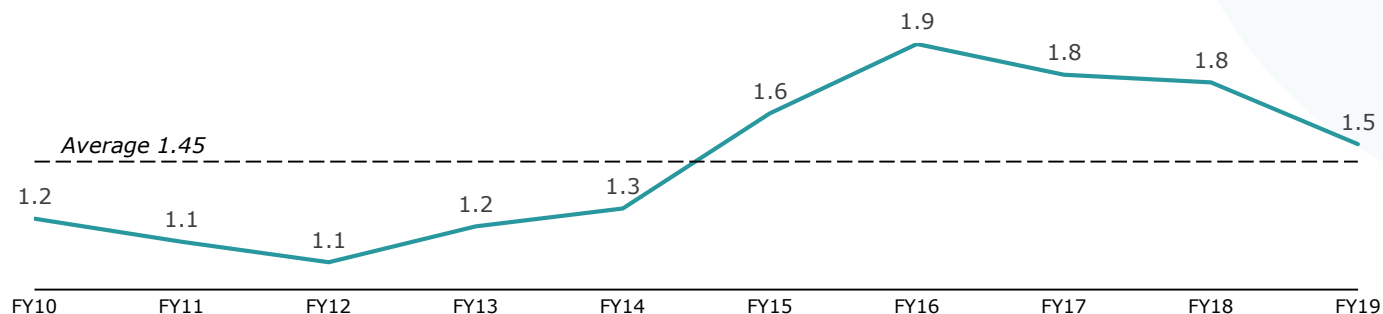
EFFECTIVELY LEVERAGING AND MANAGING DEBT

Total Group Debt on a look-through basis¹ (\$mns)



22%
FY19 AUB Group Gearing⁴
(FY18 31%)

Group Leverage Ratio³

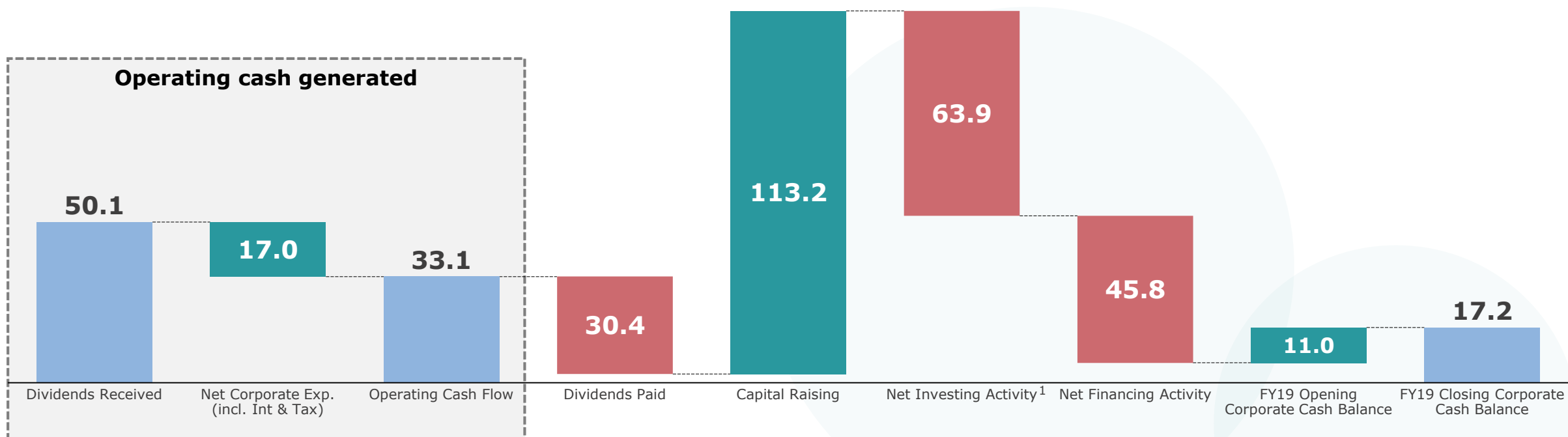


11:1
FY19 AUB Group Interest Cover Ratio⁵
(FY18 13:1)

1. Look through basis = 100% consolidated debt + AUB share of Associates debt.
 2. Corporate debt includes borrowings, repayments and translation differences.
 3. Leverage ratio calculation = Net Debt / (EBITDA at Group + EBITDA of Associates AUB's share). Debt includes share of associates.
 4. Gearing ratio calculation = Look through debt / (debt + equity). Debt includes share of associates.
 5. Interest Cover ratio calculation = (Look through debt / debt + equity) / (Group interest expense plus share of associates interest expense). Debt includes share of associates.

STRONG CASH GENERATION

AUB Corporate Entity Cash Movement (\$mns)

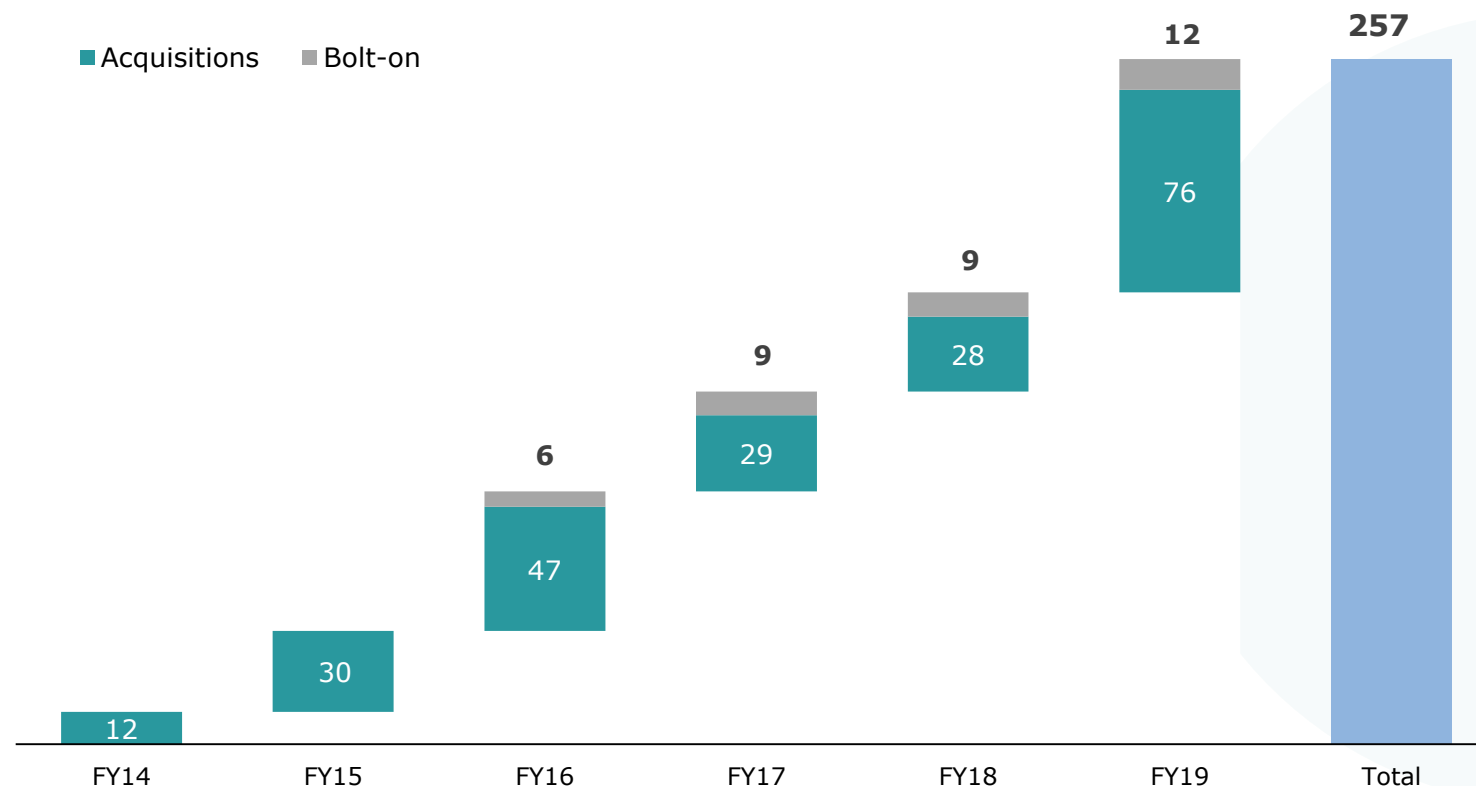


- Total Corporate entity borrowings decreased by \$44mn.
- Operating cash generation of \$33.1mn.
- Total Corporate entity cash and undrawn facilities of \$111.8mn at 30 June 2019.

1. Net of FY19 acquisitions and disposals

DISCIPLINED APPROACH TO M&A

M&A Transaction Activity, FY14-FY19 (\$mns)

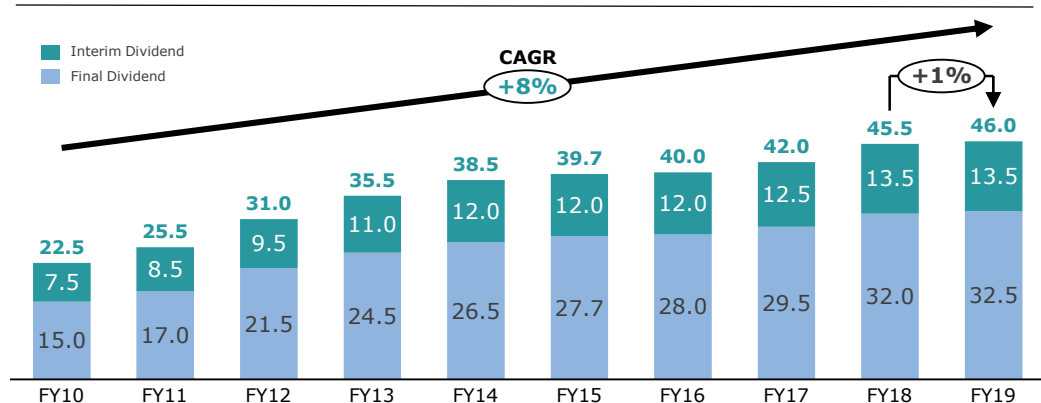


- AUB has undertaken 54 acquisitions and bolt-ons over the past 6 years valued at ~\$250mn in M&A activity.
- AUB intends to continue to supplement organic growth by relevant acquisitions and start-up opportunities .
- Acquisitions across Australia and New Zealand insurance broking and Underwriting Agencies continue to be a key element of AUB’s strategy, complementing organic growth.
- AUB has applied a disciplined, proven and replicable approach to acquisitions in line with our M&A criteria.
- The Group is reviewing a pipeline of acquisition opportunities in various stages of evaluation and execution.

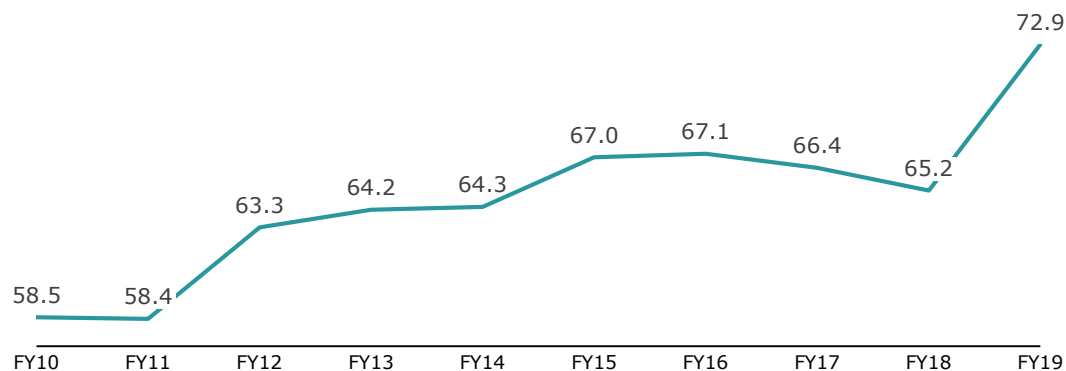
▪ Based on AUB’s share in acquisitions and restructuring in each respective period (includes payment for contingent consideration from FY14 to FY19).
 ▪ Acquisition: direct purchase of new/additional equity in a business by AUB Group.
 ▪ Bolt-on: purchase of new/additional equity or assets by a business already owned by AUB Group.

IMPROVING SHAREHOLDER RETURNS A PRIORITY

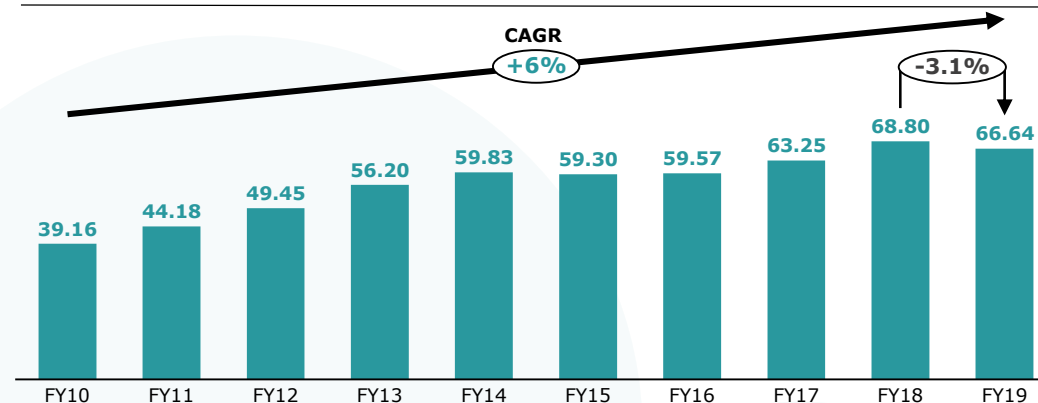
Dividend Per Share (Cents)



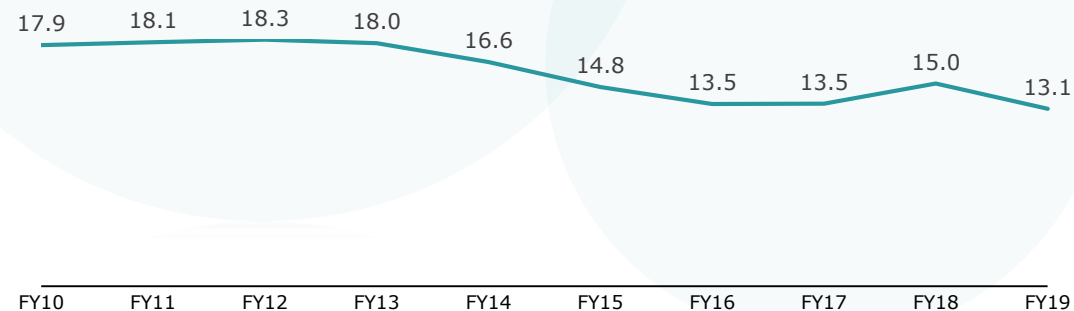
Dividend Payout Ratio² (%)



Adjusted EPS¹ (Cents per share)



Return on Equity – ROE³ (%)



1. FY18 EPS includes a TERP adjustment of 98.6%. Adjusted EPS calculation = (Adjusted NPAT) / (weighted average number of shares on issue).

2. Dividend payout ratio calculation = (Dividends paid or payable relating to FY19) / Adjusted NPAT.

3. Return on Equity = Adjusted NPAT / (Average Equity attributable to equity holders of the parent).

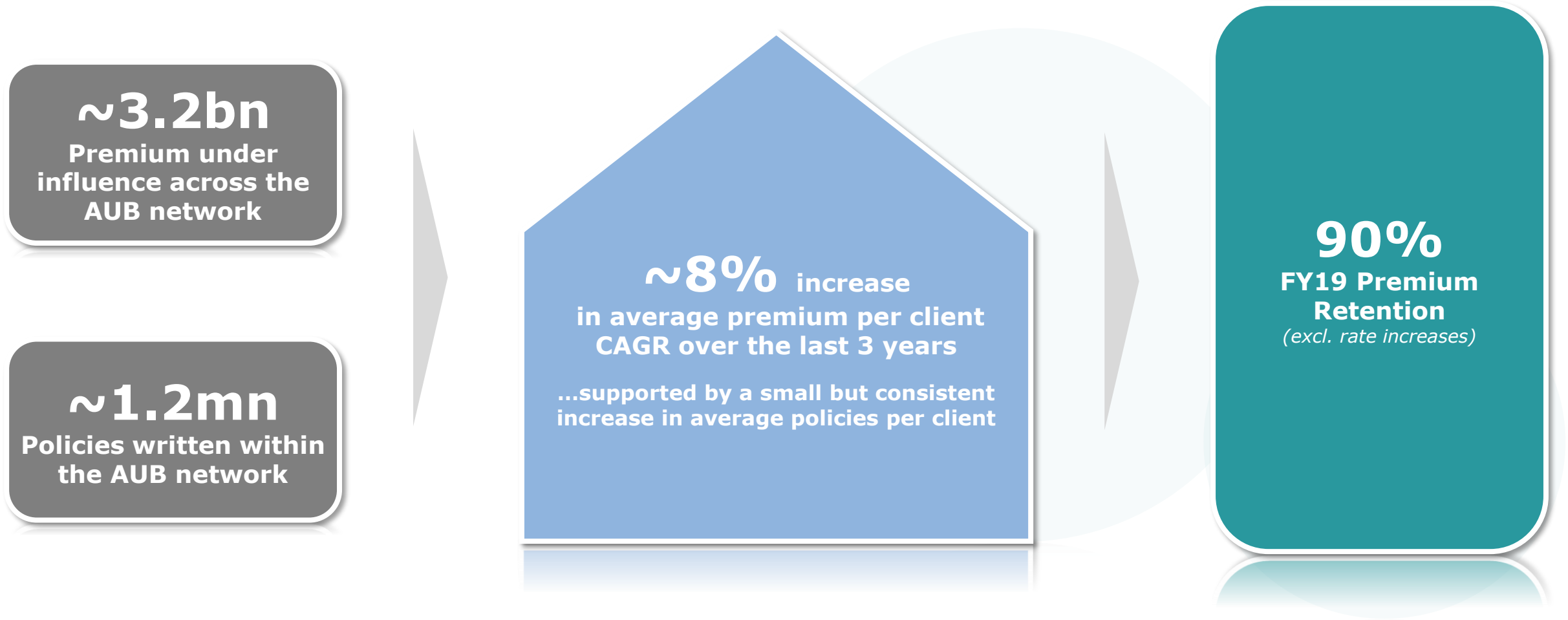


AUB Group Business Review and Outlook

FY20 EXECUTION PRIORITIES

- 1 Enhance our core business partner proposition with improved product and capacity offerings**
- 2 Implement best-in-house technology features across the Group**
- 3 Reduce Corporate costs and drive efficiency through cross-network synergies**
- 4 Consolidate our core businesses for scale and create sector specialisations to build market leadership**
- 5 Execute on strategically aligned acquisitions that drive outperformance**
- 6 Redefine Risk Services strategy**

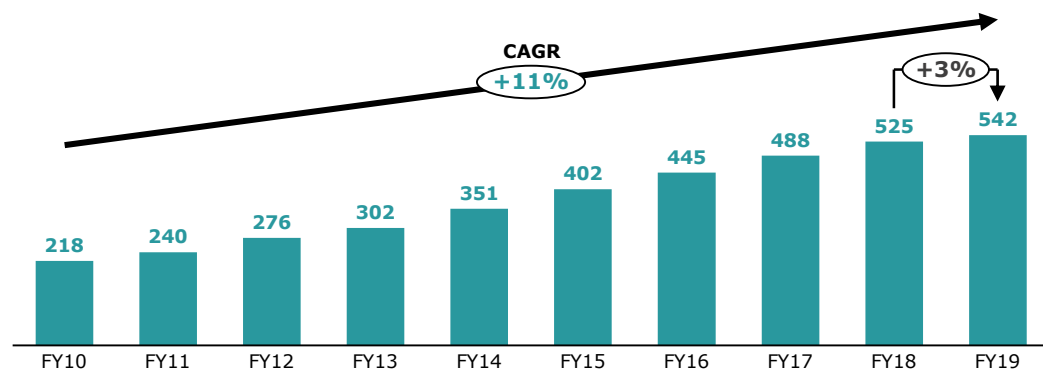
STABLE AND PREDICTABLE OPERATIONAL DRIVERS



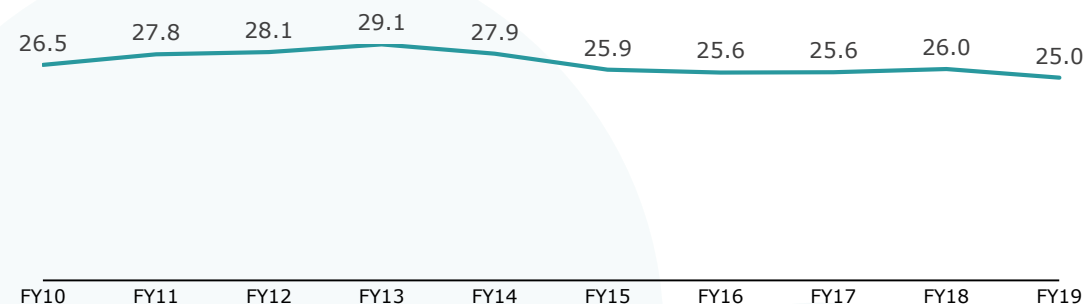
- Analysis is based on available data from key Australian Broking business portfolio.
- Client retention is based on individual clients, regardless of policy size.

TRACK RECORD OF DELIVERING GROWTH

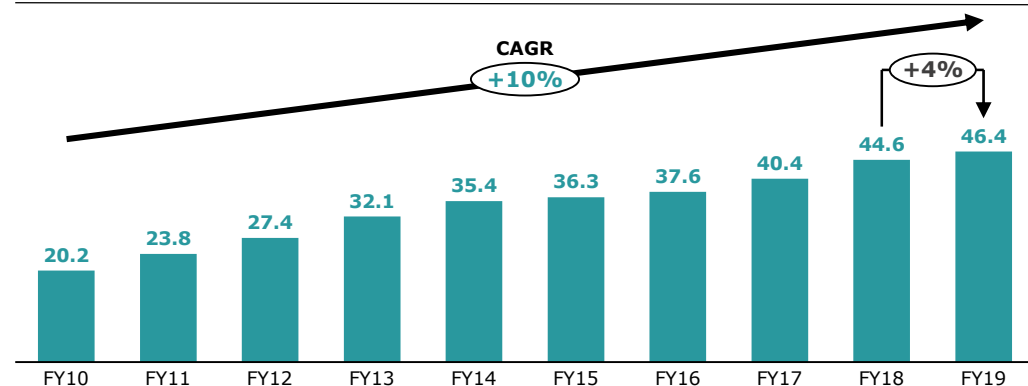
Underlying Revenue¹ (\$mns)



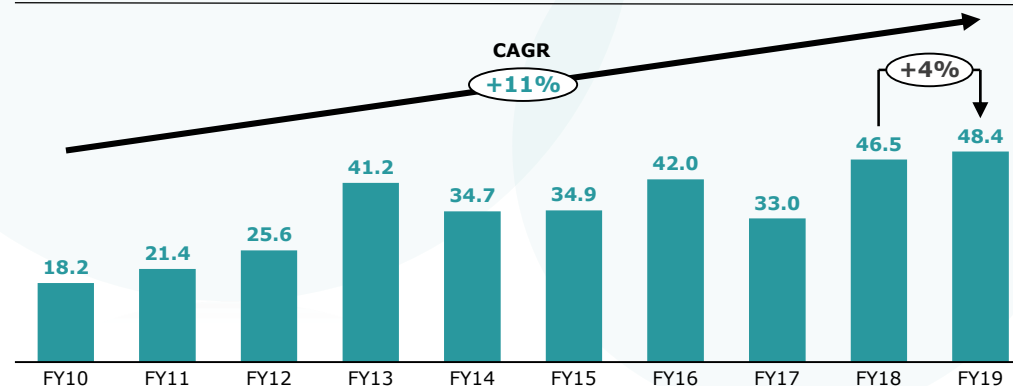
Underlying EBITA Margin¹ (%)



Adjusted NPAT² (\$mns)



Reported NPAT² (\$mns)

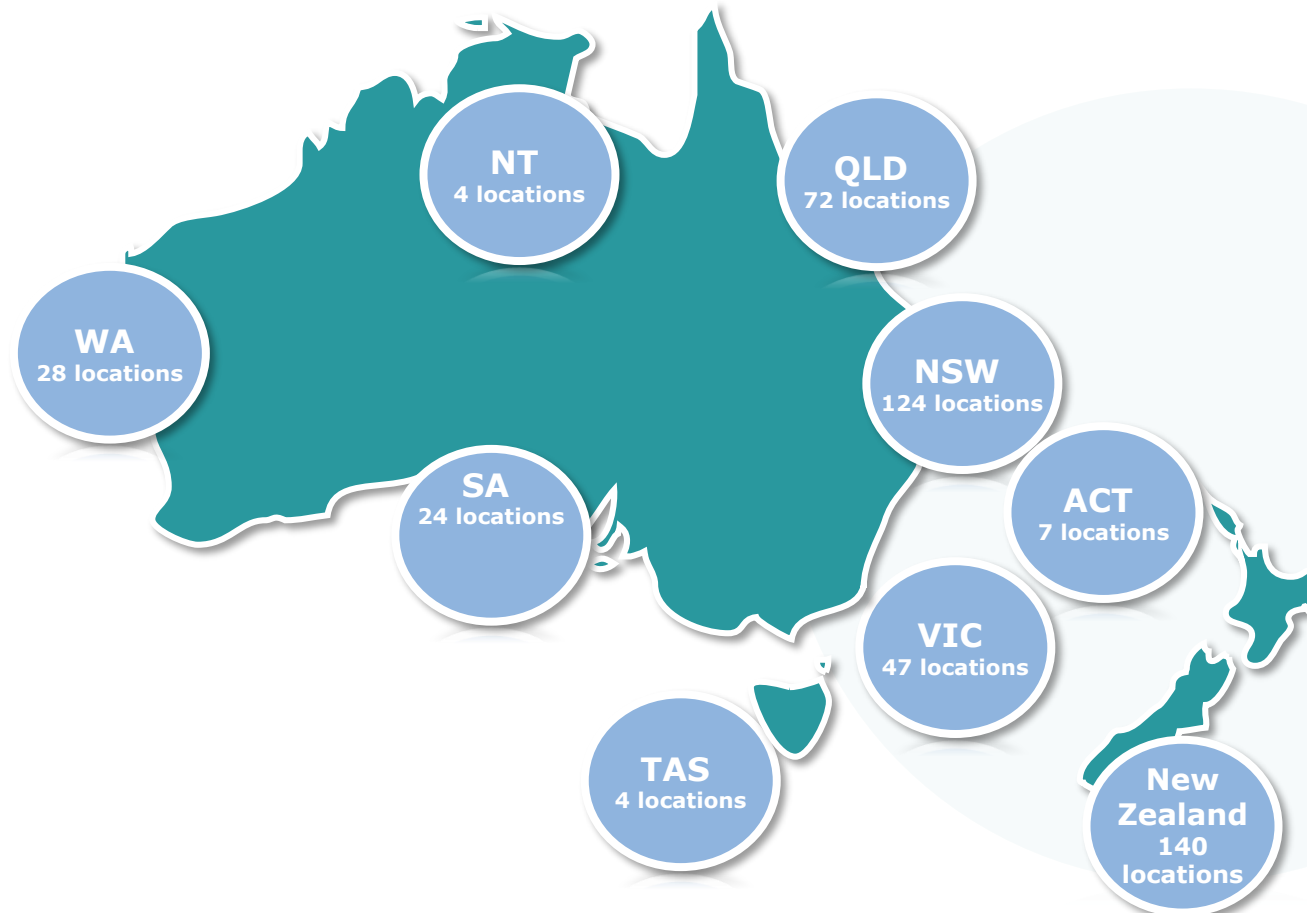


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CORE INSURANCE OPERATIONS - OUR SCALE AND REACH

~450
Locations

>3,000
staff



~11%
AUB Share of the
Intermediated GI
Market (AU)

~21%
AUB Share of the GI
SME Segment (AU)

* Data sources for market sizing and share calculations: APRA Quarterly General Insurance Performance Statistics (March 2019), APRA Intermediated General Insurance Performance Statistics (December 2018), AIMS Broker view (April 2019) and McKinsey & Company (October 2017).

TAKING CONTROL OF OUR CORE CAPABILITIES

Austbrokers Insurance Member Services (AIMS)

AUB Group will take 100% control of AIMS in Q2 FY20

AIMS will serve as the member services division with four key areas of responsibility

- Sourcing and negotiating capacity and product offerings with insurance partners
- Delivering core partner business support services, at scale, to drive capability uplift and cost-efficiency across the network
- Lead the strategic mandate for our brokers' technology platform needs
- Deliver claims expertise and servicing capabilities to our brokers, clients and insurance partners



**UNDERWRITING
CAPACITY AND
PLACEMENT**



**ACCOUNTING
AND
COMPLIANCE**



**PARTNER
TECHNOLOGIES**



CLAIMS

FY20 OUTLOOK AND GUIDANCE

During FY20 the group anticipates strong growth from Insurance Broking in Australia and New Zealand as well the Underwriting Agencies. This will be reduced by several factors:

- Reduced interest rates;
- Lease Accounting Changes;
- Reduced revenues in Canberra, post restructuring;
- Delayed effect of remediation to health and rehabilitation service lines;
- Lag to benefit from cost-out activities;
- Planned shareholding sell-downs to support succession planning in broker partners;
- Major acquisition legal and financing costs (which have been provided for in the guidance calculations in the event that a major acquisition such as Coverforce takes place).

Based on the above, we believe the group will achieve Adjusted NPAT growth of 4% to 6% in FY20. Note, this growth rate excludes the positive impact that may arise from new acquisitions or shareholding increases.

FY20 will be a year of change to enable consistent profit growth for future years.

- Enhanced value and benefits to Network partners;
- Complete remediation of Risk Services and Canberra;
- Reduced Corporate overheads;
- Optimised Portfolio.

QUESTIONS



THANK YOU



NOTICE

SUMMARY INFORMATION

This document has been prepared by AUB Group Limited (ABN 60 000 000 715) (AUB). It is a presentation of general background information about AUB's activities current at the date of the presentation. It is information in a summary form and does not purport to be complete. It is to be read in conjunction with AUB's other announcements released to ASX (available at www.asx.com.au). It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with professional advice, when deciding if an investment is appropriate.

TERMINOLOGY

This presentation uses Adjusted NPAT to present a clear view of the underlying profit from operations. Adjusted NPAT comprises consolidated profit after tax adjusted for value adjustments for the carrying value of associates, after tax profits on the sale of portfolios, interests in associates and controlled entities, contingent consideration adjustments, and income tax credits arising from the recognition of deferred tax assets. It is used consistently and without bias year on year for comparability. A reconciliation to statutory profit is provided in the appendix to this Presentation.

FORWARD LOOKING STATEMENTS

This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Due care and attention has been used in the preparation of forecast information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AUB, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that the actual outcomes will not differ materially from these statements. Neither AUB nor any other person gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Except as required by applicable law or the ASX Listing Rules, AUB disclaims any obligation or undertaking to publicly update any forward looking statements, whether as a result of new information or future events.

Statements about past performance are not necessarily indicative of future performance.

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