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Market Announcements Office  
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SYDNEY NSW 2000

## **PSC INSURANCE GROUP LTD (PSI) - ACQUISITION & FUNDING UPDATE**

### **ACQUISITION OF PARAGON INSURANCE HOLDINGS LTD**

PSC Insurance Group Limited (PSC) (ASX: PSI) is delighted to announce that it has entered into an agreement to acquire 100% of the share capital of UK based Paragon International Holdings Limited (Paragon) for a base consideration of £42.0 million (approximately A\$75 million equivalent) with the final consideration being subject to adjustment based on the EBITDA of Paragon for the years ended 31 December 2019 and 2020.

Founded in 1996, Paragon is a leading independent Lloyd's and London Market broker. The business has focussed on professional and financial lines and employs over 90 staff who have strong expertise in Professional Liability, Director's & Officers, Cyber, Casualty, Healthcare and Mergers & Acquisitions insurance. The business has grown and continues to grow entirely via organic means.

As a consequence of its market renowned expertise in professional and financial lines, Paragon services many of the world's largest technology, legal, engineering and architectural firms.

Paragon provides wholesale brokerage services to clients in the United States and both direct and wholesale brokerage services in the United Kingdom. Paragon generates over 60% of its revenue from the US wholesale market. This acquisition will provide PSC with exposure to the significant US market via an established London based brokerage firm.

Coupled with PSC's existing UK businesses, following the acquisition the PSC Group will be a leading Lloyd's broker with a greatly enhanced market profile and via 100% controlled subsidiaries, premiums of approximately £500 million (approximately A\$900 million). The acquisition of Paragon will approximately double the EBITDA of PSC's UK businesses.

Post completion, Paragon will continue to operate as an autonomous business unit of PSC and the leadership team of Paragon will continue in their role of managing the operations of the business with a view to drive continued growth.

The acquisition is expected to generate incremental annual EBITDA of £4.2 million (approximately A\$7.5 million equivalent) for PSC.

The purchase price is payable in three tranches as follows:

- 83.3% of the purchase price (£35.0 million) payable upon completion in the form of £25 million in cash and £10 million in fully paid ordinary shares in PSC (Shares) (First Tranche).
- 8.3% of the purchase price (£3.5 million – “Base Payment”) payable based on the EBITDA of Paragon for the financial year ending 31 December 2019 (Second Tranche). The Second Tranche will be subject to an upward or downward adjustment at a multiple of 10x the difference between the actual 2019 EBITDA and the 2018 underlying EBITDA (£4.2 million). The Base Payment is payable in cash and any amount above the Base Payment will be paid as a combination of cash (50%) and Shares (50%). This consideration is payable when the EBITDA is finally determined and not before 90 days after 31 December 2019.
- 8.3% of the purchase price (£3.5 million – “Base Payment”) payable based on the EBITDA of Paragon for the financial year ending 31 December 2020 (Final Tranche). The Final Tranche will be subject to an upward or downward adjustment at a multiple of 10x the difference between actual 2020 EBITDA and the actual 2019 EBITDA. The Base Payment is payable in cash and any amount above the Base Payment will be paid as a combination of cash (50%) and Shares (50%). This consideration is payable when the EBITDA is finally determined and not before 90 days after 31 December 2020.
- A total of 6,849,784 Shares will be issued to the vendors to facilitate the scrip component of the First Tranche of the purchase price at an issue price of \$2.60 per share and FX conversion rate at exchange.
- All Shares issued under the Second Tranche and Final Tranche will be issued at a price that equates to the 5 day volume weighted average price of the Shares before the respective time that the 2019 EBITDA and 2020 EBITDA are finally determined respectively. All Shares issued under the agreement will be subject to escrow restrictions for 3 years from the Completion Date.
- The cash component of the purchase price will be funded using a mixture of existing cash resources and the proceeds of the placement referred to below.

The Shares will be issued under PSC’s existing placement capacity and will rank pari passu with the existing Shares from their date of issue.

The acquisition is conditional upon approval of the acquisition by the UK Financial Conduct Authority.

PSC expects the acquisition to be strongly earnings per share accretive, with an expected incremental pro-forma increase in Group earnings per share of approximately 13% based on an annualised contribution from Paragon.

Managing Director of PSC Tony Robinson said:

“The acquisition of Paragon will greatly add to the scale and expertise within our UK businesses and we will enhance our position as a leading Lloyd’s broker providing services to US insurance brokers. Tara Falk and James Kalbassi have built a very impressive business over more than two decades, and we are very pleased to be partnering with the whole team at Paragon. Many of the Paragon team will become material shareholders in the PSC Group. With the anticipated completion of the acquisitions of Griffiths Goodall and Paragon, the PSC Group will control in excess of A\$1.5 billion in premiums, making us an increasingly important participant in our key markets”.

Co-CEO and Founder of Paragon James Kalbassi said:

“This is a very exciting transaction. We are building from a position of strength, with a compelling, broader independent platform to create a more powerful specialty broking business. Our strategy remains unchanged : we will continue to differentiate the Paragon brand as a specialist Lloyd’s broker, with everyone continuing to focus on our customers and the opportunity to accelerate the growth of our business”

Co-CEO and Founder of Paragon Tara Falk said:

“PSC understands what is special about our business and recognises Paragon’s long term potential. We are aligning Paragon with like-minded people, who are customer focussed, have built a great business themselves and who share our ambition and vision for the future. We will continue to build on the successful Paragon model to drive PSC’s international growth objectives”

### **INSTITUTIONAL SHARE PLACEMENT**

PSC is pleased to announce the successful completion of an institutional share placement (Placement) of 13,461,538 additional Shares at a price of \$2.60 per Share from our existing placement capacity under Listing Rule 7.1, raising total gross proceeds of \$35,000,000.

The Placement was led and arranged by Bell Potter, with support from Taylor Collison.

We have today released the Presentation that was delivered as part of the Placement process.

We are very pleased with the level of support of the Group’s strategy of organic and acquisition based growth in the insurance services industries across our key markets in Australia and the UK.

The capital raised under the Placement, with existing cash resources of the Group, will be used to fund the Paragon acquisition.

Additionally, the Group is working on expanding its debt facilities. The successful completion of which would ensure a strong level of cash resources for future commitments and acquisition based growth initiatives.

Settlement under the Placement is expected on the 1<sup>st</sup> August, with allotment of the New Shares being on the 2<sup>nd</sup> August.

### **BOARD UPDATE**

Upon completion of the Paragon acquisition, it is the Board’s intention to appoint Ms Tara Falk as an Executive Director on the PSC Board.

Ms Falk is a Founder and co-CEO of Paragon and is highly experienced in the London insurance markets. Ms Falk will bring with her a wealth of UK and USA centric business and insurance market experience as the Group continues to expand its UK businesses.

Chairman of PSC Brian Austin said:

“We are very pleased to welcome Tara to the PSC Board. Tara as a co-Founder of Paragon has exhibited great commercial and trade skill in building Paragon over the past few decades. The acquisition of Paragon will make the Group a leading Lloyd’s and London Markets broker. Tara will also be a significant shareholder of PSC and hence aligned like many within the Group. We believe it therefore an appropriate time to increase the Board’s UK representation, and this will complement the role Mr Mel Sims currently plays for the Board”.

Please direct any queries to Tony Robinson, Managing Director on 0407 355 616 or Joshua Reid, Chief Financial Officer on (03) 8593 8303.

#### **Forward looking statements**

This announcement contains forward looking statements. All statements that address events or developments that we expect or anticipate will or may occur in the future are forward looking statements. These forward looking statements are based on the Board or management’s beliefs and expectations based on information currently available to the Board and management. The Company believes that these forward looking statements are reasonable as and when made. However, you should not place undue reliance on any such forward looking statements which are inherently uncertain. We do not undertake any obligation to publicly update or revised any forward looking statements whether as a result of new information, future events or otherwise except as required by law or the ASX Listing Rules. Forward looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from our historical experience, or our present expectations or projections.