PSC FY 2019 RESULTS ANNOUNCEMENT

PSC is pleased to announce a strong result which continues to see profit, EPS and dividend growth significantly over the prior years.

The key financial highlights in 2019 for PSC were:

- **Underlying revenue was up 18% on the prior corresponding period (pcp) to $119.0 million.**
- **Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) up 17% on the pcp to $43.3 million.**
- **Operational underlying EBITDA up 19% on the pcp to $41.6 million.**
- **Underlying EBITDA margin broadly steady at 36%.**
- **Underlying net profit after tax and before amortisation (NPATA) up 15% on the pcp to $27.8 million.**
- **Underlying EPS growth of 12%.**
- **Operational underlying NPATA up 18% to $26.7 million.**
- **Statutory net profit after tax down 9% on the pcp to $25.4 million. The reduction reflects the $17.3 million fair value gain from the prior year and not reflective of operational performance.**

Across our diverse businesses, the areas we focus on are simple:

- Strong clients, on whom we are entirely focussed.
- Great staff working with our clients. We provide our people with autonomy, purpose, accountability and an environment to increase their expertise.
- Good systems and processes to support the operating businesses.

This results in a diverse mix of smaller businesses, all with recurring revenues and strong cash conversion. It has been another active and successful year for the Group. We remain focussed on organic growth outcomes (new clients, new businesses and business improvement), supplemented by acquisition based growth where we feel we can add value and grow the businesses.

We are a disciplined allocator of capital and view acquisitions as a simultaneous recruitment process which requires cultural fit.

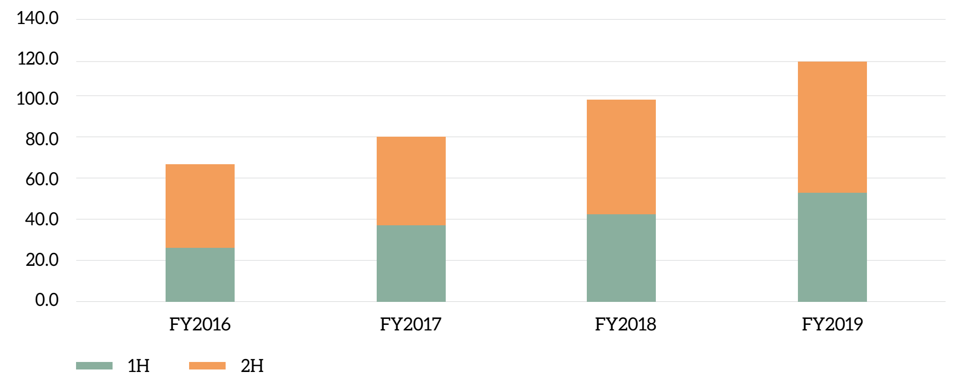
Key operational highlights have included:

- Strong growth of 29% in the Distribution businesses, including organic growth of 18%. This segment contributed 66% of Group underlying EBITDA.
- We completed the acquisition of 70% of Turner Insurance Services, the UK based direct commercial insurance broking business. As this is integral to what we do in Australia, we will be looking to grow this area of our business in the UK.
- We completed acquisitions to expand our workers compensation consulting and life broking offering and businesses. These add to the capability of the Group, which is a significant value add to our clients.
- Whilst not announced until after balance date, during the second half of the period we were focussed on the acquisitions of both Griffiths Goodall Insurance Brokers, a large insurance broker based in Victoria, and Paragon Insurance, a very successful Lloyd's broker in London, specialising in professional and financial lines. We believe both will be wonderful businesses for the Group and we are looking forward to working with the very capable teams involved.

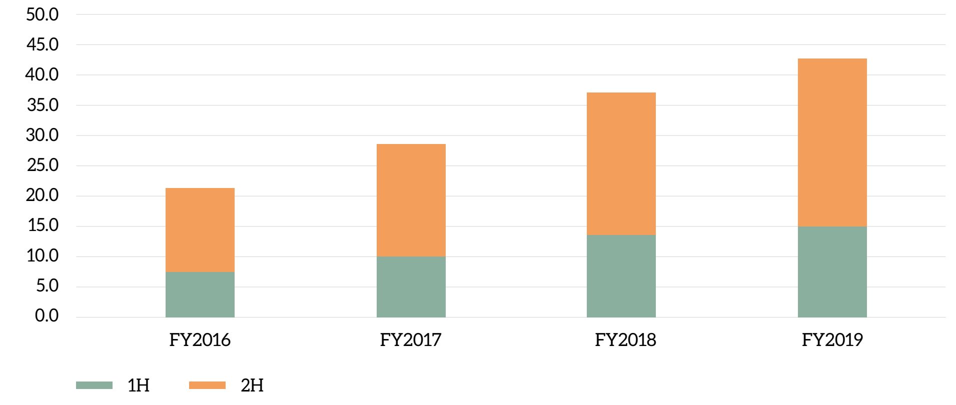
Financial Performance

The underlying financial performance of the Group since listing is summarised below:

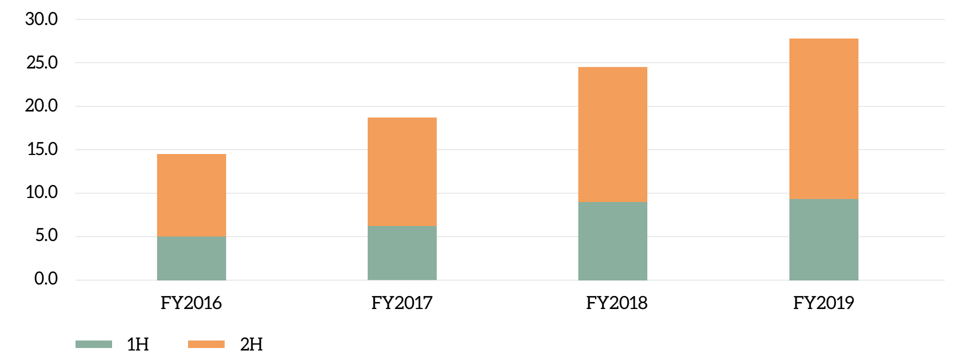
UNDERLYING REVENUE



UNDERLYING EBITDA



UNDERLYING - NPATA

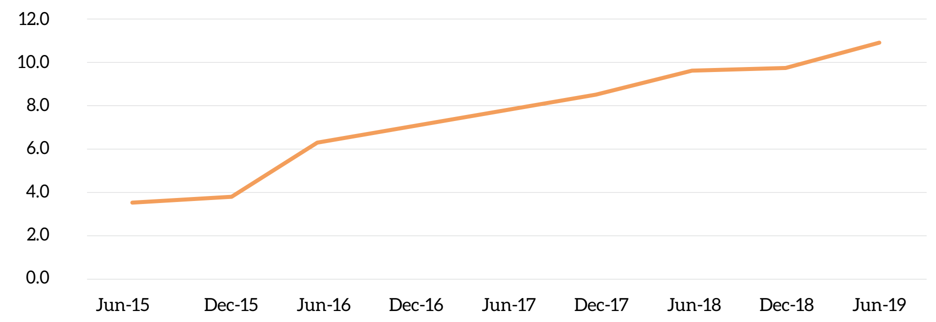


The underlying compound annual growth rates over this period have been:

Revenue	21%
EBITDA	27%
NPATA	25%

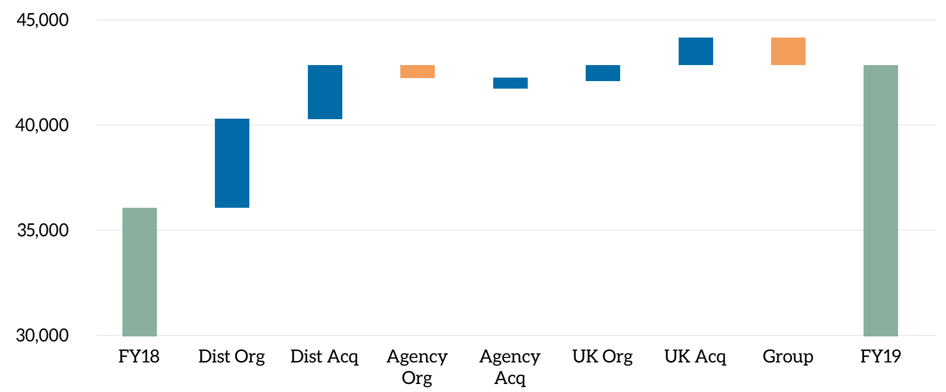
PSC INSURANCE GROUP

UNDERLYING EARNINGS PER SHARE



The underlying earnings per share of the Group since our IPO has been very strong and market leading against our peer group. It has tripled from 3.7 cents to 11.3 cents over the 4 year period. This represents a compound annual growth rate of 31%.

UNDERLYING EBITDA



We are pleased with the financial year 2019 results, which are outlined more closely below:

Underlying EBITDA has increased 17% from $37.0 million to $43.3 million (+ $6.3 million). Excluding investment income, operational underlying EBITDA increased 19% from $34.9 million to $41.6 million. Detail as follows:

- Organic growth: +$3.0 million (9% operational growth)
- Acquisition led growth: +$3.8 million (10% growth).
- Investment income: -$0.5 million.

Organic growth:

- Distribution: strong organic growth of +$4.0 million (+18%). This was largely driven by strong performance in the broking businesses; sound client growth, assistance from a strong premium environment and slightly improved contribution margin. The network business increased revenue by 8% over the period and contributed a broadly flat EBITDA contribution as PSC Connect invested in additional resourcing to aid future growth prospects.
- Agency: weak organic growth of -$0.6 million (-10%). This was the result of the hardening market conditions in the second half of the period. Underwriters altered terms and remuneration arrangements which particularly impacted Chase Underwriting's plant and equipment book. Chase Underwriting continues to retain its facilities and we expect a stabilised performance going forward.

- UK: solid organic growth of +$0.5 million (+8%). Breeze Underwriting was the strongest performer and Carroll Holman performed well. The APG business stabilised its position over the year, with the re-orientation of its business under new management continuing. The Chase UK business spent the majority of its year finalising its capacity arrangements. This is now complete and we remain optimistic of its prospects.
- Group: Excluding the investment income contribution, Group contribution to organic growth was -$0.7 million. This was the result of increased costs of $0.5 million, being both increased salaries and insurance costs, as well as a lower interest income contribution as we deployed capital on investments.

Acquisition growth:

- Distribution: contributed $2.5 million in incremental EBITDA over the period. The largest contributor was ~ $0.6 million from the workers compensation business acquired in October 2018. The balance was across 7 broking businesses acquired both in 2018 and 2019 years. All have performed well, with strong contributions from the IMGA and Insurance Solutions businesses.
- Agency: contributed $0.1 million in incremental EBITDA over the period. This was the incremental contribution from the medical agency business Medisure Indemnity.
- UK: contributed $1.1 million in incremental EBITDA over the period. This was essentially the result of Turner Insurance, which completed in July 2018. This business is performing to expectations.

Investment (yield) income:

- A lower contribution of $0.5 million. This was the result of the high prior year contribution from Johns Lyng, pre its IPO in the 2018 year.

Underlying NPATA and Statutory NPAT:

A reconciliation between underlying NPATA and statutory NPAT is as follows:

($m)	2019	2018
Statutory NPAT, incl NCI	25.4	27.8
Amortisation	1.6	1.1
Tax adjusted impact of revenue and expense adjustments	0.8	-4.7
Underlying NPATA	27.8	24.2

Underlying NPATA of $27.8 million adjusts the statutory NPAT $25.4 million to reflect:

- The non-cash amortisation charge.
- The Group had $7.9m in fair value and capital gains on the investments held. The largest contributor to this was a fair value gain of $6.3 million on our BP Marsh investment and the balance being a combination of fair value and capital gains on our JLG investment.
- The Group had $7.9m in one-off charges, the main of which are as follows: 1) $3.0 million in employment costs that are non-recurring and related to business changes across the year 2) $1.4 million in acquisition and transaction related costs 3) $1.1 million in accounting charges relating to changes in the fair value of deferred consideration payments and 4) $2.0 million in charges relating to equity based option charges for staff.
- The net after tax impact of these adjustment was $0.8 million.

Balance Sheet:

The balance sheet is in a sound position.

At balance date, there remained $41 million in undrawn debt capacity. Gearing levels at balance date were a little over 1.5 times as measured by gross debt to underlying EBITDA.

Additionally, the Group held $21.5 million in operational cash at balance date.

Subsequent to balance date, the Group raised equity of $35 million. This will assist with the completion of Paragon. We are also in the process of arranging debt facilities within the UK.

Griffiths Goodall has completed, with part of the undrawn debt capacity used to facilitate this.

The liquidity position of the Group is sound.

The cash conversion for the period remains sound, noting that part of our investment in the Johns Lyng Group was sold in the period and those proceeds being reflected in the investing cashflow section of the cash statement.

Dividends:

The Chairman announced an increased final, fully franked dividend to 5.2 cents per share, bringing total dividends for the financial period to 8.3 cents per share.

This represents a payout ratio of approximately 77%, based on underlying NPATA.

Outlook:

We have previously announced the acquisitions of Griffiths Goodall and Paragon. Both businesses have very capable management teams who have grown their businesses entirely from organic means. They are very welcome additions to the Group.

Dependent on the timing of completion for Paragon, we expect earnings growth from these acquisitions of over 20% for the financial year 2020. The existing businesses are also expected to continue to perform well and grow organically at a level consistent with prior years.