

23 August 2021

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

PSC INSURANCE GROUP LTD (PSI) – 2021 FULL YEAR RESULTS ANNOUNCEMENT

Please find attached:

- FY21 Full Year 30 June 2021 Results Announcement.

Other documents lodged today are:

- Appendix 4E.
- 2021 Annual Report.
- Investor presentation. As previously released to the Market a Results Announcement conference call will be held at 9.00 am today.
- Notification of dividend / distribution. The FY21 final dividend is 6.5 cents per share franked to 70%, payable 13 October 2021. The DRP will be active for this dividend.
- Appendix 4G.

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

Authorised for release to the ASX by the PSC Insurance Group Limited Board.



Stephen Abbott

Company Secretary

PSC FY 2021 RESULTS ANNOUNCEMENT

Key financial highlights in 2021 were:

- UNDERLYING REVENUE UP 17% TO \$207.2M.
- UNDERLYING EBITDA UP 25% TO \$72.0M¹.
- UNDERLYING NPATA UP 22 % TO \$45.8M.
- EPS GROWTH OF 8 % TO 15.1 CPS.

Year in Review:

Another eventful year, where we have all experienced numerous personal and business challenges. The challenges have been faced by our clients, staff and more generally across the broader economies in which we operate. In this context we are delighted with the performance of the Group for financial year 2021.

Our key learning from the year is the reinforcement of our confidence in our core beliefs being:

- Focus on what we do well.
- Remain disciplined about the processes that help to drive our success.
- Strive to be a better business each day.

I believe our strong results are a product of our focus, our discipline and our drive to improve. It is also a product of the resilience of our clients and our people.

I think about our core disciplines and processes across 4 key areas.

Firstly, we are a client and people business. That sounds obvious however a significant number of businesses, including in our industry, are revenue and expense businesses. It is important for us to be disciplined about our client first approach and never forget that our people are the drivers of our success. As I have noted before, the most important people in our business are those looking after clients, with the Group supporting them in making this as efficient as possible and executing on new growth opportunities. I am writing to you as shareholders, however only as the representative of all of the people in PSC. We are all striving together to make this an even greater business.

Secondly, we are now a large business that is a collective of smaller business units. We believe that this allows us to be lean, efficient and growth driven. Small business units can be lead rather than managed, which allows the leaders to help build skills in each business unit and to provide boundaries and autonomy to people in the business unit without burdening that business with the costs and stifling impact of excessive management. We strive to be more akin to a commercial partnership than a corporation with an expectation that everyone in the business has a voice and input into our success.

Thirdly, a strong focus on organic growth. We always want more clients. To grow you also need to strive to maintain relationships with all existing clients as well as build new relationships. This focus on organic growth drives us to optimise service to existing customers and creates a sense of discipline and accountability in all aspects of the business that helps fuel success.

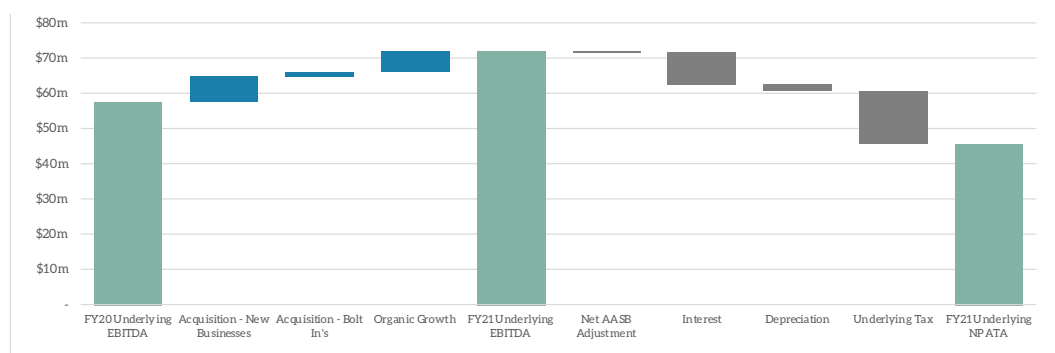
1. Adjusted for AASB16 impact of ~ -\$0.6m to ensure like for like comparison.

Lastly, we look for great acquisitions that add value to PSC by bringing new skills, depth of expertise, scale and growth. The investment world seems to have woken up to the importance of insurance broking and the role it plays and more importantly the growth opportunities and stability of earnings it offers shareholders and investors. The competition for acquisitions is consequently strong however the right ones still make a significant contribution to growing the value and success of PSC. We remain disciplined about the process of selection and pricing and as a consequence we have made a number of terrific acquisitions through the period. Good acquisitions are largely about the fit of the people with our culture of accountability and performance. They are therefore really mergers and work best where we are a stronger business post that merger. This has been the case during financial year 2021 and particularly with the new UK retail businesses that have joined the Group. As the Chairman commented, we now have a strong and growing presence in the UK retail (commercial SME) market and a significant team of people working to further build our retail market share.

The end outcome of applying our efforts in a disciplined and focused way is another year of strong growth. We believe this approach is maintainable and repeatable and that consequently growth is maintainable and repeatable. There may be years where there is less growth and some where the growth will be really significant, with that variance being a product of the opportunities that appear, the insurance premium rate cycle and some other factors. Broadly though, our capabilities and drive will see the business produce solid and consistent growth year after year, as can be seen by the consistent growth over the period since listing in 2015.

Year in Review (Financial Commentary):

We summarise the components of our 2021 growth below:

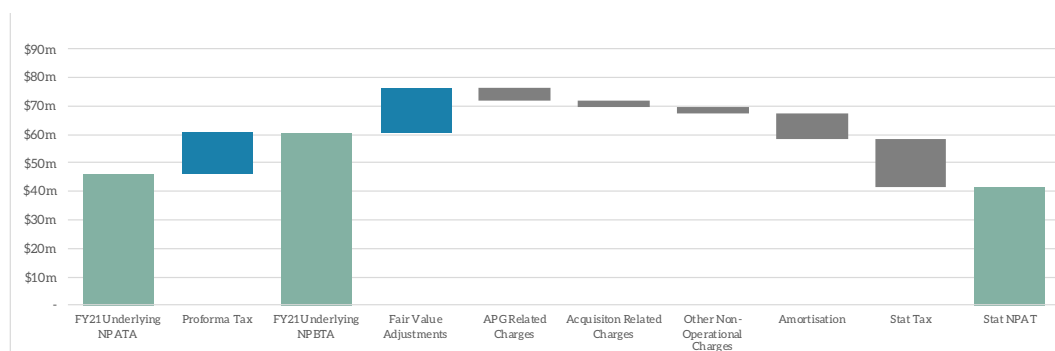


Comments:

- Organic growth across the Group was strong at \$6.3m (11%), with this growth being broad based across the 3 operating segments, with EBITDA margins increasing from 33% to 35%. Distribution contributed \$2.8m, Agency \$1.9m, UK \$1.5m and Group \$0.1m.
- Within these organic growth results are some items that mask further strength in the momentum across the Group. The APG and travel insurance businesses have been challenged, and contributed a combined reduction in operating performance of \$1.1m. A weaker average GBP rate has reduced operating performance by \$0.8m. The current spot rate is now well below the financial year 2021 average rate. There has been a net profit reduction of \$1.4m across increased insurance costs, a reduction in service fees received from insurer partners and decreased costs from travel and entertainment. These \$3.3m in items are not expected to recur in any meaningful extent in financial year 2022.

- The UK segment (\$7.2m) was the major contributor to the acquisition based growth of \$8.0m. In particular, Paragon (Q1 only) incremental performance was \$2.8m, Absolute Insurance (Q2-Q4) was \$1.7m, Abaco (Q4) was \$1.5m and Trust Insurance (Q4) was \$1.2m. There was an acquisition contribution of \$0.8m from Distribution, across a number of smaller bolt-in acquisitions.
- All acquisitions have performed well, and are largely ahead of expectations. They have integrated as planned, with the acquisitions of Absolute, Abaco and Trust allowing the scale for a strong UK retail presence. Over the next 12 months, these businesses will be closer together for a PSC Insurance Brokers UK strategy, akin to the Australian insurance broking platform.
- The acquisitions completed in financial year 2021 were largely funded by equity issues. Interest costs are up on the prior period largely as a result of an increase in the average debt levels driven by the acquisitions of Paragon and Griffiths Goodall. All debt facilities have remaining maturities > 3 years and covenants are comfortably covered. Net leverage ratio for the Group is approximately 2.0 times on a pro-forma historical basis.

Key adjustments to reconcile underlying to statutory results are below:



Comments:

- Fair Value (Investments) – this increased materially and provided a positive contribution of \$16.1m. BP Marsh has performed well over the period with its share price up 38% (resulting in a \$13.5m book value increase) and an increase in other investment assets of \$2.6m.
- Non-operating charges – totalled \$9.6m the main items were:
 - a. As previously advised the APG business in the UK has been re-structured and merged with Carrolls, this has resulted in pre-tax charges of approximately \$5.0m
 - b. Acquisition related charges, including professional costs and fair value changes in deferred consideration totalling approximately \$2.0m
 - c. A net charge of approximately \$1.0m relating to the position across unrealised FX and the fair value of the Paragon FX forwards
 - d. Approximately \$1.0m of other non-operational or non-recurring charges including employee termination charges of \$0.6m and corporate and tax advice charges of \$0.4m.
- Amortisation – of approximately \$9.0m, which has increased over FY20, given a full year of the Paragon acquisition and other UK based acquisitions.

Dividend and Outlook:

The Chairman announced an increased final dividend of 6.5 cents per share, franked to 70%, bringing total dividends for the financial period to 10.5 cents per share, franked to 81%. Franking has reduced for this dividend given the increased contribution from our UK businesses.

This represents a payout ratio of approximately 73%, relative to underlying NPATA.

Financial year 2021 has been a strong year and we are confident in the outlook of the Group for financial year 2022, noting as follows:

- After adjusting for the annualised impact of acquisitions completed in financial year 2021, the pro-forma financial year 2021 EBITDA is approximately \$78m.
- Last week we announced the acquisition of Alliance Insurance Services. We expect this to make an ongoing annualised EBITDA contribution of \$3m, and dependent on timing of completion, a contribution of approximately \$2.4m in financial year 2022.
- We expect organic growth to remain a strong contributor to growth.
- An expectation for hard market conditions, however lower rate increases than we have seen in the last 2 periods.

On this basis we expect an underlying EBITDA range of \$84m-\$89m and underlying NPATA range of \$54m-\$58m.

This is represented below at the EBITDA mid-point:

