

Investor Presentation
1H FY14 Results
24 February 2014



Presenters:

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Stephen Humphrys, Chief Financial Officer

Steadfast 

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Local currencies have been used where possible. Prevailing current exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate.

All references starting with "FY" refer to the financial year ended 30 June. For example, "FY14" refers to the year ended 30 June 2014. All references starting with "1H FY" refer to the financial half year ended 31 December. For example, "1H FY14" refers to the half year ended 31 December 2013.

- **Who we are**
- **Service provider and consolidator**
- **Steadfast GWP growth**
- **1H FY14 highlights**
- **Financial information**
- **Strategy & outlook**

LARGEST general insurance broker network in Australia¹

- ▶ Founded in 1996 as a collective buying and service group for independent brokers
- ▶ Network has grown from 43 to 285 insurance broker businesses representing over \$4.0bn in GWP
- ▶ Equity interests in 60 broker businesses, 5 underwriting agencies and 2 ancillary businesses
- ▶ 50% joint venture in Macquarie Premium Funding
- ▶ Registered broker in Singapore

455 offices across Australia and New Zealand



Note: 1. Measured by annual premiums placed (23% market share in FY13) and number of licensed brokers (32% market share in FY13)

Service provider and consolidator



18 years as a broker cluster group; first year as a consolidator

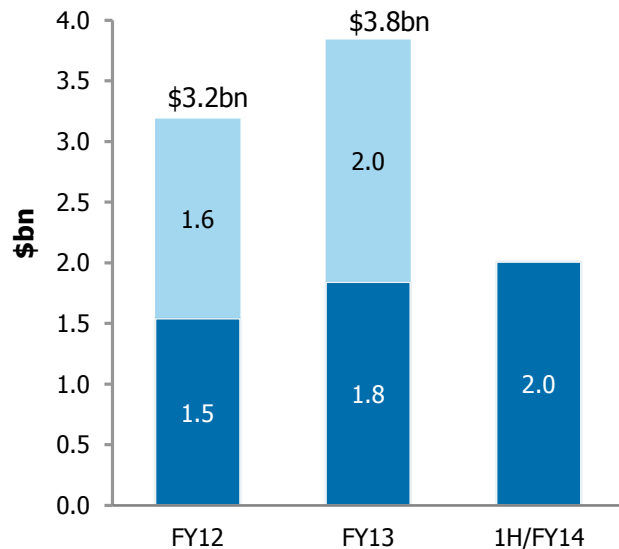
Steadfast Network Brokers	Steadfast Equity Brokers	Steadfast Underwriting Agencies	Premium Funding	Ancillary Businesses
<ul style="list-style-type: none"> ▶ Services provided to 285 brokers <p>Includes education and training, technical advice, brand and marketing support, information systems and other ongoing support services.</p> <p>Funded by Marketing & Administration (M&A) Fees paid to Steadfast from Strategic Partners.</p> <ul style="list-style-type: none"> ▶ Number of brokers up from 279 	<ul style="list-style-type: none"> ▶ Equity interests in 62 brokers ▶ 6 integrating into hubs 	<ul style="list-style-type: none"> ▶ Equity interests in five u/w agencies ▶ Acquired 60% of Protecsure (December 2013) 	<ul style="list-style-type: none"> ▶ 50% joint venture in Macquarie Pacific Premium Funding ▶ Macquarie Premium Funding acquired Pacific Premium Funding in March 2013 	<ul style="list-style-type: none"> ▶ Equity interests in two support services businesses ▶ Acquired remaining 12.5% of White Outsourcing (January 2014)

Strong GWP growth



Network Brokers

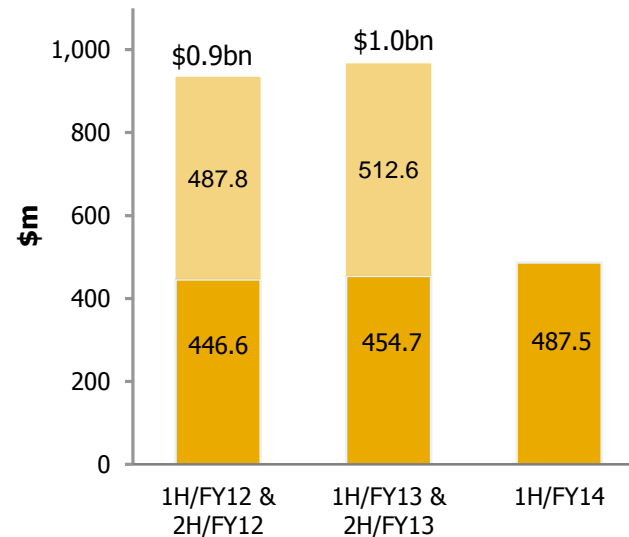
Gross Written Premium (GWP)



Up **9.0%** compared to 1H FY13

Equity Brokers

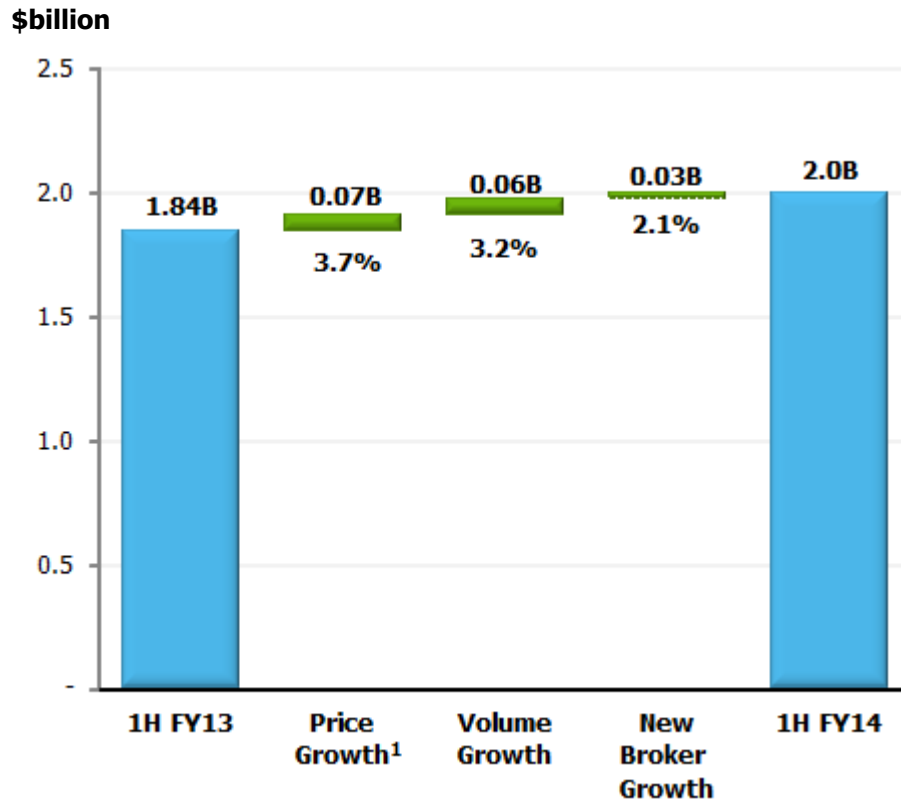
Gross Written Premium (GWP)



Up **7.2%** compared to 1H FY13

- Steadfast Network GWP no longer includes the fire service levy which is no longer applied in Victoria and which generates no income for brokers (1H FY14: \$46.1m, 1H FY13 \$110.8m, FY13: \$177.6m)
- Network GWP higher than Equity Broker GWP growth due to net new members in the Steadfast Network

Drivers of Network GWP growth



6.9% organic
(price and volume)

+

**2.1% new
broker growth**

=

9.0%

¹ Based on the increase in average price per premium broked by the Steadfast Network (sample size of over 775,000 policies in 1H FY14)

Solid pro-forma 1H FY14 results



- **Pro-forma revenue (IFRS view) of \$73.6m, up 6.8% compared to 1H FY13**
- **Pro-forma EBITA pre Corporate Office expenses (IFRS view) of \$33.0m, an increase of 14.4%**
- **1H/2H split: achieved 49% of FY14 pro-forma prospectus forecasted EBITA pre Corporate Office expenses (vs 47% for 1H FY13 as a percentage of FY13)**
- **1H FY14 dividend of 1.8 cents per share, fully franked, to be paid in April 2014**
- **Acquisitions: purchased 60% of underwriting agency Protecsure and 12.5% balance of White Outsourcing; strong pipeline of opportunities**
- **Hubs: Sydney, Melbourne, Perth and Brisbane completed with discussions underway for other major cities in Australia**

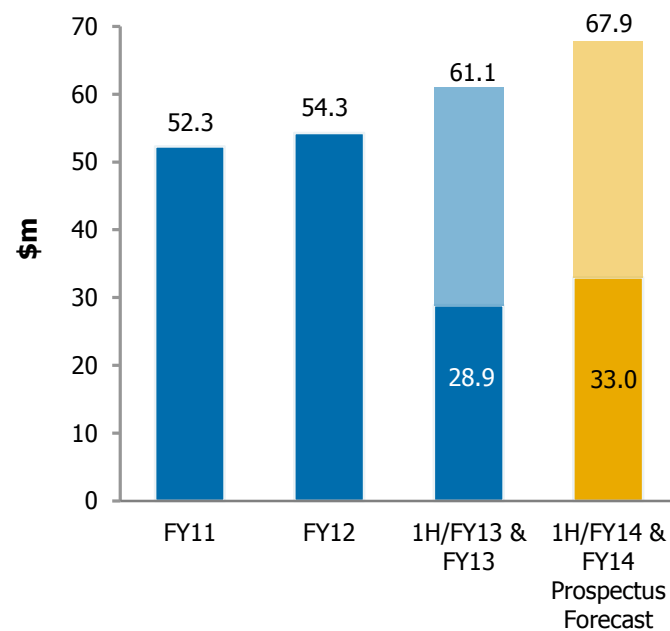
Financial information

Continuing growth

Pro-forma IFRS summary

FY end 30 June	1H FY14	1H FY13	% growth	FY14 Prospectus Forecast
EBITA pre Corporate Office expense (\$m)	33.0	28.9	14.4%	67.9
NPAT (\$m)	14.5	13.4	7.7%	30.1
Reported EPS (cents)	2.89	2.69	7.7%	6.01
NPATA (\$m)	18.8	17.0	10.7%	37.8
Cash EPS (cents)	3.75	3.39	10.7%	7.54
Number of ordinary shares on issue (m)	501.0	501.0		501.0

Pro-forma EBITA pre Corporate Office expense



Strong profit growth

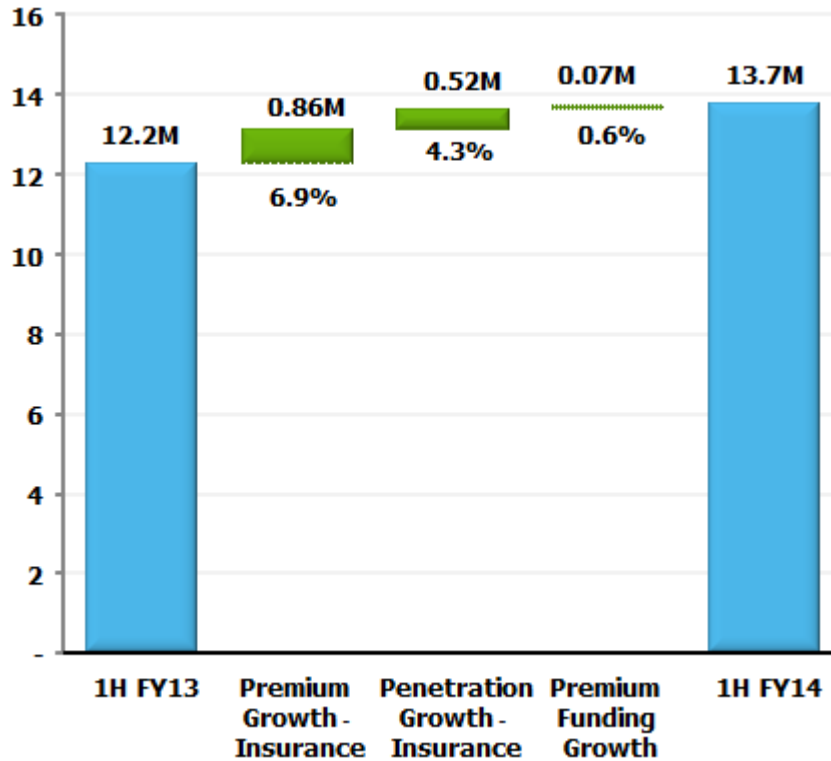
Pro-forma Statement of Income (IFRS View)

\$ millions	1H FY14	1H FY13	% growth	FY14 Prospectus Forecast
Fees and commissions	46.8	43.9	6.4%	100.1
M&A Fees	13.7	12.2	11.8%	26.0
Interest income	1.3	1.7	-21.5%	3.2
Other revenue	11.8	11.2	6.9%	22.7
Revenue – Consolidated entities	73.6	69.0	6.8%	152.0
Expenses – Consolidated entities	52.4	50.6	3.6%	107.5
EBITA – Consolidated entities	21.2	18.4	15.6%	44.5
Share of EBITA from associates and joint ventures	11.8	10.5	12.3%	23.4
EBITA – Pre Corporate Office expenses	33.0	28.9	14.4%	67.9
Corporate Office expenses	3.2	1.1	n/a	7.3
EBITA – Post Corporate Office expenses	29.8	27.8	7.4%	60.6
Net profit after tax	15.7	14.4	9.2%	33.5
Net profit attributable to Steadfast members	14.5	13.5	7.7%	30.1
Net Profit after Tax and before Amortisation	18.8	17.0	10.7%	37.8

- ✓ Revenue up 6.8% yoy
- ✓ M&A Fees up 11.8% yoy reflecting Network GWP growth of 9.0% and new strategic partners and products
- ✓ EBITA pre Corporate Office expenses up 14.4% yoy
- ✓ Rise in corporate office expenses due to new corporate structure and ASX listing

Drivers of M&A Fee growth

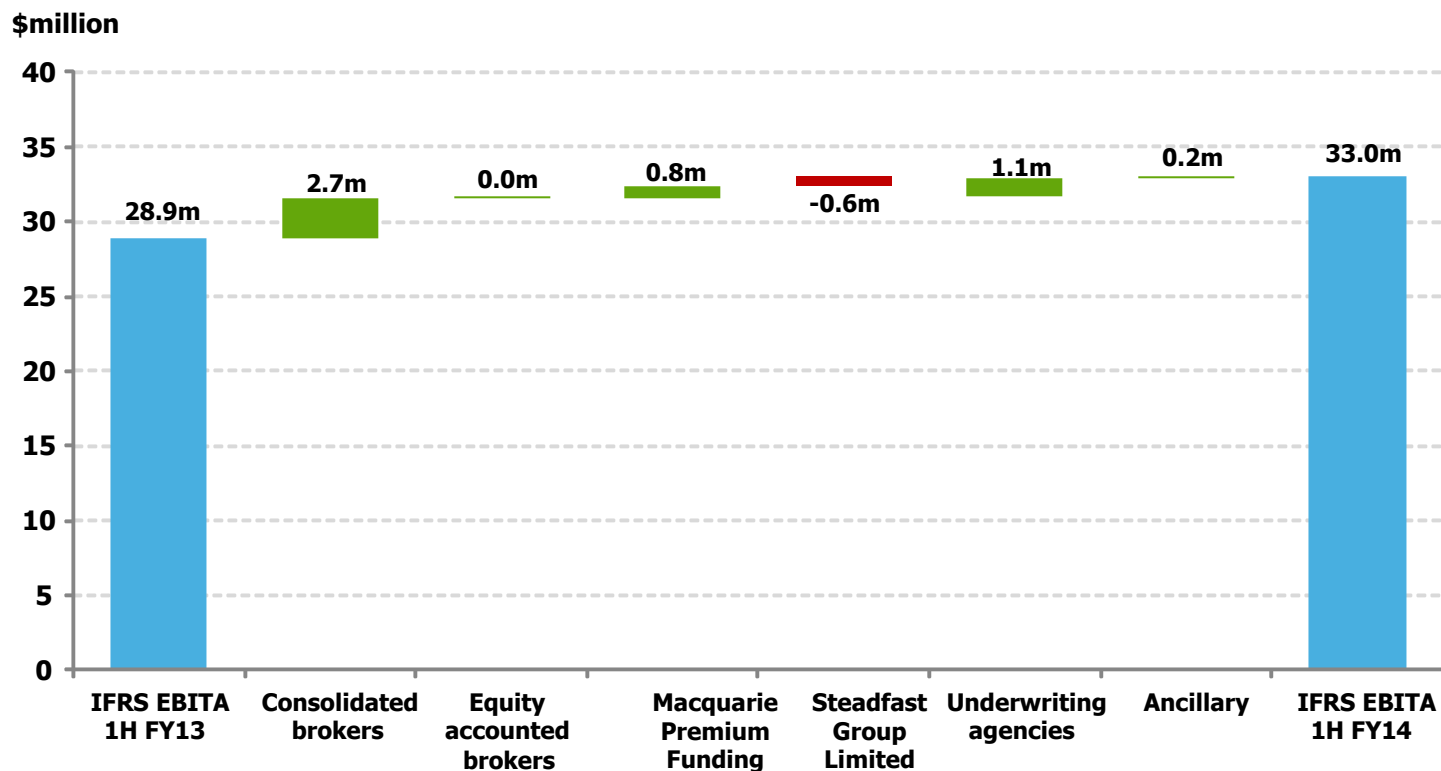
\$million



6.9% premium growth
+
4.3% more M&A products
+
0.6% premium funding
=
11.8%

Contributions to profit growth

Breakdown of the change in EBITA pre Corporate Office expenses



Healthy profit margins



EBITA margin pre Corporate Office expenses (Aggregated View)

\$ millions	1H FY14	1H FY13	% growth	FY14 Prospectus Forecast
Consolidated brokers	32.2%	27.5%	4.7%	32.6%
Equity accounted	25.2%	25.7%	-0.5%	29.2%
Underwriting agencies	34.7%	23.9%	10.8%	39.6%
Ancillary	18.5%	16.4%	2.1%	16.9%
Premium funding	22.8%	34.5%	-11.7%	18.0%
Steadfast	20.4%	28.6%	-8.2%	14.4%
Total EBITA margin (pre Corporate Office expenses)	26.3%	26.7%	-0.4%	27.0%

- ✓ Improved profit margin for consolidated brokers
- ✓ Underwriting agencies margins improving
- ✓ Premium funding restructuring ahead of schedule

Balance sheet positioned for growth



\$ millions	31/12/13	31/12/12 Pf post IPO
Cash and cash equivalents	52.2	70.4
Cash held on trust	56.5	50.9
Receivables & other	77.1	68.8
Total current assets	185.8	190.1
Equity accounted investments	153.4	132.4
Property, plant and equipment	18.8	17.7
Identifiable intangibles	72.3	71.7
Goodwill	252.9	236.4
Deferred tax assets & other	21.1	17.0
Total non-current assets	518.5	475.2
Total assets	704.3	665.3
Trade and other payables	124.7	107.5
Loan and borrowings	1.1	0.6
Other	20.4	16.6
Total current liabilities	146.2	124.7
Loans and borrowings	7.5	6.2
Deferred tax liabilities & other	34.2	33.3
Total non-current liabilities	41.7	39.5
Total liabilities	187.9	164.2
Net assets	516.4	501.1

- ✓ Conservative balance sheet (consolidated basis)
- ✓ **\$29m cash on hand for acquisitions**
- ✓ Zero debt at holding company
- ✓ \$8.6m debt belongs to broker businesses
- ✓ **\$85m debt facility in place**
- ✓ Pro-forma balance sheet based on \$1.00 IPO Price (*page 74 of IPO Prospectus*)
- ✓ Balance sheet does not reflect ~\$9m shareholder dividends to be paid in April 2014

Healthy increase in cash and cash equivalents

Dividends from equity accounted investments due by mid February

\$millions	1H FY14	1H FY13
Cash flows from operating activities		
Receipts from customers	90.1	21.1
Payments to suppliers and employees, and member rebates	-88.4	-20.1
Dividends received from associates and joint venture	3.5	-
Interest received net of interest and other finance costs paid	1.7	0.0
Income taxes paid	-1.8	0.0
Net cash from operating activities before customer trust accounts movement	5.1	1.0
Net movement in customer trust accounts	-20.8	-0.3
Net cash from operating activities	-15.7	0.7
Net cash used in investing activities	-166.7	-13.3
Net cash from financing activities	279.4	10.2
Net increase/(decrease) in cash and cash equivalents	97.0	-2.5
Cash and cash equivalents at 1 July	11.5	10.0
Cash and cash equivalents at 31 December	108.5	7.5
Cash held on trust included in cash and cash equivalents	56.5	8.2

- ✓ Cash held in trust balances high when Steadfast purchased equity stakes in brokers causing \$21m outflow in 1H FY14
- ✓ Cash used in investing activities includes \$171m (net of cash and trust cash acquired) paid for equity stakes in brokers and other businesses
- ✓ Cash from financing activities includes \$334m raised from IPO and repayment of debt
- ✓ Dividends from equity accounted investments due by mid February (at least 75% of profit after tax)

Fully franked dividend of 1.8 cents



- **Dividend payout ratio target: 65% to 85% of net profit after tax, and a minimum of 50% of net profit after tax before amortisation and impairment of intangibles**
- **Fully franked dividend of 1.8 cents**
- **Expected interim/final dividend split: 40%/60%**
- **Dividend Reinvestment Plan (DRP): dividends eligible for reinvestment under the DRP; 1H FY14 DRP will be funded by issue of new SDF shares; no discount**
- **Key dates for 1H FY14 dividend:**
 - **Ex date – Monday 17 March**
 - **Record date – Friday 21 March**
 - **Payment date – Monday 14 April**

1H FY14 statutory results

Reflects 5 months of operations from IPO acquisitions and a number of non-recurring items

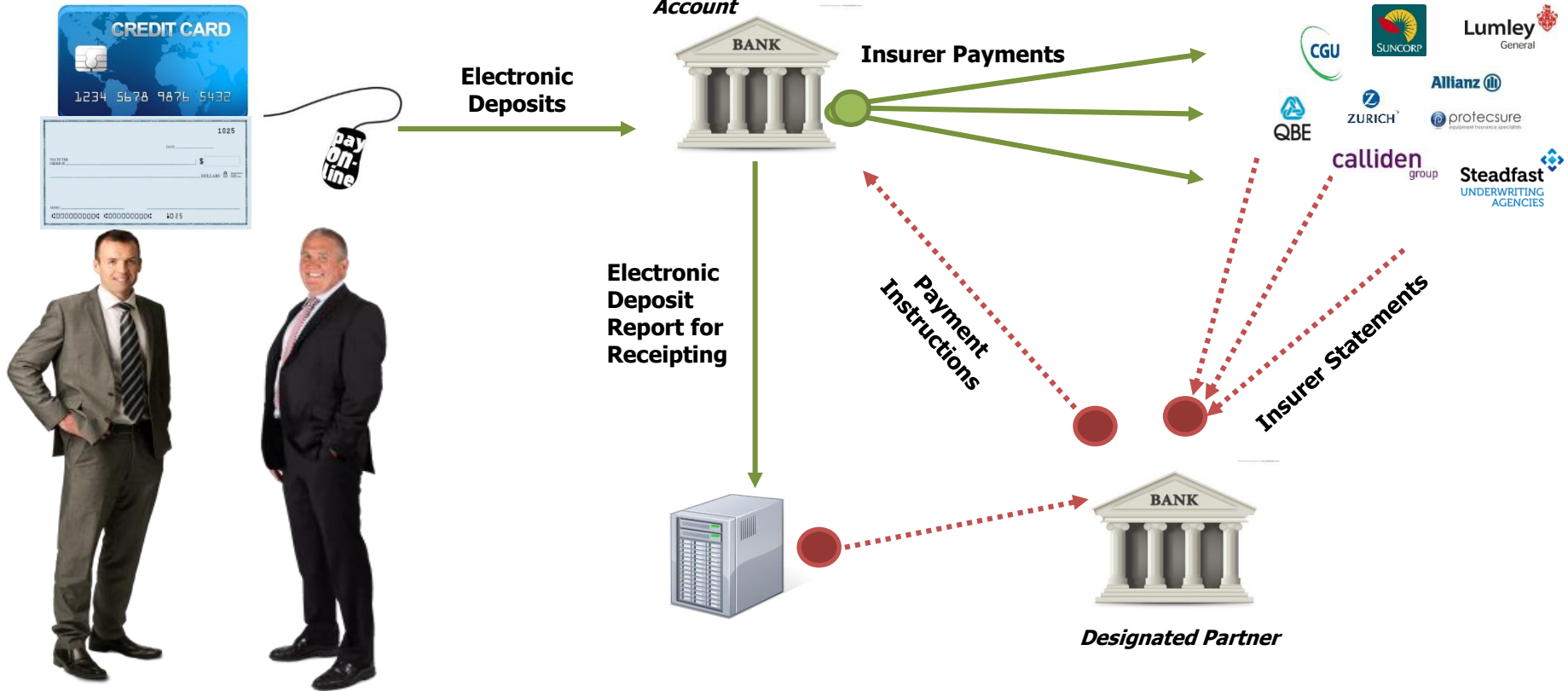
\$ millions	1H FY14	1H FY13
Revenue		
M&A fees	13.5	12.2
Revenue from wholly owned entities	49.1	1.7
Share of profits of associates and joint venture	6.2	2.1
Profit on fair value of 50% stake in Miramar now wholly owned	4.6	-
Other revenue	0.2	0.0
Total revenue	73.6	16.1
EBITA from core operations	24.8	6.0
Profit on fair value of 50% stake in Miramar now wholly owned	4.6	-
Due diligence and restructure costs	-2.3	-2.7
Share based payment expense on share options and executive loans and shares	-5.7	-
Statutory EBITA	21.4	3.3
Amortisation	-4.2	0.0
Finance costs	-1.7	-0.2
Income tax expense	-5.8	-1.1
Net profit after tax	9.7	1.9
Non-controlling interests	-0.9	0.0
Net profit after tax	8.8	1.9
Foreign exchange benefit from NZ\$	0.6	-
Total comprehensive income	9.4	1.9

- ✓ Statutory M&A Fees adjusted for M&A Fees from Steadfast underwriting agencies' payments
- ✓ Increase in EBITA from core operations derived from IPO Acquisitions and higher M&A Fees
- ✓ Non-recurring items consist of:
 - ✓ Non-cash profit on revaluation of Steadfast's 50% stake in Miramar
 - ✓ Due diligence and restructure costs
 - ✓ Non-cash share based payment expense on share options to Key Management Personnel of acquired businesses and executive shares

Strategy & outlook

- **Continue to provide and enhance the Network services that our brokers rely upon**
- **Maintain and expand our strategic partnerships**
- **Finalise initial hubs in each state**
- **Convert, where appropriate, the acquisitions and other opportunities under consideration**
- **Develop and acquire underwriting agencies in niche and complementary areas**
- **Implement Project 360°**
- **Demonstrate, internally and externally, the synergies we can create by amalgamation and back office integration**
- **Evaluate, develop, implement and roll out Steadfast Direct for the retail sector of our client base**

Clients



✓ Sydney

- now 80% owned
- pilot Project 360°

✓ Melbourne

- 80% owned

✓ Perth

- 67% owned, developed

✓ Brisbane

- continued development

✓ Tasmania

- under development

✓ South Australia/NT

- scoped

Estimated synergies to emerge over the next 2 years starting in FY15

Impact for brokers:

- ✓ **7% uplift in profits, i.e. 2%+ uplift in EBITA margin**

Steadfast is the natural acquirer of further interests in Steadfast Network Brokers, and a potential acquirer of non-aligned brokers and underwriting agencies

- ✓ **Active dialogue with potential acquisitions**
- ✓ **Strict criteria being followed. Acquisitions must be EPS accretive to shareholders within the first 12 months, assuming 85% equity funded**
- ✓ **Current balance sheet capacity of close to \$120 million**
- ✓ **Brokers and underwriting agencies are our prime targets**



- **Largest insurance conference in Australia**
- **4 day event focused on networking, products and services and education around regulation, risks, technology, growth opportunities, etc.**
- **Open only to the Steadfast Network, its strategic partners and service providers**
- **Venue alternates between different major cities across Australia**

- **Steadfast has performed strongly**
- **Strategic initiatives being delivered with success**
- **Robust acquisition and organic pipeline for growth**
- **Experienced team to implement strategy**

Q&A

Appendices

Pro-forma statement of income (IFRS view)

\$ millions	1H FY14	1H FY13	% growth	FY14 Prospectus Forecast
Fees and commissions	46.8	43.9	6.4%	100.1
M&A Fees	13.7	12.2	11.8%	26.0
Interest income	1.3	1.7	-21.5%	3.2
Other revenue	11.8	11.2	6.9%	22.7
Revenue – Consolidated entities	73.6	69.0	6.8%	152.0
Employment expenses	30.8	27.4	12.7%	59.5
Occupancy expenses	2.8	3.3	-16.4%	6.3
Other expenses	18.8	19.9	-5.6%	41.7
Expenses – Consolidated entities	52.4	50.6	3.6%	107.5
EBITA – Consolidated entities	21.2	18.4	15.6%	44.5
Share of EBITA from associates and joint ventures	11.8	10.5	12.3%	23.4
EBITA – Pre Corporate Office expenses	33.0	28.9	14.4%	67.9
Corporate Office expenses	3.2	1.1	nm	7.3
EBITA – Post Corporate Office expenses	29.8	27.8	7.4%	60.6
Net financing expense	-0.6	-1.1	-47.8%	-0.5
Amortisation expense	-4.8	-4.3	11.0%	-9.5
Income tax expense	-8.8	-8.0	9.7%	-17.1
Non-controlling interests	-1.2	-0.9	26.2%	-3.4
Net profit after tax	15.7	14.4	9.2%	33.5
Non-controlling interests in net profit after tax	1.2	0.9	30.4%	3.4
Net profit attributable to Steadfast members	14.5	13.5	7.7%	30.1
Amortisation expense	4.3	3.5	22.0%	7.7
Net Profit after Tax and before Amortisation	18.8	17.0	10.7%	37.8

Pro-forma revenue and EBITA pre CO expenses (Aggregate view)



\$ millions	1H FY14	1H FY13	% growth	FY14 Prospectus Forecast
Revenue				
Consolidated brokers	47.3	45.7	3.4%	99.8
Equity accounted	71.5	69.8	2.5%	149.2
Revenue from brokers	118.8	115.5	2.9%	249.0
Underwriting agencies	10.8	9.4	15.6%	20.7
Ancillary	12.0	9.8	23.5%	21.3
Premium funding	31.6	18.3	72.0%	59.7
Steadfast	15.1	13.1	15.6%	29.9
Total revenue	188.4	166.1	13.4%	380.6
Total EBITA (pre CO expenses)	49.5	44.4	11.6%	103.0
EBITA (pre CO expenses)				
Consolidated brokers	15.2	12.6	21.2%	32.6
Equity accounted	18.0	17.9	0.7%	43.5
Underwriting agencies	3.8	2.2	67.8%	8.2
Ancillary	2.2	1.6	39.2%	3.6
Premium funding	7.2	6.3	13.9%	10.8
Steadfast	3.1	3.7	-17.4%	4.3
Total EBITA (pre CO expenses)	49.5	44.4	11.6%	103.1

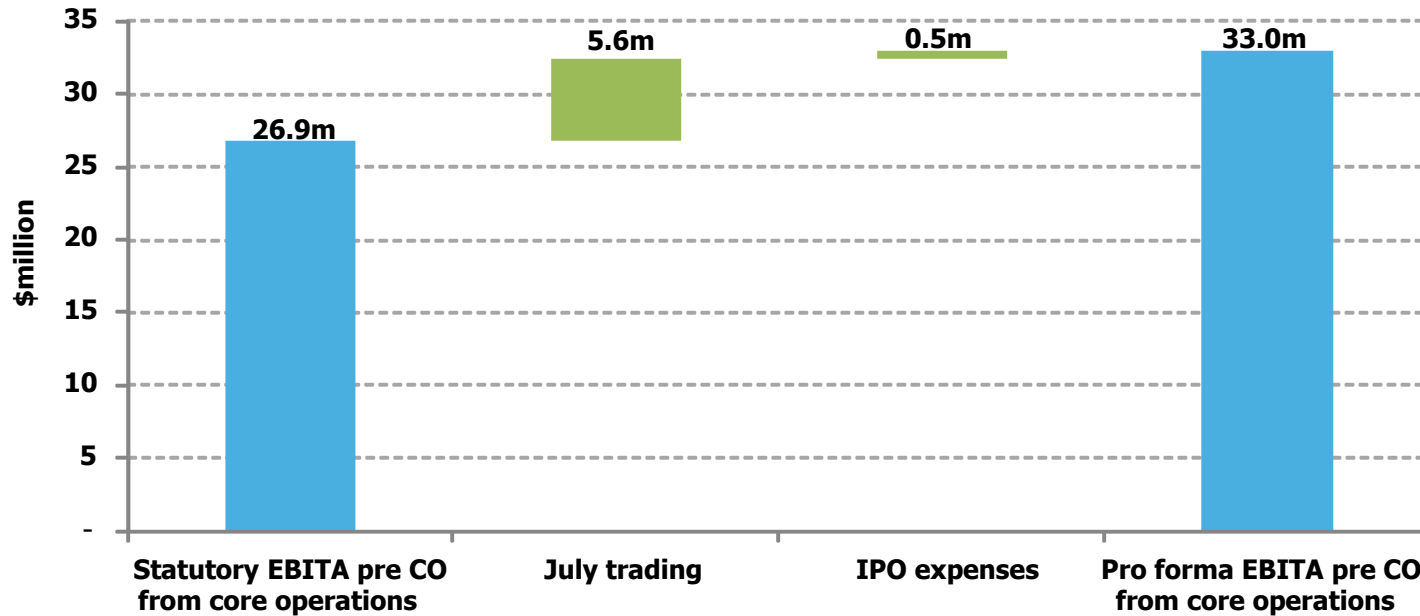
Pro-forma results (Aggregate view)



Revenue and EBITA margin pre Corporate Office expenses (Aggregated View)

\$ millions	FY11	FY12	1H FY13	FY13	1H FY14	FY14 Prospectus Forecasts
Revenue						
Consolidated brokers	87.6	92.0	45.7	94.2	47.3	99.8
Equity accounted	123.8	135.6	69.8	143.6	71.5	149.2
Revenue from brokers	211.4	227.6	115.5	237.8	118.8	249.0
Underwriting agencies	17.6	18.6	9.4	19.7	10.8	20.7
Ancillary	15.8	18.1	9.8	21.4	12.0	21.3
Premium funding	23.9	26.9	18.3	37.9	31.6	59.7
Steadfast	22.4	24.3	13.1	29.1	15.1	29.9
Total revenue	291.1	315.5	166.1	345.9	188.4	380.6
Total EBITA (pre CO expenses)	75.4	81.6	44.4	92.1	49.5	103.0
EBITA margins (pre CO expenses)						
Consolidated brokers	35%	32%	27.5%	31%	32.2%	32.6%
Equity accounted	25%	26%	25.7%	27%	25.3%	29.2%
Underwriting agencies	22%	25%	23.9%	26%	34.7%	39.6%
Ancillary	16%	15%	16.4%	17%	18.5%	16.9%
Premium funding	28%	29%	34.5%	23%	22.8%	18.0%
Steadfast	3%	6%	28.6%	22%	20.4%	14.4%
Total EBITA margin (pre CO expenses)	26%	26%	26.7%	27%	26.3%	27.0%

Reconciliation between Pro-forma and Statutory profit for 1H FY14



Pro-forma P&L items (IFRS view)

Other revenue

\$millions	1H FY14	1H FY13	Variance
Management fee income	0.5	0.5	-0.0
Fee income for other professional services	8.5	7.8	0.7
Other income	2.9	2.8	0.1
Total other revenue	11.9	11.1	0.8

Other expenses

\$millions	1H FY14	1H FY13	Variance
Rebate to Steadfast brokers	3.6	2.5	1.1
Cost of broker services	1.3	1.6	-0.3
Selling expenses	2.3	3.4	-1.1
Administration expenses	10.7	11.5	-0.8
Depreciation of PP&E	0.9	0.9	-0.0
Total other expenses	18.8	19.9	-1.1

Ordinary shares on issue

millions	No. of ordinary shares ¹
Ordinary shares on issue as at 31 December 2013	501.0
Made up of: ²	
Re-weighting Shares	65.7
Executive Shares	10.9
Consideration Shares	134.2
IPO Shares	290.2

- ✓ 172.5 million shares under escrow until 31 August 2014
- ✓ Escrow shares are owned by Steadfast brokers and associates

Notes: 1. IPO shares were issued at the Final Price of \$1.15 per share. Re-weighting Shares, Executive Shares and Consideration Shares were issued at \$1.00 per share.
2. The description of shares that make up total ordinary shares have the meaning of those terms given in the IPO prospectus.