

## MARKET RELEASE

23 August 2017

### **Steadfast Group announces fourth consecutive year of record results with FY17 underlying NPAT up 10% and total dividend up 17%**

#### **FY17 vs FY16 financial highlights<sup>1</sup>**

- Underlying revenue of \$504m, up 7.2%
- Underlying EBITA of \$143m, up 10.6%
- Underlying NPAT of \$66m, up 9.8%
- Underlying EPS of 8.9 cents per share, up 9.6%
- Record gross written premium (GWP) of \$5bn placed by Steadfast Network brokers, up 9.8%
- Final dividend (fully franked) of 4.4 cents per share (cps), up 22.2% year-on-year
- FY17 total dividend (fully franked) of 7.0 cps, up 16.7% year-on-year

Statutory NPAT of \$67m (compared to \$73m in FY16) includes lower net non-trading gains of \$0.4m in FY17 (\$13.0m in FY16).

Managing Director & CEO Robert Kelly commented "we delivered another record result which demonstrates our size and scale as Australia's largest general insurance broker network and underwriting agency group<sup>2</sup>.

#### **Record GWP driven by hardening market and organic growth**

"We delivered record Steadfast Network GWP of \$5.0 billion as we benefited from premium price increases in the last few months across our primarily Australian SME (small-to-medium enterprise) portfolio and the addition of 18 new brokers to the Network. Steadfast Network brokers account for 28% of the Australian intermediated general insurance market<sup>2</sup>.

"Steadfast Underwriting Agencies also performed well with GWP up 4% for the year driven by strong momentum in 2H17 as brokers increasingly utilised our agencies in a hardening market. Steadfast Direct continued to build, delivering \$86m of GWP for the year, up 115% from FY16.

"We saw premium price improvements across our portfolio with a 3.8% increase in FY17. The June renewal period was particularly strong, resulting in a circa 6% GWP uplift compared to the prior corresponding period.

"Group organic EBITA grew by 8%, driven by an increase in premium prices and volume as well as margin improvement as a result of efficiency gains. Acquisition growth of 3% was driven by broker acquisitions.

#### **International footprint**

"We continued to build our international footprint in FY17 with 38 Steadfast Network brokers in New Zealand delivering record GWP of NZ\$330m, up 7% for the year. In Asia, we are initially targeting the Singapore market with nine brokers joining the Network in the year and our first equity investment made in a Singapore-based broker in July 2017.

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<sup>1</sup> Statutory P&L results have been adjusted to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Underlying P&L results excludes non-trading items.

<sup>2</sup> Steadfast Group and APRA Intermediated General Insurance Statistics (December 2016).

“We also acquired an equity stake in unisonBrokers (renamed unisonSteadfast), a global general insurance broker network with 200 brokers in 130 countries generating \$US17 billion of GWP. In the medium term, this strategic relationship will allow us to build new revenue streams by offering new products and services to unisonSteadfast brokers and open new markets to Steadfast Network brokers and Steadfast Underwriting Agencies.

## **Future growth**

“We continue to invest in our technology to benefit our clients, Network brokers and strategic partners and deliver future value to our shareholders. The Steadfast Client Trading Platform already has five insurance classes contracted with insurer partners with revenue increases expected in FY18 and further uplift in FY19 when these classes and new systems are fully operational. The INSIGHT and UnderwriterCentral rollout programme continues with both platforms delivering further revenue.

“We actively managed our investments in brokers by acquiring equity stakes in nine new brokers and increasing our equity positions in 12 brokers during the year. We are well positioned to fund future investments and there continues to be a consistent pipeline of broker acquisition opportunities. We remain, as ever, disciplined in our acquisition criteria and due diligence process.”

## **Strong balance sheet**

At the end of June 2017, net assets were \$913 million. The total gearing ratio was 18.5% with significant headroom in financial debt covenants. Based on a 25% maximum target corporate gearing ratio and current debt facilities of \$285 million, Steadfast Group has balance sheet debt capacity of \$111 million for future growth.

## **Total dividend up 17% year-on-year**

The Board has declared a fully franked final dividend of 4.4 cents per share, an increase of 22% compared to the FY16 final dividend taking the FY17 total dividend to 7.0 cents per share, an increase of 17% compared to the FY16 total dividend. The total FY17 dividend payout ratio equates to 79% of underlying net profit after tax after adjusting for non-trading items, and is in line with the target payout ratio of between 65% and 85%.

The growth in our share price and the final dividend has contributed to a total shareholder return of 196% since our IPO in August 2013 including the final 2017 dividend and the further value to shareholders who participated in the 2015 rights issue.

The 2017 final dividend dates are as follows:

- Ex-dividend date of 11 September 2017
- Record date of 12 September 2017
- Dividend reinvestment plan (DRP) record date of 13 September 2017
- Payment date of 13 October 2017

The final dividend is eligible for Steadfast’s DRP at no discount. For more information on the final dividend and the DRP, please refer to Steadfast’s Appendix 3A.1: Notification of dividend, lodged with the ASX on 23 August 2017 and on our website.

## Outlook

Steadfast Group has provided FY18 guidance<sup>3</sup> of:

- Underlying EBITA of between \$155 million and \$165 million
- Underlying NPAT of between \$70 million and \$75 million

This guidance allows for<sup>3</sup>:

- 5-7% premium price increase across brokers' portfolios
- Growth from key initiatives
- Broker-led organic growth and margin improvement
- No material acquisition growth
- Ongoing spend on new technology initiatives for future growth
- 2H 18 impact of potential closure of builders warranty agency

## Conference call and webcast

Robert Kelly, Managing Director & CEO, and Stephen Humphrys, Chief Financial Officer, will host a conference call and webcast today (23 August 2017) at 9.30am (Sydney time).

- To participate in the call, please dial 1800 123 296 (toll free Australia), 0800 452 782 (toll free New Zealand) or +61 2 8038 5221 (international) and quote the conference ID 6422 4912.
- To access the live webcast, please click onto [investor.steadfast.com.au](http://investor.steadfast.com.au) or <http://www.openbriefing.com/OB/2605.aspx>

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## About Steadfast

Steadfast Group, established in 1996, is the largest general insurance broker network and the largest underwriting agency group in Australasia. Our network provides products and services to over 360 insurance broker businesses across Australia, New Zealand and Asia. Steadfast Network brokers and Steadfast Underwriting Agencies generated billings of more than \$6.5 billion for the 12 months ended 30 June 2017. Steadfast Group operates as a co-owner and consolidator through its equity interests in a number of broker businesses, underwriting agencies and other complementary businesses. Steadfast Group also has an equity stake in unisonSteadfast, a global general insurance broker network with over 200 brokers in 130 countries generating US\$17 billion of GWP.

For further information, please visit [investor.steadfast.com.au](http://investor.steadfast.com.au)

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<sup>3</sup> Also refer to the key risks on pages 37 – 39 of the Steadfast 2017 Annual Report.