

## MARKET RELEASE

21 February 2018

### **Steadfast Group announces strong half year results with 1H18 underlying NPAT up 8.4% and reaffirms FY18 guidance**

#### **1H18 financial highlights<sup>1</sup>**

- Underlying revenue of \$269.6m, up 7.8%
- Underlying EBITA of \$72.8m, up 9.1%
- Underlying NPAT of \$32.5m, up 8.4%
- Underlying NPATA of \$43.0m, up 5.0%
- Underlying EPS (NPAT) of 4.31 cents per share, up 7.7%
- Record first half gross written premium (GWP) of \$2.6 billion placed by Steadfast Network brokers, up 8.0%
- Interim FY18 dividend (fully franked) of 2.8 cents per share (cps), up 7.7% year-on-year

Statutory NPAT of \$33.8m was down 10.9% due to non-trading gains being lower than the prior corresponding period.

Managing Director & CEO Robert Kelly commented “we reported a strong first half result driven by organic and acquisition growth across the Group. The Steadfast Network delivered a record \$2.6 billion of GWP while Steadfast Underwriting Agencies produced record earnings driven by price and acquisition growth. We also made good progress on delivering our key strategic initiatives of rolling out our proprietary technology and growing our international footprint.”

#### **Steadfast Network GWP driven by price increases and new brokers**

The Steadfast Network delivered GWP of \$2.6 billion, growth of 8%, driven by price rises together with new brokers and authorised representatives joining the Network. There were price increases of 4.4% across our Australian SME portfolio (excluding statutory classes) compared to the prior corresponding period. Business pack, Industrial Special Risks, professional and motor lines all recorded increases.

The number of Steadfast Network brokers increased by 15 in 1H18 bringing the total to 376 across Australia, New Zealand and Singapore underlining Steadfast’s position as the largest general insurance broker network in Australasia<sup>2</sup>.

#### **Steadfast Underwriting Agencies deliver strong earnings growth**

Steadfast Underwriting Agencies delivered GWP of \$449 million in 1H18, growth of 16% and a record for a half year period. This was driven by price and volume increases, particularly in property and business lines as well as the addition of Axis Underwriting Services as part of the Whitbread Group acquisition in December 2017.

#### **Technology rollout**

The rollout of the Steadfast Client Trading Platform (SCTP) continued in 1H18 with nine insurers and underwriting agencies now connected with QBE going live in April 2018. A number of brokers have commenced transacting on the SCTP with a further increase expected in FY19 as all insurer partners are connected across the five initial classes offered.

<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 (June 2017).

There are now 56 Steadfast Network brokers on the INSIGHT platform with over 70 targeted by the end of FY18. There continues to be strong demand from brokers with an additional 41 contracted to migrate onto the platform and negotiations ongoing with a further 200.

## **International footprint**

The Steadfast Network has been successfully replicated in New Zealand and Singapore with a total of 50 brokers in our international Network, and a further three joining Singapore in January 2018. New Zealand GWP was up 12% to \$NZ189 million for 1H18.

The initial focus for unisonSteadfast is the aggregation of global GWP to facilitate improved relationships with global insurers and create new revenue streams. The aggregation of data is underway and discussions with global insurers are expected to take place during calendar year 2018.

## **Investment activity**

Steadfast Group made equity investments in 13 brokers during 1H18 with seven new equity holdings and six increases in existing holdings. Whitbread Group was acquired in December 2017 for \$95 million and consisted of Whitbread Insurance Brokers, a long-standing member of the Steadfast Network, and Axis Underwriting Services.

There continues to be a strong acquisition pipeline which remains subject to our disciplined acquisition criteria and due diligence process.

## **Strong balance sheet for future growth**

Steadfast Group has a strong balance sheet positioned to fund future growth. \$89 million of unutilised corporate debt facilities was available at 31 December 2017. The total gearing ratio was 18.8%, well within the board-mandated maximum of 30%.

Net assets were \$1.02 billion at 31 December 2017.

## **Total dividend up 8% year-on-year**

The board has declared a fully franked interim FY18 dividend of 2.8 cents per share (cps), up from 2.6 cps (+8%) compared to the prior corresponding period. The target FY18 dividend payout ratio remains between 65% and 85% of underlying NPAT.

The interim FY18 dividend dates are as follows:

- Ex-dividend date of 26 February 2018
- Record date of 27 February 2018
- Dividend Reinvestment Plan (DRP) record date of 28 February 2018
- Payment date of 22 March 2018

The interim FY18 dividend is eligible for Steadfast's DRP at no discount. For more information on the interim dividend and the DRP, please refer to Steadfast's Appendix 3A.1: Notification of dividend, lodged with the ASX on 21 February 2018 and on our website.

## Outlook<sup>3</sup>

Steadfast Group reaffirms FY18 guidance announced in December, which was increased to reflect the Whitbread Group acquisition:

	Underlying EBITA	Underlying NPAT
<b>Guidance range<sup>4</sup> (August 2017)</b>	\$155 million - \$165 million	\$70 million - \$75 million
<b>Increased guidance range (December 2017)</b>	\$160 million - \$170 million	\$72.5 million - \$77.5 million

## Conference call and webcast

Robert Kelly, Managing Director & CEO, and Stephen Humphrys, Chief Financial Officer, will host a conference call and webcast today (21 February 2018) at 10.00am (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 8999 049.
- To access the live webcast, please click onto [investor.steadfast.com.au](http://investor.steadfast.com.au) or <http://www.openbriefing.com/OB/2786.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 370 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)

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

<sup>4</sup> Refer to slide 32 of the Steadfast Group FY17 investor presentation