

20 February 2019

# Steadfast Group

## 1H19 results

### Analyst pack

**Presenters:**

Robert Kelly - Managing Director & CEO

Stephen Humphrys - Chief Financial Officer



# 1H19 results - analyst pack

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# 1H19 highlights

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# Steadfast Group

## Underlying earnings driven by organic and acquisition growth

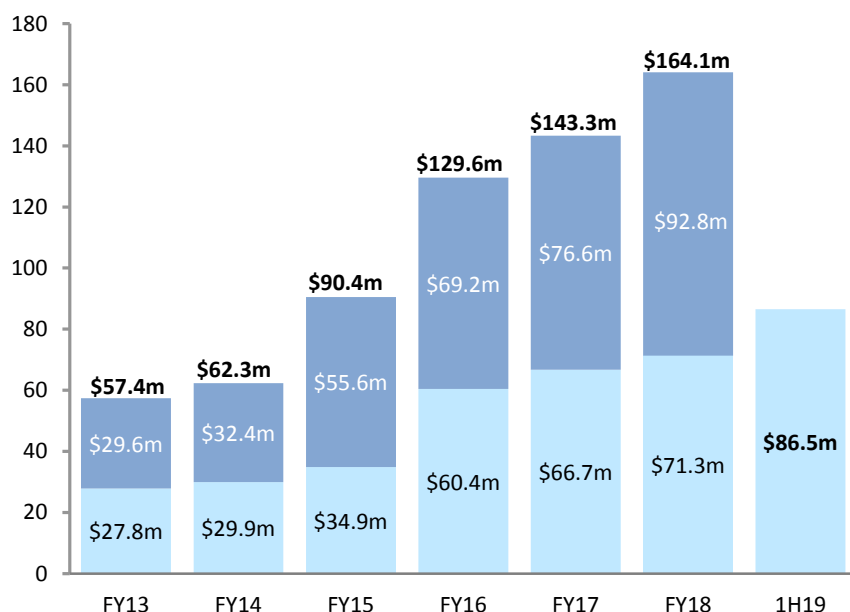
### Underlying earnings<sup>1</sup>

- EBITA<sup>2</sup> **+21.3%** to **\$86.5m**
- NPAT **+17.6%** to **\$38.2m**
- NPATA<sup>3</sup> **+16.9%** to **\$50.3m**
- EPS (NPAT) **+12.0%** to **4.83 cps**
- Interim dividend **+14.3%** to **3.2 cps**

### Statutory earnings

- NPAT **+19.8%** to **\$40.5m**

### Underlying EBITA<sup>2</sup> (\$m)



### Organic growth

- Underlying EBITA<sup>2</sup> organic growth **\$9.5m, +13.3%**
- Driven by equity brokers and a particularly strong performance by the underwriting agencies

### Acquisition growth

- Underlying EBITA acquisition growth **\$5.7m, +8.0%**
- Driven by broker and agency acquisitions with strong ongoing contribution from recent acquisitions

### Investment activity

- Net investment of **\$94m** in 1H19
  - Including CBN and HMIA acquisitions

### Future growth

- Unutilised debt facility of **\$99m** available at 31 December 2018 (plus free cash flow)

### Royal Commission

- Supportive of recommendations which improve client outcomes - aligns with Steadfast's ethos, offering and processes
- Steadfast's market-leading policy wordings, triage and Steadfast Client Trading Platform support strong client outcomes with non-volume based remuneration and non-variable commission terms
- Industry has three years to work on issues of conflicted remuneration where they exist in general insurance

<sup>1</sup> For statutory reconciliation, refer to slides 45 and 46.

<sup>2</sup> Excludes impact from dividend income and mark-to-market adjustments for Johns Lyng Group investment.

<sup>3</sup> Calculated on a consistent basis since IPO.

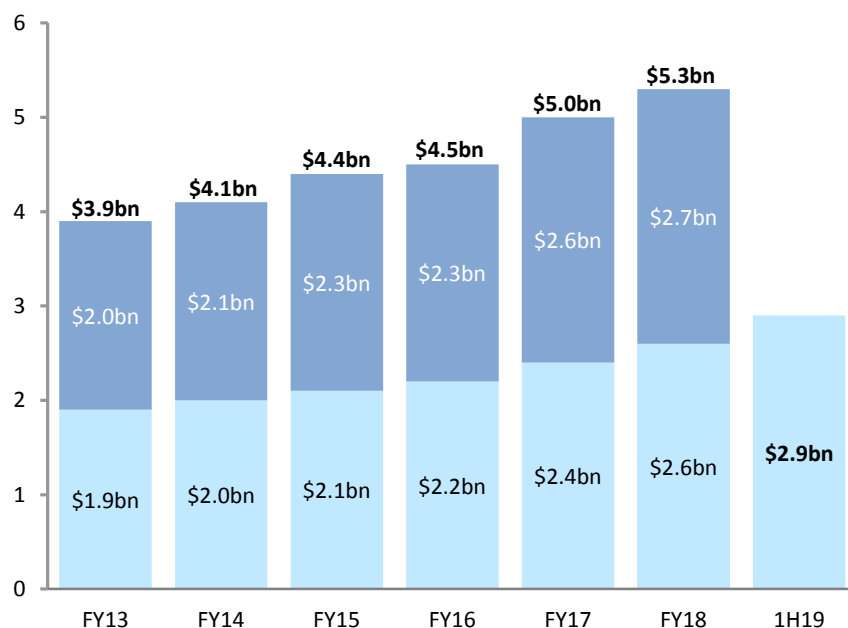
# Steadfast Network and equity broker

## GWP and underlying EBITA growth driven by price and volume

### Financial highlights

- Steadfast Network GWP **+12%** to **\$2.9 billion**
  - Driven by price and volume increases, growth from authorised representatives (AR) and new brokers joining the Network
  - 7%** organic growth in half year compared to pcg (excludes statutory classes)
    - Price increases in business pack, ISR, professional risks, motor lines and liability
- Network GWP is 88% commercial lines, 12% retail

### Gross written premium (\$bn)



### Operational highlights

- Growth in Steadfast Network brokers **+11** to **388**
  - 332** brokers in the Australian Network
  - 43** brokers in the New Zealand Network
  - 13** brokers in the Singapore Network
- Significant investment activity in Steadfast Network brokers in 1H19
  - 4** new equity holdings (2 bolt-ons), **4** increased equity holdings
- Steadfast Client Trading Platform 1H19 GWP of **\$190 million, +109%** compared to pcg

### Equity broker highlights (aggregate)

- Underlying net revenue of **\$205.2 million, +16%**
  - Organic growth of **+9%** and acquisition growth of **+7%**
- Underlying EBITA of **\$57.4 million, +14%**
  - Organic growth of **+9%** and acquisition growth of **+5%**
- 'Traditional' broker margin<sup>1</sup> maintained at **29.4%**

### 1H19 vs 1H18

GWP of **\$2.9bn vs \$2.6bn**

**+7% organic growth**

**+3% AR network**

**+2% new brokers**

**+12% total growth**

<sup>1</sup> EBITA margin = EBITA / Net revenue.

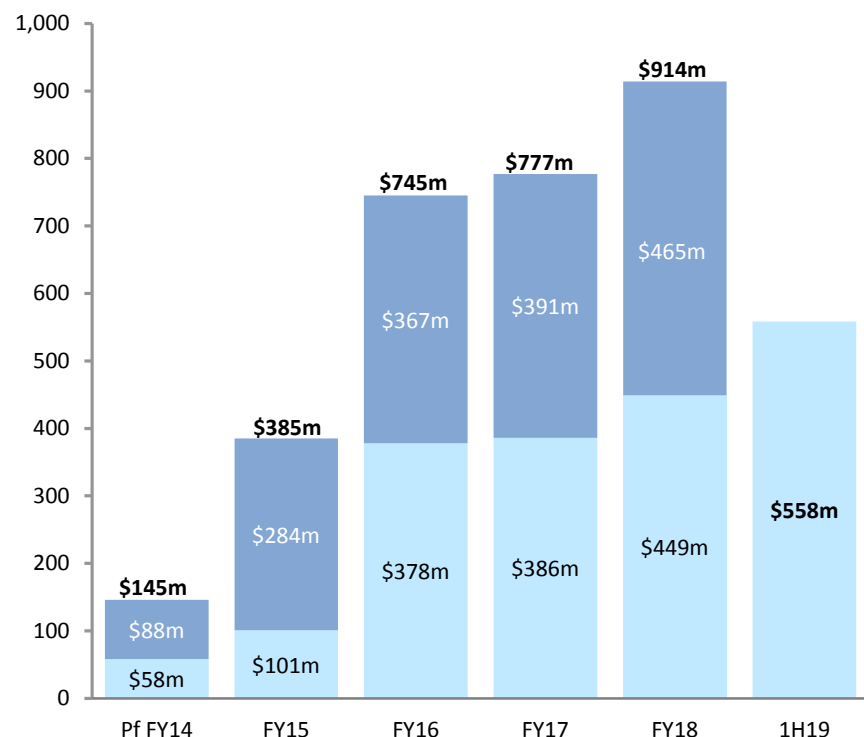
# Steadfast Underwriting Agencies

## Record GWP and underlying EBITA growth

### Financial highlights

- Steadfast Underwriting Agencies GWP **+24%** to **\$558 million**
  - Primarily driven by price and volume uplift, with some acquisition growth
  - Property and business lines particularly strong
- Price rises creating significant opportunities for agencies
- Underlying EBITA<sup>1</sup> of **\$42.6 million, +48.8%** on a like-for like basis

### Gross written premium (\$m)



### Operational highlights

- 26 agencies offering over 100 niche products
- Strong performance also due to long-term strategy of closely aligning capacity providers and technology to products in order to capitalise on hardening premium pricing
- Acquired HMIA, heavy motor vehicle specialist
- London 'super' binder (Miramar) on Steadfast Client Trading Platform (SCTP), live on 4 insurance classes
  - Maintain market share of growing GWP written on platform
- Return on investment in 'greenfield' agencies (including cyber) as products gain traction in the market

### 1H19 vs 1H18

**GWP of \$558m vs \$449m**

**+18% organic growth**

**+6% acquisition growth**

**+24% total growth**

<sup>1</sup> Excludes profit shares, RBUA agency closed in Feb 2018 and investments in 'greenfield' agencies.

# Our insurTech

## Steadfast Client Trading Platform and INSIGHT

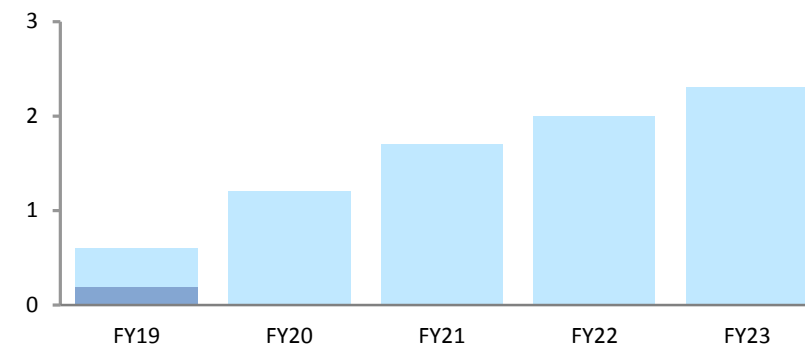
### Steadfast Client Trading Platform (SCTP)

- 6 business lines and 13 insurer and underwriting agency partners live on SCTP
- SCTP delivers strong client outcomes, addressing several issues raised by the Royal Commission
  - Genuine contestable marketplace, generating improved pricing competition, coverage and marketing each time a policy is amended or renewed
  - Market-leading policy wording, supported by learnings from Steadfast triage and Erato professional indemnity program
  - Fixed commission rates, all underwriters pay the same for each class with no volume based guarantees
- SCTP usage up 109% with over 300 brokers using the platform
  - Second half weighted due to seasonality and new insurers going live
    - Allianz delayed in joining business pack due to their testing failure, expect to pilot in three months
    - Delay by supporting insurers in launching auto-rater for liability

### INSIGHT (client relationship management and back office system for brokers)

- 90 brokers live on INSIGHT, with over 1,000 users
  - Additional 1,500 users on BrokerPlus, eCclipse and CBN platforms
- Additional 60 brokers committed to migrate onto INSIGHT, ongoing discussions with another 100 brokers

### GWP transacted through SCTP (\$bn)



**+109%**

year-on-year growth in GWP transacted through SCTP

**300+**

brokers have used the SCTP

### SCTP activity

- CGU live on business pack
- Chubb to join business pack in FY20, Allianz hopeful of going live in early FY20
- Auto-rating of liability in Q1 20, Berkley joining
- Zurich joins commercial motor in 2019

# 1H19 financial summary

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# Group financial performance

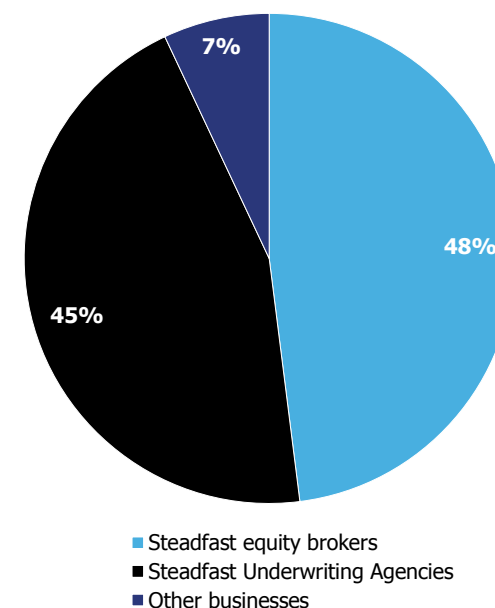
## Strong underlying earnings growth

| Six months to 31 December<br>\$ million | Underlying<br>1H19 <sup>1</sup> | Underlying<br>1H18 | Year-on-year<br>growth % |
|-----------------------------------------|---------------------------------|--------------------|--------------------------|
| Revenue <sup>2</sup> (\$m)              | 320.9                           | 261.8              | 22.6%                    |
| EBITA <sup>2</sup> (\$m)                | 86.5                            | 71.3               | 21.3%                    |
| NPAT (\$m)                              | 38.2                            | 32.5               | 17.6%                    |
| EPS (NPAT) (cents)                      | 4.83                            | 4.31               | 12.0%                    |
| NPATA <sup>3</sup> (\$m)                | 50.3                            | 43.0               | 16.9%                    |
| EPS (NPATA) (cents)                     | 6.35                            | 5.71               | 11.2%                    |

- Growth across Steadfast Group driven by:
  - Premium price and volume uplift
  - Organic and acquisition growth from equity brokers
  - Particularly strong organic growth from Steadfast Underwriting Agencies
- Continued strong cash conversion with 124% of NPATA converted into cash

| Cash flow summary<br>\$ million           | 1H19 |
|-------------------------------------------|------|
| Operating cash flow                       | 62.4 |
| <b>124% conversion of NPATA into cash</b> |      |

1H19 underlying EBITA mix



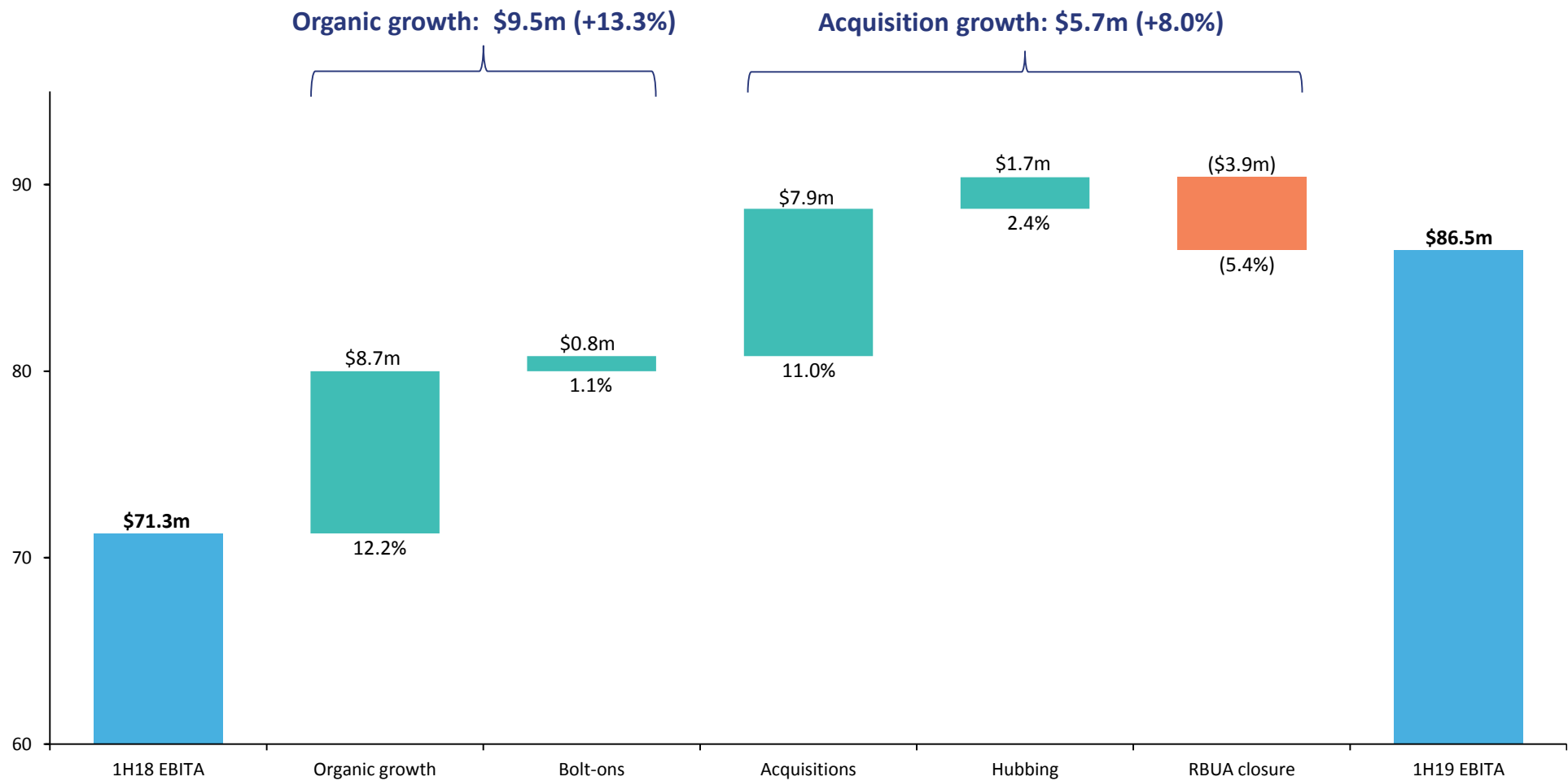
<sup>1</sup> Underlying financial data reconciled to statutory data on slides 45 and 46.

<sup>2</sup> Excludes impact from dividend income and mark-to-market adjustments for Johns Lyng Group investment.

<sup>3</sup> Calculated on a consistent basis since IPO.

# Drivers of 21.3% growth in underlying EBITA<sup>1</sup>

## Organic and acquisition growth



<sup>1</sup> Excludes impact of mark-to-market adjustment (1H19: -\$2.7m compared to pc) and dividend income (1H19: \$0.1m compared to pc) from Johns Lyng Group. Refer to slides 48 and 49 for more detail.

# Equity brokers financial performance

## Organic and acquisition growth

48%

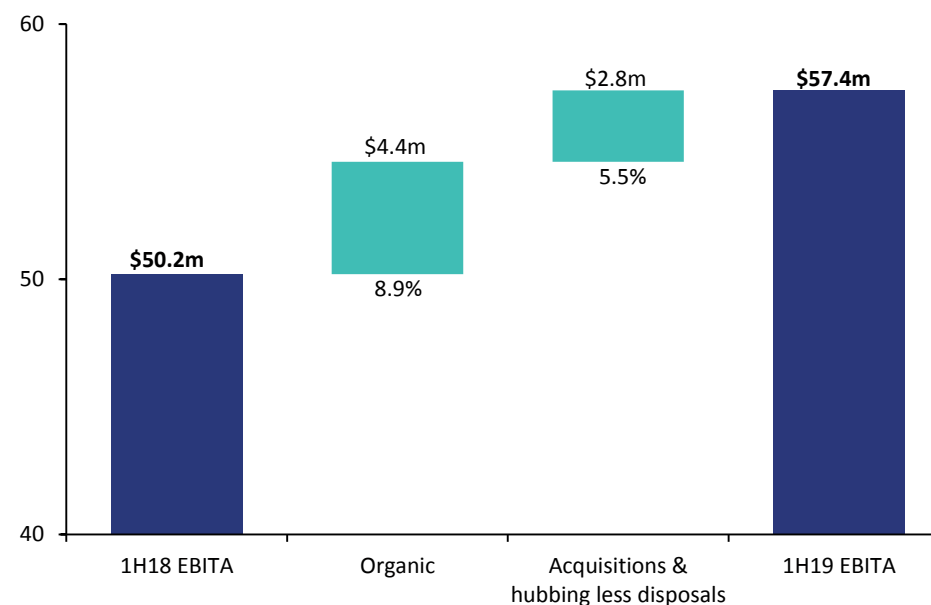
Share of 1H19 underlying EBITA

### Equity brokers – consolidated & equity accounted (assuming 100% ownership)

| Six months to 31 December<br>\$ million               | Underlying<br>1H19 | Underlying<br>1H18 | Year-on-year<br>growth % | Organic<br>growth % | Growth from acquisitions<br>& hubbing <sup>1</sup> % |
|-------------------------------------------------------|--------------------|--------------------|--------------------------|---------------------|------------------------------------------------------|
| Net fees & commissions <sup>2</sup>                   | 181.7              | 154.9              | 17.3%                    | 10.3%               | 7.0%                                                 |
| Net revenue <sup>2</sup>                              | 205.2              | 177.4              | 15.7%                    | 9.0%                | 6.7%                                                 |
| <b>EBITA</b>                                          | <b>57.4</b>        | <b>50.2</b>        | <b>14.4%</b>             | <b>8.9%</b>         | <b>5.5%</b>                                          |
| Net revenue <sup>2</sup> ('traditional' brokers only) | 147.6              | 130.9              | 12.8%                    | 6.3%                | 6.5%                                                 |
| <b>EBITA ('traditional' brokers only)</b>             | <b>43.3</b>        | <b>38.3</b>        | <b>13.1%</b>             | <b>5.5%</b>         | <b>7.6%</b>                                          |

- EBITA of **\$57.4m (+14.4%)** from all equity brokers
  - Driven by both organic and acquisition growth
  - Growth in net fees & commissions driven by hardening market and volume growth
  - Fee & commission split of ~30%/70% in-line with historic average
- EBITA from 'traditional' brokers of **\$43.3m (+13.1%)** (excludes AR networks and wholesale, life insurance and trade credit brokers)
  - Margin<sup>3</sup> maintained at **29.4%**

### EBITA growth: 1H18 – 1H19



<sup>1</sup> Acquisition growth includes the net effect of acquisitions, divestments, and increased equity stakes.

<sup>2</sup> Net of third party payments.

<sup>3</sup> EBITA margin = EBITA / Net revenue.

# Steadfast Underwriting Agencies financial performance

## Strong organic growth driven by price and volume



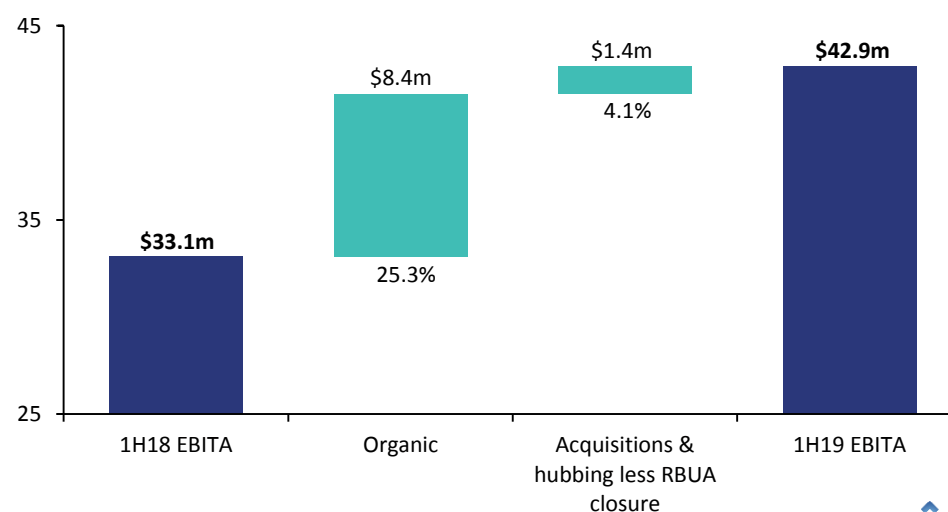
Share of 1H19 underlying EBITA

### Steadfast Underwriting Agencies – consolidated & equity accounted (assuming 100% ownership)

| Six months to 31 December<br>\$ million                                                             | Underlying<br>1H19 | Underlying<br>1H18 | Year-on-year<br>growth % | Organic<br>growth % | Growth from acquisitions<br>& hubbing <sup>1</sup> % |
|-----------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------------|---------------------|------------------------------------------------------|
| Net fees & commissions <sup>2</sup>                                                                 | 89.0               | 72.3               | 23.2%                    | 17.2%               | 6.0%                                                 |
| <b>Net revenue<sup>2</sup></b>                                                                      | <b>92.0</b>        | <b>74.5</b>        | <b>23.5%</b>             | <b>17.6%</b>        | <b>5.9%</b>                                          |
| EBITA                                                                                               | 42.9               | 33.1               | 29.4%                    | 25.3%               | 4.1%                                                 |
| <b>Net revenue<sup>2</sup> (excl. profit shares, RBUA)</b>                                          | <b>92.5</b>        | <b>70.1</b>        | <b>31.9%</b>             | <b>19.3%</b>        | <b>12.6%</b>                                         |
| <b>EBITA (excl. profit shares, RBUA)</b>                                                            | <b>43.3</b>        | <b>29.2</b>        | <b>48.1%</b>             | <b>30.3%</b>        | <b>17.8%</b>                                         |
| <b>Net revenue<sup>2</sup> (excl. profit shares, RBUA,<br/>investment in 'greenfield' agencies)</b> | <b>88.0</b>        | <b>67.3</b>        | <b>30.8%</b>             | <b>17.7%</b>        | <b>13.1%</b>                                         |
| <b>EBITA (excl. profit shares, RBUA, investment in<br/>'greenfield' agencies)</b>                   | <b>42.6</b>        | <b>28.6</b>        | <b>48.8%</b>             | <b>30.5%</b>        | <b>18.3%</b>                                         |

- Net revenue growth driven by strong price and volume increases
  - Insurers continuing to increase premium prices providing opportunities for agencies
- Strong performance led to underlying EBITA growth of **48.8%**
  - Excludes profit shares, RBUA agency closed in Feb 2018 and investments in 'greenfield' agencies

### EBITA growth: 1H18 – 1H19



<sup>1</sup> Acquisition growth includes the net effect of acquisitions, divestments, and increased equity stakes.

<sup>2</sup> Net of third party payments.

# Statutory balance sheet

## Strong balance sheet with capacity for future growth

| \$ million                                        | 31 Dec 18    | 30 Jun 18 <sup>1</sup> |
|---------------------------------------------------|--------------|------------------------|
| Cash and cash equivalents                         | 115          | 77                     |
| Cash held on trust                                | 393          | 311                    |
| Trade & other receivables <sup>1</sup>            | 149          | 156                    |
| <b>Total current assets</b>                       | <b>657</b>   | <b>544</b>             |
| Goodwill                                          | 914          | 816                    |
| Identifiable intangibles                          | 190          | 172                    |
| Equity accounted investments                      | 111          | 139                    |
| Other (including PPE, deferred tax assets)        | 109          | 74                     |
| <b>Total non-current assets</b>                   | <b>1,324</b> | <b>1,201</b>           |
| <b>Total assets</b>                               | <b>1,981</b> | <b>1,745</b>           |
| Trade & other payables <sup>1</sup>               | 464          | 362                    |
| Deferred consideration                            | 24           | 3                      |
| Other (including tax payable, provisions)         | 35           | 37                     |
| <b>Total current liabilities</b>                  | <b>523</b>   | <b>402</b>             |
| Borrowings                                        | 330          | 218                    |
| Deferred consideration                            | 5            | 1                      |
| Deferred tax liabilities – customer relationships | 48           | 45                     |
| Remaining deferred tax liability & other          | 16           | 22                     |
| <b>Total non-current liabilities</b>              | <b>399</b>   | <b>286</b>             |
| <b>Total liabilities</b>                          | <b>922</b>   | <b>688</b>             |
| <b>Net assets</b>                                 | <b>1,059</b> | <b>1,057</b>           |
| Non-controlling interests                         | 77           | 59                     |

| Corporate debt facilities,<br>\$ million | Maturity | Total      | Available at<br>31 Dec 2018 |
|------------------------------------------|----------|------------|-----------------------------|
| Facility A                               | Aug 2020 | 335        | 89                          |
| Facility B                               | Aug 2020 | 50         | 10                          |
| <b>Total available</b>                   |          | <b>385</b> | <b>99</b>                   |

- Increased debt facilities by \$100m to \$385m in October 2018
- Significant headroom in financial debt covenants
- Unutilised debt facility of **\$99m** available at 31 December 2018 for future growth
- Total Group gearing (corporate + subsidiary debt) within board approved maximum:

| Gearing ratio            | Actual | Max   |
|--------------------------|--------|-------|
| Total Group <sup>2</sup> | 24.1%  | 30.0% |

- Balance sheet reflects change in global interpretation of accounting standards
  - Minimal P&L impact

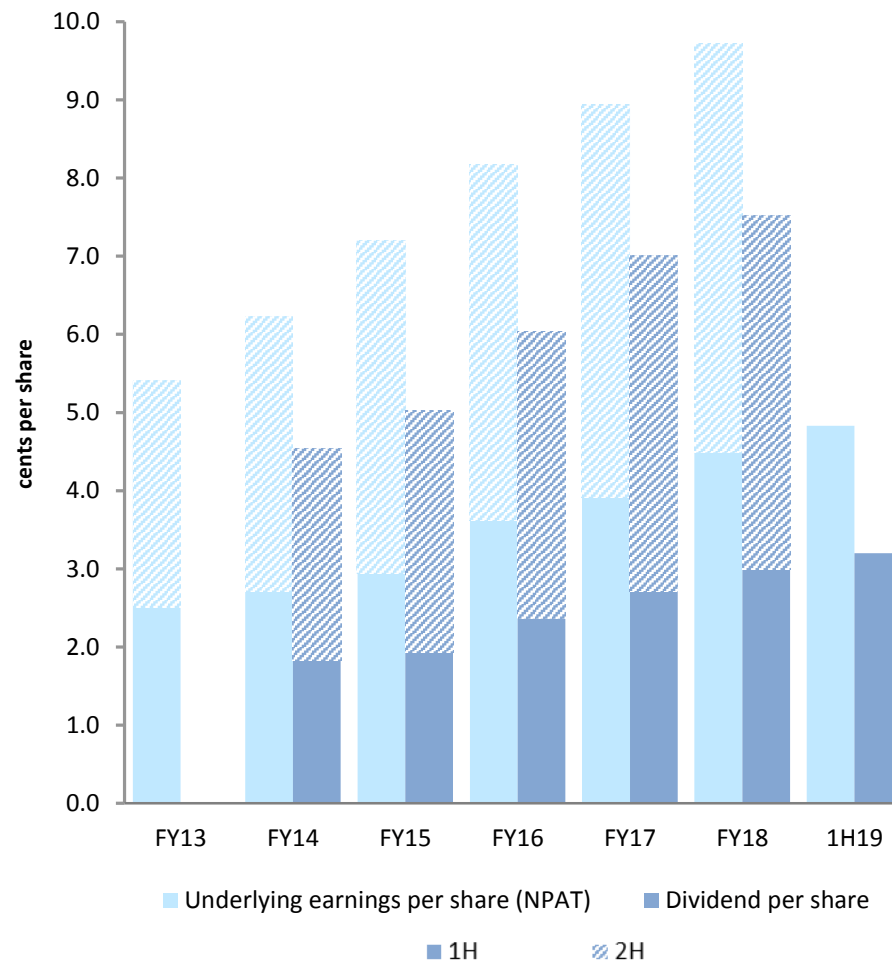
<sup>1</sup> Amounts have been restated to ensure comparability to global policies

<sup>2</sup> Calculated as corporate plus subsidiary debt/(corporate plus subsidiary debt plus equity).

# Interim FY19 dividend

## Interim dividend up 14%

- Interim FY19 dividend of **3.2** cps (fully franked), up from 2.8 cps in 1H18 **(+14.3%)**
  - FY19 target dividend payout ratio of 65% to 85% of underlying NPAT
- Dividend Reinvestment Plan (DRP) to apply to interim FY19 dividend; no discount
  - DRP shares will be acquired on market
- Key dates for interim FY19 dividend:
  - Ex date: 25 February 2019
  - Dividend record date: 26 February 2019
  - DRP record date: 27 February 2019
  - Payment date: 21 March 2019



# FY19 guidance

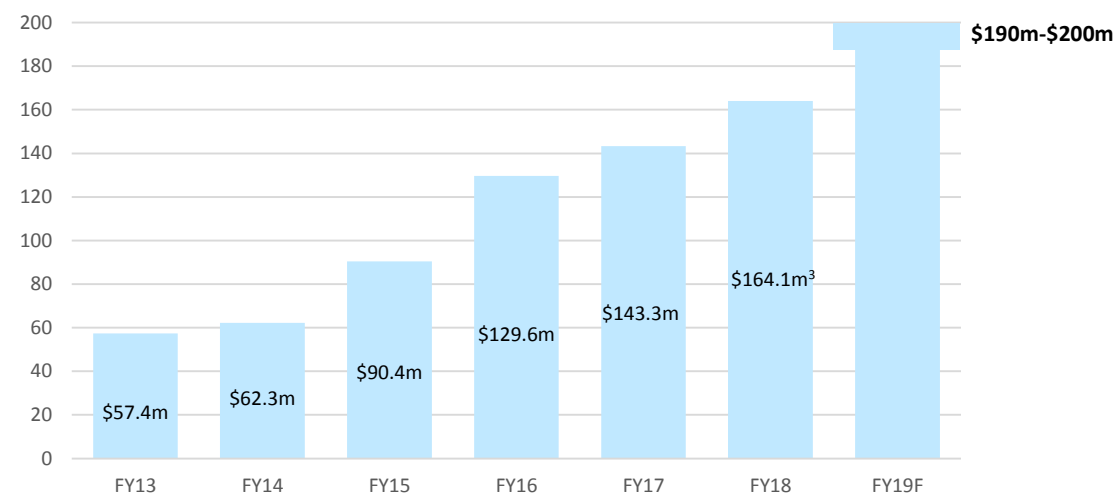
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# FY19 guidance

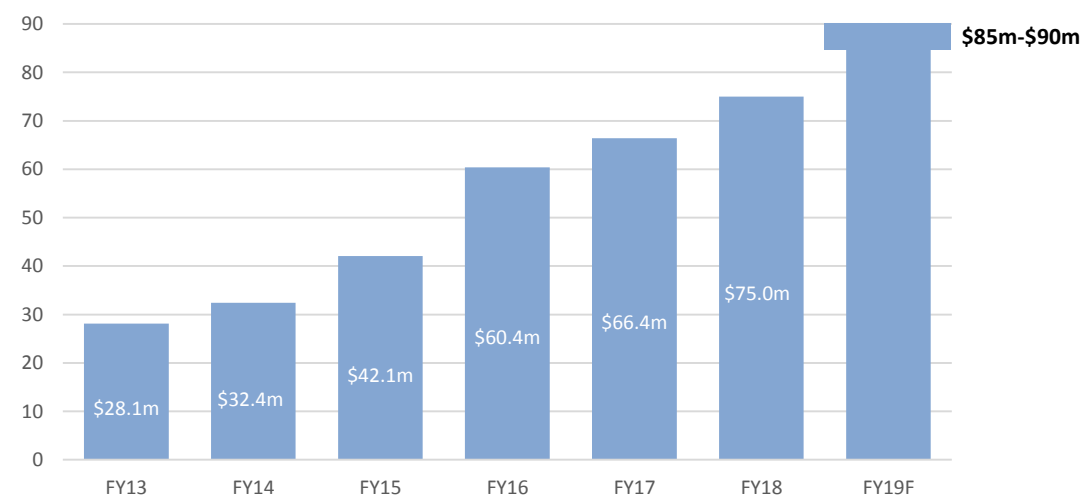
## FY19 guidance confirmed

- **FY19 guidance range<sup>1</sup>:**
  - Underlying EBITA of \$190 million - \$200 million
  - Underlying NPAT of \$85 million - \$90 million
- Strong 1H19 earnings support our FY19 guidance (as upgraded in October 2018)
- **Guidance also subject to:**
  - Insurers continuing to drive moderate premium price increases
  - Increasing contribution from SCTP
  - Ongoing technology investment

**Underlying EBITA (\$m)<sup>2</sup>**



**Underlying NPAT (\$m)<sup>2</sup>**



<sup>1</sup> Refer to the key risks on pages 37 – 39 of the Steadfast Group 2018 Annual Report.

<sup>2</sup> FY13 and FY14 are pro-forma; FY15-FY19F are underlying.

<sup>3</sup> Excludes impact from dividend income and mark-to-market adjustments for Johns Lyng Group investment



# 1H19 results - analyst pack

## Appendices

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- Steadfast Group (slide 18)
- Steadfast Network (slide 24)
- Steadfast Underwriting Agencies (slide 31)
- Key initiatives (slide 33)
  - Our insurTech (slide 34)
  - International footprint (slide 41)
- 1H19 detailed financials (slide 43)

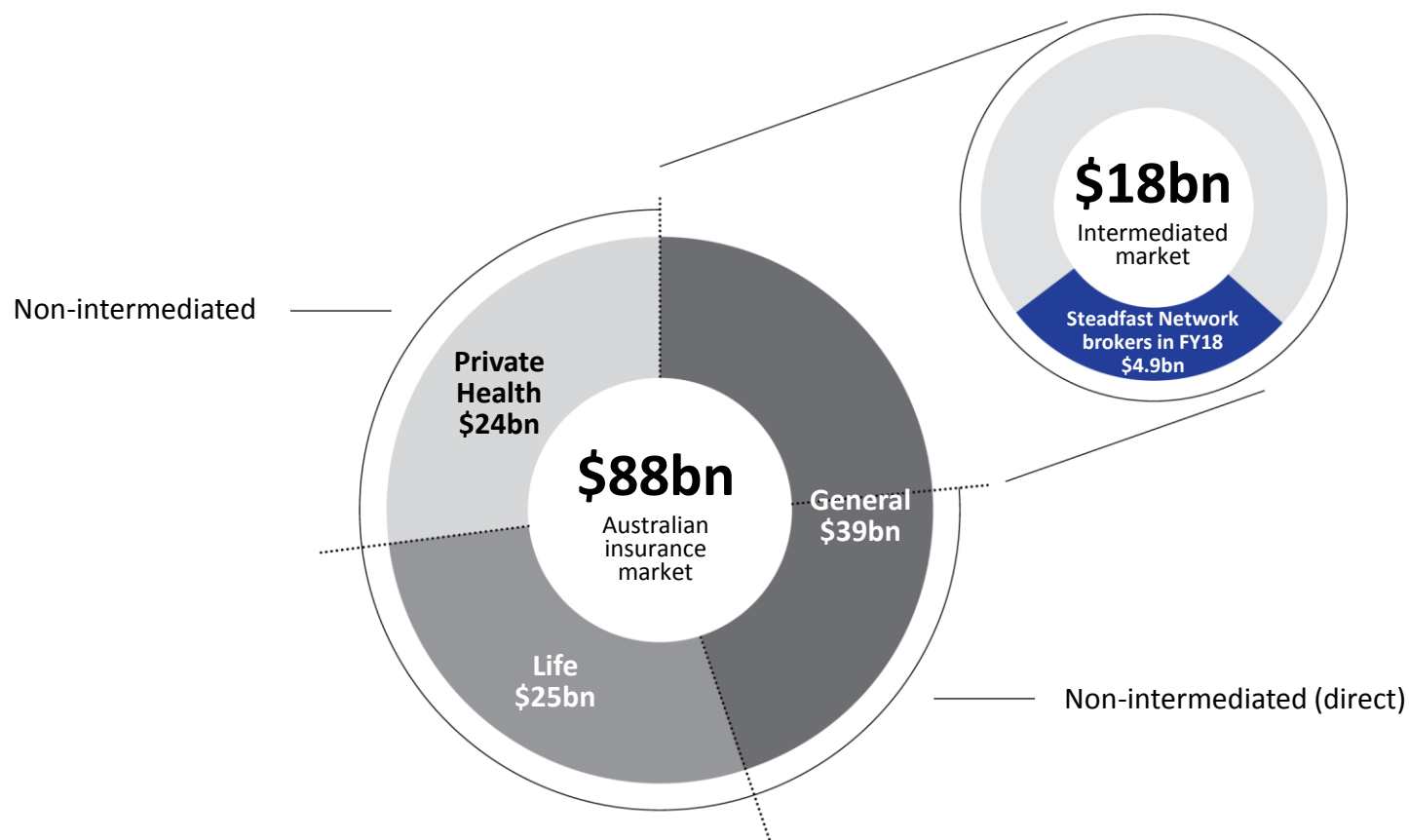
# Steadfast Group

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## Our market

\$18 billion of intermediated general insurance GWP written in FY18

Australian market – gross written premium<sup>1</sup>



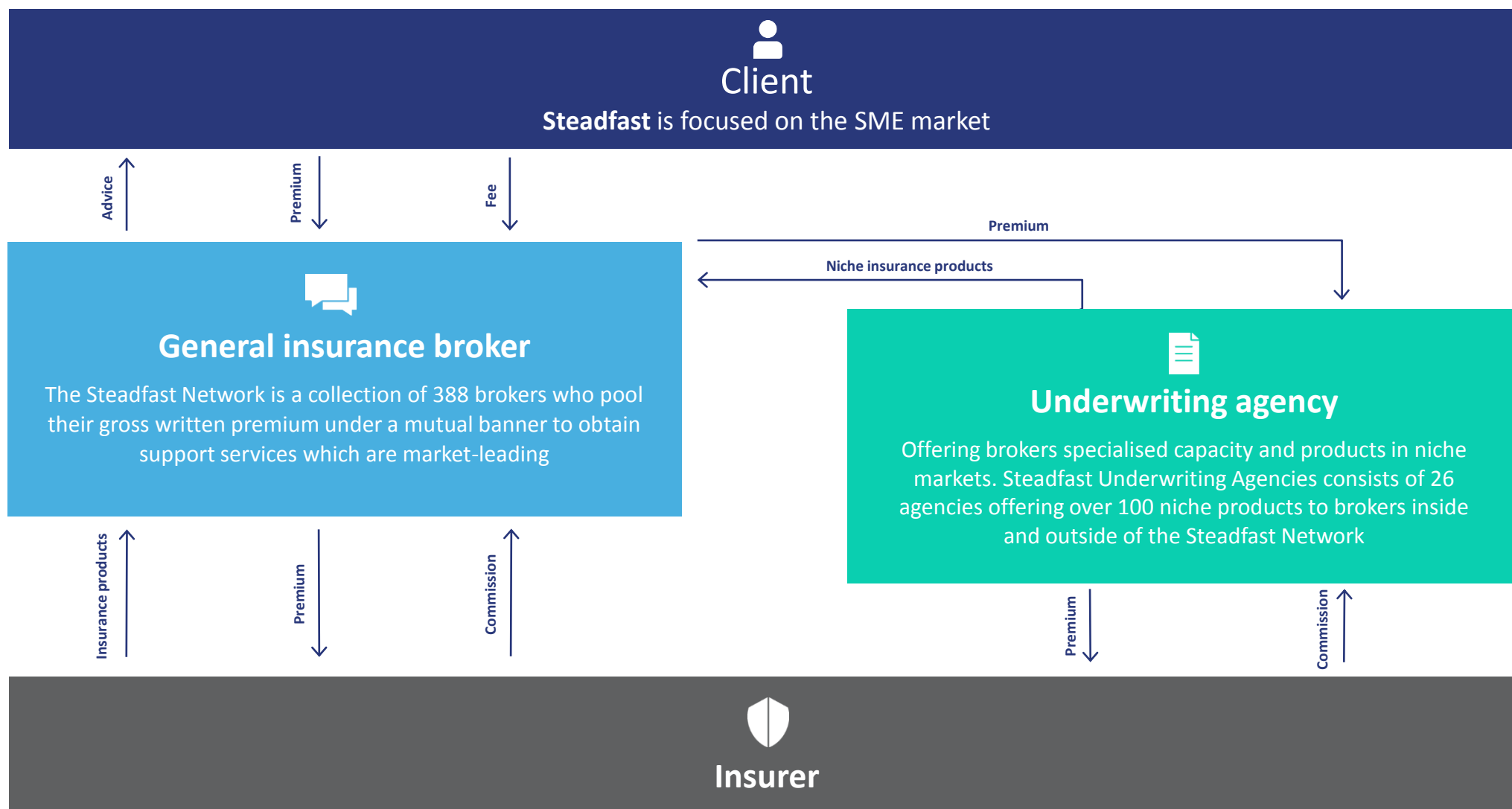
Steadfast Group is focused on the intermediated general insurance market

84% of our customer base is small to medium size enterprises (SMEs) with less pricing volatility

<sup>1</sup> APRA Quarterly General Insurance Performance Statistics (September 2018), Steadfast Group and APRA Intermediated General Insurance Performance Statistics (June 2018).

# Broker and underwriting agency model

Advice based offering primarily focused on SME market



# Steadfast Group

Three business units focused on intermediated general insurance market

## Steadfast Group (listed on ASX)

### Steadfast Network

**388** general insurance brokers

Steadfast Group has equity holdings in **66** brokers (all of which are members of the Steadfast Network)

### Steadfast Underwriting Agencies

**26** underwriting agencies

Steadfast Group has equity holdings in all **26** underwriting agencies

### Complementary Businesses

**7** businesses supporting the Steadfast Network and Steadfast Underwriting Agencies including Steadfast Technologies (100% owned)

Mixture of wholly owned, part-owned and joint venture businesses

# Steadfast Group

## Size and scale

Largest general insurance broker network in Australasia

Annual GWP<sup>1</sup>

**\$5.6 billion**

**388**

Steadfast Network brokers

Largest group of underwriting agencies in Australasia

Annual GWP<sup>1</sup>

**\$1.0 billion**

**26**

Underwriting agencies

**Steadfast Network** collects Marketing & Administration (M&A) and other fees

### Complementary businesses



Macquarie  
Pacific  
Funding

50% joint venture in premium  
funder



Specialist life insurance broker,  
50% owned



Back-office service provider,  
100% owned



Technology service arm,  
100% owned



Work health consultancy,  
57% owned



Reinsurance broker,  
50% owned



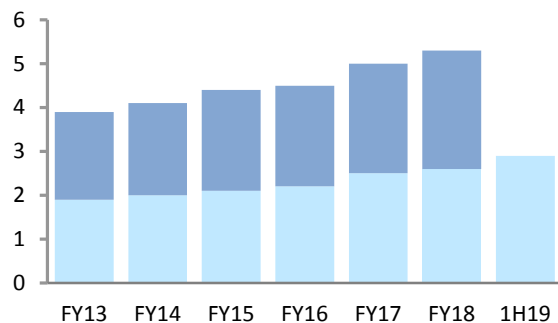
Legal practice,  
25% owned

<sup>1</sup> Calendar year 2018.

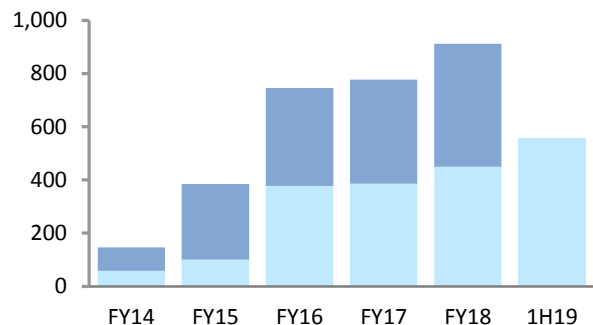
# Steadfast Group

## Our track record since listing on the ASX

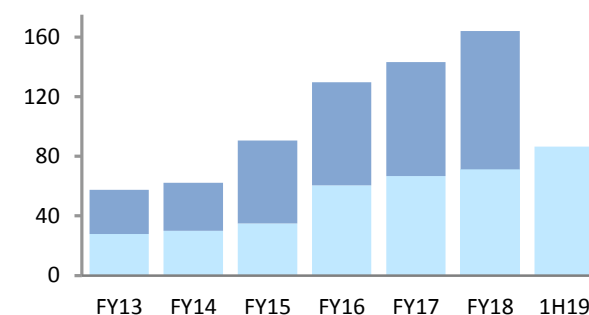
**Steadfast Network GWP (\$bn)**



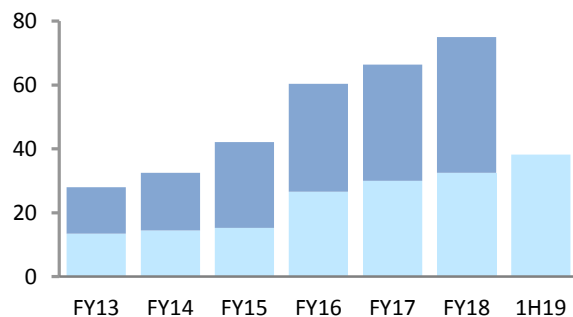
**Steadfast Underwriting Agencies GWP (\$m)**



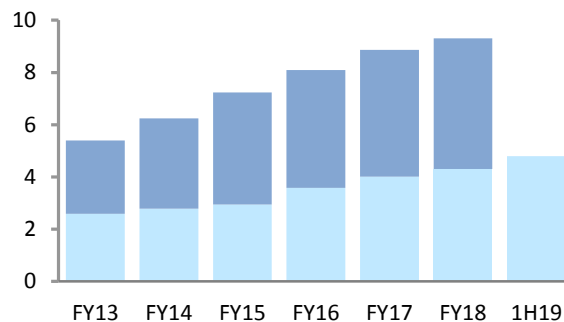
**Underlying EBITA<sup>1</sup> (\$m)**



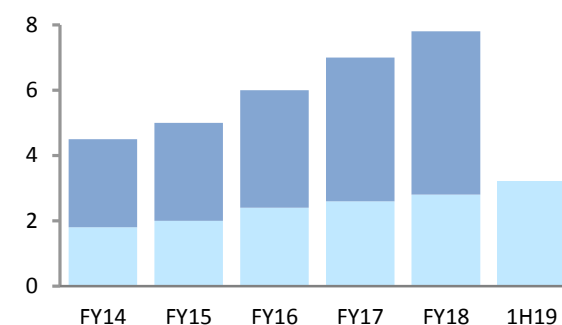
**Underlying NPAT (\$m)**



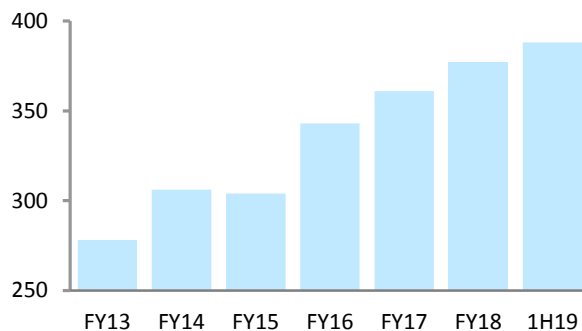
**Underlying EPS (NPAT) (cents per share)**



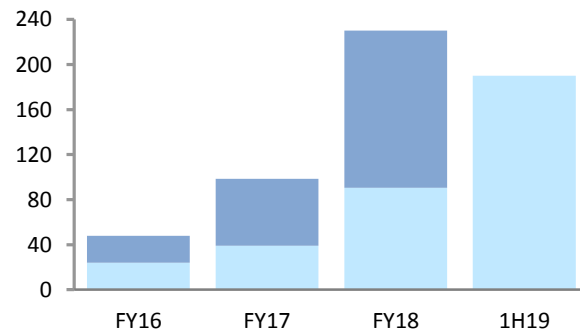
**DPS (cents per share)**



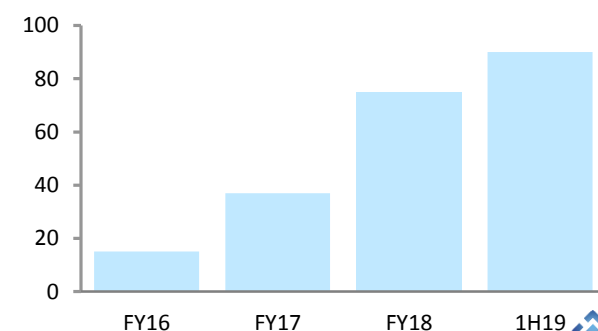
**Steadfast Network brokers**



**Steadfast Client Trading Platform GWP (\$m)**



**Brokers on INSIGHT**



<sup>1</sup>Excludes impact from dividend income and mark-to-market adjustments for Johns Lyng Group investment.

# Steadfast Network

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# Steadfast Network

## Largest general insurance broker Network in Australasia

### Steadfast Network

The Steadfast Network has 388 general insurance brokers in Australia, New Zealand and Singapore who receive superior market access, exclusive products and services backed by the size and scale of the Steadfast Group. Brokers in the Network have access to over 160 products and services which support their business and allow them to focus on their clients' insurance and risk management needs. Key benefits of being a Steadfast Network broker include improved policy wordings, broker services, exclusive access to Steadfast's technology and triage support for challenging claims.

Steadfast Network brokers receive all of these products and services at no cost to them.

Insurer partners have access to over \$5.6 billion of gross written premium from the small-to-medium enterprise market through the Steadfast Network.

Steadfast Group also holds a 40% stake in unisonSteadfast which is separate from the Steadfast Network. unisonSteadfast broker numbers are disclosed separately to the Steadfast Network (see slide 42 for more detail).

#### Exclusive to Steadfast Network brokers



**Scale and strength**  
Size gives us strong relationships with insurer partners.



**Products and services**  
Access to over 160 services supporting their business & clients.



**Technology**  
Specialised technology services.



**Helplines**  
Legal, contractual liability, compliance, human resources & technical.



**Steadfast triage**  
Provides expert support across claims, ethics & placement.



**Training and networking events**  
Market-leading professional development through face-to-face & webinars.



**Erato PI program**  
Professional indemnity cover for Steadfast Network brokers.



**Steadfast Direct**  
Home, motor & landlord products offered to clients through Steadfast Network brokers.



**Marketing**  
Sales and marketing support.



**Policy wordings**  
Market-leading wordings utilising broker & triage input.



**Market access**  
Access to the leading insurance providers from Australia & around the world.

### Strategy

- Operate a network that is stronger together and the network of choice for brokers
- Build and develop strong relationships with insurers and other strategic partners
- Grow international presence
- Be the best solution for our clients' needs

### Major insurer partners



### Steadfast Network

**\$5.6bn**

gross written premium in CY18

**388**

brokers in the Network

#### Premium funding partners



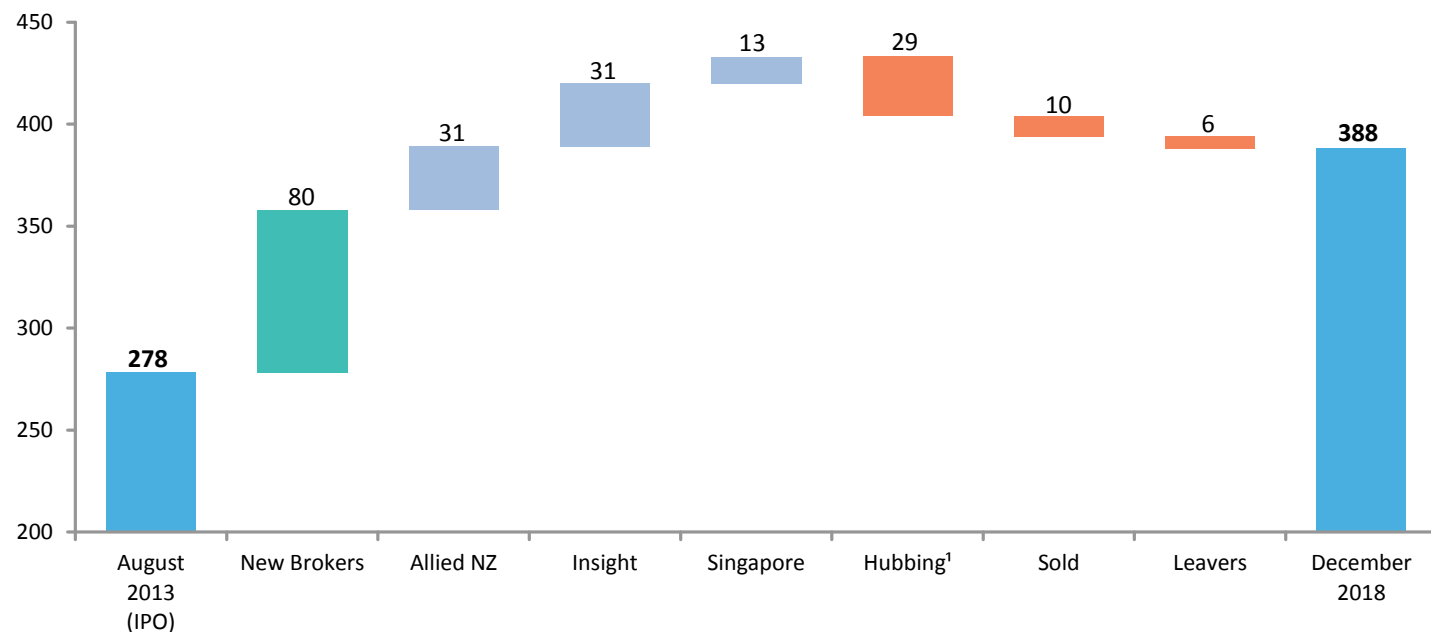
#### Strategic partner



# Steadfast Network

## 155 brokers have joined the Steadfast Network since IPO

Number of Steadfast Network brokers



**Largest general insurance broker network in Australia with 28% market share by GWP<sup>2</sup>**

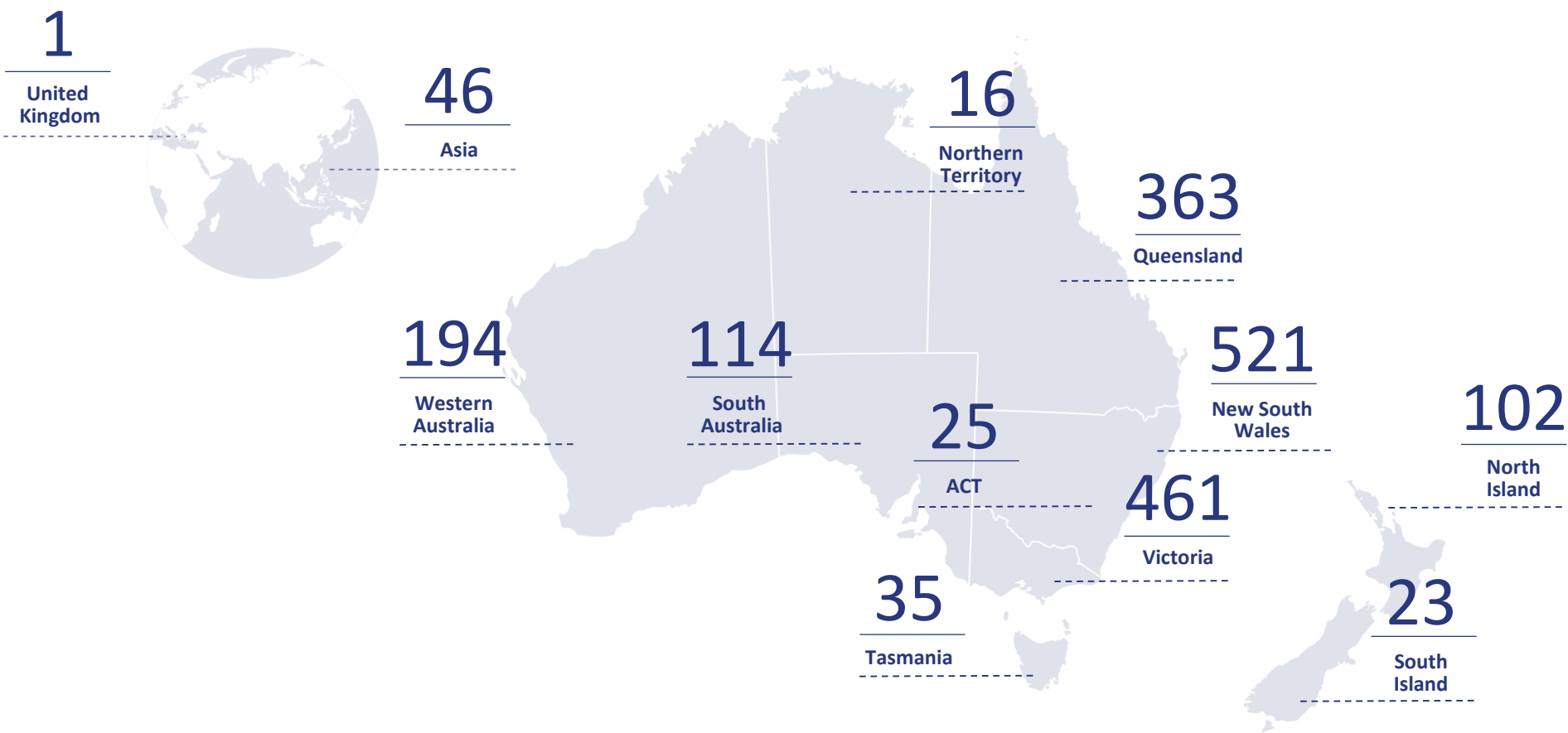
- 11 brokers joined in 1H19
- 155 brokers have joined and only six brokers have left the Network since the IPO
- Over 160 products and services available to the Network
- Steadfast Client Trading Platform and INSIGHT initiatives generating heightened interest in Network value proposition worldwide

<sup>1</sup> Hubbing refers to merging brokers together to create sales and back office cost efficiencies.

<sup>2</sup> Steadfast Group and APRA Intermediated General Insurance Statistics (June 2018).

# Steadfast Network

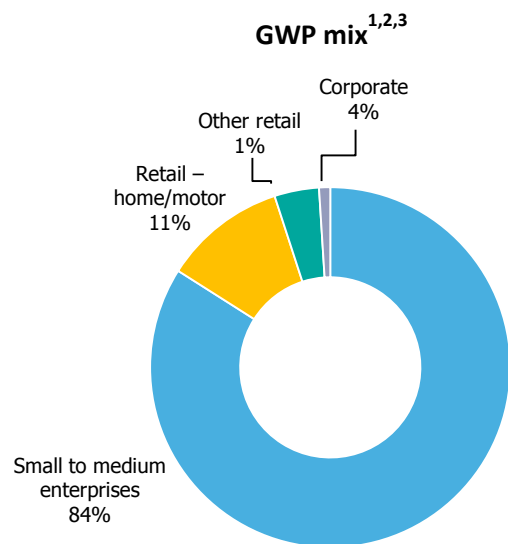
Worldwide broker offices (excluding unisonSteadfast)



1,900 broker offices across Australia, New Zealand, Asia and Europe

# Steadfast Network

## Australia – resilient SME customer base



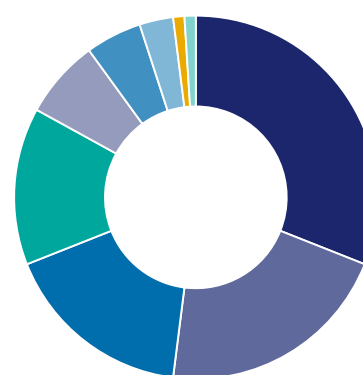
- **88% commercial lines, 12% retail**
- 84% of customer base relates to small-to-medium size enterprises (SMEs) with less pricing volatility
- Focus is on advice
- Low exposure to Corporate (4%) which is exposed to more significant pricing pressure

**Diversified by product line**



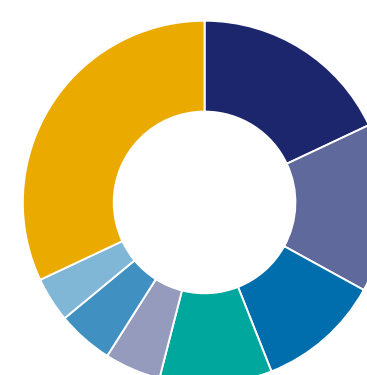
- Business pack 21%
- Commercial motor 14%
- Retail home & motor 12%
- Commercial property & ISR 10%
- Liability 8%
- Professional risks 8%
- Statutory covers 7%
- Strata 6%
- Rural & Farm 4%
- Construction & engineering 4%
- Other 6%

**Diversified by geography**



- VIC 31%
- NSW 21%
- QLD 17%
- WA 14%
- NZ 7%
- SA 5%
- TAS 3%
- ACT 1%
- NT 1%

**Diversified by insurer**



- CGU 18%
- QBE 15%
- Allianz 11%
- Vero 10%
- AIG 5%
- CHUBB 5%
- Zurich 4%
- Various underwriting agencies, small insurers, Lloyd's and other small brokers 32%

<sup>1</sup> Based on 1H19 GWP excluding New Zealand.

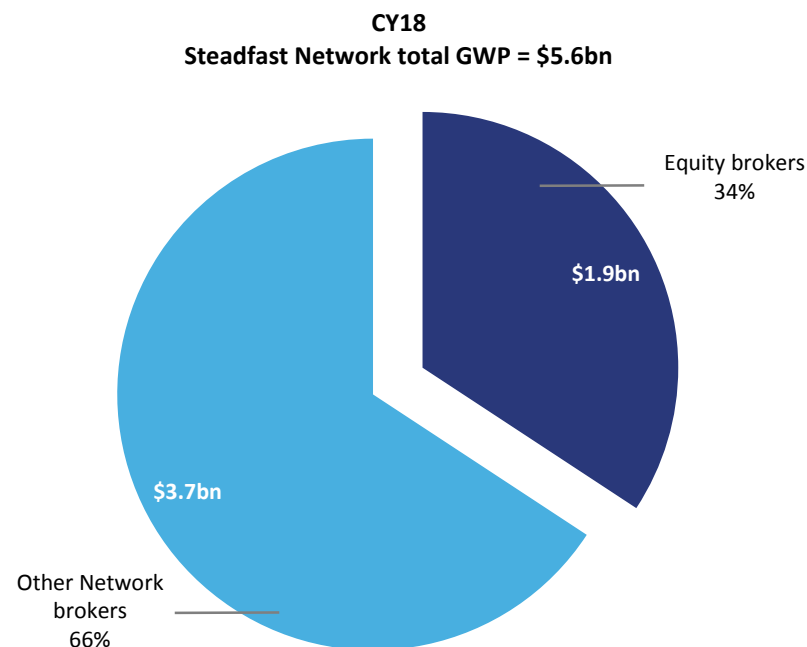
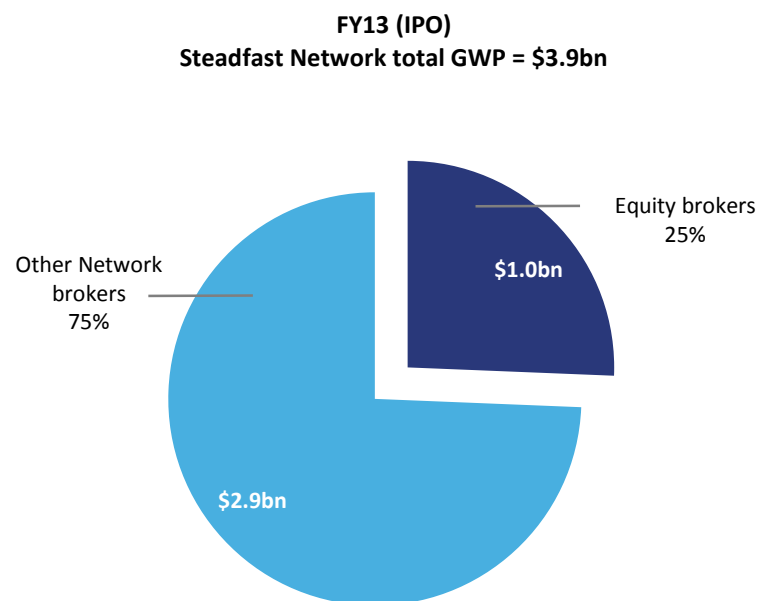
<sup>2</sup> Allocation based on policy size (retail <\$3k, small \$3k – \$50k, medium \$50k – \$250k and corporate >\$250k).

<sup>3</sup> Metrics above consist of non-IFRS financial information used to measure the financial performance and condition of Steadfast.

# Steadfast Network

## Increasing Steadfast Group's share of growing Network GWP

- The Steadfast Network is a key driver of Steadfast Group
  - Steadfast Group earns marketing and administration (M&A) fees from insurer partners which are used as a revenue stream to provide products and services to the Steadfast Network
  - Steadfast Group has equity holdings in 66 (after hubbing) of the 388 brokers in the Steadfast Network and receives an ongoing share of dividends from these brokers



- Growth of the Steadfast Network benefits Steadfast Group
  - M&A fees grow as the Steadfast Network grows
  - Steadfast Group continues to be a natural acquirer of Steadfast Network brokers

# Investment activity

## Active investment management

|                                   | 1H19 | 2H18 | 1H18 | 2H17 | 1H17 | 2H16 | 1H16 |
|-----------------------------------|------|------|------|------|------|------|------|
| Acquisitions (including bolt-ons) | 5    | 4    | 7    | 2    | 7    | 8    | 2    |
| Increased equity holdings         | 7    | 4    | 8    | 5    | 7    | 7    | 4    |
| Hubbed                            | 1    | 2    | -    | 2    | 5    | 1    | 3    |

### Equity brokers (including bolt-ons)

- Disciplined acquisition criteria based around cultural fit, strategic alignment and financial performance
- Strong pipeline of potential opportunities in and outside of the Steadfast Network
- CBN authorised representative network acquired September 2018

### Steadfast Underwriting Agencies

- Acquired HMIA in 1H19
  - Specialised heavy vehicle agency

# Steadfast Underwriting Agencies

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# Steadfast Underwriting Agencies

## 26 agencies, over niche 100 products

|                                                                                                                                                |                                                                                                                                                        |                                                                                                                                                               |                                                                                                                                    |                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
|  <p>Complete farm package</p>                                 |  <p>Caravans, cabins and trailers</p>                                 |  <p>Commercial and residential strata</p>                                   |  <p>Accident and health</p>                     |  <p>Base essentials strata</p>       |
|  <p>Residential and commercial strata</p>                     |  <p>Home and contents for owner-occupied homes</p>                    |  <p>Specialised and exotic motorcar and motorcycle</p>                      |  <p>Emerging risks</p>                          |  <p>Heavy vehicles</p>               |
|  <p>Community care entertainment hospitality and security</p> |  <p>Business interruption focused on SMEs</p>                         |  <p>High-value homes</p>                                                    |  <p>Building and construction industry</p>      |  <p>SME insurance programs</p>       |
|  <p>Marine and motorcycle</p>                                 |  <p>Professionals including engineers, architects and doctors</p>     |  <p>Specialised equipment, tradesmen, small business and marine transit</p> |  <p>Marine hull, cargo and transit</p>          |  <p>Property insurance</p>           |
|  <p>Sports and leisure-related businesses</p>               |  <p>Hard-to-place risks, exclusive to Steadfast Network brokers</p> |  <p>Hard-to-place and complex risks including environmental liability</p> |  <p>Marine hull and other marine industry</p> |  <p>Mobile plant and equipment</p> |
|  <p>Hospitality, leisure and entertainment sector</p>       |                                                                                                                                                        |                                                                                                                                                               |                                                                                                                                    |                                                                                                                         |

Steadfast aims to highlight each agency's specialised service by preserving its brand and unique offering which is important as approximately half of our agencies' business is placed with non-Steadfast Network brokers



# Key initiatives

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- Our insurTech (slide 34)
- International footprint (slide 41)

# Our insurTech

## Steadfast Client Trading Platform (SCTP) - benefits for clients, brokers and insurers

- Market-leading technology – exclusive to Steadfast Network brokers, clients and participating insurers

- Benefits for clients:**

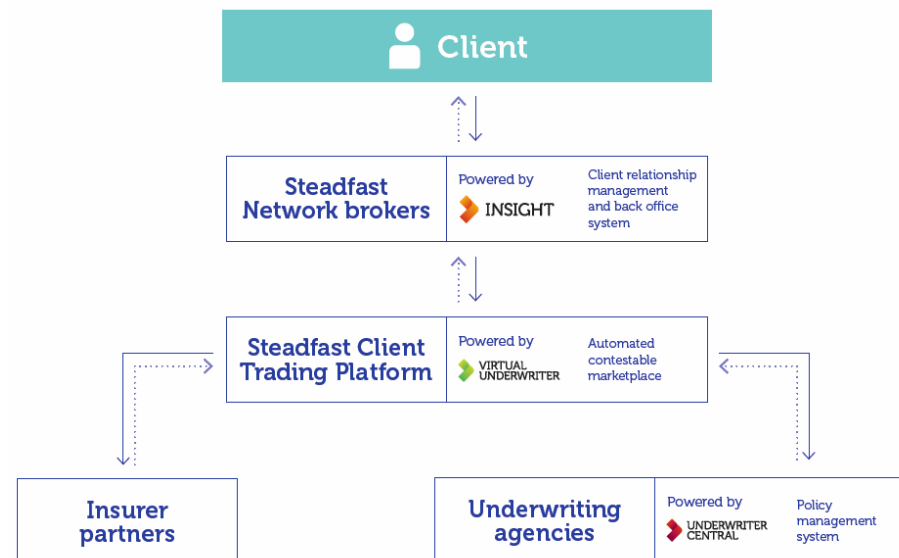
- Genuine contestable marketplace generating improved pricing competition and coverage
- Market-leading policy wordings
- Instant policy issue, maintenance and renewal – all on a market contestable basis
- Supported by Steadfast triage

- Benefits for brokers:**

- Automated market access to leading insurers at no access cost
- Bespoke market-leading policies
- Fixed commission rates, same for all insurers
- In-depth data analytics
- Stimulates advisory discussions with clients

- Benefits for insurers:**

- Automated access to Steadfast Network for all policies placed on the platform
- Significantly reduced technology and distribution costs
- Data analytics and market insights, live 24/7
- Updated policy wordings, based on prior claims scenarios



































### Steadfast Direct

- Part of SCTP offering for Steadfast Network brokers
- Automated, contestable platform offering retail home, motor and landlords cover

**Market-leading policy wordings, non-volume based and non-variable commission terms**

# Our insurTech

## Insurer and underwriting agency partners on the SCTP

| Business pack                                                                                                                                  | Professional risks                                                                                                                           | Liability                                                                                                                                       | Commercial property & ISR                                                                                                                      | Commercial motor                                                                                 | Steadfast Direct                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|                                                               |                                                             |                                                               | <br>2019                                                    | <br>FY20      |  |
| <br>FY20                                                      |                                                             |                                                               |                                                             |               |  |
|                                                               |                                                             | <br>Mid-2019                                                  | <br>Steadfast Underwriting Agency,<br>London 'super' binder | <br>Late 2019 |                                                                                     |
|                                                               | <br>Steadfast Underwriting Agency,<br>London 'super' binder |                                                               |                                                            | <br>FY21      |                                                                                     |
| <br>FY20                                                    |                                                                                                                                              |                                                                                                                                                 |                                                                                                                                                |                                                                                                  |                                                                                     |
| <br>Steadfast Underwriting Agency,<br>London 'super' binder |                                                           | <br>Steadfast Underwriting Agency,<br>London 'super' binder |                                                           |                                                                                                  |                                                                                     |
|                                                             |                                                           |                                                                                                                                                 |                                                           |                                                                                                  |                                                                                     |
|                                                             |                                                                                                                                              |                                                                                                                                                 |                                                                                                                                                |                                                                                                  |                                                                                     |
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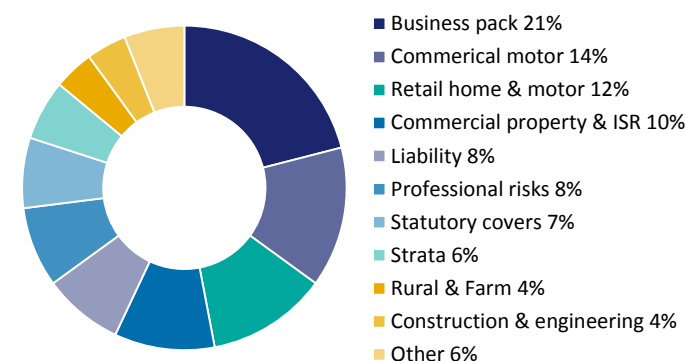
# Our insurTech

## Size of the opportunity

### Potential Steadfast Network GWP that can be transacted on SCTP

- c.80% of Steadfast Network GWP can potentially be transacted through the platform
  - Business pack
  - Commercial motor
  - Commercial property & ISR
  - Liability
  - Professional risks
  - Strata (currently in beta testing)
  - Retail home, motor and landlords (via Steadfast Direct)
  - Rural and farm under consideration to join SCTP
- Some risks are too niche and specialised for the platform

### Steadfast Network GWP (1H19)



### SCTP potential usage<sup>1</sup>

# 80%

Steadfast Network GWP which could potentially be transacted on SCTP in Australia

# 60%

of the 80% of available GWP targeted to be transacted through SCTP in the next 5 years

<sup>1</sup> Also refer to the key risks on pages 37 – 39 of the Steadfast Group 2018 Annual Report.

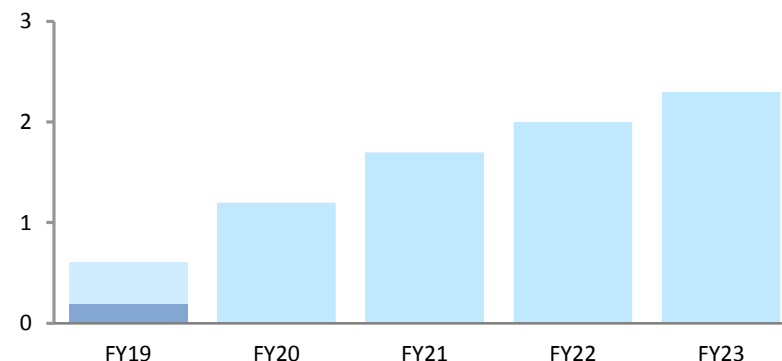
# Our insurTech

## Five year target

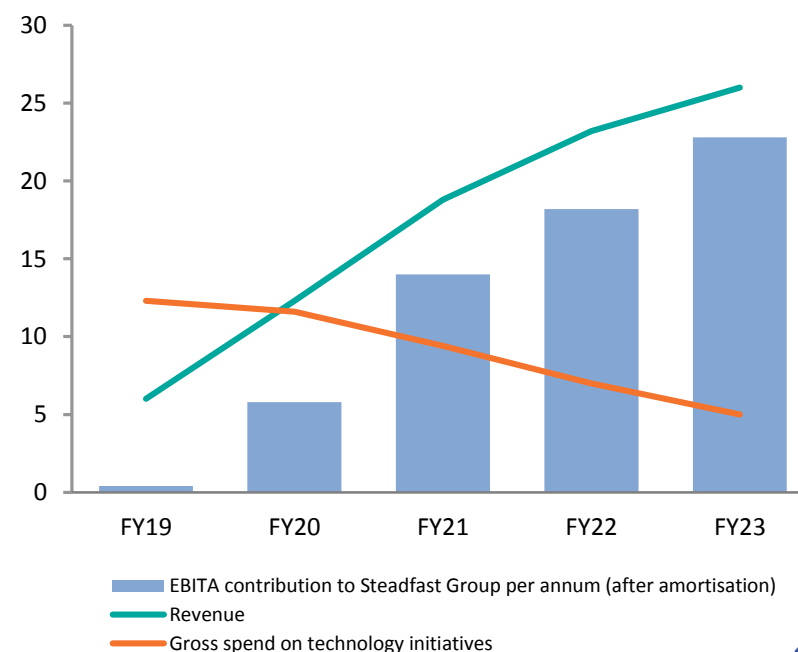
### Steadfast Client Trading Platform (SCTP)

- **6** business lines and **13** insurer and underwriting agency partners live on SCTP
  - Including Steadfast Direct (retail home, motor and landlords cover)
- **Five year target:** \$2.3 billion of GWP and ~\$23 million EBITA contribution per annum by FY23 (after amortisation of ~\$6m per annum) to Steadfast Group
  - Based on 80% of Network GWP being available on SCTP and 60% usage by brokers in Australian Network
  - Driven by increased revenue from M&A fees and equity brokers
  - Continued but declining technology spend on SCTP, INSIGHT and UnderwriterCentral

GWP transacted through SCTP (\$bn)



Additional contribution to Steadfast Group from SCTP (\$m)



# Our insurTech

## SCTP implementation and EBITA contribution

### Investment

FY16

FY17

FY18

FY19

### Implementation

FY17

FY18

FY19

FY20

FY21

### EBITA contribution

FY18

FY19

FY20

FY21

beyond

### FY18

- ✓ First revenue from SCTP

### FY19

- ✓ Insurers live on 6 current lines of the platform (including Steadfast Direct)
- ✓ Increase in revenue from SCTP as broker usage rises

### FY20

- SCTP usage continues to grow
- Net technology spend peaks and starts to fall from CY19

### FY21 & beyond

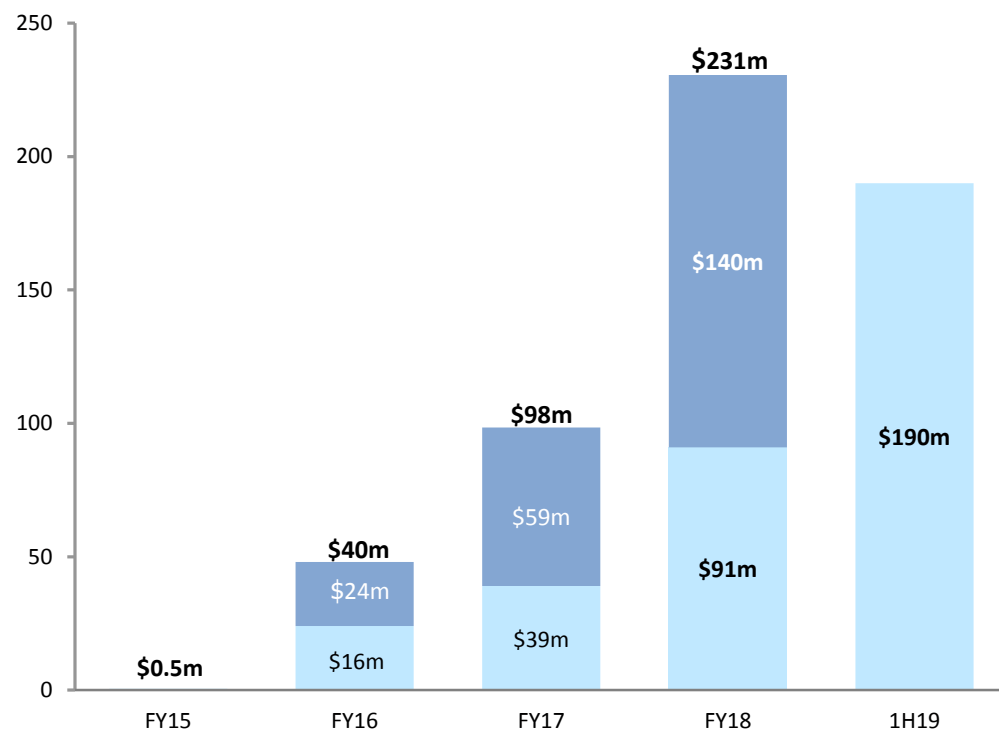
- SCTP moving towards long term target usage
  - Targeting \$2.3 billion annual GWP to be transacted on the platform within the next 5 years
  - 60% of the 80% of available GWP in Australian Network
- Net technology spend reaches steady-state level

# Our insurTech

## Steadfast Client Trading Platform

### Steadfast Client Trading Platform (SCTP)

Gross Written Premium (\$m)



**1H19 vs 1H18**

**GWP of \$190m vs \$91m**

**+109% growth**

- 6 business lines live on the SCTP, with 13 insurer and underwriting agency partners
- Steadfast Direct is part of the SCTP offering:
  - Home, motor and landlord products available to Steadfast Network brokers through the Steadfast Client Trading Platform
  - Contestable marketplace for home products with AIG and IAL (part of IAG Group) as underwriters on the platform
  - Instalment payments available to clients

# Our insurTech

## Steadfast Technologies - powering the Steadfast Client Trading Platform

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The Steadfast Virtual Underwriter is a digital marketplace which provides Steadfast Network brokers with access to a variety of insurance products based on a single agreed question set. The system is integrated with a group of leading insurers and provides an efficient way to rapidly receive a range of insurance quotes in a single view. It displays a comprehensive, side-by-side comparison showing the differences in each insurer's terms, products and services for each quote.

The Virtual Underwriter has been seamlessly integrated with insurer and broker back office management systems, including Steadfast's INSIGHT broker platform. This eliminates costly, time consuming and error prone data re-entry into multiple systems.

### Key advantages:

- **Rapidly generates and compares quotes from different insurer partners without re-keying data into multiple insurer systems**
- **Real-time, straight-through processing throughout the life of a policy**
- **Increased client insights from data analytics**



INSIGHT is a broking platform with a powerful search engine which gives brokers a single view of their customers and an instant view of their business at any time. It is cloud-based, accessible from anywhere and designed as an open platform to enable connectivity to other business applications if required.

There has been strong interest from Steadfast Network brokers wanting to utilise INSIGHT to help manage their business. Steadfast Group is making a significant investment to roll out the platform as it will deliver substantial efficiencies and cost savings for brokers who will be able to remove their dependency on legacy systems.

### Key advantages:

- **Controls, analyses and reports all data**
- **Automated data recovery and back up**
- **Open to interface with other business systems, accounting or other software packages**



UnderwriterCentral is a cloud-based agency management system designed specifically for underwriting agencies. It is an effective, flexible and affordable software solution that allows underwriters to manage the full policy lifecycle, as well as implement underwriting rules, rating and claims management.

UnderwriterCentral is the first platform in the world to electronically interface with Lloyd's of London. This allows underwriting agencies to easily deliver data into the London market adding further efficiencies to the underwriting process.

UnderwriterCentral is available to Steadfast Underwriting Agencies and other underwriting agencies.

### Key advantages:

- **Turnkey solution for underwriting agencies to manage clients, policies and claims**
- **Supports multiple, customised insurance products through its powerful configuration capability**
- **Built-in document management**
- **eCommerce portal capability**



# International footprint

## Steadfast Network model replication

### 1. New Zealand

- 43 brokers in the Network
- NZ\$221m of gross written premium in 1H19
- Steadfast Underwriting Agencies building market presence utilising Network distribution
- Strong buy-in from insurer partners

### 2. Asia

- Target Singapore initially
- 13 brokers have joined the Singapore Network
- Local CEO in place
- Two equity investments in Network brokers by Steadfast Group
- Five insurer partners have agreed to:
  - Pay M&A fees
  - Issue improved policy wordings
  - Pay increased commission

### 3. London

- Office expanded to meet demand for Lloyds products
  - Risks suited to Lloyds market
  - London super binder
- Granted licence to operate as a broker in the UK and a Lloyds broker internationally
  - Improve Lloyds access for all agencies and brokers, particularly the unisonSteadfast network



# International footprint

## unisonSteadfast

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- **40%** equity stake in unisonSteadfast
  - One of the world's largest global general insurance broker networks, offering multi-jurisdictional coverage
  - Supervisory board contains two Steadfast Group representatives
  - Medium to long-term strategy

## Recent developments

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- **GWP aggregation**
  - GWP data gathered from unisonSteadfast brokers
  - Discussions have taken place with global insurers on aggregation of global GWP
  - Leveraging Steadfast Group's relationships with global insurers
- **Access to London market for unisonSteadfast brokers**
  - Creation of first revenue stream for Steadfast Group
  - Leveraging London 'super' binder to improve access to key market
- **Seeking to increase professional indemnity cover for unisonSteadfast brokers**
  - Creation of first new product for unisonSteadfast brokers
  - Leveraging Steadfast's relationship with PI provider

## unisonSteadfast global network

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# 1H19 detailed financials

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# 1H19 detailed financials

## Statutory profit and loss statement

| Six months ended 31 December<br>\$ million                                                | 1H19         | 1H18         |
|-------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Revenue</b>                                                                            |              |              |
| M&A and other professional services fees                                                  | 38.7         | 33.1         |
| Revenue from controlled entities                                                          | 215.5        | 176.5        |
| Share of profits of associates and joint ventures                                         | 7.5          | 6.5          |
| Other revenue                                                                             | 1.3          | 0.8          |
| <b>Total revenue</b>                                                                      | <b>263.0</b> | <b>216.9</b> |
| <b>EBITA before non-trading items and adjustments for investment in listed securities</b> | <b>86.5</b>  | <b>71.3</b>  |
| Dividends and mark to market adjustments for investment in listed securities              | (1.1)        | 1.5          |
| Amortisation                                                                              | (13.9)       | (12.0)       |
| Finance costs                                                                             | (6.2)        | (5.4)        |
| Income tax expense                                                                        | (19.4)       | (17.2)       |
| <b>Profit after income tax and before non-trading items</b>                               | <b>45.9</b>  | <b>38.2</b>  |
| Net gain on deferred consideration estimates                                              | -            | 3.6          |
| Impairments                                                                               | -            | (2.3)        |
| Net gain from change in value and sale of investment in subsidiaries & associates         | 2.7          | 0.4          |
| Non-recurring costs from closure of residential builders agency                           | -            | (0.4)        |
| Share-based payment expense on share options and executive loans and shares               | -            | 0.2          |
| Other                                                                                     | (0.1)        | -            |
| <b>Net profit after tax before non-controlling interests</b>                              | <b>48.5</b>  | <b>39.8</b>  |
| Non-controlling interests                                                                 | (8.0)        | (6.0)        |
| <b>Net profit after tax attributable to Steadfast members (NPAT)</b>                      | <b>40.5</b>  | <b>33.8</b>  |
| Other comprehensive income after tax                                                      | 1.4          | (1.0)        |
| <b>Total comprehensive income after tax</b>                                               | <b>41.9</b>  | <b>32.8</b>  |

# 1H19 detailed financials

## Statutory vs underlying reconciliation

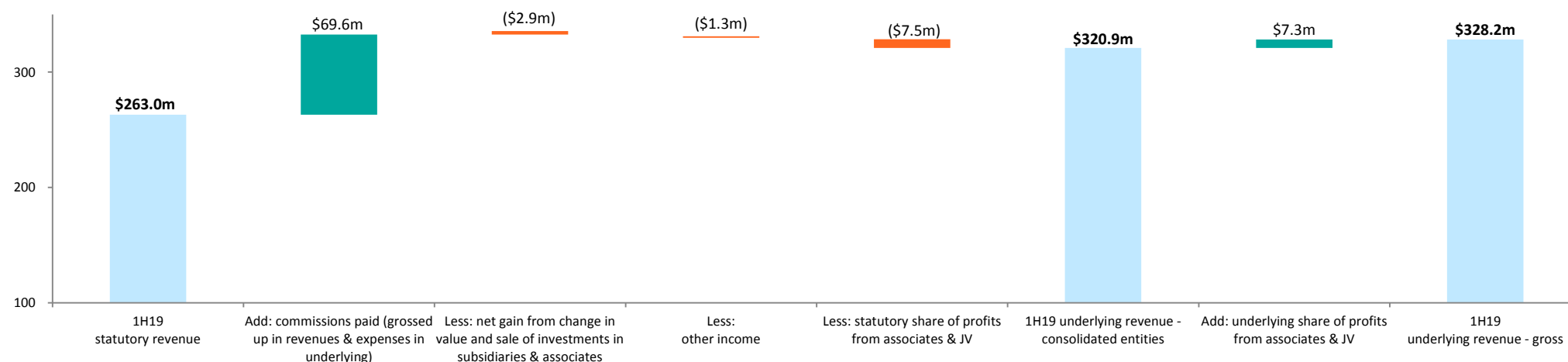
| Six months ended 31 December<br>\$ million                                 | 1H19  | 1H18  |
|----------------------------------------------------------------------------|-------|-------|
| Underlying revenue <sup>1</sup>                                            | 320.9 | 261.8 |
| Underlying NPAT                                                            | 38.2  | 32.5  |
| Underlying EPS (NPAT)                                                      | 4.83  | 4.31  |
| <b>Reconciliation of earnings</b>                                          |       |       |
| Statutory NPAT                                                             | 40.5  | 33.8  |
| Change in value and sale of investments                                    | (2.4) | (0.4) |
| Share based payment expense on share options on executive loans and shares | -     | (0.2) |
| Deferred consideration adjustments                                         | -     | (3.5) |
| Impairments                                                                | -     | 2.3   |
| Non-recurring costs from closure of residential builders agency            | -     | 0.5   |
| Other                                                                      | 0.1   | -     |
| Underlying NPAT                                                            | 38.2  | 32.5  |
| Amortisation                                                               | 12.1  | 10.5  |
| Underlying NPATA                                                           | 50.3  | 43.0  |

<sup>1</sup> Excludes impact from dividend income and mark-to-market adjustments for Johns Lyng Group investment..

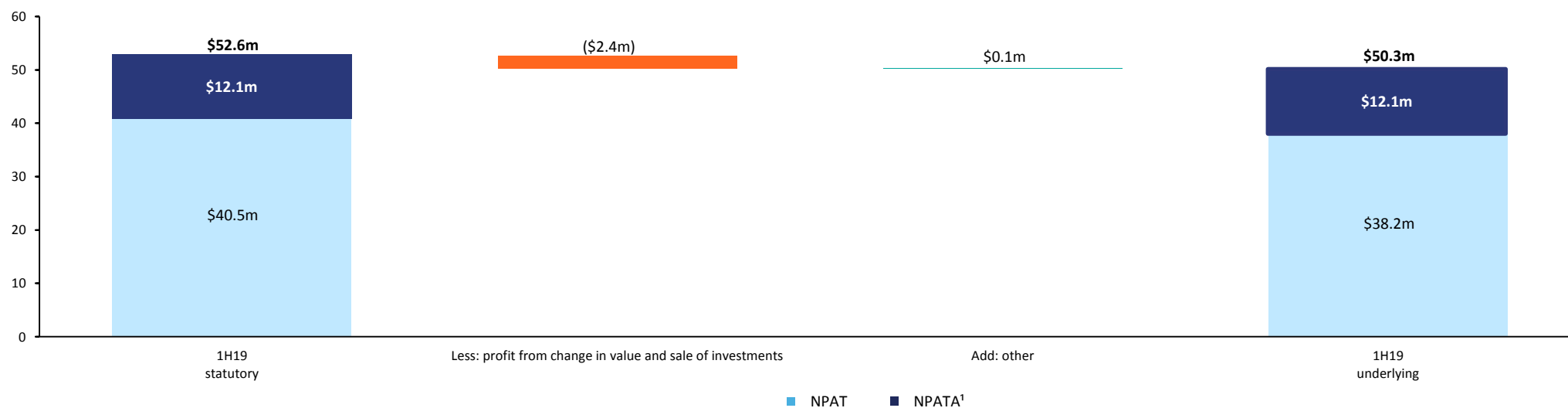
# 1H19 detailed financials

## Statutory vs underlying reconciliation

### Revenue reconciliation (\$m)



### NPAT and NPATA reconciliation (\$m)



<sup>1</sup> Calculated on consistent basis since IPO.

# 1H19 detailed financials

## Underlying revenue and EBITA (aggregate view)

| Six months ended 31 December<br>\$ million | Underlying<br>1H19 | Underlying<br>1H18 | Year-on-year<br>growth % |
|--------------------------------------------|--------------------|--------------------|--------------------------|
| <b>Gross written premiums</b>              |                    |                    |                          |
| Brokers <sup>1</sup>                       | 841.8              | 681.8              | 23.5%                    |
| Underwriting agencies <sup>2</sup>         | 546.3              | 418.4              | 30.6%                    |
| <b>Total GWP</b>                           | <b>1,388.2</b>     | <b>1,100.2</b>     | <b>26.2%</b>             |

| Revenue                            | Underlying<br>1H19 | Underlying<br>1H18 | Year-on-year<br>growth % | Organic<br>growth % | Acquisitions &<br>hubbing growth % |
|------------------------------------|--------------------|--------------------|--------------------------|---------------------|------------------------------------|
| Brokers <sup>3</sup>               | 218.5              | 185.5              | 17.8%                    | 9.6%                | 8.2%                               |
| Underwriting agencies <sup>4</sup> | 174.3              | 137.3              | 27.0%                    | 18.7%               | 8.3%                               |
| Other <sup>5</sup>                 | 77.0               | 65.6               | 17.4%                    | 17.4%               | -                                  |
| <b>Total revenue</b>               | <b>469.8</b>       | <b>388.4</b>       | <b>21.0%</b>             | <b>14.1%</b>        | <b>6.9%</b>                        |
| <b>EBITA</b>                       |                    |                    |                          |                     |                                    |
| Brokers                            | 57.4               | 50.2               | 14.4%                    | 8.9%                | 5.5%                               |
| Underwriting agencies              | 42.9               | 33.1               | 29.4%                    | 25.3%               | 4.1%                               |
| Other <sup>6</sup>                 | 1.9                | 3.4                | (42.2%)                  | (42.2%)             | -                                  |
| <b>Total EBITA</b>                 | <b>102.2</b>       | <b>86.7</b>        | <b>18.0%</b>             | <b>13.2%</b>        | <b>4.8%</b>                        |

<sup>1</sup> Excludes large authorised representative networks.

<sup>2</sup> Includes post-acquisition contribution from Steadfast Underwriting Agencies.

<sup>3</sup> Includes gross up of wholesale broker commission expense (\$8.1m in 1H18 and \$13.3m in 1H19).

<sup>4</sup> Includes gross up of agency commission expense (\$62.8m in 1H18 and \$82.3m in 1H19).

<sup>5</sup> Excludes impact from dividend income and mark-to-market adjustments for Johns Lyng Group investment.

<sup>6</sup> Other underlying EBITA includes ancillary (-\$1.4m in 1H19), premium funding (\$5.3m in 1H19) and Steadfast Network / Corporate office (-\$2.0m in 1H19).

# 1H19 detailed financials

## Statement of income (underlying IFRS view)

| Six months ended 31 December<br>\$ million                                | Underlying<br>1H19 | Underlying<br>1H18 | Year-on-year<br>growth % | Organic<br>growth % <sup>2</sup> | Acquisitions &<br>hubbing growth % <sup>3</sup> |
|---------------------------------------------------------------------------|--------------------|--------------------|--------------------------|----------------------------------|-------------------------------------------------|
| Fees and commissions <sup>1</sup>                                         | 278.1              | 225.8              | 23.2%                    | 10.5%                            | 12.7%                                           |
| M&A and other fees                                                        | 24.8               | 20.8               | 19.1%                    | 19.1%                            | -                                               |
| Interest income                                                           | 4.1                | 3.6                | 12.0%                    | (18.4%)                          | 30.4%                                           |
| Other revenue <sup>4</sup>                                                | 13.9               | 11.5               | 20.5%                    | 12.0%                            | 8.5%                                            |
| <b>Revenue – Consolidated entities</b>                                    | <b>320.9</b>       | <b>261.8</b>       | <b>22.6%</b>             | <b>10.8%</b>                     | <b>11.8%</b>                                    |
| Employment expenses                                                       | (105.7)            | (87.9)             | 20.2%                    | 6.6%                             | 13.6%                                           |
| Occupancy expenses                                                        | (8.9)              | (7.7)              | 15.1%                    | (0.6%)                           | 15.7%                                           |
| Other expenses including Corporate Office <sup>1</sup>                    | (132.7)            | (106.1)            | 25.0%                    | 14.1%                            | 10.9%                                           |
| <b>Expenses – Consolidated entities</b>                                   | <b>(247.2)</b>     | <b>(201.8)</b>     | <b>22.5%</b>             | <b>10.3%</b>                     | <b>12.2%</b>                                    |
| <b>EBITA – Consolidated entities</b>                                      | <b>73.6</b>        | <b>60.0</b>        | <b>22.8%</b>             | <b>12.7%</b>                     | <b>10.1%</b>                                    |
| Share of EBITA from associates and joint ventures                         | 12.9               | 11.4               | 12.9%                    | 16.3%                            | (3.4%)                                          |
| <b>EBITA – excluding mark-to-market of investment in Johns Lyng Group</b> | <b>86.5</b>        | <b>71.3</b>        | <b>21.3%</b>             | <b>13.3%</b>                     | <b>8.0%</b>                                     |
| Mark-to-market of investment in Johns Lyng Group                          | (1.1)              | 1.5                |                          |                                  |                                                 |
| <b>EBITA</b>                                                              | <b>85.4</b>        | <b>72.8</b>        | <b>17.2%</b>             |                                  |                                                 |
| Net financing expense                                                     | (6.2)              | (5.4)              | 14.6%                    |                                  |                                                 |
| Amortisation expense – consolidated entities                              | (12.4)             | (10.3)             | 19.8%                    |                                  |                                                 |
| Amortisation expense – associates                                         | (1.5)              | (1.6)              | (5.8%)                   |                                  |                                                 |
| Income tax expense                                                        | (19.4)             | (17.2)             | 12.7%                    |                                  |                                                 |
| <b>Net profit after tax</b>                                               | <b>45.9</b>        | <b>38.2</b>        | <b>20.0%</b>             |                                  |                                                 |
| Non-controlling interests                                                 | (7.6)              | (5.7)              | 33.1%                    |                                  |                                                 |
| <b>Net profit attributable to Steadfast members (NPAT)</b>                | <b>38.2</b>        | <b>32.5</b>        | <b>17.6%</b>             |                                  |                                                 |
| Amortisation expense – consolidated entities <sup>5</sup>                 | 10.5               | 8.9                | 18.0%                    |                                  |                                                 |
| Amortisation expense – associates <sup>6</sup>                            | 1.5                | 1.6                | (5.3%)                   |                                  |                                                 |
| <b>Net Profit after Tax and before Amortisation (NPATA<sup>7</sup>)</b>   | <b>50.3</b>        | <b>43.0</b>        | <b>16.9%</b>             |                                  |                                                 |

<sup>1</sup> Wholesale broker and agency commission expense (paid to brokers) included in revenues and other expenses so impact to EBITA is nil (\$59.1m in 1H18; \$73.3m in 1H19).

<sup>2</sup> Includes bolt-on acquisitions.

<sup>3</sup> Acquisition growth includes the net effect of acquisitions, divestments and increased equity stakes. Includes growth from associates converted to consolidated entities.

<sup>4</sup> Excludes impact from dividend income and mark-to-market adjustments for Johns Lyng Group investment

<sup>5</sup> For controlled entities, the amortisation of customer list add back is before 30% tax but after non-controlling interests, to reflect Steadfast Group's proportional share. The balance sheet includes a deferred tax liability to reflect the future non-tax deductibility of amortisation expense.

<sup>6</sup> For associates, amortisation of customer list is not tax effected (per Accounting Standards).

<sup>7</sup> Calculated on a consistent basis since IPO.



# 1H19 detailed financials

## Statement of income (underlying IFRS view)

| Six months ended 31 December<br>\$ million                              | Underlying<br>1H19 | Underlying<br>2H18 | Underlying<br>1H18 | Underlying<br>2H17 | Underlying<br>1H17 |
|-------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Fees and commissions <sup>1</sup>                                       | 278.1              | 266.6              | 225.8              | 212.9              | 203.1              |
| M&A and other fees                                                      | 24.8               | 19.8               | 20.8               | 16.9               | 18.4               |
| Interest income                                                         | 4.1                | 3.4                | 3.6                | 3.3                | 3.7                |
| Other revenue <sup>2</sup>                                              | 13.9               | 15.4               | 11.5               | 14.3               | 18.3               |
| <b>Revenue – Consolidated entities</b>                                  | <b>320.9</b>       | <b>305.3</b>       | <b>261.8</b>       | <b>247.4</b>       | <b>243.4</b>       |
| Employment expenses                                                     | (105.7)            | (96.8)             | (87.9)             | (79.9)             | (83.7)             |
| Occupancy expenses                                                      | (8.9)              | (8.7)              | (7.7)              | (7.2)              | (7.2)              |
| Other expenses including Corporate Office <sup>1</sup>                  | (132.7)            | (120.2)            | (106.1)            | (95.5)             | (97.9)             |
| <b>Expenses – Consolidated entities</b>                                 | <b>(247.2)</b>     | <b>(225.7)</b>     | <b>(201.8)</b>     | <b>(182.7)</b>     | <b>(188.8)</b>     |
| <b>EBITA – Consolidated entities</b>                                    | <b>73.6</b>        | <b>79.6</b>        | <b>60.0</b>        | <b>64.7</b>        | <b>54.7</b>        |
| Share of EBITA from associates and joint ventures                       | 12.9               | 13.2               | 11.4               | 11.9               | 12.1               |
| <b>EBITA</b>                                                            | <b>86.5</b>        | <b>92.7</b>        | <b>71.3</b>        | <b>76.6</b>        | <b>66.7</b>        |
| Mark-to-market of investment in Johns Lyng Group                        | (1.1)              | -                  | 1.5                | -                  | -                  |
| <b>EBITA</b>                                                            | <b>85.4</b>        | <b>92.7</b>        | <b>72.8</b>        | <b>76.6</b>        | <b>66.7</b>        |
| Net financing expense                                                   | (6.2)              | (5.2)              | (5.4)              | (4.8)              | (4.9)              |
| Amortisation expense – consolidated entities                            | (12.4)             | (11.7)             | (10.3)             | (9.5)              | (10.8)             |
| Amortisation expense – associates                                       | (1.5)              | (1.6)              | (1.6)              | (1.7)              | (1.7)              |
| Income tax expense                                                      | (19.4)             | (23.6)             | (17.2)             | (17.1)             | (14.5)             |
| <b>Net profit after tax</b>                                             | <b>45.9</b>        | <b>50.7</b>        | <b>38.2</b>        | <b>43.5</b>        | <b>34.9</b>        |
| Non-controlling interests                                               | (7.6)              | (8.2)              | (5.7)              | (7.1)              | (4.9)              |
| <b>Net profit attributable to Steadfast members (NPAT)</b>              | <b>38.2</b>        | <b>42.5</b>        | <b>32.5</b>        | <b>36.4</b>        | <b>30.0</b>        |
| Amortisation expense – consolidated entities <sup>3</sup>               | 10.5               | 10.2               | 8.9                | 8.1                | 9.3                |
| Amortisation expense – associates <sup>3</sup>                          | 1.5                | 1.6                | 1.6                | 1.7                | 1.7                |
| <b>Net Profit after Tax and before Amortisation (NPATA<sup>4</sup>)</b> | <b>50.3</b>        | <b>54.3</b>        | <b>43.0</b>        | <b>46.2</b>        | <b>41.0</b>        |
| Restated weighted average share #                                       | 792.0              | 772.0              | 753.9              | 748.7              | 749.0              |
| Underlying EPS (NPAT) (cents per share)                                 | 4.83               | 5.40               | 4.31               | 4.86               | 4.01               |
| Underlying EPS (NPATA) (cents per share)                                | 6.35               | 6.89               | 5.71               | 6.18               | 5.47               |

<sup>1</sup> Wholesale broker and agency commission expense (paid to brokers) included in revenues and other expenses so impact to EBITA is nil (\$59.1m in 1H18; \$73.3m in 1H19).

<sup>2</sup> Excludes impact from dividend income and mark-to-market adjustments for Johns Lyng Group investment.

<sup>3</sup> For controlled entities, the amortisation of customer list add back is before 30% tax but after non-controlling interests, to reflect Steadfast Group's proportional share. The balance sheet includes a deferred tax liability to reflect the future non-tax deductibility of amortisation expense. For associates, amortisation of customer list is not tax effected per Accounting Standards.

<sup>4</sup> Calculated on a consistent basis since IPO.

# 1H19 detailed financials

## Statutory cash flow statement

| \$ million                                                                 | 1H19          | 1H18           |
|----------------------------------------------------------------------------|---------------|----------------|
| Cash flows from operating activities                                       |               |                |
| Net cash from operating activities before customer trust accounts movement | 62.4          | 51.4           |
| Net movement in customer trust accounts                                    | 13.2          | 8.8            |
| <b>Net cash from operating activities</b>                                  | <b>75.6</b>   | <b>60.2</b>    |
| <b>Net cash used in investing activities</b>                               | <b>(23.0)</b> | <b>(104.2)</b> |
| Cash used for dividends                                                    | (37.3)        | (33.0)         |
| Other                                                                      | 104.4         | 118.7          |
| <b>Net cash from financing activities</b>                                  | <b>67.1</b>   | <b>85.7</b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                | <b>119.6</b>  | <b>41.7</b>    |
| <b>Cash and cash equivalents at 31 December</b>                            | <b>507.6</b>  | <b>370.7</b>   |
| <i>split into: Cash held in trust</i>                                      | <i>392.8</i>  | <i>290.9</i>   |
| <i>Cash on hand (net of overdraft)</i>                                     | <i>114.8</i>  | <i>79.8</i>    |

### \$25.1m free cash flow in 1H19

\$62.4m Cash from operations

(\$37.3m) Dividends paid

**\$25.1m Free cash flow**

**124% conversion of  
NPATA to cash**

# Australian General Insurance Statistics<sup>1</sup>

## Premiums and claims by class of business

| Premiums and Claims by Class of Business                                                        | Houseowners/householders |                       | Domestic motor vehicle |                       | CTP motor vehicle     |                       |
|-------------------------------------------------------------------------------------------------|--------------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|
|                                                                                                 | Year End<br>Sept 2017    | Year End<br>Sept 2018 | Year End<br>Sept 2017  | Year End<br>Sept 2018 | Year End<br>Sept 2017 | Year End<br>Sept 2018 |
| Gross written premium (\$m)                                                                     | 8,188                    | 8,663                 | 9,133                  | 9,773                 | 4,016                 | 3,556                 |
| Number of risks ('000)                                                                          | 11,785                   | 12,026                | 15,228                 | 15,751                | 15,524                | 16,127                |
| Average premium per risk (\$)                                                                   | 695                      | 720                   | 600                    | 620                   | 259                   | 221                   |
| Outwards reinsurance expense (\$m)                                                              | 2,552                    | 2,648                 | 1,768                  | 1,915                 | 995                   | 800                   |
| Gross earned premium (\$m)                                                                      | 8,466                    | 8,816                 | 8,827                  | 9,540                 | 4,191                 | 3,698                 |
| Cession ratio                                                                                   | 30%                      | 30%                   | 20%                    | 20%                   | 24%                   | 22%                   |
| Gross incurred claims (current and prior years) net of non-reinsurance recoveries revenue (\$m) | 3,701                    | 3,447                 | 6,822                  | Not provided          | 2,179                 | 1,932                 |
| Gross earned premium (\$m)                                                                      | 8,466                    | 8,816                 | 8,827                  | 9,540                 | 4,191                 | 3,698                 |
| Gross loss ratio                                                                                | 60%                      | 51%                   | 77%                    | 73%                   | 52%                   | 52%                   |
| Net incurred claims (current and prior years) (\$m)                                             | 3,539                    | 3,593                 | 5,136                  | 5,631                 | 2,158                 | 1,577                 |
| Net earned premium (\$m)                                                                        | 5,914                    | 6,168                 | 7,059                  | 7,625                 | 3,196                 | 2,899                 |
| Net loss ratio                                                                                  | 63%                      | 58%                   | 78%                    | 74%                   | 48%                   | 54%                   |
| Underwriting expenses (\$m)                                                                     | 1,644                    | 1,664                 | 1,574                  | 1,558                 | 337                   | 298                   |
| Net earned premium (\$m)                                                                        | 5,914                    | 6,168                 | 7,059                  | 7,625                 | 3,196                 | 2,899                 |
| U/W expense ratio                                                                               | 28%                      | 27%                   | 22%                    | 20%                   | 11%                   | 10%                   |
| Net U/W combined ratio                                                                          | 91%                      | 85%                   | 100%                   | 94%                   | 59%                   | 65%                   |

<sup>1</sup> Source: Australian Prudential Regulation Authority (APRA) Quarterly General Insurance Performance Statistics September 2018.

# Australian General Insurance Statistics<sup>1</sup>

## Premiums and claims by class of business

| Premiums and Claims by Class of Business                                                        | Commercial motor vehicle |                       | Fire and ISR          |                       | Public and product liability |                       | Professional indemnity |                       |
|-------------------------------------------------------------------------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|------------------------------|-----------------------|------------------------|-----------------------|
|                                                                                                 | Year End<br>Sept 2017    | Year End<br>Sept 2018 | Year End<br>Sept 2017 | Year End<br>Sept 2018 | Year End<br>Sept 2017        | Year End<br>Sept 2018 | Year End<br>Sept 2017  | Year End<br>Sept 2018 |
| Gross written premium (\$m)                                                                     | 2,312                    | 2,563                 | 3,981                 | 4,318                 | 2,287                        | 2,391                 | 1,698                  | 1,947                 |
| Number of risks ('000)                                                                          | 1,653                    | 1,687                 | 1,506                 | 1,561                 | 9,646                        | 9,599                 | 678                    | 646                   |
| Average premium per risk (\$)                                                                   | 1,398                    | 1,519                 | 2,643                 | 2,767                 | 237                          | 249                   | 2,505                  | 3,015                 |
| Outwards reinsurance expense (\$m)                                                              | 321                      | 416                   | 1,720                 | 1,930                 | 576                          | 607                   | 512                    | 554                   |
| Gross earned premium (\$m)                                                                      | 2,230                    | 2,453                 | 4,161                 | 4,371                 | 2,279                        | 2,322                 | 1,619                  | 1,785                 |
| Cession ratio                                                                                   | 14%                      | 17%                   | 41%                   | 44%                   | 25%                          | 26%                   | 32%                    | 31%                   |
| Gross incurred claims (current and prior years) net of non-reinsurance recoveries revenue (\$m) | 1,707                    | 1,775                 | 3,606                 | 2,795                 | 1,220                        | 1,333                 | 1,157                  | 1,903                 |
| Gross earned premium (\$m)                                                                      | 2,230                    | 2,453                 | 4,161                 | 4,371                 | 2,279                        | 2,322                 | 1,619                  | 1,785                 |
| Gross loss ratio                                                                                | 77%                      | 72%                   | 87%                   | 64%                   | 54%                          | 57%                   | 72%                    | 107%                  |
| Net incurred claims (current and prior years) (\$m)                                             | 1,424                    | 1,470                 | 1,750                 | 1,550                 | 439                          | 870                   | 666                    | 829                   |
| Net earned premium (\$m)                                                                        | 1,909                    | 2,037                 | 2,442                 | 2,441                 | 1,702                        | 1,715                 | 1,107                  | 1,231                 |
| Net loss ratio                                                                                  | 77%                      | 72%                   | 67%                   | 63%                   | 48%                          | 51%                   | 59%                    | 67%                   |
| Underwriting expenses (\$m)                                                                     | 496                      | 519                   | 1,002                 | 986                   | 528                          | 522                   | 216                    | 233                   |
| Net earned premium (\$m)                                                                        | 1,909                    | 2,037                 | 2,442                 | 2,441                 | 1,702                        | 1,715                 | 1,107                  | 1,231                 |
| U/W expense ratio                                                                               | 26%                      | 25%                   | 41%                   | 40%                   | 31%                          | 30%                   | 20%                    | 19%                   |
| Net U/W combined ratio                                                                          | 102%                     | 98%                   | 108%                  | 104%                  | 79%                          | 81%                   | 78%                    | 86%                   |

<sup>1</sup> Source: Australian Prudential Regulation Authority (APRA) Quarterly General Insurance Performance Statistics September 2018.

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<sup>1</sup> Calculated on consistent basis since IPO