

## MARKET RELEASE

20 February 2019

### **Steadfast Group announces strong half year 2019 results with underlying EBITA up 21.3% and underlying NPAT up 17.6%**

#### **1H19 financial highlights (compared to 1H18)<sup>1</sup>**

- Underlying revenue of \$320.9m, up 22.6%
- Underlying EBITA of \$86.5m, up 21.3%
- Underlying NPAT of \$38.2m, up 17.6%
- Underlying EPS (NPAT) of 4.83 cents per share, up 12.0%
- Interim dividend (fully franked) of 3.2 cents per share (cps), up 14.3%

Statutory NPAT of \$40.5m was up 19.8%, slightly higher than growth in underlying NPAT due to net non-trading gains.

Managing Director & CEO Robert Kelly commented "This is a very strong set of results driven by underlying organic (+13%) and acquisition (+8%) EBITA growth by the Group.

"The Steadfast Network had a strong first half, driven by price and volume growth. 11 new brokers joined the Network bringing the total to 388 across Australia, New Zealand and Singapore which further underlines our position as the largest general insurance broker network in Australasia<sup>2</sup>.

"The Steadfast Underwriting Agencies had a particularly impressive performance driven by our long-term strategy of closely aligning capacity providers and technology to our products to capitalise on the hardening market.

"Regarding the Royal Commission, we are supportive of the recommendations which improve client outcomes as they align with Steadfast's ethos, offering and processes. We continue to invest in technology, particularly the Steadfast Client Trading Platform, to create a genuinely contestable market place where insurers compete for business. This is combined with market-leading policy wordings, non-volume based commissions and non-variable commission terms to give our brokers the ability to offer strong and appropriate outcomes to their clients."

#### **Steadfast Network delivers 12% GWP growth**

The Steadfast Network delivered record first half gross written premium (GWP) of \$2.9 billion, growth of 12%. This was driven by insurer price rises, an increase in volume and new brokers joining the Network. There was organic GWP growth of 7% across the Australian SME portfolio (excluding statutory classes) compared to 1H18.

#### **Steadfast equity brokers grow aggregate underlying EBITA by 14%**

Steadfast Group's portfolio of equity brokers grew aggregate underlying EBITA to \$57.4 million, up 14% compared to 1H18. Both organic and acquisition growth contributed to this performance as the brokers benefited from net fee and commission uplifts as the market continues to harden.

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<sup>1</sup> Statutory P&L results have been adjusted to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Underlying revenue and EBITA results exclude non-trading items and impact from dividend income and mark-to-market for Johns Lyng Group investment.

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

## **Steadfast Underwriting Agencies deliver 49% underlying EBITA growth<sup>3</sup>**

Steadfast Underwriting Agencies (SUA) produced underlying EBITA<sup>3</sup> of \$42.6 million which is growth of 49% compared to 1H18 on a like-for-like basis. This was driven by significant organic growth and some acquisition growth.

SUA delivered \$558 million of GWP in 1H19, an increase of 24%, resulting in over \$1 billion of GWP being written in the past calendar year. This was primarily due to price increases by insurers creating opportunities for the agencies to grow volume.

## **Strong balance sheet to fund future growth**

Steadfast Group has a strong balance sheet positioned to fund future growth with \$99 million of unutilised corporate debt facilities available at 31 December 2018. The total Group gearing ratio was 24.1%, within the board-mandated maximum of 30%.

There continues to be a strong acquisition pipeline which remains subject to the Group's disciplined acquisition criteria and due diligence process.

Net assets were \$1.06 billion at 31 December 2018.

## **Interim dividend up 14% year-on-year**

The board has declared a fully franked interim dividend of 3.2 cps, up from 2.8 cps (+14%) in 1H18. The target full year dividend payout ratio is 65% to 85% of underlying NPAT.

The interim dividend dates are as follows:

- Ex-dividend date of 25 February 2019
- Record date of 26 February 2019
- Dividend Reinvestment Plan (DRP) record date of 27 February 2019
- Payment date of 21 March 2019

The interim dividend is eligible for Steadfast Group's DRP at no discount. For more information on the interim dividend and the DRP, please refer to Steadfast Group's Appendix 3A.1: Notification of dividend, lodged with the ASX on 20 February 2019 and available on the investor website.

## **FY19 guidance<sup>4</sup> confirmed**

Strong 1H19 earnings support FY19 guidance of:

- Underlying EBITA of between \$190 million and \$200 million
- Underlying NPAT of between \$85 million and \$90 million

This guidance is subject to:

- Insurers continuing to drive moderate premium price increases
- Increasing contribution from Steadfast Client Trading Platform
- Ongoing technology investment

<sup>3</sup> Excludes profit shares, RBUA agency closed in Feb 2018 and investments in 'greenfield' agencies.

<sup>4</sup> Also refer to the key risks on page 37 – 39 of the Steadfast Group 2018 Annual Report

## Conference call and webcast

Robert Kelly, Managing Director & CEO, and Stephen Humphrys, Chief Financial Officer, will host a conference call and webcast today (20 February) at 10.00 (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 1066515.
- To access the live webcast, please click onto [investor.steadfast.com.au](http://investor.steadfast.com.au) or <http://www.openbriefing.com/OB/3148.aspx>

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## About Steadfast Group

Steadfast Group, established in 1996, is the largest general insurance broker network and group of underwriting agencies in Australasia. The Steadfast Network provides products and services to over 388 insurance broker businesses across Australia, New Zealand and Asia. Steadfast Network brokers and Steadfast Underwriting Agencies generated billings of more than \$7 billion for the 12 months ended 31 December 2018. 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.

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