

MARKET RELEASE

16 August 2021

Steadfast Group is pleased to announce full year 2021 results with underlying EBITA up 17.6% and underlying NPAT up 20.2%, the acquisition of Coverforce and a \$200m fully underwritten Institutional Placement

FY21 financial highlights¹

- Underlying revenue of \$899.9m, up 8.9%
- Underlying EBITA of \$262.7m, up 17.6%
- Underlying NPAT of \$130.7m, up 20.2%
- Underlying EPS (NPAT) of 15.1 cents per share (cps), up 18.8%
- Final dividend (fully franked) of 7.0 cents per share (cps), up 16.7%
- Total dividend (fully franked) of 11.4 cents per share (cps), up 18.8%

Statutory Net Profit after tax was \$143.0m compared to a loss of \$55.2m in the prior year. The statutory loss for FY20 was after expensing the cost of acquiring IBNA and the PSF Rebate Offer.

Managing Director & CEO Robert Kelly commented "Steadfast has delivered a strong FY21 operating and financial performance, demonstrating the strength of our network, platform and resilient business model in the current environment.

Management continues to execute on both our organic and acquisition growth strategies and as a result we have delivered a 20.2% increase in underlying NPAT to \$130.7m, which is at the top end of our upgraded guidance provided on 28 April 2021 of \$127m to \$132m.

The strong growth was mainly driven by a continuation of the hardening insurance cycle and robust organic growth and higher margins in our insurance broking and underwriting agency businesses and supported by our disciplined approach to undertaking accretive acquisitions."

Steadfast Network Brokers deliver 18% of GWP growth

The Steadfast Network delivered record gross written premium (GWP) of \$9.8 billion in FY21, growth of 18%.

Brokers continued to benefit from the rate cycle as our strategic partners continued to implement moderate price increases, while volumes held steady over the year.

Increased revenue and higher margins have driven our excellent underlying EBITA growth from Steadfast equity owned businesses of 21.5% in FY21. Acquisitions made during the year supported the growth achieved by Steadfast broking.

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

Steadfast Underwriting Agencies delivers \$1.48b of GWP

Steadfast Underwriting Agencies continue to perform strongly with sustained organic growth generating a GWP uplift of 11.5% over FY20, underpinned by the execution of our long term strategy, and benefiting from higher premium pricing from strategic partners and some market share gains. EBITA grew by 13.0% in FY21.

Strong growth in Group underlying EBITA

The Group delivered strong underlying EBITA growth in FY21 of 17.6% to \$262.7m primarily driven by:

- Organic growth from further increases in premiums by insurers and some volume uplift (+11.4% in aggregate)
- Acquisition growth contributed \$17.2m (+7.7%); and
- Improved margins.

Total dividend up 18.8% year-on-year

The Board has declared a fully franked final dividend of 7.0 cents per share (cps), up from 6.0 cps (+16.7%) in FY20. The FY21 total dividend (fully franked) of 11.4 cps is up from 9.6 cps (+18.8%) for the previous year, equating to a dividend payout ratio of approximately 75% of underlying NPAT.

The final dividend dates are as follows:

- Ex-dividend date of 19 August 2021
- Record date of 20 August 2021
- Dividend Reinvestment Plan (DRP) record date of 23 August 2021
- Payment date of 10 September 2021

The final dividend is eligible for Steadfast Group's DRP at no discount. For more information on the final dividend and the DRP, please refer to Steadfast Group's Appendix 3A.1: Notification of dividend, lodged with the ASX on 16 August 2021 and also available on the investor website.

Coverforce to merge into Steadfast

Steadfast Group has today entered into an agreement to acquire 100% of Coverforce, one of Australia's largest privately owned insurance brokers which is predominantly focused on the SME sector. In summary:

- Acquisition price of \$411.5m
- The acquisition will be fully funded through an underwritten \$200m institutional placement² ("Institutional Placement") and \$217.8m scrip consideration to the vendors of Coverforce (escrowed until after the release of Steadfast Group FY22 results).
- The merger of Coverforce into the Steadfast Group is culturally and strategically aligned
 - Unique opportunity to acquire one of Australia's largest insurance brokers, delivering a platform of scale with product and client diversification
 - Mutual benefits expected to be realised with the ability to leverage the expertise and skills across both platforms
 - Consistent with growth strategy

² Refer to slide 41 of the Investor Presentation for a summary of the key terms and conditions of the underwriting arrangements.

- Gain access to Coverforce technology and services platform which will enhance Steadfast's offering
- Coverforce management including founder and managing director Jim Angelis will play a key role within the wider Steadfast Group business.
- Completion of the acquisition is scheduled to occur on Friday 20 August 2021
- Coverforce was established in 1994 and comprises four business divisions:
 - Insurance Broking: a leading general insurance broker focused on the SMEs
 - Coverforce Partners: acquires minority interest in small to medium sized insurance brokers and provides services to them
 - Group Income Protection: largest provider of group income protection insurance included within Enterprise Bargaining Agreements in Australia
 - Quanta: specialist underwriting agency
- Attractive financial outcome expected delivering shareholder value underpinned by strong margins, with significant operating leverage and enhanced by anticipated synergies
 - Expected to be immediately EPS accretive in FY22, excluding synergies, and c.4% underlying EPS accretion^{3,4} including full run rate of annualised synergies, on a fully equity funded basis
 - Proven growth track record having achieved >16% underlying revenue growth CAGR and >23% underlying EBITA growth CAGR respectively over the last 3 years (FY18-FY21)⁵
 - High historical cash conversion supported by strong operating leverage with excellent EBITA margins
 - Acquisition price of \$411.5m implying an acquisition multiple of 12.5x expected underlying EBITDA, excluding synergies and 11.1x³ including synergies
- Following the Institutional Placement, Steadfast Group intends to offer a non-underwritten Share Purchase Plan ("SPP") to raise up to an additional \$20m. The SPP will be offered to eligible shareholders being persons who at 7.00pm (Sydney time) on Friday, 13 August 2021 were registered as holders of Steadfast Group shares and whose address on Steadfast's share register is in Australia or New Zealand
- Following the Institutional Placement and vendor share issuance corporate debt to equity will reduce to 17.5%. This gives the Group significant headroom to debt fund other acquisitions within the Board approved maximum corporate gearing ratio⁶ of 30%.

³ Based on FY22 forecast proforma for the acquisition, as if transaction completed on 1 July 2021 and full run rate pre-tax cost synergies of \$4m expected after 2 years post acquisition close. Excludes transaction and integration costs.

⁴ Based on \$4.35 underwritten floor price.

⁵ Sourced from information received from Coverforce. FY21 financial results are unaudited.

⁶ Consent is required to access debt capacity.

Cultural and strategic alignment

Managing Director & CEO Robert Kelly commented "Steadfast Group continues to provide insurance brokers with the opportunity to unlock the capital that has been built up over many years. Steadfast was the natural acquirer of Coverforce which is one of Australia's largest insurance brokers.

The merger of Coverforce into Steadfast represents a unique opportunity to further strengthen Steadfast as the largest general insurance broker network and largest group of insurance underwriting agencies in Australasia. The combination of both businesses is highly complementary with exceptional strategic and cultural alignment. Coverforce is an established insurance broker that has consistently delivered double-digit revenue growth rates, excellent operating efficiencies and consistent market leading margins."

Coverforce Managing Director and CEO Jim Angelis, said "We are pleased with the outcome of the transaction and it was important that our customers and industry relationships transitioned to a trusted partner that has a customer-centric platform that delivers exceptional service and superior insurance products. I look forward to working with the Steadfast team and delivering value for both our customers and Steadfast shareholders."

\$200m fully underwritten equity Institutional Placement and accompanying SPP

Steadfast Group has launched an underwritten institutional placement to raise approximately \$200 million. Proceeds will be used to fund the acquisition of Coverforce.

Shares issued under the Institutional Placement, SPP and those issued to the Coverforce vendors under the Acquisition will be fully paid and rank equally in all respects with existing Steadfast Group ordinary shares from allotment, however will not be entitled to the FY21 final dividend announced today.

It is expected that Steadfast Group shares will remain in a trading halt while a bookbuild for the Institutional Placement is conducted until the market opens on Tuesday 17 August 2021, or such time that it is announced to ASX. Settlement of new shares issued under the Institutional Placement will occur on Thursday 19 August 2021, with allotment scheduled for Friday 20 August 2021. The shares will be issued at a price to be determined in the bookbuild, which will not be less than \$4.35 per share, being the underwritten floor price.

J.P. Morgan Securities Australia Limited and UBS AG, Australia Branch are acting as joint lead managers, bookrunners and underwriters for the Institutional Placement.

Following the completion of the Institutional Placement, Steadfast Group will offer eligible existing Australian and New Zealand shareholders on Steadfast Group's share register at 7.00pm on Friday 13 August 2021 the opportunity to apply for new Steadfast Group shares through a non-underwritten SPP without brokerage fees.

The SPP is targeting to raise up to \$20 million, with the Directors discretion to increase, according to demand. Proceeds from the SPP will provide additional working capital and creates additional capacity to fund acquisitions.

The SPP will allow eligible shareholders to apply for the maximum allowed of \$30,000 per shareholder of new fully paid ordinary shares. The SPP offer period will be open on Tuesday 24 August 2021 and close at 5:00pm on Monday 13 September 2021, subject to Steadfast Group's discretion to amend these dates. Shares issued under the SPP will rank equally with existing shares of Steadfast Group from allotment and will not be entitled to the FY21 final dividend.

The offer price per new share under the SPP will be the lower of (i) the final price achieved under

the Institutional Placement and (ii) a 1% discount to the volume weighted average price (VWAP) of Steadfast Group shares on the ASX over a 5 trading day period ending on the close of the SPP offer period (Monday 13 September 2021).

The terms and conditions of the SPP will be set out in an SPP Offer Booklet and dispatched to eligible Steadfast Group shareholders by their preferred method of contact as well as a separate announcement to the ASX in due course. Participation in the SPP is optional and Steadfast Group reserves the right to scale back any applications under the SPP.

Capacity for future growth

As part of Steadfast Group's ordinary course of business, Steadfast Group is actively evaluating other potential acquisition opportunities particularly in the Steadfast Network. Following the vendor share issuance and Institutional Placement, Steadfast Group could increase corporate debt facilities and intends to use debt capacity⁵ and future free cash to fund the Trapped Capital Project and other acquisitions in FY22.

FY22 guidance

Steadfast Group provides FY22 guidance of:

- Underlying EBITA of between \$320 million and \$330 million
- Underlying NPAT of between \$159 million and \$166 million
- Underlying diluted EPS (NPAT) growth of 10 - 15%

This guidance is subject to:

- Strategic partners continuing to require moderate premium price increases
- \$39m of EBITA in FY22 from acquisitions of Coverforce and interests in Network brokers including the Trapped Capital Project
- Equity raising of \$418m
- Further technology investment
- No negative consequences from Covid

Additional details

Further details of the capital raising are set out in the Investor Presentation pack provided to the ASX today (Investor Presentation). The pack contains important information including key risks and foreign selling restrictions with respect to the Institutional Placement and the SPP.

Conference call and webcast

Robert Kelly, Managing Director & CEO, and Stephen Humphrys, Chief Financial Officer, will host a conference call and webcast at 11:00am (AEST) today, 16 August 2021.

To participate in the call, please pre-register for dial in details [here](#) or by using the link <https://s1.c-conf.com/diamondpass/10014485-mqwr32.html>

To access the live webcast, please click [here](#) or use the link <https://webcast.openbriefing.com/7509/>

A replay of the webcast will be made available on the investor website approximately 48 hours after the initial broadcast.

This announcement is authorised by the Steadfast Board of Directors.

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Steadfast Group, established in 1996, is the largest general insurance broking network and the largest underwriting agency group in Australasia. The network provides services to broker businesses across Australia, New Zealand, Asia and London. In 2021, Steadfast Network brokers and underwriting agencies generated billings of more than AUD\$10 billion. Steadfast also 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 264 brokers in 140 countries. For further information, please visit investor.steadfast.com.au

Forward looking statements

This market release contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar expressions that are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of Steadfast Group and its related bodies corporate and affiliates and each of their respective directors, securityholders, officers, employees, partners, agents, advisers and management. This includes statements about market and industry trends, which are based on interpretations of market conditions. Refer to the 'Key risks' on slides 37 - 44 of the Investor Presentation and pages 47 – 49 of the Steadfast 2021 Annual Report for a summary of certain risk factors that may affect Steadfast Group.

Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the Covid pandemic. Forward-looking statements are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based. These statements may assume the success of Steadfast Group's business strategies, the success of which may not be realised within the period for which the forward-looking statements may have been prepared, or at all.

No guarantee, representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns, statements or tax treatment in relation to future matters contained in this announcement.

These forward-looking statements speak only as of the date of this market release, and except as required by applicable laws or regulations, Steadfast Group, its representatives or advisers do not undertake to publicly update or revise any forward- looking statement or other statements in this announcement, whether as a result of a change in expectations or assumptions, new information, future events, results or circumstances. Past performance and pro forma historical financial information is given for illustrative purposes only. It should not be relied on and it is not indicative of future performance, including future security prices.

Important notice

This market release does not constitute investment or financial product advice, nor is it a recommendation to acquire entitlements or shares in Steadfast Group. It is not intended to be used as the basis for making a financial decision, nor is it intended to constitute legal, tax, accounting or other advice. You should make your own enquiries and investigations regarding any investment, and should seek your own professional advice on the legal, financial, accounting, taxation and other consequences of investing in Steadfast Group.

This market release is not a prospectus, product disclosure statement or any other disclosure or offering document under Australian law (and has not been, and will not be, lodged with the Australian Securities and Investments Commission) or any other law. This market release is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction and neither this market release nor anything in it shall form any part of any contract for the acquisition of Steadfast Group shares.

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In addition, this announcement is subject to the same "Important Notice and Disclaimer" as appears on pages 2 to 4 of the Investor Presentation with any necessary contextual changes.