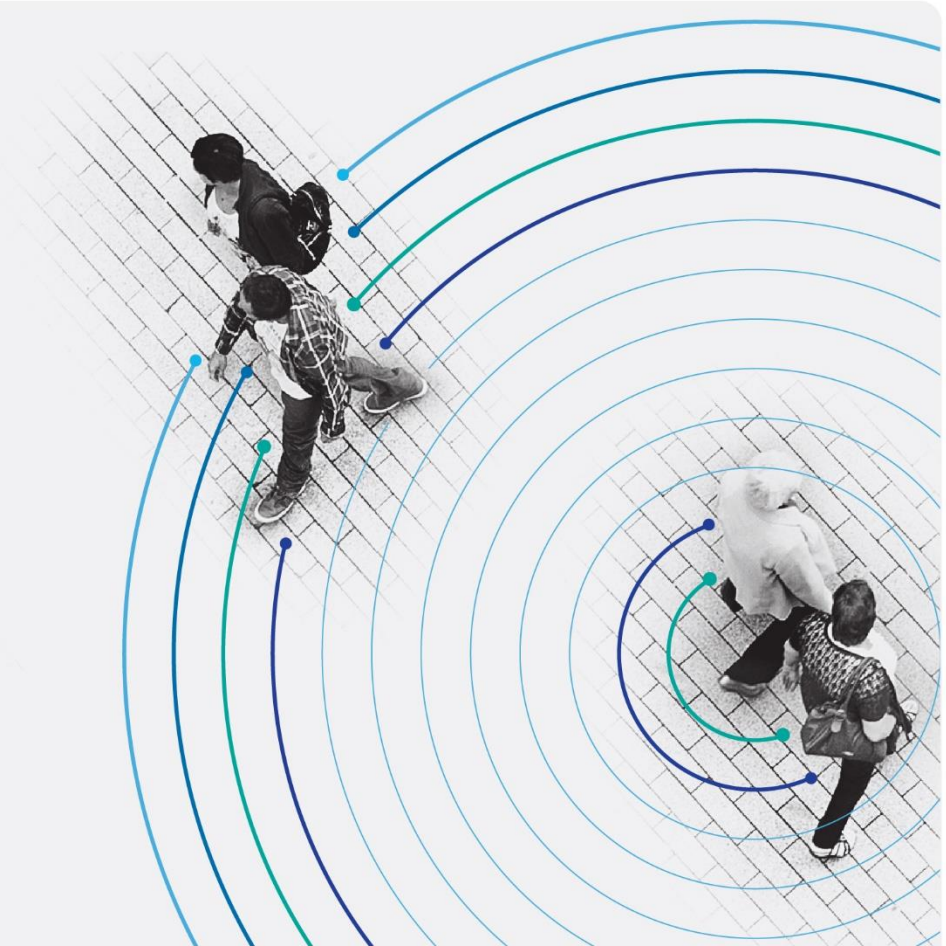


# Steadfast Group Limited

## 1H17 Results

22 February 2017



### **PRESENTERS:**

Robert Kelly – Managing Director & CEO

Stephen Humphrys – Chief Financial Officer

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Local currencies have been used where possible. Prevailing current exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate. All references starting with "FY" refer to the financial year ended 30 June. All references starting with "1H" refer to the financial half year ended 31 December.

# Investor presentation

## Overview

- **Group performance highlights**
- **Business unit performance highlights**
  - Steadfast Network
  - Equity brokers
  - Steadfast Underwriting Agencies
  - Steadfast Direct
  - Complementary businesses
- **Financial information**
- **Strategy and outlook**

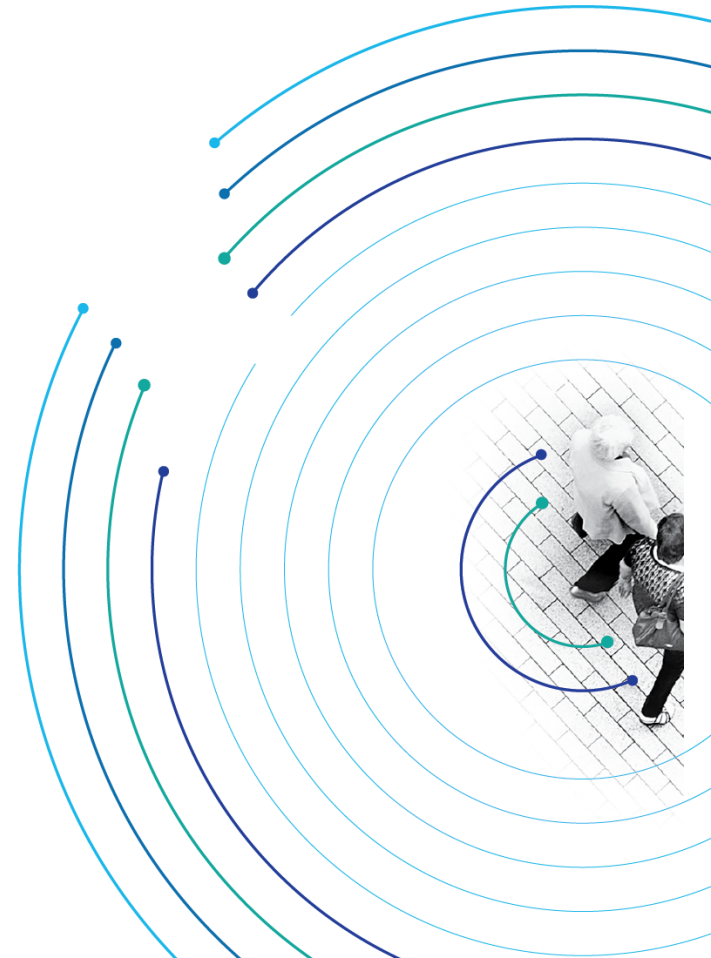
# Group performance highlights

## Strong performance in 1H 17

<b>Underlying earnings</b>	<ul style="list-style-type: none"> <li>▪ Strong earnings growth:             <ul style="list-style-type: none"> <li>▪ Underlying EBITA <span style="color: #0070C0;">↑</span> 11% to \$66.7m</li> <li>▪ Underlying NPAT <span style="color: #0070C0;">↑</span> 13% to \$30.0m</li> <li>▪ Underlying NPATA <span style="color: #0070C0;">↑</span> 8% to \$41.0m</li> <li>▪ Underlying EPS (NPAT) <span style="color: #0070C0;">↑</span> 12% to 4.01 cents per share (cps)</li> </ul> </li> </ul>
<b>Organic performance</b>	<ul style="list-style-type: none"> <li>▪ Underlying EBITA organic growth of \$3.3m <span style="color: #0070C0;">↑</span> 6%</li> <li>▪ Improved margins from revenue growth and cost efficiencies</li> </ul>
<b>Acquisitions performance</b>	<ul style="list-style-type: none"> <li>▪ Underlying EBITA acquisitions growth of \$3.0m <span style="color: #0070C0;">↑</span> 5%</li> <li>▪ Primarily driven by broker-related acquisitions</li> </ul>
<b>Future growth</b>	<ul style="list-style-type: none"> <li>▪ Unutilised debt facility of \$111m at 31 December 2016 for future growth</li> <li>▪ Plus ongoing free cash generation</li> </ul>
<b>Dividend</b>	<ul style="list-style-type: none"> <li>▪ Interim dividend <span style="color: #0070C0;">↑</span> 8% pcp from 2.4 cps to 2.6 cps</li> <li>▪ Fully franked</li> </ul>
<b>Statutory net profit</b>	<ul style="list-style-type: none"> <li>▪ Statutory NPAT <span style="color: #0070C0;">↓</span> 3% to \$37.9m (due to lower non-trading gains of \$7.9m vs \$12.4m in 1H16)</li> </ul>

# Business unit performance highlights

- Steadfast Network
- Equity brokers
- Steadfast Underwriting Agencies
- Steadfast Direct
- Complementary businesses

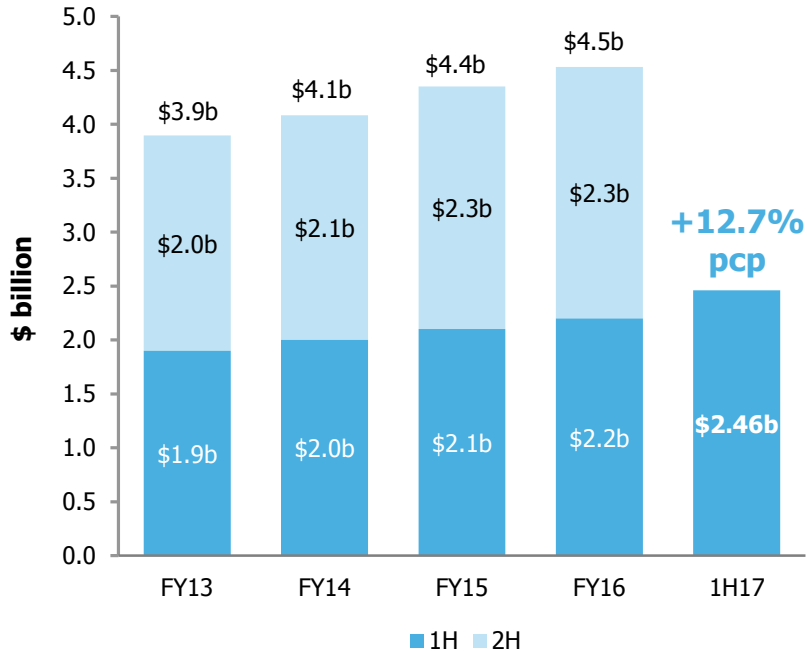


# Steadfast Network

## Significant growth in Gross Written Premium

### Steadfast Network Brokers

Gross Written Premium (GWP)<sup>1</sup>



### 1H 17 vs 1H 16

**GWP of \$2.5b vs \$2.2b**

**+3.5% organic growth**

**+5.0% AR network**

**+4.2% new brokers**

**+12.7% total growth**

- GWP significantly up year-on-year
- Small to medium enterprise (SME) portfolio price increases starting to emerge

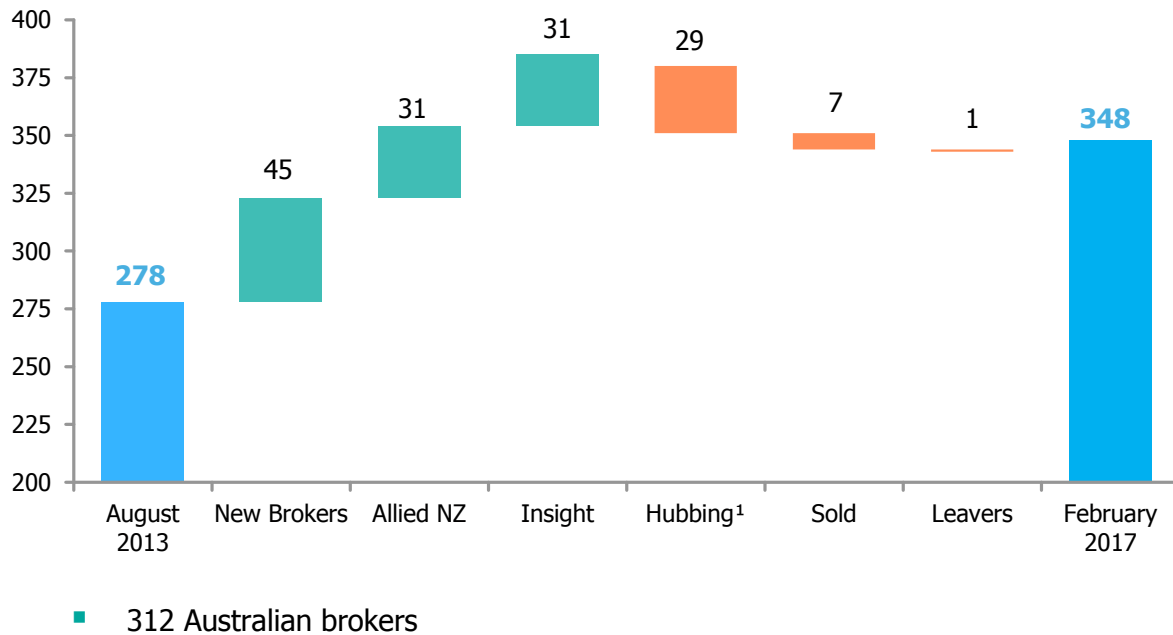
<sup>1</sup> GWP excludes fire service levy, pet and life insurance products.

# Steadfast Network

## New brokers joining the Network

107 brokers have joined and only one broker has left the Network since the IPO.

### Number of Steadfast Network Brokers



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

<sup>1</sup> Hubbing reflects the impact of merging one or more brokers together to create back office cost synergies and scale.

# Equity brokers

## Continuing to invest and create synergies

<b>Equity brokers (including bolt-ons)</b>	<b>1H 17</b>	<b>2H 16</b>	<b>1H 16</b>
Acquisitions	7	8	2
Increased equity holdings	7	7	4
Hubbed	5	1	3

- Actively acquiring and hubbing brokers
- Brokers acquired in 1H 17 were all part of the Steadfast Network

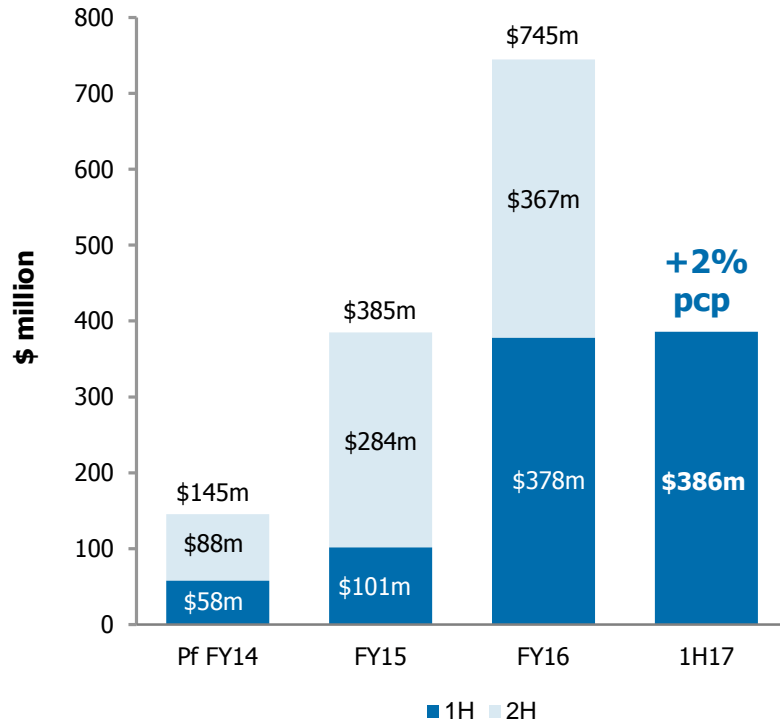


# Steadfast Underwriting Agencies

## Solid growth in Gross Written Premium

### Steadfast Underwriting Agencies

Gross Written Premium (GWP)



**1H 17 vs 1H 16**

**GWP of \$386m vs \$378m**

**+2% total growth**

**Largest underwriting agency group in Australia with 23 agencies and 72 products**

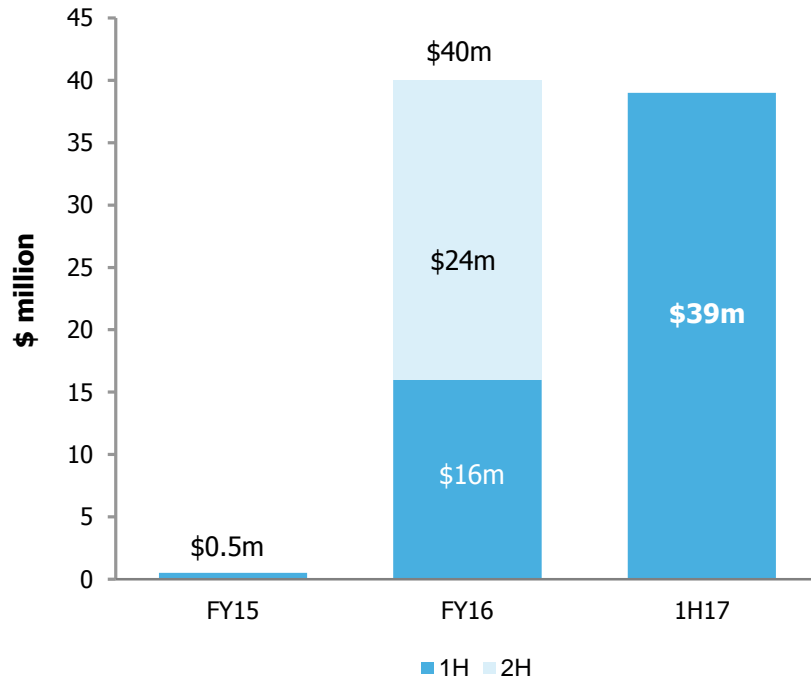
- Approximately half of GWP placed by non-Steadfast brokers
- New London 'super' binder starting to benefit the group

# Steadfast Direct

## Strong momentum

### Steadfast Direct Facility

Gross Written Premium (GWP)



**1H 17 vs 1H 16**

**GWP of \$39m vs \$16m**


**+146% total growth**

- Home, motor and now landlord products
- Sold through the Steadfast Virtual Underwriter

# Complementary businesses

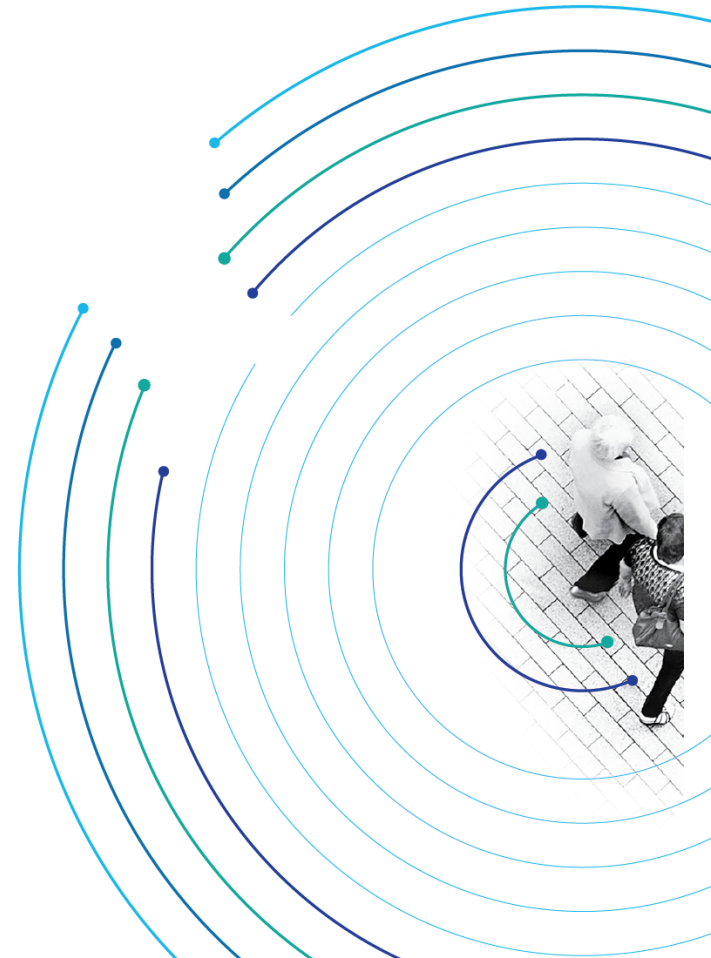
## Supporting the network

- Steadfast Network brokers benefit from access to niche products and services through Steadfast's equity ownership in complementary businesses

<p><b>Steadfast Network</b></p> <p>Collects Marketing &amp; Administration (M&amp;A) Fees</p>	<p><b>Steadfast Life</b></p> <p>Specialist life insurance broker, 50% owned</p>	<p><b>Steadfast TECHNOLOGIES</b></p> <p>Technology service arm, 100% owned</p>	<p><b>Steadfast BUSINESS SOLUTIONS</b></p> <p>Back office service provider, 100% owned*</p>
<p> MACQUARIE</p> <p>Macquarie Pacific Funding</p> <p>50% joint venture in premium funder</p>	<p><b>Steadfast Re</b></p> <p>Reinsurance Brokers</p> <p>Reinsurance broker, 50% owned</p>	<p><b>SVU</b></p> <p>Electronic transaction solution</p>	<p><b>MERIDIAN</b> LAWYERS</p> <p>Insurance legal practice, 25% owned</p>

\* Steadfast Business Solutions element of White Outsourcing retained

# Financial information



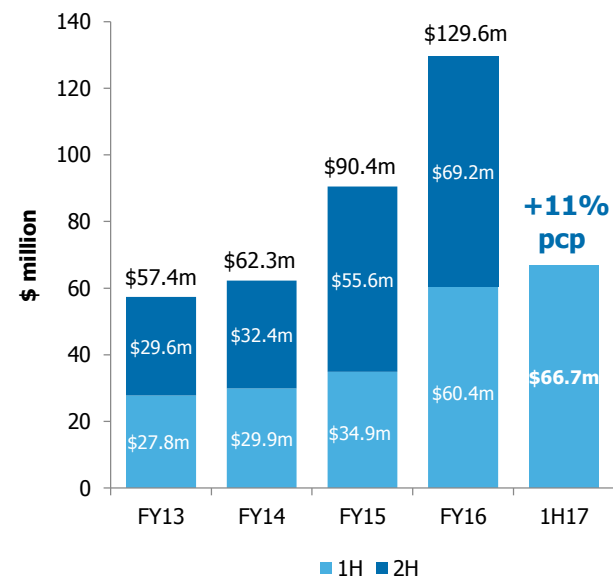
# Group financial performance

## Strong underlying earnings growth

Six months to 31 December	Underlying <sup>1</sup> 1H 17	Underlying 1H 16	Year-on-year growth \$	Year-on-year growth %
Revenue (\$m)	243.4	226.1	17.3	7.7%
EBITA (\$m)	66.7	60.4	6.3	10.5%
<b>EBITA margin</b>	<b>27.4%</b>	<b>26.7%</b>	<i>n/a</i>	<b>0.7%</b>
NPAT (\$m)	30.0	26.6	3.4	12.7%
EPS (NPAT) (cents)	4.01	3.58	0.43	11.8%
NPATA <sup>2</sup> (\$m)	41.0	37.9	3.1	8.2%
EPS (NPATA) (cents)	5.47	5.10	0.37	7.4%

- Continued profit and EPS growth for shareholders
- 1H 17 results in line with guidance**

Underlying EBITA: FY 13 – 1H 17



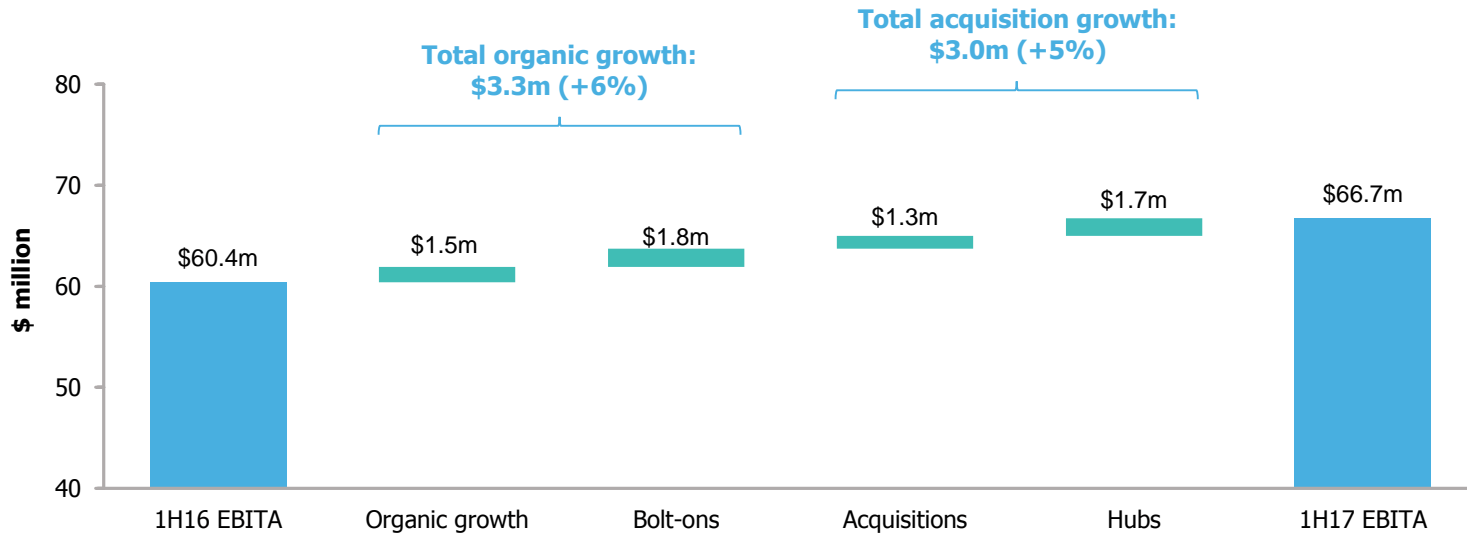
<sup>1</sup> Underlying financial data reconciled to statutory data on slides 40 and 41.

<sup>2</sup> Calculated on a consistent basis since IPO.

# Contributions to underlying EBITA

## Organic and acquisition growth

### Breakdown of the growth in EBITA



- Strong organic growth and improved margins
- Acquisition strategy delivering additional growth

# Broking operations financial performance<sup>1</sup>

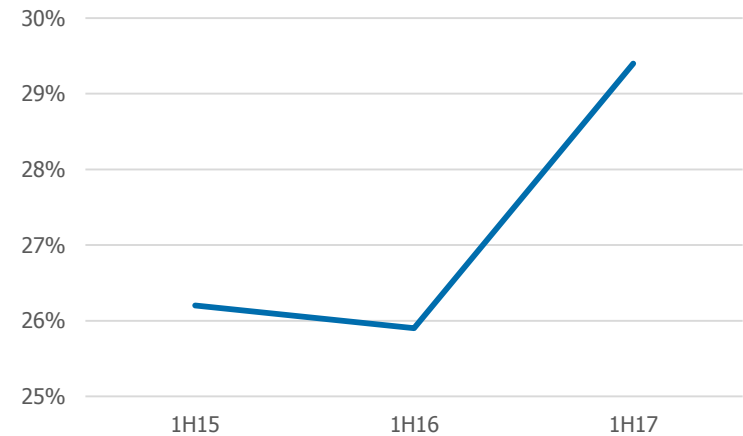
## Organic and acquisition growth

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

Six months to 31 December, \$million	Underlying 1H 17	Underlying 1H 16	Year-on-year growth %	Organic growth %	Acquisition growth %
Net Fees & Commissions <sup>2</sup>	146.3	128.7	13.7%	8.1%	5.6%
<b>Net revenue<sup>2</sup></b>	<b>166.8</b>	<b>148.7</b>	<b>12.1%</b>	<b>7.0%</b>	<b>5.2%</b>
<b>EBITA</b>	<b>49.1</b>	<b>38.5</b>	<b>27.7%</b>	<b>19.3%</b>	<b>8.4%</b>

- Significant year-on-year EBITA growth driven by:
  - Volume uplift
  - First signs of price increases
  - Accretive acquisitions
  - Cost synergies achieved

#### EBITA margin<sup>3</sup>: 1H 15 – 1H 17



<sup>1</sup> Aggregate: assumes 100% ownership.

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

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

# Underwriting agencies financial performance<sup>1</sup>

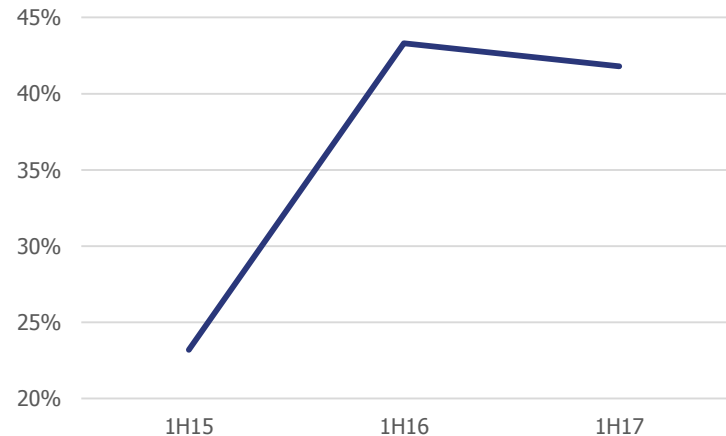
## Solid organic growth

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

Six months to 31 December, \$million	Underlying 1H 17	Underlying 1H 16	Year-on-year growth %	Organic growth %	Acquisition growth %
Net Fees & Commissions <sup>2</sup>	65.3	62.8	3.9%	3.9%	N/A
<b>Net revenue<sup>2</sup></b>	<b>68.4</b>	<b>66.6</b>	<b>2.8%</b>	<b>2.8%</b>	<b>N/A</b>
<b>EBITA</b>	<b>29.3</b>	<b>29.2</b>	<b>0.3%</b>	<b>0.3%</b>	<b>N/A</b>

- Solid organic growth from existing agencies
- Revenue growth primarily driven by increased volume
- Continued investment into start-up markets and London 'super' binder reduced margin
- Continued to review acquisition opportunities – no acquisitions made in the period due to strict criteria

#### EBITA margin<sup>3</sup>: 1H 15 – 1H 17



<sup>1</sup> Aggregate: assumes 100% ownership.

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

<sup>3</sup> EBITA margin = (EBITA / Net revenue) after removing profit shares.



# Statutory cash flow statement

## Strong conversion of profit to cash

### Statutory cash flow statement extract

Six months to 31 December, \$ million	1H 17	2H 16	1H 16
<b>Cash flows from operating activities</b>			
<b>Net cash from operating activities before customer trust accounts movement</b>	<b>39.1</b>	<b>36.8</b>	<b>47.1</b>
Net movement in customer trust accounts	4.2	0.4	41.8
<b>Net cash from operating activities</b>	<b>43.3</b>	<b>37.3</b>	<b>88.9</b>
<b>Cash flows from investing activities</b>			
Cash used for investments	(27.6)	(11.0)	(17.1)
Cash from divestments	25.0	0.3	0.2
Cash used for deferred consideration	(8.9)	(1.8)	(21.4)
Other	(3.0)	(2.6)	(11.9)
<b>Net cash used in investing activities</b>	<b>(14.5)</b>	<b>(15.1)</b>	<b>(50.2)</b>
<b>Cash flows from financing activities</b>			
Cash used for dividends	(27.0)	(18.0)	(13.4) <sup>1</sup>
Proceeds from debt drawdown / (cash used for debt repayment)	3.1	(4.2)	34.4
Other	(5.7)	(3.3)	(3.8)
<b>Net cash from financing activities</b>	<b>(29.6)</b>	<b>(25.5)</b>	<b>17.2</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(0.8)</b>	<b>(3.3)</b>	<b>55.9</b>
<b>Cash and cash equivalents at 31 December</b>	<b>291.0</b>	<b>291.7</b>	<b>295.0</b>
<i>split into: Cash held in trust</i>	<i>230.9</i>	<i>224.7</i>	<i>215.1</i>
<i>Cash on hand</i>	<i>60.1</i>	<i>67.0</i>	<i>79.9</i>

<sup>1</sup> Significant Dividend Reinvestment Plan take up.

# Statutory Balance sheet

## Healthy balance sheet with leverage capacity

\$ million	31 Dec 16	30 Jun 16
Cash and cash equivalents	60.6	67.5
Cash held on trust	230.9	224.7
Receivables & other	303.9	341.9
<b>Total current assets</b>	<b>595.4</b>	<b>634.1</b>
Equity accounted investments	139.1	121.8
Property, plant and equipment	27.1	27.9
Identifiable intangibles	159.6	165.3
Goodwill	713.4	712.3
Deferred tax assets & other	58.5	51.1
<b>Total non-current assets</b>	<b>1,097.7</b>	<b>1,078.4</b>
<b>Total assets</b>	<b>1,693.1</b>	<b>1,712.5</b>
Trade and other payables	434.5	453.3
Subsidiaries' borrowings	1.0	1.2
Deferred consideration	10.6	11.8
Other (including tax payable, provisions)	67.9	81.4
<b>Total current liabilities</b>	<b>514.0</b>	<b>547.7</b>
Corporate borrowings	174.0	170.5
Subsidiaries' borrowings	31.0	31.2
Deferred consideration	0.0	1.8
Deferred tax liabilities – customer relationships	43.8	49.4
Remaining deferred tax liability & other	24.4	13.8
<b>Total non-current liabilities</b>	<b>273.2</b>	<b>266.7</b>
<b>Total liabilities</b>	<b>787.2</b>	<b>814.4</b>
<b>Net assets</b>	<b>905.9</b>	<b>898.1</b>
Non-controlling interests	37.5	38.1

Corporate debt facilities, \$ million	Maturity	Total	Available at 31 Dec 2016
Facility A	Aug 2019	235	<b>61</b>
Facility B	Aug 2020	50	<b>50</b>
<b>Total available</b>		<b>285</b>	<b>111</b>

- Three year Facility A extended one further year
- Substantial headroom in financial debt covenants
- \$111m available at 31 December 2016 for future growth
- Gearing well within board approved maximum:

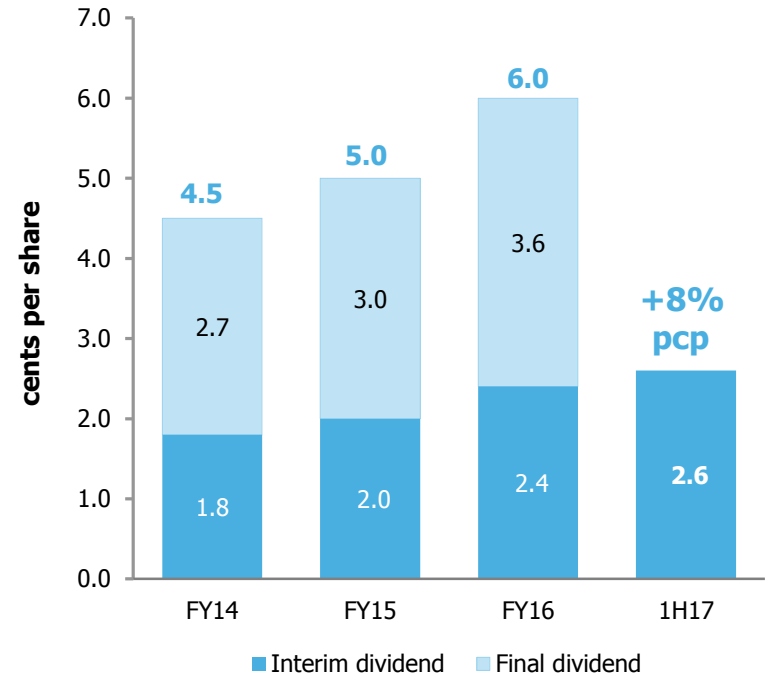
Gearing ratio	Actual	Max
Corporate <sup>1</sup>	16.1%	25.0%
Total Group	18.5%	30.0%

<sup>1</sup> Calculated as corporate debt/(corporate debt plus equity).

# Interim FY 17 dividend

## Interim dividend up 8%

- Interim FY 17 dividend of 2.6 cps (fully franked), up 8% pcp
- Interim FY 17 dividend payout ratio is 75% of net profit after tax (excluding non-trading items), in line with targeted 65% to 85%
- Dividend Reinvestment Plan (DRP) to apply to interim FY 17 dividend; no discount
  - DRP shares will be acquired on market
- Key dates for interim FY 17 dividend
  - Ex date: 8 March 2017
  - Dividend record date: 9 March 2017
  - DRP record date: 10 March 2017
  - DRP pricing period: 14-27 March 2017
  - Payment date: 13 April 2017

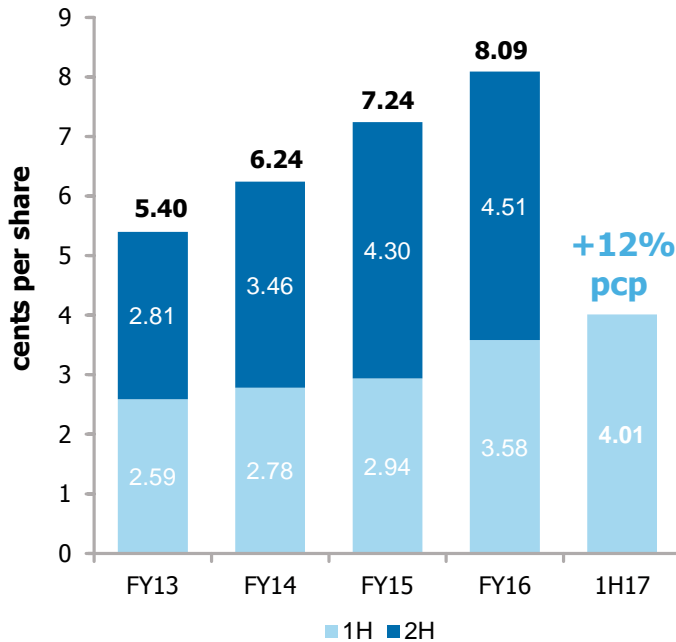


*All dividends are fully franked*

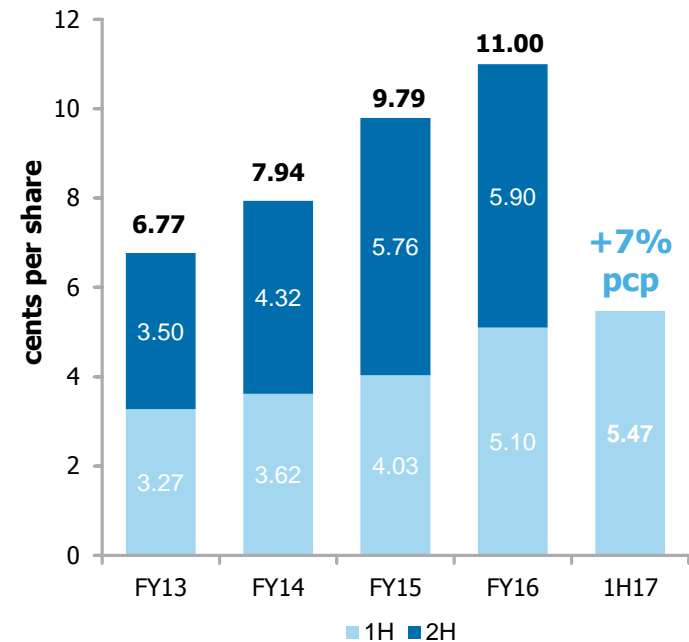
# Shareholder returns

## Significant half on half underlying EPS growth

Underlying EPS (NPAT)<sup>1</sup>: FY 13 – 1H 17



Underlying EPS (NPATA)<sup>1</sup>: FY 13 – 1H 17



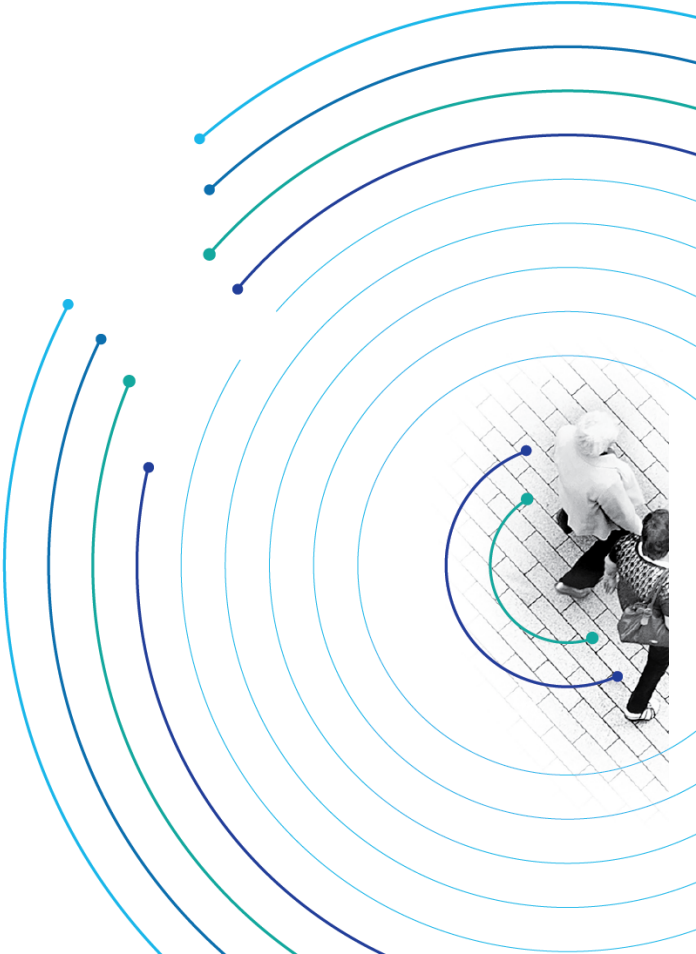
### Total Shareholder Return (TSR)<sup>2</sup>

- 136% for the period since the ASX listing in August 2013
- Implies 29% CAGR from ASX listing

<sup>1</sup> FY13, FY14 and 1H 15 underlying EPS (NPAT) and underlying EPS (NPATA) restated to reflect 1:3 rights offering in February/March 2015.

<sup>2</sup> TSR includes final 1H 17 dividend and the further value to shareholders who participated in the rights issue.

# Strategy & outlook



# Business strategy

## Clear strategy to grow

### Group

- Improve margins by increasing revenue and creating cost efficiencies
- Expand and roll out our offshoring division for IT, marketing and finance
- Extend the London 'super' binder into domestic and international arena
- Develop our strategic partner relationships
- Retain and develop senior management team
- Continue to review potential acquisitions
- Maximise balance between capital management and shareholder returns

### Steadfast Network & Equity brokers

- Grow, maintain and provide services to the Steadfast Network
- Buy, merge, hub or assist the Steadfast Network to grow, reduce costs and improve their back office
- Be the obvious succession partner for our Network
- Acquire brokers from outside our Network
- Roll out key IT systems
  - INSIGHT (broker back office)
  - Steadfast Client Trading Platform

### Underwriting agencies

- Develop and market new products from the Steadfast Underwriting Agencies
- Roll out key back office IT system
  - Underwritercentral
- Move into international locations

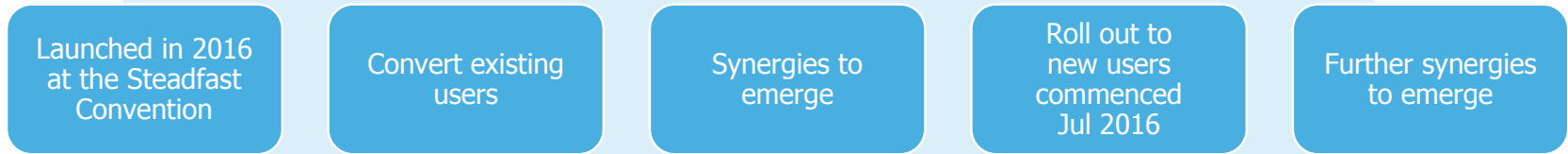
### Complementary businesses

- Grow and support our complementary businesses both inside and outside our Network

# Digital strategy

## Roll out common systems

### **INSIGHT** – intuitive, cloud-based



- 115 Network brokers have signed up
- Live brokers (at 22 February 2017) = 18

### **underwritercentral**™ – customisable solution, interfaces with Lloyd's of London

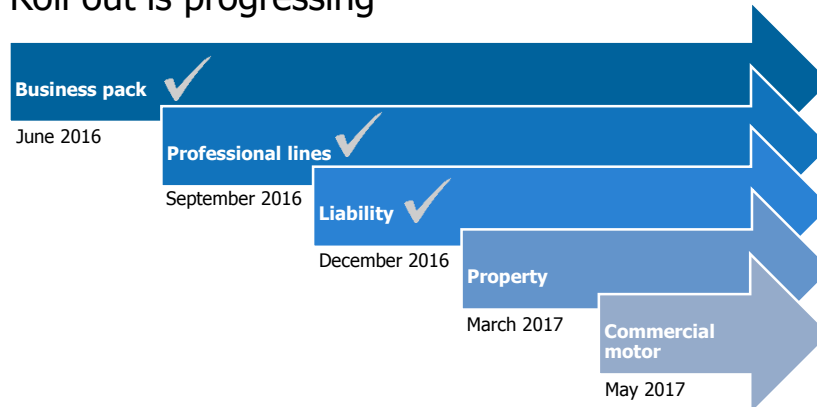


- Live agencies (at 22 February 2017) = 21

# Steadfast Client Trading Platform (SCTP)

## Supporting the Network

- Launched in June 2016, exclusive to Steadfast Network Brokers, their clients and select insurer partners
- Insurer partners on platform consist of: AIG, Allianz, Berkley, CGU, QBE, Calibre, London 'super' binder and Vero
- Roll out is progressing



### Benefits from using the platform:

- **Clients:** extra cover, wider choice, triage access, competitive pricing and claims expedition
- **Brokers:** best-in-class products delivering benefits (e.g. cost savings, business intelligence, etc.)
- **Insurer partners:** opportunity to write more GWP through the Steadfast Network



# International strategy

## Significant growth opportunity

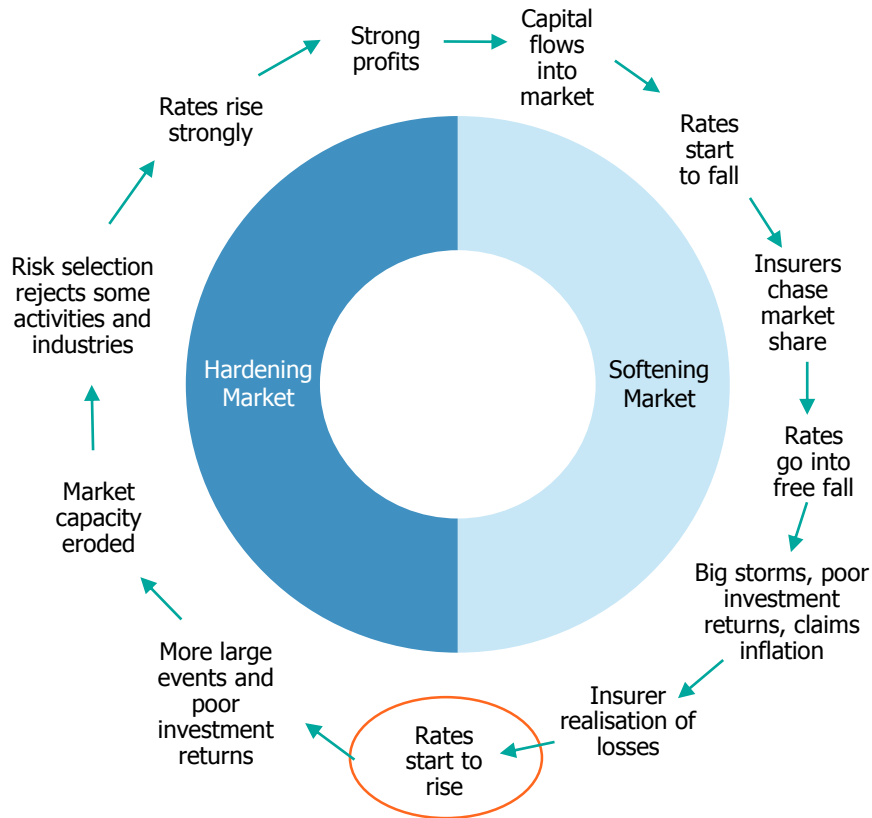
What is the strategy?

- **New Zealand**
  - i. Grow the Network
  - ii. Strengthen position with domestic insurers
  - iii. Improve back office systems (roll out of Insight)
  - iv. Explore bolt-on opportunities
  - v. Support underwriting agency expansion
  
- **Asia**
  - i. Set up 'cluster' group in Singapore
  - ii. Support underwriting agency expansion
  - iii. Review potential acquisitions
  
- **Europe**
  - i. Expanded London office
  - ii. Exploring other opportunities

# Premium pricing outlook

## First signs of improvement in the SME market

### Insurance cycle



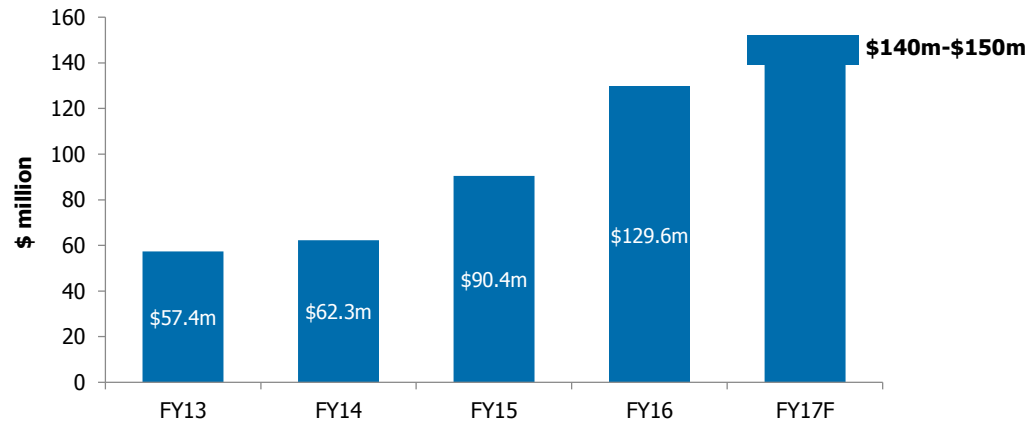
**First signs of price improvement in SME (small and medium enterprise) market**

# FY 17 guidance

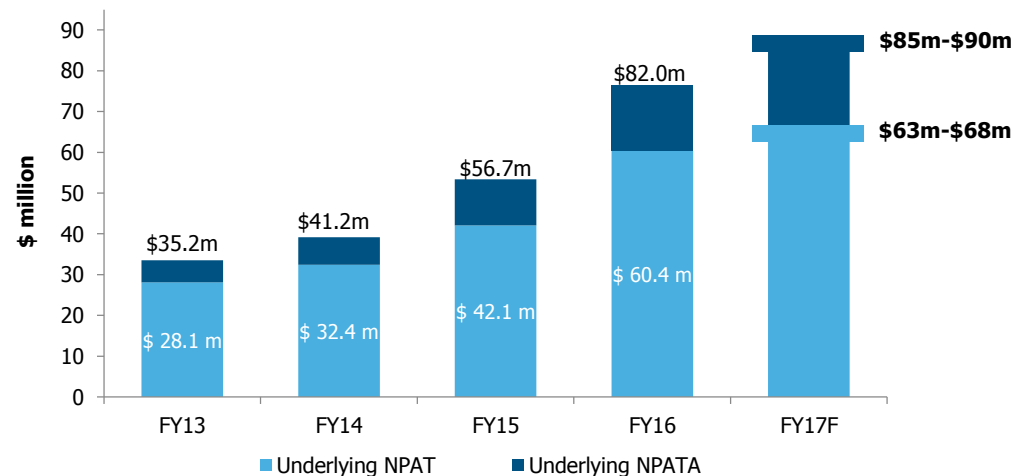
## Organic growth and strategic initiatives

- No change to guidance range
- FY 17 guidance range of:
  - Underlying EBITA of \$140m-\$150m
  - Underlying NPATA<sup>1</sup> of \$85m-\$90m
  - Underlying NPAT of \$63m-\$68m
- Guidance driven by:
  - Organic growth
  - Improved margins
  - Growth from strategic initiatives
- Key assumptions<sup>2</sup> include:
  - Stable market conditions
  - No material acquisitions

**Underlying EBITA<sup>3</sup>**



**Underlying NPAT and underlying NPATA<sup>3</sup>**



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

<sup>2</sup> Also refer to the key risks on pages 29 – 31 of the Steadfast 2016 Annual Report.

<sup>3</sup> FY13 and FY14 are pro-forma; FY15-FY17 are underlying.

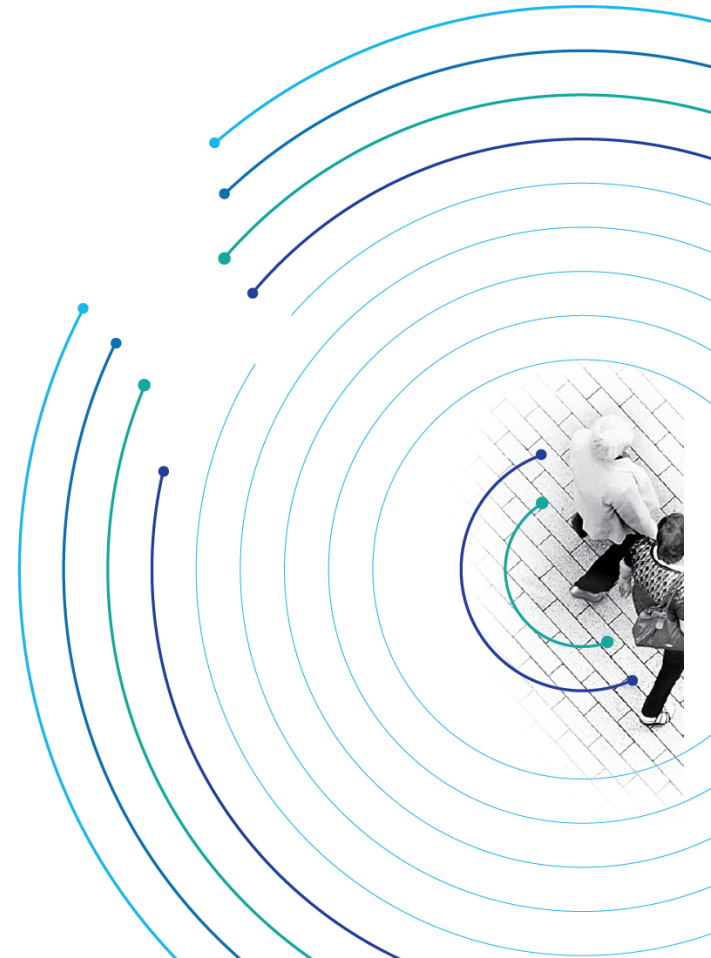
# Summary

## Continuing to successfully execute business strategy

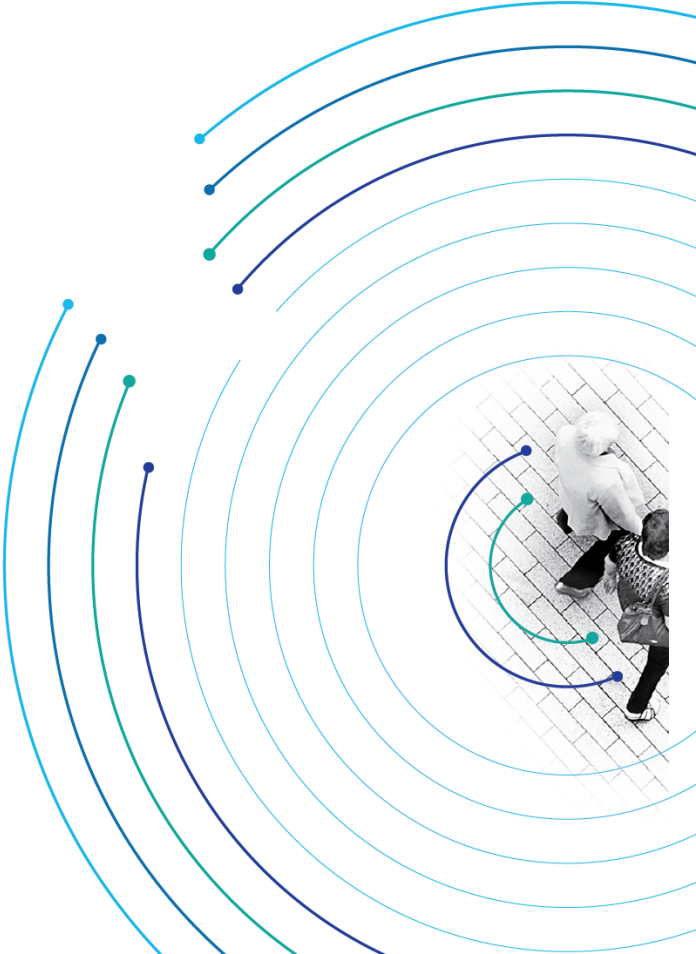
<b>Steadfast Network</b>	<ul style="list-style-type: none"><li>▪ Strong volume growth</li><li>▪ SME portfolio price increases starting to emerge</li><li>▪ New brokers joining</li></ul>
<b>Equity brokers</b>	<ul style="list-style-type: none"><li>▪ Margin improvement</li><li>▪ Organic growth</li><li>▪ Actively acquiring and hubbing brokers</li><li>▪ Offshoring and IT roll-out</li></ul>
<b>Steadfast Underwriting Agencies</b>	<ul style="list-style-type: none"><li>▪ 'Super' binder established, operational and being rolled out</li><li>▪ Extend products to international markets</li></ul>
<b>Complementary businesses</b>	<ul style="list-style-type: none"><li>▪ Support and grow the complementary businesses</li></ul>
<b>Group</b>	<ul style="list-style-type: none"><li>▪ FY 17 guidance confirmed<sup>1</sup></li><li>▪ Strong earnings trajectory</li><li>▪ Strong balance sheet capacity with \$111m of unused debt facilities at 31 December 2016 for future growth</li></ul>

<sup>1</sup> Assuming stable market conditions and no material acquisitions. Also refer to the key risks on pages 29 – 31 of the Steadfast 2016 Annual Report

# Questions



# Appendices



# Group overview

## Structure

### Vision

To enhance the value of Steadfast-aligned businesses through our combined strength, creating exceptional value for our shareholders

#### Steadfast Network

- Network of 348 general insurance brokers in Australia, New Zealand, Asia and Europe
- Provide IT, marketing and education support
- Generates marketing and administration fees

#### Equity brokers

- Co-owner and consolidator of broking businesses
- Equity interests range from 25% to 100%



#### Steadfast Underwriting Agencies

- Underwriting agency network providing our Network and other brokers with specialised products in niche markets
- 23 agencies, 72 products

#### Complementary businesses

- Complementary businesses which provide support services to Network and other brokers

# Group overview

## Size and scale

Largest **general insurance broker network** in Australia and New Zealand

Annual GWP

**\$4.5 billion**

**348** Steadfast Network Brokers

Largest **underwriting agency group** in Australia

Annual GWP

**\$745 million**

**23** Agencies

**Steadfast Network** Collects Marketing & Administration (M&A) Fees, 100% owned

### Complementary businesses



Macquarie Pacific Funding

50% joint venture in premium funder

**Steadfast Life**

Specialist life insurance broker, 50% owned

**Steadfast Re**

Reinsurance Brokers

Reinsurance broker, 50% owned

**Steadfast TECHNOLOGIES**

Technology service arm, 100% owned

**VIRTUAL UNDERWRITER**

**INSIGHT**

**underwritercentral**

**Steadfast BUSINESS SOLUTIONS**

Back-office service provider, 100% owned

**MERIDIAN LAWYERS**

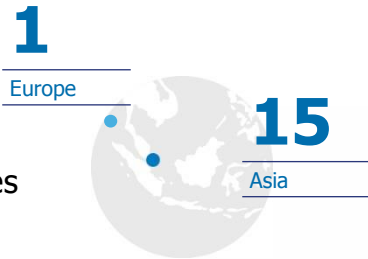
Legal practice, 25% owned



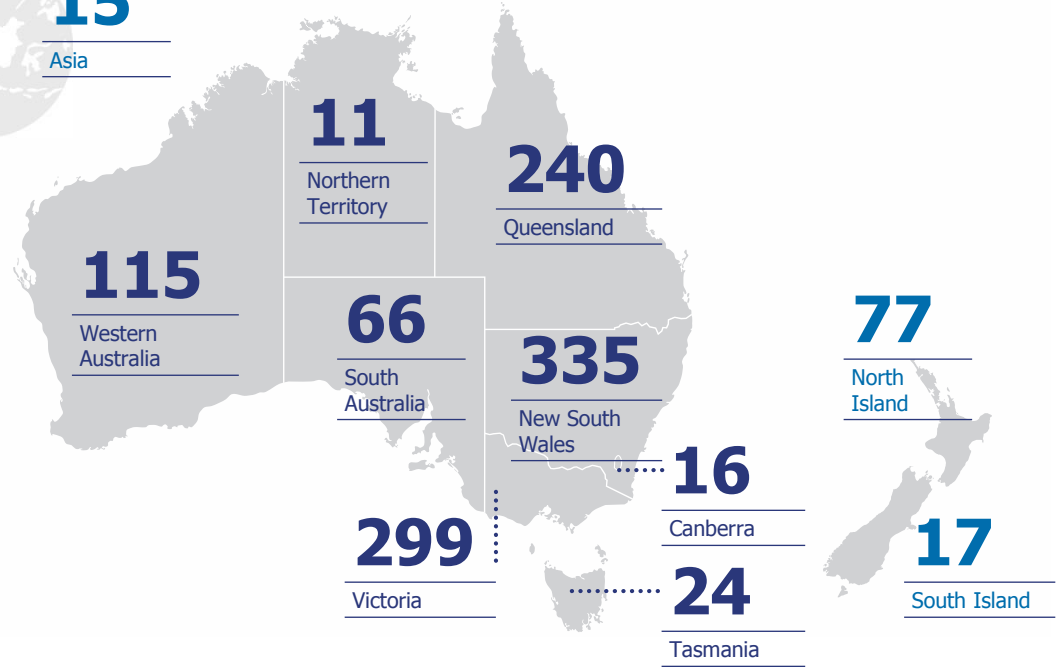
# Steadfast Network

## Worldwide office Network

- **Service provider**
  - 348 broker businesses
  - 23 underwriting agencies
  
- **Equity participation**
  - 59 broker businesses
  - 23 underwriting agencies
  - Life broker
  - Reinsurance broker
  - Back office service provider
  - Leading insurance legal practice
  - IT company
  
- **Macquarie Pacific Funding**
  - 50% joint venture



### Broker Network offices

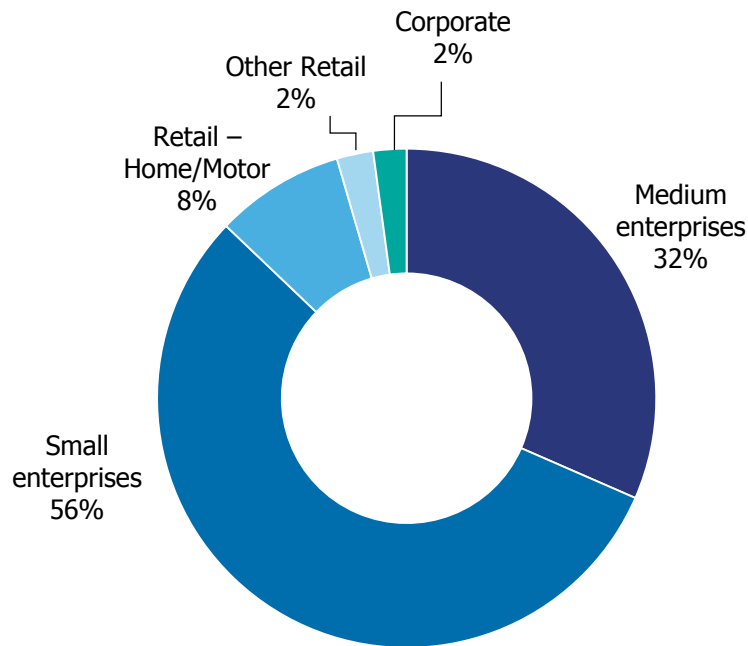


**1200+ broker offices across Australia, New Zealand, Asia and Europe**

# Steadfast Network

## Australia - resilient SME customer base

### Steadfast Network Brokers' GWP mix<sup>1,2,3</sup>



- **88% of customer base relates to small to medium size enterprises (SMEs) with less pricing volatility**
- Focus is on advice
- Low exposure to Corporate (2%) with more significant pricing pressure

<sup>1</sup> Based on 1H17 GWP excluding New Zealand.

<sup>2</sup> Allocation based on policy size (retail <\$1k, small \$1k – \$9.9k, medium \$10k – \$299k and corporate \$300k+).

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

# Steadfast Network

## Australia - diversified sales footprint

Diversified by geography<sup>1,2</sup>



- VIC 29%
- WA 18%
- TAS 3%
- NSW 21%
- SA 6%
- ACT 1%
- QLD 16%
- NZ 6%
- NT 1%

Diversified by product line<sup>1</sup>



- Business Pack 22%
- Commercial Motor 13%
- Retail Home & Motor 10%
- Commercial Property & ISR 9%
- Professional Risks 8%
- Statutory Covers 8%
- Liability 8%
- Strata 6%
- Rural & Farm 6%
- Other 6%
- Construction & Engineering 4%

<sup>1</sup> Based on 1H17 Steadfast Network Broker GWP of \$2.5 billion.

<sup>2</sup> Geography is based on head office location of each Steadfast Network Broker; a small number of Steadfast Network Brokers had overseas operations in 1H17.

# Steadfast Underwriting Agencies

23 agencies, 72 products

- Steadfast aims to highlight each agency's specialised service by preserving its brand and unique offering which is important as approximately 50% of our agencies' business is placed with non-Steadfast brokers



Residential and commercial strata



Mobile plant and equipment



Strong focus on SME insurance programs



Hard-to-place and complex risks including environmental liability



Marine and motorcycle



Building and construction industry



Sports and leisure related businesses



Specialised equipment, tradesmen & small business and marine transit



Community care, entertainment & hospitality, and security



Professionals including engineers, architects and doctors



Hospitality, leisure and entertainment sector



Hard-to-place risks, exclusive to Steadfast Network Brokers



Home and contents for owner occupied homes



Builders warranty



Stand alone cash flow insurance, focus on SME



Specialist/exotic motorcar and motorcycle



Marine hull, cargo and transit



Complete farm package



Personal accident and sickness, and travel



High value homes



Property insurance



Marine hull and other marine industry



Emerging risks

# Steadfast Underwriting Agencies

## London 'super' binder

- Rationalised and consolidated our London market placement into a single binder with a select number of carriers and co-brokers – JLT and Steadfast Re
- Initial SUA participants: Miramar, Procover, Winsure and Hostsure
- Binder effective 1 August 2016
- Participates in Steadfast Client Trading Platform rollout

### What is the 'super' binder?

- A delegated authority given to a Steadfast underwriting agency by an insurer to do either or both of the following:
  - i. Enter into contracts made on behalf of the insurer
  - ii. Deal with and settle, on behalf of the insurer, claims relating to insurance products for the insurer
- Valid for three years, term renewable

# Steadfast Technologies

## Common IT systems supporting the network

- IT is a competitive advantage as it creates significant cost synergies and efficiencies
- We have elected to build our own systems – we don't want to have a third party controlling our destiny or our data

### VIRTUAL UNDERWRITER

- Quotes and issues policies more efficiently compared to the market

### INSIGHT

- Broker back office system, formerly known as eCclipse
- Better access to quality data

### underwritercentral™

- Underwriting system used by underwriting agencies
- Purchased by Steadfast in April 2016

# Financial overview

## Statutory profit and loss statement

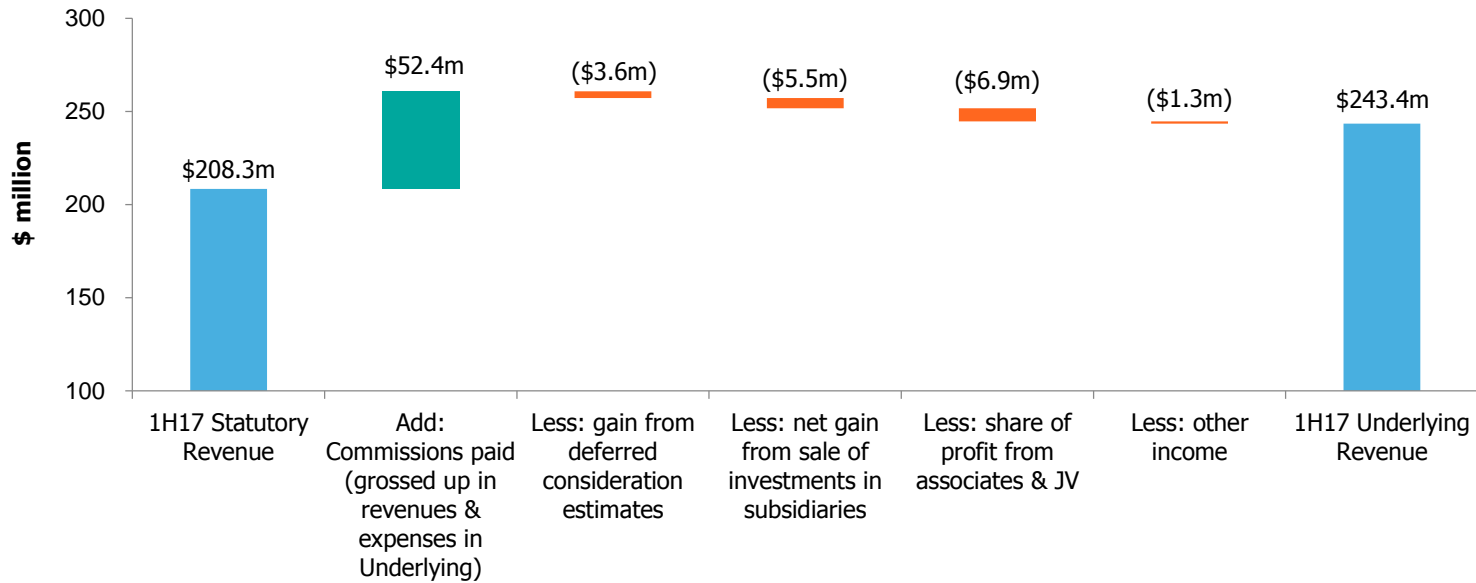
\$ million	1H 17	1H 16
<b>Revenue</b>		
M&A fees	18.4	16.6
Revenue from wholly owned entities	182.1	169.9
Share of profits of associates and joint venture	6.9	5.2
Other revenue	0.9	0.2
<b>Total revenue</b>	<b>208.3</b>	<b>191.9</b>
<b>EBITA from core operations</b>	<b>66.7</b>	<b>60.4</b>
Amortisation and depreciation	(12.4)	(12.3)
Finance costs	(4.9)	(4.6)
Income tax expense	(14.4)	(13.5)
<b>Profit after income tax and before non-trading items</b>	<b>35.0</b>	<b>30.0</b>
Net gain on deferred consideration estimates	3.6	16.0
Impairments	(0.4)	(3.9)
Net gain from sale of investment in subsidiaries	4.2	0.0
Due diligence and restructure costs	-	0.0
Share-based payment expense on share options and executive loans and shares	0.2	0.2
Other	0.0	0.0
<b>Net profit after tax before non-controlling interests</b>	<b>42.6</b>	<b>42.3</b>
Non-controlling interests	(4.7)	(3.3)
<b>Net profit after tax attributable to Steadfast members (NPAT)</b>	<b>37.9</b>	<b>39.0</b>
Other comprehensive income after tax	(0.1)	0.2
<b>Total comprehensive income after tax</b>	<b>37.8</b>	<b>39.2</b>
<b>Net profit after tax and before amortisation (NPATA)<sup>1</sup></b>	<b>48.9</b>	<b>50.2</b>

**Reconciliations to  
Underlying revenue on  
slide 40 and to  
Underlying NPAT and  
NPATA on slide 41.**

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

# Financial overview

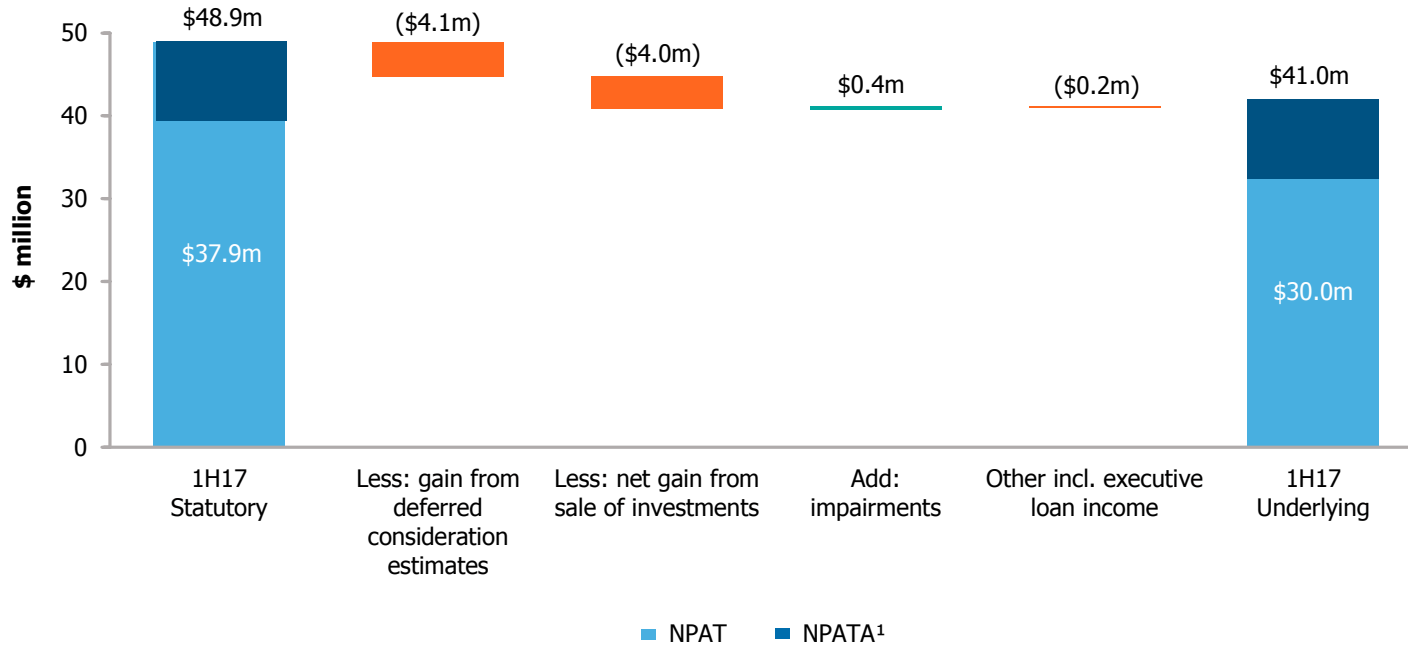
## Statutory vs underlying revenue reconciliation





# Financial overview

## Statutory vs underlying NPAT and NPATA reconciliation



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

# Financial overview

## Underlying EPS reconciliation

	1H 17	2H 16	1H 16	2H 15	1H 15
Underlying NPAT (\$m)	30.0	33.8	26.6	26.8	15.3
Underlying NPATA <sup>1</sup> (\$m)	41.0	44.1	37.9	35.7	21.0
Previous weighted average share #	n/a	n/a	n/a	579.8	501.3
Restated weighted average share #	749.0	746.7	743.5	621.2	519.9
Underlying EPS (NPAT) (cents per share)	4.01	4.51	3.58	4.30	2.94
Underlying EPS (NPATA <sup>1</sup> ) (cents per share)	5.47	5.90	5.10	5.76	4.03

- 1H 15 underlying EPS (NPAT) and underlying EPS (NPATA<sup>1</sup>) restated to reflect 1:3 rights offering in February/March 2015
- Bonus factor of 3.704% applied to reflect take up of discounted rights offering shares

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

# Financial overview

## Underlying revenue and EBITA (aggregate view)

\$ millions	Underlying 1H 17	Underlying 1H 16	Growth
<b>Gross written premiums</b>			
Consolidated brokers	479.9	411.2	16.7%
Equity accounted	241.4	241.9	(0.2%)
<b>GWP from brokers</b>	<b>721.3</b>	<b>653.1</b>	<b>10.4%</b>
Underwriting agencies	385.7	378.2	2.0%
<b>Total GWP</b>	<b>1,107.0</b>	<b>1,031.3</b>	<b>7.3%</b>

	Underlying 1H 17	Underlying 1H 16	Growth	Organic growth <sup>3</sup>	Growth from acquisitions & hubbing <sup>4</sup>
<b>Revenue</b>					
Consolidated brokers <sup>1</sup>	101.4	86.9	16.7%	1.6%	15.1%
Equity accounted	71.2	67.7	5.2%	13.3%	(8.1%)
<b>Revenue from brokers</b>	<b>172.6</b>	<b>154.5</b>	<b>11.7%</b>	<b>6.7%</b>	<b>5.0%</b>
Underwriting agencies <sup>2</sup>	125.6	126.2	(0.4%)	(0.4%)	0.0%
Ancillary	18.4	16.0	15.4%	9.2%	6.2%
Premium funding	23.9	26.8	(10.7%)	(10.7%)	0.0%
Steadfast network / Corporate Office	22.5	19.6	14.9%	14.9%	0.0%
<b>Total revenue</b>	<b>363.1</b>	<b>343.1</b>	<b>5.8%</b>	<b>3.3%</b>	<b>2.5%</b>
<b>EBITA</b>					
Consolidated brokers	27.4	21.0	30.6%	9.6%	21.0%
Equity accounted	21.7	17.5	24.2%	30.9%	(6.7%)
<b>EBITA from brokers</b>	<b>49.1</b>	<b>38.5</b>	<b>27.7%</b>	<b>19.3%</b>	<b>8.4%</b>
Underwriting agencies	29.3	29.2	0.3%	0.3%	0.0%
Ancillary	1.0	1.3	(23.0%)	30.8%	(53.8%)
Premium funding	3.8	4.8	(21.8%)	(21.8%)	0.0%
Steadfast network / Corporate Office	(1.3)	0.2	(791.9%)	(791.9%)	0.0%
<b>Total EBITA</b>	<b>81.9</b>	<b>74.0</b>	<b>10.6%</b>	<b>7.2%</b>	<b>3.4%</b>

<sup>1</sup> Includes gross up of wholesale broker commission expense of \$5.8m in 1H 17 and \$5.8m in 1H 16.

<sup>2</sup> Includes gross up of agency commission expense (\$57.2m in 1H 17 and \$59.6m in 1H 16).

<sup>3</sup> Includes bolt-on acquisitions.

<sup>4</sup> Includes growth from associates converted to consolidated entities.

# Financial overview

## Statement of income (underlying IFRS view)

Six months to 31 December, \$ millions	Underlying 1H 17	Underlying 1H 16	Growth %	Organic growth <sup>2</sup> %	Growth from acquisitions & hubbing % <sup>3</sup>
Fees and commissions <sup>1</sup>	203.1	189.0	7.5%	0.8%	6.7%
M&A Fees	18.4	16.6	10.7%	10.7%	0.0%
Interest income	3.7	3.4	7.0%	1.4%	5.6%
Other revenue	18.3	17.0	7.1%	(1.2%)	8.3%
<b>Revenue – Consolidated entities</b>	<b>243.4</b>	<b>226.1</b>	<b>7.7%</b>	<b>1.4%</b>	<b>6.3%</b>
Employment expenses	(83.7)	(71.3)	17.3%	6.9%	10.4%
Occupancy expenses	(7.2)	(6.3)	13.6%	2.5%	11.1%
Other expenses including Corporate Office <sup>1</sup>	(97.9)	(97.9)	0.0%	(2.3%)	2.3%
<b>Expenses – Consolidated entities</b>	<b>(188.8)</b>	<b>(175.5)</b>	<b>7.5%</b>	<b>1.6%</b>	<b>5.9%</b>
<b>EBITA – Consolidated entities</b>	<b>54.7</b>	<b>50.5</b>	<b>8.1%</b>	<b>0.8%</b>	<b>7.3%</b>
Share of EBITA from associates and joint ventures	12.1	9.8	22.6%	29.4%	(6.8%)
<b>EBITA</b>	<b>66.7</b>	<b>60.4</b>	<b>10.5%</b>	<b>5.5%</b>	<b>5.0%</b>
Net financing expense	(4.9)	(4.6)	6.8%		
Amortisation expense – consolidated entities	(10.8)	(10.5)	2.4%		
Amortisation expense – associates	(1.7)	(1.7)	(1.1%)		
Income tax expense	(14.5)	(13.6)	6.5%		
<b>Net profit after tax</b>	<b>34.9</b>	<b>29.9</b>	<b>16.4%</b>		
Non-controlling interests	(4.9)	(3.3)	46.8%		
<b>Net profit attributable to Steadfast members (NPAT)</b>	<b>30.0</b>	<b>26.6</b>	<b>12.7%</b>		
Amortisation expense – consolidated entities <sup>4</sup>	9.3	9.6	(2.7%)		
Amortisation expense – associates <sup>5</sup>	1.7	1.7	(1.1%)		
<b>Net Profit after Tax and before Amortisation (NPATA)</b>	<b>41.0</b>	<b>37.9</b>	<b>8.2%</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 (\$52.4m in 1H 17; \$56.7m in 1H 16)

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

<sup>3</sup> Includes growth from associates converted to consolidated entities including \$4.8m of employment expenses

<sup>4</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>5</sup> For associates, amortisation of customer list is not tax effected (per Accounting Standards).

# Financial overview

## Statement of income (underlying IFRS view)

Six months to 31 December, \$ millions	Underlying 1H 17	Underlying 2H 16	Underlying 1H 16	Underlying 2H 15	Underlying 1H 15
Fees and commissions <sup>1</sup>	203.1	195.4	189.0	156.0	78.2
M&A Fees	18.4	15.8	16.6	14.0	15.6
Interest income	3.7	3.3	3.4	3.1	2.5
Other revenue	18.3	19.0	17.0	17.1	12.1
<b>Revenue – Consolidated entities</b>	<b>243.4</b>	<b>233.4</b>	<b>226.1</b>	<b>190.3</b>	<b>108.4</b>
Employment expenses	(83.7)	(75.6)	(71.3)	(59.0)	(42.3)
Occupancy expenses	(7.2)	(6.7)	(6.3)	(5.5)	(3.8)
Other expenses including Corporate Office <sup>1</sup>	(97.9)	(92.6)	(97.9)	(81.0)	(37.2)
<b>Expenses – Consolidated entities</b>	<b>(188.8)</b>	<b>(175.0)</b>	<b>(175.5)</b>	<b>(145.4)</b>	<b>(83.3)</b>
<b>EBITA – Consolidated entities</b>	<b>54.7</b>	<b>58.4</b>	<b>50.5</b>	<b>44.9</b>	<b>25.1</b>
Share of EBITA from associates and joint ventures	12.1	10.8	9.8	10.7	9.7
<b>EBITA</b>	<b>66.7</b>	<b>69.2</b>	<b>60.4</b>	<b>55.6</b>	<b>34.9</b>
Net financing expense	(4.9)	(4.6)	(4.6)	(3.1)	(2.3)
Amortisation expense – consolidated entities	(10.8)	(9.9)	(10.5)	(8.3)	(4.6)
Amortisation expense – associates	(1.7)	(1.6)	(1.7)	(1.6)	(1.9)
Income tax expense	(14.5)	(15.2)	(13.6)	(12.5)	(8.2)
<b>Net profit after tax</b>	<b>34.9</b>	<b>38.0</b>	<b>29.9</b>	<b>30.1</b>	<b>17.9</b>
Non-controlling interests	(4.9)	(4.2)	(3.3)	(3.3)	(2.6)
<b>Net profit attributable to Steadfast members (NPAT)</b>	<b>30.0</b>	<b>33.8</b>	<b>26.6</b>	<b>26.8</b>	<b>15.3</b>
Amortisation expense – consolidated entities <sup>2</sup>	9.3	8.7	9.6	7.3	3.7
Amortisation expense – associates <sup>3</sup>	1.7	1.6	1.7	1.6	1.9
<b>Net Profit after Tax and before Amortisation (NPATA)</b>	<b>41.0</b>	<b>44.1</b>	<b>37.9</b>	<b>35.7</b>	<b>21.0</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 (\$52.4m in 1H 17; \$56.7m in 1H 16).

<sup>2</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>3</sup> For associates, amortisation of customer list is not tax effected per Accounting Standards.

# Financial overview

## Profit and loss items

### Other revenue

\$millions	1H 17	1H 16	Variance
Fee income for other professional services	13.0	10.6	2.4
Legal fee disbursements <sup>1</sup>	0.0	1.4	(1.4)
Other income	5.3	5.0	0.3
<b>Total other revenue</b>	<b>18.3</b>	<b>17.0</b>	<b>1.3</b>

### Other expenses

\$millions	1H 17	1H 16	Variance
Rebate to Steadfast brokers	5.5	5.2	0.3
Selling expenses	9.1	7.9	1.2
Commission expense <sup>2,3</sup>	52.4	56.7	(4.3)
Legal fee disbursements <sup>1</sup>	0.0	1.4	(1.4)
Administration expenses	23.2	19.5	3.7
Depreciation of PP&E	1.6	1.6	0.0
Corporate Office expenses	6.1	5.6	0.5
<b>Total other expenses</b>	<b>97.9</b>	<b>97.9</b>	<b>0.0</b>

<sup>1</sup> As of 1 July 2016, legal fee disbursements were no longer grossed up in "other revenue" and "other expenses".

<sup>2</sup> Commission paid by wholesale broker and agencies to brokers.

<sup>3</sup> Grossed up in "fees & commissions" and deducted in "other expenses" so nil impact to EBITA.

# 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 Dec	Year End Dec	Year End Dec	Year End Dec	Year End Dec	Year End Dec
	2015	2016	2015	2016	2015	2016
Gross written premium (\$m)	7,743	7,929	8,240	8,720	3,632	4,161
Number of risks ('000)	11,694	11,624	14,789	15,162	11,465	13,996
Average premium per risk (\$)	662	682	557	575	317	297
Outwards reinsurance expense (\$m)	2,390	2,519	1,487	1,660	511	741
Gross earned premium (\$m)	8,029	8,241	8,071	8,486	3,586	3,895
Cession ratio	30%	31%	18%	20%	14%	19%
Gross incurred claims (current and prior years) net of non-reinsurance recoveries revenue (\$m)	5,403	4,361	5,779	6,390	2,353	2,608
Gross earned premium (\$m)	8,029	8,241	8,071	8,486	3,586	3,895
Gross loss ratio	67%	53%	72%	75%	66%	67%
Net incurred claims (current and prior years) (\$m)	3,980	3,606	4,890	5,301	1,870	1,988
Net earned premium (\$m)	5,639	5,722	6,584	6,827	3,075	3,154
Net loss ratio	71%	63%	74%	78%	61%	63%
Underwriting expenses (\$m)	1,576	1,628	1,427	1,506	364	339
Net earned premium (\$m)	5,639	5,722	6,584	6,827	3,075	3,154
U/W expense ratio	28%	28%	22%	22%	12%	11%
Net U/W combined ratio	99%	91%	96%	100%	73%	74%

<sup>1</sup> Source: Australian Prudential Regulation Authority (APRA) Quarterly General Insurance Performance Statistics December 2016 (issued 16 February 2017).

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

## 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 Dec	Year End Dec	Year End Dec	Year End Dec	Year End Dec	Year End Dec	Year End Dec	Year End Dec
	2015	2016	2015	2016	2015	2016	2015	2016
Gross written premium (\$m)	2,074	2,203	3,748	3,846	2,240	2,255	1,586	1,603
Number of risks ('000)	1,510	1,608	1,502	1,531	9,447	9,513	562	548
<b>Average premium per risk (\$)</b>	<b>1,373</b>	<b>1,370</b>	<b>2,495</b>	<b>2,512</b>	<b>237</b>	<b>237</b>	<b>2,821</b>	<b>2,924</b>
Outwards reinsurance expense (\$m)	203	290	1,683	1,685	530	882	443	464
Gross earned premium (\$m)	2,092	2,130	4,002	4,056	2,262	2,243	1,556	1,558
<b>Cession ratio</b>	<b>10%</b>	<b>14%</b>	<b>42%</b>	<b>42%</b>	<b>23%</b>	<b>39%</b>	<b>28%</b>	<b>30%</b>
Gross incurred claims (current and prior years) net of non-reinsurance recoveries revenue (\$m)	1,497	1,626	3,855	2,551	1,413	1,279	1,030	1,023
Gross earned premium (\$m)	2,092	2,130	4,002	4,056	2,262	2,243	1,556	1,558
<b>Gross loss ratio</b>	<b>72%</b>	<b>76%</b>	<b>96%</b>	<b>63%</b>	<b>62%</b>	<b>57%</b>	<b>66%</b>	<b>66%</b>
Net incurred claims (current and prior years) (\$m)	1,374	1,424	2,071	1,537	1,044	412	633	609
Net earned premium (\$m)	1,889	1,840	2,319	2,372	1,732	1,361	1,113	1,094
<b>Net loss ratio</b>	<b>73%</b>	<b>77%</b>	<b>89%</b>	<b>65%</b>	<b>60%</b>	<b>30%</b>	<b>57%</b>	<b>56%</b>
Underwriting expenses (\$m)	520	492	1,037	1,007	552	548	244	241
Net earned premium (\$m)	1,889	1,840	2,319	2,372	1,732	1,361	1,113	1,094
<b>U/W expense ratio</b>	<b>28%</b>	<b>27%</b>	<b>45%</b>	<b>42%</b>	<b>32%</b>	<b>40%</b>	<b>22%</b>	<b>22%</b>
<b>Net U/W combined ratio</b>	<b>100%</b>	<b>104%</b>	<b>134%</b>	<b>107%</b>	<b>92%</b>	<b>71%</b>	<b>79%</b>	<b>78%</b>

<sup>1</sup> Source: Australian Prudential Regulation Authority (APRA) Quarterly General Insurance Performance Statistics December 2016 (issued 16 February 2017).