



4 May 2017

Market Announcements Office  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sirs

**MACQUARIE CONFERENCE PRESENTATION**

Please see attached which will be presented at a Macquarie conference this morning.

Yours faithfully

A handwritten signature in blue ink that reads "Linda Ellis".

**Linda Ellis**  
**Group Company Secretary & Corporate Counsel**

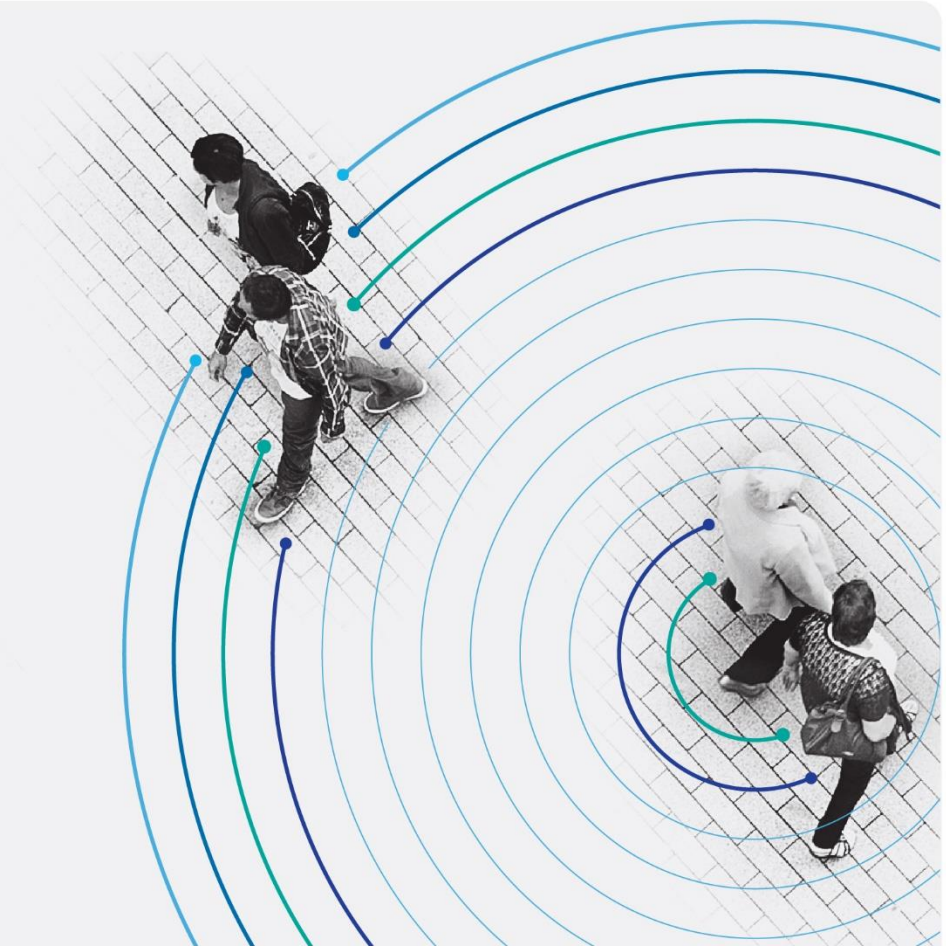
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**STRENGTH WHEN YOU NEED IT**



# Macquarie Conference

4 May 2017



## **PRESENTERS:**

Robert Kelly – Managing Director & CEO

Stephen Humphrys – Chief Financial Officer

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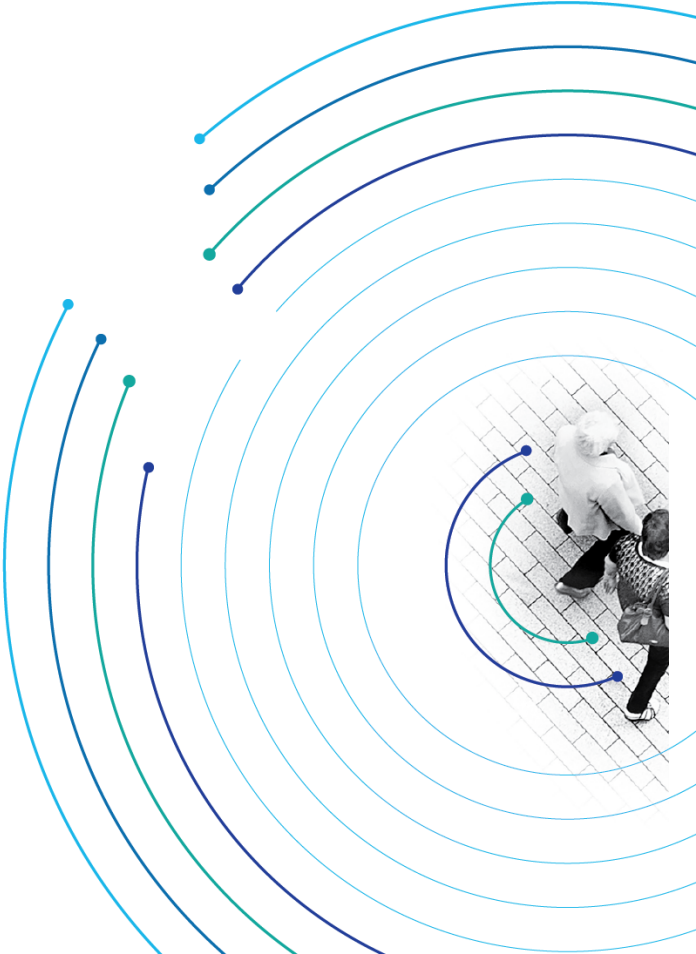
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Local currencies have been used where possible. Prevailing current exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate. All references starting with "FY" refer to the financial year ended 30 June.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

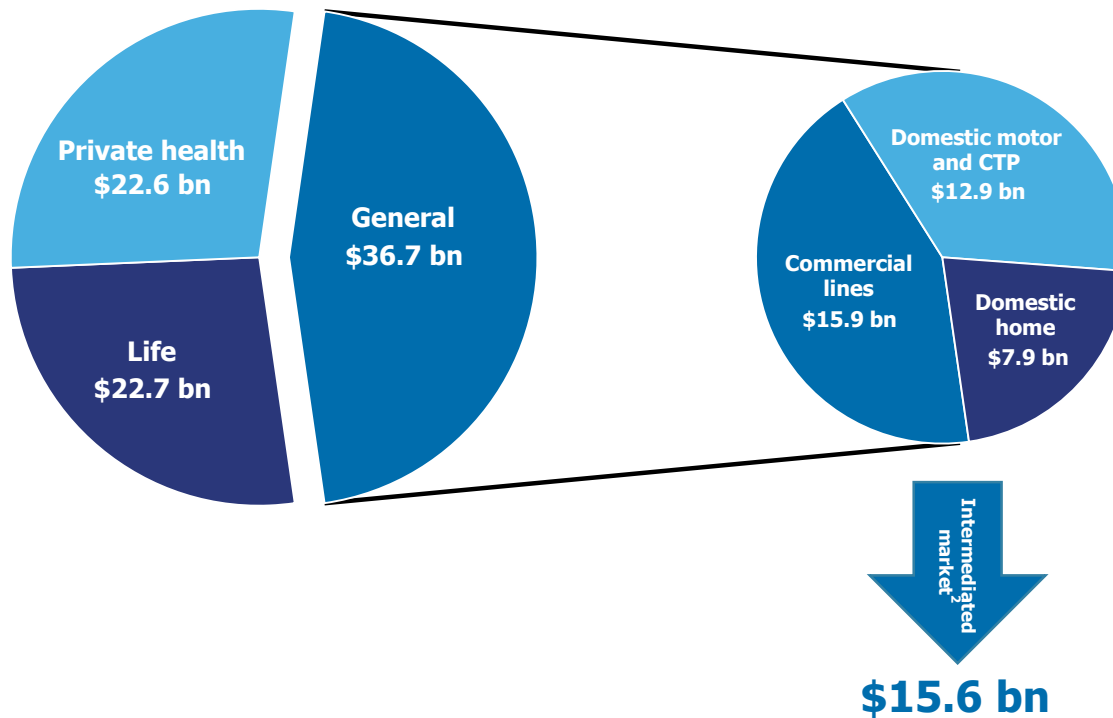
# Steadfast Group



# Australian insurance market

\$36.7 billion of general insurance GWP written in 2016

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



- Focused on the **general insurance** market
- 88% of customer base relates to small to medium size enterprises (SMEs) with less pricing volatility

**Steadfast**  
STRENGTH WHEN YOU NEED IT

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

<sup>1</sup> APRA Quarterly General Insurance Performance Statistics (December 2016).

<sup>2</sup> Steadfast Group and APRA Intermediated General Insurance Performance Statistics (December 2016).

# 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 352 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 interest in 62 of the 352 brokers on the Network
- Equity interests range from 25% to 100%



#### Steadfast Underwriting Agencies

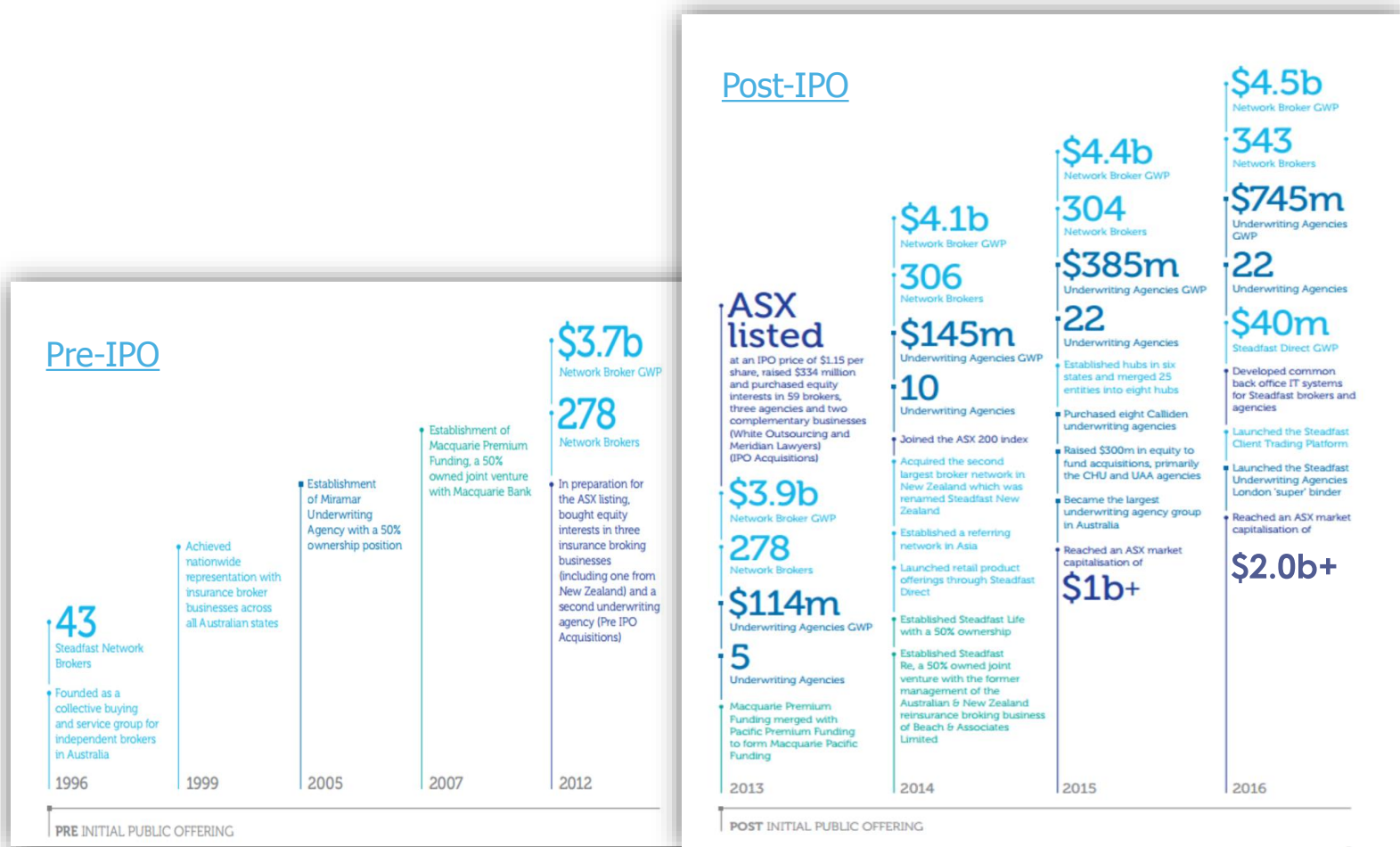
- Underwriting agency network providing our Network and other brokers with specialised products in niche markets
- 23 agencies, 72 products
- Equity interests in our agencies range from 40% to 100%

#### Complementary businesses

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

# Steadfast history

21 years of operation, nearly 4 years as a listed company



# Steadfast today

## Size and scale

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

Annual GWP

**\$4.5 billion**

**352** 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**

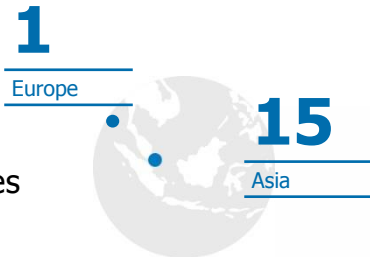
Legal practice, 25% owned



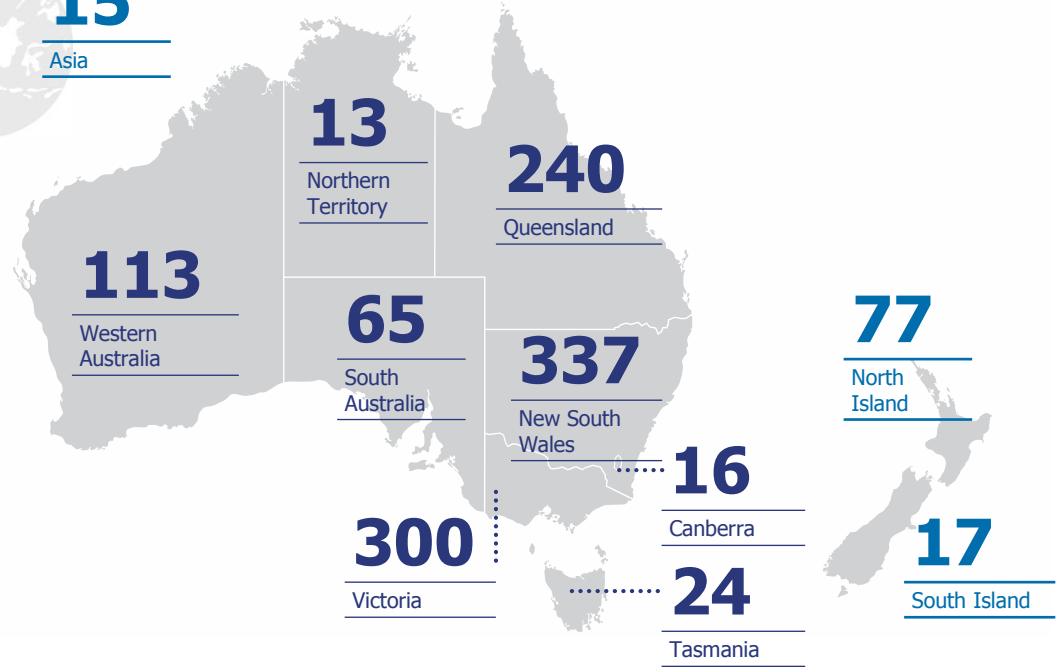
# Steadfast Network

## Worldwide office Network

- **Service provider**
  - 352 broker businesses
  - 23 underwriting agencies
  
- **Equity participation**
  - 62 broker businesses
  - 23 underwriting agencies
  - Life broker
  - Reinsurance broker
  - Back office service provider
  - Insurance legal practice
  - IT company
  
- **Macquarie Pacific Funding**
  - 50% joint venture



### Broker Network offices



**1,200+ broker offices across Australia, New Zealand, Asia and Europe**

# 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



Accident and health



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 SMEs



Specialist/exotic motorcar and motorcycle



Marine hull, cargo and transit



Complete farm package



Personal accident, sickness and travel



High value homes



Property insurance



Marine hull and other marine industry



Emerging risks

# 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

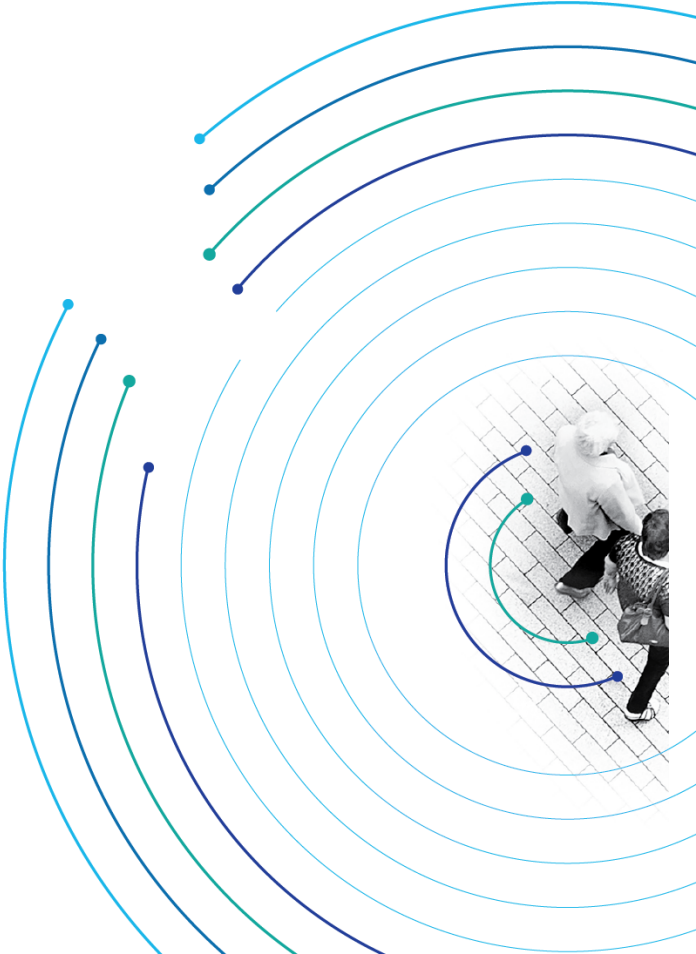
### Underwriting agencies

- 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

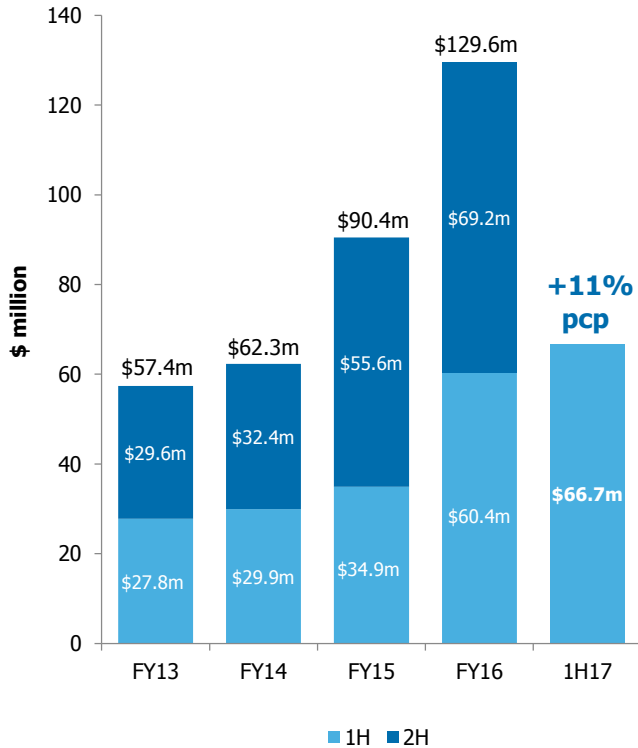
# Group financials



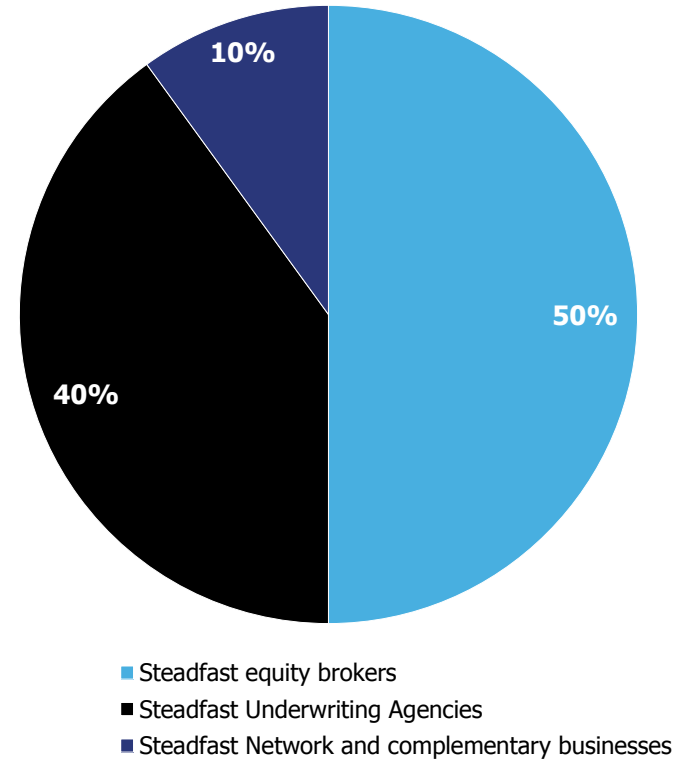
# Group financial performance

## Strong underlying EBITA growth

Underlying EBITA: FY 13 – 1H 17



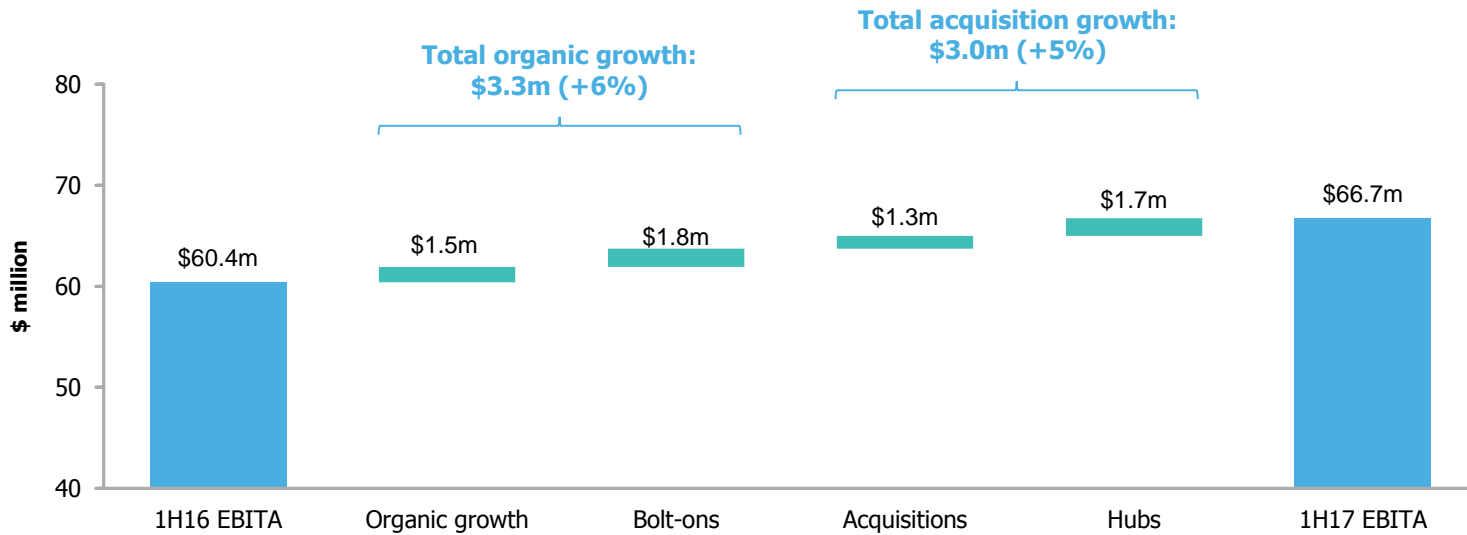
Underlying EBITA contribution – 1H 17



# Contributions to 1H 17 underlying EBITA

## Organic and acquisition growth

### Breakdown of the growth in 1H 17 underlying EBITA

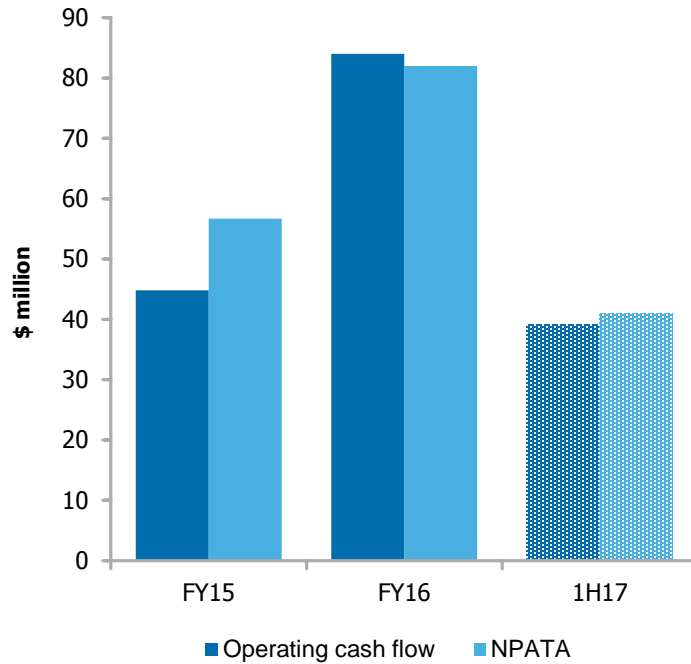


- Strong organic growth and improved margins
- Acquisition strategy delivering additional growth

# Cash conversion

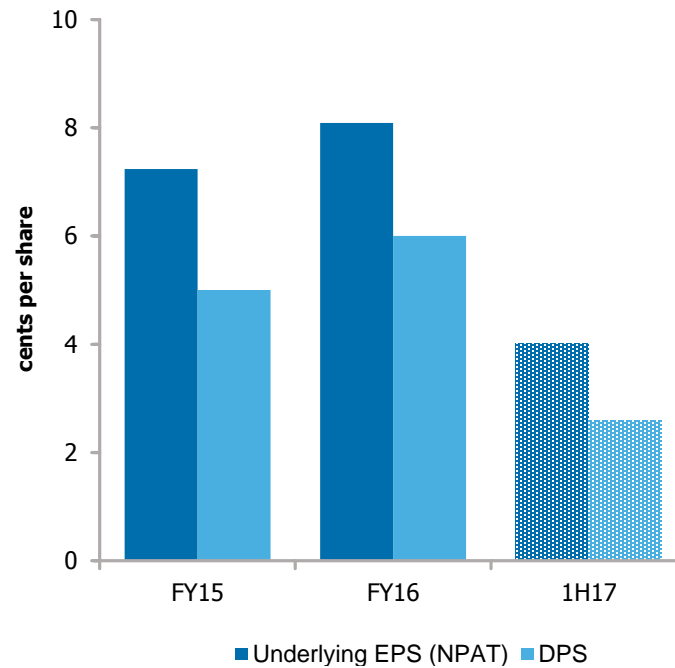
## High conversion of cash to profit and dividends

NPATA<sup>1</sup> to operating cash flow: FY 15 – 1H 17



**Converting operating cash flow to profit**

Underlying EPS (NPAT) to DPS: FY 15 – 1H 17



**Converting earnings to dividends for shareholders**

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

<sup>2</sup> 1H15 underlying EPS (NPAT) restated to reflect 1:3 rights offering in February/March 2015.

# Statutory balance sheet summary

## Healthy balance sheet with leverage capacity

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>

- Substantial headroom in financial debt covenants
- \$111m available at 31 December 2016 for future growth
- Gearing well within board approved maximum

\$ million	31 Dec 16	30 Jun 16
Total assets	1,693.1	1,712.5
Total liabilities	787.2	814.4
Net assets	905.9	898.1

Gearing ratio (31 Dec 2016)	Actual	Max
Corporate <sup>1</sup>	16.1%	25.0%
Total Group	18.5%	30.0%

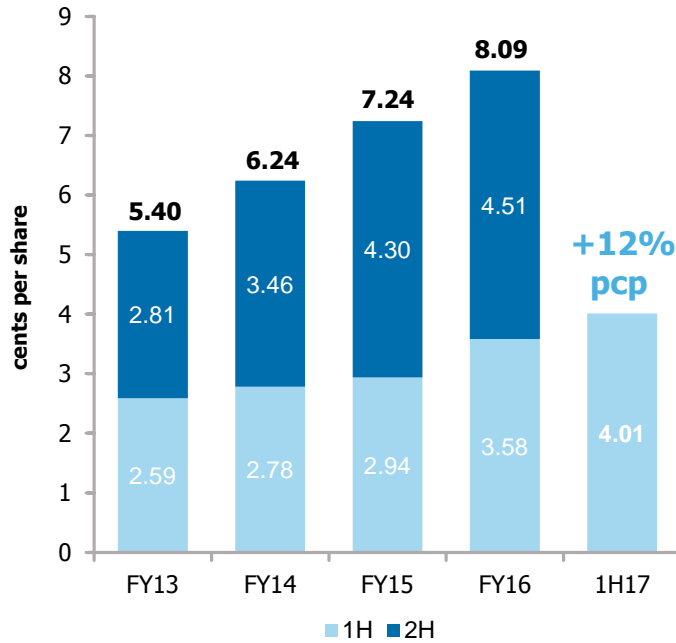
<sup>1</sup> Calculated as corporate debt/(corporate debt plus equity).



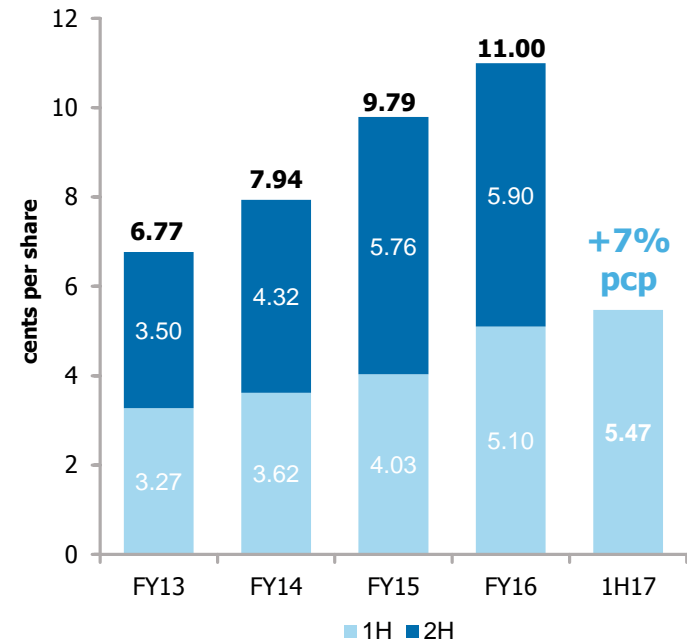
# Shareholder returns

## 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



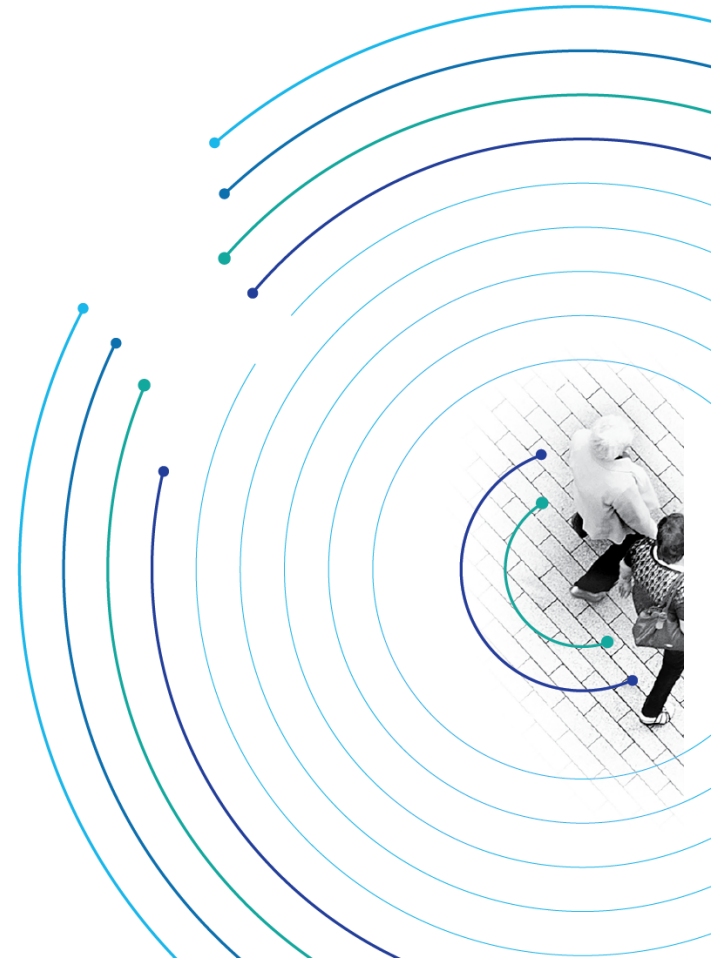
### Total Shareholder Return (TSR)<sup>2</sup>

- 198% for the period since the ASX listing in August 2013
- Implies 34% CAGR from ASX listing

<sup>1</sup> FY13, FY14 and 1H15 underlying EPS (NPAT) and underlying EPS (NPATA) restated to reflect 1:3 rights offering in February/March 2015.

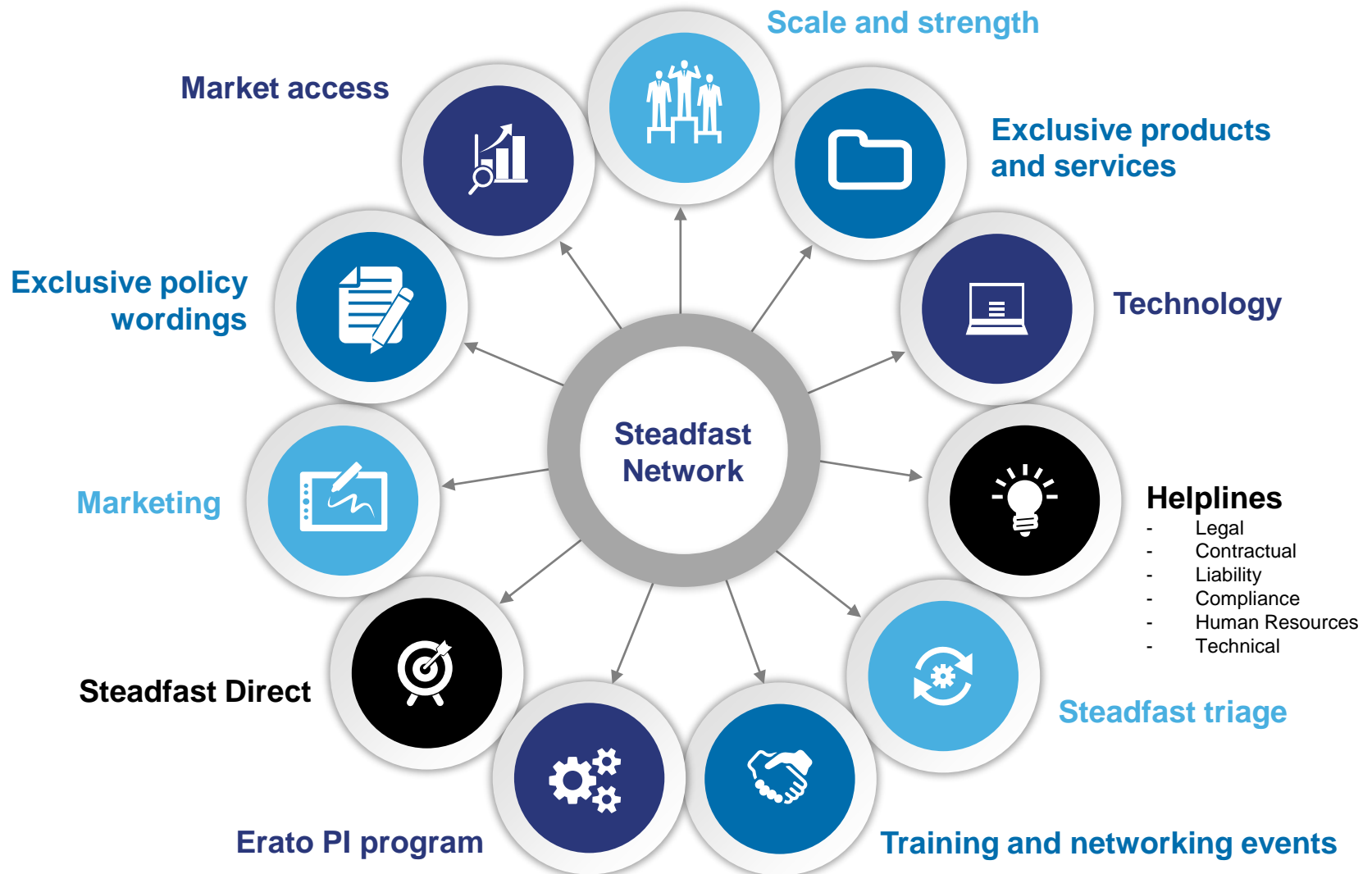
<sup>2</sup> TSR includes final 1H17 dividend and the further value to shareholders who participated in the rights issue. As at 1 May 2017.

# Steadfast Network



# Steadfast Network

## Benefits for members and customers



# Steadfast Network - Technology

## 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, updated from eClipse
- Better access to quality data

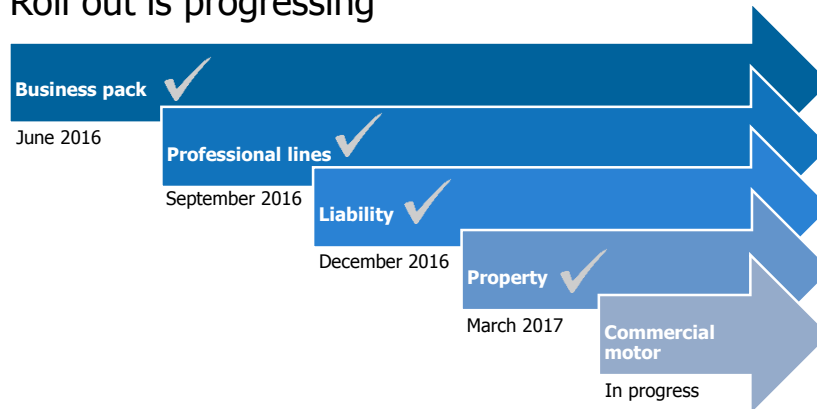
### underwritercentral™

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

# 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, Allied World, Berkley, Calibre, CGU, CHUBB, London 'super' binder, QBE, Vero and Zurich
- Roll out is progressing



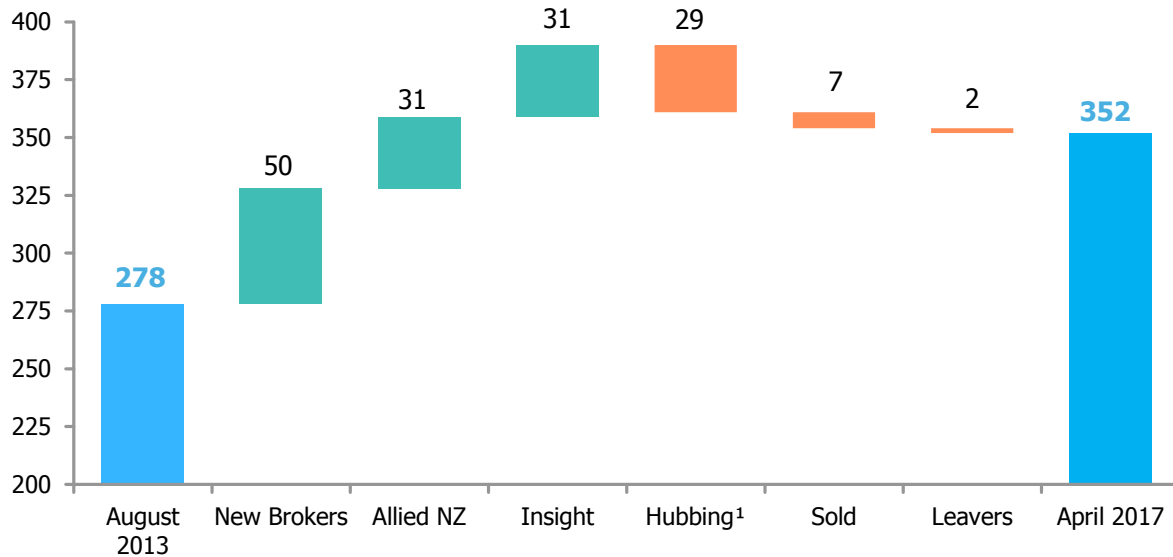
### Benefits from using the platform:

- **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)
- **Insurer partners:** opportunity to write more GWP through the Steadfast Network

# Steadfast Network

## New brokers joining the Network

### Number of Steadfast Network brokers (as at 30 April 2017)



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

- 112 brokers have joined and only two have left the Network since IPO
- 316 Australian brokers

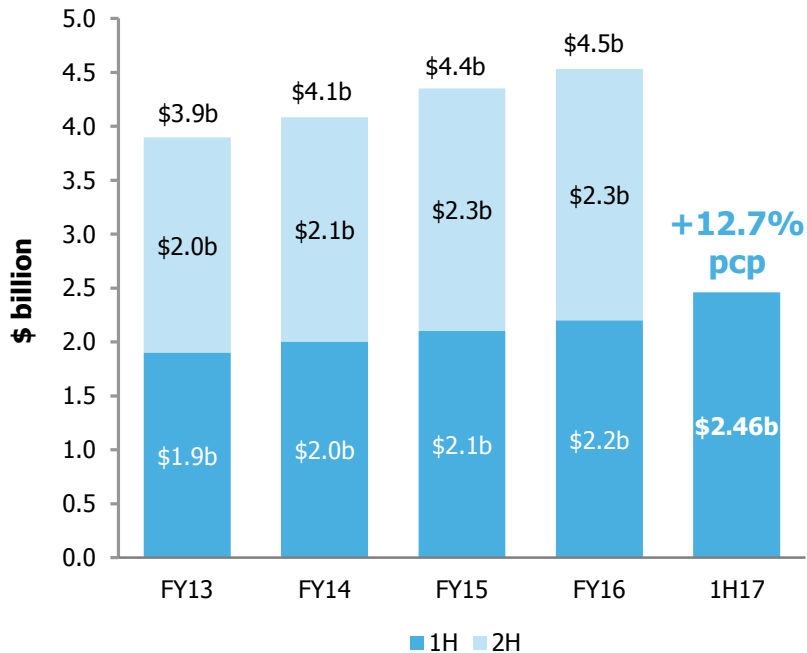
<sup>1</sup> Hubbing reflects the impact of merging one or more brokers together to create back office cost synergies and scale.  
<sup>2</sup> Steadfast Group and APRA Intermediated General Insurance Statistics (December 2016).

# Steadfast Network

## Significant growth in Gross Written Premium

### Steadfast Network Brokers

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



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

### 1H 17 vs 1H 16

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

**+3.5% organic growth**

**+5.0% AR network**

**+4.2% new brokers**

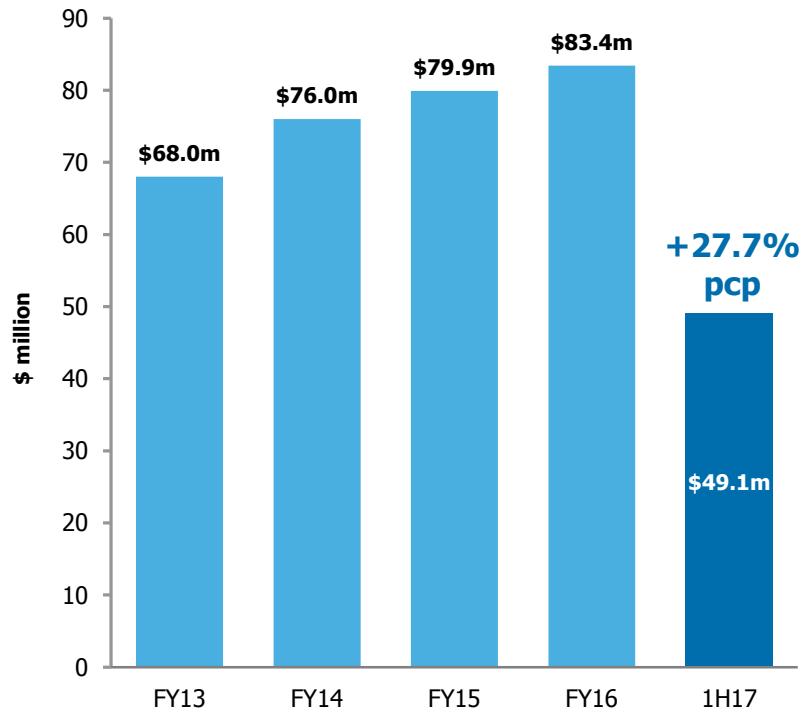
**+12.7% total growth**

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

# Equity brokers

## Organic performance and acquisitions driving EBITA growth

Underlying EBITA pre CO for brokers – consolidated & equity accounted (assuming 100% ownership)



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



# Equity brokers

## Continuing to invest and create synergies

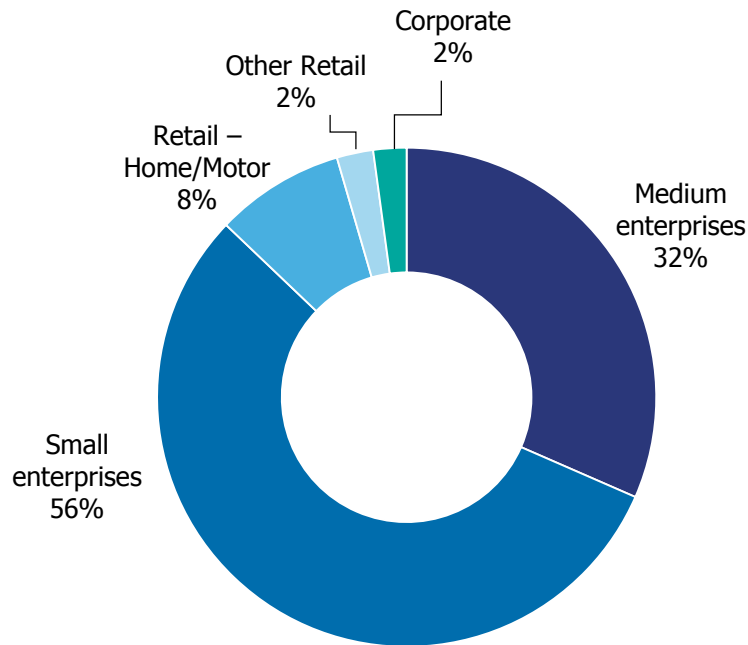
Equity brokers (including bolt-ons)	1H 17	2H 16	1H 16
Acquisitions	7	8	2
Increased equity holdings	7	7	4
<b>Total</b>	<b>14</b>	<b>15</b>	<b>6</b>
Hubbed	5	1	3
<b>Total</b>	<b>19</b>	<b>16</b>	<b>9</b>

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

# 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.

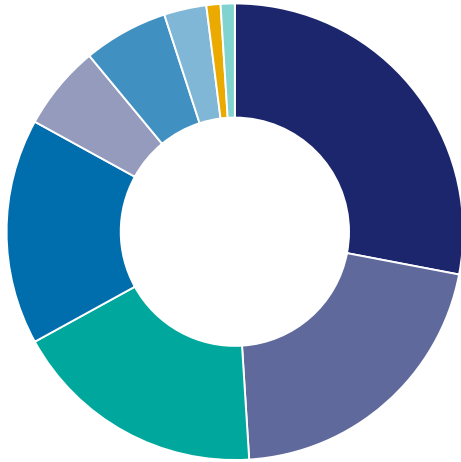
<sup>2</sup> Allocation based on policy size (retail <\$1k, small \$1k - \$9.9k, medium \$10k - \$299k and corporate \$300k+).

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

# Steadfast Network

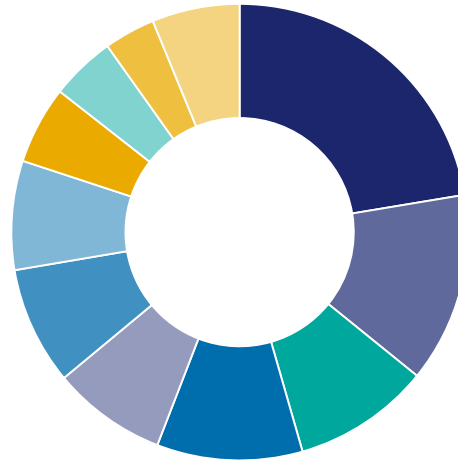
## Australia - diversified footprint<sup>1</sup>

### Diversified by geography<sup>2</sup>



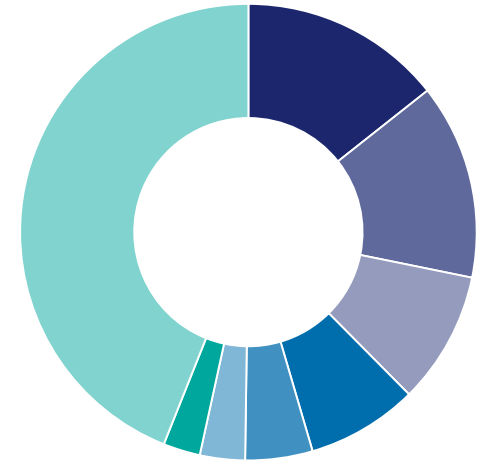
- VIC 28%
- NSW 21%
- WA 18%
- QLD 16%
- SA 6%
- NZ 6%
- TAS 3%
- ACT 1%
- NT 1%

### Diversified by product line



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

### Diversified by insurer

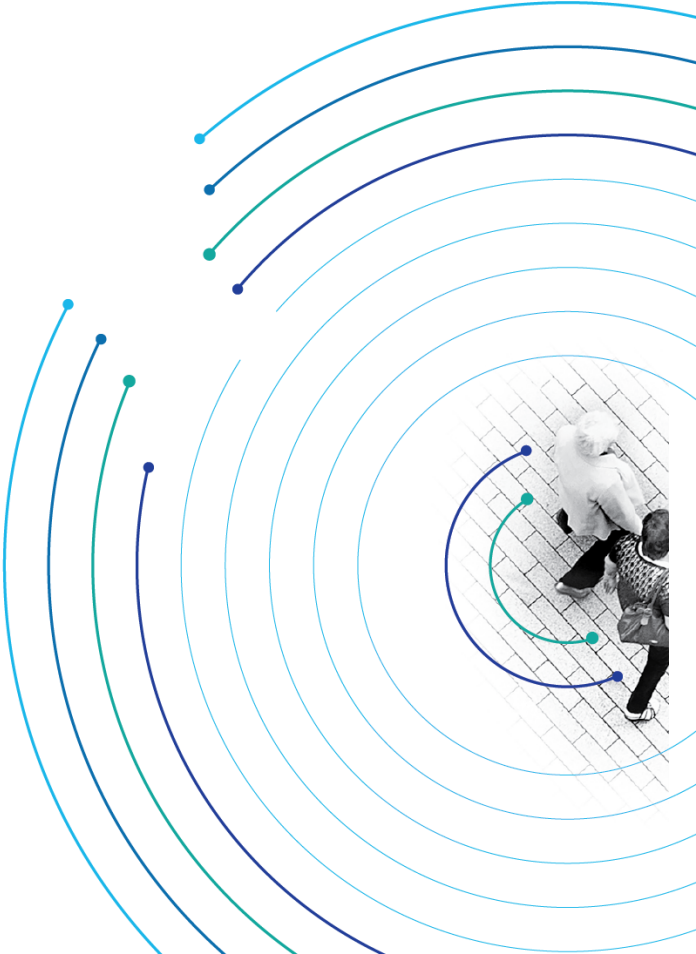


- CGU 14%
- QBE 14%
- Allianz 9%
- Vero 8%
- Zurich 5%
- CHUBB 3%
- CHU 3%
- Other 44%

<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

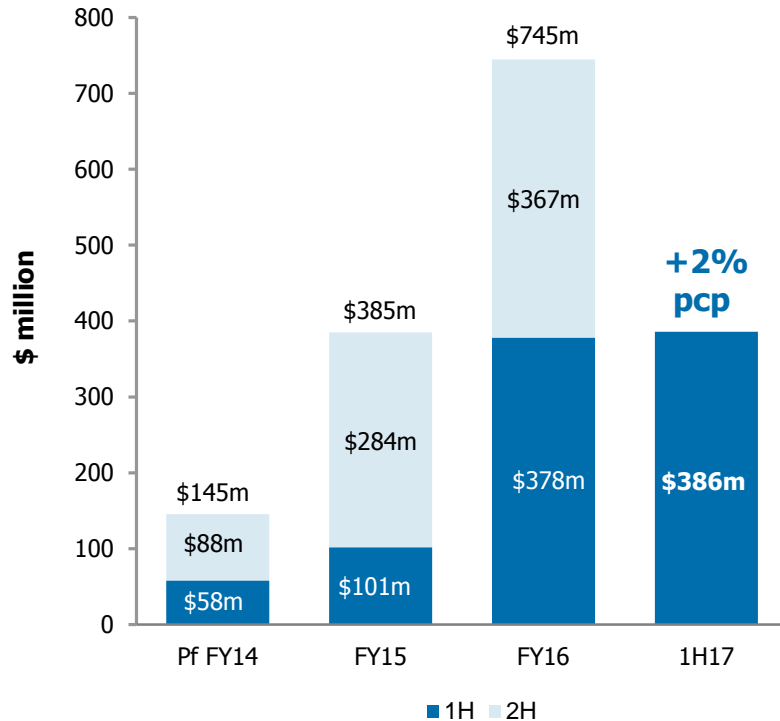


# Steadfast Underwriting Agencies

## 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**

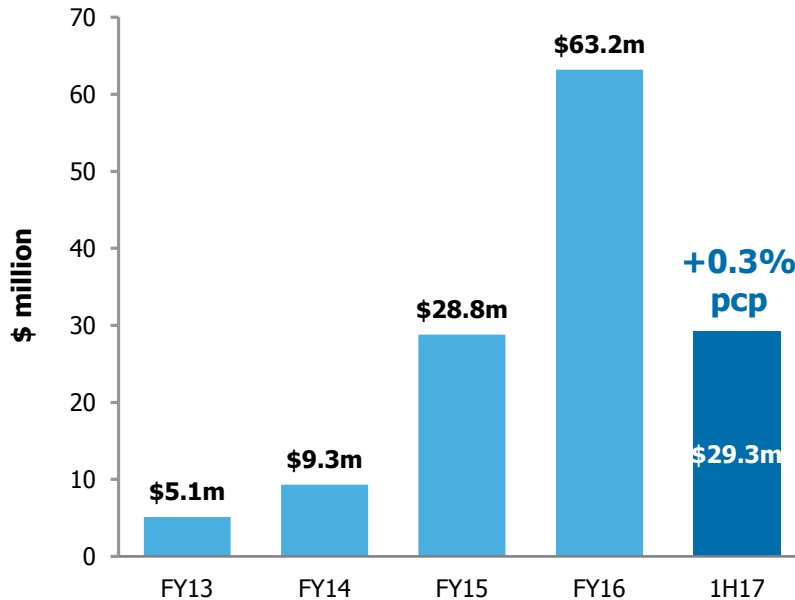
**Largest underwriting agency group in Australia with 23 agencies and 72 products**

- Approximately half of GWP placed by non-Steadfast brokers
- New London 'super' binder starting to benefit the group
- \$100m of GWP written by Steadfast Direct (moving annual premium)

# Steadfast Underwriting Agencies

## Major acquisitions and organic performance driving EBITA growth

Underlying EBITA pre CO for Agencies – consolidated & equity accounted (assuming 100% ownership)



- Acquired Calliden and QBE agencies in FY15
- Solid organic growth from existing agencies
- Continuing investment into start-up markets and London 'super' binder
- Continuing to review acquisition opportunities – no acquisitions made in 1H 17 due to strict criteria

# Steadfast Underwriting Agencies

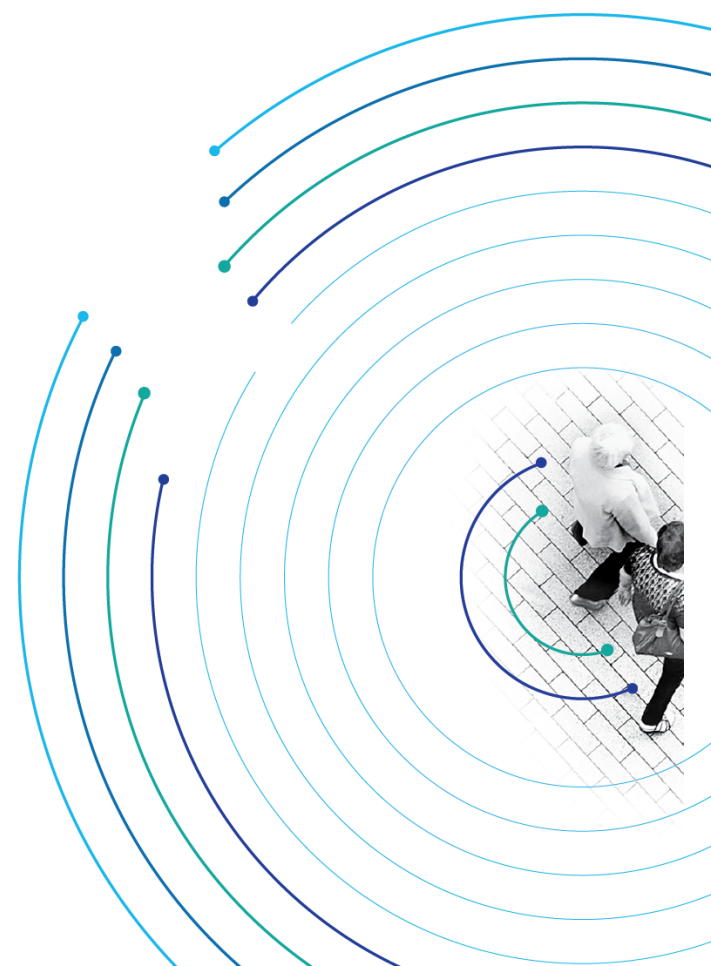
## London 'super' binder

- 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

# Outlook

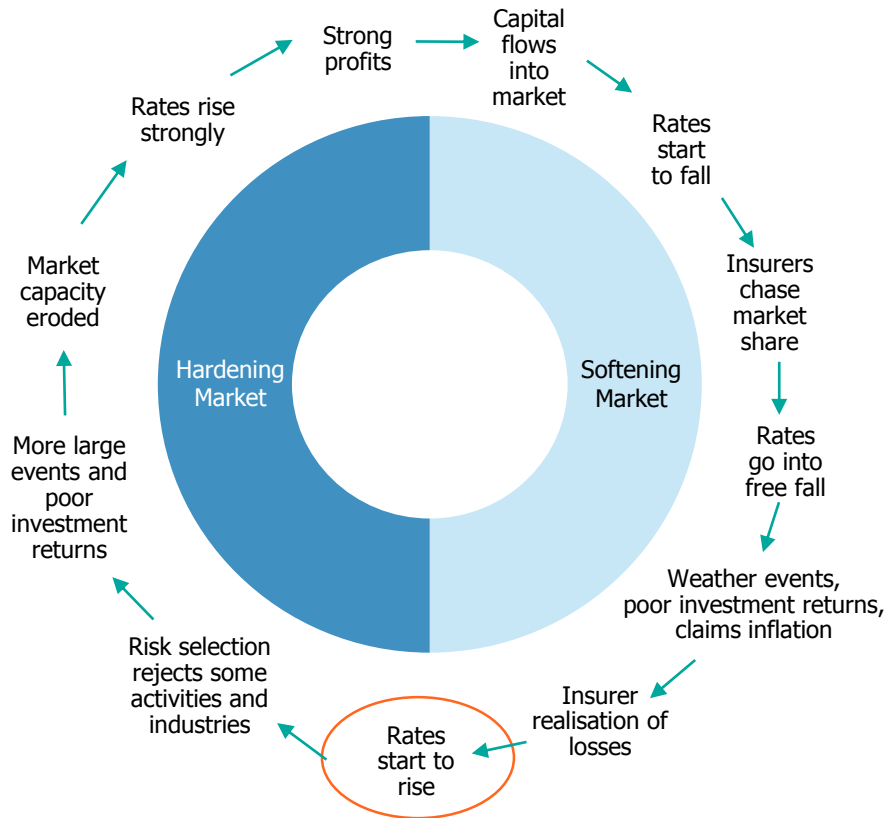




# Premium pricing outlook

## First signs of improvement in the SME market

### Insurance cycle



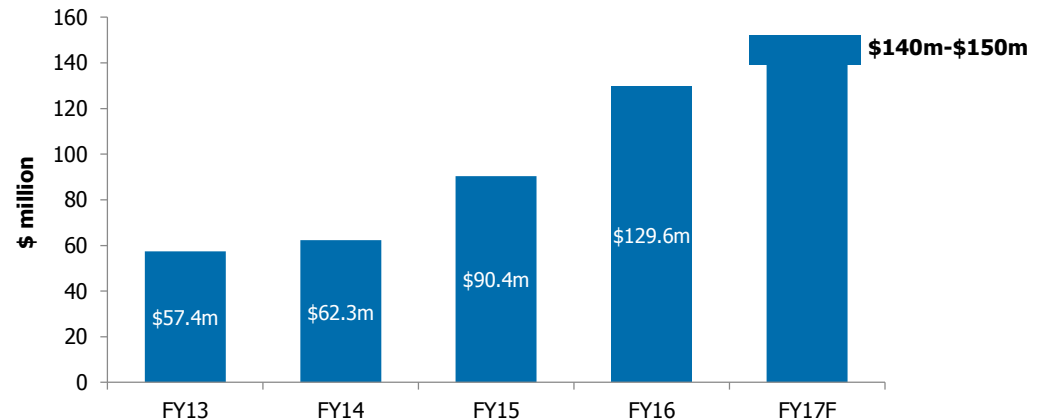
**First signs of price improvement in SME (small and medium enterprise) market**

# FY 17 guidance

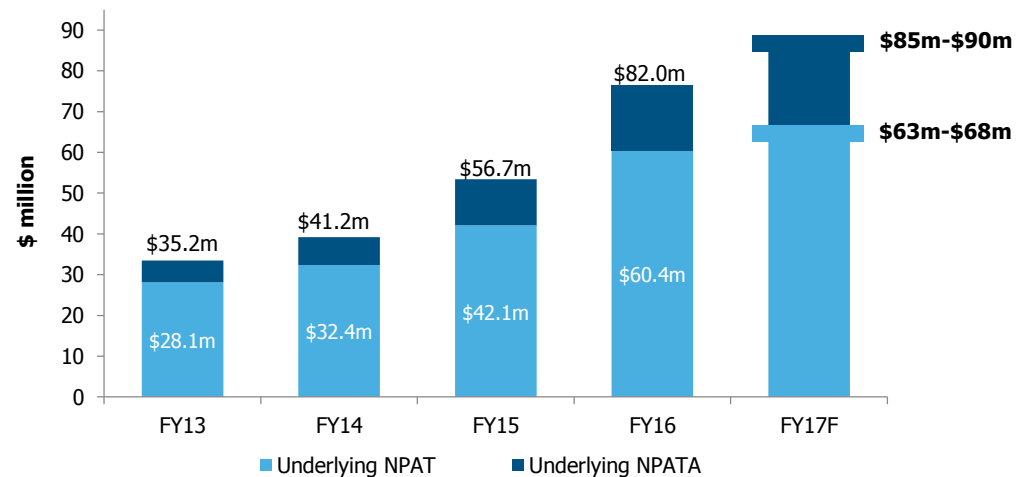
## Organic growth and strategic initiatives

- FY 17 guidance range as noted in 1H 17 results announcement:
  - 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.