

20 February 2019

Steadfast Group

1H19 results

Analyst pack

Presenters:

Robert Kelly - Managing Director & CEO

Stephen Humphrys - Chief Financial Officer



1H19 results - analyst pack

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1H19 highlights

Steadfast Group

Underlying earnings driven by organic and acquisition growth

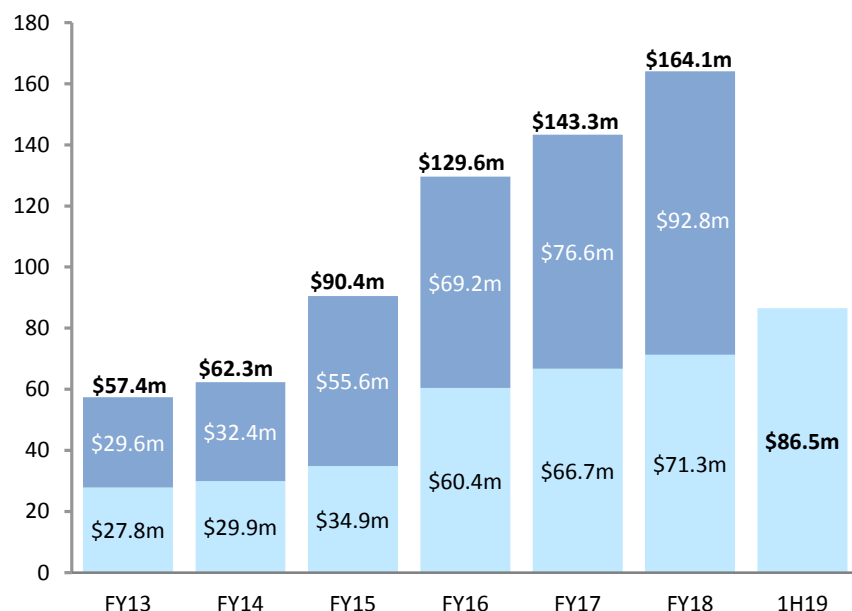
Underlying earnings¹

- EBITA² **+21.3%** to **\$86.5m**
- NPAT **+17.6%** to **\$38.2m**
- NPATA³ **+16.9%** to **\$50.3m**
- EPS (NPAT) **+12.0%** to **4.83 cps**
- Interim dividend **+14.3%** to **3.2 cps**

Statutory earnings

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

Underlying EBITA² (\$m)



¹ For statutory reconciliation, refer to slides 45 and 46.

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

³ Calculated on a consistent basis since IPO.

Organic growth

- Underlying EBITA² organic growth **\$9.5m, +13.3%**
- Driven by equity brokers and a particularly strong performance by the underwriting agencies

Acquisition growth

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

Investment activity

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

Future growth

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

Royal Commission

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

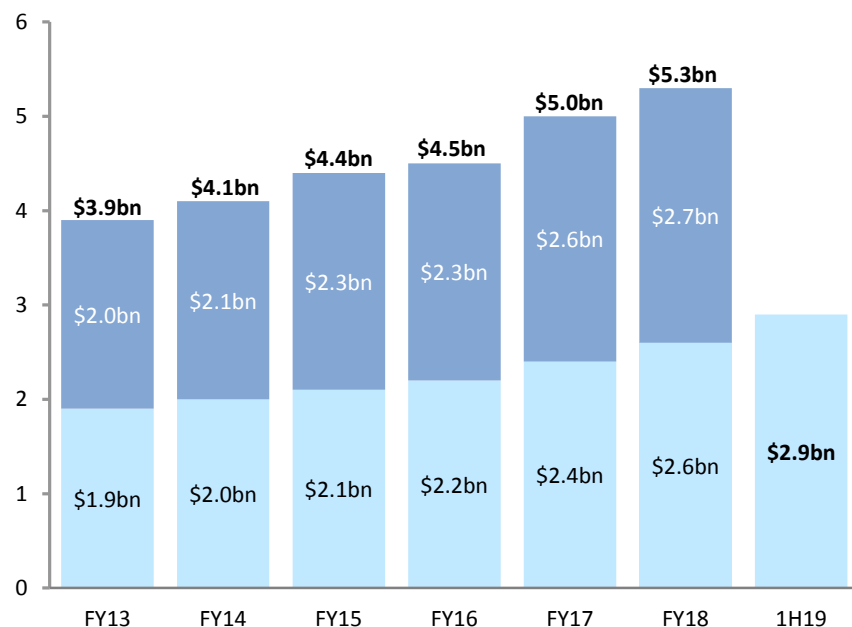
Steadfast Network and equity broker

GWP and underlying EBITA growth driven by price and volume

Financial highlights

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

Gross written premium (\$bn)



Operational highlights

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

Equity broker highlights (aggregate)

- Underlying net revenue of **\$205.2 million, +16%**
 - Organic growth of **+9%** and acquisition growth of **+7%**
- Underlying EBITA of **\$57.4 million, +14%**
 - Organic growth of **+9%** and acquisition growth of **+5%**
- 'Traditional' broker margin¹ maintained at **29.4%**

1H19 vs 1H18

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

+7% organic growth

+3% AR network

+2% new brokers

+12% total growth

¹ EBITA margin = EBITA / Net revenue.

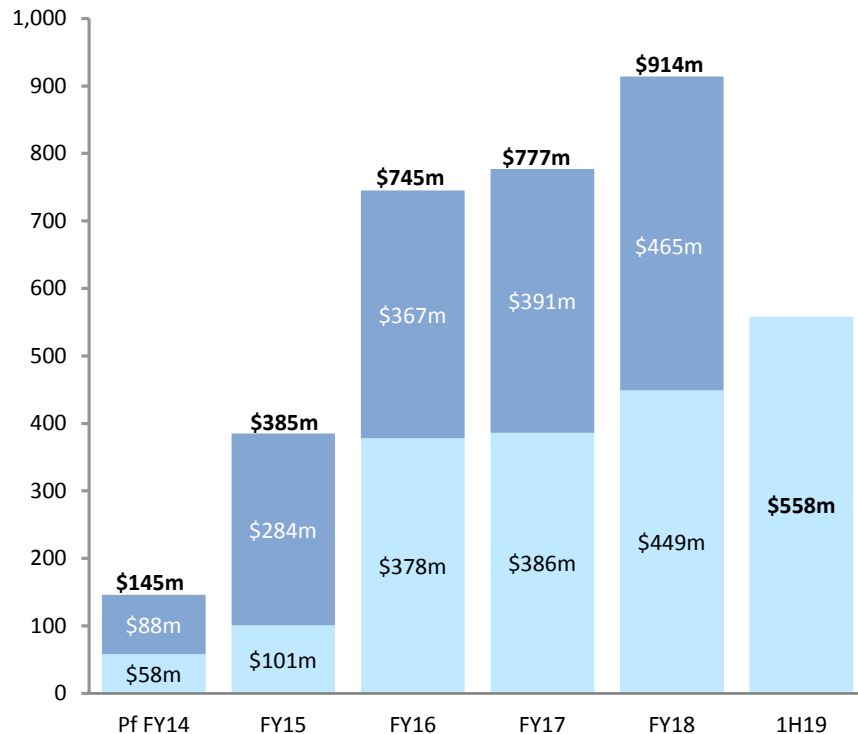
Steadfast Underwriting Agencies

Record GWP and underlying EBITA growth

Financial highlights

- Steadfast Underwriting Agencies GWP **+24%** to **\$558 million**
 - Primarily driven by price and volume uplift, with some acquisition growth
 - Property and business lines particularly strong
- Price rises creating significant opportunities for agencies
- Underlying EBITA¹ of **\$42.6 million, +48.8%** on a like-for like basis

Gross written premium (\$m)



Operational highlights

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

1H19 vs 1H18

GWP of \$558m vs \$449m

+18% organic growth

+6% acquisition growth

+24% total growth

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

Our insurTech

Steadfast Client Trading Platform and INSIGHT

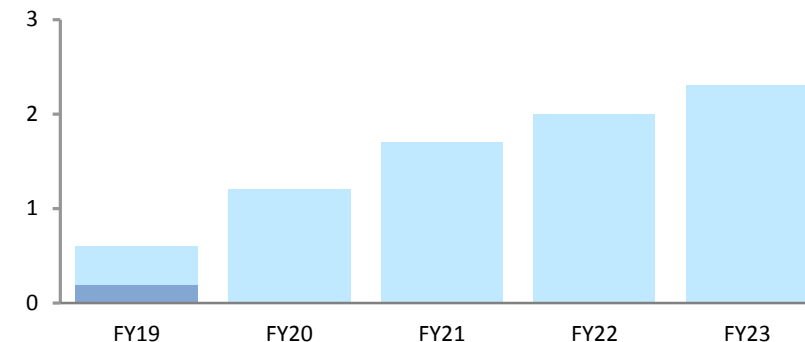
Steadfast Client Trading Platform (SCTP)

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

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

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

GWP transacted through SCTP (\$bn)



+109%

year-on-year growth in GWP transacted through SCTP

300+

brokers have used the SCTP

SCTP activity

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

1H19 financial summary

Group financial performance

Strong underlying earnings growth

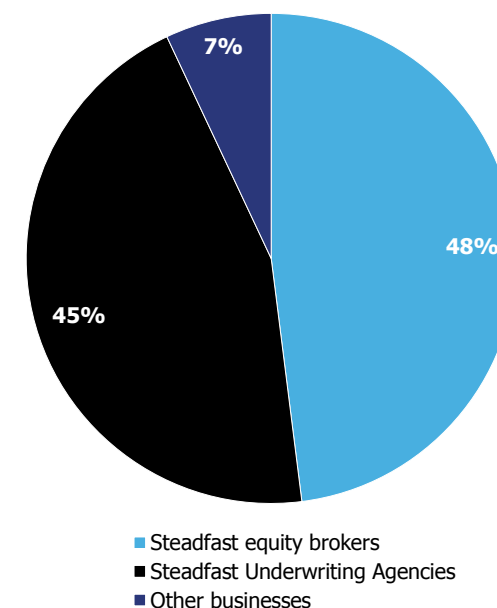
Six months to 31 December \$ million	Underlying 1H19 ¹	Underlying 1H18	Year-on-year growth %
Revenue ² (\$m)	320.9	261.8	22.6%
EBITA ² (\$m)	86.5	71.3	21.3%
NPAT (\$m)	38.2	32.5	17.6%
EPS (NPAT) (cents)	4.83	4.31	12.0%
NPATA ³ (\$m)	50.3	43.0	16.9%
EPS (NPATA) (cents)	6.35	5.71	11.2%

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

Cash flow summary \$ million	1H19
Operating cash flow	62.4

124% conversion of NPATA into cash

1H19 underlying EBITA mix



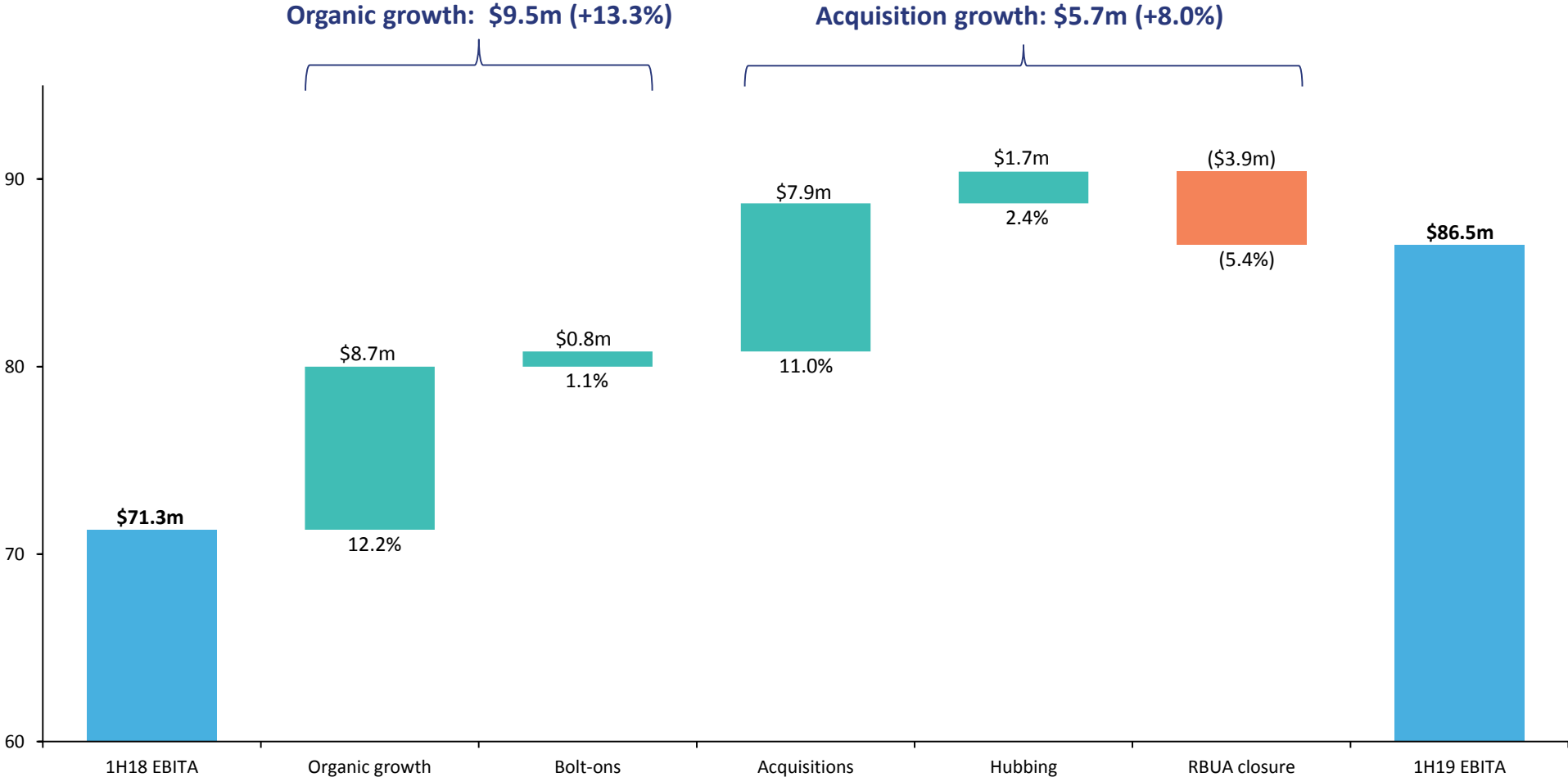
¹ Underlying financial data reconciled to statutory data on slides 45 and 46.

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

³ Calculated on a consistent basis since IPO.

Drivers of 21.3% growth in underlying EBITA¹

Organic and acquisition growth



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

Equity brokers financial performance

Organic and acquisition growth

48%

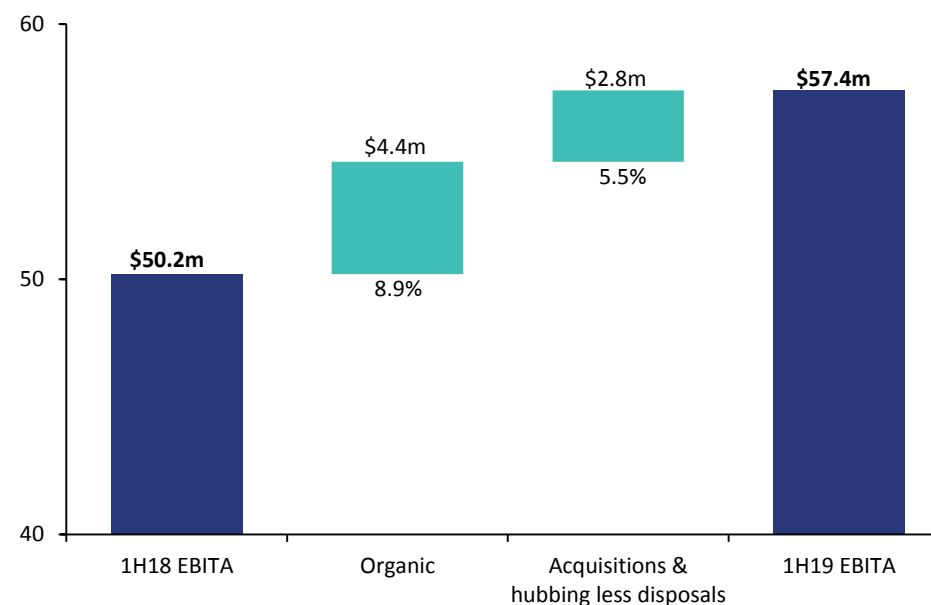
Share of 1H19 underlying EBITA

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

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

- EBITA of **\$57.4m (+14.4%)** from all equity brokers
 - Driven by both organic and acquisition growth
 - Growth in net fees & commissions driven by hardening market and volume growth
 - Fee & commission split of ~30%/70% in-line with historic average
- EBITA from 'traditional' brokers of **\$43.3m (+13.1%)** (excludes AR networks and wholesale, life insurance and trade credit brokers)
 - Margin³ maintained at **29.4%**

EBITA growth: 1H18 – 1H19



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

² Net of third party payments.

³ EBITA margin = EBITA / Net revenue.

Steadfast Underwriting Agencies financial performance

Strong organic growth driven by price and volume



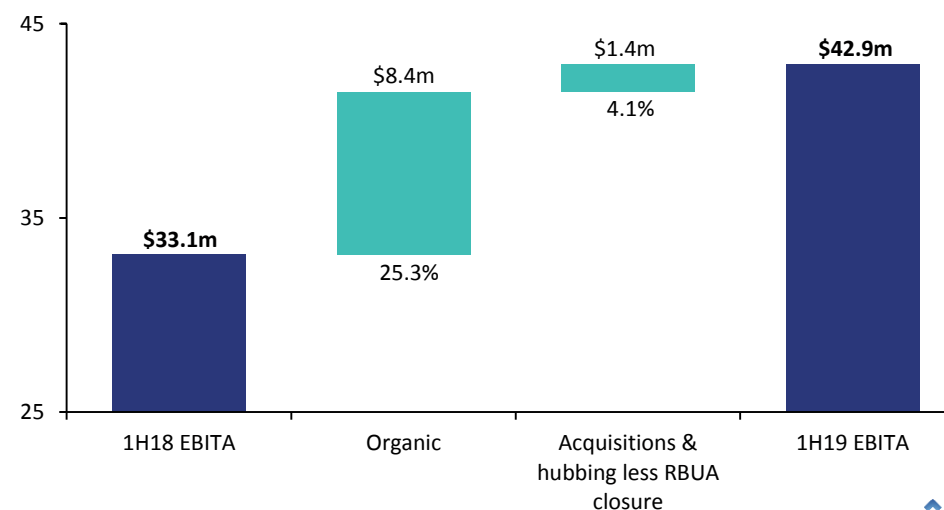
Share of 1H19 underlying EBITA

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

Six months to 31 December \$ million	Underlying 1H19	Underlying 1H18	Year-on-year growth %	Organic growth %	Growth from acquisitions & hubbing ¹ %
Net fees & commissions ²	89.0	72.3	23.2%	17.2%	6.0%
Net revenue²	92.0	74.5	23.5%	17.6%	5.9%
EBITA	42.9	33.1	29.4%	25.3%	4.1%
Net revenue² (excl. profit shares, RBUA)	92.5	70.1	31.9%	19.3%	12.6%
EBITA (excl. profit shares, RBUA)	43.3	29.2	48.1%	30.3%	17.8%
Net revenue² (excl. profit shares, RBUA, investment in 'greenfield' agencies)	88.0	67.3	30.8%	17.7%	13.1%
EBITA (excl. profit shares, RBUA, investment in 'greenfield' agencies)	42.6	28.6	48.8%	30.5%	18.3%

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

EBITA growth: 1H18 – 1H19



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

² Net of third party payments.

Statutory balance sheet

Strong balance sheet with capacity for future growth

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

Corporate debt facilities, \$ million	Maturity	Total	Available at 31 Dec 2018
Facility A	Aug 2020	335	89
Facility B	Aug 2020	50	10
Total available		385	99

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

Gearing ratio	Actual	Max
Total Group ²	24.1%	30.0%

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

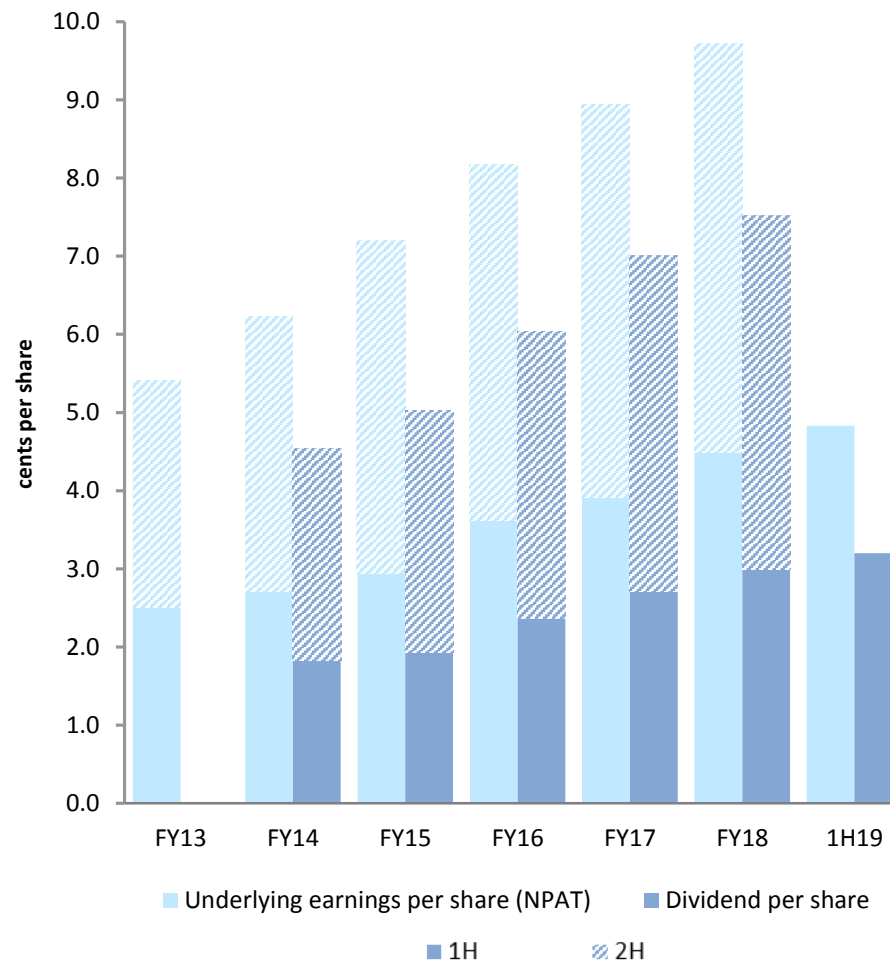
¹ Amounts have been restated to ensure comparability to global policies

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

Interim FY19 dividend

Interim dividend up 14%

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



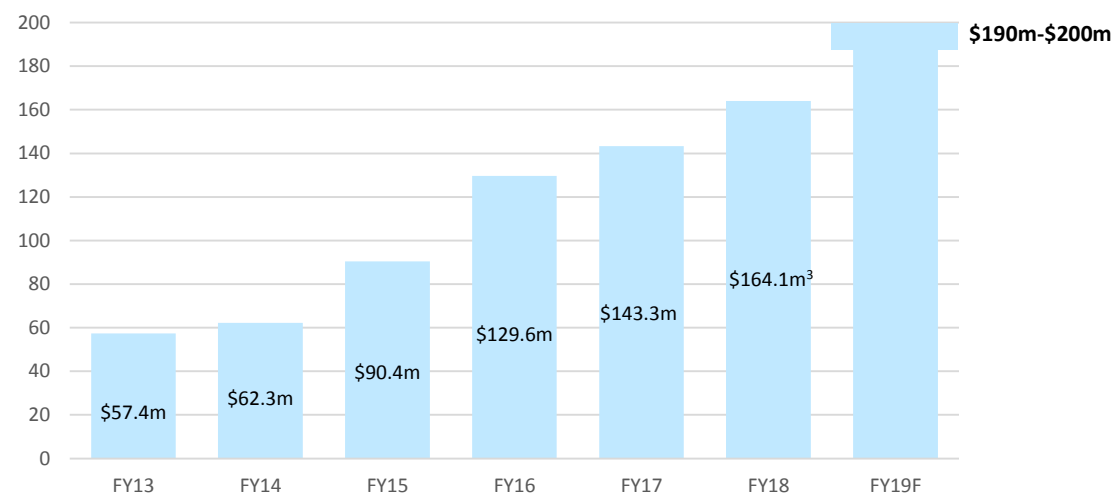
FY19 guidance

FY19 guidance

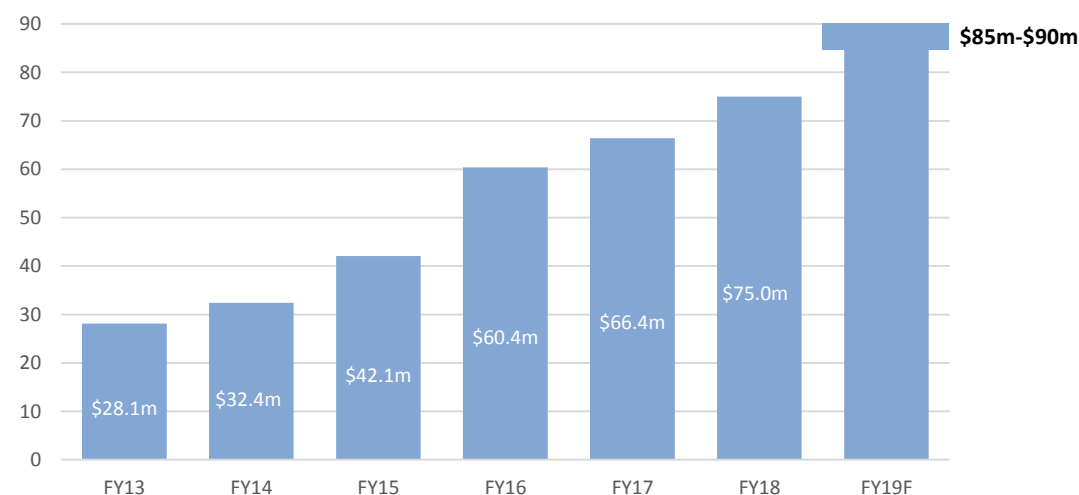
FY19 guidance confirmed

- **FY19 guidance range¹:**
 - Underlying EBITA of \$190 million - \$200 million
 - Underlying NPAT of \$85 million - \$90 million
- Strong 1H19 earnings support our FY19 guidance (as upgraded in October 2018)
- **Guidance also subject to:**
 - Insurers continuing to drive moderate premium price increases
 - Increasing contribution from SCTP
 - Ongoing technology investment

Underlying EBITA (\$m)²



Underlying NPAT (\$m)²



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

² FY13 and FY14 are pro-forma; FY15-FY19F are underlying.

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

1H19 results - analyst pack

Appendices

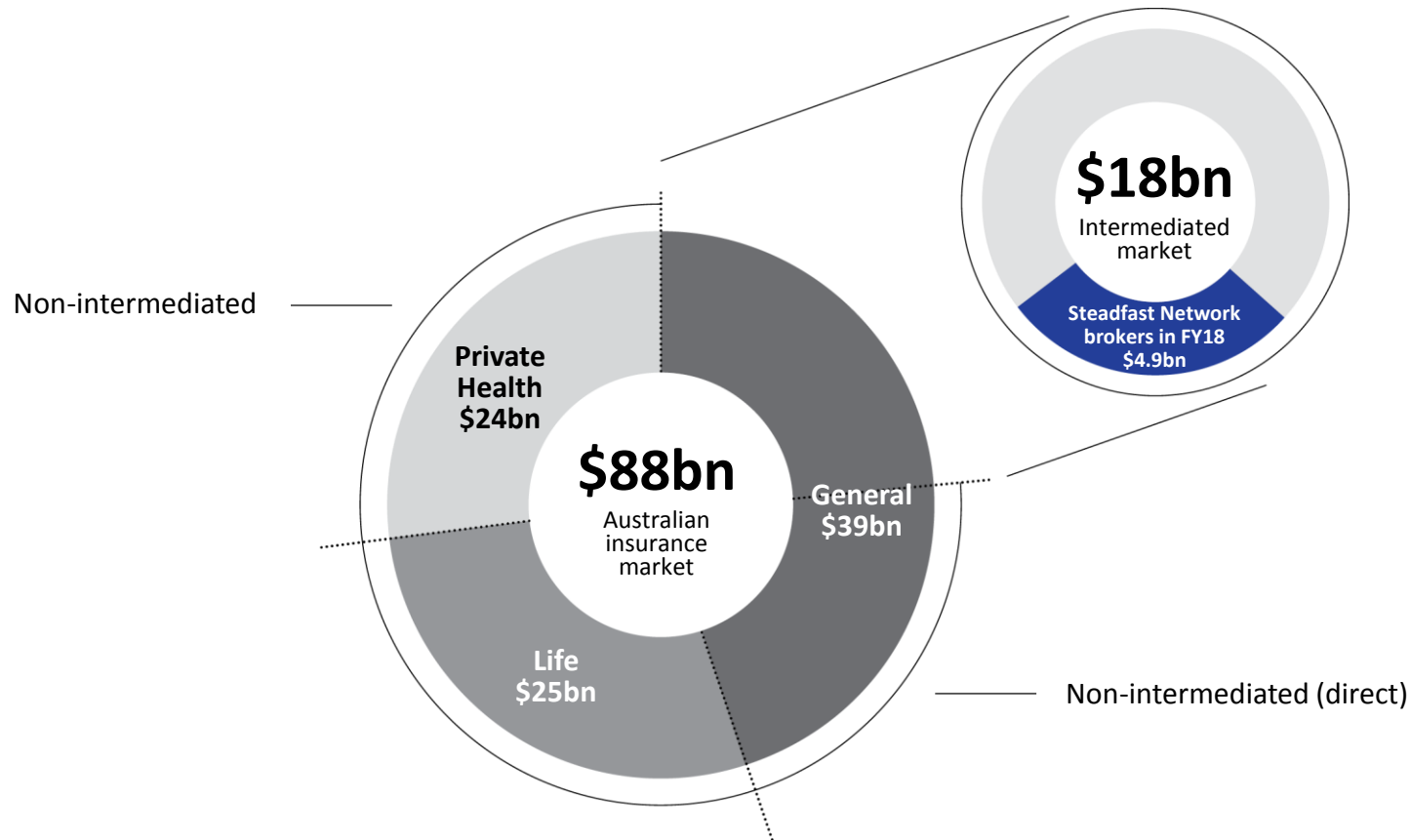
- Steadfast Group (slide 18)
- Steadfast Network (slide 24)
- Steadfast Underwriting Agencies (slide 31)
- Key initiatives (slide 33)
 - Our insurTech (slide 34)
 - International footprint (slide 41)
- 1H19 detailed financials (slide 43)

Steadfast Group

Our market

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

Australian market – gross written premium¹



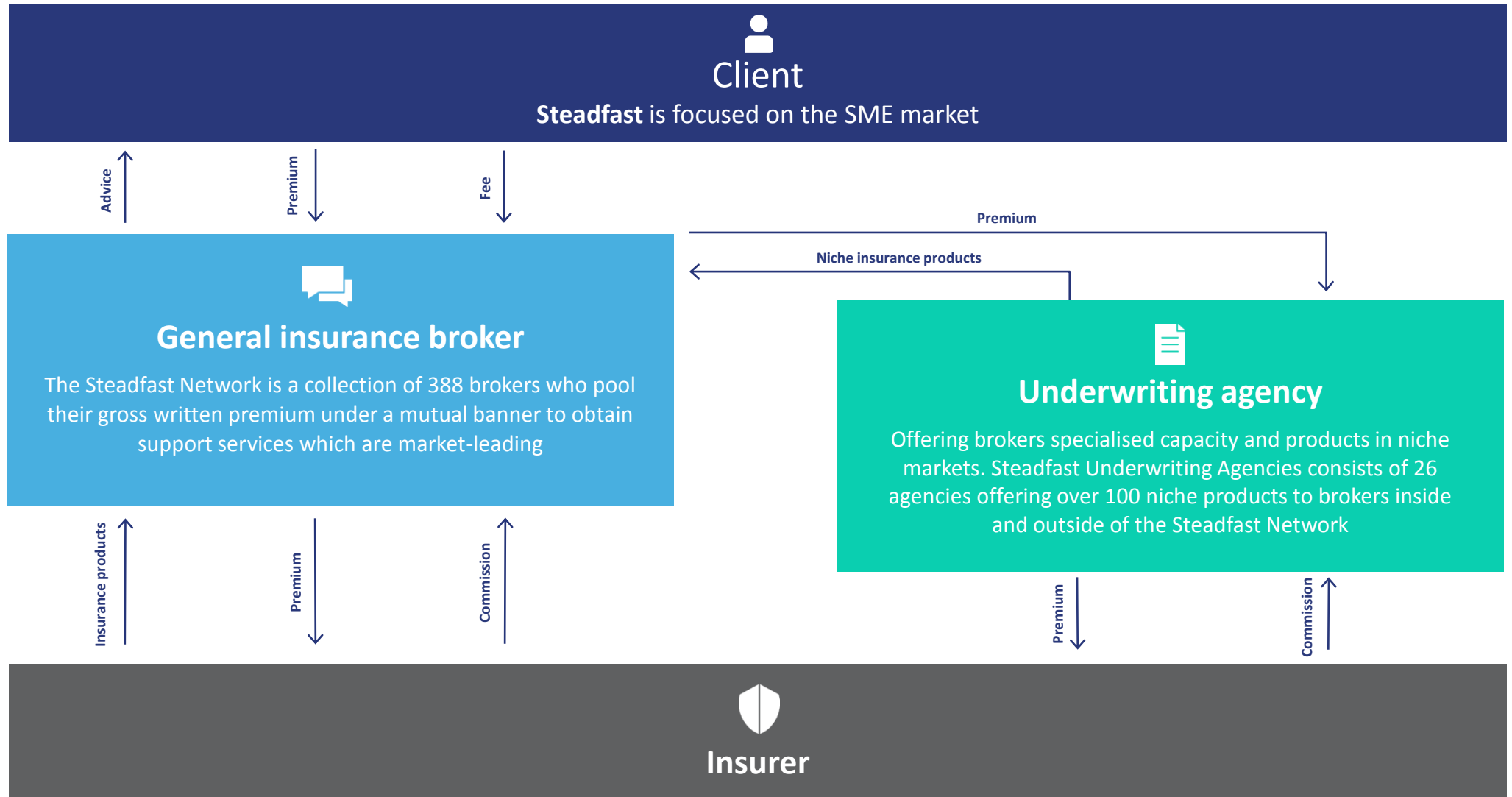
Steadfast Group is focused on the intermediated general insurance market

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

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

Broker and underwriting agency model

Advice based offering primarily focused on SME market



Steadfast Group

Three business units focused on intermediated general insurance market

Steadfast Group (listed on ASX)

Steadfast Network

388 general insurance brokers

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

Steadfast Underwriting Agencies

26 underwriting agencies

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

Complementary Businesses

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

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

Steadfast Group

Size and scale

Largest general insurance broker network in Australasia

Annual GWP¹

\$5.6 billion

388

Steadfast Network brokers

Largest group of underwriting agencies in Australasia

Annual GWP¹

\$1.0 billion

26

Underwriting agencies

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

Complementary businesses



Macquarie
Pacific
Funding

50% joint venture in premium funder

Steadfast Life

Specialist life insurance broker, 50% owned

Steadfast
BUSINESS SOLUTIONS

Back-office service provider, 100% owned

Steadfast
TECHNOLOGIES

VIRTUAL UNDERWRITER

INSIGHT



Work health consultancy, 57% owned

Steadfast Re
Reinsurance Brokers

Reinsurance broker, 50% owned

MERIDIAN
LAWYERS

Legal practice, 25% owned

UNDERWRITER CENTRAL

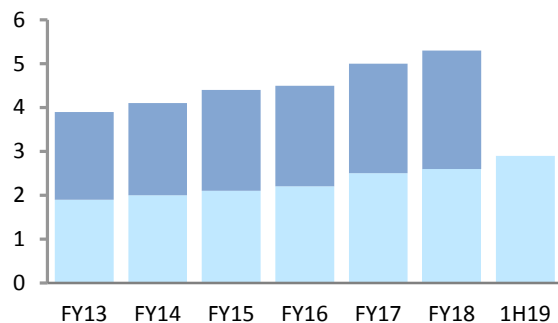
Technology service arm, 100% owned

¹ Calendar year 2018.

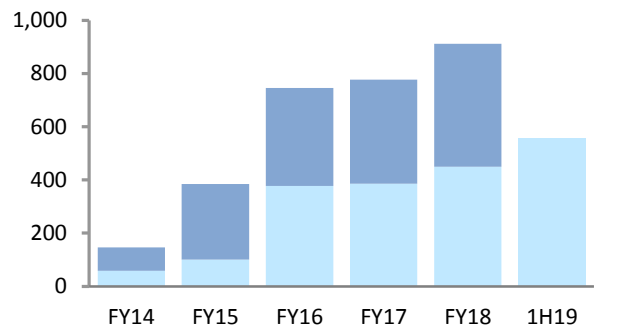
Steadfast Group

Our track record since listing on the ASX

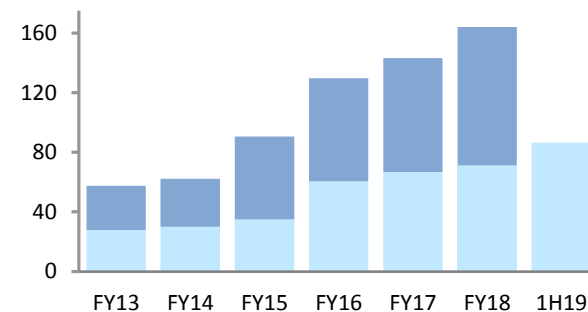
Steadfast Network GWP (\$bn)



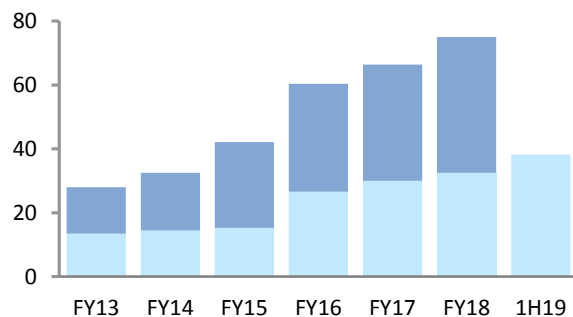
Steadfast Underwriting Agencies GWP (\$m)



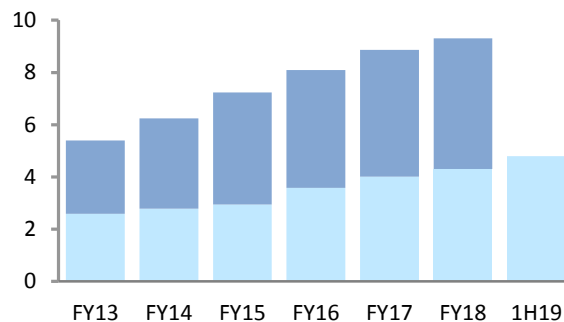
Underlying EBITA¹ (\$m)



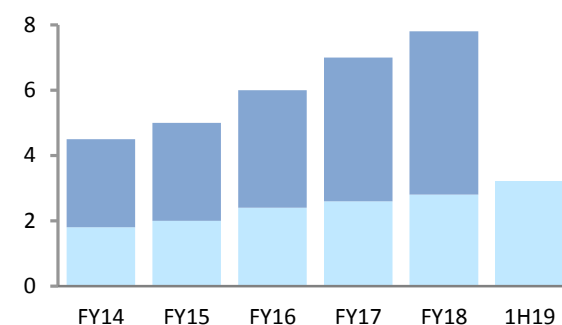
Underlying NPAT (\$m)



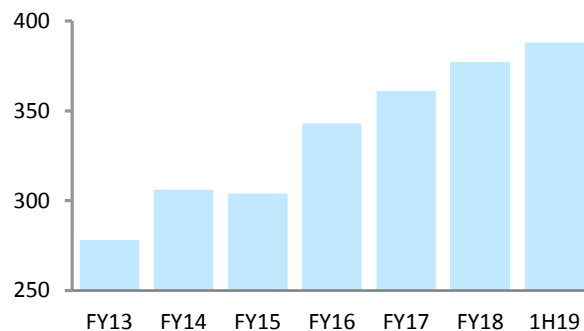
Underlying EPS (NPAT) (cents per share)



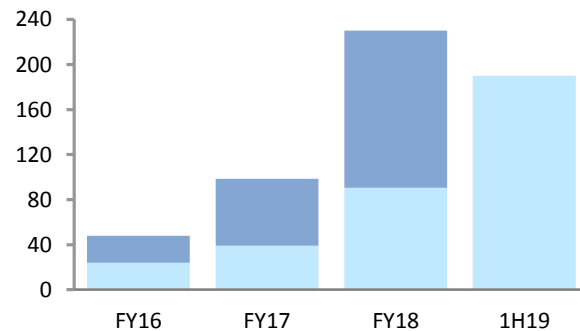
DPS (cents per share)



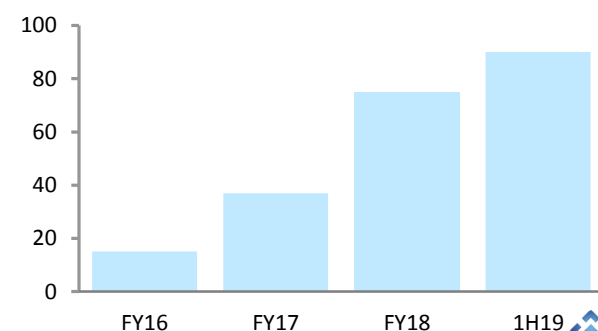
Steadfast Network brokers



Steadfast Client Trading Platform GWP (\$m)



Brokers on INSIGHT



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

Steadfast Network

Steadfast Network

Largest general insurance broker Network in Australasia

Steadfast Network

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

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

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

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

Exclusive to Steadfast Network brokers

-  **Scale and strength**
Size gives us strong relationships with insurer partners.
-  **Products and services**
Access to over 160 services supporting their business & clients.
-  **Technology**
Specialised technology services.
-  **Helplines**
Legal, contractual liability, compliance, human resources & technical.
-  **Steadfast triage**
Provides expert support across claims, ethics & placement.
-  **Training and networking events**
Market-leading professional development through face-to-face & webinars.
-  **Erato PI program**
Professional indemnity cover for Steadfast Network brokers.
-  **Steadfast Direct**
Home, motor & landlord products offered to clients through Steadfast Network brokers.
-  **Marketing**
Sales and marketing support.
-  **Policy wordings**
Market-leading wordings utilising broker & triage input.
-  **Market access**
Access to the leading insurance providers from Australia & around the world.

Strategy

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

Major insurer partners



Steadfast Network

\$5.6bn

gross written premium in CY18

388

brokers in the Network

Premium funding partners



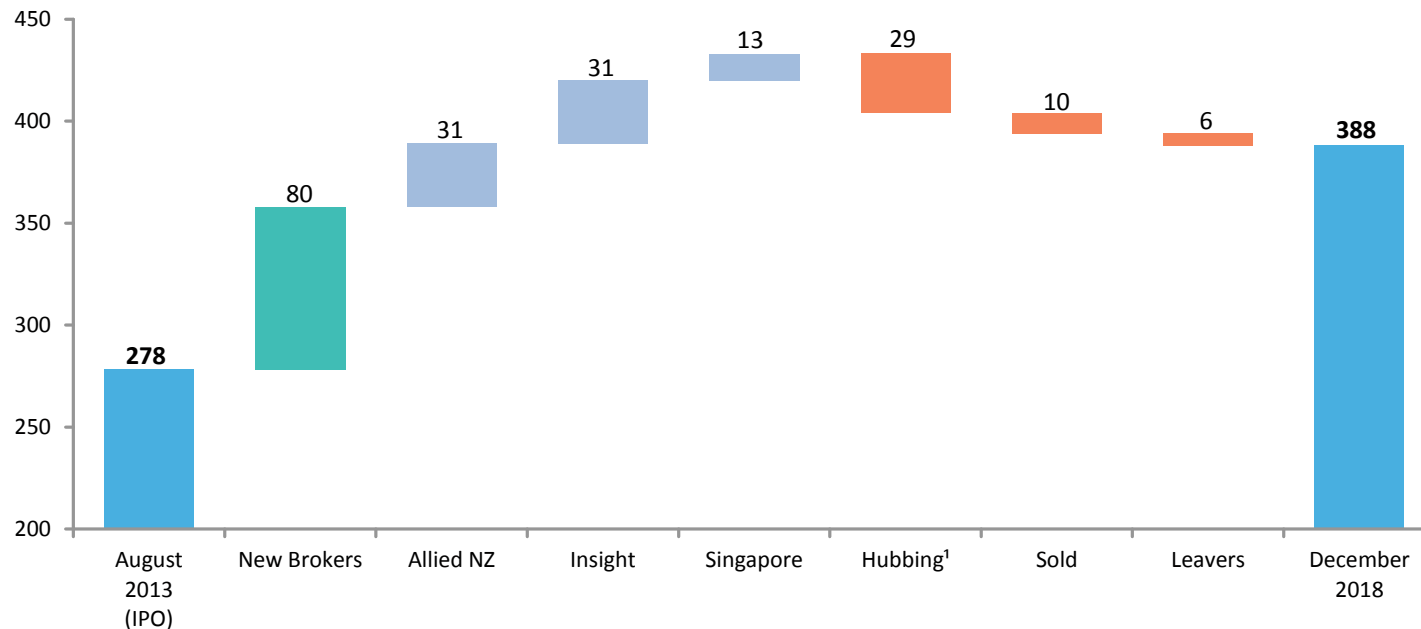
Strategic partner



Steadfast Network

155 brokers have joined the Steadfast Network since IPO

Number of Steadfast Network brokers



Largest general insurance broker network in Australia with 28% market share by GWP²

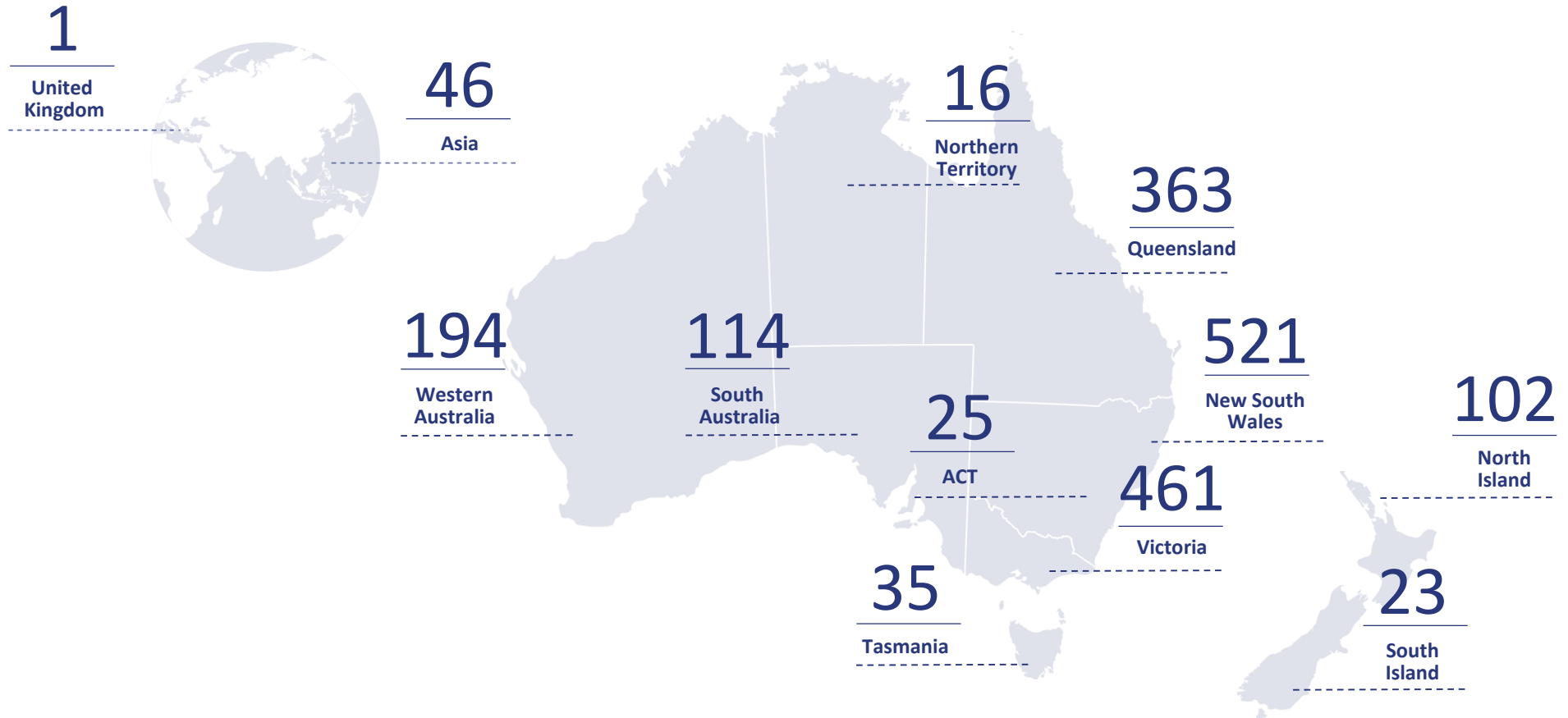
- 11 brokers joined in 1H19
- 155 brokers have joined and only six brokers have left the Network since the IPO
- Over 160 products and services available to the Network
- Steadfast Client Trading Platform and INSIGHT initiatives generating heightened interest in Network value proposition worldwide

¹ Hubbing refers to merging brokers together to create sales and back office cost efficiencies.

² Steadfast Group and APRA Intermediated General Insurance Statistics (June 2018).

Steadfast Network

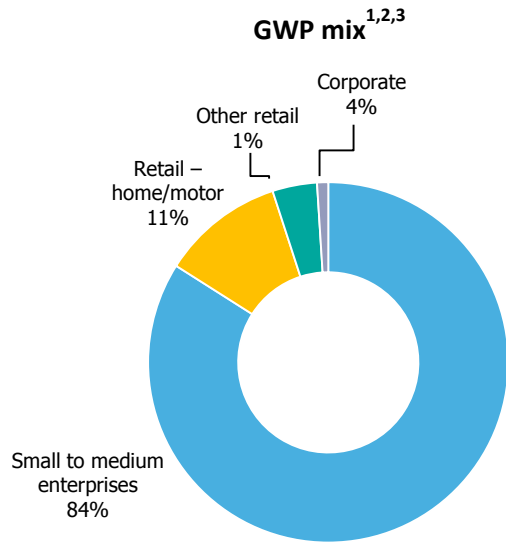
Worldwide broker offices (excluding unisonSteadfast)



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

Steadfast Network

Australia – resilient SME customer base



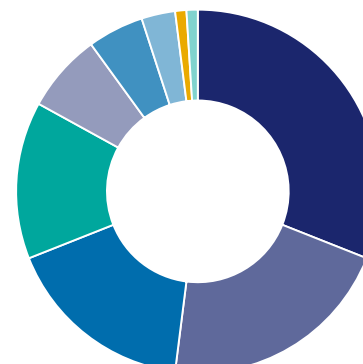
- **88% commercial lines, 12% retail**
- 84% of customer base relates to small-to-medium size enterprises (SMEs) with less pricing volatility
- Focus is on advice
- Low exposure to Corporate (4%) which is exposed to more significant pricing pressure

Diversified by product line



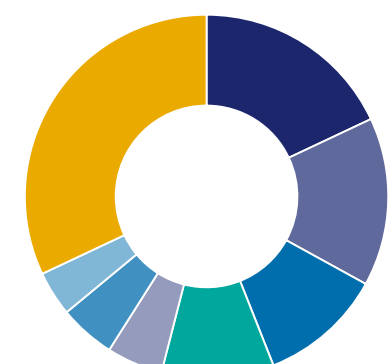
- Business pack 21%
- Commercial motor 14%
- Retail home & motor 12%
- Commercial property & ISR 10%
- Liability 8%
- Professional risks 8%
- Statutory covers 7%
- Strata 6%
- Rural & Farm 4%
- Construction & engineering 4%
- Other 6%

Diversified by geography



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

Diversified by insurer



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

¹ Based on 1H19 GWP excluding New Zealand.

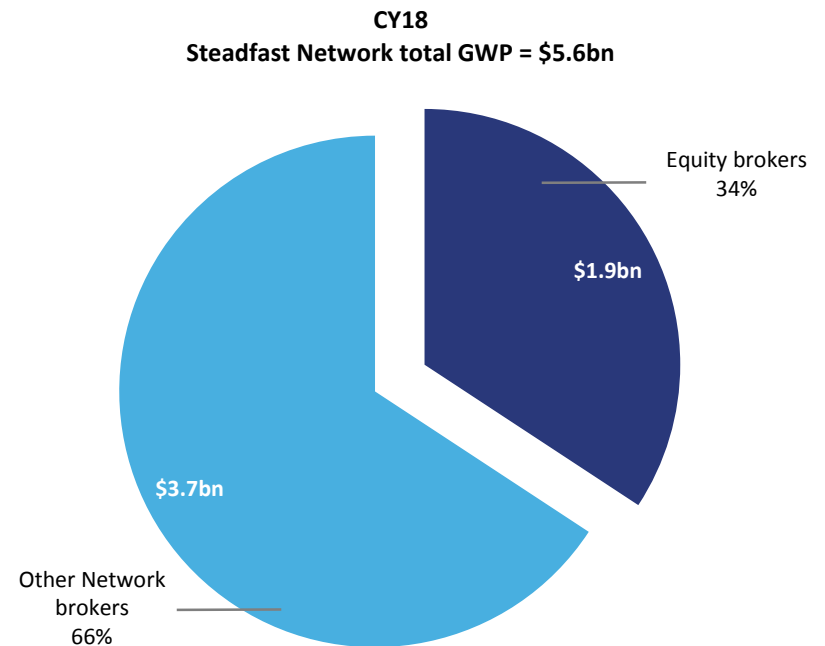
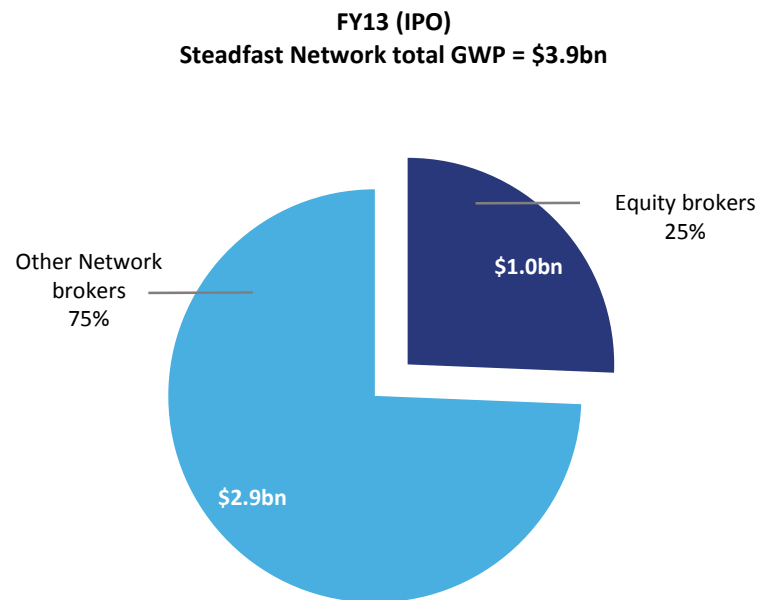
² Allocation based on policy size (retail <\$3k, small \$3k – \$50k, medium \$50k – \$250k and corporate >\$250k).

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

Steadfast Network

Increasing Steadfast Group's share of growing Network GWP

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



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

Investment activity

Active investment management

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

Equity brokers (including bolt-ons)

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

Steadfast Underwriting Agencies

- Acquired HMIA in 1H19
 - Specialised heavy vehicle agency

Steadfast Underwriting Agencies

Steadfast Underwriting Agencies

26 agencies, over niche 100 products

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

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

Key initiatives

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

Our insurTech

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

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

- Benefits for clients:**

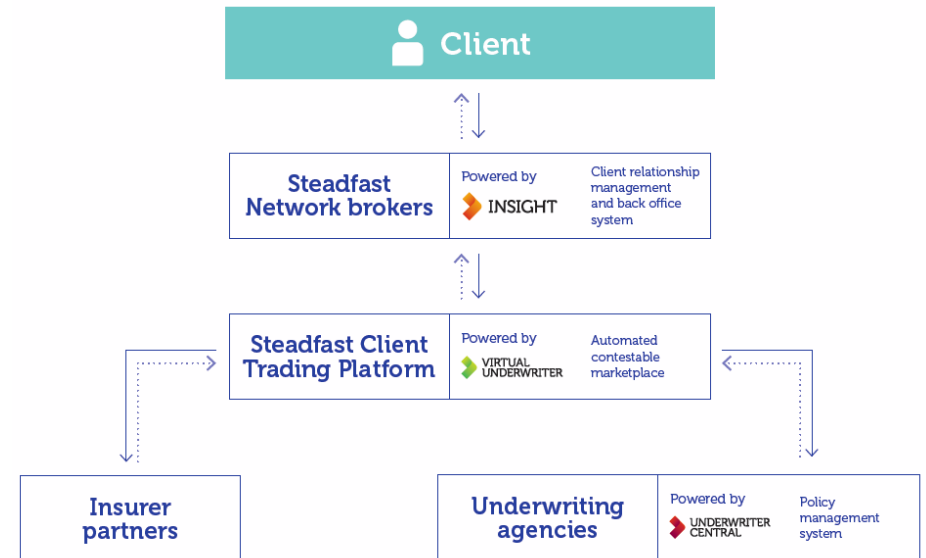
- Genuine contestable marketplace generating improved pricing competition and coverage
- Market-leading policy wordings
- Instant policy issue, maintenance and renewal – all on a market contestable basis
- Supported by Steadfast triage

- Benefits for brokers:**

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

- Benefits for insurers:**

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



































Steadfast Direct

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

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

Our insurTech

Insurer and underwriting agency partners on the SCTP

Business pack	Professional risks	Liability	Commercial property & ISR	Commercial motor	Steadfast Direct
			 2019	 FY20	
 FY20					
		 Mid-2019	 Steadfast Underwriting Agency, London 'super' binder	 ZURICH® Late 2019	
	 Steadfast Underwriting Agency, London 'super' binder			 FY21	
 FY20					
 Steadfast Underwriting Agency, London 'super' binder		 Steadfast Underwriting Agency, London 'super' binder			
					
					
					

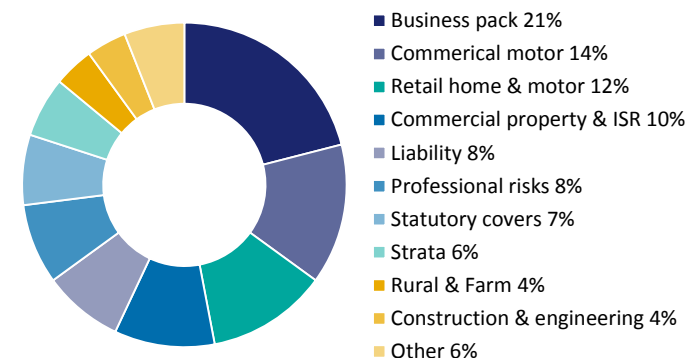
Our insurTech

Size of the opportunity

Potential Steadfast Network GWP that can be transacted on SCTP

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

Steadfast Network GWP (1H19)



SCTP potential usage¹

80%

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

60%

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

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

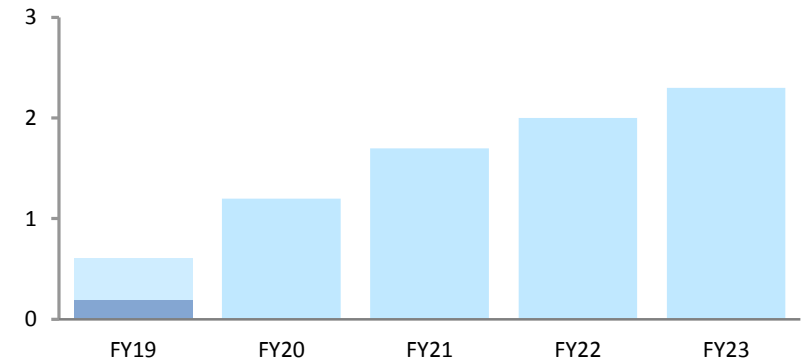
Our insurTech

Five year target

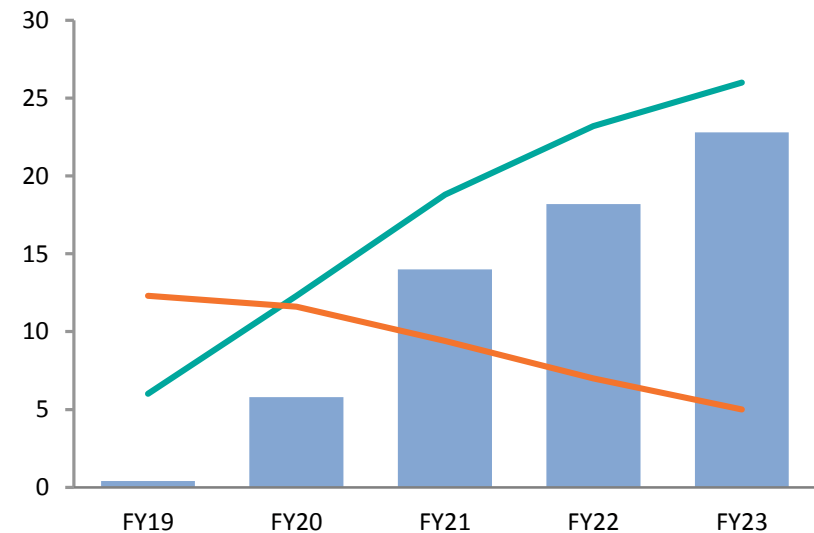
Steadfast Client Trading Platform (SCTP)

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

GWP transacted through SCTP (\$bn)



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



■ EBITA contribution to Steadfast Group per annum (after amortisation)
— Revenue
— Gross spend on technology initiatives

Our insurTech

SCTP implementation and EBITA contribution

Investment

FY16 FY17 FY18 FY19

Implementation

FY17 FY18 FY19 FY20 FY21

EBITA contribution

FY18 FY19 FY20 FY21 beyond

FY18

- ✓ First revenue from SCTP

FY19

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

FY20

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

FY21 & beyond

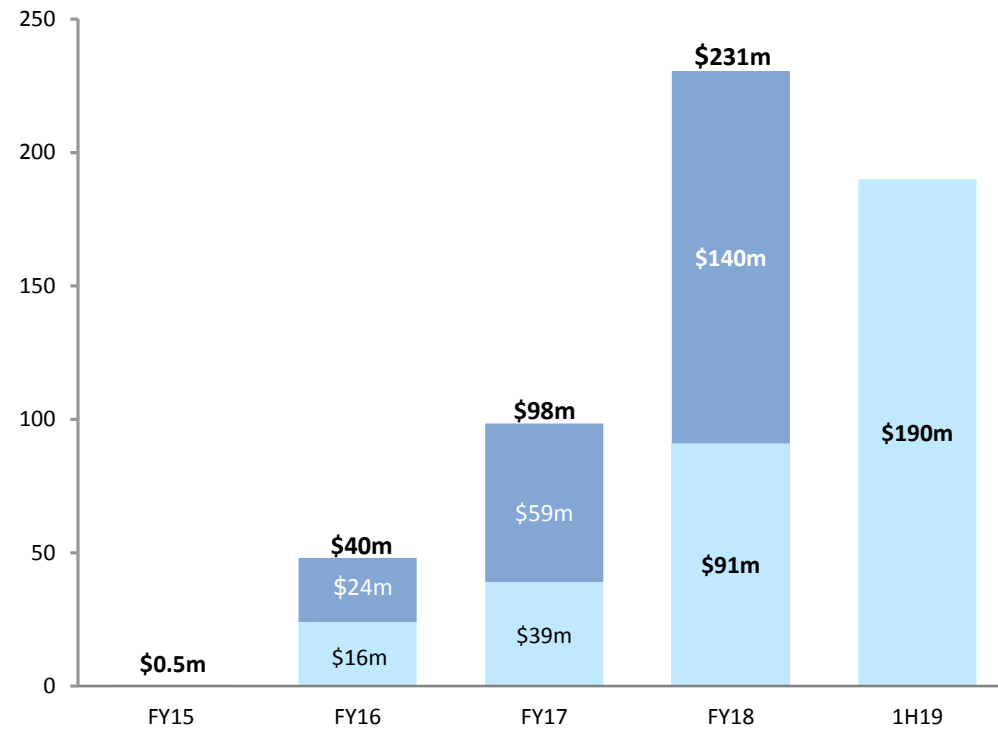
- SCTP moving towards long term target usage
 - Targeting \$2.3 billion annual GWP to be transacted on the platform within the next 5 years
 - 60% of the 80% of available GWP in Australian Network
- Net technology spend reaches steady-state level

Our insurTech

Steadfast Client Trading Platform

Steadfast Client Trading Platform (SCTP)

Gross Written Premium (\$m)



1H19 vs 1H18

GWP of \$190m vs \$91m

+109% growth

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

Our insurTech

Steadfast Technologies - powering the Steadfast Client Trading Platform



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

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

Key advantages:

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



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

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

Key advantages:

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



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

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

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

Key advantages:

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

International footprint

Steadfast Network model replication

1. New Zealand

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

2. Asia

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

3. London

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



International footprint

unisonSteadfast

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

Recent developments

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

unisonSteadfast global network



1H19 detailed financials

1H19 detailed financials

Statutory profit and loss statement

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

1H19 detailed financials

Statutory vs underlying reconciliation

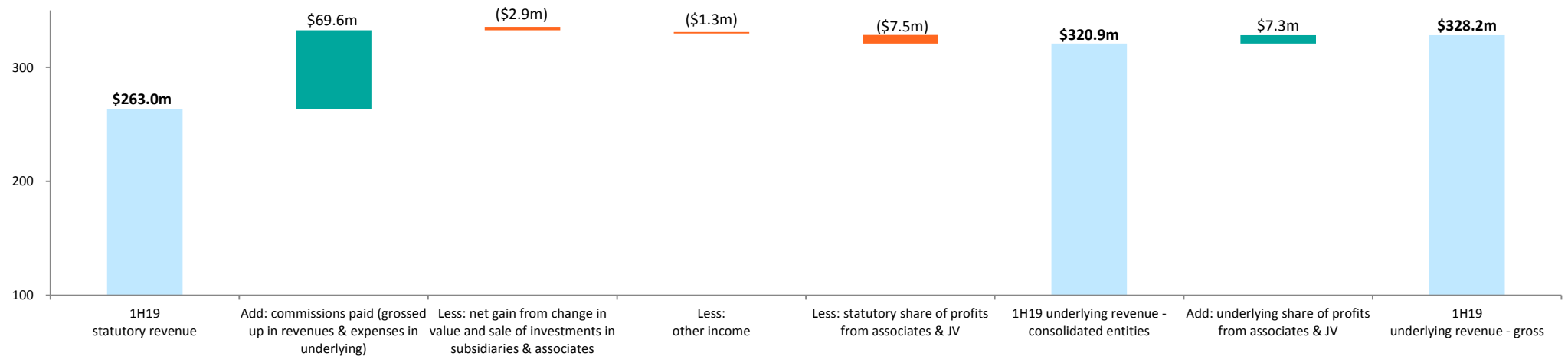
Six months ended 31 December \$ million	1H19	1H18
Underlying revenue ¹	320.9	261.8
Underlying NPAT	38.2	32.5
Underlying EPS (NPAT)	4.83	4.31
Reconciliation of earnings		
Statutory NPAT	40.5	33.8
Change in value and sale of investments	(2.4)	(0.4)
Share based payment expense on share options on executive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

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

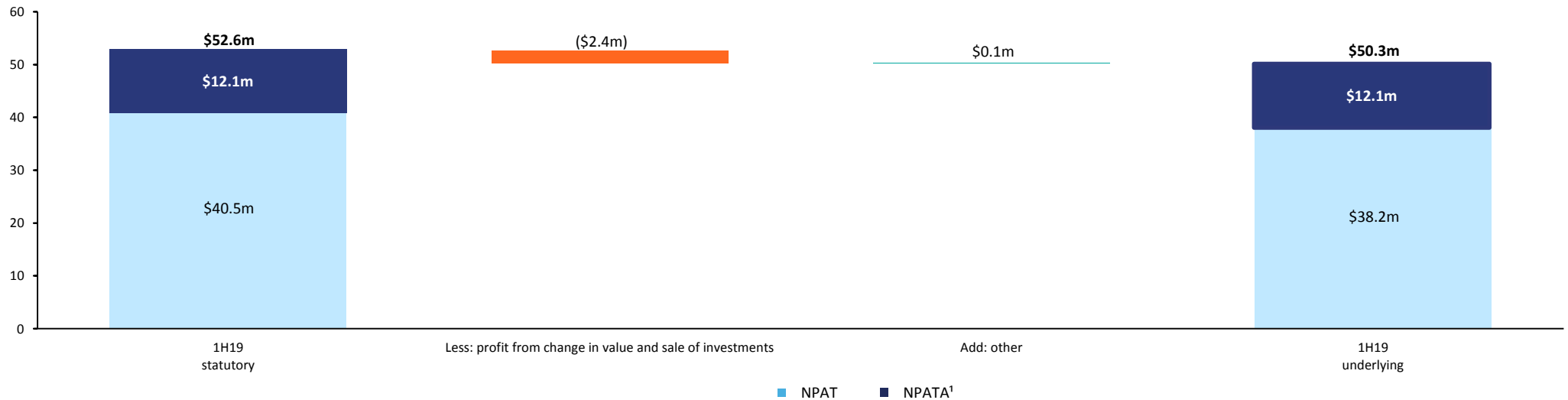
1H19 detailed financials

Statutory vs underlying reconciliation

Revenue reconciliation (\$m)



NPAT and NPATA reconciliation (\$m)



¹ Calculated on consistent basis since IPO.

1H19 detailed financials

Underlying revenue and EBITA (aggregate view)

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

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

¹Excludes large authorised representative networks.

²Includes post-acquisition contribution from Steadfast Underwriting Agencies.

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

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

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

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

1H19 detailed financials

Statement of income (underlying IFRS view)

Six months ended 31 December \$ million	Underlying 1H19	Underlying 1H18	Year-on-year growth %	Organic growth % ²	Acquisitions & hubbing growth % ³
Fees and commissions ¹	278.1	225.8	23.2%	10.5%	12.7%
M&A and other fees	24.8	20.8	19.1%	19.1%	-
Interest income	4.1	3.6	12.0%	(18.4%)	30.4%
Other revenue ⁴	13.9	11.5	20.5%	12.0%	8.5%
Revenue – Consolidated entities	320.9	261.8	22.6%	10.8%	11.8%
Employment expenses	(105.7)	(87.9)	20.2%	6.6%	13.6%
Occupancy expenses	(8.9)	(7.7)	15.1%	(0.6%)	15.7%
Other expenses including Corporate Office ¹	(132.7)	(106.1)	25.0%	14.1%	10.9%
Expenses – Consolidated entities	(247.2)	(201.8)	22.5%	10.3%	12.2%
EBITA – Consolidated entities	73.6	60.0	22.8%	12.7%	10.1%
Share of EBITA from associates and joint ventures	12.9	11.4	12.9%	16.3%	(3.4%)
EBITA – excluding mark-to-market of investment in Johns Lyng Group	86.5	71.3	21.3%	13.3%	8.0%
Mark-to-market of investment in Johns Lyng Group	(1.1)	1.5			
EBITA	85.4	72.8	17.2%		
Net financing expense	(6.2)	(5.4)	14.6%		
Amortisation expense – consolidated entities	(12.4)	(10.3)	19.8%		
Amortisation expense – associates	(1.5)	(1.6)	(5.8%)		
Income tax expense	(19.4)	(17.2)	12.7%		
Net profit after tax	45.9	38.2	20.0%		
Non-controlling interests	(7.6)	(5.7)	33.1%		
Net profit attributable to Steadfast members (NPAT)	38.2	32.5	17.6%		
Amortisation expense – consolidated entities ⁵	10.5	8.9	18.0%		
Amortisation expense – associates ⁶	1.5	1.6	(5.3%)		
Net Profit after Tax and before Amortisation (NPATA⁷)	50.3	43.0	16.9%		

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

² Includes bolt-on acquisitions.

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

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

⁵ 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.

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

⁷ Calculated on a consistent basis since IPO.

1H19 detailed financials

Statement of income (underlying IFRS view)

Six months ended 31 December \$ million	Underlying 1H19	Underlying 2H18	Underlying 1H18	Underlying 2H17	Underlying 1H17
Fees and commissions ¹	278.1	266.6	225.8	212.9	203.1
M&A and other fees	24.8	19.8	20.8	16.9	18.4
Interest income	4.1	3.4	3.6	3.3	3.7
Other revenue ²	13.9	15.4	11.5	14.3	18.3
Revenue – Consolidated entities	320.9	305.3	261.8	247.4	243.4
Employment expenses	(105.7)	(96.8)	(87.9)	(79.9)	(83.7)
Occupancy expenses	(8.9)	(8.7)	(7.7)	(7.2)	(7.2)
Other expenses including Corporate Office ¹	(132.7)	(120.2)	(106.1)	(95.5)	(97.9)
Expenses – Consolidated entities	(247.2)	(225.7)	(201.8)	(182.7)	(188.8)
EBITA – Consolidated entities	73.6	79.6	60.0	64.7	54.7
Share of EBITA from associates and joint ventures	12.9	13.2	11.4	11.9	12.1
EBITA	86.5	92.7	71.3	76.6	66.7
Mark-to-market of investment in Johns Lyng Group	(1.1)	-	1.5	-	-
EBITA	85.4	92.7	72.8	76.6	66.7
Net financing expense	(6.2)	(5.2)	(5.4)	(4.8)	(4.9)
Amortisation expense – consolidated entities	(12.4)	(11.7)	(10.3)	(9.5)	(10.8)
Amortisation expense – associates	(1.5)	(1.6)	(1.6)	(1.7)	(1.7)
Income tax expense	(19.4)	(23.6)	(17.2)	(17.1)	(14.5)
Net profit after tax	45.9	50.7	38.2	43.5	34.9
Non-controlling interests	(7.6)	(8.2)	(5.7)	(7.1)	(4.9)
Net profit attributable to Steadfast members (NPAT)	38.2	42.5	32.5	36.4	30.0
Amortisation expense – consolidated entities ³	10.5	10.2	8.9	8.1	9.3
Amortisation expense – associates ³	1.5	1.6	1.6	1.7	1.7
Net Profit after Tax and before Amortisation (NPATA⁴)	50.3	54.3	43.0	46.2	41.0
Restated weighted average share #	792.0	772.0	753.9	748.7	749.0
Underlying EPS (NPAT) (cents per share)	4.83	5.40	4.31	4.86	4.01
Underlying EPS (NPATA) (cents per share)	6.35	6.89	5.71	6.18	5.47

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

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

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

⁴ Calculated on a consistent basis since IPO.

1H19 detailed financials

Statutory cash flow statement

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

\$25.1m free cash flow in 1H19

\$62.4m Cash from operations

(\$37.3m) Dividends paid

\$25.1m Free cash flow

124% conversion of NPATA to cash

Australian General Insurance Statistics¹

Premiums and claims by class of business

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

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

Australian General Insurance Statistics¹

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

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

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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” refers to the financial half year ended 31 December. “2H” refers to the financial half year ended 30 June.

¹ Calculated on consistent basis since IPO