

MARKET RELEASE

25 August 2020

Steadfast Group announces financial year 2020 results with underlying EBITA up 15.5% and final dividend up 13.2%

FY20 financial highlights¹

- Underlying revenue of \$826.3m, up 20.0%
- Underlying EBITA of \$223.5m, up 15.5%
- Underlying NPAT of \$108.7m, up 22.6%
- Underlying EPS (NPAT)² of 12.7 cents per share, up 13.4%
- Final dividend (fully franked) of 6.0 cents per share, up 13.2%
- Full year dividend (fully franked) of 9.6 cent per share, up 12.9%

Mr Robert Kelly, Managing Director & CEO, said "I am pleased to report that FY20 continues our year on year record growth since our August 2013 IPO, despite the uncertainty of the commercial and economic impact to business and the population at large that COVID-19 has imposed.

Our underlying earnings growth was driven by successful organic and acquisition growth in the Group's Insurance Broking and Underwriting Agencies.

Being a working capital and capital expenditure-light business, earnings were translated into cash flow throughout the year. There was no evidence of cash flow deterioration during the year despite COVID-19, with 100% of underlying NPATA converting into cash. This cash has been utilised to fund our continuing technology investment, further acquisitions and pay increased dividends to shareholders."

He added "I am proud of the way our people have adapted to the new circumstances, allowing Steadfast to maintain broker service levels and support customers as they navigate the impacts of COVID-19."

As anticipated and previously advised to shareholders, the Group's FY20 statutory NPAT has been impacted by expensing the costs of the purchase of future income streams from the IBNA transaction and the Steadfast PSF Rebate Acquisition. This cost of \$135.8 million and an impairment provision of \$40.7 million against the carrying value of Intangible Assets and Goodwill of some of our equity brokers, resulted in our strong underlying profit being reduced to a Statutory Net loss of \$55.2 million for FY20.

Steadfast Network brokers deliver 34.8% of GWP growth

The Steadfast Network brokers' gross written premium (GWP) grew by 34.8% to \$8.3 billion in FY20.

During the year the number of Network Brokers increased from 375 to 458, mainly as a result of the IBNA transaction, with 393 in Australia, 49 in New Zealand and 16 in Singapore. Strategically we also continue to hold a 40% interest in unisonSteadfast, a network of 236 brokerages across 130 countries.

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

² EPS share count of c.855.7m shares for the 12 months commencing 1 July 2019 for IBNA and Steadfast PSF Rebate offer.

Steadfast Insurance Broking delivers 10.2% growth in revenue

Steadfast Insurance Broking revenue increased by 10.2% with organic growth contribution 6.3% and acquisitions 3.9%. Underlying EBITA growth of 23.9% was driven by acquisitions and organic growth with a continuation of premium rises by insurers throughout the year being partially offset by lower volumes during the June quarter trading period.

Steadfast Underwriting Agencies delivers 13.1% growth in GWP

Steadfast Underwriting Agencies continue to outperform with excellent organic growth and continued to benefit from higher premium pricing by strategic partners.

We experienced significant growth across most agencies even in the COVID-19 trading period. The business generated over \$1.3 billion of GWP, a 13.1% increase over FY19, mainly driven by organic growth of 12.1%. EBITA increased by 14.7% during the year.

Strong growth in underlying EBITA

The Group delivered strong underlying EBITA growth of 15.5% to \$223.5m primarily driven by:

- Organic growth contributing \$9.7 million (+5.0%) (prior to technology investment) driven by the Group's equity investments in brokers and a strong performance by the underwriting agencies; and
- Acquisition growth contributed \$27.4 million (+14.2%).

Balance sheet

Steadfast Group's balance sheet remains well positioned, with corporate gearing ratio of 21.5% well below the maximum limit of 30%. In January 2020 we increased our corporate debt facilities from \$385 million to \$460 million and extended the term of these facilities. As at 30 June, the Group had \$181 million of unutilised capacity available to fund future corporate activity. There is significant headroom in the corporate debt covenants.

Since balance sheet date, Steadfast has invested \$70 million on equity broker acquisitions, and as at 25 August, 2020 the Group now has \$96 million of unutilised capacity available to fund future acquisition activity.

In July 2020, the IQumulate facilities were refinanced for a further two years. IQumulate's premium funding borrowings and payables and corresponding receivables are now fully reflected on the Group balance sheet. IQumulate borrowings are secured by IQumulate assets and there is no recourse to Steadfast Group. Corporate debt financiers carve out IQumulate debt from corporate financial covenants.

Final dividend up 13.2%

The Board has declared a fully franked final dividend of 6.0 cents per share (cps), up from 5.3 cps (+13.2%) in FY19. The FY20 total dividend (fully franked) of 9.6 cps is up from 8.5 cps (+12.9%) for the previous year, equating to a dividend payout ratio of 76% of underlying NPAT.

The final dividend dates are as follows:

- Ex-dividend date of 1 September 2020
- Record date of 2 September 2020
- Dividend Reinvestment Plan (DRP) record date of 3 September 2020
- Payment date of 25 September 2020

The final dividend is eligible for Steadfast Group's DRP at a 2.0% discount. For more information on the final dividend and the DRP, please refer to Steadfast Group's Appendix 3A.1: Notification of dividend, lodged with the ASX on 25 August 2020 and also available on the investor website.

FY21 guidance

Whilst there is uncertainty prevailing in the global economy, the trading conditions experienced in the last quarter provides confidence as to the resilience of our insurance broking business. The guidance range provided below is subject to the significant uncertainty surrounding the impact of COVID-19 on the global economy and the extent of any government stimulus measures.

Steadfast Group provides FY21 guidance³ of:

- Underlying EBITA of between \$235 million and \$245 million
- Underlying NPAT of between \$115 million and \$122 million
- Underlying diluted eps (NPAT) growth of 5% to 10%

Key assumptions include:

- Steadfast has spent \$70m on equity broker acquisitions post balance date and is intending to complete final PSF Rebate offer in FY21 to those network brokers who did not take up the offer in FY20
- Strategic partners continue to drive anticipated moderate premium price increases
- Ongoing trading conditions mirror the experience of the fourth quarter of FY20

Notice of 2020 Annual General Meeting

In light of the COVID-19 pandemic, our 2020 AGM will now be held online (virtually) rather than at a physical location. Our notice of meeting will be released online in September 2020. The closing date for director nominations is 15 September 2020.

Managing Director and CEO

The Board is pleased to announce that Mr Robert Kelly, Managing Director & CEO, has confirmed his intention to remain as Managing Director & CEO until after the AGM in October 2023. There are no changes to Mr Kelly's employment arrangements.

Conference call and webcast

Robert Kelly, Managing Director & CEO, and Stephen Humphrys, Chief Financial Officer, will host a conference call and webcast on Wednesday, 26 August at 10.00am (AEST).

- Conference call details

To participate in the call, please pre-register for dial in details using the link <https://s1.c-conf.com/diamondpass/10007941-invite.html>

- Webcast details

To access the live webcast, please click onto www.investor.steadfast.com.au or <https://webcast.openbriefing.com/6196/>

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

³ Also refer to the key risks on 41 - 43 of the Steadfast Group 2020 Annual Report

This announcement is authorised by the Steadfast Board of Directors.

For more information, please contact:

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About Steadfast Group

Steadfast Group, established in 1996, is the largest general insurance broker network and group of underwriting agencies in Australasia. The Steadfast Network provides products and services to 458 insurance broker businesses across Australia, New Zealand and Asia. Steadfast Network brokers and Steadfast Underwriting Agencies generated billings of over \$9 billion. Steadfast Group operates as a co-owner and consolidator through its equity interests in a number of broker businesses, underwriting agencies and other complementary businesses. Steadfast Group also has an equity stake in unisonSteadfast, a global general insurance broker network with 236 brokers in 130 countries.

For further information, please visit investor.steadfast.com.au