



24th February 2011

The Manager
Company Announcements
Australian Securities Exchange
Level 6, Exchange Centre,
20 Bridge Street
Sydney, NSW 2000

Dear Sir / Madam,

Re: Presentation on Results for the Half Year Ended 31 December 2010

Attached for immediate release is Austbrokers Holdings Limited (AUB)
Presentation on results for the Half Year ended 31 December 2010.

Yours faithfully,

Stephen Rouvray
Company Secretary
Austbrokers Holdings Limited

For further information, contact Steve Rouvray Tel: (02) 9935 2201
Mobile: 0412 259 158

AUSTBROKERS HOLDINGS LIMITED

First Half Year 2011 Results Presentation

Thursday 24th February

Lach McKeough CEO

Steve Rouvray CFO

Agenda

- Overview
 - Business Overview
 - 1HY 2011 Business Highlights
 - 1HY 2011 Financial Highlights
- 1HY 2011 Financial Performance
- FY 2011 Outlook

Business Overview



- **Austbrokers is one of top four insurance broking networks in Australia**
 - Over \$1.35 billion in premiums placed
 - Over 1,300 personnel engaged in the business
 - Wide geographical spread over 80 locations
 - Regional presence
 - Solid SME base
 - Corporate capability
 - Owner / driver model

Business Overview

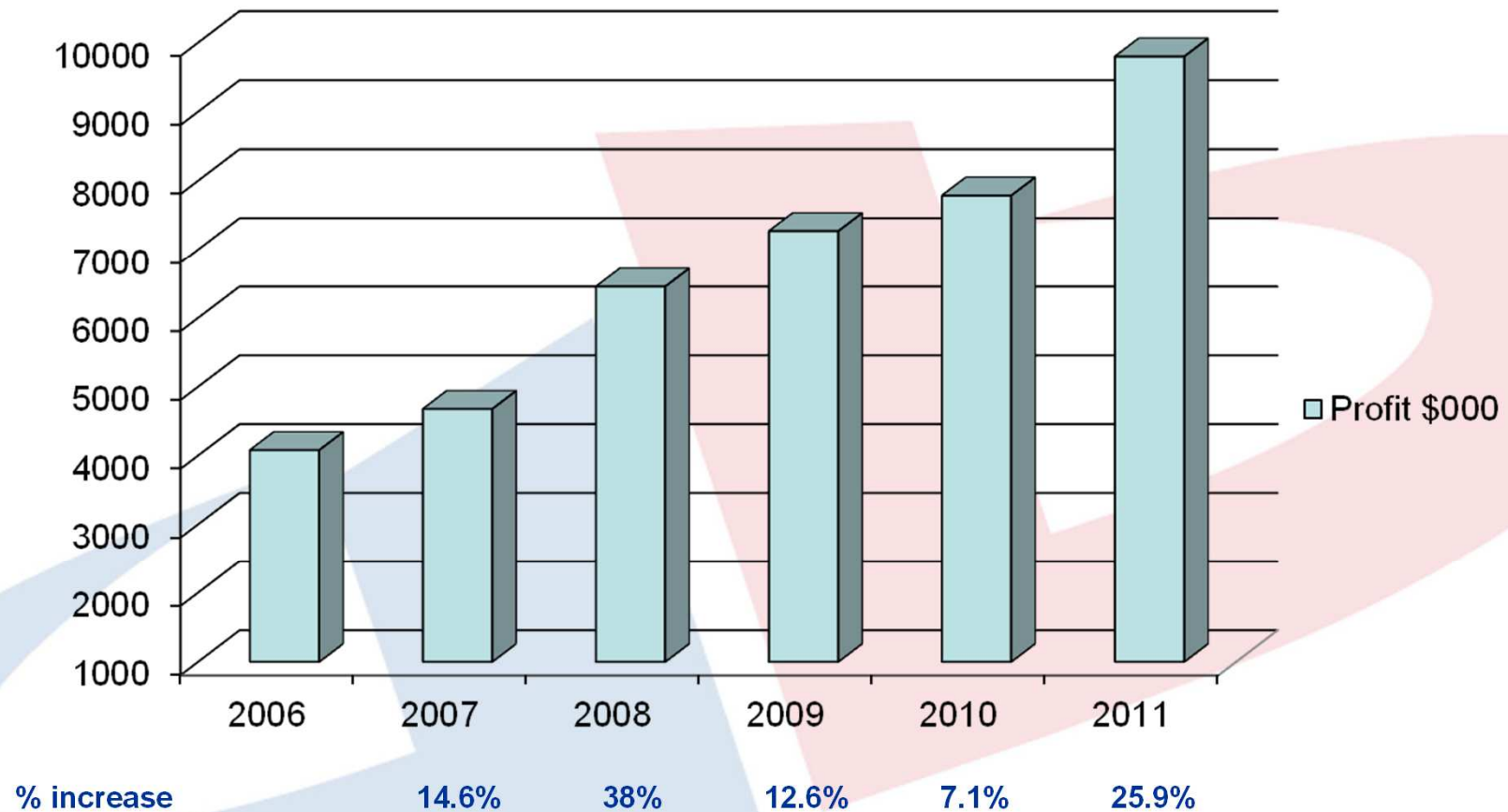
- **Insurance Broking owner-driver model**
 - 40 member broker firms
 - 21 50% owned
 - 16 51% - 80% owned
 - 3 100% owned
- **Underwriting agency business**
 - Entities are authorised to write business on behalf of licensed insurers – no underwriting risk
 - Austagencies
 - Writes \$90 million in premiums annually
 - Specialist underwriting agencies
 - General property, liability agencies

Business Overview (con't)



- **Joint Venture with IBNA – A&I Member Services (AIMS)**
 - \$2.3 billion premium and 116 businesses (combined Austbrokers / IBNA)
 - AIMS value proposition to underwriters to develop products and closer relationships
 - Quality products
 - Potential source of acquisitions over time
- **Centralised support for broker network**
 - IT services and centralised DataCentre
 - Strong risk management and compliance processes and systems
 - Austbrokers Business Centre to provide back office services where required
- **Premium Funding**
 - Continuing promotion and development of Joint Venture with Pacific Premium Funding (GE Company)

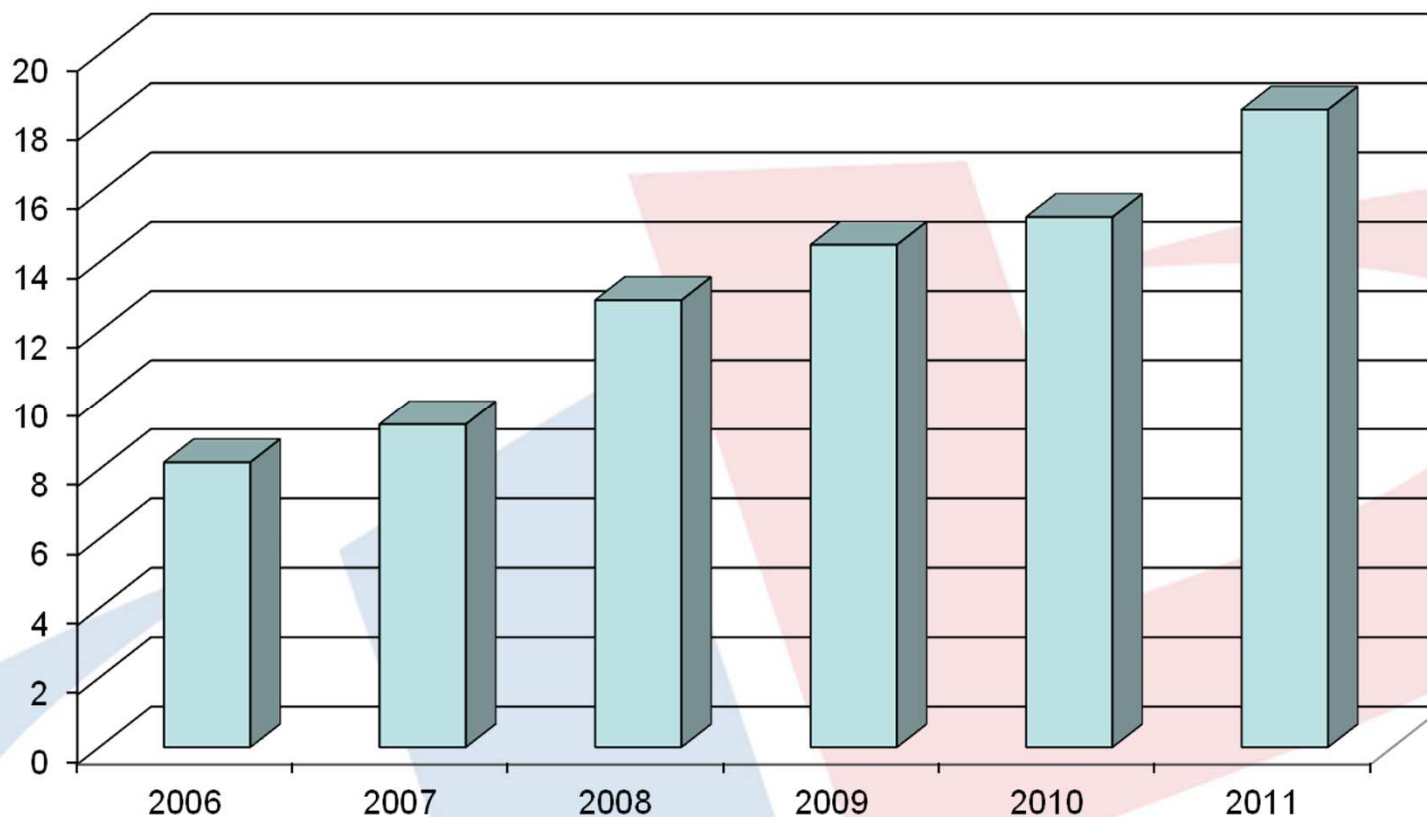
NPAT Growth 1HY 2006 - 2011



NPAT – Net profit after tax before amortisation of intangibles before profits on business / portfolios sold
(Adjusted NPAT)

Earnings Per Share 1HY2006 - 2011

Cents



Cents per Share 8.2

9.3

12.9

14.5

15.3

18.4

Based on adjusted NPAT calculated on same basis as Basic Earnings per share

1HY 2011 Financial Performance



\$'000	1HY 2011	1HY 2010	% change
Broker Revenue (net of commission Paid)	107,392	96,520	11.3
Brokers & Agencies Profit (AHL share)	18,501	15,497	19.4
Profit (before tax and amortisation of intangibles and sales of businesses)	14,128	11,214	26.0
NPAT (before amortisation of intangibles and sales of businesses) – Adjusted NPAT	9,799	7,786	25.9
Net Profit Attributable to Members	8,695	7,168	21.3

1HY2011 Highlights

- **Broking Business**

- Improved market conditions
- Increasing interest rates
- Achieving organic growth

- **Acquisitions in Network**

- Austbrokers Coast to Coast acquired two small portfolios – income \$150,000
- Austbrokers RWA acquired a small portfolio – income \$100,000
- Austbrokers Countrywide acquired Victorian portfolio of Australian Consolidated Insurance – income \$600,000 and added a small portfolio
- Rivers acquired QLD Marine and General portfolio in Cairns – income \$510,000
- MGA acquired 50% of AEGIS Insurance Brokers in Perth – income \$510,000
- Adroit Hume acquired Icon Insurance Services – income \$180,000
- MGIB acquired a business in Bunbury WA – income \$400,000
- Negotiations currently continue in a number of other businesses

1HY2011 Highlights

- **Equity Movements**
 - Acquired additional shareholdings
 - 10% Austbrokers Trade Credit
 - 10% SPT Insurance Brokers (in progress)
 - Divested Adroit Hume to Adroit reducing equity from 80% to 45%
- **Underwriting Agencies**
 - Increased commission and fees income by 27%
 - Developed new agencies
 - Acquired CEMAC – contractors plant & equipment underwriting agency
- **Synergies / Efficiencies**
 - Development of centralised back office to support business
- **IT**
 - Development of system for new business quoting and placement using predetermined work flows called iClose

Agenda

- Overview

- **1HY2011 Financial Performance:**

- *Income statement – as per ASX reporting*
- *Reconciliation to Adjusted NPAT*
- *Profit and loss statement – detailed*
- *Balance sheet*
- *Funding*

- FY 2011 outlook

Income Statement 1HY2011

	1HY2011 \$'000	1HY2010 \$'000	Variance %
Revenue from ordinary activities	53,477	49,162	8.8
Expenses from ordinary activities	(39,520)	(37,984)	(4.0)
Borrowing costs	(1,224)	(1,218)	(0.5)
	12,733	9,960	27.8
Profit from sale of interests in subsidiaries *	249	642	(61.2)
Profit before tax	12,982	10,602	22.4
Income tax expense	(2,856)	(2,162)	(32.1)
Net profit	10,126	8,440	20.0
Profit attributable to minority interest	(1,431)	(1,272)	(12.5)
Net profit attributable to members	8,695	7,168	21.3

Extracted from Financial Report for Half Year ended 31st December 2010

* Includes \$564,000 fair value adjustment of a controlled entity on the date it became an associate in 1HY2010

1HY2010 Reconciliation to Adjusted NPAT

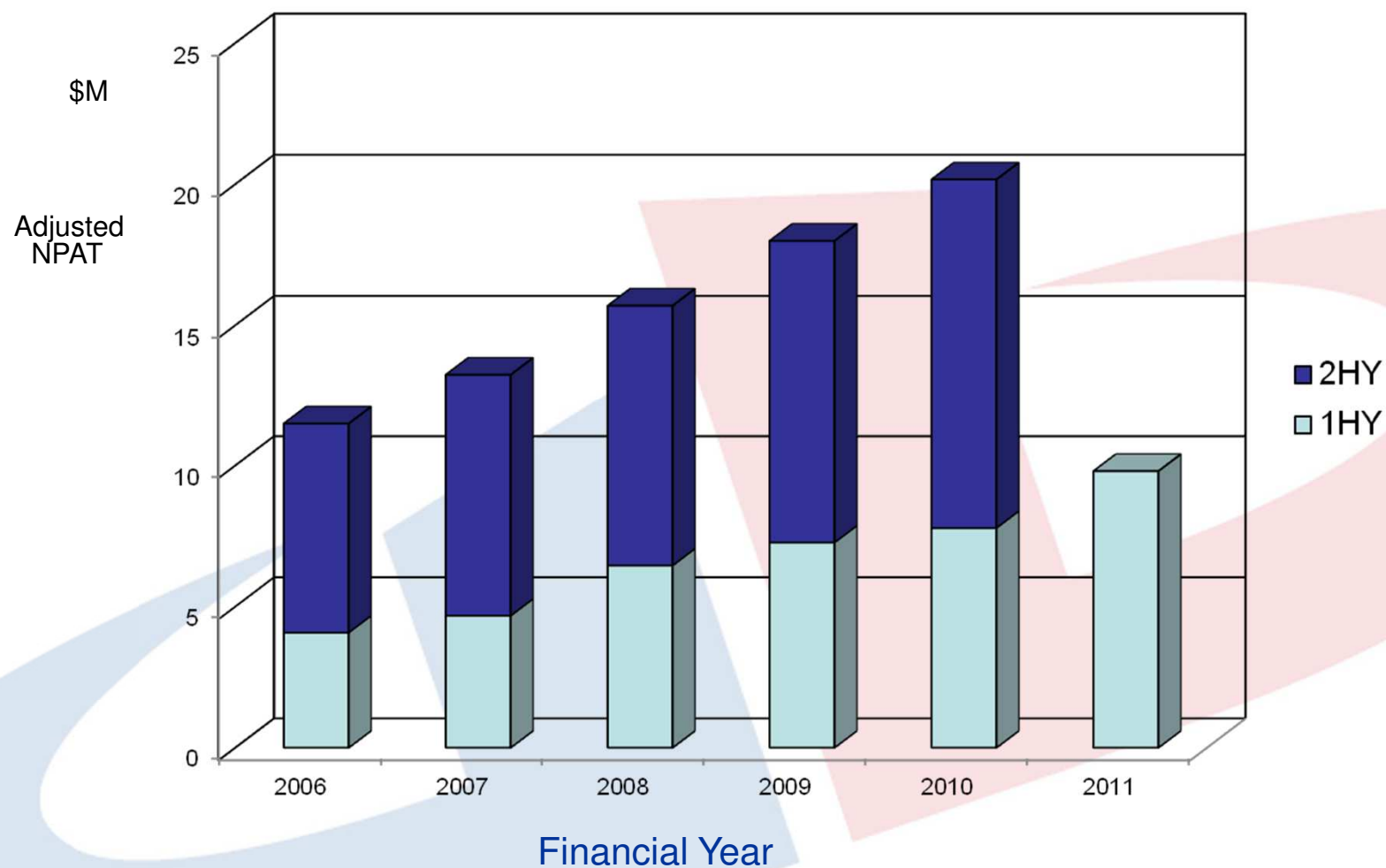


Profit after tax

Reconciliation of reported result to operating NPAT before profits relating to divestments and amortisation

	1HY 2011 \$'000	1HY 2010 \$'000
Reported Profit attributable to members	8,695	7,168
Profits on sale of interest in associates and controlled entities	(165)	(642)
Profit from ongoing operations	8,530	6,526
Amortisation of intangibles net of tax	1,269	1,260
Net profit after tax from continuing operations before amortisation of intangibles (Adjusted NPAT)	9,799	7,786

1HY Compared to 2HY



2HY	64%	65%	59%	60%	61%
1HY	36%	35%	41%	40%	39%

Dividend

Interim Dividend

- 8.5 cents per share fully franked – up from 7.5 cents last year
- Eligible for DRP
- DRP shortfall not proposed to be underwritten
- Shares will be issued at 2.5% discount to five day VWAP
- Closing time to make elections – 5pm 11 April 2011

1HY2011 Compared to 1HY2010



	1HY 2011	1HY 2010	VARIANCE	VARIANCE
	\$'000	\$'000	\$'000	%
BROKER OPERATIONS				
COMMISSION AND FEES	85,393	77,833	7,560	9.7%
LIFE INCOME	4,539	4,422	117	2.6%
PROFIT COMMISSIONS	114	192	(78)	-40.6%
PREMIUM FUNDING	9,058	8,087	971	12.0%
INTEREST	5,347	3,380	1,967	58.2%
OTHER INCOME	2,941	2,606	335	12.9%
REVENUE	107,392	96,520	10,872	11.3%
EXPENSES	(77,673)	(72,359)	(5,314)	7.3%
PROFIT FROM BROKING OPERATIONS	29,719	24,161	5,558	23.0%
PROFIT FROM UNDERWRITING AGENCIES	1,292	1,447	(155)	-10.7%
PROFIT BEFORE TAX, CORPORATE EXPENSES AND AMORTISATION OF INTANGIBLES	31,011	25,608	5,403	21.1%
PROFIT ATTRIBUTABLE TO OTHER PARTIES	(12,510)	(10,111)	(2,399)	23.7%
PROFIT BEFORE TAX, CORPORATE OFFICE EXPENSES AND AMORTISATION OF INTANGIBLES (AFTER OUTSIDE EQUITY INTERESTS)	18,501	15,497	3,004	19.4%
CORPORATE OFFICE				
INCOME	850	639	211	33.0%
EXPENSES	(5,224)	(4,922)	(302)	6.1%
NET CORPORATE OFFICE EXPENSES	(4,374)	(4,283)	(91)	2.1%
PROFIT BEFORE TAX AND AMORTISATION OF INTANGIBLES	14,127	11,214	2,913	26.0%
INCOME TAX	(4,328)	(3,428)	(900)	26.3%
NET PROFIT AFTER TAX AND BEFORE AMORTISATION OF INTANGIBLES	9,799	7,786	2,013	25.9%

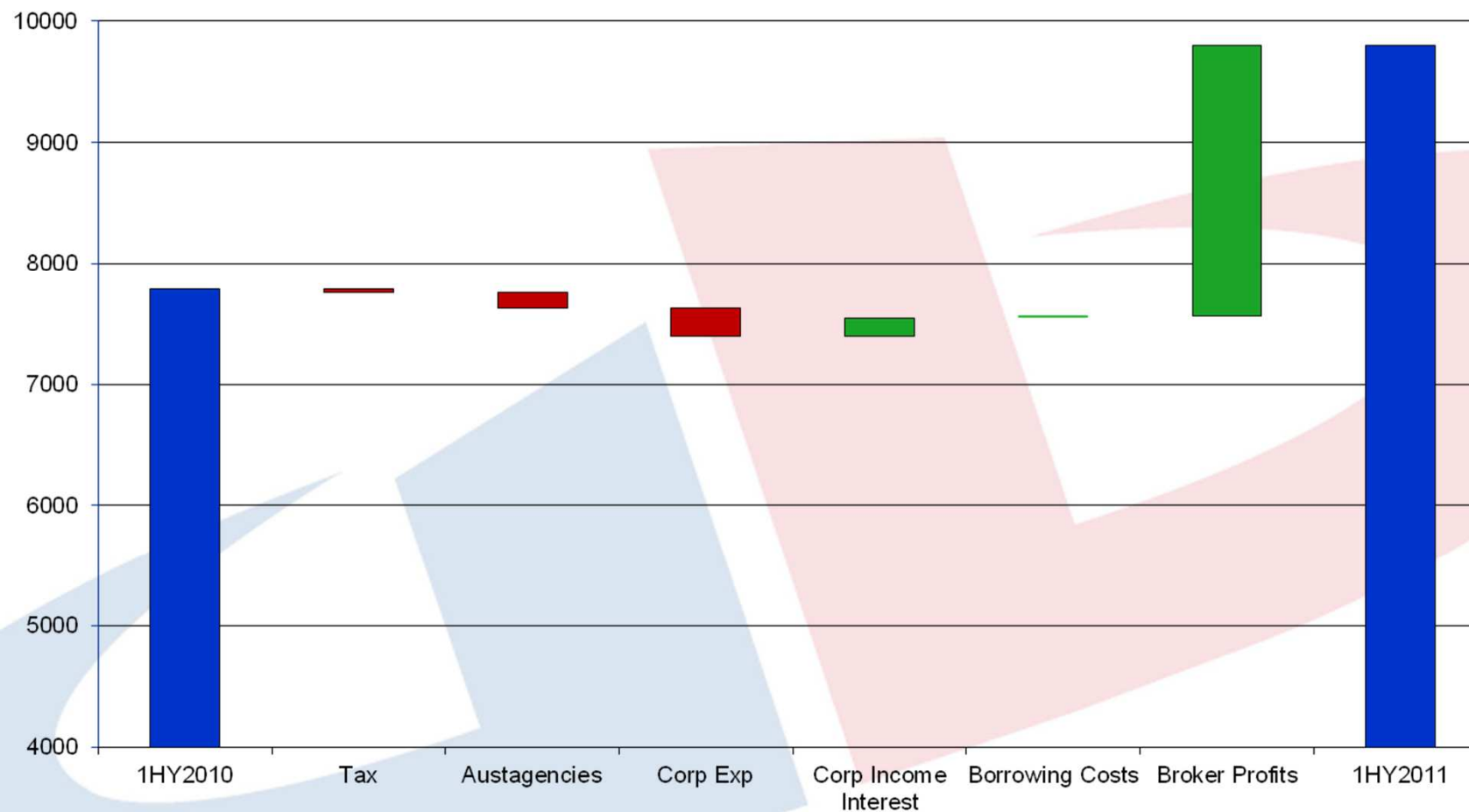
1HY2010 Compared to 1HY2009



\$'000	1HY 2011	1HY 2010	VARIANCE \$	VARIANCE %
CONSOLIDATED BROKERS				
COMMISSION AND FEES	28,666	27,281	1,385	5.1%
LIFE INCOME	2,465	2,593	(128)	-4.9%
PROFIT COMMISSIONS	27	73	(46)	-63.0%
PREMIUM FUNDING	2,630	2,454	176	7.2%
INTEREST	1,608	1,101	507	46.0%
OTHER INCOME	795	1,353	(558)	-41.2%
REVENUE FROM CONSOLIDATED BROKERS	36,191	34,855	1,336	3.8%
EXPENSES FROM CONSOLIDATED BROKERS	(26,621)	(26,572)	(49)	0.2%
PROFIT FROM CONSOLIDATED BROKERS	9,570	8,283	1,287	15.5%
EQUITY ACCOUNTED BROKERS				
COMMISSION AND FEES	56,727	50,552	6,175	12.2%
LIFE INCOME	2,074	1,829	245	13.4%
PROFIT COMMISSIONS	87	119	(32)	-26.9%
PREMIUM FUNDING	6,428	5,633	795	14.1%
INTEREST	3,739	2,279	1,460	64.1%
OTHER INCOME	2,146	1,253	893	71.3%
REVENUE FROM EQUITY ACCOUNTED BROKERS	71,201	61,665	9,536	15.5%
EXPENSES FROM EQUITY ACCOUNTED BROKERS	(51,052)	(45,787)	(5,265)	11.5%
PROFIT FROM EQUITY ACCOUNTED BROKERS	20,149	15,878	4,271	26.9%
PROFIT FROM BROKING OPERATIONS	29,719	24,161	5,558	23.0%

Increase in NPAT 1HY2011 vs 1HY2010

\$'000



Analysis of Contribution to Growth in NPAT



Growth in NPAT

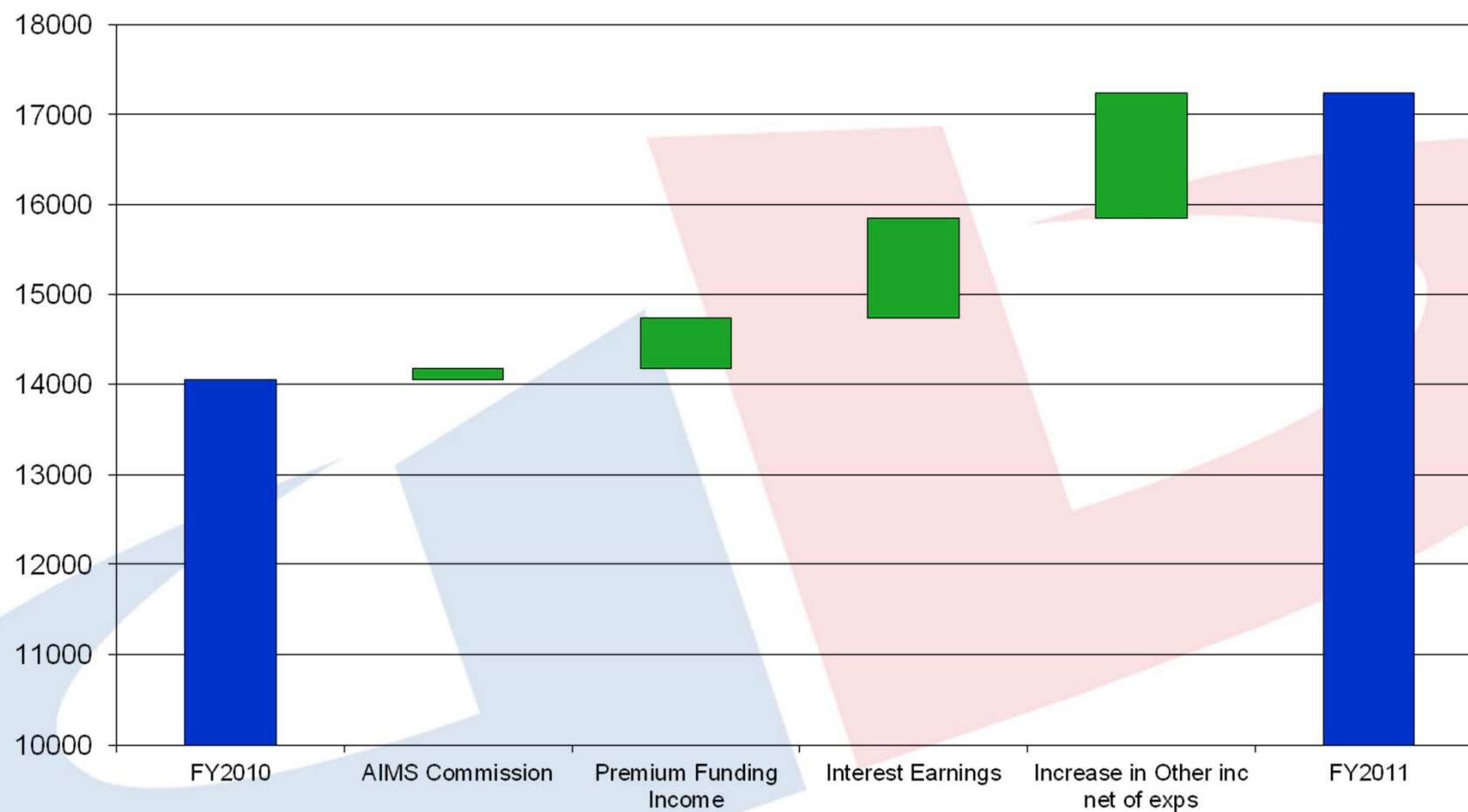
	\$'000	% Growth in NPAT
Share of broker profits	2,234	28.7
Borrowing costs	18	0.2
Corporate Income	148	1.9
Offset by		
Corporate expenses	(229)	(2.9)
Austagencies	(132)	(1.7)
Tax	<u>(26)</u>	<u>(0.3)</u>
Total	<u>2,013</u>	<u>25.9</u>

Notes

- 1.Existing broker network growth includes bolt on acquisitions
- 2.Corporate expenses up principally due to higher incentive accruals
- 3.Austagencies income reduced due to lower profit commissions

Increase in Pre-Tax Share of Broker Profits 1HY2011 from 1HY2010

\$'000



Increase in Share of Broker Profits 1HY2011 vs 1HY2010

	\$'000	% of Growth
Increase in premium funding	556	4.0
Increase in AIMS commission	120	0.9
Interest earnings	1,127	8.0
Increase in other broking income less increase in expenses	1,389	9.8
Total Increase	3,192	22.7

Broker Profits as % of Broker Income

Brokers Profits (before tax) as a percentage of Broker Income

	Including Austagencies	Insurance Broking
1HY11	27.3%	27.6%
1HY10	25.2%	25.1%
1HY09	25.6%	25.4%
1HY08	25.2%	25.0%
1HY07	20.7%	
1HY06	19.2%	

Increase in interest income in brokers accounted for 1.3% of the increase

- Commission and fee split – 65% / 35% in line with FY2010
- Commission and fees as a % of base premium up marginally from 17.8% to 18.0%
- Fees stable at around 6.3% of base premium

Austagencies Underwriting Agencies



\$'000	1HY 2011	1HY 2010	INCR / (DECR)
Commission and fees	5,759	4,542	1,217
Profit commission	118	479	(361)
Claims handling fee	-	232	(232)
Interest	247	132	115
Other income	<u>16</u>	<u>-</u>	<u>16</u>
	6,140	5,385	755
Expenses	<u>4,848</u>	<u>3,938</u>	<u>(910)</u>
Net Profit before income tax	<u>1,292</u>	<u>1,447</u>	<u>(155)</u>
Other shareholder interests	<u>(33)</u>	<u>-</u>	<u>(33)</u>
	<u>1,259</u>	<u>1,447</u>	<u>(188)</u>

- Commission and fees up 27%
- Expenses up 22% due to increase resourcing
- Higher interest rates
- Timing in receiving profit commissions and claims handling fees

Funding

- Facility from St George Bank– limit \$44.3 million including subsidiaries \$6.4 million
- Facilities utilised at December 2010
 - \$26.4 million at holding company level
 - \$6.4 million in subsidiaries
- Facility term is 5 years to August 2013
- Estimated \$1 million committed for future payments for completed acquisitions will be met from cash flow
- Funding available from facility for future acquisitions around \$11 million which together with free cash held of \$14 million gives \$25 million in total
- Key ratios
 - Interest cover ratio – 14 times (EBITDA basis)
 - Gearing 19.5%, target range 30% (debt to debt plus equity)
 - Comfortably meet financial undertakings to Bank
- Borrowing by associates at 31 December 2010 not on Austbrokers balance sheet - \$35 million
 - Includes borrowings for own premium funding activities, acquisition funding and loans to AR's
 - Interest cover ratio 13.6 times (as a group)

Agenda

- Business Overview
- 1HY 2011 Financial Performance

- **FY 2011 Outlook**

- *Market conditions*
- *Strategy*
- *Outlook*

Market conditions

- Premium rates
 - Only moderate increase evident
 - Competitive market limiting underwriters in achieving desired increases
 - Natural disasters may lead to increases in future
- Increases have put 2HY2011 current cash rate ahead of average rate for 2HY2010
- Timing of acquisition activity remaining unpredictable
- Age demographics in insurance broking industry will ensure continued acquisition opportunities for direct acquisitions or portfolio / bolt on business
- Economic conditions expected to be reasonable over next period
- Recent natural disasters will have brokers in those areas focusing on assisting clients with claims

Strategy

- Growth – acquisition activity to continue
 - business development – marketing strategies
 - acquired skilled account executives
- Continue to expand underwriting agency capability
- Back office synergies and efficiencies – improvement in IT systems and DataCentre, utilising central back office where possible
- Implementation of new system for new business underwriter quoting and placement platform using iClose
- Underwriter relationship / product development via AIMS (IBNA Joint Venture) – for marketing advantage and best trading terms
- Premium funding – continued growth and development
- Life risk and superannuation - continue to develop business, particularly life risk
- Increase human resource capability through employment and training (particularly emerging leaders in broker network)

FY2011 Outlook

- Premium rate increases were likely to continue to only be moderate but recent floods and cyclones may give impetus to increases
- Insurance broking industry consolidation – continuing acquisition opportunities but any new acquisition activity unlikely to contribute significantly to FY2011 results
- Organic growth in income expected to continue to emerge through broker network initiatives although there has been the loss of a significant account due to it being placed in receivership
- Future profit commissions to be received 2HY2011 depending on underwriting results
- Increased interest earnings over corresponding period last year although increase in the second half will be much less
- Around 50% of profit earned in last three months of the year
- Based on performance for the first half and the above we have increased our earnings guidance for FY2011 to be 10% to 15% growth in Adjusted NPAT over FY2010. This does not assume any benefit from increases in premium rates that may occur following the recent spate of natural disasters around the country

This presentation may contain forward looking statements relating to future matters, which are subject to known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Austbrokers and the Austbrokers Group to be materially different from those expressed in this announcement. Except as required by law and only to the extent so required, neither Austbrokers nor any other person warrants that these forward looking statements relating to future matters will occur.