

13th June 2013

Austbrokers purchases majority shareholding in leading corporate broking firm

InterRISK Australia becomes a member of the Austbrokers group of companies

Austbrokers Holdings Ltd (ASX code: AUB) (**Austbrokers**) has strengthened its network's broking expertise with the announcement that it has purchased a majority 77.1%) shareholding in well known corporate broker, and Steadfast member², InterRISK Australia Pty Ltd (**InterRISK**).

Under the acquisition, Austbrokers has agreed to provide InterRISK shareholders 193,348 new fully paid Austbrokers ordinary shares and cash consideration of \$13,849,149 implying a total value of \$15,743,930³ subject to certain completion account adjustments⁴. The cash component of the consideration will be funded from Austbrokers' existing cash reserves and existing finance facilities (new facility being finalised to 30th April 2016). Austbrokers gearing after this transaction will be less than 20% and the transaction is wholly within banking covenants.

While Austbrokers will only recognise the June performance of this investment in the current financial year, based on conditions and performance to date, this transaction is anticipated to increase Austbrokers' earnings per share by approximately 3% after financing costs on an annualised basis.

InterRISK is recognized in the industry as a leading mid-tier operator in the corporate and large industrial sectors, boasting well known organisations as part of its client base including many ASX top 200 companies. InterRISK has twice been recognised in the BRW's Fast Starters listing, and last year was awarded Medium Broker of the Year in the Annual Australian Insurance Industry Awards. Across its offices in Sydney, Melbourne and Brisbane, InterRISK has a compliment of over sixty staff and provides insurance and risk management services both locally and globally.

Dennis Guy, Managing Director of InterRISK said

"We had been considering our future shareholding strategy for some time and as part of that review engaged with Austbrokers and others to consider our options. In the end, Austbrokers developed a tailored approach that best met the needs of all our shareholders both now and into the future. Their proven "owner-driver" partnership model and their professional approach throughout our negotiations were a major factor in confirming our move to Austbrokers. I am now confident that the platform for our staff, clients, suppliers and shareholders has been further enhanced and we are looking forward to partnering with Austbrokers into the future".

Mark Searles CEO and Managing Director of Austbrokers said

"InterRISK is a solid business with a notable list of clients. Given the size of their operation we undertook extensive due diligence and were impressed with the growth and profitability of the business in addition to the evident high levels of professionalism. We welcome the team at InterRISK into the Austbrokers family. We are confident that we will be able to introduce a number of our proven business enhancers and work with the Company to continue to improve their operations and grow their business

On the strategic front, Mr Searles commented

"It's a substantial win for us. With the conclusion of this deal we have added over \$80 million of profitable gross written premium to our network and increased our market presence in the mid market and corporate sectors. It also gives us greater capacity in the Lloyds market. With InterRISK on board, the Austbrokers network will build on its existing expertise in the corporate insurance arena which will be leveraged for the benefit of all our stakeholders. Having recently completed my strategic review of the Austbrokers business I am pleased with the acquisition of InterRISK as it 'ticks the box' of a number of strategic pillars including diversification of income, acquisition growth, future organic growth and building of talent bench-strength."

The purchase by Austbrokers has enabled the private equity shareholders of InterRISK to exit the business, whilst Mr Guy together with the existing executive/management team, will continue as shareholders of InterRISK Australia and lead the business under the Austbrokers "owner-driver" model. This transaction takes the Austbrokers group's acquisition count to fifteen this financial year and closely follows the recent acquisitions of Lawsons Underwriting and Guardian Underwriting Agencies. The InterRISK acquisition means Austbrokers now has equity interests in forty-five broking and financial services businesses, in addition to thirteen underwriting agency businesses.

Austbrokers will separately lodge an Appendix 3B and a notice pursuant to Section 708A(5) of the Corporations Act in respect of the Austbrokers shares issued as part of the acquisition. All Austbrokers shares issued pursuant to the acquisition will be subject to a 12 month escrow expiring on 13th June 2014 (subject to limited exceptions).

- Ends -

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- 1 This announcement 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, neither Austbrokers nor any other person warrants that these forward looking statements relating to future matters will occur.
 - 2 Austbrokers expects that InterRISK will cease to be a member of the Steadfast Group as a result of this acquisition.
 - 3 Based upon a notional issue price of \$9.80 being a 8.3% discount to the volume weighted average price of Austbrokers shares traded on the ASX over the 5 trading days prior to the date of this announcement.
 - 4 The purchase price will be subject to a cash only adjustment up or down based on the InterRISK earnings before interest and tax achieved for the year ending 2013 (with a maximum upward EBIT adjustment of \$555,000 as well as for 77.1% of the difference in InterRISK's 30th June 2013 net tangible assets over a target amount assumed for working capital purposes.