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ASX Announcement

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

Acquisition of Tysers, leading Lloyd's wholesale broker

and

Equity Capital Raising

AUB Group Limited (AUB) today announces it has entered into a binding agreement to purchase Tysers, a leading Lloyd's wholesale broker and is undertaking an equity capital raising to provide funding towards the acquisition.

Highlights

- Tysers is a leading specialist international insurance broker based in London and the 6th largest wholesale broker in the Lloyd's marketplace, writing annual gross premiums of AUD3.6 billion[1].
- Acquisition is consistent with AUB's strategy to provide support for clients with international placement needs, to capture further economics in the broking value chain and accelerate scale in its Agencies.
- Tysers strengthens AUB's competitive position. Tysers' specialist capabilities will allow AUB to design and deliver market leading products for AUB's broker and agency network and to enhance the ability to establish new agencies and secure Lloyd's binders.
- AUD880 million (GBP500 million) purchase price on a debt free basis with potential additional deferred consideration of up to AUD176 million (GBP100 million) based on the achievement of revenue targets.
- The AUD880 million purchase price implies c.12x EV / FY22 pro forma EBITDA (pre synergies) and c.9x EV / FY22 pro forma EBITDA (post synergies).

Note: AUD denominated financials derived from GBP in this announcement have been translated at GBP:AUD of 1.76

[1] Tysers CY21 gross written premium was AUD3.6 billion.

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- Estimated annual run-rate synergies of c. AUD 25 million of incremental EBITDA derived from cost rationalisation and margin enhancement on current premiums to be realised in full after 18 months.
- 30% underlying pro forma EPS accretion on a pro forma CY22 basis (including full run-rate synergies)[2].
- Completion of the Acquisition is expected in AUB's 1H23, subject to regulatory approvals.
- The Acquisition will be funded from proceeds of an AUD350 million Equity Raising, a placement of AUD176 million (GBP100 million) of AUB shares to the vendor of Tysers, and a new AUD675 million multi-currency debt facility.
- The AUD350 million Equity Raising is fully underwritten, with an institutional placement of AUD71 million and 1 for 5.2 pro rata accelerated non-renounceable Entitlement Offer to existing shareholders to raise approximately AUD279 million.
- Vendor Placement of AUD176 million (GBP100 million) of AUB shares to Tysers' owner Odyssey Investment Partners[3] on completion with a 24-month escrow period post-completion provides strong alignment.
- The AUD675 million New Debt Facility will replace AUB's existing AUD250 million facility. Post-Acquisition, c. AUD74 million of debt headroom will remain. AUB will have pro forma leverage of 2.8x at completion of the Acquisition and a pathway expected to reduce to 2.4x within 12 months of completion.
- Separately, AUB and PSC Insurance (PSC) (ASX: PSI) have entered into a non-binding term sheet (Term Sheet) under which it is intended that PSC will acquire a 50% stake in Tysers' UK Retail division (Tysers UK Retail) as part of a 50/50 joint venture with AUB, using the same multiple and commercial terms as the overall deal.

Commenting on the transaction, Mike Emmett, AUB Group CEO said: *"The acquisition represents an important next step in the AUB Strategy to build out our client offering and risk expertise. Lloyd's is the largest insurance market in the world. Tysers provides AUB Group the ability to access a diverse range of risks and insurance types for our clients and broker networks in Australia and New Zealand whilst also gaining the capability to accelerate the establishment of new agencies in these markets. Clive Buesnel, Tysers CEO, is a highly respected insurance executive in the Lloyds and London market, and we are delighted to welcome him and the Tysers team to the AUB family as we embark on a new chapter for both AUB Group and Tysers."*

Clive Buesnel, Tysers CEO said: "*AUB is the perfect partner to allow Tysers to continue our proud history and support our growth ambitions. The strategic and cultural alignment is clear, and we are*

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[2] EPS accretion is based on UNPAT on a pro forma CY22 basis. Assumes a full year run-rate ownership of Tysers and is before transaction and implementation costs and does not include the impact of the Tysers UK Retail JV. Includes expected AUD15m of cost out synergies and expected AUD10m of margin improvement from placement of current AUB premium through Tysers wholesale broking channel.

[3] Or certain entities related to Odyssey. Shares issued pursuant to the Vendor Placement will be issued at the Entitlement Offer price.

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excited about executing on future opportunities together. We are proud of our culture and track record and look forward to working collaboratively and innovatively with AUB."

Jeff McKibben, Odyssey Senior Managing Principal said: *"Tysers is a high quality leading independent Lloyd's broker. We believe AUB Group will be a very good strategic partner for the business as it continues its post-COVID earnings recovery. We look forward to retaining ongoing exposure to Tysers through our investment in AUB and participating in the growth trajectory of the merged Group."*

Tony Robinson, PSC CEO said: *"We are excited at the opportunity to partner with AUB for the proposed JV of the Tysers UK Retail business. It presents an opportunity for us to secure 50% of a meaningful UK Retail broker which is in line with our strategy to grow in the UK and diversify our insurance intermediary business."*

Transaction Overview

AUB today announces it has entered into an agreement with sellers Odyssey Investment Partners to acquire 100% of Tysers[4] for AUD880 million (GBP500 million) (the Acquisition).

The AUD880 million (GBP500 million) enterprise value implies c.9x FY22 pro forma EBITDA (post-synergies)[5] or c.12x pro forma EBITDA excluding Synergies. Additional deferred consideration of up to AUD176 million (GBP100 million)[6] may be payable two years post completion, subject to Tysers' achievement of agreed revenue growth targets with an upper bound of GBP220 million. The achievement of the upper revenue target[7] would result in full payment of the deferred consideration representing c.4-6x of the incremental EBITDA.

Tysers is a leading specialist international insurance broker and the 6th largest wholesale broker in the Lloyd's marketplace, the largest insurance market globally. With 200 years of expertise, it is differentiated by its strong specialty focus, market knowledge, experience and placement capabilities as well as exceptional client and market relationships. The business has a robust track record of growth and profitability with strong cash conversion.

The business operates across three segments:

- **Wholesale**: wholesale broker to the Lloyd's market with deep expertise and global distribution;
- **Managing General Agents (MGA):** substantial number of delegated authorities, both in-house and third party; and

[4] Being 100% of the shares in each of: (i) Galileo Insurance Services LLC; (ii) Integro Insurance Brokerage Services LLC; (iii) Integro Insurance Brokers Holdings Ltd and (iv) Tysers (Bermuda) Ltd and their respective subsidiaries.
[5] The Acquisition price implies c.12x EV / FY22 pro forma EBITDA (pre-synergies) and c.9x EV / FY22 pro forma EBITDA (post-synergies).
[6] Earn out calculated on revenue sliding scale from GBP183 million to GBP220 million. GBP100 million achievable if revenue of GBP220 million achieved.
[7] Management assumption of estimated EBITDA multiple based on incremental margin of additional revenue. Achievement of GBP220m target would generate additional revenue of GBP37m which is expected to have 50% EBITDA margin

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- **Retail:** UK niche broker and managing general agent servicing SME and high net worth and other private clients.

Tysers has ~1,100 employees with the significant majority based in the UK.

Tysers has in place a strong management team which will continue to manage day to day operations. To facilitate integration into the broader AUB group, Mike Emmett (AUB Group CEO) and Peter Harmer (Current AUB Non-Executive Director) will be appointed to the Tysers Board.

Acquisition in line with stated strategy to build scale in Lloyds' wholesale broking

Tysers will provide AUB with specialist capabilities, direct access to the Lloyd's market and allows AUB to capture further economics in the insurance broking value chain. In the short term, this will allow AUB to direct AUD200 million of gross written premium (GWP) to Tysers from existing and future placements within broking and agency networks, creating an uplift in margin and revenue for AUB. Direct access to Lloyd's and international markets is expected to also provide AUB's broking networks and underwriting agencies in Australia and New Zealand with capacity to write additional new business and deliver differentiated exclusive products to AUB's network.

The broader and enhanced product offering is expected to be well received by AUB's client base, assisting our brokers to attract new clients.

AUB has identified operational cost rationalisation and margin enhancement opportunities estimated to realise pre-tax annualised run-rate synergies of AUD25 million. AUB expects to realise the full run-rate of synergies within 18 months of completion of the Acquisition.

JV with PSC to acquire 50% of Tysers UK Retail business

AUB and PSC have entered into a Term Sheet under which it is intended that PSC will acquire a 50% stake in Tysers UK Retail as part of a 50/50 joint venture with AUB as soon as practicable after completion of the Acquisition. PSC's acquisition of the 50% stake is intended to be at the same multiple and on the same commercial terms as the Acquisition. PSC expects to fund its equity contribution from existing resources.

PSC is an Australian listed insurance broking and insurance intermediary business with existing UK retail broking capability and with a similar culture and values to AUB. They have a strong track record of acquiring, owning and operating insurance intermediary businesses outside the Australia New Zealand region.

The JV agreement will contain agreed exit rights and mechanics, and entry into the JV is subject to due diligence, separation planning and any necessary regulatory and licensing approvals, with joint venture documentation customary for a transaction of this nature.

Funding – equity capital raising, placement of AUB shares and new debt facility

The Acquisition will be funded from the proceeds of the Equity Raising, placement of new AUB shares to Odyssey Investment Partners as the vendor of Tysers and the New Debt Facility. The AUD675 million multi-currency New Debt Facility will replace AUB's existing AUD250 million facility. The

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potential deferred consideration is expected to be paid from a mixture of cash and debt from an accordion tranche to be established under the New Debt Facility.

Post-Acquisition, the debt facilities are expected to have c. AUD74 million headroom. AUB expects to have pro forma gross debt / EBITDA levels of 2.8x at completion of the Acquisition and a pathway to reduce leverage to 2.4x within 12 months of completion. AUB will continue to be strongly placed to fund value-accretive bolt-on acquisitions and pay dividends post the Acquisition, due to its organic cash generation and debt headroom.

Details of the Equity Raising

AUB has today launched a fully underwritten equity raising (Equity Raising) comprising an institutional placement to raise AUD71 million[8] (Placement) and a 1 for 5.2 accelerated non-renounceable entitlement offer to raise AUD279 million (Entitlement Offer), including a retail offering (the Retail Entitlement Offer). Approximately 18 million new fully paid ordinary shares (New Shares) will be issued under the Equity Raising, which represents 24.1% of AUB's current ordinary shares on issue.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new AUB ordinary share for every 5.2 existing AUB ordinary shares held on the record date of 7.00pm (Sydney Time) Wednesday, 11 May 2022.

New Shares under the Equity Raising will be issued at a price of AUD19.50 per New Share, which represents a:

- 10.6% discount to TERP[9] of AUD21.80
- 12.8% discount to the last close of AUD22.36 on Friday, 6 May 2022

The Entitlement Offer is non-renounceable, and entitlements will not be tradeable or otherwise transferable.

New Shares will rank equally with existing AUB shares from the date of issue.

AUB shares will be in trading halt until completion of the Institutional Entitlement Offer and Placement.

AUB FY22 Guidance Affirmed and Dividend Payout

Following our 1H22 results announcement on 22 February 2022, AUB continues to see favourable operating conditions and affirms FY22 guidance.

AUB continues to target a dividend payout ratio of 50-70%, in line with our current range. AUB expects to pay a 2H22 dividend on existing and New Shares and to pay fully franked dividends over the medium term noting its existing franking credits balance.

[8] AUB has received an ASX waiver in relation to Listing Rule 7.1 to enable it to calculate its available placement capacity for the Placement and Vendor Placement using an expanded issued capital base assuming the fully underwritten Entitlement Offer were completed.

[9] The Theoretical Ex-Rights Price (TERP) is the theoretical price at which AUB shares should trade after the ex-date for the Entitlement Offer. TERP is calculated by reference to AUB closing share price of AUD22.36 per share, being the last trading day prior to the announcement of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which AUB shares trade immediately after the ex-date of the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP also includes New Shares issued under the Placement.

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Key Offer Dates

Event	Date
Announcement of Equity Raising	Monday, 9 May 2022
Entitlement Offer Record Date (7.00pm Sydney Time)	Wednesday, 11 May 2022
Institutional Entitlement Offer and Placement	
Institutional Entitlement Offer and Placement opens	Monday, 9 May 2022
Institutional Entitlement Offer and Placement closes	Tuesday, 10 May 2022
Announcement of results of Institutional Entitlement Offer and Placement	Tuesday, 10 May 2022
Trading halt lifted and shares recommence trading (on an ex-entitlement basis)	Tuesday, 10 May 2022
Settlement of New Shares issued under the Institutional Entitlement Offer and Placement	Tuesday, 17 May 2022
Allotment and commencement of trading of New Shares under the Institutional Entitlement Offer and Placement	Wednesday, 18 May 2022
Retail Entitlement Offer	
Retail Entitlement Offer opens, and Retail Offer booklet dispatched	Monday, 16 May 2022
Retail Entitlement Offer closes (5.00pm Sydney time)	Friday, 27 May 2022
Announcement of results of Retail Entitlement Offer	Wednesday, 1 June 2022
Settlement of New Shares issued under the Retail Entitlement Offer	Thursday, 2 June 2022
Allotment of New Shares issued under the Retail Entitlement Offer	Friday, 3 June 2022
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Monday, 6 June 2022

Note: The timetable (and each reference in this announcement to a date or time specified in the timetable) is indicative only and AUB may, at its discretion, vary any of the above dates and times by lodging a revised timetable with the ASX subject to the Corporations Act, ASX Listing Rules and other applicable laws.

Macquarie Capital is acting as financial adviser to AUB Group on the Acquisition and, together with Goldman Sachs, as joint lead managers, joint bookrunners and joint underwriters to the Equity Raising.

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Goldman Sachs is also acting as sole underwriter of the debt facilities. Allens and Linklaters are acting as legal advisers to AUB Group.

Investor Call

An investor call has been scheduled regarding the Acquisition and Equity Raising:

Monday 9 May 2022, 10:30am

Teleconference: https://s1.c-conf.com/diamondpass/10022018-2h6ma7.html

END

This release is authorised by the AUB Board.

For further information, contact Michael Brown, Investor Relations, Pegasus Advisory, on +61 (0)400 24 80 80 or mbrown@pegasusadvisory.com.au .

About AUB Group

AUB Group Limited (ASX: AUB) is an ASX200 listed group comprising brokers and underwriting agencies operating across ~500 locations across Australia and New Zealand. Over 3,000 team members work with our 850,000 clients to place more than AUD4.0bn in insurance premiums with local and foreign insurers.

IMPORTANT NOTICES

This announcement is not financial product or investment advice, a recommendation to acquire securities or accounting, legal or tax advice. It does not constitute an invitation or offer to apply for securities. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. AUB is not licensed to provide financial product advice in respect of an investment in securities.

This announcement may contain certain forward-looking statements. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "outlook", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, financial position, dividends and performance are also forward-looking statements as are statements regarding AUB's future operations and projects, the outcome of the Offer, the outcome of the Acquisition (including potential or expected synergies) and the use of proceeds. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks (including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the hostility between Russia and Ukraine and the risks set out in Appendix B: Key Risks section of the Investor Presentation announced on the same date as this announcement),uncertainties and other factors, many of which are beyond the control of AUB, its officers, employees, agents and advisors, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material. Investors are strongly cautioned not to place undue reliance on forward-looking statements, including in respect of AUB's future financial performance and outlook, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19 and the hostility between Russia and

Ukraine. Neither AUB, nor the underwriters, nor any other person, gives any representation, warranty or assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward-looking statement will occur.

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