21 February 2024

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

PSC INSURANCE GROUP LTD (PSI) – FY24 HALF-YEAR RESULTS ANNOUNCEMENT

Please find attached:

- FY24 Half-Year 31 December 2023 Results Announcement.

Other documents lodged today are:

- Appendix 4D and Financial Report for the Half-Year Ended 31 December 2023.
- FY24 Half-Year Results Shareholder and Investor presentation.
- Notification of dividend / distribution. The dividend is at 5.7 cents per share and franked to 60%. Dividend date of payment is 10 April 2024. The DRP has been suspended for this dividend.

As announced to the Market on 15 February 2024, a Half-Year Results shareholder and investor conference call will commence at 9.00 am today.

Please direct any queries to Tony Robinson, Managing Director, on 0407 355 616 or Joshua Reid, Chief Financial Officer, on (03) 8593 8303.

Authorised for release to the ASX by the PSC Insurance Group Limited Board.

Stephen Abbott
Company Secretary

PSC INSURANCE GROUP LTD (PSI) –

HALF YEAR 31 DECEMBER 2023 RESULTS ANNOUNCEMENT

PSI is pleased to announce a 15% increase in underlying revenue to $159.0 million and 12% increase in underlying earnings before interest, tax, depreciation and amortisation (EBITDA)[1] to $54.2 million and a 6% increase in underlying net profit after tax before amortisation (NPATA) to $37.1 million.

A dividend of 5.7 cents per share has been declared for the period, a 10% increase on the prior period. This will be franked to 60%.

Statutory NPAT increased 39% to $29.8 million.

Key specific highlights and notes in this period include:

- Good growth performance across the Distribution businesses, with 18% EBITDA growth (10% organic).
- Good growth performance across the Agency (Specialty) businesses, with 11% EBITDA growth, with an early contribution from the new Chase Professional Risk business following the Ensurance acquisition. We have also established 3 new agency businesses – in plant & equipment, credit risk and accident & health.
- A mixed performance across the UK businesses, with 2% EBITDA growth. Carrolls and Breeze Underwriting have had strong organic growth and the UK SME broking businesses have grown well off the back of contributions from two new acquisitions (Turner Rawlinson and Giles Gower). In line with our budget, the overall Paragon result was down on the prior year reflecting weaker rates in D&O and Cyber and lower transaction levels in M&A markets – we are seeing the early signs of recovery in these areas. The integration of the Ensurance UK with Chase UK is continuing and the businesses are increasingly well placed to grow strongly in coming periods.
- During the period, we completed 9 acquisitions, the more material of which were:
    - Ensurance: was completed by way of scheme of arrangement in November with a purchase price of $25.2million (including cash and net tangible assets of ~ $7million). This provided a business and team specialising in professional indemnity insurance. We expect strong growth from the new Chase Professional Risks team, as their leading product can access the enhanced distribution channel of our Agency (Specialty) businesses.
    - Giles Gower: is a UK broker specialising in insurances to a high net worth client base and a strong addition to the PSC UK Insurance Brokers business. Headline purchase price was ~ $9.6million, with ~ 50% paid upfront.
    - Worldwide Insurance Brokers: is a wholesale broker based in Dublin who has been trading with Carrolls for many years. The business operates in a number of specialty lines (trades, tour operators). Headline purchase price was ~ $4.6million, with ~ 70% paid upfront.
    - We also completed 6 smaller portfolio acquisitions that were merged in to the Australian (x5) and NZ (x1) broking businesses.
- Acquisition EBITDA growth was $3.4million in the period. All acquisitions completed over the last 12 months are performing to expectation, with PSC AMGI, PSC Trade Credit Risk and Turner Rawlinson all ahead of expectations.

Outlook:

With a first half performance ahead of expectations and continued delivery of accretive acquisitions, we have upgraded our full year guidance to an underlying EBITDA range of $125-130 million (from $122-127 million) and an underlying NPATA range of $83-87 million (from $82-86 million).

Please direct any queries to Tony Robinson, Managing Director, on 0407 355 616 or Joshua Reid, Chief Financial Officer, on (03) 8593 8303.

[1] After "AASB16" depreciation and interest and normalising for traditional rent expense.

FINANCIAL HIGHLIGHTS:

UNDERLYING REVENUE UP 15% TO $159.0M.
UNDERLYING EBITDA UP 12% TO $54.2M.
UNDERLYING NPATA UP 6% TO $37.1M.
UNDERLYING EPS UP 3% TO 10.3 CENTS PER SHARE FOR THE 6 MONTHS.
STATUTORY NPAT UP 39% TO $29.8M.
INTERIM DIVIDEND INCREASED BY 10% TO 5.7 CENTS PER SHARE, FRANKED TO 60%.

Underlying Revenue:

$m	FY23	FY23	Change	%
Revenue	159.0	137.8	+21.2	+15%

Increased underlying revenue of $21.2 million was comprised as follows:

- Acquisitions contributed approximately $9.2 million. The majority of this growth ($6.9 million) was from the annualisation of FY23 acquisitions – the principal ones of these being PSC AMGI, PSC Trade Credit Risk, Charter-Union (HK), Turner Rawlinson and Ensurance UK. The majority of the FY24 acquisitions completed in Q2.
- Organic growth contributed approximately $12.0 million (~ 9%). Comprising a $5.8 million increase in Distribution (~ 10%), a $0.7 million increase in Agency (~ 6%), a $5.0 million increase in the UK segment (~ 7%) and increase in Group income.
- Organic growth in the Distribution businesses has been good and broad based. Market conditions have moderated, with the hard market continuing in the domestic classes, and moderating in the commercial classes. The development in the PSC Apex platform continues and progress has been pleasing, making our businesses more streamlined and efficient.
- Organic growth was good in Agency, driven by continued strong performance in Chase Construction. The online travel insurance business temporarily closed some distribution channels in the period as we were updating the platform. We have commenced or are commencing 3 new businesses in 3 new products, in addition to the launch of Chase Professional Risks with the Ensurance acquisition.
- Organic growth in the UK and international businesses was mixed, with strong performances across Carrolls and Breeze and parts of the PSC UK Insurance Brokers business. Revenue (in sterling) was down 7% in Paragon on prior period given unfavourable US$ and weak market conditions in Cyber, D&O and M&A. Revenue was down 3% (in sterling) on a constant currency basis. Cyber rates in USA and early adoption of a 'war' clause in London impacted, as did weak M&A activity and continued weakness in D&O rates. These 3 areas were down ~ £2.4 million in revenue on the prior period. We are beginning to see some improvement in these conditions in the second half.

Underlying EBITDA:

$m	FY24	FY23	Change	%
EBITDA	54.2	48.6	+5.6	+12%

Underlying EBITDA does not add-back the depreciation and interest associated with the AASB16 lease obligations and adjusts for cash rent.

Increased underlying EBITDA of $5.6 million was comprised as follows:

- Acquisitions contributed growth of approximately $3.4 million, with $2.2 million from the annualisation of FY23 acquisitions and the balance from the acquisitions completed in the current financial period.
- Organic growth contributed approximately $2.2 million (~ 5%). Comprising a $2.2 million increase in Distribution (~ 10%), a $0.1 million increase in Agency (~ 3%), a $1.0 million decrease in the UK segment (~ -4%) and increase in contribution from Group.
- The average sterling exchange rate appreciated by ~ 9% against the A$ (and 6% against the US$). The net impact of FX rates on EBITDA was ~ +$0.6 million.
- Organic growth in Distribution was strong at ~ $2.2 million (~ +10%). All of Broking, Network, Workers Comp Consulting and Life have grown well organically with all businesses making operational enhancements in the period to strengthen their franchise.
- Organic growth in Agency was ~ $0.1 million (~ +3%). Chase Construction grew strongly (~ 12%). This was partially offset by a reduced performance from the travel insurance business, where volumes were impacted by an upgrade to the online platform.
- Organic growth across the UK was ~ -$1.0 million (~ -4%). In line with our expectations, the driver of this position was the weak market conditions across Cyber, D&O and M&A, with a combined position of -$3.5 million on the prior period (Paragon -$2.3 million overall). Those businesses are well positioned for improving market conditions, noting Paragon client count increased ~ 3% in the period. The Carrolls and Breeze businesses had a strong performance with incremental EBITDA growth of ~ $1.2 million.

Statutory NPAT and Underlying NPATA:

Underlying NPATA was 6% higher at $37.1 million.

$m	FY24	FY23	Change	%
Statutory NPAT	29.8	21.5	+8.3	+39%
Amortisation	8.3	6.9		
Revenue excluded from Underlying Results – Tax Adjusted	-7.9	-0.1		
Expenses excluded from Underlying Results – Tax Adjusted	6.9	6.8		
Underlying NPATA	37.1	35.2	+1.9	+6%
W.avg Shares	361.9	352.8		
Underlying EPS	10.3 cents	10.0 cents	+0.3 cents	+3%
Average Tax Rate	30%	27%		

Note:

- Revenue excluded from underlying results is the fair value adjustments on listed and other investments, as well as the profit on the sale of shares (joint ventures). In the current period there was a material increase (+$8.6 million) in the fair value of BP Marsh given its strong performance as a result of 3 strong divestments, as well as $3.3 million in profits on the sale of joint venture shares. Current book value of BP Marsh is ~ $63 million.
- Expenses excluded from underlying results comprised as follows: 1) given the good performance of the acquisitions, and in particular PSC AMGI and Turner Rawlinson, a ~ $3.6 million charge following the revaluation of deferred consideration 2) option expenses of ~ $1.9 million relating to the Group's LTI plan and 3) transaction costs of ~ $2.9 million relating to the Group's acquisition activity.
- Average tax rate was higher given the increase in the UK tax rate to 25% (from 19%) and a lower UK contribution in the period.

Balance Sheet and Cashflow:

The balance sheet remains in a strong position, with pro-forma net leverage ratio at ~ 1.5 times, well below target range of 2.0-2.5 times. This enables the Group strong funding capacity to continue our strategy of acquisitive growth, with ~ $63 million in undrawn limits.

Operating cash-flow was down 11% on the prior period to ~ $51 million (from ~ $57 million) given higher working capital balances compared to the prior period. As was previously the case, the first half of the financial period is the stronger cash generating period.

Dividend:

The Directors have declared an increase in the interim dividend to 5.7 cents per share, a 10% increase on the prior period. This will be franked to 60%. Record date will be 13 March 2024 and a payment date of 10 April 2024.