

## MARKET RELEASE

22 February 2017

### Steadfast announces 12% underlying EPS growth for first half FY 17 and re-affirms FY 17 guidance

#### 1H 17 vs 1H 16 financial highlights<sup>1</sup>

- Underlying revenue of \$243.4m, up 8%
- Underlying EBITA of \$66.7m, up 11%
- Underlying NPAT of \$30.0m, up 13%
- Underlying EPS of 4.01 cents per share, up 12%
- Gross written premium (GWP) placed by Steadfast Network Brokers of \$2.5bn, up 13%
- Interim dividend (fully franked) of 2.6 cents per share (cps), up 8% from 2.4 cps

Statutory NPAT of \$37.9m was down 3% due to lower non-trading gains.

Managing Director & CEO Robert Kelly commented “we have delivered another strong set of results as we continue to benefit from our size and scale as Australia’s largest general insurance broker network and underwriting agency group<sup>2</sup>.”

“We are seeing the first signs of underwriters taking action to improve results and although early days, both the Network and underwriting agencies benefited from a small degree of price improvement across our primarily SME (small to medium size enterprise) customer base.

“We continue to add brokers to the Steadfast Network with 5 new brokers joining in the period with Steadfast brokers now accounting for 28% of total GWP placed in Australia<sup>3</sup>. Steadfast underwriting agencies performed well in 1H 17 with the London ‘super’ binder starting to benefit the group. Strong momentum is building in Steadfast Direct.

“We performed well on an organic basis with volume, margin improvement and small price increases driving broker performance. Strong acquisition growth was primarily driven by broker-related acquisitions made in the period.

“Our investment in digital platforms is benefiting brokers and agencies by delivering a streamlined user experience with cost savings delivering margin improvements. Insight and Underwritercentral continue to add users while we rolled out our Steadfast Client Trading Platform to three new insurance classes during the period.

“There continues to be a pipeline of acquisition opportunities and we remain, as ever, disciplined in our acquisition criteria and due diligence process.”

#### Improving market conditions

GWP placed by Steadfast Network Brokers in 1H 17 of \$2.5 billion, up 12.7% compared to 1H 16 was primarily driven by organic growth and new brokers joining the Steadfast Network. This was combined with the first signs of improvement in pricing driven by underwriters raising prices.

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<sup>1</sup> 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 excludes non-trading items.

<sup>2</sup> Source: Steadfast Group and APRA Intermediated General Insurance Statistics (June 2016).

<sup>3</sup> Source: Steadfast Group and APRA Intermediated General Insurance Statistics (June 2016).

The average policy price for our brokers was up 1.7% compared to the average price in 2H 16.

GWP placed by Steadfast Underwriting Agencies was \$386 million in 1H 17, up 2% compared to 1H 16.

## Strong balance sheet

At the end of December 2016, net assets were \$906 million. The total gearing ratio was 18.5% with significant headroom in financial debt covenants. Based on a 25% maximum target corporate gearing ratio and current debt facilities of \$285 million, Steadfast has balance sheet capacity of \$111 million for future growth.

## Dividend

The Board has declared a fully franked interim dividend of 2.6 cents per share, an increase of 8% compared to the 2016 interim dividend of 2.4 cps. The 2017 interim dividend payout ratio is in line with the target payout ratio of between 65% and 85% of underlying net profit after tax. The interim dividend has historically accounted for around 40% of the full year dividend.

The 2017 interim dividend dates are as follows: an ex-dividend date of 8 March 2017, a record date of 9 March 2017, a dividend reinvestment plan (DRP) record date of 10 March 2017 and a payment date of 13 April 2017. The interim dividend is eligible for Steadfast's DRP at no discount. For more information on the interim dividend and the DRP, please refer to Steadfast's Appendix 3A.1: Notification of dividend, lodged with the ASX on 22 February 2017 and on our website.

## Outlook

Assuming stable market conditions and no material acquisitions, management re-affirms FY17 guidance<sup>4</sup>:

- Underlying EBITA of between \$140 million and \$150 million;
- Underlying NPATA<sup>5</sup> of between \$85 million and \$90 million; and
- Underlying NPAT of between \$63 million and \$68 million.

## Conference call and webcast

Robert Kelly, Managing Director & CEO, and Stephen Humphrys, Chief Financial Officer, will host a conference call and webcast today (22 February 2017) at 11.00am (Sydney time).

- To participate in the call, please dial 1800 123 296 (toll free Australia), 0800 452 782 (toll free New Zealand) or +61 2 8038 5221 (international) and quote the conference ID 5634 9891.
- To access the live webcast, please click onto [investor.steadfast.com.au](http://investor.steadfast.com.au) or <http://www.openbriefing.com/OB/2397.aspx>

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<sup>4</sup> Also refer to the key risks on pages 29-31 of the Steadfast 2016 Annual Report.

<sup>5</sup> Underlying NPATA calculated on a consistent basis since IPO.

## **About Steadfast**

Steadfast, established in 1996, is the largest general insurance broking network and the largest underwriting agency group in Australia and New Zealand. Our network provides services to over 348 broker businesses across Australia, New Zealand, Asia and Europe. Steadfast Network brokers and underwriting agencies generated billings of more than \$6.5 billion for the 12 months ended 30 June 2016. Steadfast also operates as a co-owner and consolidator through its equity interests in a number of broker businesses, underwriting agencies and other complementary businesses. For further information, please visit [investor.steadfast.com.au](http://investor.steadfast.com.au)