



28th August 2008

The Manager
Australian Stock Exchange
Company's Announcement Office
Level 6, Exchange Centre
20 Bridge Street
Sydney, NSW 2000

Dear Sir or Madam,

Re: Austbrokers Holdings Limited Presentation – 2008 Financial Year Results

Further to the company's release today on its results for the Financial Year to 30 June 2008 please find a copy of a slide presentation to be delivered to analysts, brokers and institutional investors.

Yours faithfully,

A handwritten signature in blue ink, appearing to be 'SR' followed by a flourish.

S.S. Rouvray
Secretary

Austbrokers Holdings Limited
ABN 60 000 000 715

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AUSTBROKERS HOLDINGS LIMITED

**Financial Year 2008
Results Presentation**

Thursday 28th August 2008

Lach McKeough CEO

Steve Rouvray CFO

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Agenda

- **Overview**
 - **Business Overview**
 - **FY 2008 Business Highlights**
 - **FY 2008 Financial Highlights**

- FY 2008 Financial Performance
- FY 2009 Outlook

Business overview



- **Austbrokers is one of top four insurance broking networks in Australia**
 - Client base of over 250,000
 - Over 1,200 personnel engaged in the business
 - \$1.2 billion in gross written premiums placed
 - Wide geographical spread over 80 locations
 - Regional presence
 - Solid SME business base

Business overview (con't)



- **Insurance Broking owner-driver model**

- 39 member broker firms
 - 23 50% owned
 - 13 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 \$50 million in premiums annually
 - Specialist underwriting agencies

- **Alliance with IBNA**

- \$2.0 billion gross written premium (combined Austbrokers / IBNA)
- Leverage influence and buying power with underwriters
- Potential source of acquisitions over time

FY 2008 Highlights



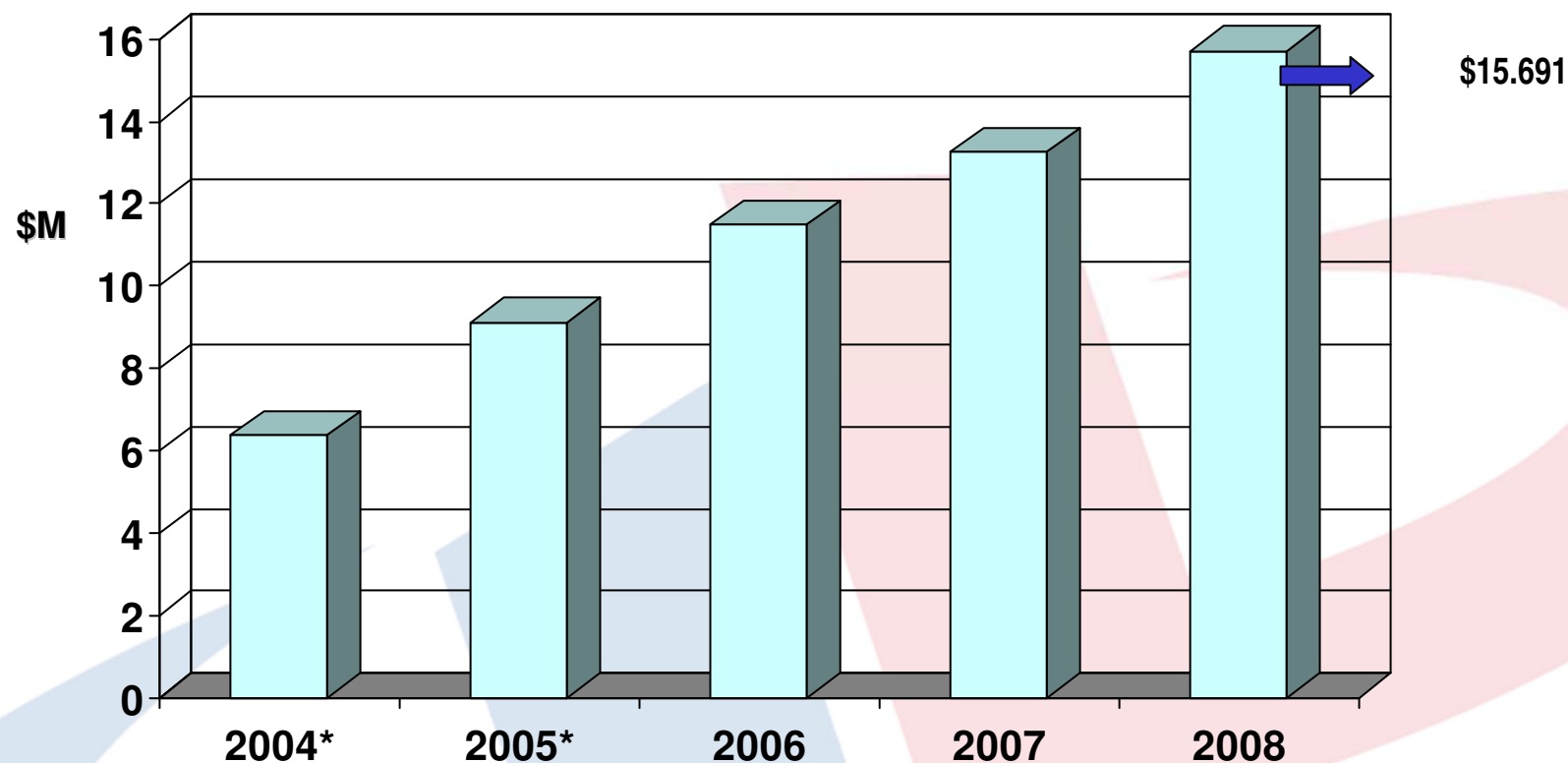
- **Acquisitions Direct**
 - 50% of Strathearn Insurance Brokers – Perth, Brisbane, Sydney
 - 50% of Rivers Insurance Brokers – Cairns, Brisbane, Innisfail
- **Acquisitions in the Network**
 - MGA acquired 75% of Portfolio Planners General Insurance Book in Adelaide
 - Austbrokers AEI Transport acquired Transcom Insurance Services in Sydney
 - Austbrokers Central Coast acquired John Tarrant Insurance Consultants and Gosford Insurance Brokers on NSW Central Coast
 - Phillips acquired 50% of Australian Compensation Services
 - Other smaller bolt on portfolios by Austbrokers Sydney, Austbrokers RWA and Austbrokers Financial Solutions
- **Equity Changes**
 - McNaughton Gardiner Insurance Brokers from 50% to 70%
 - Acquired additional 10% of Salisbury Payne Tinslay (now hold 60%) – 1 July 2008
 - Acquired additional 20% of Austbrokers City State (now 100% owned) – 1 July 2008
- **Owner Driver**
 - Divested 15% of Austbrokers Terrace to two senior managers
 - Likely partial divestment (10% - 20%) of some ownership of businesses to reinforce owner driver model

FY 2008 Highlights (con't)



- **Underwriting Agencies**
 - Established new agency – Latitude – property and liability underwritten by Great Lakes Australia
 - Acquired 60% Dolphin Insurance specialising in tourism industry
- **Premium Funding**
 - Continuing promotion and development of Joint Venture with Pacific Premium Funding (GE Company)
- **Synergies / Efficiencies**
 - Merger of DF McGarry / Citycover 1 January 2008
 - Merger of ALIB / BHI 1 September 2008
 - Transfer of 21 brokers IT to Central DataCentre
 - IT support for network marketing
- **IBNA Alliance (AIMS)**
 - Appointment of GM
 - Development of IBNA Alliance – marketing to underwriters

Profit Growth 2003 - 2008



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

* From Prospectus dated 30 September 2005 adjusted for profits from businesses sold as part of the IPO restructuring

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FY 2008 financial performance



\$'000	Actual 2008	Actual 2007	% change
Broker Revenue (net of commission paid)	171,993	134,631	27.8%
Brokers Profit (AHL share)	29,700	23,948	24%
Profit (before tax and amortisation of intangibles and sales of businesses)	23,634	18,931	24.8%
NPAT (before amortisation of intangibles and sales of businesses) – Adjusted NPAT	15,691	13,244	18.5%

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Agenda

- Overview

- **FY 2008 Financial Performance:**

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

- FY 2009 outlook

Income Statement



AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
Revenue	4 (i)	64,938	58,788	-	-
Other income	4 (ii)	5,982	5,173	16,030	9,869
Share of profit of associates	4 (iii)	12,636	8,620	-	-
Other expenses	4 (iv)	(61,843)	(56,707)	(483)	(246)
Finance costs	4 (v)	(1,685)	(1,480)	(50)	(31)
Profit before tax and sale of associates		20,028	14,394	15,497	9,592
Profit from sale of associates and broking registers		265	861	406	-
Profit before income tax		20,293	15,255	15,903	9,592
Income tax expense	5	4,084	2,158	96	82
Net Profit for the period		16,209	13,097	15,807	9,510
Profit attributable to minority interest		1,893	507	-	-
Net profit attributable to members of parent		14,316	12,590	15,807	9,510
Basic earnings per share (cents per share)	6	28.6	25.1	31.5	19.0
Diluted earnings per share (cents per share)	6	28.3	24.4	31.2	18.4
Dividends paid per share (cents per share)	8	16.0	13.5	16.0	13.5
Dividends proposed per share (cents per share) not recognised at balance date	8	11.5	9.5	11.5	9.5

Profit after tax

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

	FY Actual 2008 \$ '000	FY Actual 2007 \$ '000
Reported Profit attributable to members	14,316	12,590
Profits after tax on sale of businesses	(489)	(672)
Profit from ongoing operations	13,827	11,918
Amortisation of intangibles net of tax	1,864	1,326
Net profit after tax from continuing operations before amortisation of intangibles (Adjusted NPAT)	15,691	13,244

FY 2008 Results – Management Presentation



\$'000	FY 2008	FY 2007	VARIANCE \$	VARIANCE %
CONSOLIDATED BROKERS				
COMMISSION AND FEES	44,958	40,105	4,853	12.1%
LIFE INCOME	3,458	2,613	845	32.3%
PROFIT COMMISSIONS	566	714	(148)	-20.7%
PREMIUM FUNDING	3,318	2,861	457	16.0%
INTEREST	2,566	2,623	(57)	-2.2%
OTHER INCOME	766	725	41	5.7%
REVENUE FROM CONSOLIDATED BROKERS	55,632	49,641	5,991	12.1%
EXPENSES FROM CONSOLIDATED BROKERS	(42,843)	(38,922)	(3,921)	10.1%
PROFIT FROM CONSOLIDATED BROKERS	12,789	10,719	2,070	19.3%
EQUITY ACCOUNTED BROKERS				
COMMISSION AND FEES	97,155	69,590	27,565	39.6%
LIFE INCOME	3,725	3,461	264	7.6%
PROFIT COMMISSIONS	311	878	(567)	-64.6%
PREMIUM FUNDING	5,634	4,269	1,365	32.0%
INTEREST	7,030	4,468	2,562	57.3%
OTHER INCOME	2,506	2,324	182	7.8%
REVENUE FROM EQUITY ACCOUNTED BROKERS	116,361	84,990	31,371	36.9%
EXPENSES FROM EQUITY ACCOUNTED BROKERS	(83,032)	(63,184)	(19,848)	31.4%
PROFIT FROM EQUITY ACCOUNTED BROKERS	33,329	21,806	11,523	52.8%
UNDERWRITING AGENCIES				
COMMISSION AND FEES	7,820	7,187	633	8.8%
PROFIT COMMISSIONS	911	873	38	4.4%
INTEREST	723	515	208	40.4%
OTHER INCOME	134	71	63	88.7%
REVENUE FROM UNDERWRITING AGENCIES	9,588	8,646	942	10.9%
EXPENSES FROM UNDERWRITING AGENCIES	(7,105)	(5,665)	(1,440)	25.4%
PROFIT FROM UNDERWRITING AGENCIES	2,483	2,981	(498)	-16.7%
PROFIT BEFORE TAX, CORPORATE EXPENSES AND AMORTISATION OF INTANGIBLES	48,601	35,506	13,095	36.9%
PROFIT ATTRIBUTABLE TO OTHER PARTIES	(18,901)	(11,558)	(7,343)	63.5%
PROFIT BEFORE TAX, CORPORATE OFFICE EXPENSES AND AMORTISATION OF INTANGIBLES (AFTER OUTSIDE EQUITY INTERESTS)	29,700	23,948	5,752	24.0%
CORPORATE OFFICE				
INCOME	2,723	2,789	(66)	-2.4%
EXPENSES	(8,789)	(7,806)	(983)	12.6%
NET CORPORATE OFFICE EXPENSES	(6,066)	(5,017)	(1,049)	20.9%
NET PROFIT BEFORE AMORTISATION OF INTANGIBLES AND BEFORE TAX	23,634	18,931	4,703	24.8%
INCOME TAX	(7,943)	(5,687)	(2,256)	39.7%
NET PROFIT AFTER TAX AND BEFORE AMORTISATION OF INTANGIBLES	15,691	13,244	2,447	18.5%

FY 2008 compared to FY 2007

- Adjusted NPAT for FY 2008 at \$15.7 million (2007 \$13.2 million)
 - Adjusted NPAT excludes \$0.5 million profits on sale of businesses and \$1.9 million amortisation of intangibles expense
 - exceeded 2007 Adjusted NPAT by \$2.5 million – 18.5%
 - 2HY contributed \$9.2 million NPAT to 30 June 2008 result (59% of FY)
- NPAT Earnings Per Share (excluding profits on sale of businesses)
 - 31.3 cents before amortisation (FY 2007 26.4 cents)
 - 27.6 cents after amortisation (FY 2007 23.8 cents)
- Final Dividend of 11.5 cents per share fully franked payable on 23 October bringing total dividend for year to 18 cents per share (2007 15 cents)

FY 2008 compared with FY 2007



- Major acquisitions (before funding costs) contributed approximately 60% of the total increase in Austbrokers share of broker profits from \$23.9 million to \$29.7 million
- Total broker expenses excluding impact of acquisitions were up approximately 7.1% (excluding commissions paid) – FY 2007 3.7%
- Broker network expenses also impacted by financing of acquisitions
- Corporate expenses excluding finance costs increased \$0.6 million or 8.8% over previous period due to increased resourcing to support broker network particularly in IT and higher employment costs including incentives
- Total expenses including corporate, underwriting agencies and broker network (excluding acquisitions) increased 8%
- Interest earned increased due to acquisitions and the increase in interest rates – increase excluding acquisitions was 13%
- Finance costs included in corporate costs were up 39% to \$1.4 million due to additional borrowings for acquisitions

FY 2008 compared with FY 2007

Insurance Broking Income Analysis

- Total insurance broking income up approximately 9% on FY 2007 (excluding acquisitions) despite flat market
- Premiums placed (excluding major acquisitions) up approximately 5% on FY 2007 (2007 flat)
- Insurance broking commission and fees (excluding major acquisitions) up approximately 9% (2007 up 0.8%)
- Premium funding income (excluding acquisitions) up 14%
- Life income is up 18% (excluding acquisitions)
- Profit commissions were down 45% or \$0.7 million
- Net income broking commission and fees 19.7% of pure premium (2007:19.6%) – excludes Strathearn
- Fees in 2008 7.4% of premium (2007: 7.4%) – excludes Strathearn
- Commission : fee split 62.6% : 37.4% compared to 2007 64.8% : 35.2%
- Inclusion of Strathearn with large premiums (particularly WA Workers Compensation with low commissions and little in way of fees) and more fee based income has caused shifts in above to:
 - Commission and fees – 18% of pure premiums
 - Fees – 6.7% of premiums
 - No change to commission: fee split

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Broker Profits as % of Broker Income



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

	Including Austagencies	Insurance Broking
2008	26.7 %	26.8%
2007	24.8%	24.2%
2006	25.2%	
2005	23.4%	
2004	22.3%	
2003	20.8%	

Increase contributed by acquisition of Strathearn, Rivers and Insurance Advisernet Australia estimated at 1.5%

Remainder from improvement in margin for existing brokers

Austagencies Underwriting Agencies



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\$'000	PROFIT IMPACT		
	FY 2008	FY 2007	INCR / (DECR)
Commission and fees	7,820	7,187	633
Profit commission	911	873	38
Interest	723	515	208
Other income	<u>134</u>	<u>71</u>	<u>63</u>
	9,588	8,646	942
Expenses	<u>7,105</u>	<u>5,665</u>	<u>(1,440)</u>
Net Profit before income tax	<u>2,483</u>	<u>2,981</u>	<u>(498)</u>

- Income up due to acquisition of Dolphin Insurance (\$684,000) and increases in CPE, Australian Bus & Coach and Unitas offset by declines in Cinesure (film and television production), cessation of the deposit bonds and MTIA business
- Increase in expenses due to Dolphin (\$655,000) and additional resources to expand and distribute agency products net of cost savings from cessation of businesses
- Soft market conditions generally and lack of activity in the film and television sector have made growth difficult in 2008

Balance Sheet



Assets	30 June 2008 \$000	30 June 2007 \$000
Current Assets		
Cash at Bank	23,640	25,250
Cash at Bank – Trust	35,016	32,732
Receivables	69,621	55,586
Short term investments	2,297	5,057
Total Current Assets	130,574	118,636
Non Current Assets		
Receivables	67	84
Plant Equipment	4,544	4,897
Investments equity accounted	53,848	27,329
Brokers Loan	1,390	1,648
Intangibles	60,676	57,352
Deferred Tax Assets	2,195	1,680
Total Non current Assets	122,720	92,990
Total Assets	253,294	211,626

Balance Sheet (cont)



	30 June 2008	30 June 2007
Liabilities	\$000	\$000
Current Liabilities		
Payables	112,718	89,241
Tax Liabilities	3,663	1,307
Provisions	4,580	3,562
Interest bearing loans and borrowings	501	404
Total Current Liabilities	121,462	94,514
Non current liabilities		
Provisions	2,886	2,802
Trade Payables	78	202
Borrowings	20,216	14,416
Deferred Tax Liabilities	4,983	4,944
Total Non current liabilities	28,163	22,382
Total Liabilities	149,625	116,896
Net Assets	103,669	94,730
Equity		
Contributed Equity	49,707	49,707
Retained earnings	41,097	34,102
Other reserves	816	334
Asset Revaluation Reserve	3,278	3,376
Outside equity interest	8,771	7,211
Total Equity	103,669	94,730

Cash Flow



	2008	2007
	\$'000	\$'000
Cash flows from operations	<u>19,403</u>	<u>12,312</u>
Cash flows from investing activities		
- Acquisitions	(18,522)	(13,236)
- Sales proceeds / loan repayments	4,985	9,387
- Plant equipment	<u>(1,110)</u>	<u>(1,853)</u>
	<u>(14,647)</u>	<u>(5,702)</u>
Cash flows from financing activities		
- Dividends	(8,889)	(7,204)
- Net borrowings	<u>4,627</u>	<u>711</u>
	<u>(4,262)</u>	<u>(6,493)</u>
Net increase in cash	<u><u>494</u></u>	<u><u>117</u></u>

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Other Financials

Funding

- Interest Bearing Liabilities
 - \$16 million at holding company level
 - \$4.2 million in subsidiaries
- Increased facility from St George Bank – limit \$44 million including subsidiaries \$6 million
- Drawn bank facility at 30 June 2008
 - \$16 million
 - Undrawn amount of \$22 million based on net \$38 million
- Estimated \$15 million committed for future payments for completed acquisitions payable 2008 – 2009
- New facility term is 5 years to August 2013
- Gearing currently 16.3%, target range 25% - 30% (debt to debt + equity)
- Borrowing by associates at 30 June 2008 not on Austbrokers balance sheet - \$25.6 million
 - Includes borrowings for own premium funding activities
 - IAA loans to Authorised Representatives
 - Acquisition funding

Agenda

- Business Overview
- FY 2008 Financial Performance

• **FY 2009 Outlook**

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

Market conditions

- Premium rates
 - Market conditions improving but varies for different classes of business
 - Indications from underwriters of need for premium rate increases
 - Premium rate movements will vary across classes
- As insurance market conditions improve, organic growth from network initiatives will continue to emerge
- Uncertainty over the extent of economic slowdown
- Acquisition opportunities continue with portfolio / bolt on businesses. Age demographics in insurance broking industry remain the same

Strategy

- Growth – acquisition activity to continue
 - business development – cross marketing
 - marketing initiatives implemented to increase cross sell of insurance products
- Back office synergies and efficiencies – transfer of brokers to central IT DataCentre, mergers, centralising back offices regionally
- Underwriter relationship / product development via AIMS (IBNA Alliance) – leverage \$2 billion in premiums for marketing advantage and earnings
- Premium funding – growth and development of existing relationship with Pacific / GE, investigating opportunities for other products
- Life and superannuation - continue to develop cross sell

Outlook

- Market conditions are expected to improve but not dramatically in the short term
- Insurance broking industry consolidation – continuing acquisition opportunities
- Organic growth expected to continue to emerge through broker network initiatives provided premium rates are stable
- Uncertainty over the extent of economic slow down
- Additional borrowing costs arising from earn out payments
- Uncertainty over future profit commissions depending on underwriting results
- Based on the above and factoring in acquisitions nearing completion, the increase in NPAT before amortisation of intangibles portfolios for FY 2009 is expected to be in the range of 5% - 10% over FY 2008. This is subject to no significant variation in the current market conditions from that set out above

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.