

1H21 Performance Overview

A record 1H21 result that positions AUB Group for another strong year

Summary

- Underlying NPAT¹ \$30.7mn (1HFY20: \$21.3mn) up 44.2%.
- Underlying earnings per share 41.47 cents up 43.2%.
- Mixture of underlying organic and acquisition driven growth primarily in Australian Broking.
- Reported Net Profit After Tax \$24mn (1HFY20: \$16.6mn), up 44.5%.
- Fully franked interim dividend of 16.0 cents per share (1HFY20: 14.5 cps), an increase of 10.3%. Dividend Reinvestment Plan (DRP) remains activated.
- Excellent results in Australian Broking are a result of recent initiatives that will continue to drive sustainable improvement in revenue and underlying cost drivers.
- Accelerating growth in BizCover together with strong progress against FY21 Execution Priorities.
- Sale of Altius agreed, completing exit from Health & Rehabilitation Services.
- Continued focus to deliver on growth ambitions – Upgraded FY21 Underlying NPAT guidance of \$63.0mn - \$65.0mn, representing 17.9% - 21.7% growth on FY20.

AUB Group Limited (ASX:AUB) has reported a 44.2% increase in Underlying Net Profit After Tax (Underlying NPAT¹), to \$30.7mn (1HFY20: \$21.3mn). On an Underlying basis, earnings per share has increased to 41.47 cents per share, up 43.2% over the prior comparative period.

Reported Net Profit After Tax (Reported NPAT) attributable to ordinary shareholders of the parent increased 44.5% to \$24mn (1HFY20: \$16.6mn). The increased Reported NPAT was due to a mixture of strong underlying organic and acquisition driven growth primarily in the Australian Broking division.

AUB Group CEO and Managing Director, Michael Emmett, said: “I’m pleased to report very strong results for the Group. I’d like to thank our brokers and staff who have pulled together despite facing tremendous adversity and difficulty to help us deliver an extraordinary financial result. I’d also like to acknowledge our clients whose resilience in the face of the pandemic and their continuing confidence in our services and advice is critical to our business.

1H21 was an important period for the group during which we were able to demonstrate the benefit of our investment in BizCover, grow broking revenue and improve broking profits across our existing network, agree the sale of Altius to finalise our exit from Health and Rehabilitation Services, strongly progress the implementation of

1 Underlying Net Profit After Tax excluding adjustments to carrying values of associates, profit on sale and deconsolidation of controlled entities, contingent consideration adjustments, acquisition costs, impairment charges, and amortisation of intangibles. Performance measure used by management and the Board to assess underlying business performance.

our two key technology platforms, make further strategic investments including in 360 Underwriting and Experien and to continue our strategy to consolidate and scale existing businesses.

These strategic initiatives leave us poised for strong, continued growth in the second half and in FY22, enabling us to upgrade our full year profit guidance. We now expect to achieve between \$63mn and \$65mn of Underlying Net Profit after Tax representing growth on FY20 of between 17.9% and 21.7%."

Highlights by operating division

Australian Broking

- Underlying pre-tax profit for the half year increased by 60.1% to \$39.3mn (1H20:\$24.6mn). This increase driven by both organic and acquisition related growth as follows:
 - Organic profit growth was assisted by:
 - Increased Commercial lines insurance premiums averaging 7.4% over the period
 - Ongoing cost reductions due to network rationalisation
 - Acquisition related profit growth included strong contributions as a result of investments in BizCover (1 February 2020) and Experien (1 August 2020).
- EBIT margin 32.9% up 740bps from 1H20.

New Zealand

- Underlying pre-tax profit for the half year increased by 5.9% to \$5.2mn.
- Continued flat premium rates were observed.
- NZbrokers continues to perform well with growth in members and continually enhanced membership proposition including in the technology space.

Australian Agencies

- Underlying pre-tax profit for the half year decreased by 4.8% to \$5.3mn.
- COVID-19 impacted clients in the Hospitality, Bus and Coach and Film & Entertainment industries during a transitional year.
- The restructuring of Australian Agencies into General Commercial Underwriting, Specialty, and Strata has commenced, complemented by the investment in 360 Underwriting Solutions in December 2020, which accelerates AUB Group's scale in Agencies.

Health & Rehabilitation

- Pre-tax profits increased by \$1.0mn or 58.4% to \$2.8mn for the half year, primarily due Altius Group's increased revenue and reduced costs.
- On 20 January 2021, AUB Group Limited entered into an arrangement to dispose of its entire interest in Altius Group for cash proceeds of approximately \$57mn. The transaction is expected to be completed by April 2021, and on completion Altius will cease to be a controlled entity of the Group. The sale is expected to result in a post-tax profit on disposal of \$10mn after expensing \$5.4mn related to the increased value of a put and call option in favour of an existing Altius minority shareholder at 31 December 2020. Neither of these amounts will be reflected in Underlying Net Profit After Tax.

Capital Management

- Look through gearing² has decreased to 34.0% at 31 December 2020 (30 June 2020: 34.2%).
- AUB Group has undrawn facilities of \$17.8mn at 31 December 2020 (30 June 2020: \$58.0mn).

Dividends

- The Board has determined a fully franked interim dividend of 16.0 cents per share (1H FY20: 14.5 cps), a 10.3% increase.
- The interim dividend is payable on 8 April 2021 to shareholders on the register at 5:00pm on 5 March 2021 (record date).
- The Dividend Reinvestment Plan (DRP) arrangements remain activated for the interim dividend.

FY21 Outlook and Guidance Upgrade

- The AUB Group expects to deliver a FY21 Underlying NPAT of \$63.0mn - \$65.0mn, representing growth of 17.9% - 21.7% over FY20.
- In estimating FY21 Underlying NPAT, the Group has assumed the following:
 - Underlying NPAT guidance upgrade driven mainly by 1H21 outperformance.
 - Premium rates for Australia are expected to increase in the range of 5% to 6%;
 - Continued small bolt-on acquisitions and shareholding changes in existing network members are included in the outlook;
 - Guidance excludes the impact of major acquisitions. If these were to occur, the Group would provide updated guidance at that stage;
 - The seasonally important Australian Broking June renewal cycle to perform in line with historical performance.

² Debt/ (Debt plus Equity). Includes AUB's percentage share of associates total debt.

AUB 1H21 PRESENTATION OF FINANCIAL RESULTS TABLES

Table 1 Financial Results Summary

FINANCIAL RESULTS SUMMARY	1H21 \$ 000	1H20 \$ 000	Variance %
Revenue from ordinary activities ¹	167,990	162,899	3.1%
Underlying NPAT ²	30,747	21,327	44.2%
Profit before tax	36,889	25,961	42.1%
Net profit after tax (before non-controlling interests)	29,254	18,921	54.6%
Net profit attributable to members (Reported NPAT)	23,981	16,596	44.5%
Reported earnings per share (cents)	32.35	22.50	43.8%
Underlying earnings per share (cents) ²	41.47	28.96	43.2%
Dividend per share (cents)	16.0	14.5	10.3%

¹ Revenue from ordinary activities includes the Group's share of net profit after tax from associates which are companies and the Group's share of net profits before tax from associates which are unit trusts.

² Underlying NPAT represents the underlying profitability of the business used by management and the board to assess performance of the business. Further details are provided in Table 2. Underlying earnings per share is earnings per share calculated with reference to Underlying NPAT.