



28 October 2013

Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**2013 AGM Addresses to Shareholders**

The Company will address shareholders today at its Annual General Meeting to be held at 10am on Level 4, Hilton Sydney – 488 George St, Sydney.

Attached is a copy of the Chairman's address, Managing Director & CEO's address and Managing Director & CEO's presentation.

Yours faithfully

A handwritten signature in blue ink that reads "Linda Ellis".

**Linda Ellis**  
**Group Company Secretary & General Counsel**

**Steadfast Group Limited**

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**STRENGTH WHEN YOU NEED IT**



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## 2013 AGM Chairman's Address

28 October 2013

Ladies and gentleman:

Welcome to Steadfast's first Annual General Meeting as a listed company.

As a result of the Initial Public Offering (IPO) in August, Steadfast was transformed. In addition to providing services to its extensive network of approximately 280 brokers, Steadfast became an owner and acquirer of insurance broker businesses, underwriting agencies and ancillary service organisations.

Steadfast remains the largest general insurance broker network in Australia with a significant presence in New Zealand and a credit insurance brokerage business in Singapore. Steadfast also owns a 50% interest in Macquarie Premium Funding, one of the largest premium funders in Australia which acquired Pacific Premium Funding in March 2013.

The IPO was a significant achievement for Steadfast and its broker network. It provided the Steadfast Group with an excellent platform for strong growth and succession. The rise in the share price since listing reflects the potential of Steadfast. Your Board and Management realise that we must deliver the markets' expectations in the short and longer term. In this regard I am pleased to advise that the preliminary first quarter results indicate we are on target to deliver the forecast 2014 financial year numbers included in the prospectus.

Employees and owners of the businesses within the Steadfast Network along with your Directors and management hold approximately 37% of the ordinary shares in Steadfast. A large part of this holding came from those brokers who sold equity in their businesses into the IPO and who decided to receive part of their proceeds in shares rather than cash. The IPO was substantially oversubscribed with strong support from retail and institutional investors. We welcome our new shareholders to the Steadfast Group.

### 2013 Financial Results

The 2013 financial results of Steadfast, assuming the Pre-IPO and IPO acquisitions were consolidated from 1 July 2012, were slightly ahead of our forecasts included in the prospectus. As was the 2013 \$13.4 million statutory loss, which included \$23.8 million of one off costs relating to the IPO and the due diligence on the acquisitions.

### Capital Position

Post the IPO, the Balance Sheet has net assets of over \$500 million, substantially reduced debt to around \$7 million, and excess cash of \$25 million.

Your Board has set the maximum debt at a prudent 15% of equity plus debt. This, together with excess cash and expected retained profits, provides us with approximately \$125 million of existing capacity to potentially spend on acquisitions and growth initiatives in the 2014 financial year. The Managing Director & CEO will provide more detail on current acquisition activity in his address. Please be assured that we intend to follow our strict acquisition criteria, which includes that acquisitions be earnings per share accretive within the first year of ownership.

## Dividends

The Directors of Steadfast intend to target a dividend payout ratio in the range of 65% to 85% of net profit after tax and a minimum of 50% of net profit after tax before amortisation of intangibles. The Board expects that dividends will be fully franked and paid in April and October each year. The Directors have also established a dividend reinvestment plan which is available on our website.

The first dividend as a listed Company is expected to be declared on the first half year results and payable in April 2014.

## Preferred Capital Shares

We are seeking approval today for the cancellation of all the Preferred Capital Shares. Before the Company listed, the brokers in the Steadfast Network each had 5 Preferred Capital Shares. As part of the capital restructure, these brokers were issued 65.6 million ordinary shares with the assumption that their Preferred Capital Shares would be cancelled for nil consideration.

## Strategy

Your Directors, management and employees are committed to delivering the following strategic initiatives:

- Continue to enhance the services we provide to all network brokers, irrespective of equity participation;
- Build and develop our strategic relationships with insurers and other parties;
- Deliver synergies from the acquisitions made to date and for the Steadfast Network. We are working to develop common back office solutions to increase efficiency and reduce costs;
- Generate growth from acquisitions. We are the natural acquirer of Steadfast Network Brokers, non-aligned brokers and underwriting agencies;
- Cross-sell existing and new products within the Steadfast Network; and
- Build on our existing underwriting agencies with particular focus on specialist products and driving down costs of servicing and administration.

## Executive Remuneration

Later this morning shareholders will have the opportunity to ask questions and to vote on the Remuneration Report. The objective of the Group's executive reward framework is to ensure that the remuneration of our management and employees is competitive and appropriate for the results delivered. The incentive arrangements we have adopted ensure that there is a strong relationship between employee rewards and the creation of shareholder value. To ensure this occurs we have adopted earnings per share growth targets and performance against personal objectives for our short and long term incentives.

### **Corporate Governance and Board**

The Board is focused on ensuring that Steadfast is soundly managed and operates in an appropriate environment of corporate governance. Accordingly, the Board and management have created a framework for managing Steadfast as a listed company. This includes adopting relevant internal controls, risk management processes and corporate governance policies and practices for managing the business, continuous disclosure, share trading, employee conduct and effective shareholder communications.

In order to be an effective Board, we need to have the right mix of skills to provide a sound overview of the business. I believe we have the right mix. All of the Directors have extensive industry experience in a range of wholesale broking, general insurance, underwriting agencies, professional services, financial management and participating on Boards of listed and non-listed companies.

### **Conclusion**

In conclusion, I would like to thank my fellow Directors for the extensive time required to implement the necessary corporate governance framework and meet the substantial requirements for the IPO. I would also like to thank the Managing Director & CEO, Robert Kelly, and his team for their hard work and significant contribution to the success of the IPO. And finally, I would like to recognise the achievements of the Steadfast management, Steadfast Network Brokers and employees who have built a successful business over the past 17.5 years and made Steadfast what it is today.

We are confident that we have put the appropriate strategies in place to increase shareholder value.

I will now hand over to our Managing Director & CEO, Robert Kelly, to address the meeting.

## 2013 AGM Address from the Managing Director & CEO

28 October 2013

Thank you Frank. Good morning everyone.

I am pleased to have this opportunity to highlight our recent transformation, review our 2013 results and provide you with an update of our progress.

### Who we are

Let's start with who we are. Steadfast is the largest general insurance broker network in Australia. We began in 1996 as a buying collective and have grown into approximately 280 brokers producing over \$4 billion in gross written premium. We have equity interests in 62 broker businesses, four underwriting agencies and two ancillary businesses. We also own 50% of Macquarie Premium Funding. The slide shows where we have 430 offices across Australia and New Zealand. Not highlighted on this slide is that we also have an office in Singapore.

### Initial Public Offering

Through a lot of hard work by many people, we successfully listed on 2 August on the ASX under code SDF and we chose a listing price of \$1.15 per share. We raised \$334 million to help fund the IPO acquisitions, retire some debt and cover the IPO costs, and to increase our balance sheet capacity for future acquisitions. We had a series of acquisitions that we completed on 7 August and listed with minimal debt and excess cash. Our market capitalisation as of Friday was in excess of \$850 million based on a share price which has risen 48% compared to the listing price. We are very pleased with the confidence the market has shown in our ability to create shareholder value.

### FY13 Financial highlights

The FY13 pro-forma results were slightly ahead of forecasts. Our pro-forma NPAT was \$28.1 million, or 5.6 cents per share, 3.1% above the IPO prospectus forecasts.

Our marketing and administration fees, which we refer to as M&A, increased to \$24.5 million, a 13% increase compared to FY12. It means that we are selling more of our Strategic Partners' products and integrating more products into Partner offerings.

Our statutory loss before tax for FY13 was \$13.4 million. This was after costs relating to the IPO and due diligence totalling \$23.8 million. The loss was \$2.3 million better than forecast in the prospectus. We achieved this better than expected result because of additional revenues from our acquisitions and M&A Fees from our network brokers as well as from cost savings.

### Strategy

Our strategy is multi-faceted and outlined at a high level on this slide. There are a number of slides which follow that will provide you with more detail about our significant initiatives to grow the business and become more efficient in our product and service delivery.

Core to our business and growth are the Steadfast Network Brokers. We will therefore continue to enhance the services we provide to all our brokers regardless of their equity participation in the Group.

Also core to our business and growth is building and developing our strategic partner relationships with insurers and other parties.

On the cost side, we are looking to create back office savings in two ways. Firstly, by hubbing wholly owned acquisitions to remove duplication of back office costs and create economies of scale. Secondly, by creating a common back office platform that can be rolled out throughout the network to create operational best practice and cost savings. We are working with White Outsourcing, one of the ancillary businesses we purchased at IPO, to deliver the platform which is expected to pilot in the coming months.

We also expect to grow from further acquisitions. We are the natural acquirer of brokers within the Steadfast Group and have found increased interest from those who did not sell into the IPO as well as from new candidates due to the success of the float.

Cross-selling our products and services within the Group and the network provides us with potential for revenue synergies. Being the biggest general insurance network in Australia and the fourth largest in New Zealand gives us tremendous distribution power.

Underwriting agencies is the other key area of growth for us via acquisitions, cost savings and cross-selling opportunities. We've been in the underwriting agency market for over 12 years with great success.

### **Co-ownership model**

I thought it would be worthwhile to highlight the percentage ownership we have in the businesses we've acquired. They are not all 51% or more and there is a reason for this.

You can see that out of the 62 brokers in which we have equity stakes, we have less than 51% ownership in 63%. However, looking at their EBITA contribution you see that these are smaller brokers who likely have more growth upside from a lower base, want higher ownership and could also be hubbing candidates in the future.

We have purchased 100% of 13 brokers and we plan that all but two will move into a hubbing environment.

What I would like to emphasise the most is the strong shareholder agreement we have with our equity brokers with restrictive covenants for generally five years. So although our equity

brokers have day to day management control, Steadfast in conjunction with its equity partners, has control over strategic decisions.

### **Consolidation of brokers/hubbing**

I would now like to update you on our hubbing initiatives, which essentially means putting two or more businesses together to create immediate back office cost synergies and revenue uplift.

Our first hub was formally agreed this month in Sydney between Indemnity Corporation and Finn Foster. The combined broker was renamed IRS Steadfast to take advantage of the Steadfast brand power. We highlighted this hub in the IPO prospectus and expect to add two more wholly owned brokers to IRS Steadfast in the very near future.

Further hub discussions are well underway for major cities in Australia and we expect to have them complete by the end of this financial year.

The announcement of new hubs should bring further awareness to the Steadfast brand which has over the past 18 months been refreshed with a new logo and an active marketing campaign. We are advertising on TV, in magazines, online and on the radio as well as through search engines. We advertise on Nissan race cars and you can now see our logo on shirts worn by Brisbane Roar football players. The banners placed around the room and outside are other examples of how we are promoting Steadfast and its brokers.

### **Acquisition opportunities**

At the end of June 2013, there were 873 brokers and underwriting agencies in Australia. This market can be broken down into 280 Steadfast brokers, 200 brokers aligned with other networks and 390 non-aligned brokers. Since we have interests in 61 Steadfast brokers in Australia, we have around 220 of our own brokers and the 390 non-aligned brokers as potential acquisitions. We believe these brokers will naturally come to us when they seek succession or they seek to do anything with their business due to our size, scale and reputation we have established over nearly 18 years.

We are starting to look again at pre-IPO candidates that we did not have time to complete due diligence on, as well as a number of new candidates that have emerged thanks to the success of our IPO. We are being presented with a number of exciting acquisition opportunities which we are investigating.

The acquisition opportunity is there. However, we will not do anything unless an acquisition can be EPS accretive in the first 12 months and we are satisfied that the business is a good long term fit for the Group. We have a comprehensive due diligence process that we must go through and will make sure that we stick to our 15% gearing threshold which gives us a current balance sheet capacity for acquisitions, including anticipated FY14 retained earnings, of \$125 million. As I have said before, and I will reiterate it because it is important, we have a conservative approach to making acquisitions.

## **Cross-selling products and services**

The distribution power of our broker network provides us with cross-selling opportunities which are highlighted on the next slide. We have split these opportunities into four main areas: Premium Funding, Underwriting Agencies, General Insurance and Life Products.

**Premium Funding.** Steadfast holds a 50% equity interest in Macquarie Premium Funding, one of the largest premium funders in Australia. In FY13, MPF arranged approximately \$950 million in premium funding for policyholders of which Steadfast Network Brokers sold more than two thirds. Due to the acquisition of Pacific Premium Funding in March 2013, we expect the combined company to exceed \$1.5 billion in sales for FY14.

**Underwriting Agencies.** As mentioned earlier, Steadfast has over 12 years' experience as an investor in underwriting agencies. We now hold equity interests in four underwriting agencies and will build on the businesses by substantially expanding the specialised products they sell into the network.

**General Insurance.** The pre-IPO and IPO acquisitions have created opportunities for selling new products into the network. For example, the acquisition of National Credit Insurance Brokers provides the network with the ability to sell credit insurance, a product not typically sold by Steadfast brokers.

**Life Products.** In April we introduced a life insurance sales model called Steadfast Life due to the interest generated from television advertising by direct underwriters promoting the need for life insurance. Since then, 61 Steadfast brokers have entered into formal arrangements with Steadfast Life and are now starting to sell life insurance as an add on product.

## **Outlook**

I would like to finish with our outlook. We reaffirm our FY14 pro-forma forecasts outlined in the IPO prospectus which consist of revenue of \$152 million and EBITA of \$61 million. It is important to note that these forecasts do not in any way take into account future acquisitions or potential back office synergies. We have an extremely conservative balance sheet with the capacity to fund future acquisitions. We have the foundations in place to be a consolidator, a builder and an acquirer of broker businesses and underwriting agencies. Finally, we are well placed to grow organically due to the benefits of being part of the Steadfast Network. We focus on small to medium enterprises, the sweet spot of the market, which makes up the majority of businesses operating in Australia.

Before I hand back to Frank, I would like to express my sincere thanks and admiration for the team around the IPO process. This includes the staff, all the Steadfast Network Brokers, our management and Board. We have achieved a lot but the journey has only just begun. We will continue to build on the strength of the Steadfast Network and look forward to updating you on our progress.

I will now hand you back to Frank.



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# BUILDING ON OUR STRENGTH

Annual General Meeting – 28 October 2013



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# Managing Director & CEO Presentation

Robert Kelly

# Important Notice



This presentation contains general information in summary form which is current as at 28 October 2013. It presents financial information on both a statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS)) and non-IFRS basis. This presentation is not a recommendation or advice in relation to Steadfast Group Limited ("Steadfast") or any product or service offered by Steadfast's subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not contain all information relevant or necessary for an investment decision. It should be read in conjunction with Steadfast's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange, and in particular the Annual Report for the year ended 30 June 2013. These are also available at [www.steadfast.com.au](http://www.steadfast.com.au).

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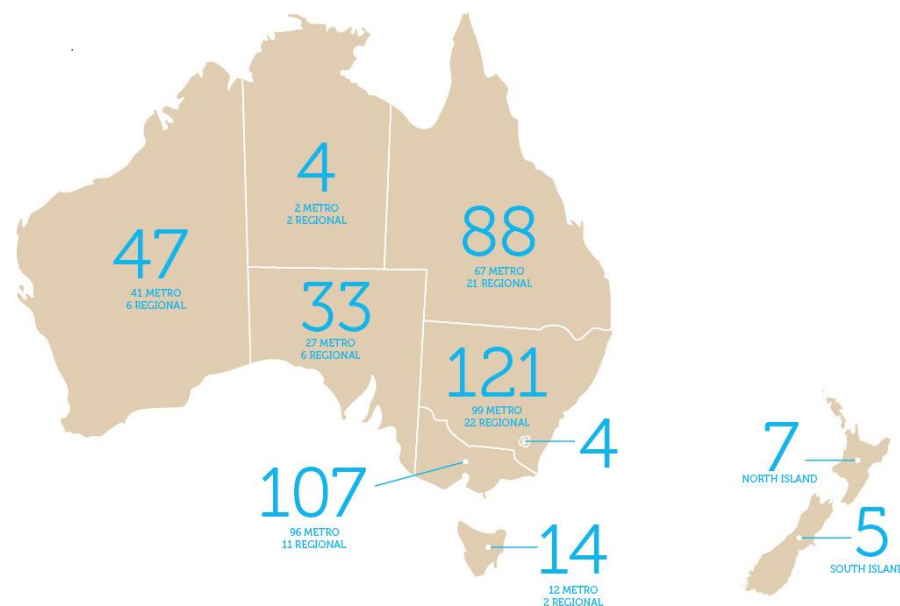
Local currencies have been used where possible. Prevailing current exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate.

All references starting with "FY" refer to the financial year ended 30 June. For example, "FY13" refers to the year ended 30 June 2013.

## LARGEST general insurance broker network in Australia<sup>1</sup>

- ▶ Founded in 1996 as a collective buying and service group for independent brokers
- ▶ Network has grown from 43 to ~280 insurance broker businesses representing \$4.0 billion in GWP
- ▶ Equity interests in 62 broker businesses, 4 underwriting agencies and 2 ancillary businesses
- ▶ 50% interest in Macquarie Premium Funding

### 430 offices across Australia and New Zealand



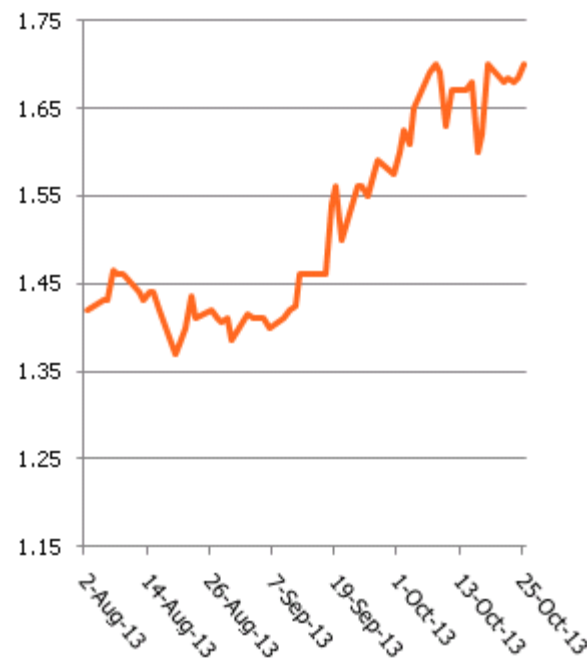
Note: 1: Measured by annual premiums placed and number of licensed brokers

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# Initial Public Offering (IPO)

- ✓ **Successfully listed on the ASX on 2 August 2013 under code SDF at \$1.15 per share**
- ✓ **Raised \$334 million to help fund IPO Acquisitions<sup>1</sup>, retire pre-IPO debt, cover IPO costs and increase balance sheet capacity for future acquisitions**
- ✓ **Completed 100% of the IPO Acquisitions on 7 August 2013**
- ✓ **Listed with minimal debt and excess cash position**
- ✓ **Market capitalisation of Steadfast was over \$850 million as at 25 October 2013**

**SDF share price graph** (based on closing price)<sup>2</sup>



Notes: 1: Where used in this presentation, the terms "IPO Acquisitions" and "Pre-IPO Acquisitions" have the meaning given in the IPO prospectus dated 11 July 2013.  
2. Source: tradingroom.com.au

# FY13 Financial highlights



- ✓ **Steadfast Network GWP** was \$4.0 billion, an increase of 10% compared to FY12
- ✓ **Pro-forma results** were slightly ahead of forecasts in IPO prospectus on both an IFRS and an Aggregate basis
- ✓ **Pro-forma NPAT (IFRS view)** of \$28.1 million, or 5.6 cents per share, was 3.1% above IPO prospectus
- ✓ **Marketing & Administration (M&A) Fees** increased to \$24.5 million, a 13% increase compared to FY12
- ✓ **Statutory loss before tax** (including IPO and due diligence expenses of \$23.8 million) was \$13.4 million, \$2.3 million better than forecast in the IPO prospectus due to additional group revenue and cost savings

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- ✓ **Continue to enhance the services we provide to all network brokers, irrespective of equity participation**
- ✓ **Build and develop our strategic relationships with insurers and other parties**
- ✓ **Deliver synergies from the acquisitions made to date and from the broader Steadfast Network (i.e. back office cost synergies)**
- ✓ **Generate growth from acquisitions**
  - Natural acquirer of brokers in the Steadfast Network
  - Interest created by IPO for non-aligned brokers and underwriting agencies
- ✓ **Cross-sell of products and services within the Steadfast Network**
- ✓ **Build on our existing underwriting agencies with particular focus on specialist products and driving down costs**

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# Co-ownership model

Ownership level	No of firms	%	% EBITA
25 – 50%	39	63%	38%
51 – 99%	10	16%	34%
100%	13	21%	28%
<b>Total</b>	<b>62</b>	<b>100%</b>	<b>100%</b>

- ✓ Majority of broker acquisitions <50% ownership tend to be smaller in size
- ✓ Smaller firms could be candidates for hubbing in the future
- ✓ Strong shareholder agreement gives Steadfast, in conjunction with its equity partners, control over strategic decisions
- ✓ Restrictive covenants for generally 5 years

Source: IPO prospectus dated 11 July 2013.



# Consolidation of brokers/hubbing



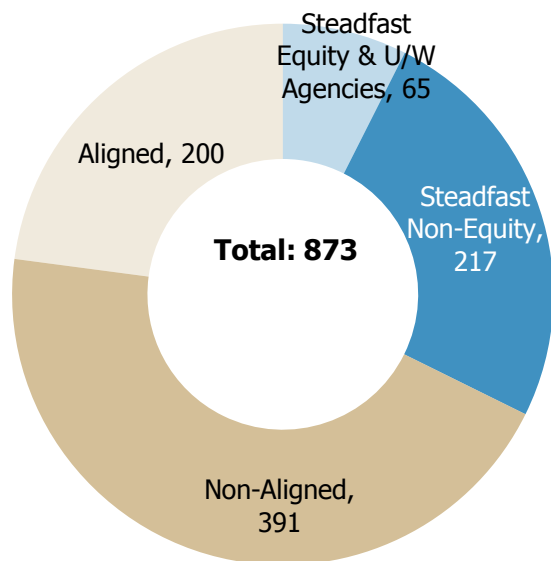
- ✓ **Of the 13 wholly owned broker businesses, 11 are hubbing candidates**
- ✓ **Hub discussions well underway for all major cities in Australia**
- ✓ **First hub agreed in October 2013: IRS Steadfast in Sydney<sup>1</sup>**
  - 4 brokers expected to be consolidated/hubbed into 1
  - Indemnity Corporation (49% equity interest) + Finn Foster (49%) hub agreement has been signed
  - Wagland Salter (100%) + DMA Insurance Brokers (100%) expected to join the hub
- ✓ **Second hub scheduled for December 2013 with the balance to be completed by 30 June 2014**
- ✓ **Back office synergies expected to materialise in FY15 results**

*Note: 1: The Indemnity Corporation and Finn Foster hub was disclosed in the IPO prospectus dated 11 July 2013.*

# Acquisition opportunities

Steadfast is the natural acquirer of further interests in Steadfast Network Brokers, non-aligned brokers and underwriting agencies

## Total Australian General Insurance Intermediaries (FY13)<sup>1</sup>



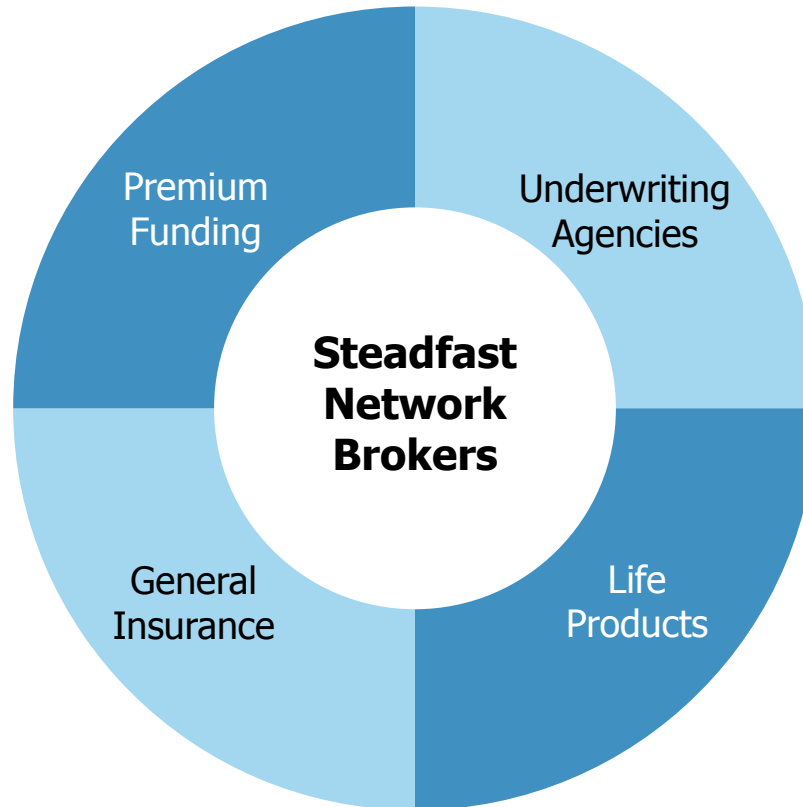
**Total revenue: \$18 billion<sup>1</sup>**

- Acquisition opportunities gathering momentum
- Reviewing pre-IPO acquisition candidates and new candidates post-IPO
- Active dialogue with several vendors and considering several possibilities
- Strict criteria being following including expectation that acquisitions would be EPS accretive to shareholders within the first 12 months assuming 85% equity funding
- Current balance sheet capacity including anticipated FY14 retained earnings of \$125m

Source: APRA and Steadfast estimates.

# Cross-selling product and services

Synergies expected by leveraging the distribution power of Steadfast Network Brokers



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- ✓ **Reaffirming FY14 pro-forma forecasts in the IPO prospectus including IFRS revenue of \$152 million and EBITA of \$61 million** (which excludes any future acquisitions and potential back office cost synergies)
- ✓ **Conservative balance sheet with \$125 million capacity to fund future acquisitions**
- ✓ **Foundations in place to be a consolidator and acquirer of broker businesses and builder of underwriting agencies**
- ✓ **Well placed to grow organically due to network benefits and focus on small to medium enterprise (SME) market**

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