

Austbrokers Holdings

THIS INSURANCE broker is a favourite with many analysts because of its defensive business model. Austbrokers buys equity in broking businesses, riding a trend for independent brokers to sell out of the industry, and this means it hasn't been so exposed to weaker insurance premiums. It reported a 14.3 per cent lift in first-half profit to \$6.7 million, which chief executive Lachlan McKeough pointed to higher commission, fee and premium income. Smallco fund manager Craig Miller says Austbrokers is a

Si view

A favoured stock among brokers, though some consider there's better value elsewhere. It should get a boost from rising insurance premiums, while recent acquisitions should translate into further operating efficiencies.

very solid stock but he sees better value elsewhere. However he says Austbrokers' business diversification is a bonus. "They have the acquisition roll-out and will get a free kick from any increase in insurance premiums, which are rising from historically low levels," he says. RBS head of mid- and small-cap

research Nicolas Burgess says the stock is a high-conviction "buy" that is expected to report at least 10 per cent annual earnings per share growth over the next two years. Rising premiums and margins would give a further boost. "We believe it has superior earnings visibility and ... is fundamentally undervalued," Burgess says. "We reiterate our \$5.09 target price." UBS's Lachlan Parker also rates the stock a "buy" and has a price target of \$4.60. "It's a testament to the Austbrokers model that it should still be able to post double-digit earnings growth," he says.

Jane Searle

ASX CODE: AUB

Insurance Provides insurance broking and other financial products and services. Year end: June 30	Share price, daily (\$)	4.50
52 week ▲	\$4.50	2007
52 week ▼	\$3.30	Revenue
Yield	4.16pc	Net profit
Market cap	\$223.6m	EPS
Est. P/E	12.9	Dividend
		2008
		\$58.8m
		\$12.6m
		25.1¢
		13.5¢
		\$64.9m
		\$14.3m
		28.6¢
		16.0¢