## **Investor Briefing | H1 FY19**

February 18th 2019





## Today's speakers





Brodie Arnhold

**Chief Operating Officer** 



**Henriette Rothschild** 

Chief Marketing
Officer



Warren Hebard

Chief Experience
Officer



Slade Sherman

Chief Financial Officer



Vicki Pafumi



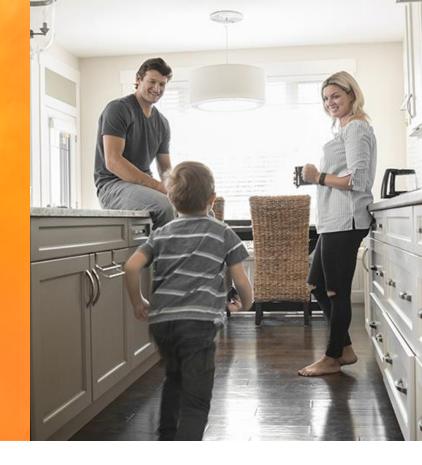
## Results from business reset clearly flowing through in H1 FY19

- Focus on generating sustainable profitable growth delivering results with strong growth in earnings
- Strategic review is complete with implementation ahead of schedule. Initiatives to be completed in H2 FY19, delivering further profit and operational improvement
- > Significant improvement in marketing ROI will remain a key focus area
- Continuing to invest in technology and customer experience, benefits to start flowing in H2 FY19
- Further investment in iMoney, to position in one of the fastest growing financial services markets, to maximise growth opportunity
- > Strategic shareholder has crept 3% to 22.6%



## **Business Update**

**Brodie Arnhold**Chief Executive Officer





## Substantially progressed business reset initiatives in H1 FY19

6 Months ago : What we said we would do	Status	What we have done in H1 FY19
Business Reset		
Other Business Reset initiatives		Complete: Strategic Review, Write-off/Disposal of Legacy Fixed Assets, Renegotiation of Kiosk contract, InfoChoice sale, Nest
Home Loans Business Model	•	Introduction of self-employed brokers and ongoing review of sustainable profitable operating model
Scaled down Cape Town model		Contract now renegotiated. Despite this, conversion performance in H1 has been below expectation
Strategic Focus Areas		
Focus on EBIT positive ROI for all marketing activity	•	Significant improvement in marketing ROI YOY, this will continue to be a focus area in H2
Reduction in sales leakage		Sales leakage is a key focus area, work is ongoing and success will be underpinned by technology and data improvements
Improvement in multi-product and cross-serve capability		Multi-skilled consultants continues to be a focus area. Cross-Serve has continued to increase as a % of iSelect Revenue in H1
Continued migration to 'Single view of customer'		Technology development is progressing well. On track to leverage this capability and realise benefit in FY20



**SALES VOLUME** 197k

**RPS** 

**EBIT** 

\$414

+6% YOY

**MARKETING ROI** 

3.54

+26% YOY

\$6.2m<sub>(Underlying)</sub>

+80% YOY

14.6%

+0.6 pp YOY

**CONVERSION** 

10.0%

-0.4p.p YOY

**GP MARGIN** 

X-Serve as %Rev

37.1%

+6.6 pp YOY

**EBIT MARGIN** 

8.6%(Underlying)

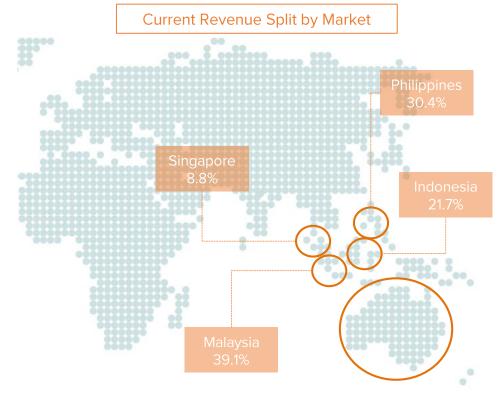
+4.4 pp YOY

**ENERGY/TELCO** 

## iMoney continues growth trajectory



- iMoney revenue growth continues in one of the fastest growing financial services markets in the world
- Significant opportunity for iSelect:
  - 4 Markets currently
  - 266m mobile users (potential customers)<sup>(1)</sup>
- Strong recent fundraising in this sector with majority of competitors achieving valuations at double digit revenue multiples (CompareAsia, C88, Jimexu, GoBear)
- Investment in iMoney US\$18.4m for 84.3% shareholding (as at Jan 31st, 2019)
- Increase planned investment velocity (c. US\$2m) to enable accelerated asset growth preparing for a strategic partnership or market consolidation opportunity





798k +29% YOY **LEAD GEN CONVERSION** 

**LEADS** 

20.6% -2.4% YOY

**MARKETING ROI** 

2.54 -1.6% YOY

**REVENUE** \$2.2m +19% YOY

\$10 +8.3% YOY **GP MARGIN** 

n.m

RPS

**SALES** 

165k

+16% YOY

25% -2.2pp YOY **EBIT** 

(\$1.7m)

## **Strong growth in Underlying EBIT**

Income Statement - Underlying (Excl. iMoney) (\$m)	H1 FY19	H1 FY18	Change
Revenue	72.6	82.4	-12%
Gross Profit	27.0	25.2	7%
GP Margin	37%	31%	+6.6 pp
Overheads	(16.8)	(18.2)	-8%
EBITDA	10.2	7.0	46%
Depn. and Amort.	(4.0)	(3.3)	20%
Loss from Associates	-	(0.2)	-100%
EBIT	6.2	3.5	79%
EBIT Margin	9%	4%	+4.4 pp
Net Interest Income	(0.2)	0.3	-180%
Income tax expense	(1.2)	(1.0)	16%
NPAT	4.8	2.8	73%
Reported EBITDA (Excl. iMoney)	(1.0)	4.2	-124%
Reported EBIT (Excl. iMoney)	(5.0)	0.6	n.m

- Revenue decline is in line with internal expectations, with the clear strategy of Sustainable Profitable Growth
- GP Margin result reflecting a step change in marketing approach and efficiency
- Overheads decreasing YOY reflecting the 'focus on core business'
- Increased D&A in line with increased technology investment
- Balance Sheet 'clear' following Strategic Review
- Full Reported Earnings breakdown in Appendix. Key reconciling items include:
  - Impairment (Wealth)
  - Fixed Assets write-offs (from non-core business)
  - Business restructure
- A segment breakdown will follow in this presentation.
  - Note: iSelect's Other segment includes Home Loans, InfoChoice and Nest (FY18). All of these businesses have been addressed/exited in the Business Reset



# **Operational Update**and Outlook

**Henriette Rothschild**Chief Operating Officer





## "Focus on core" delivering results

## OPERATING MODEL IMPLEMENTATION



H1 has seen a restructure/exit from unprofitable businesses and initiatives

#### **OPERATIONS**



Continued focus on customer ease and experience

#### MARKET OUTLOOK



In a changing market and regulatory environment, our independence creates opportunities

- Cape Town contract renegotiation: Limit focus to better performing verticals
- Review of non-Core business initiatives: Kiosks, Nest, Aspect Telephony platform, unprofitable affiliate partnerships
- Streamlining of existing business:
  - Exit InfoChoice
  - Home Loans new model well progressed
- 3rd party review (Deloitte) of cost base and efficiency opportunities

- Increasing base of multi-skilled consultants
- Focus on customer experience and Net Promoter Score
- Focus on cross-serving and increasing products per customer
- Minimising sales leakage

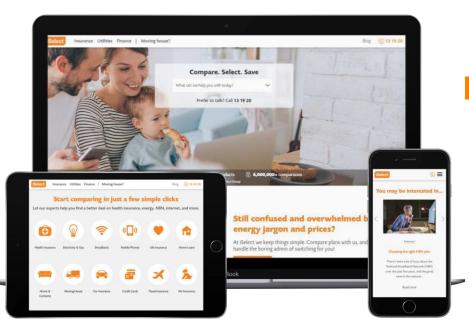
- PHI reforms and ACCC's Energy retail focus impact
- Royal Commission
- Maintaining our strong compliance process will continue to be a focus
- Retaining our focus on consumer benefit, transparency and independence is key



### **Customer First**

#### **Customer choice**

Strategic focus on adoption of customer centric business practices and technologies giving customers choice





Improve

## Future outcomes

Short terms benefits in continuation and conversion measured in H1 with increases to continue in H2

A 1% increase improvement in our Web performance (e.g. continuation rates) would equate to \$3m+ revenue annually

#### **H1** Activity

- AER & Health regulation changes
- Continued improvements on cross-serve capability and single-view of customer initiatives
- Website customer experience initiatives



## **Optimising Customer Experience**



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#### **iConnect**

Improving product matching and service efficiency through proprietary iConnect Data Science applications



#### **H1** Activity

- Commenced implementation of Engagement Platform upgrade due for completion in H2
- Upgrade of Salesforce to Lightning
- Continued focus on delivering sustainable and high quality digital platforms

#### **Future outcomes**

- Increases in customer experience and conversion rates from FY20
- Retirement of legacy systems and associated cost savings

A 1% improvement in our Call Centre Operation's conversion rate would equate to \$5m+ revenue annually



## **Supporting the Partner Ecosystem**



#### Partner value

Focus on improving connectivity and partner tools to support the comparison marketplace



#### **H1** Activity

 Continued focus on sales leakage through improving partner onboarding processes, reducing leakage, and developing APIs to better link with our partners

#### **Future outcomes**

Reduced leakage in H2 with benefits further realised in FY20

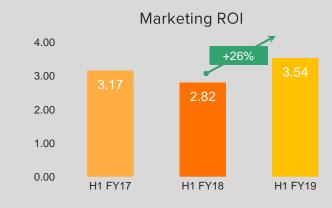
A 1% improvement in our Leakage rate would equate to \$1.5m+ revenue annually



## ROI focus on Marketing delivered improved margins in H1 FY19

#### Streamlined approach

- ROI focussed strategy has delivered a significant increase in efficiency YOY
- Exit of underperforming marketing contracts and commitments with negative ROI completed
- Marketing team restructure completed
- Updated "Compare Select Save" brand positioning and new <u>"Billusionist" campaign</u> launched
- Deliberate significant reductions in non-working media, reliance on agencies and 3<sup>rd</sup> party suppliers
- Agile approach to prioritisation of highest performing channels and resource/budget allocation to verticals



Marketing ROI = Revenue / Marketing Cost

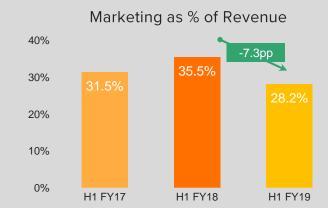




### **Marketing Outlook for H2 FY19**

#### Continued focus on Marketing ROI during H2 FY19

- Next phases <u>Billusionist Compare Select Save campaign</u> to launch throughout H2
- Improved cross sell messaging to be executed
- Major contractual commitments from FY18 Life Admin campaign closed out in H1 and will not hinder performance in H2
- Above the Line Media buying back to BAU throughout H2
- Agile approach to strategy and execution with continued focus on ROI from all marketing spend and activity
- Improved Marketing ROI measurement and tracking from source/channel to converted sale and revenue
- Marketing ROI measurement operationalised via new marketing resources and technology development









## **Financial Results**

**Vicki Pafumi**Chief Financial Officer





## **Health Insurance**

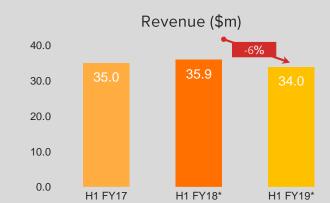


#### REPORTED (\$m)

Health Insurance	H1 FY19	H1 FY18*	Change
Revenue	34.0	35.9	-6%
EBITDA	4.6	4.6 3.5	
Customer Leads (000s)	410 442		-7%
Sales Units (000s)	40	40	-1%
RPS \$	975	985	-1%
Conversion	9.7%	9.0%	+0.7 pp

#### Highlights

- Leads down due to focus on marketing ROI
- Sales unit decline mitigated by increase in conversion rates reflecting higher quality leads
- RPS down due to change in sales mix / customer
- Revenue down reflecting slight reduction in sales units combined with lower RPS
- EBITDA up as a result of more profitable revenue and adjusted cost base



#### EBITDA (\$m)





## **Energy and Telco**







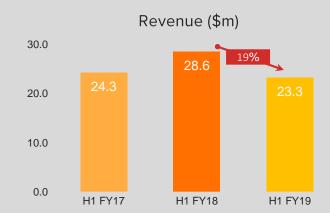
#### REPORTED (\$m)

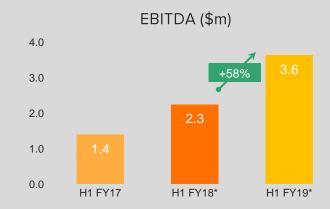
Energy & Telco	H1 FY19	H1 FY18	Change
Revenue	23.3	28.6	-19%
EBITDA	3.6	2.3	58%
Customer Leads (000s)	927	1179	-21%
Sales Units (000s)	111	150	-26%
RPS \$	250	228	9%
Conversion	12.0%	12.7%	-0.7 pp

#### Highlights

- YOY Lead decline a consequence of:
  - Unprecedented market demand in FY18
  - Exit of Affiliate partner Your Porter
- RPS increase reflecting increase in more profitable multi-product sales, primarily from VIC and NSW
- Revenue also impacted by Cape Town performance where conversion has declined YOY, Onshore conversion has remained strong
- EBITDA up, reflecting the strategy of profitable revenue and adjusted cost base







### Life & General Insurance



#### REPORTED (\$m)

Life and GI	H1 FY19	H1 FY18*	Change	
Revenue	13.2	11.8	12%	
EBITDA	3.2	0.9	242%	
Customer Leads (000s)	587	453	30%	
Sales Units (000s)	46	34	34%	
RPS \$	299	324	-8%	
Conversion	7.8%	7.5%	+0.3 pp	

#### Highlights

- Lead uplift due to growth in newer GI verticals: Home & Contents, Pet Insurance and Travel Insurance
- RPS reduction due to a change in mix; with the newer verticals' representing a greater share of revenue
- Overall Revenue up slightly YOY
- EBITDA up as a result of more profitable revenue and adjusted cost base

#### Revenue (\$m)



#### EBITDA (\$m)





\* Results reflecting application of AASB15

## Strong turnaround in operating cashflow

FY19 H1 Cash Flow Statement - Reported (\$m)	H1 FY19	H1 FY18
Operating Cash flow	1.4	-0.6
Capital Expenditure	-3.4	-15.0
Free Cash	-2.0	-15.6
Investing/Financing cash flow	-1.8	-30.6
Net movement in cash	-3.8	-46.2
Cash at beginning	33.0	80.4
Cash at end	29.2	34.2

31 Dec 2018 Balance Sheet - Reported (\$m)	H1 FY19	H1 FY18
Cash	29.2	34.2
Receivables	18.7	29.1
Trail commission receivable	108.0	96.3
Other	59.5	87.7
Total assets	215.4	247.3
Total liabilities	57.8	65.6
Net assets	157.6	181.7

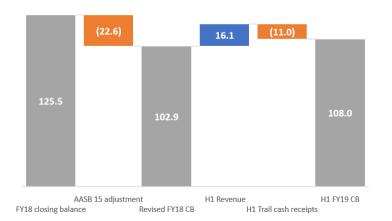
## Maintaining a strong Balance Sheet with \$29.2m Cash and no debt

- Turnaround in operating cash flow underpinned by increased profitability, slightly offset by a proportionally higher mix of Trail and iMoney
- Operating cashflow ex trail release was negative due to timing of creditors in FY18
- Capital Expenditure driven by our technology roadmap, focus being partners, customers, operations and cyber security
- Trail commission receivable reflecting application of AASB15 (including Prior Year balances)
- Capital Management: No further Dividends or Buybacks planned in FY19
- Post 31 Dec: Call Option on iMoney (Jan 25<sup>th</sup>) \$2.5m
   USD bringing ISU holding up to 84.3%



### **Trail Book**

#### H1 FY19 Trail Book movement (incl. AASB15)



- Application of AASB15 resulted in a decrease of \$22.6m in the trail book value
- This reflects the greater conservatism required by AASB15 and will reduce volatility going forward

#### iSelect Revenue mix: Trail v Upfront **Upfront / Trail Mix** H1 FY19 H2 FY17 H1 FY18 H2 FY18 Upfront 78.3% 80.1% 79.4% 77.0% Trail 21.7% 19.9% 20.6% 23.0%

Breakdown of Trail Asset							
Trail Asset mix H2 FY17 H1 FY18 H2 FY18 H1 FY							
Health Insurance	54.2%	53.9%	53.2%	55.2%			
Life Insurance	40.0%	40.3%	41.4%	38.8%			
Home Loans	5.5%	5.6%	5.4%	6.0%			

#### Growth in Trial Book in H1 FY19 due to:

- Revenue decline in E&T segment (upfront revenue)
- Product mix in Health skewing more to Trail in H1



## **Trail Asset Key Assumptions | Underpinned by conservatism**

- 1. Assumptions underpinning 'Trail Commission Asset' include in a level of conservatism (1-2p.p for Attrition and Premium increases respectively)
- 2. We are confident that future cashflows will be in line with expectation per current valuation. (Average Cash Return Period's provided below)
- 3. Additionally, the adoption of AASB15 requires an increased level of conservativism in valuation, which will mitigate volatility going forward

	Key Variables >>	CUSTOMER: Blended Attrition/ Lapse Rates	INDUSTRY: Premium Increases	PRESENT VALUE: Discount Rate	Current Average Trail Return period   x1 Customer view
	Principle	Historic trends +1-2p.p conservatism	Historic trends +1p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset	Avg Return period: 4.3 Yrs
Health	Assumption	7.5% - 26.5% (Industry Avg = 15.0%)	2%-4% (Industry Avg = 4.8%)	3.5%	9% 21% 18% 13% 99
	1% Movement	\$2.5m Rev	\$2.0m Rev	n/a	Year 1 Year 2 Year 3 Year 4 Years 5-10 Year
Life	Principle	Historic trends + 1-2p.p conservatism	Historic trends + 1-2p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset	Avg Return period: 7.0 Yrs
surance	Assumption	13.6% - 20.7% (Industry Avg = 14.0%)	8.0% (Industry Avg = 10.2%)	4.1%	15% 17% 13% 10% 7% 7%
	1% Movement	\$2.8m Rev	\$2.1m Rev	n/a	Year 2 Year 4 Year 6 Year 8 Year 10 Year 12 Year 15 Yea
Home Loans	Principle	Market driven data	Current variable interest rates	Locked at point of recognition. Doesn't impact Trail Asset	Avg Return period: 5.5 Yrs
	Assumption	9.0% - 24.0% (Industry Avg = 22.0%)	4.5% (Industry Avg = 4.7%)	3.3%	28% 25% 15% 11% 7% 4% 5% 5%
	1% Movement	\$0.3m Rev	\$0.3m Rev	n/a	Year 2 Year 4 Year 6 Year 8 Year 10 Year 12 Year 15 Year

# Positive Outlook for H2 FY19

**Brodie Arnhold**Chief Executive Officer





### **Positive outlook for H2 FY19**

- Strategic Review initiatives to be complete in H2
  - Cape Town performance
  - New model for Home loans
- Benefits to be realised in H2
  - Continued benefit from Marketing ROI
  - Tight management of Overhead costs and Tech Capital investments. Expecting to see cost efficiencies as new Tech initiatives rollout over coming 6-18months
- Industry Opportunities
  - Health PHI reforms due in H2, internal view is that this will be positive for iSelect
  - Energy & Telco Continue to work with regulatory bodies on changes in Energy and Broadband
  - Life and GI Continued growth in new GI verticals, and capitalising on Life Insurance market post Royal Commission

The Board remains confident that iSelect will return to its historic profitability over the near term



## Appendix



## **H1 EBIT Results (exc iMoney)**



- Home Loans: Goodwill impairment due to delayed transition to new operating model
  - Capital Write Offs from discontinued assets and operations (Infochoice, Aspect, gTLDs, eCommerce)
- 3 Includes Cape Town Contract, Kiosks, Business Reset

- Underlying excl AASB is comparative to H1 FY18 Underlying EBIT of \$3.5m.
- Prior Year Underlying EBIT was \$3.5m, Underlying adjustments included \$3.2m (iMoney, Nest, Restructure)



## **Reconciliation: Underlying to Reported results**

	I	Revenue a	and Gross Pro	fit impact	Overh			
Income Statement - Reconciliation of Underlying & Reported results (\$m)	H1 FY19 Underlying Result	iMoney	AASB15	Kiosks	Cape Town Restructure	Corporate Restructure	Impairment & Asset Write off	H1 FY19 Reported Result
Revenue	72.6	2.2	(0.6)	0.1				74.3
Gross Profit	27.0	0.5	(0.6)	(0.4)				26.4
GP Margin	37%							36%
Overheads	(16.8)	(2.1)		(0.0)	(0.4)	(0.8)		(20.2)
EBITDA	10.2	(1.6)	(0.6)	(0.4)	(0.4)	(0.8)	(8.8)	(2.6)
Depn. and Amort.	(4.0)	(0.3)	-	-	-	-	-	(4.3)
Loss from Associates	-	-	-	-	-	-	-	-
EBIT	6.2	(1.9)	(0.6)	(0.4)	(0.4)	(0.8)	(8.8)	(6.9)
EBIT Margin	9%							-9%
Net Interest Income	(0.2)	(0.0)	-	-	-	-	-	(0.3)
Income tax expense	(1.2)	-	-	0.1	0.1	0.2	0.8	0.2
NPAT	4.8	(1.9)	(0.6)	(0.3)	(0.3)	(0.6)	(8.0)	(6.9)



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