



iSelect FY19 Full Year Results

INVESTOR BRIEFING | 20 AUGUST 2019

Today's Speakers



Brodie Arnhold

Chief Executive Officer



Henriette Rothschild

Chief Operating Officer



Slade Sherman

Chief Experience Officer



Warren Hebard

Chief Marketing Officer



Vicki Pafumi

Chief Financial Officer

FY19 in Review

A Year of Substantial Turnaround

- Primary focus on **sustainable profitable growth** with EBIT growth of 77%
- Underpinned by significant improvement in **marketing ROI**, which will continue to be a focus in FY20 and beyond
- Improved **core business performance** in an environment of regulatory change: Private Health reforms, AER regulatory changes, Life Insurance reforms
- Operating model review completed with exit of Cape Town operations, new partnership in Home Loans and General Insurance digital enablement
- Continued **investment in technology and customer experience** helping customers save time, with initial benefits in online performance being realised in H2 FY19
- **iMoney** performance was strong with top line growth of 39% YOY

Business Update

Brodie Arnhold Chief Executive Officer

FY19 Business Reset complete

Stabilisation of core business

WHAT WE SAID WE WOULD DO	STATUS	WHAT WE HAVE DONE IN FY19
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Business Reset

Business Reset initiatives		Complete: Strategic Review, Write-off/Disposal of Legacy Fixed Assets, Renegotiation of Kiosk contract, InfoChoice sale, Nest
Home Loans Business Model		Complete: Partnership with AFG commenced in H2
Cape Town model		Complete: iSelect exited Cape Town contact centre in Q4 FY19

Strategic Focus Areas - update

Focus on EBIT positive ROI for all marketing activity		Significant improvement in marketing ROI YOY, this will continue in FY20 with further automation to be introduced in H2
Reduction in sales leakage		Operational wins in FY19 will be followed by technology and data improvements in FY20
Improvement in multi-product and cross-serve capability		Multi-skilled consultants continue to grow. Cross-Serve has continued to increase as a % of iSelect Revenue
Continued migration to 'Single view of customer'		Technology development is progressing well. On track to leverage this capability from H2 FY20

FY19 Headlines

\$15.2m

EBIT (Underlying)
+77% YOY

3.96m

LEADS
-6% YOY

14%

X-SERVE % of
REVENUE
+0.6pp YOY

3.36x

MARKETING ROI
+27% YOY

381k

SALES
-18% YOY

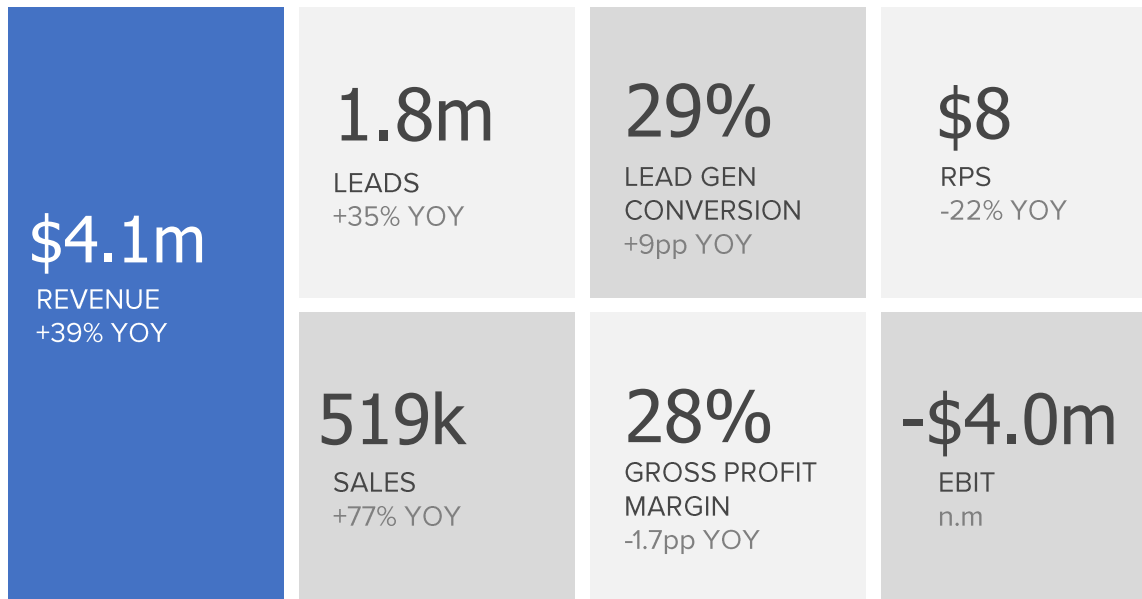
36%

GROSS PROFIT
MARGIN
+7.6pp YOY

10%

EBIT MARGIN
+5.3pp YOY

FY19 iMoney Headlines



Underlying EBIT reflecting Substantial Turnaround

INCOME STATEMENT UNDERLYING (Excl. iMoney) (\$m)	FY19	FY18	CHANGE
REVENUE	150.7	178.5	-16%
Gross Profit	54.2	50.5	7%
GP Margin	36%	28%	+7.7p.p
Overheads	-31.3	-34.8	-10%
EBITDA	22.9	15.7	45%
Depn. and Amort.	-7.7	-6.8	13%
Loss from Associates	0.0	-0.4	n.m
EBIT	15.2	8.5	77%
EBIT Margin	10%	5%	+5.3p.p
Net Interest Income	-0.4	0.4	n.m
Income tax expense	-3.7	-2.2	69%
NPAT	11.1	6.7	64%
Reported EBITDA (Excl. iMoney)	9.5	-4.2	n.m
Reported EBIT (Excl. iMoney)	1.7	-11.5	n.m

- Revenue decline is in line with the strategy of prioritising profitable revenue
- GP Margin result reflecting the ROI on marketing and operational efficiency
- Overheads decreasing YOY highlighting emphasis on cost control and the 'focus on core business'
- Increased D&A consistent with increased technology investment
- 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 & Outlook

Henriette Rothschild Chief Operating Officer

FY19 Operational Highlights



OPERATIONAL PERFORMANCE

- Improved consultant capability, with the number of multi-product trained consultants increasing +27% YOY
- Conversion rates improving in key channels. (Note: a diversification of channel mix has caused a decline in blended conversion)
- Consolidation of all contact centre operations into Cheltenham, Victoria



PARTNERSHIPS

- Retaining strong partner relationships and RPS across our segments
- Key operational improvements driving a reduction in sales leakage, including a 1.3pp reduction in Health
- Strengthened relationship with AFG through the new Home Loan operating model



CUSTOMER EASE

- Net Promoter Score (NPS) uplift YOY of +9.8% reflecting a strengthened focus on customer impact
- Operational efficiency to enable better customer service to save them time and effort
- Improving response times to customers also contributed to the improved NPS result



Changes to our operating model

Our work on ensuring a fit for purpose operating model was a key priority in FY19 and has seen us make some important progress including:

FOCUS ON CORE

- Exit of Kiosks, InfoChoice, Nest and Legacy Fixed Assets

ONSHORING ROLES

- Cape Town transition, has seen us onshore 130 roles
- Ongoing work to bring team up to benchmark competency
- Positive customer feedback to local contact centre

NEW HOME LOANS MODEL

- AFG Partnership: Joint Operation in April 2019, iSelect retaining customer facing digital shopfront
- Home Loans team members have now transitioned to AFG

GENERAL INSURANCE DIGITAL ECOSYSTEM

- Leveraging GI partnerships to build on digital only model: including continued growth in Pet and Travel Insurance
- Preparation for SME Insurance Launch (July 2019)

Our People

Tech Enabled, People Powered



HIGH PERFORMING TEAM

- FY19 performance reflects the strong work ethic of our talented team, particularly through a period of change coming out of FY18



CALL CENTRE OPTIMISATION

- Reduction in replacement costs through a range of initiatives, including improved staff retention



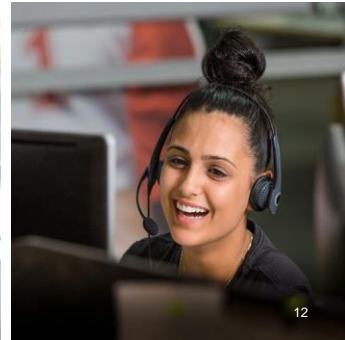
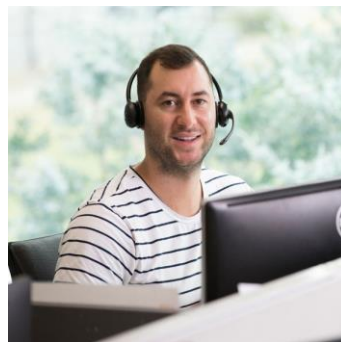
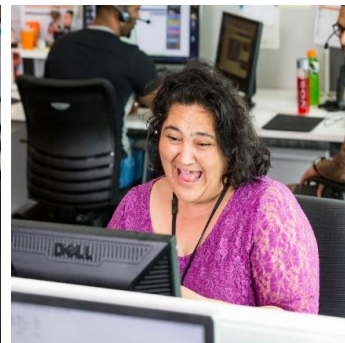
COMMITMENT TO LOCAL EMPLOYMENT

- Significant employer in the South East of Melbourne with over 550 staff
- In FY19 we 'on-shored' 130 roles in tech, product & contact centre



DEVELOPMENT

- FY19 saw an increased investment in front-line management and mid-level leadership development
- This supports our Succession Planning and growth, ensuring stability and career development





Looking ahead

Comparison trends

The demand for comparison is on the rise

OUR STRENGTH

- Australian Market 9m+ households¹
- Across many markets, consumers' use of comparison services is increasing
- Combining online, data driven and people powered capability to meet customer needs on their terms

OPPORTUNITY

- Growth in comparison market is greater than underlying market growth
- Partnerships and affiliates to drive new customer introductions and growth
- Technology innovation to transform the customer experience

Technology Update

Slade Sherman Chief Experience Officer

Continued focus on the core



CUSTOMERS

- Conversion Rate Optimisation
- Data pipeline development for Single Customer view
- New website build commenced

+13pp

CONTINUATION RATE²
HEALTH YOY



PARTNERS

- Seamless integration with our partners
- Partner reporting enhanced
- Streamlining the time and effort for partners

0.6pp

**LEAKAGE RATE
REDUCTION**
ENERGY & TELCO YOY



OPERATIONS

- Rollout of Genesys Pure Connect
- Salesforce Lightning upgrade
- iConnect rebuild
- Improved data orchestration and consultant efficiency

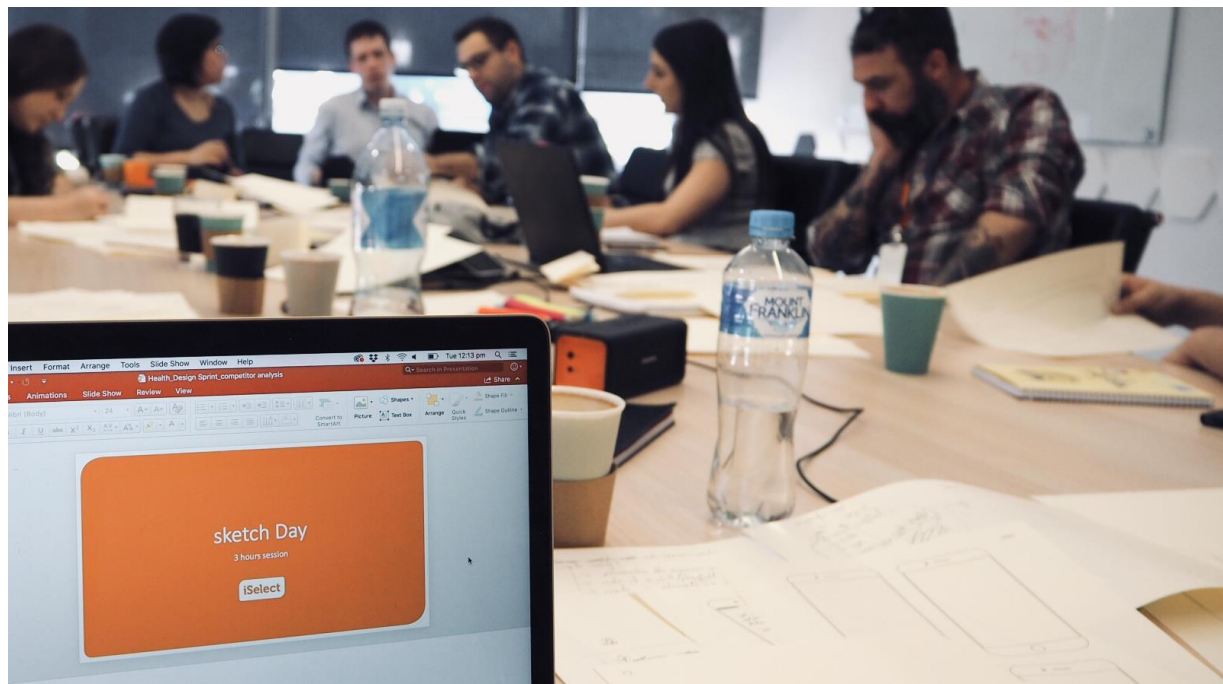
+0.6pp

**X-SERVE % OF
REVENUE**
ISU GROUP YOY

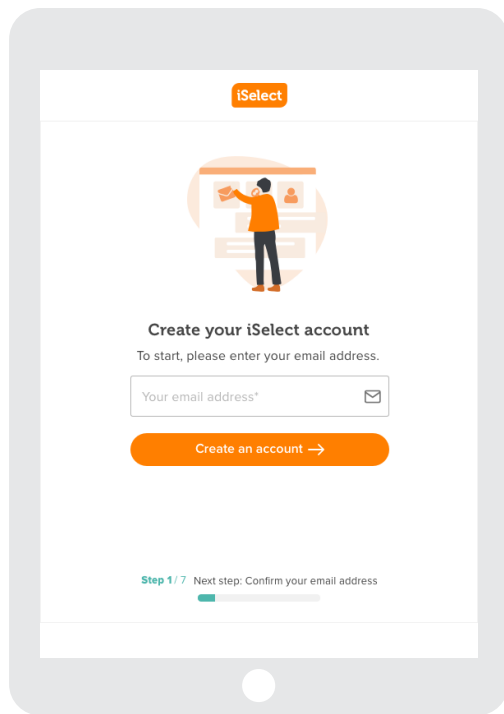
Investing in design & innovation

OUTCOME BASED DESIGN

- 20% of our Team now in Product, Engineering and Data disciplines
- Agile test-and-learn Product Development
- Accelerated release cycle with increases in delivery of new features
- Continued commitment to technology transformation in FY20
- Outcomes driving optimised customer experience and a move from transactional to relationship with customers



From transaction to relationship



Transforming the way customers interact with iSelect taking us from a transactional business to ongoing relationships with customers



SINGLE VIEW OF CUSTOMER

- Helping Australians with management of their household finances
- Improved recommendations and propensity models for cross-sell
- Enablement for subscription services, new auto-compare features as well as bill upload and monitoring
- Improved Web experience and personalization
- Marketing automation for enhanced customer journeys and ROI



WHEN IS IT COMING?

- Rollout will begin in early H2 FY20

Marketing Update

Warren Hebard Chief Marketing Officer

FY20 Marketing Overview



AFFILIATES & NEW LEAD SOURCES

- FY20 H1 introduction of lead handling service for AFG and other B2B relationships
- Further development of white label solutions for B2B partners to offer comparison via iSelect



MARKETING CLOUD

- Marketing Automation capability will complement the business' strategic shift from transaction to relationship



ISELECT BRAND

- Continued investment in the iSelect Brand, expanding on the Billusionist campaign



DIGITAL EFFICIENCY

- Continuing to optimise and automate digital marketing investment

ROI marketing focus to continue in FY20



ROI DRIVEN MARKETING

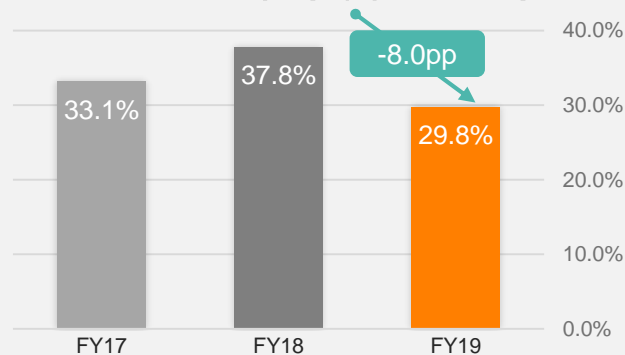
- Continued focus on ROI from all marketing spend and activity
- Tracking from source/channel to converted sale and revenue now 90% including complete removal of proxies to meet best practice standards
- Transition to revenue (actuals) based automated digital bidding to be completed in H1



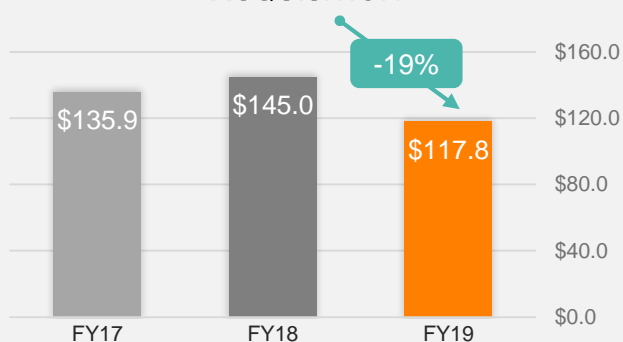
MARKETING AUTOMATION TO ENABLING GREATER EFFICIENCY

- MVP of Marketing Cloud implementation to be completed in H1
- Automation of digital cross sell to be enabled
- Development of Promotion Engine by FY end to enable 1-2-1 automated incentives to promote cross-sell

MARKETING AS % OF REVENUE



MARKETING COST PER ACQUISITION



Financial Results

Vicki Pafumi Chief Financial Officer

Health Insurance

REPORTED (\$m)

HEALTH INSURANCE	FY19	FY18*	CHANGE
Revenue	79.2	88.2	-10%
EBITDA	12.3	11.4	7%
Customer Leads (000s)	982	1036	-5%
Sales Units (000s)	90	99	-10%
RPS \$	996	1027	-3%
Conversion	9.1%	9.6%	-0.4 pp

HEADLINES

Leads impacted by focus on profitable revenue and reduction in 'New to Private Health Insurance' segment

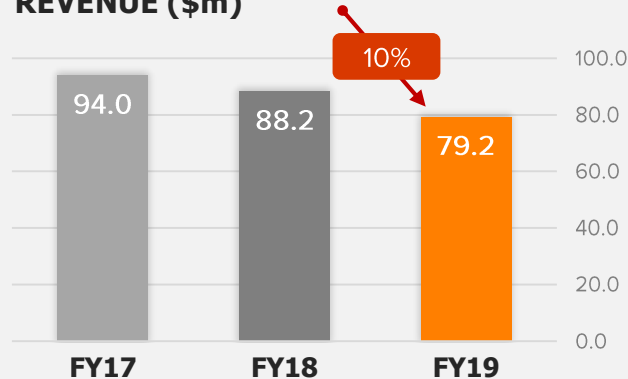
Conversion rate reflects different lead sources with a strong ROI, despite a lower conversion rate per lead

RPS decline due to change in customer mix

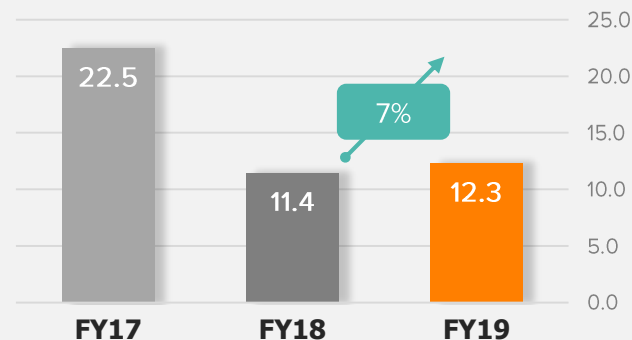
Revenue is reflecting the reduction in sales units

EBITDA up as a result of more profitable revenue and efficient cost base

REVENUE (\$m)



EBITDA (\$m)



* Results reflecting application of AASB15

Energy & Telco



REPORTED (\$m)

ENERGY & TELCO	FY19	FY18	CHANGE
Revenue	43.1	54.8	-21%
EBITDA	7.3	1.0	598%
Customer Leads (000s)	1753	2235	-22%
Sales Units (000s)	208	286	-27%
RPS \$	247	226	9%
Conversion	11.9%	12.8%	-0.9 pp

HIGHLIGHTS

FY19 Lead number is a consequence of:

- Unprecedented market demand in FY18
- Exit of Affiliate partner
- Focus on efficient marketing spend to generate ROI

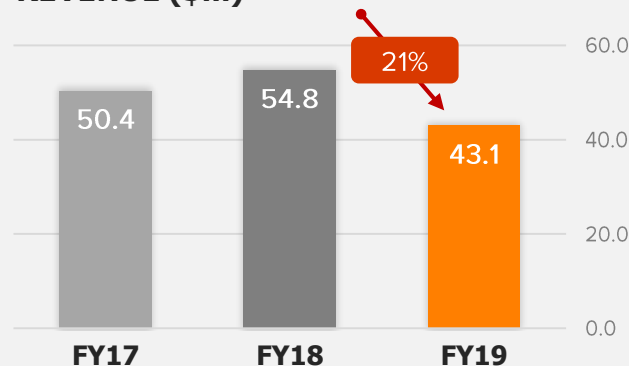
RPS increase reflecting more profitable multi-product sales, primarily from VIC and NSW

Conversion impacted by Cape Town operations and transition to onshore team

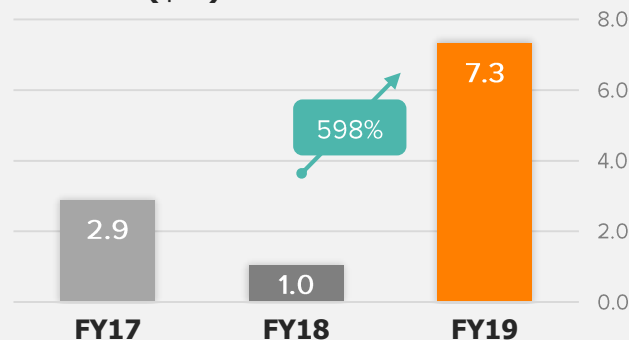
EBITDA improvement reflecting the strategy of profitable revenue. FY18 impacted by the costly brand relaunch campaign

Ongoing ACCC proceedings regarding disclosures on iSelect's Energy comparison website

REVENUE (\$m)



EBITDA (\$m)



Life and General Insurance



REPORTED (\$m)

LIFE & GENERAL INSURANCE	FY19	FY18*	CHANGE
Revenue	24.8	26.9	-8%
EBITDA	6.3	4.5	40%
Customer Leads (000s)	1154	806	43%
Sales Units (000s)	83	79	4%
RPS \$	301	301	0%
Conversion	7.2%	9.8%	-2.6 pp

HIGHLIGHTS

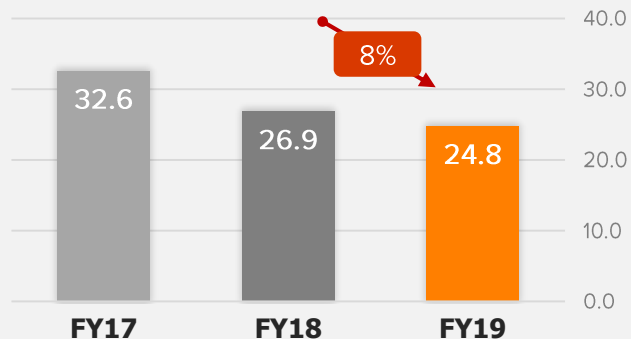
Lead uplift due to growth in newer GI verticals: Home & Contents, Pet Insurance and Travel Insurance

RPS reduction due to a change in mix; with the newer verticals representing a greater share of revenue

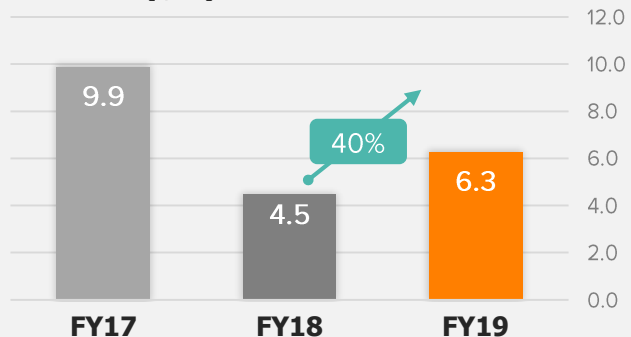
Revenue impacted by Life Insurance regulatory upfront commission reform and market demand

EBITDA up as a result of a focus on more profitable revenue

REVENUE (\$m)



EBITDA (\$m)



Balance Sheet remains strong

Cash flow outlook is positive

30 JUN 2019 CASH FLOW STATEMENT – REPORTED (\$m)	FY19	FY18
Operating Cash flow	4.7	8.8
Capital Expenditure	-8.9	-9.9
Free Cash	-4.2	-1.1
Investing/Financing cash flow	-6.9	-13.7
Net movement in cash	-11.1	-47.3
Cash at beginning	33.0	80.4
Cash at end	22.0	33.0

30 JUN 2019 BALANCE SHEET – REPORTED (\$m)	FY19	FY18
Cash	22.0	33.0
Receivables	23.0	28.7
Trail Commission Asset	114.1	102.9
Other	67.0	74.1
Total assets	226.1	238.7
Total liabilities	68.9	74.8
Net assets	157.2	163.9

* Prior Year balances restated to reflect adoption of AASB15

MAINTAINING A STRONG BALANCE SHEET WITH \$22M CASH AND NO DEBT:



Operating cash flow underpinned by increased profitability, offset by a higher mix of Trail revenue



Capital Expenditure driven by our technology roadmap focus areas: Partners, Customers, Operations. Examples include: CX improvements, Telephony platform, Cloud migration



Trail Commission Asset balance includes the adoption of AASB15 (Prior Year balances have been restated)



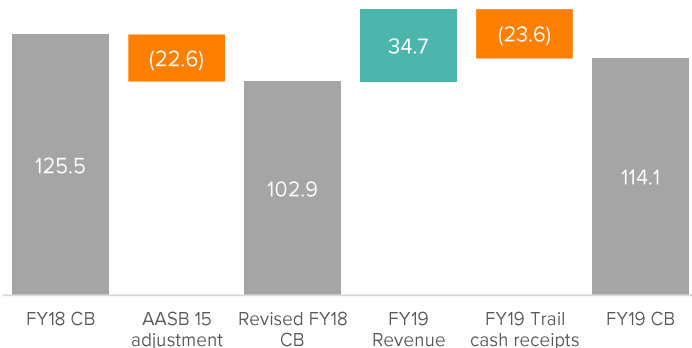
Capital Management: No Dividends or Buy-backs during FY19



iMoney: Investment in iMoney US\$18.4m for 84.3% shareholding (as at Jun 30th, 2019). Further, an additional loan of US\$2m was made to iMoney in April 2019, taking total loans to US\$4m

Trail Book

FY19 Trail Book Movements (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

Growth in Trail Book in FY19 due to:

- Revenue decline in E&T segment (upfront revenue)
- Health product mix shifting more to providers with Trail commercial terms in H2

iSelect Revenue mix: Trail v Upfront

Upfront / Trail Mix	H1 FY18	H2 FY18	H1 FY19	H2 FY19
Upfront	80.1%	79.4%	77.0%	75.4%
Trail	19.9%	20.6%	23.0%	24.6%

Breakdown of Trail Asset

Trail Asset mix	H1 FY18	H2 FY18	H1 FY19	H2 FY19
Health Insurance	53.9%	53.2%	55.2%	57.6%
Life Insurance	40.3%	41.4%	38.8%	36.9%
Home Loans	5.6%	5.4%	6.0%	5.5%

- Cash collection in the last half was at 101% vs Trail book expectation
- The increase in Trail Revenue in FY18-19 is expected to provide an improved working capital result in FY20-21
- Trail book assumptions consistent with those presented at H1. See Appendix for detail

FY20 Outlook

Brodie Arnhold Chief Executive Officer

FY20 Outlook

iSelect Group

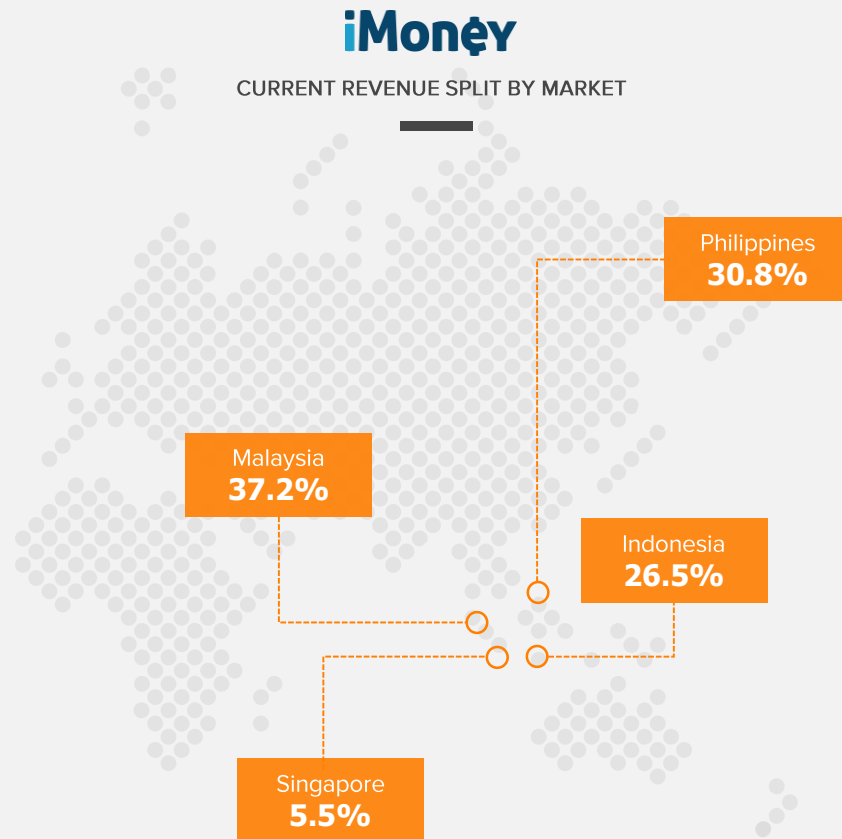
- We are pleased to close FY19 having significantly improved profitability whilst continuing to build on foundations for growth
- In FY20, our investment in technology will peak and we will reinvest in our Brand. This significant investment, combined with the Energy reforms (from July 1st 2019) and AASB15 will materially impact H1 FY20 compared to H1 FY19. We expect a stronger H2 in FY20 as we realise the benefits of this investment and the Energy market adjusts to the new regulatory environment.
- Our investment in Technology will enable:
 - Move from a transactional to a customer relationship based model
 - Marketing automation and optimised customer journeys
 - Improved partner systems driving efficiency and leakage reduction
- As we return to historic profitability in future years, these investments will enable us to do so on a stable and scalable base that is focused on meeting increasing customer demands and expectations

Appendix

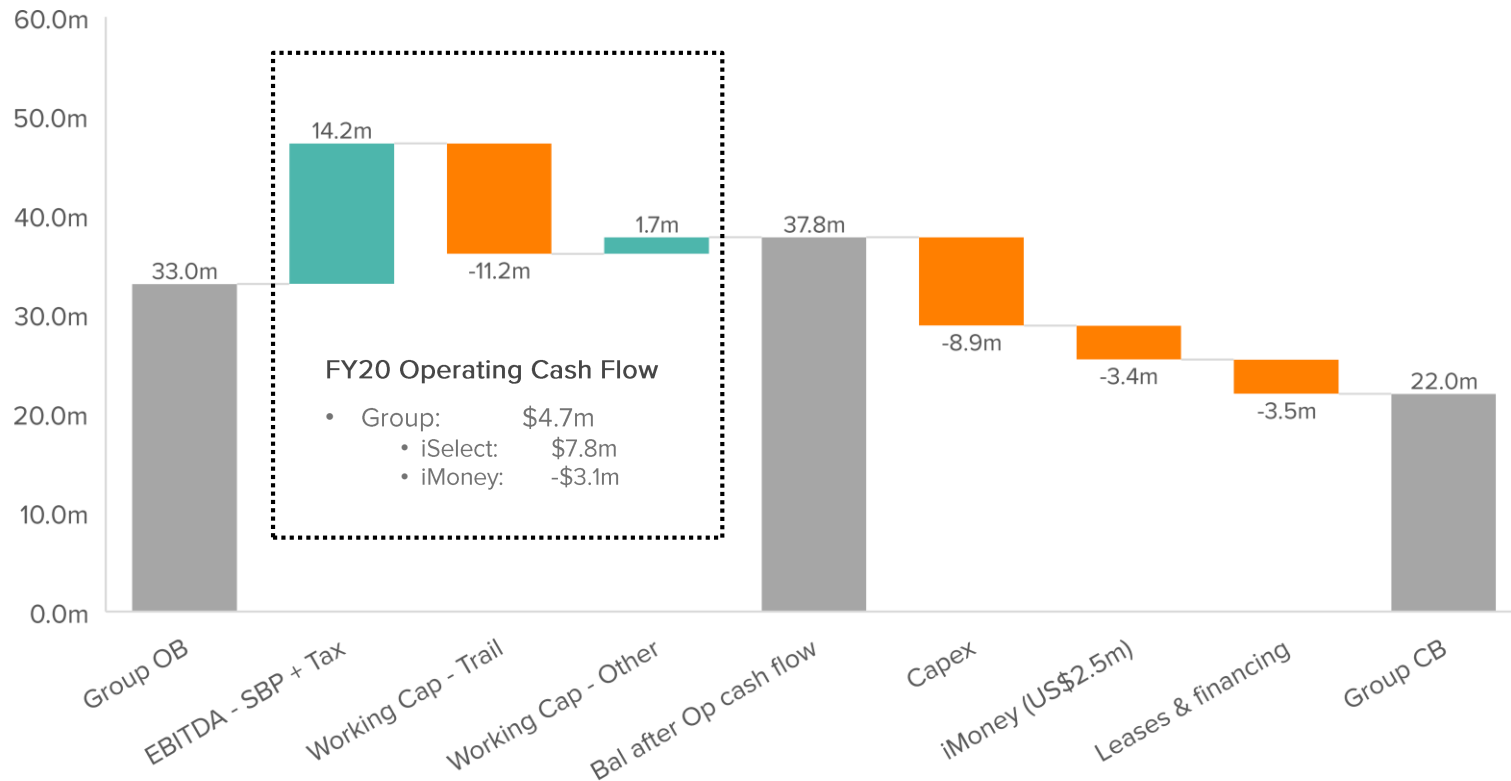
Strong YOY Growth in FY19

Trajectory set to continue


- Our shareholding in iMoney is an exciting investment and high growth opportunity
- It continues to provide a path into the burgeoning Asian market but will require investment to grow in these markets and capitalise
 - 4 Markets currently
 - Strong growth particularly in the largest markets in South East Asia which are Indonesia and Philippines
- Investment in iMoney US\$18.4m for 84.3% shareholding (as at Jun 30th, 2019)



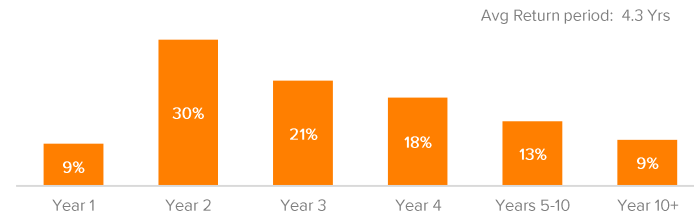
FY19 Cash flow




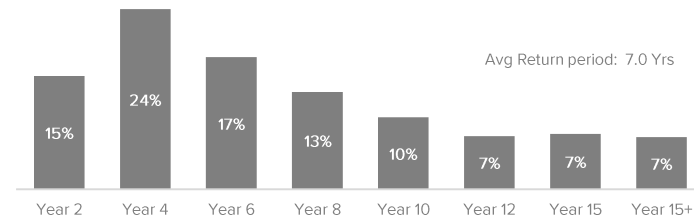
Trail Book Assumptions

	KEY VARIABLES	CUSTOMER: Blended Attrition/ Lapse Rates	INDUSTRY: Premium Increases	PRESENT VALUE: Discount Rate
 Health	Principle	Historic trends +1-2p.p conservatism	Historic trends +1.0p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset
	Assumption	7.5% - 26.5% (Industry Avg = 15.0%)	2%-4% (Industry Avg = 4.0%)	3.5%
	1% Movement	\$2.5m Rev	\$1.8m Rev	n/a

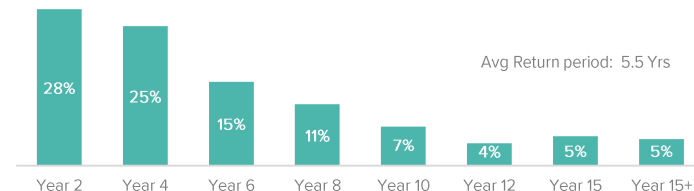
Current Average Trail Return period | x1 Customer view



 Life Insurance	Principle	Historic trends + additional 1-2p.p conservatism	Historic trends + additional 1-2p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset
	Assumption	13.6% - 20.7% (Industry Avg = 13.9%)	8.0% (Industry Avg = 10.2%)	4.1%
	1% Movement	\$2.8m Rev	\$2.0m Rev	n/a



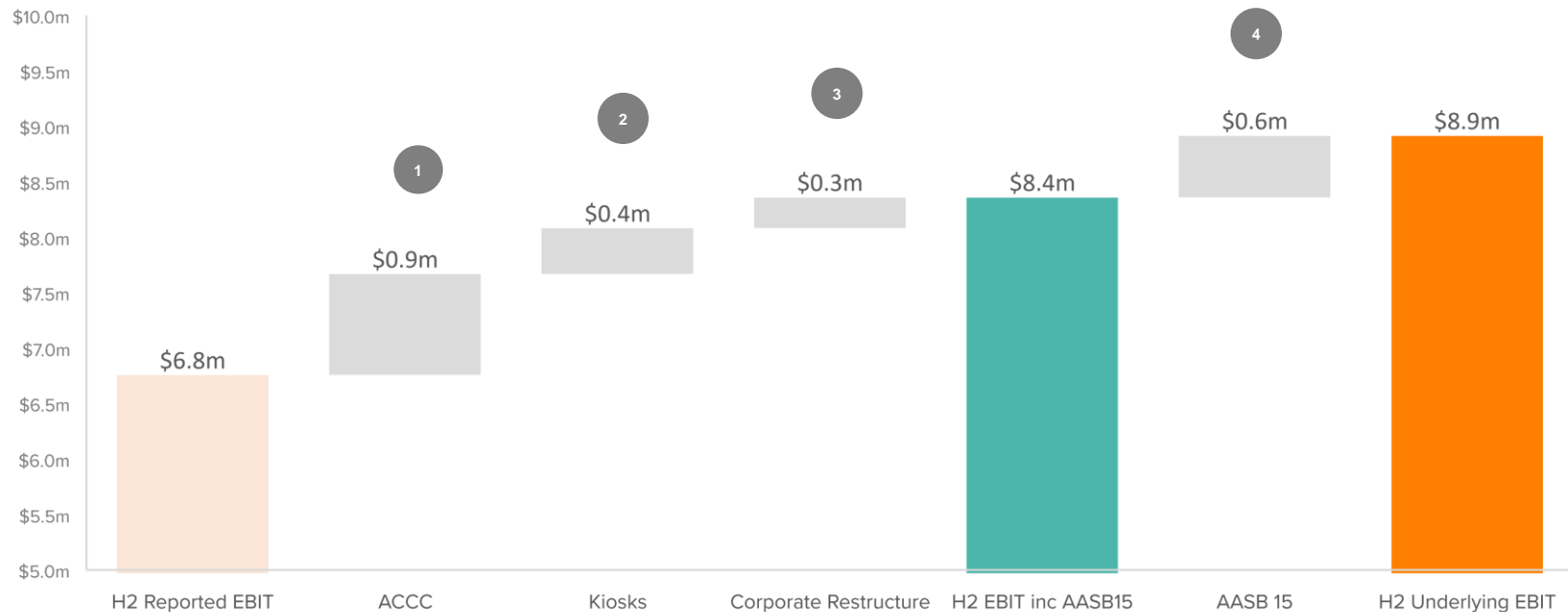
 Home Loans	Principle	Market driven data	Current variable interest rates	Locked at point of recognition. Doesn't impact Trail Asset
	Assumption	9.0% - 24.0% (Industry Avg = 22.0%)	4.7% (Industry Avg = 4.6%)	3.6%
	1% Movement	\$0.3m Rev	\$2.0m Rev	n/a



Reconciliation: Reported to Underlying results

		Adjustments									
Income Statement: Reconciliation of Reported and Underlying Results (\$'000)	FY19 Reported	Impairment of home loans	Impairment of infochoice assets	Capital write-offs	Cape Town restructure	Corporate restructure	Kiosks results	ACCC	iMoney performance	Change in accounting standards	FY19 Underlying
EBITDA	6,062	4,450	453	3,214	597	1,069	1,516	910	3,390	1,205	22,866
Depreciation and amortisation	(8,314)	-	-	-	-	-	-	-	599	-	(7,715)
EBIT	(2,252)	4,450	453	3,214	597	1,069	1,516	910	3,989	1,205	15,151
Net finance income	(508)	-	-	-	-	-	-	-	89	-	(419)
Profit/(loss) before income tax expense	(2,760)	4,450	453	3,214	597	1,069	1,516	910	4,078	1,205	14,732
Income tax expense	(1,600)	(28)	(99)	(397)	(179)	(321)	(531)	(273)	(242)	-	(3,670)
NPAT	(4,360)	4,422	354	2,817	418	748	985	637	3,836	1,205	11,062

Reconciliation: H2 Reported to H2 Underlying results



1 ACCC: Associated legal costs incurred during H2

2 Kiosks: Losses / closure costs incurred with Kiosks exit

3 Restructure: Includes Cape Town Exit

4 Revenue impact in H2 from adoption of AASB15

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It is to be read in conjunction with the iSelect Limited’s Full Year results filed with the Australian Securities Exchange on 20 August 2019.

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