iSelect FY20 Full Year Results

INVESTOR BRIEFING | 27 AUGUST 2020

Business Update

Brodie Arnhold Chief Executive Officer

FY20: Challenging external market environment

ENERGY REGULATORY CHANGE - Severe impact in H1, recovering in H2

- Energy reforms came into effect July 1, 2019. Default Market Offer (DMO) and Victorian Default Offer (VDO) introduced a 'price ceiling'
- The VDO/DMO impacted margins for electricity retailers. To offset this, retailers adjusted their pricing on their more competitive offers
- iSelect saw conversion levels halve in July 2019. By Q4 2020, conversion had recovered to 90% of historical levels
- Because Energy is a 'high volume' business for iSelect, the reforms impacted our Cross-Serve business, affecting Group revenue and margins

COVID-19 ONSET - Coincided with Health Insurance peak period

- COVID-19's onset in mid-March impacted the Health business performance as the 2nd half of March is typically our busiest fortnight of the year.
- The Government's deferral of the annual rate rise, suspension of elective surgeries and closure of some health practices saw Health Insurance demand decline by 50% during March and April. We received JobKeeper which supported the business during this period
- As always, the safety and wellbeing of our people comes before anything else. We would like to thank all of our team members for adapting to the changing environment as we moved quickly to setup all operations and staff to a 'Work-from-home' (WFH) environment in March
- The Board and Executive also moved quickly to adjust the cost base during this time: Board and Executive pay reductions of 30%, 8-day fortnights for staff, organisational redesign as well as other significant fixed cost savings ($4.4m annualised in FY21)

FY20 RESULT In a challenging year, iSelect announces an Underlying EBITDA (including JobKeeper) result of: $13.7m for FY20

Post COVID-19: A strategic review to set up the business for success in FY21 and beyond

- The force of these external market disruptions, combined with the uncertain timing of a recovery, has impacted the valuation of two of our businesses:
  - **iMoney** - Sale and exit for nominal value completed, after an earlier sales process ended due to COVID-19 uncertainty in Asia
  - **Energy Watch** - Following the significant impact of the Energy regulatory reforms, Energy Watch business became impaired

- The onset of COVID-19 in March was a catalyst for a change in consumer behaviour. In response, the Board and Executive conducted a strategic review leading to several changes in Q4 and we continue to evolve our future operating model.
- Changes made to date are yielding positive early results in FY21

Wealth model	iSelect will remain in Life and Home however will outsource the fulfilment of going forward
Cost base	Fixed and Direct cost base reductions going forward
New models	Encompassing new service models, partnerships and continued focus on Customer Account
Prioritisation profit & cash	Greater emphasis on marketing ROI, flow, more streamlined technology

- With many households under increased financial strain due to loss of employment or reduced income, iSelect remains well placed to help Australians save money on their bills and expenses to help relieve some of their financial pressure

FY20 iSelect Headlines

$13.7m
UNDERLYING EBITDA
(incl. JobKeeper)
-40% YOY

3.30m
LEADS
-17% YOY

8.9%
CONVERSION
-0.7pp YOY
+0.7pp YOY (H2)

31%
GROSS MARGIN %
-5.2pp YOY
-0.9pp YOY (H2)

295k
SALES
-23% YOY

12.0%
X-SERVE % OF REV
-2.0pp YOY
-0.5pp YOY (H2)

11.1%
UNDERLYING EBITDA MARGIN
-3.4pp YOY
+1.9pp YOY (H2)

KEY COMMENTS (v FY19):

- Leads result impacted by:
  - FY20: Energy (-21%), Life (-31%)
  - Q4 only: Health (-44%)
- Sales decline driven largely by Energy (-43%), Q4 Health (-24%)
- Overall conversion and operational metrics improved significantly in H2. Full year decline a result of the broader impact of Energy regulatory change on our Cross-Serve business

Financial Results

Vicki Pafumi Chief Financial Officer

Underlying EBITDA including Job Keeper reflecting a challenging year; positive momentum in H2

INCOME STATEMENT - UNDERLYING ($m)	FY20	FY19	CHANGE
REVENUE	**123.0**	**150.7**	**-18%**
Gross Profit	37.8	54.2	-30%
GP Margin	*31%*	*36%*	*-5.2p.p*
Overheads	-27.8	-31.3	-11%
JobKeeper	3.7	0.0	n.m
EBITDA	**13.7**	**22.9**	**-40%**
EBITDA Margin	*11%*	*15%*	*-4.1p.p*
Depn. and Amort.	-8.6	-7.7	12%
EBIT	**5.1**	**15.2**	**-67%**
Net Interest Expense	-0.4	-0.4	n.m
Income tax expense	-1.6	-3.7	-57%
NPAT	**3.1**	**11.1**	**-72%**
Reported EBITDA	-31.7	6.1	**n.m**
Reported EBIT	**-41.0**	**-2.3**	**n.m**

- Revenue decline primarily caused by:
  - Energy market reforms (Energy: -46%)
  - Challenges in the current Life Insurance market (Life: -47%)
  - Impact of these in our Cross-Serve business (X-Serve Revenue: -30%)
  - COVID-19 impact on Health demand during peak period was 50%
- Gross Profit was also impacted by:
  - A challenging SEO environment, increased investment in Brand
  - Increase in Direct Costs per sale due to reduction in cross sell
- High focus on costs in our core business, saw an 11% reduction in Overheads.
- EBITDA of $13.7m inclusive of $3.7m of JobKeeper. We also estimate the following:
  - COVID-19 Health only impact on FY EBITDA: -$2.7m;
  - Energy Regulatory impact on FY EBITDA: -$4.0m
  - We do not expect to receive JobKeeper beyond Sep 2020
- Full Reported Earnings breakdown is outlined in Appendix

Health Insurance

UNDERLYING ($m)

HEALTH INSURANCE	FY20	FY19	CHANGE
Revenue	76.6	79.2	-3%
EBITDA	10.9	12.3	-11%
Customer Leads (000s)	866	982	-12%
Sales Units (000s)	84	90	-6%
RPS $	1003	996	1%
Conversion	9.7%	9.1%	+0.6 pp

HEADLINES

Leads and Revenue impacted heavily by COVID-19

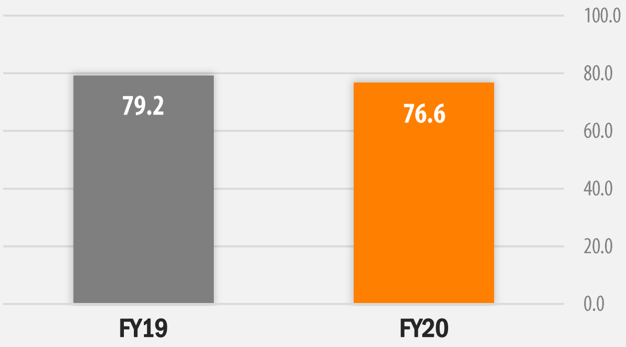
At 29 Feb 2020, Health Leads were +6%, Revenue +7% YOY

Conversion rate uplift reflecting the focus on core operational performance and cross-serve during H2

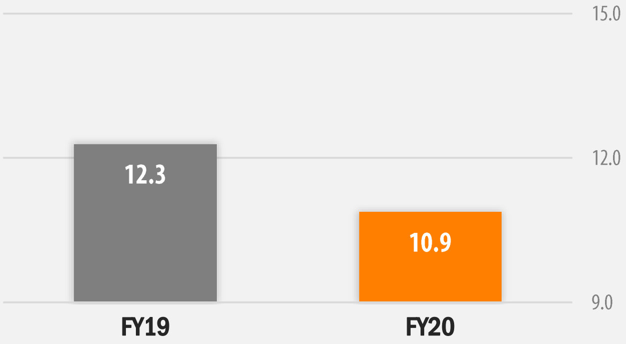
EBITDA much improved on H1. Overall decline on FY19 due to:

- Cross-Serve decline from Energy (H1)
- COVID-19 impacts on Health Insurance demand (H2)
- Increased Opex spend in Brand and Technology

REVENUE ($m)



EBITDA ($m)



Energy & Telco

UNDERLYING ($m)

ENERGY & TELCO	FY20	FY19	CHANGE
Revenue	26.7	43.1	-38%
EBITDA	-1.5	7.3	-121%
Customer Leads (000s)	1537	1753	-12%
Sales Units (000s)	139	208	-33%
RPS $	224	247	-9%
Conversion	9.0%	11.9%	-2.9 pp

HEADLINES

FY20 was very challenging due to regulatory changes introduced 1 July 2019, impacting retailers, products and RPS

These changes impacted our Cross-Serve business throughout FY20

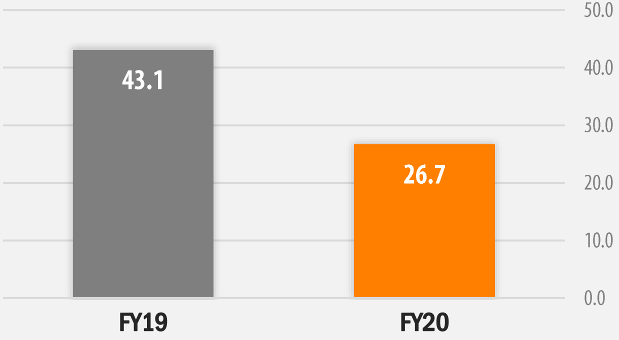
COVID-19 further compounded our challenging year: slowing market recovery and posing an operational challenge initially

Conversion rates and RPS have returned to 90% of historical levels, indicating the market continues to normalise

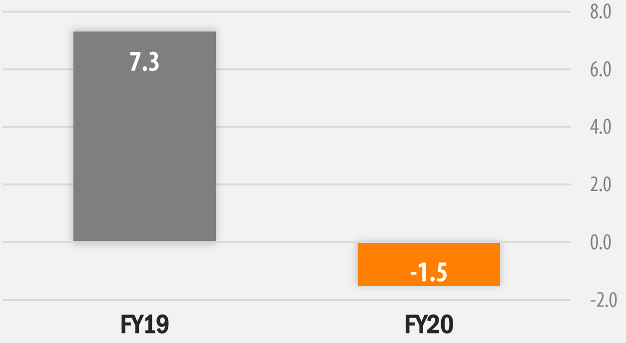
We look forward to a stronger year for Energy and Telco in FY21

ACCC: Proceedings are ongoing

REVENUE ($m)



EBITDA ($m)



Life and General Insurance

UNDERLYING ($m)

LIFE & GENERAL INSURANCE	FY20	FY19	CHANGE
Revenue	18.5	24.8	-26%
EBITDA	3.0	6.3	-53%
Customer Leads (000s)	815	1154	-29%
Sales Units (000s)	71	83	-14%
RPS $	273	301	-9%
Conversion	8.8%	7.2%	+1.6 pp

HEADLINES

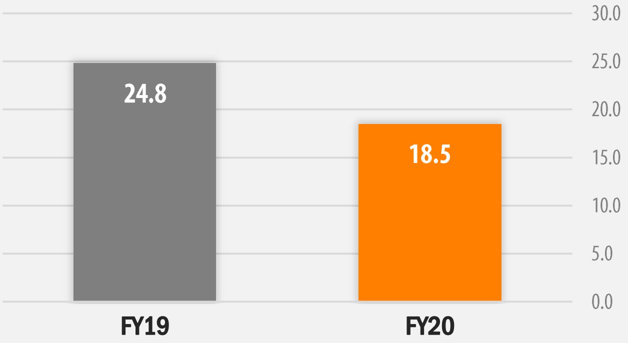
Lead result impacted by declines in demand and period of change in the Life Insurance market

RPS and Revenue decline due to a change in sales mix and Life Insurance market reforms; with the GI business representing a higher % of Revenue

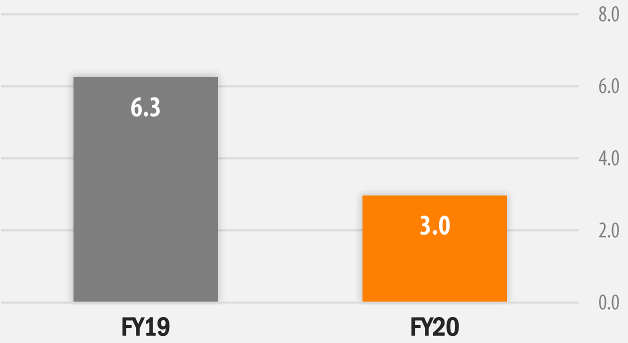
Life business EBITDA was down $3.1m vs FY19. iSelect has now exited this model and will outsource the fulfillment service going forward

GI business performed strongly, with conversion improving YOY. EBITDA impacted by decline in Cross-Serve from Energy

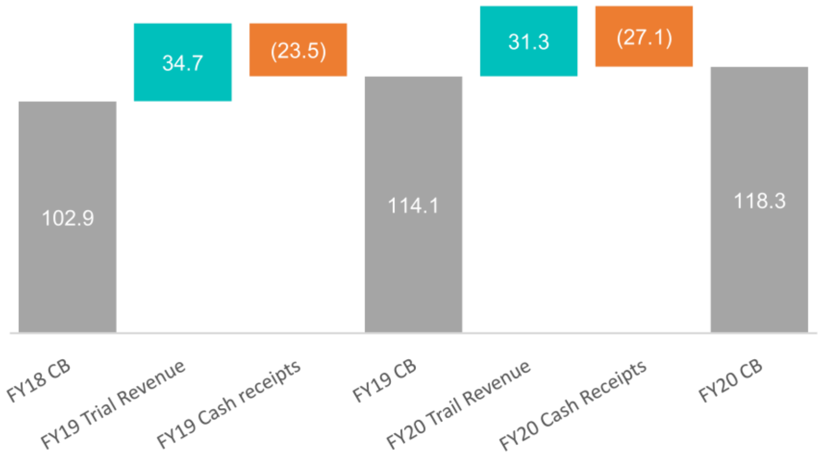
REVENUE ($m)



EBITDA ($m)



Trail Cash flow and Working Capital improving Intrinsic Value remains in iSelect



Upfront / Trail Mix	H1 FY19	H2 FY19	H1 FY20	H2 FY20
Upfront	77.0%	75.4%	72.9%	72.2%
Trail	23.0%	24.6%	27.1%	27.8%

WORKING CAPITAL AND CASH FLOW

1. Our Trail mix has continued to grow in FY20, due to:
   - Product mix within Health Insurance
   - Decline in Energy as a % of Group Revenue
2. Trail Asset cash collection performing in line with expectation, and Working Capital gap continues to narrow
3. Looking ahead to FY21, the Working Capital outflow will continue to reduce and is expected to become positive in the second half of FY21
4. At $118m, our Trail Asset represents a value of approx. 54c per share

Balance Sheet and Cash Flow

30 JUN 2020 BALANCE SHEET ($m)	FY20	FY19
Cash	10.5	22.0
Receivables	15.8	23.0
Trail Commission Asset	118.3	114.1
Other	29.6	67.0
Total assets	174.2	226.1
Total liabilities	59.5	68.9
Net assets	114.7	157.2

FY20 CASH FLOW STATEMENT ($m)	FY20	FY19
Operating Cash flow	2.2	4.7
Capital Expenditure	-9.6	-8.9
Free Cash	-7.4	-4.2
Investing/Financing cash flow	-3.3	-6.9
Net movement in cash	-10.7	-11.1
Cash at beginning	22.0	33.1
Cash at end	11.3	22.0

* Cash at end of $11.3 million includes iMoney cash balance of $0.8m

FY20 – KEY COMMENTS

- Operating cash flow, including $3.7m JobKeeper injection, was +$2.2m: +$5.0m: Australian business -$2.8m: iMoney business
- Capital Expenditure in technology continued in line with our strategy, prioritising: Partners, Customers and Data
- Trail cash collection performing in line with expectation. Trail Working Capital outflow was -$4.2m in FY20 (FY19: -$11.1m, see Appendix for detail)
- Decline in Net Assets due to: iMoney exit, Impairment of Goodwill

FY21 – CASH FLOW OUTLOOK

- We expect Working Capital outflow to slow and turn positive in H2
- Capital expenditure to decline in FY21, to $5.0m
- Further iMoney cash outflow: Nil

Operational & Marketing Update

Warren Hebard Chief Marketing Officer

FY20 Operational overview

OPERATIONS

- Deployment of Genesys Pure Connect has seen improved operational metrics:
  - % of calls answered
  - Consultant-to-Lead ratios
  - Increase mix of higher banded consultants
- Focus on operational improvements saw a reduction in sales leakage, of 0.9pp YOY for the business
- Post COVID response: Productivity levels were 5% higher in a WFH environment

PARTNERSHIPS

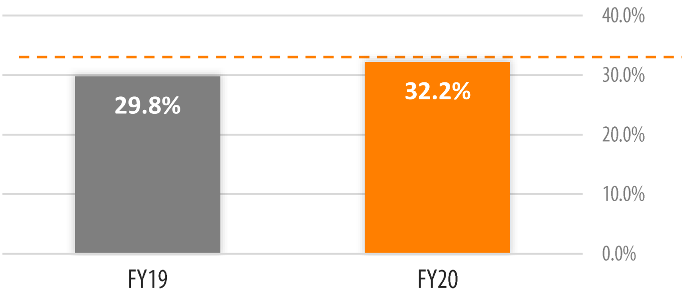
- In our Energy business, we welcomed back Energy Australia in March. Additionally, in partnership with Bill Identity we introduced the ‘Bill Upload’ option for our Energy customers
- In our Wealth business, we have announced new partnerships with LifeBroker and Lendi as part of our Future Operating Model changes
- In General Insurance, our Home & Contents, Pet (Choosi) and Business (Bizcover) YOY growth was 57% in H2

CUSTOMERS

- Net Promoter Score (NPS) of 52, and uplift of +10.6% (vs FY19) reflecting our ongoing focus on customer impact and response times
- As conversion and NPS metrics skew higher in our longer serving team members, pleasingly we have seen another +4pp improvement in staff retention vs FY19

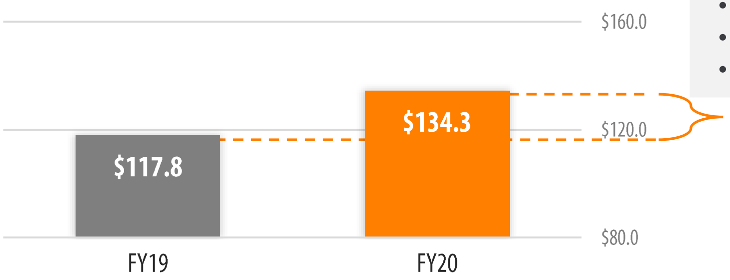
FY20 Marketing Update

MARKETING AS A % OF REVENUE



FY16 - FY19 Average is **34.2%**

MARKETING COST PER ACQUISITION (CPA)



CPA increase due to
- Brand
- YOY Sales Mix
- Lead mix & SEO
- Cross-Serve

MARKETING EFFICIENCY REMAINED A FOCUS IN A CHALLENGING EXTERNAL MARKET ENVIRONMENT

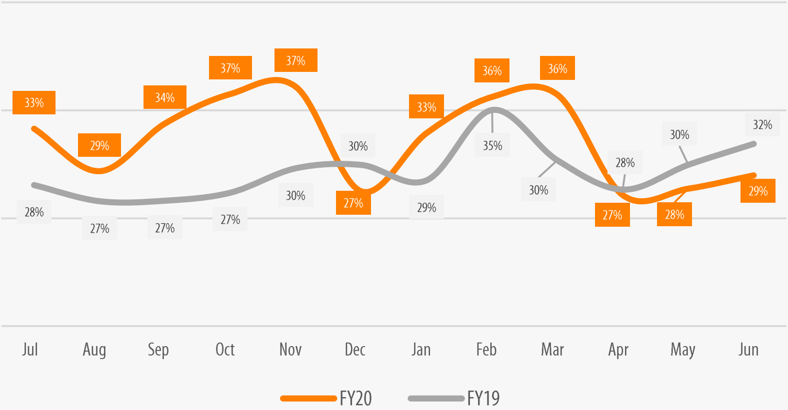
- Marketing spend as a percentage of revenue increased YOY, however it continues to remain below the longer-term average
- Investment in brand continued throughout COVID-19 with positive directional movement in key brand metrics during H2

FUTURE OPERATING MODEL (FOM) MARKETING STRATEGY IMMEDIATELY DELIVERING POSITIVE MARGIN CONTRIBUTION

- Maximise the value of iSelect's Organic and Brand traffic
- Utilise new partnerships to enable fixed margin volumes and de-risk reliance on Web traffic
- Complement Organic leads with Paid Digital spend, but only where ROI is certain. Contact centre right-sized for this strategy.
- Continue to invest in Brand, holding at FY20 investment levels
- Significant improvements in YOY Marketing ROI delivered during Q4 following the initial operationalisation of the future operating model marketing strategy

Improved marketing efficiency outlook

MARKETING SPEND AS A % OF REVENUE



- FY20 was challenging from an external market perspective in particular the energy regulatory changes had a significant impact on marketing spend efficiency
- Future Operating Model marketing strategy changes were quickly implemented and delivered improved marketing efficiency in Q4 and this performance has continued into the early part of FY21

NEW ANIMATED CREATIVE IN FY20

- Faced with COVID-19 production restrictions the marketing team quickly pivoted to a new aminated creative approach which enabled fast and efficient production of messaging changes to suit the rapidly changing external environment. Importantly the iSelect brand and tone of voice remains, simply executed with an updated visual identity.
- Looking ahead to FY21 consistent Brand investment will remain with spend levels in line with FY20

Outlook

Slade Sherman Chief Experience Officer
Brodie Arnhold Chief Executive Officer

Commitment to strategic initiative delivery

Making Australians' lives easier by saving them time, effort and money…

Data Investments
- Automation in marketing, recommendations and process
- iConnect applications for improved customer experience and conversion
- Personalised comparison

Customer Experience
- Saved search and improved recommendations based on past needs
- From comparisons to connections making it easy for customers

Opportunities
- Recommendations based on known customer needs
- Web performance (CRO/SEO)
- New verticals
- Partnership Program
- Partner process automation

Future Operating Model | Evolving customer engagement

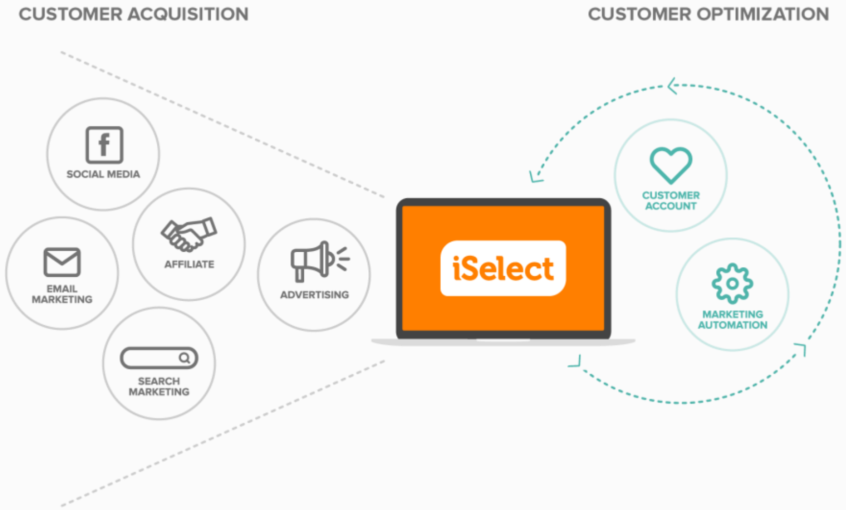
DIVERSIFYING OUR LEAD SOURCES AND MAINTAINING OUR BRAND

Broadening our lead sources

- Maintaining our brand strength
- Leaders in Paid and Organic search
- Investments in B2B Partnerships
- Expanding social and new channels

Engaging with existing customers

- Customer Account
- Marketing Automation
- Cross Sell



BUILDING ONGOING RELATIONSHIPS WITH CUSTOMERS

The Opportunity

- Increase frequency, reduce friction in how we service customers
- Measured by 'monthly active users'
- Increased products per customer
- Permission to use customer needs to generate automated comparisons
- Customer Lifetime Value approach

Future Operating Model | Evolving comparison service options

WE ARE UTILISING NEW MODELS AS WE CONTINUE TO EXPAND OUR OFFERING FOR CUSTOMERS

Full-Service Comparison & Connections
End-to-end comparison and connections in Health, Energy, Movers, Broadband and GI

B2B Partnerships
Leveraging white label relationships for Home Loans, Life, Pet, Travel and Business Insurance

Web Only
Comparison and web experience or 'click-out'

Outlook

LOOKING AHEAD TO FY21

- After a challenging FY20, we expect a step change in our FY21 EBITDA and cash flow due to the following factors:
    - Market demand to retain the stability we have seen in recent months
    - Significantly improved performance from our Energy business
    - Increased gross margins from our Future Operating Model
    - Further fixed cost reductions
- In July 2020, we posted an EBITDA of $2.6m (including JobKeeper) with momentum continuing in August, which provides some early validation of changes made in Q4FY20. We don't expect to receive JobKeeper beyond September 2020.
- The Board has appointed Russell Reynolds who are assisting with executive succession planning

ADDITIONAL OPPORTUNITIES

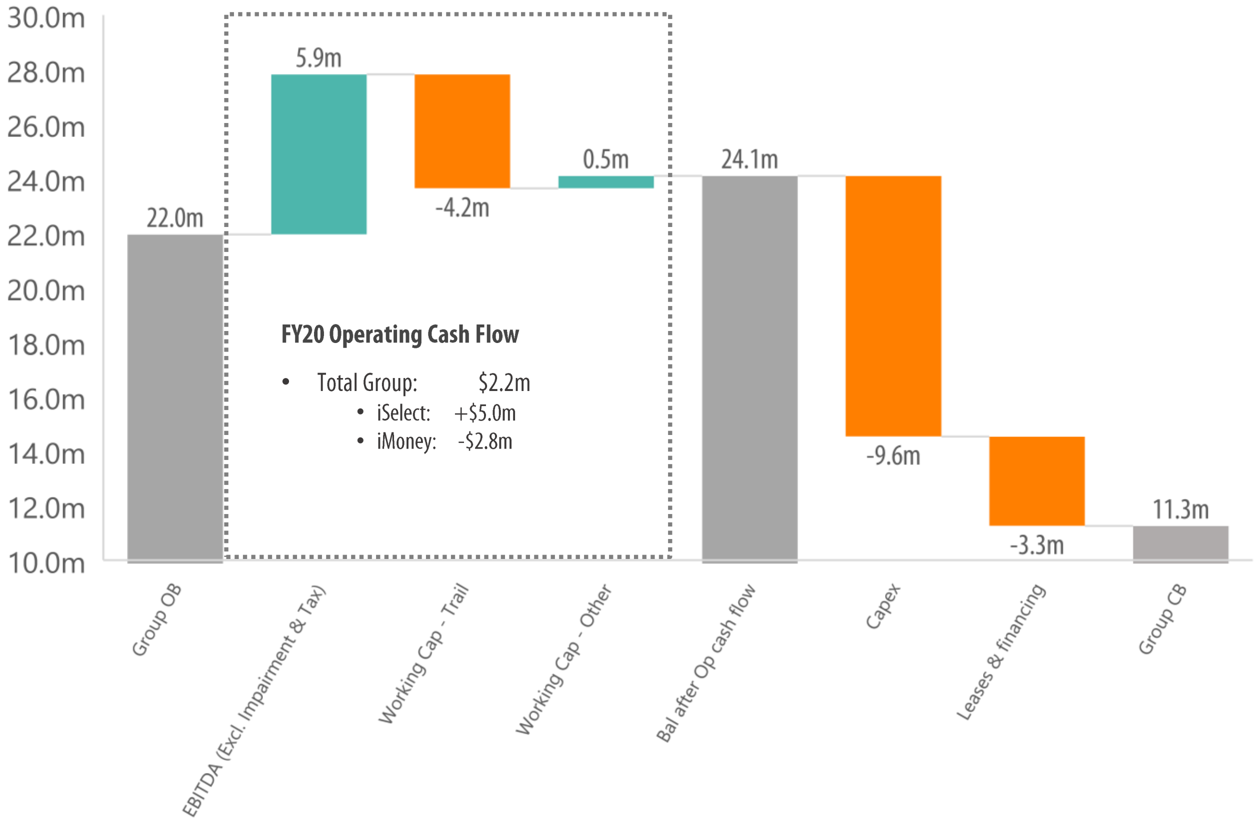
- In addition to the above, further opportunities we will work through in FY21:
    - Further efficiencies in Direct Costs through more flexible / WFH based workforce
    - Continued growth in our Monthly Active Users should translate into higher margin sales and revenue

CAPITAL MANAGEMENT

- Following several years of Working Capital increases, we expect Working Capital to reduce from H2 FY21. As a result, we expect stronger cash flows in FY21 and in due course we will consider capital management options as appropriate

Appendix

FY20 Group Cash flow breakdown

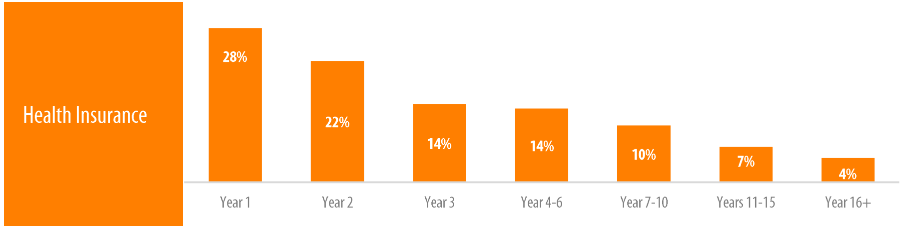


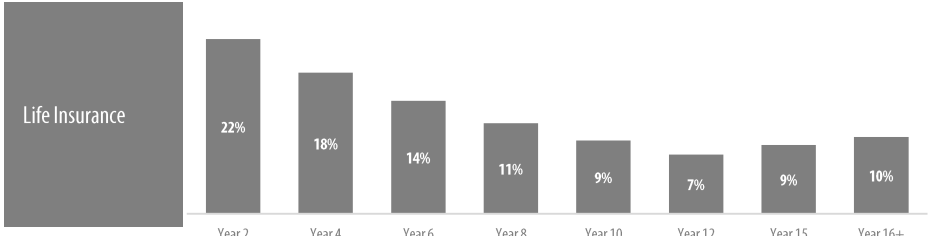
Trail Book Assumptions

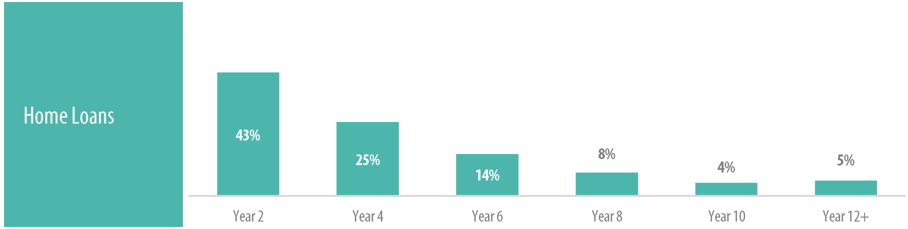
	KEY VARIABLES	CUSTOMER: Blended Attrition/ Lapse Rates	INDUSTRY: Premium Increases	PRESENT VALUE: Discount Rate
Health	Principle	Historic trends +0.4 - 5.5p.p conservatism	Historic trends +0.1-1.0 p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset
	Assumption	7.5% - 26.5% *(Industry Avg = 16.0%)*	3.0% - 3.9% *(Industry Avg = 3.3%)*	2.4%
	+1% Movement	$2.5m Rev	$1.9m Rev	n/a
Life Insurance	Principle	Historic trends + 1.0 - 6.1pp conservatism	Historic trends + 1.0 - 2.0 p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset
	Assumption	13.6% - 20.7% *(Industry Avg = 13.7%)*	8.0% *(Industry Avg = 10.0%)*	2.7%
	+1% Movement	$2.6m Rev	$2.1m Rev	n/a
Home Loans	Principle	Market driven data	Current variable interest rates	Locked at point of recognition. Doesn't impact Trail Asset
	Assumption	10% - 24% (Industry Avg = 22.0%)	3.65% *(Industry Avg = 4.6%)*	3.1%
	+1% Movement	$0.2m Rev	$0.2m Rev	n/a

Trail Asset: Cash flow profiles

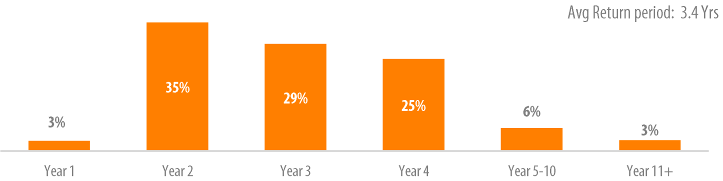
(A) CASH PROFILE: EXISTING TRAIL ASSET







(B) AVERAGE CASH PROFILE: x1 NEW CUSTOMER



No longer Applicable: Future Operating Model for Life will not attract accrual of Trail Revenue going forward

No longer Applicable: Future Operating Model for Home Loans will not attract accrual of Trail Revenue going forward

Trail and Working Capital Update

ISU TRAIL WORKING CAPITAL (WC) TREND

	FY18	FY19	FY20	FY21	FY22
Trail WC impact	(12.7)	(11.1)	(4.2)	Neutral	Positive

HEALTH TRAIL CASH FLOW PROFILE: PER FINANCIAL YEAR

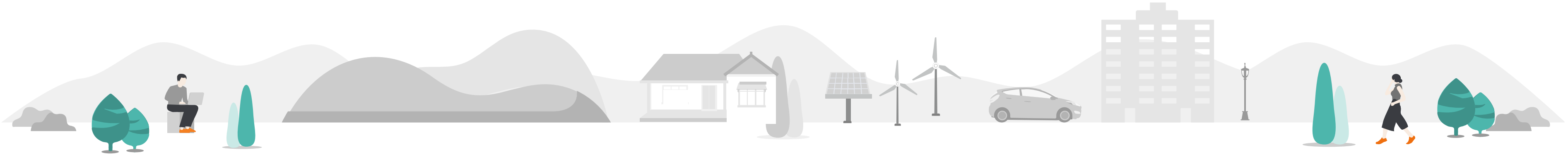
	Trail Asset: Cash flow profile (x1 New Health Customer)						
	FY18	FY19	FY20	FY21	FY22	FY23	FY24
FY18 Sales	1	2	3	4			
FY19 Sales		1	2	3	4		
FY20 Sales			1	2	3	4	
FY21 Sales				1	2	3	4

- 84% of Health Trail Revenue is collected within 4 Years
- In FY21 we reach a WC ‘equilibrium’

1. Since FY18, we have seen higher levels of Trail Revenue. This is due to the product sales mix, in Health in particular
2. Working Capital outflow trend reduced significantly in FY20, we expect it will become positive by H2 in FY21
3. Any product mix changes that see our Trail Revenue reduce, will improve working capital further

Reconciliation: Reported to Underlying results

	Reported FY20 $'000	Company Restructures	ACCC	iMoney Performance & Impairment	Goodwill Impairment	Health Rate Rise Deferral	Underlying (incl. JobKeeper) FY20 $'000	JobKeeper	Underlying (excl. JobKeeper) FY20 $'000
EBITDA	**(31,682)**	**1,925**	**2,292**	**19,760**	**18,835**	**2,535**	**13,665**	**(3,699)**	**9,966**
Depreciation and amortisation	(9,357)	-	-	748	-	-	**(8,609)**	-	**(8,609)**
EBIT	**(41,039)**	**1,925**	**2,292**	**20,508**	**18,835**	**2,535**	**5,056**	**(3,699)**	**1,357**
Net finance income	(677)	-	-	324	-	-	**(353)**	-	**(353)**
Profit/(loss) before income tax expense	**(41,716)**	**1,925**	**2,292**	**20,832**	**18,835**	**2,535**	**4,703**	**(3,699)**	**1,004**
Income tax expense	(1,833)	(577)	(688)	2,255	-	(761)	**(1,604)**	1,109	**(495)**
Profit/(loss) for the period	**(43,549)**	**1,348**	**1,604**	**23,087**	**18,835**	**1,774**	**3,099**	**(2,590)**	**509**



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Non-IFRS information

iSelect's results are reported under International Financial Reporting Standards (IFRS). Throughout this presentation, iSelect has included certain non-IFRS financial information. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. iSelect uses these measures to assess the performance of the business and believes that information is useful to investors. EBITDA, EBIT, Operating Cash Conversion and Revenue per Sale (RPS) have not been audited or reviewed.

Any and all monetary amounts quoted in this presentation are in Australian dollars (AUD) except where indicated.

Thank you