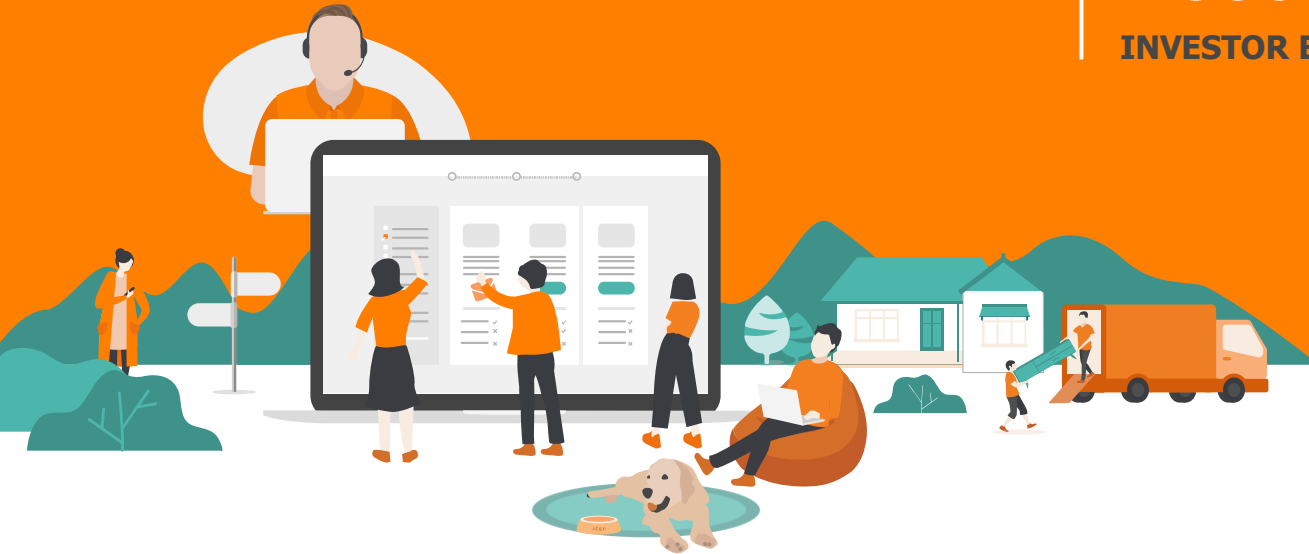


# iSelect FY21 Results

**INVESTOR BRIEFING** | 24 AUGUST 2021



**iSelect**

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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.

# Business Update

**Warren Hebard** Chief Executive Officer



# **FY21: Strong result** amidst challenging external market conditions

**FY21 result: Underlying EBITDA \$20.8m (including \$3.4m JobKeeper)**

**Strong result highlights the resilience of the iSelect business:**

- COVID-19 continued to drive fluctuations in consumer demand
- Changes made to the operating model have delivered strongly in FY21
- However these two factors saw revenues impacted

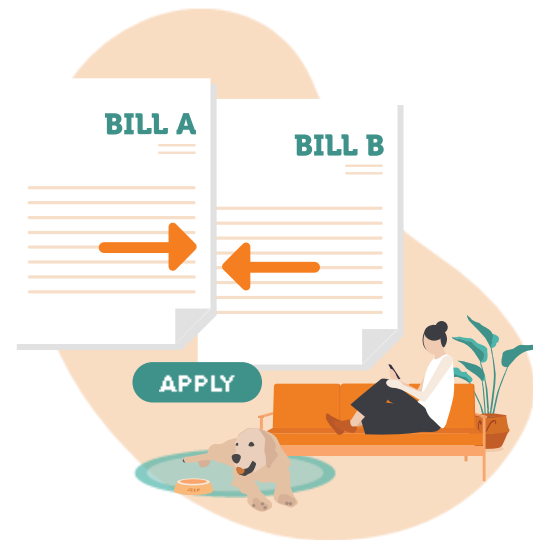
**New strategic and innovative partnerships FY21:**

- News Corp, Bupa, Prime7, Aussie Broadband, Woolworths
- New Verticals: Business Loans, Credit Cards, Personal Finance, Car Loans launched

**Operating cash flows were solid, with Trail cash collections performing at or ahead of expectation**

**i26 | iSelect's Long-term Strategy**

- Continue to evolve our model to better meet changing consumer behaviours
- Consumer Data Right (CDR) legislation to empower consumers and be a key enabler for growth in the comparison market:
  - Open Energy 'Tranche #1' (major retailers) from Oct 2022
  - 'Tranche #2' (remaining retailers) from Oct 2023
  - Telco and Insurance categories likely to follow
- Opportunity to provide a data-enabled seamless 'always on' comparison service, with opportunities to build relationship with customers to realise a recurring revenue model longer term
- Leveraging our investments in Data and iSelect Customer Accounts (1.1m account holders, +108% H2 vs H1)
- Market opportunity: Potential for the switcher market to grow in totality



# FY21 iSelect Headlines

## REVENUE (\$m)

**111.0**

-10%

## LEADS (m)

**2.1**

-35%

## CONVERSION

**10.4%**

1.5pp

## EBITDA (\$m)

**20.8**

52%

## SALES UNITS (k)

**208**

-30%

## MARKETING ROI

**3.29**

+6%

## CUSTOMER ACCOUNTS

**1.1m**

+108% v H1

## NPS

**56**

+8%

## KEY COMMENTS

Market demand impacted by COVID-19:

- Leads in Energy, Telco and Car declining 40-50%, Travel Insurance -99%
- Health Leads: 21% decline in H1 despite additional premium rate rise, recovering during H2

The company delivered a strong EBITDA result :

- Evolution of our model and operations, including Q4 FY20 changes
- Prioritisation of Profit and Cash flow during this uncertain period

Operationally, the business showed improvement across the key performance measures:

- Conversion, Cross-serve and Marketing ROI all improving
- Growth in iSelect Customer Account holders and NPS has continued

# Financial Results

**Vicki Pafumi** Executive – Finance & Strategy



# Strong underlying **EBITDA** result; reflecting the resilience of iSelect

## INCOME STATEMENT

UNDERLYING (\$m)	FY21	FY20	CHANGE
<b>REVENUE</b>	111.0	123.0	-10%
Gross Profit	43.5	37.8	15%
GP Margin	39%	31%	+8pp
Overheads	-26.1	-27.8	-6%
JobKeeper	3.4	3.7	-8%
<b>EBITDA</b>	20.8	13.7	52%
EBITDA Margin	19%	11%	+8pp
Depn. and Amort.	-10.5	-8.6	22%
<b>EBIT</b>	10.3	5.1	102%
Net Interest Expense	-0.4	-0.4	0%
Income tax expense	-2.8	-1.6	75%
<b>NPAT</b>	7.1	3.1	129%
Reported EBITDA (continuing operations)	11.5	-11.9	n.m
Reported EBIT (continuing operations)	1.0	-20.5	n.m

**Revenue** decline primarily caused by:

- Fluctuating consumer demand and operating model changes from Q4FY20 that stabilised the business through this uncertain period
- We note that against this backdrop, competition in digital channels<sup>1</sup> increased and we expect this dynamic to persist in the near term

**Gross Profit** improvement due to:

- Leaner model and emphasis on profitability and Cash flow through this period
- Improvement in key operational metrics: Conversion, Cross-serve, Marketing ROI

**EBITDA** of \$20.8m inclusive of \$3.4m of JobKeeper:

- Continued discipline on fixed costs saw a 6% reduction in Overheads
- JobKeeper subsidy ceased at September 30 2020

Full Reported Earnings breakdown is outlined in Appendix

# | Segment Performance

UNDERLYING (\$m)



FY21 Segment Results	Health Insurance		Energy & Telco		Life & General Insurance	
Revenue	75.1	-2%	18.6	-30%	16.8	-9%
EBITDA	12.0	10%	-0.9	-40%	8.5	183%
Customer Leads (000s)	753	-13%	787	-49%	431	-47%
Sales Units (000s)	72	-14%	92	-34%	58	-18%
RPS \$	1063	6%	230	3%	184	-33%
Conversion	9.6%	-0.1 pp	11.7%	+2.7 pp	13.4%	+4.6 pp

## REVENUE decline:

- COVID-19 saw fluctuations in demand impacting Leads and Revenue
- Changes made to the operating model in Q4FY20 also impacted revenues

## OPERATIONAL performance:

- Following challenging FY20 due to the Energy Regulatory changes, conversion rates returned to traditional levels, with particularly strong results in Energy and General Insurance
- RPS increased in Health due to a higher value customer mix and declined in Life and General Insurance as expected

## EBITDA improvement:

- Strong marketing ROI particularly in H1
- Assisted by additional Health premium rate rise (Oct 1<sup>st</sup>)
- Return of the Energy market saw improved cross-serve into our Health business
- In Life Insurance, the transition to a lower risk lead referral model is complete. Performance of existing Trail book remained strong, with our retention initiatives continuing to deliver



# Balance Sheet and Cash Flow

## BALANCE SHEET

(\$m)	JUN-21	JUN-20*
Cash	9.4	10.5
Receivables	14.9	15.8
Trail Commission Asset	124.8	118.3
Other	23.2	29.6
Total assets	172.3	174.2
Total liabilities	61.6	59.5
Net assets	110.7	114.7

\* June 2020 Balance Sheet excludes iMoney (discontinued operation)

## CASH FLOW STATEMENT

(\$m)	FY21	FY20
Operating Cash flow	10.2	2.2
Capital Expenditure	-5.3	-9.6
Free Cash	4.9	-7.4
Investing/Financing cash flow	-3.0	-3.3
Dividend Paid	-2.2	0.0
Cash disposed of as part of discontinued operations	-1.6	0.0
Net movement in cash	-1.9	-10.7
Cash at beginning	11.3	22.0
Cash at end	9.4	11.3

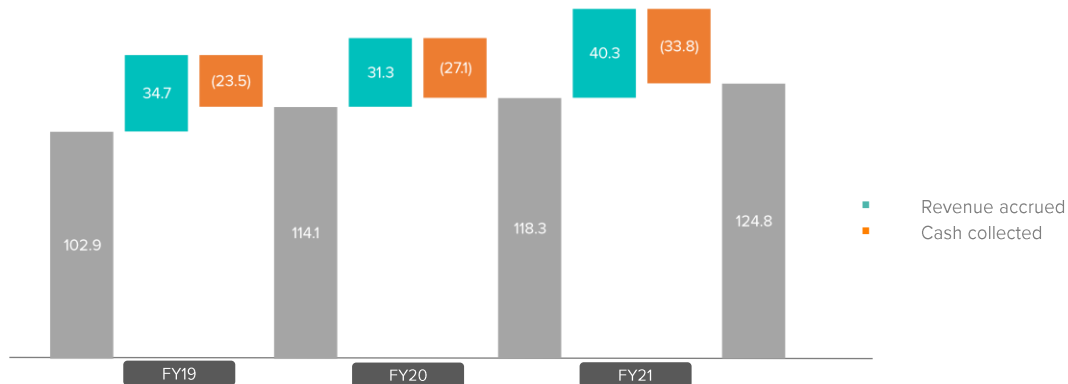
## KEY COMMENTS

Operating cash flow, including \$3.4m JobKeeper injection, was +\$10.2m:

- Capital Expenditure in technology reduced to \$5.3m in line with our strategy, prioritising: Partners, Customers and Data
- Capital expenditure in FY22 expected to be \$5.0m - \$5.5m
- ACCC cash payment of \$1.9m in November 2020
- Reduction in 'Other' Assets due to FY21 Depreciation & Amortisation exceeding Capital expenditure
- Trail Commission Asset and Working Capital discussed on the next page

# | Trail Cash flows remains strong

## TRAIL RELATED WORKING CAPITAL TREND



REVENUE MIX: UPFRONT / TRAIL	H1 FY20	H2 FY20	H1 FY21	H2 FY21
Upfront Revenue	72.9%	72.2%	66.0%	63.7%
Trail Revenue	27.1%	27.8%	34.0%	36.3%

## CASH FLOW AND WORKING CAPITAL

- Trail cash collections have performed slightly ahead of expectation, providing ongoing validation of the Trail Asset
- The abnormal trading conditions of FY21 saw a higher than expected Trail Revenue mix in Health Insurance and Working Capital remain as an outflow in FY21
- Despite this, with our cash collections performing, we expect this to directionally improve in FY22

# | iSelect Customer 360



- Customer Accounts is continuing steady growth, with 1.1m Customer Accounts since launch (541k at H1 FY20)
- In FY21, we completed our data platform modernisation program and along with Customer Account, this represents a foundation pillar for iSelect's i26 strategy
- We saw continued improvement in our NPS metric at 56 (+7.7% YoY),

1. Number of individual customers who have completed a comparison with iSelect in the last 12mths  
2. Number of individual customers who made a purchase in FY21  
3. Cumulative number of ISU Users who have registered their details with iSelect  
4. The average number of verticals within which a customer made a purchase. Where verticals = Health, Energy, Telco, Life, Home Loans, Car, Home & Contents, Travel Insurance, Pet Insurance, Business Insurance

# i26 Horizon 1 | Open Energy

**Warren Hebard** Chief Executive Officer



# | i26 | The iSelect vision

## Open Energy is coming soon

- In August 2019, Consumer Data Right (CDR) legislation was passed. From **Oct 2022**, Open Energy will be made available to consumers, providers and comparators.

## The market opportunity for iSelect ...

- With comparison enabled by Open Data, a potential market opportunity exists for iSelect to better serve **our existing 'switcher' customers** whilst **growing the switcher market** in totality

## Open Energy will enable...

- A simplified and seamless user journey, with opportunities to continue **building relationship with our customers** by providing continuous comparisons and **one central location** to manage their energy needs

## iSelect is well placed ahead of Open Energy

- We have 21 years experience in understanding 'customer needs' within our comparison journeys
- We will leverage in our investments in Data and Customer Account
- The first phase of i26, will focus on leveraging our strengths to deliver an **Open Energy proposition in Q2 FY23**



# | i26 | About Open Energy

AUGUST 2019

Consumer Data Right (CDR) legislation was passed

## WHAT IS CDR?<sup>1</sup>

- Gives consumers more control over their data
- Is designed to give consumers greater choice and control through the convenience of a simple, easy-to-use process
- Is an economy-wide reform that will be rolled out sector by sector. As it grows, it will become more powerful for Australian households and businesses
- The CDR has already been rolled out to banking, with the energy sector to follow next and telecommunications to follow as the third sector

OCTOBER 2022

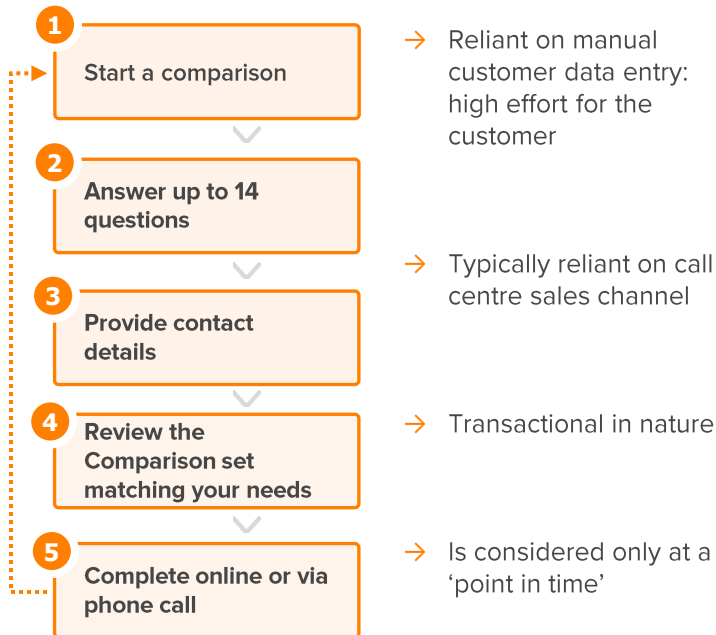
Open Energy will be made available to consumers, providers and comparators

## ABOUT OPEN ENERGY

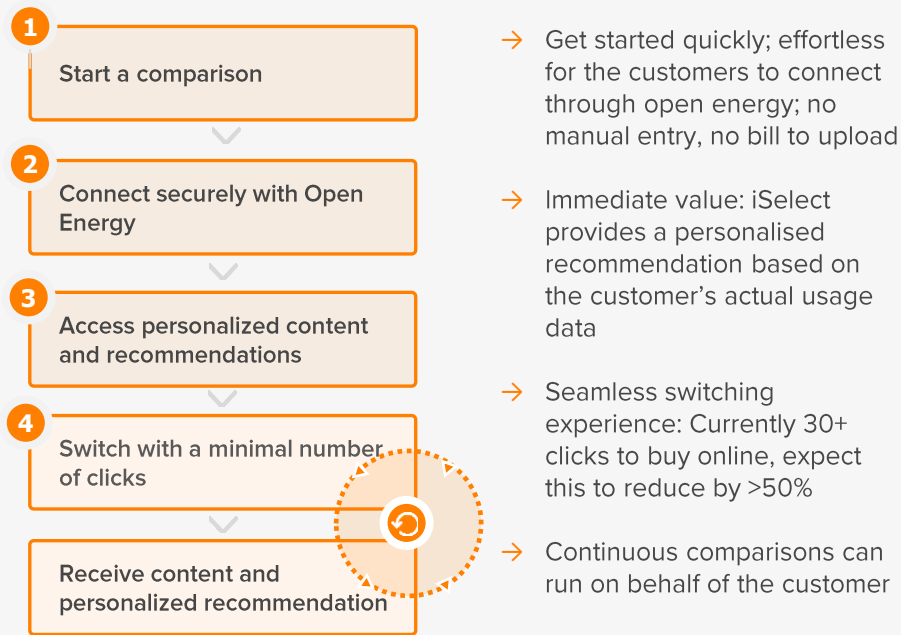
- The 2<sup>nd</sup> customer facing stage of CDR
- It will improve consumers' ability to compare and switch between products and services, and will encourage competition between service providers, leading not only to better prices for customers but also more innovative products and services
- Open Energy will enable comparators to deliver a vastly better experience for customers

# | i26 | How will Energy comparison change?

## ISELECT'S CURRENT JOURNEY



## OPEN ENERGY VISION



### Open Energy Key Risks

This regulatory change is 'new ground' for the market, we are cognisant of the key risks:

- AEMO<sup>1</sup> is the designated regulator, however this may change impacting the roll-out
- Data schema underpinning the Open Energy is confirmed, but still subject to change
- Open Energy will change the market, which will invite new players / disruptors

# i26 | iSelect is well placed ahead of Open Energy

## OUR EXPERIENCE & IP

**21 years**

understanding  
customer needs

## OUR CUSTOMERS

**1.1 million**

Customer Account Holders  
and continuing to grow

## LEVERAGING OUR INVESTMENTS

**Customer 360**

A strong foundation for a customer  
relationship model

## OUR COMPETITIVE ADVANTAGE

**Digital Fulfillment  
relationships**

Facilitating the switch end to end

The first phase of i26, will focus on **leveraging our strengths** to deliver an Open Energy proposition in **Q2 FY23**



# | i26 | The market opportunity

AUSTRALIANS COULD BE PAYING

**\$4.1 billion**

Too much for their bills<sup>1</sup>

IN AUSTRALIA

**74% of consumers**

Are not considering taking action on their bills<sup>2</sup>

WHY CONSUMERS DON'T SWITCH (for 61%)<sup>3</sup>



- Too much hassle
- Don't have time
- Too confusing
- Don't know how



With comparison enabled by Open Data, a **significant market opportunity exists** to better serve our **existing 'switcher' customers...**

....whilst **growing the switcher market in totality**

# Outlook

**Warren Hebard** Chief Executive Officer



# Outlook



## OUR MARKET

- Through the COVID-19 period we have seen consumer demand fluctuate and we anticipate this will continue through FY22, creating uncertainty regarding H1 performance in particular
- We expect the timing of the Health Insurance premium increase to return to H2 in FY22



## FY22

We believe we are on a pathway to return to growth. Our key initiatives in FY22:

- Continuing focus on our Energy business ahead of Open Energy in FY23
- Launch of additional verticals
- Developing and innovating our marketing partnerships
- We are planning an incremental investment in our marketing and brand



## INVESTMENT IN i26

- Focus on continuing to grow our Customer Account base and increase active users
- Prepare for the arrival of Open Energy in FY23



## TRAIL ASSET AND CASH FLOWS

- We expect cash flows to remain strong, underpinned by Trail Asset cash collections which we expect to continue to perform in line with expectation
- Despite the higher Trail revenue mix in FY21, we expect Working Capital to continue to directionally improve in FY22



## DIVIDEND

- As per the ASX announcement to the market in April 2021, the dividend program will continue

# | Thank you

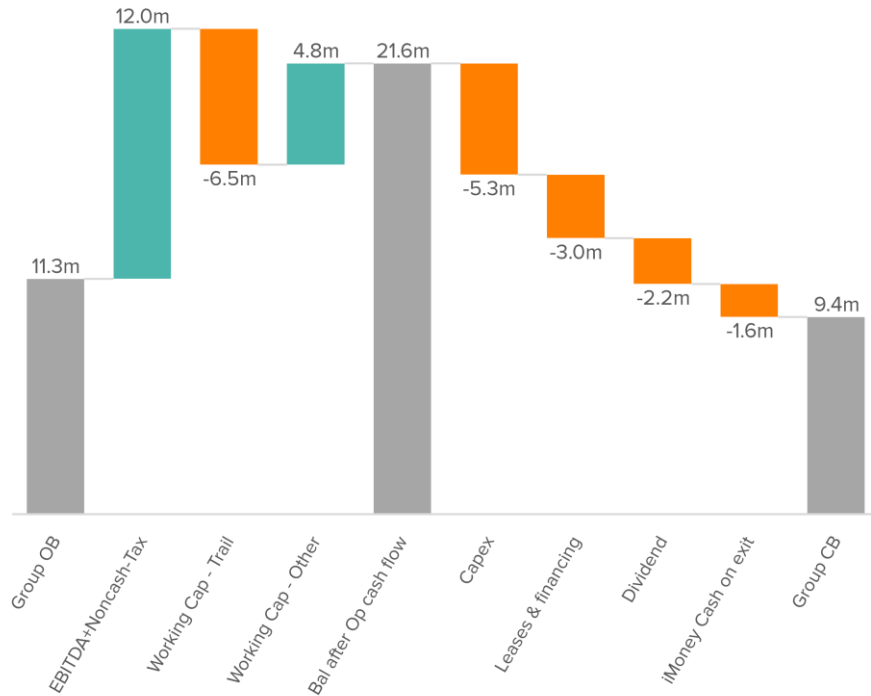


# | Appendix

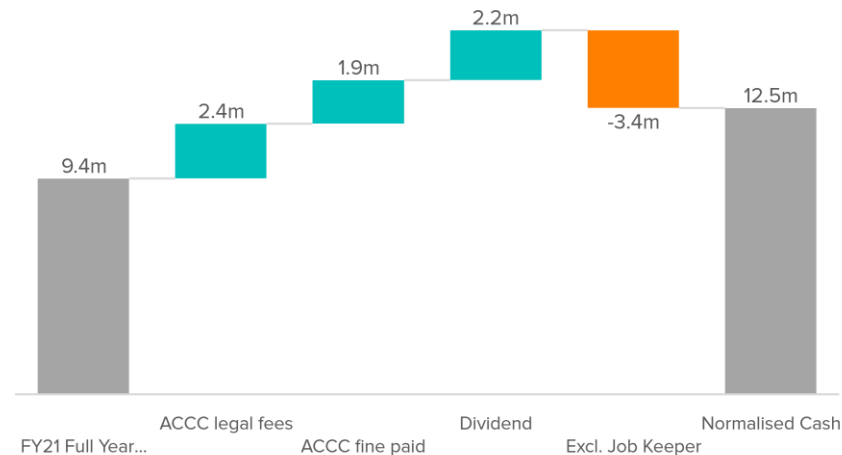


# FY21 Group Cash flow

FY21 CASH FLOW BREAKDOWN



FY21 NORMALISED CASH POSITION



## ACCC Settlement

- ACCC settlement reached in FY21 H1: \$8.5m. This amount is reflected in our Reported results, see reconciliation on Page 25
- Payment terms: The first instalment of this penalty was \$1.9m paid in October 2020. The remaining balance is to be paid annually in November, over the next 3 years.

# Trail Book Assumptions



Health

KEY VARIABLES:	CUSTOMER: Blended Attrition/ Lapse Rates	INDUSTRY: Premium Increases	PRESENT VALUE: Discount Rate
Principle	Historic trends + 1.00 - 5.6p.p conservatism	Historic trends + 0.4-1.0 p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset
Assumption	7.5% - 26.5% (Industry Avg = 16.0%)	3.0% - 3.5% (Government Avg = 2.8%)	1.7%
+1% Movement	\$3.1m Rev	\$1.8m Rev	n/a



Life Insurance

Principle	Historic trends + 0.7 - 6.1pp conservatism	Historic trends + 1.0 - 2.0 p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset
Assumption	13.4% - 19.5% (Industry Avg = 15.9%)	8.0% (Industry Avg = 10.0%)	2.6%
+1% Movement	\$2.7m Rev	\$2.2m 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%)	3.6% (Industry Avg = 4.5%)	1.7%
+1% Movement	\$0.2m Rev	\$0.2m Rev	n/a

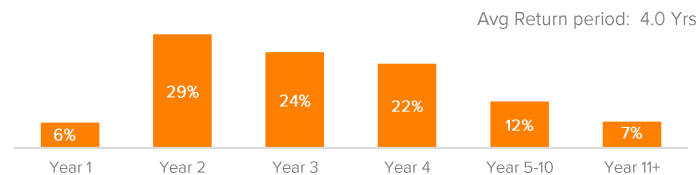
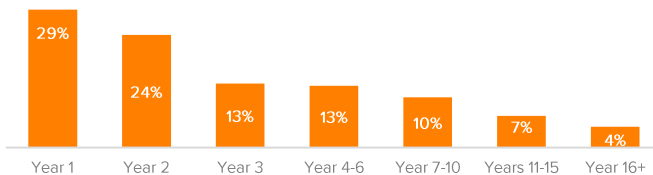
# Trail Asset: Cash flow profiles

(A) CASH PROFILE: EXISTING TRAIL ASSET

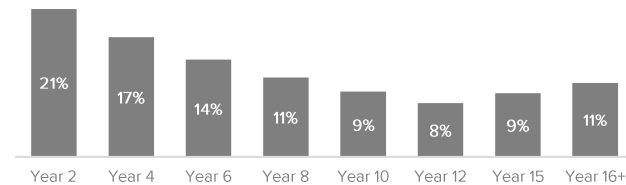
(B) AVERAGE CASH PROFILE: x1 NEW CUSTOMER



Health



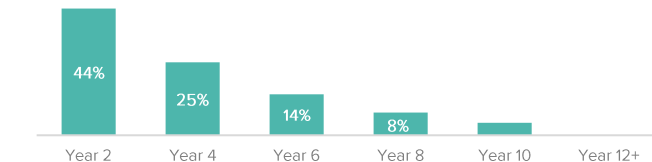
Life Insurance



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



Home Loans



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



# Reconciliation: Reported to Underlying results

	Reported	ACCC	iMoney Performance	Underlying (incl. JobKeeper)	JobKeeper	Underlying (excl. JobKeeper)
	FY21			FY21		FY21
	\$'000			\$'000		\$'000
EBITDA	8,471	9,353	2,979	20,803	(3,404)	17,399
Depreciation and amortisation	(10,474)	-	-	(10,474)	-	(10,474)
EBIT	(2,003)	9,353	2,979	10,329	(3,404)	6,925
Net finance income	(434)	-	34	(400)	-	(400)
Profit/(loss) before income tax expense	(2,437)	9,353	3,013	9,929	(3,404)	6,525
Income tax expense	(2,635)	(226)	-	(2,861)	1,021	(1,840)
Profit/(loss) for the period	(5,072)	9,127	3,013	7,068	(2,383)	4,685