



ASX/Media Release

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Australian Securities Exchange
20 Bridge St
Sydney NSW 2000

STRONG FULL YEAR 2017 RESULTS EXCEEDING PROSPECTUS FORECASTS

Freedom Insurance Group (ASX: FIG), today reported its financial results for the year ended 30 June 2017, its first full year results since listing in December 2016. The full year results significantly exceeded prospectus forecast and were above the upgraded guidance range announced in May 2017.

Chief Executive Officer and Managing Director, Keith Cohen attributed the result to strong growth in new business sales and in force premium, declining lead generation costs, a continued focus on customer retention and the benefits of increasing business scale.

Full year 2017 highlights:

- Net Revenue of \$53.5 million increased 81% on the prior year
- Pro-forma Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) increased 195% on prior year to \$22.3 million
- Total sales (new business premium) rose 82% to \$64.4 million
- Total in force premium at 30 June 2017 up 66% in the year to \$109.3 million
- Statutory Net Profit After Tax (NPAT) was \$14.1 million for the period, representing Basic Earnings Per Share (EPS) of 6.7 cents
- Pro-forma NPAT increased to \$15.0 million, up from \$4.5 million in the prior year
- Customer numbers grew 66% to 289,000 in the 12 months to 30 June 2017

Full year ended 30 June (\$ million)	2017	2016	change
Net Revenue ¹	53.5	29.5	81% ↑
Pro-forma EBITDA	22.3	7.6	195% ↑
Pro-forma NPAT ²	15.0	4.5	234% ↑
Statutory NPAT	14.1	3.0	356% ↑
Basic EPS (cents)	6.7	2.1	220% ↑
Total Sales ³	64.4	35.5	82% ↑
Total In Force Premium ⁴	109.3	65.8	66% ↑
Customers ⁵	289,000	174,000	66% ↑

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Operations

Freedom's strong sales growth was driven by expanded lead acquisition, effective marketing, good sales conversion rates and higher adviser numbers.

Net revenue increased strongly supported by robust new business sales and the growing in force business which now exceeds \$100 million in premium.

Mr Cohen said it was pleasing sales increased by 82% in FY17 to \$64.4 million but lead costs only increased a few percent. Reduced lead prices enabled Freedom to acquire and convert more leads into policies for the same spend.

The healthy growth in revenue was supported by enhanced service capability and a focus on customer retention. In force premium and customer numbers both increased by 66% in FY17 to \$109.3 million and 289,000 respectively.

The company's main operating expenses are upfront customer acquisition costs and ongoing policy administration costs. Freedom designs, markets and manages its products, but the insurer bears any claims risk.

"Operating costs increased just 42% against net revenue growth of 81%, due to lower lead costs and the scale economies available in many parts of our business. As a result, we lifted FY17 pro-forma EBITDA 195% over the year, which was 76% ahead of prospectus forecast," Mr Cohen said.

Strategy

Freedom's growth in the Australian life insurance market has been driven by sales of its existing products, which include final expenses (funeral) and accidental death and injury insurance.

Late in the financial year Freedom expanded its life insurance offer with a range of other direct life insurance products that are also straightforward, easy to use and offer value for money, continuing the highly successful philosophy of its existing products.

Mr Cohen said the company has been extremely active in the last 12 months reaching strategic milestones that will support continued growth in revenue and earnings over coming years. These include the December 2016 IPO and capital raising, enhanced business infrastructure, migration to a new insurer, product expansion, and distribution growth.

"It's been the busiest year in the company's history but we've laid the groundwork for the next exciting phase of growth as we launch new products and expand our sales channels. The success we achieved this year, in addition to preparing the company for significant growth, reflects the hard work and dedication of the whole Freedom team," said Mr Cohen.

Outlook

Freedom has a medium-term goal of becoming the second largest participant in the \$441 million direct life insurance market⁶ for new business and a serious contender for industry leadership.

The company is debt free and has sufficient working capital to fund expansion into new life insurance products and channels. The primary focus is to achieve strong organic growth. Additionally, it may consider selective acquisition opportunities that support the strategy and add value for shareholders.

As it ramps up sales and marketing for the enhanced product offering in September and October Freedom will continue to focus on excellence in lead management, service, claims and retention.

"It's been a strong start for Freedom as a listed company, but we see it as early days in achieving our long-term objectives in the Australian life insurance market," said Mr Cohen.

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Full year results webcast

There will be a webcast of the full year 2017 financial results presentation available on the Freedom Insurance investor website at 11.30am AEST on 23 August 2017.

This can be found at: freedominsurance.com.au/webcast

About Freedom Insurance

The Freedom Insurance Group is an Australian based insurance business established in 2009 that specialises in the development, distribution and administration of risk life insurance products. Freedom focuses on straightforward life insurance products that are simple to understand and convenient for customers.

With the exception of risk underwriting, Freedom is involved in all aspects of the life insurance value chain: product design & manufacture; marketing & lead generation; distribution; and policy administration. Freedom Insurance Group listed on the ASX in December 2016 with the code FIG.

Notes

¹ Total revenue less commissions paid to Spectrum advisers

² Pro-forma NPAT excludes certain December 2016 IPO costs and other 1H16 adjustments

³ New Business Annual Premium during the year; indirect (Spectrum) sales estimated from insurer data

⁴ In force Annual Premium Income at end of the period; indirect (Spectrum) in force estimated from insurer data

⁵ The number of individual lives insured – some policies insure multiple lives

⁶ Calendar 2016 year estimates – Strategic Insight – Direct Life Insurance Report – May 2017