

ASX/Media Release

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Australian Securities Exchange
20 Bridge St,
Sydney NSW 2000

BUSINESS UPDATE

Freedom Insurance Group Limited (ASX code: FIG) provides an update on expectations for the first half of FY18 and progress on the new product rollout.

1H18 Net Revenue is expected to be 3-11% higher than 1H17, due to higher trail commissions on the growing in-force book and favourable retention experience, partly offset by lower upfront revenue from sales.

While sales began strongly in 1H18, recent lead performance issues have impacted call centre efficiency and conversion rates. These issues are being addressed and the sales run rate is trending back to normal and is expected to fully recover by the end of the half. Nonetheless, it is anticipated that 1H18 sales will be 9-15% lower than 1H17.

As indicated at the full year results, operating expenses were expected to increase in 1H18 to support the ramp up of sales of the new Life products and increased maintenance expenses on the larger in-force book. Operating costs in 1H18 are projected to be between \$19.0 million and \$20.0 million.

The expected increase in operating expenses is likely to more than offset the increase in Net Revenue. Therefore 1H18 EBITDA is estimated to be in the range of \$7.5 million to \$9.0 million excluding the \$3.3 million gain on the sale of the NobleOak investment, and between \$10.8 million to \$12.3 million including the share sale. This compares with \$11.1 million Pro-forma EBITDA in 1H17¹.

New product rollout

The pilot of the new Life products, Premium Life and Essential Life, has completed with encouraging outcomes including an anticipated 1H18 contribution to sales of approximately \$1 million. During the pilot a significant investment was made in training a small team and establishing new lead sources to seed growth and support the product rollout. This investment will continue in the second half.

The initial performance of the new life insurance products has met expectations and the focus will shift to efficiency and scaling to provide a platform for a stronger sales contribution in the second half. The loan protection product rollout is anticipated to commence this half.

To support sales of the new products in the second half, Freedom has entered into an agreement with Peakbound Holdings, a leading provider of contact centre services to the Australian financial services industry. This initially provides resourcing and infrastructure for up to 15 sales agents in Sydney's CBD with capacity to expand to 250 sales agents over time, as required by Freedom. This arrangement compares favourably in terms of implementation time, access to qualified agents, flexibility and the costs associated with expanding in-house capability at an additional Freedom office.

Outlook

Freedom continues to expect second half sales and earnings to grow compared to the previous corresponding period, supported by the larger in-force book, growth in sales and diversification initiatives. Costs are also expected to increase, reflecting ongoing investment in lead generation, marketing and sales as well as enhancements to the distribution capability to support growth.

Freedom reiterates its medium term goal to reach the number two position in the direct life insurance market and become a contender for market leadership. The company has a strong balance sheet and is well capitalised to realise its medium term growth objectives.

1H18 guidance

\$ million	1H18 guidance	2H17	1H17
Total Sales	27.0 to 29.0	32.6	31.8
Net Revenue	26.5 to 28.5	27.8	25.7
Operating costs	19.0 to 20.0	16.7	14.6
EBITDA pre-NobleOak share sale¹	7.5 to 9.0	11.1	11.1
NobleOak share sale	3.3	-	-
EBITDA¹	10.8 to 12.3	11.1	11.1

Notes:

1. EBITDA was Pro-forma in 1H17 as it excluded certain December 2016 IPO costs and other adjustments.

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About Freedom Insurance

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 develops and distributes 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.