

**ASX/Media Release**

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Australian Securities Exchange
20 Bridge St,
Sydney NSW 2000

FIRST HALF 2018 RESULTS: INVESTMENT FOR GROWTH CONTINUES

Freedom Insurance Group Limited (ASX: FIG) ('Freedom') today reported financial results for the Half Year ended 31 December 2017. While total sales and net revenue in 1H18 were within the November 2017 guidance range, lead and sales costs to support the recovery were a little higher than guidance, restricting EBITDA to slightly below the range.

Chief Executive Officer and Managing Director, Keith Cohen expressed satisfaction with the results, notwithstanding the lead performance issues during the period as Freedom made significant progress to realise its medium term growth aspirations. Mr Cohen noted that the recovery in sales and the launch of new products provided an encouraging finish to a challenging half.

Key features of the 1H18 results included:

- Net revenue¹ of \$31.3 million, an increase of 22% on the previous corresponding period (PCP)
- EBITDA increased 7% on PCP to \$10.5 million, including profit on NobleOak share sale of \$3.3 million before tax
- Total sales (new business premiums) declined 11% on PCP to \$28.3 million
- Total in force premium at 31 December 2017 up 33% on the PCP to \$119.4 million,
- Net Profit After Tax (NPAT) of \$7.6 million, up 26% on PCP, representing basic EPS of 3.2 cents
- Customer Numbers grew 28% to 309,000 in the 12 months to 31 December 2017

Half year ended 31 December (\$ million)	2018	2017	% Change
Net revenue ¹	31.3	25.7	22%
Total Expenses	20.8	15.8	31%
EBITDA	10.5	9.8	7%
NPAT	7.6	6.2	26%
Basic EPS (cents)	3.2	3.5	-6%
Total Sales ²	28.3	31.8	-11%
Total In Force Premiums ³	119.4	89.7	33%

1 Total revenue less commissions paid to Spectrum advisers

2 New Business Annual Premium during the period. Indirect (Spectrum) sales estimated from insurer commissions received

3 In Force Annual Premium Income at the end of the period. Indirect (Spectrum) In Force estimated from insurer commissions received

Operations

Freedom's sales momentum was impacted by lead quality and sales conversion issues that resulted in total sales for half year being 11% lower than 1H17. Direct sales (by Freedom managed sales teams) declined 13%, while indirect sales through adviser networks achieved moderate growth of 4% on PCP.

Sales fully recovered by the end of the half, as anticipated in the November 2017 business update. In December they were 5.4% higher than PCP, and within the guidance range for 1H18.

Sales recovery measures included rectification of lead performance issues, additional sales support and acquisition of additional leads. The additional investment in leads and sales of \$950,000 was greater than expected, and as a result total expenses for 1H18 at \$20.8 million were \$0.8 million above the guidance range. This resulted in 1H18 EBITDA being slightly below guidance.

Reflecting continued strong growth in long term shareholder value, ongoing trail income grew 72% on 1H17 and 38% on 2H17 to \$4.0 million. In force premium grew 9% from 30 June 2017 and 33% from 31 December 2016 to \$119.4. Retention experience was broadly in line with underlying assumptions.

The increase in trail commissions, led to a healthy 27% increase in the value of the trail asset compared to 30 June 2017 to \$55.8 million. This included a \$1.4 million increase due to improving valuation methodology. Freedom continues to work with Deloitte to improve the asset valuation approach as the company grows and the trail asset becomes much larger.

As part of its product expansion and diversification strategy, Freedom launched several new life insurance products during the half, which required increased marketing, sales and lead costs, but made an important initial contribution to revenue.

"The new products achieved \$1.1 million sales in 1H18, which despite not yet recouping costs, is consistent with the early stages of product launches and a promising start that confirms the opportunity", said Mr Cohen.

As announced to the ASX in September 2017, Freedom completed the sale of its non-core investment in NobleOak Life Ltd for approximately \$7.0 million, resulting in a profit on sale of \$3.3 million before tax. Freedom will continue to receive the ongoing trail revenue associated with the NobleOak in force book of business as well as an ongoing Administration Fee.

Basic EPS declined 6% on 1H17, but this was entirely due to the higher number of shares on issue following the December 2016 IPO.

Strategy and Outlook

Freedom's strategy is to maximise profitable growth and shareholder returns with a primary focus on recurring ongoing revenue from the in force policy book. Freedom's ambition is to reach #2 in the direct life insurance market and become a contender for market leadership.

The life insurance market remains attractive with many Australian's under insured. Freedom has an exciting opportunity to grow the market by delivering simple, convenient and good value insurance.

There has been a sizeable step up in the scale of the business in recent years, but capacity remains in existing infrastructure for further significant growth from new and existing products. Increasing scale reinforces the competitive position.

"Freedom is well-capitalised to continue to invest to realise our growth aspirations, which include product and channel expansion. That may mean higher costs in near term to underpin growth but with increased shareholder value and ongoing cash margins through time," said Mr. Cohen.

The new Life products launched in 1H18 will be augmented by the roll out of the new Loan Protection product through Finsure's mortgage broker network of more than 1,300 brokers. This was delayed until February 2018 to allow for an automated referral and quote function to be integrated into the Finsure broker system, which is expected to lead to higher take-up of the product.

Freedom appointed a new COO, Craig Orton, in February 2018 to help drive operational efficiencies and ensure excellence in customer service, claims management and retention activity, while managing the risks of growth.

"It's been a challenging half but the recovery in sales and the performance of the new products reflect not only the resilience of our business model but the hard work and dedication of our people.

"We have seen continued growth in the business since we started in 2009 and we are excited about the opportunity we have to grow value for shareholders. We continue to make good progress in realising our ambitions.

"Our focus remains on organic growth and we are investing to ensure we have the appropriate resources in place for that, but we will also consider selective acquisitions that help us achieve our objectives," said Mr Cohen.

ENDS

For more information, please contact our Investor Relations team at

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Half year results webcast

An investor webcast of the financial results presentation will be made available on the Freedom Insurance website at 11:30 on the AEDT on 21 February 2018 at:

<https://www.freedominsurance.com.au/investors>

About Freedom Insurance

The Freedom Insurance Group is a 100% Australian owned insurance business established in 2009 that specialises in the development, distribution and administration of risk life insurance products. Freedom focuses on developing and distributing 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 Ltd listed on the ASX in December 2016 with the code FIG.