

ASX/Media Release

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Australian Securities Exchange
20 Bridge St,
Sydney NSW 2000

Freedom reports FY 2018 financial results

Freedom Insurance Group Limited (ASX: FIG) ('Freedom') today reported its financial results for the full year ended 30 June 2018 (FY18). Earnings were slightly above FY18 guidance issued in April 2018, with sales recovering in the second half, benefiting from improved lead performance and the continued rollout of new products.

Commenting on the results, Chief Executive Officer and Managing Director, Keith Cohen said, "the improvement in the second half is particularly pleasing as it demonstrates that our investment in marketing, lead generation and new product initiatives delivered value to shareholders."

Key features of the results included:

- Net revenue¹ of \$64.1 million, up 20% from \$53.5 million in the previous corresponding period (pcp)
- EBITDA of \$18.7 million, including a \$3.3 million profit on the sale of the Noble Oak shareholding, and \$1.7 million in transaction related costs
- Net Profit After Tax (NPAT) of \$13.2 million, down 6% from \$14.0 million in the pcp
- Total Sales (new business premiums) of \$61.1 million, down 5% from \$64.4 million in FY17
- Total in force premiums at 30 June 2018 of \$124.6 million, up 14% from \$109.3 million at FY17
- Customer Numbers increased 28% over the year from 289,000 (pcp) to 357,000

Year ended 30 June (\$ million)	2018	2017	% Change
Net revenue ¹	64.1	53.5	20%
Total Expenses	45.4	32.5	40%
EBITDA	18.7	21.0	(11)%
NPAT	13.2	14.1	(6)%
BASIC EPS (cents)	5.5	6.7	(19)%
Total Sales ²	61.1	64.4	(11)%
Total In Force Premiums ³	124.6	109.3	14%

1. Total revenue less commissions paid to Spectrum advisers

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

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

Operations

Freedom's new business (sales) recovered in the second half of the financial year, following lead quality and sales conversion issues that impacted first half trading. Total sales in the second half totalled \$32.8 million, in line with the second half of FY17, and representing a \$4.5 million improvement on the first half's new business sales.

Direct sales in the second half benefitted from the launch of new products, which included \$2.0 million of new product sales.

Net revenue grew 20% on the prior year to \$64.1 million, and in force premiums rose to \$124.6 million. Higher in force premiums contributed to a \$4.0 million increase in trail commissions and a strong increase in the value of the trail asset, which rose \$30.2 million to \$74.0 million. Reflecting the growing importance of the trail asset to shareholder value, the company undertook a review with Deloitte to refine the future trail commission calculations. This review incorporated a detailed application of policy level projections and more granular assumptions.

Upfront commissions net of clawback provision movement declined 27% on FY17 to \$19.5 million due to lower sales and the increase in cash clawback as a result of short term retention experience.

To support the launch of new life products, Freedom increased its investment in leads, sales staff and other direct costs during the year. The new life products contributed \$3.1 million to new business, which is consistent with our expectations for the initial period following product launch. The company expects to moderate sales costs for these new products, following the initial launch.

Corporate transactions

In September 2017, Freedom completed the sale of its non-core investment in NobleOak Life Ltd ("NobleOak") for approximately \$7.0 million, resulting in a profit on sale of \$3.3 million before tax.

As announced to the ASX in April 2018, Freedom entered into an agreement for the acquisition of St Andrew's Insurance ("St Andrew's") from Bank of Queensland for \$65 million. During the year, Freedom incurred costs of \$1.7 million related to this transaction.

Subject to obtaining necessary regulatory approvals and finalisation of transaction documentation, the acquisition is expected to be completed in FY19. Freedom is currently considering the most efficient funding mix for the transaction, which is expected to include a reinsurance arrangement of St Andrew's' existing life insurance in-force book, cash and funding facilities.

The acquisition of St Andrew's accelerates delivery of the company's strategic priorities by providing it with an APRA licensed (life and general) insurance capability; access to an experienced and complementary management team; platform for complementary enhanced growth through expanded distribution and a greater product suite.

Strategy and Outlook

Freedom's strategy is to maximise profitable growth and shareholder returns with a primary focus on increasing returns from the recurring ongoing margins earned from the in force book. Freedom's ambition is to become the second largest direct life insurer in the near term and a contender for market leadership over the medium term.

“The life insurance market remains attractive over the medium term with many Australian’s under insured. We have an exciting opportunity to grow by delivering simple, convenient and good value insurance products for our customers.

“Over the near term, we expect the market to be challenging, as the direct sales model continues to evolve, with an emphasis on enhanced internal practices to meet evolving consumer needs and community expectations; maintaining and leveraging customer relationships directly and through business partnerships; and new product development and differentiation.”

“We also anticipate the industry will face greater regulatory scrutiny across all channels.”

The acquisition of St Andrew’s will provide a significant enhancement to Freedom’s infrastructure, product suite and business relationships, providing the platform to accelerate delivery of the company’s growth strategy.

Mr Cohen said, “We will continue to invest to in our processes and product suite to best serve our customers’ needs and ensure we have the appropriate resources to support our growth ambitions.”

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For more information, please contact:

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Full year results webcast

An investor webcast of the financial results presentation will be made available on the Freedom Insurance website at 9:30am AEST, on the 29 August 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 listed on the ASX in December 2016 with the code FIG.