



Freedom Insurance Group

Half Year 2017 Results

Keith Cohen, CEO and Managing Director

Jenny Andrews, CFO

22 February 2017



Freedom was established to provide life insurance to a broad range of Australians in the most convenient way possible

Agenda

First half summary

Key metrics

Key priorities

FY17 forecast

Q&A

Supplementary information

First half 2017 – STRONG GROWTH



- Following 6 years of providing innovative insurance products to Australians, first results following December 2016 listing are pleasing
- Growth supported by expanding sales and service capability, lower lead generation costs and continued focus on customer retention
- Revenue more than doubled on 1H16 on strong growth in new business sales and in force premium
- EBITDA and NPAT growth reflecting margin benefits of increasing business scale
- Spectrum adviser network acquisition bedded down and achieving attractive growth
- Transition to new insurance issuer Swiss Re completed 7 February 2017

\$ MILLION	1H17	1H16	% CHANGE
Net Revenue ¹	25.7	11.9	116% ↑
Pro-forma EBITDA	11.1	1.7	546% ↑
Pro-forma CASH EBITDA ²	6.8	(1.7)	↑
Pro-forma NPAT	7.1	1.1	573% ↑
Statutory NPAT	6.2	0.5	1133% ↑
Basic EPS (cents)	3.4	0.3	1080% ↑
Total Sales ³	31.8	14.2	124% ↑
Total In Force Premium ⁴	89.7	50.4	78% ↑

1. Total revenue less commissions paid to Spectrum advisers

2. EBITDA less non-cash items – Trail Asset movement and Clawback Provision movement

3. New Business Annual Premium during the six month period. Indirect (Spectrum) sales estimated from insurer commissions paid

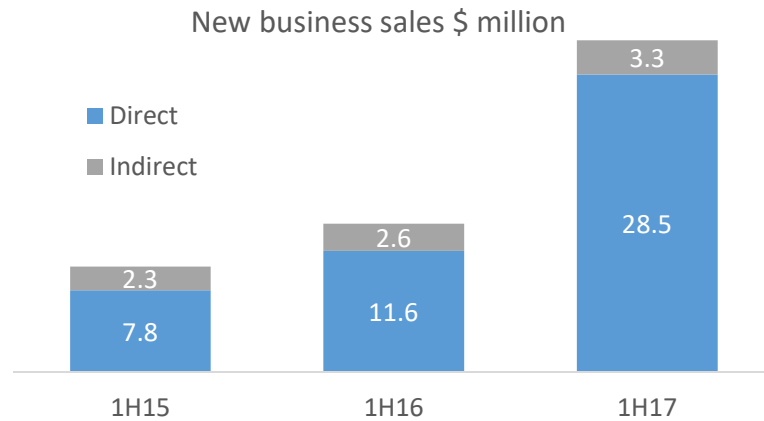
4. In force Annual Premium Income at the end of the period. Indirect (Spectrum) in force estimated from insurer commissions paid

Pro Forma Profit and Loss – STRONG REVENUE AND EBITDA GROWTH

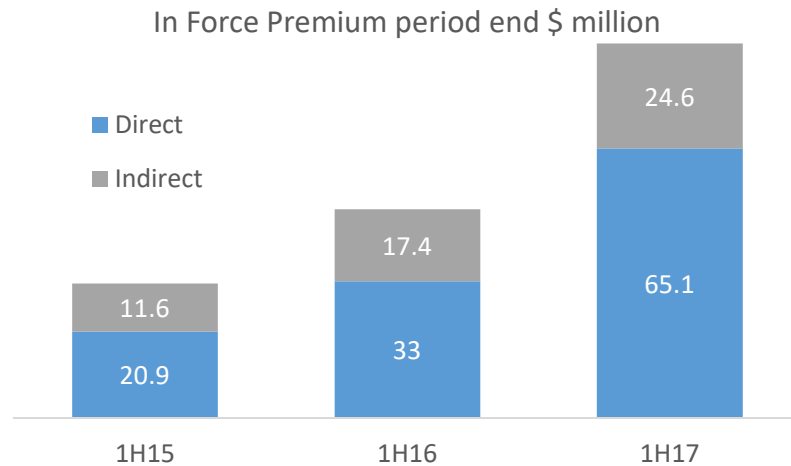
- Net revenue up 116% against 43% expenses growth, leading to significant increase in EBITDA
- Marketing and lead generation expenses were lower than the previous corresponding period (pcp)
- Reduction in lead generation expenses provides more leads for same investment, which in turn lifts sales
- Healthy growth in ongoing trail revenue, supported by enhanced service capability and focus on retention
- Trail asset movement reflects increase in value of trail revenue
- The clawback provision allows for repayment of upfront commission in the event of early policy cancelations
- Interest costs reflect debt now repaid from December IPO proceeds

HALF YEAR TO 31 DEC (\$ MILLION)	2016	2015	% CHANGE
Commission - Upfront	18.1	6.6	176%
Commission - Trail/Admin	2.4	1.2	91%
Trail asset movement	9.1	5.0	82%
Clawback provision movement	(4.7)	(1.6)	203%
Spectrum net revenue	0.8	0.7	22%
Net Revenue	25.7	11.9	116%
Marketing/lead generation	3.1	3.4	-8%
Sales staff expenses	4.7	2.6	81%
Other staff expenses	3.7	2.6	42%
Other expenses	3.1	1.7	84%
Total Expenses	14.6	10.2	43%
Pro forma EBITDA	11.1	1.7	546%
Net interest	(0.9)	(0.1)	551%
Profit before tax	10.3	1.6	554%
Tax expense	3.2	0.5	617%
Pro forma NPAT	7.1	1.1	573%
Cash EBITDA	6.8	(1.7)	

Key Metrics – INCREASING SALES AND IN FORCE PREMIUM



- Significant increase in sales flowing from increased volume of leads after a reduction in lead costs
- Direct sales up 145% on pcp to \$28.5 million
- Spectrum advisers increased from 215 to 325 supporting growth in indirect sales
- Total in force premium up 78% on pcp to \$89.7 million
- Direct in force premium grew \$32.1 million on pcp to \$65.1 million
- Customer numbers 241,000, up 85% on pcp



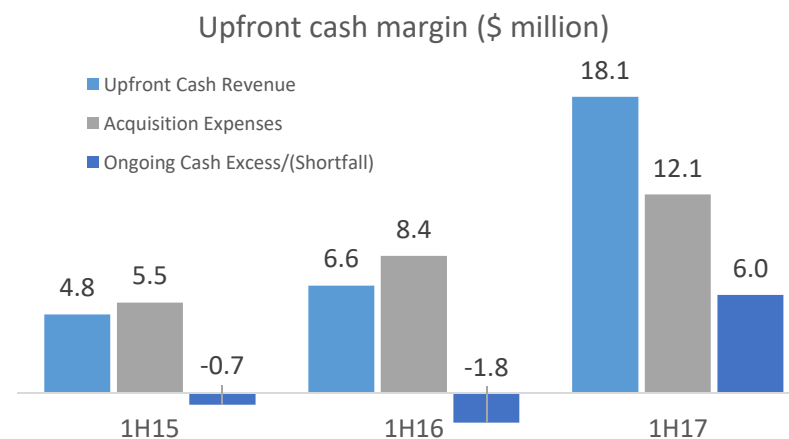
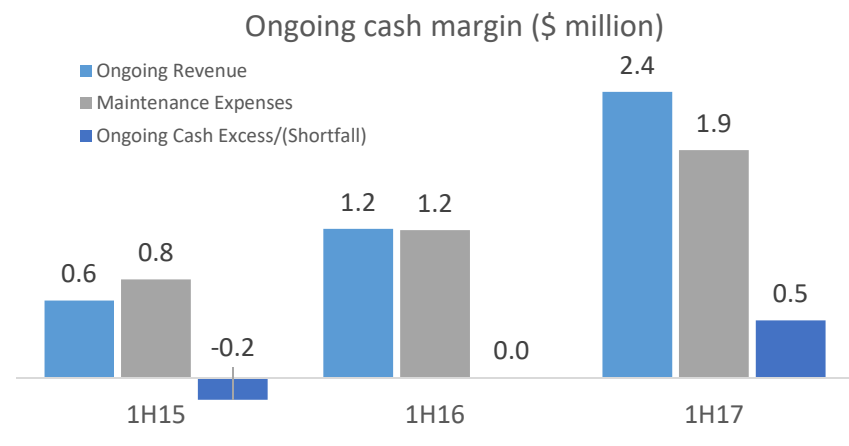
Indirect (Spectrum) sales and in force estimated from insurer commissions paid

Customer numbers represent the number of individual lives insured

Key Metrics – CASH MARGINS IMPROVING WITH SCALE



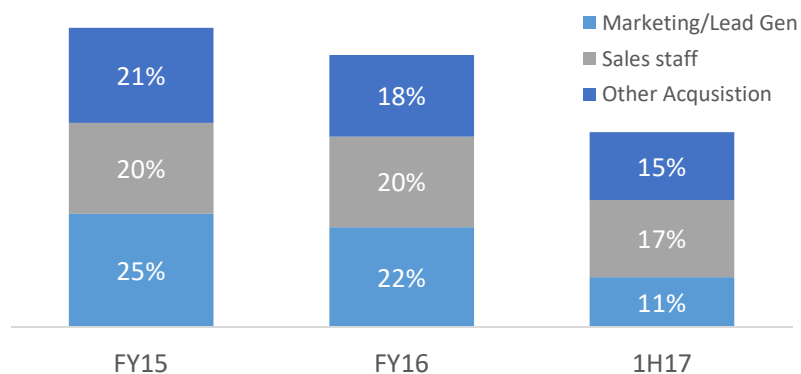
- Charts illustrate the upfront and ongoing cash profiles for the direct business
- Excludes the trail asset, clawback provision and Spectrum
- The swing to ongoing cash surplus is desirable and reflects the realisation of scale economies in the ongoing (in force) premium book
- Freedom's revenue is a mix of:
 - upfront commission and fees, as a % of new business premium
 - ongoing commission and fees as a % of in force premium
- Freedom can vary the mix of upfront and ongoing revenue from the issuer to maximise overall margins and manage funding for new business
- Freedom's main operating expenses are:
 - upfront customer acquisition (around 87% of total costs): marketing, lead generation, sales
 - ongoing policy administration: customer service, retention, claims administration



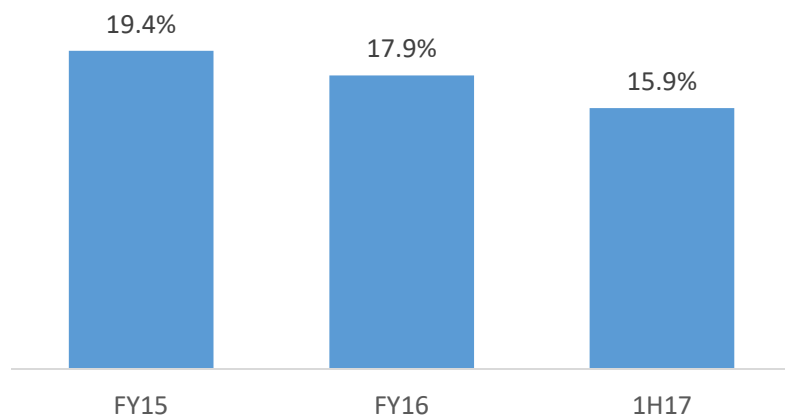
Key Metrics – DIRECT BUSINESS COSTS – DOWN COMPARED TO REVENUE



Acquisition costs as % of new business premium



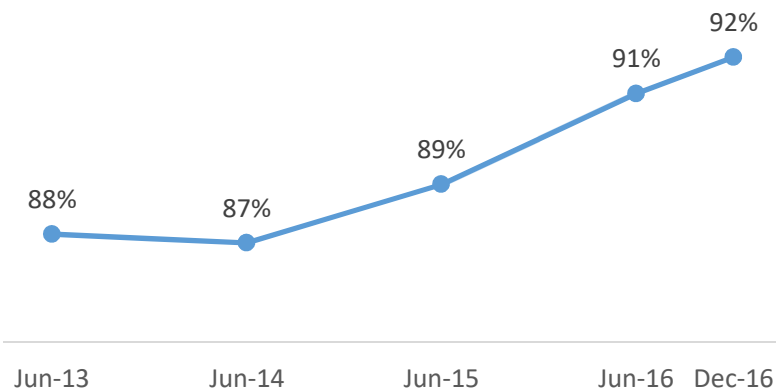
Maintenance costs as % of In Force premium



- Significant efficiencies in lead generation in first half: higher lead volumes from budgeted lead spend
- Lead generation costs were just 11% of new business premium, compared to prospectus forecast of 16%
- Sales cost as a percentage of new business premium were lower due to higher average new business premium and greater volume of leads
- 'Other acquisition' expenses, partly fixed expenses, were lower as a percentage of new business premium due to the substantial increase in new business volumes
- Lead generation costs expected to increase in the second half, while sales and other costs should be stable
- As anticipated, maintenance costs as a percentage of in force premium continue to contract as a result of scale efficiencies in customer service, administration and retention

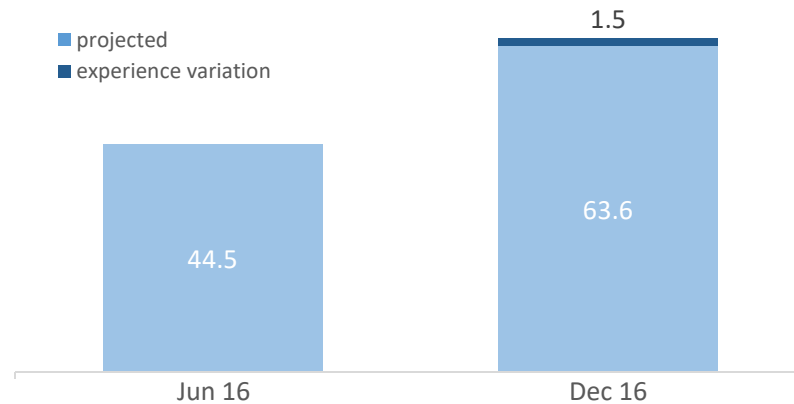
Key metrics – RETENTION – SUPPORTS STRONG ONGOING REVENUE

Rolling 12 month retention rate



- The amount of in force premium is a function of sales and policy retention
- With the proportion of business at longer durations increasing, the retention rate for direct business increased to 91.7%
- The rolling 12 month retention rate reflects the proportion of premium paying policies that remain in force after the 12 month period
- Overall retention experience better than expected in 1H17
- 1H17 direct in force premium was 2.4% (\$1.5 million) greater than the projected in force premium based on actual sales for 1H17 and underlying retention assumptions

Direct in force premium (\$m)



Balance Sheet & Capital – WELL CAPITALISED FOR GROWTH



AT PERIOD END (\$ MILLION)	31 DEC 2016	30 JUN 2016
Cash	23.6	7.1
Current Assets	4.4	4.7
Trail Asset	32.8	23.7
Goodwill	5.8	5.8
Investment Assets (NobleOak)	3.7	3.5
Assets	70.3	44.8
Payables	3.3	4.1
Clawback Provision	13.5	7.8
Income tax liability	1.3	0.0
Deferred tax liability	5.6	4.5
Notes and debt	–	11.6
Liabilities	23.7	27.9
Net assets	46.6	16.9
Issued Shares	33.4	8.4
Other	-0.8	0.7
Accumulated Profit	14.0	7.8
Total Equity	46.6	16.9

- December 2016 IPO raised \$15 million
- Debt free balance sheet following debt repayment with portion of IPO funds
- IPO provides sufficient working capital for expansion and growth into new life insurance products in late FY17
- Business is now cash generative to support further growth
- The 'Investment Asset' is Freedom's shareholding in NobleOak at book value
- Voluntary escrow over 38% of shares held by management/founders:
 - 19% of register escrowed until 30 June 2017 results (late August 2017)
 - 19% of register until to 31 December 2017 results (late February 2018)

Key Priorities – NEW PRODUCTS FOR NEXT PHASE OF GROWTH

Medium term goal: Product expansion and diversification to become 2nd largest participant in direct life insurance for new business

KEY PRIORITY	
Product expansion	<ul style="list-style-type: none"> ▪ Launch of new mortgage protection and direct life insurance products in Q4 FY17
Sales growth	<ul style="list-style-type: none"> ▪ Efficient lead generation and sales growth remain a key priority ▪ Focus on Spectrum network and Finsure relationship in FY18 with mortgage protection launch
Retention/Customer Service	<ul style="list-style-type: none"> ▪ Targeting excellence in customer service, claims management and retention activity
Expense management	<ul style="list-style-type: none"> ▪ Infrastructure/Management in place for significant future growth
Risk Management	<ul style="list-style-type: none"> ▪ Strong risk management and controls, well placed for proposed regulatory changes ▪ No claims risk borne by Freedom
Acquisition opportunities	<ul style="list-style-type: none"> ▪ Primary focus remains on organic growth ▪ Consider selective acquisition opportunities that support strategy and add value

FY17 Forecast

- Sales guidance \$59-64 million (previously \$55.1 million)
- Pro forma EBITDA guidance \$18-21 million (previously \$16.9 million)
- After a period of strong growth looking to consolidate revenue in the second half ahead of new product rollout in last quarter of FY17
- Guidance range reflects normal variation in a number of revenue and profit drivers including:
 - Availability of leads
 - Lead conversion rates
 - Lead costs
 - Overheads
 - Retention rates

	FY17 GUIDANCE		FY16
(\$ MILLION)	REVISED	PREVIOUS	ACTUAL
Sales (new business premium)	59 to 64	55.1	35.5
Pro forma EBITDA	18 to 21	16.9	7.6



Q & A



Supplementary information

Business Overview – SIMPLE, CONVENIENT, AFFORDABLE LIFE INSURANCE



Freedom was established to provide straightforward, affordable life insurance products to a broad range of Australians in the most convenient way possible.

FREEDOM INSURANCE PRODUCTS

- Easy to understand
- Convenient to obtain
- Represent value for money
- Designed to suit the channel/customer need

Freedom has the infrastructure and capability established to support a broad range of services and significant business volume.

FREEDOM BUSINESS ACTIVITIES

- Product design and manufacture*
- Marketing and lead generation
- Distribution
- Ongoing policy administration

** Freedom is not a registered life insurance company and bears no claims risk. The product issuer for the core Freedom products from 7 February 2017 is Swiss Re Life and Health Australia (previously AIA Australia and NobleOak Life).*

Direct life insurance market

Direct Life Insurance Market CY15

- In Force Annual Premium Income: \$1,393 million
- New Business Annual Premium Income (Sales): \$444 million

Freedom Insurance CY15

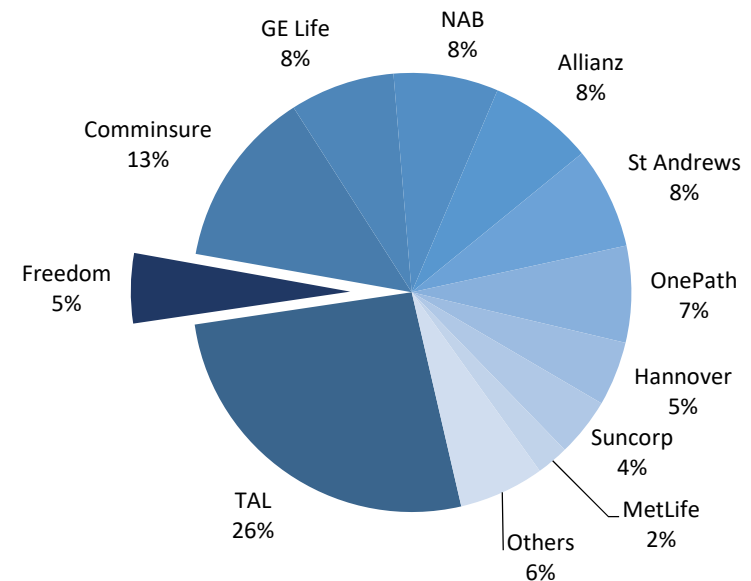
- In Force Annual Premium Income: \$33.0 million (2.4% share)
- New Business Annual Premium Income (Sales): \$22.8 million (5.1% share)

Freedom Insurance CY16

- In Force Annual Premium Income: \$65.1 million (+97% growth)
- New Business Annual Premium Income (Sales): \$47.0 million (+106% growth)

Medium term goal: #2 direct market share for sales

CY15 DIRECT MARKET SHARE - SALES

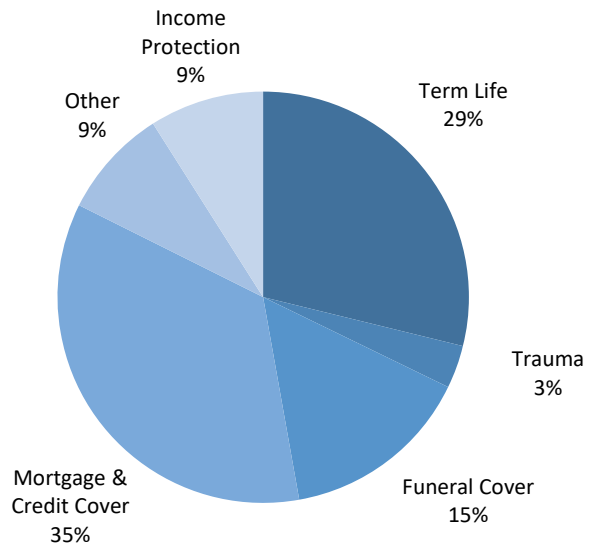


Source: 2015 Strategic Insight Direct Risk Report - Individual business, adjusted for Freedom business not included in Strategic Insight data.

New markets in FY17

- Entering other segments of life market
- Mortgage protection and direct life insurance products planned for Q4 FY17 launch

CY15 DIRECT PRODUCT BREAKDOWN - SALES

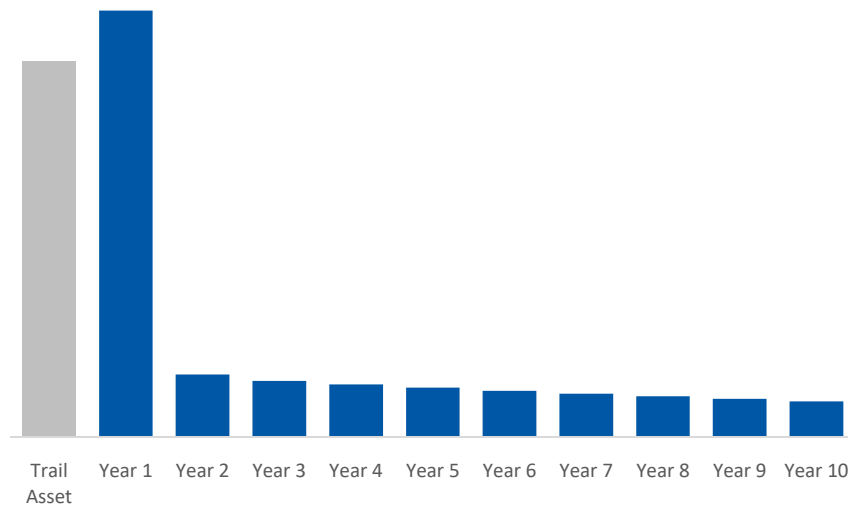


PRODUCT	LAUNCH DATE	CHANNEL
EXISTING PRODUCTS		
FINAL EXPENSES	FY11	DIRECT
ACCIDENTAL DEATH	FY15	DIRECT
ACCIDENTAL INJURY	FY15	DIRECT
TERM LIFE	FY15	DIRECT
DELIVERY PRIORITY		
MORTGAGE PROTECTION	FY17	3 RD PARTY/DIRECT
DIRECT LIFE	FY17	DIRECT

Source: 2015 Strategic Insight Direct Risk Report - Individual business, adjusted for Freedom business not included in Strategic Insight data.

Trail Asset and Clawback Provision

TYPICAL REVENUE PROFILE



- Significant upfront costs fully expensed
- Activity to earn revenue has been completed (no ongoing obligation)
- Revenue recognition in line with when an expense is incurred

For the sale of a new policy, Freedom receives an Upfront Commission, as well as a Trail Commission. If the policy lapses in the Responsibility Period, there is a Clawback of a percentage of the Upfront Commission. An ongoing administration fee is also received for providing the policy administration services on Freedom Products.

There are significant upfront costs associated with acquiring a new policy and these costs are fully expensed and no 'Deferred Acquisition Cost' asset is created. It is therefore appropriate to recognise the ongoing income associated with the sale of a policy, at the point of sale and at the same time as the associated expenses are recognised.

The activity to earn this income has been completed, with no ongoing obligations. This does not apply to the ongoing administration fees received on Freedom Products as there are ongoing services related to this income.

The Trail Asset is calculated as the present value of future Trail Commissions using a discounted cashflow approach.

A Clawback provision is held to allow for expected Clawback amounts on all policies still in the Responsibility Period. The value of the Clawback provision is also calculated using a discounted cashflow approach.

Freedom Staff and Customer Growth

	31 DEC 2016	31 DEC 2015
People (FTE):		
Call Centre Sales	107	53
Lead Generation	0	17
Customer Service/Retention	35	22
Admin & Quality Assurance	18	13
Management/Other	29	17
	189	122
Spectrum Advisers:		
Mortgage Brokers	85	61
Other Advisers	240	154
	325	215
Customers:		
Direct	233,000	125,000
Indirect	8,000	5,000
	241,000	130,000

Internal lead generation staff were transferred to sales during 1H17

Customers: The number of individual lives insured

Freedom Board and Management



Board of Directors



DAVID HANCOCK
CHAIRMAN

More than 26 years experience in financial services. This as CEO of listed insurer TOWER Insurance Limited and former Executive General Manager at Commonwealth Bank.



KEITH COHEN
MD / CEO

Qualified actuary and the founder and MD of Freedom Insurance. After running Westpac Life, Keith went on to found Australian Life Insurance.



STEPHEN MENZIES

Experienced lawyer and business consultant specialising in securities issues, funds management and corporate finance.



ANDREW JENSEN

Accomplished CFO with more than 15 years' experience in senior finance and management roles.



KATRINA GLENDINNING

Experienced financial services executive, with more than 25 years experience in diverse products, investments and regulatory regimes.

Senior Management



JENNY ANDREWS
CHIEF FINANCIAL OFFICER

Senior finance executive and qualified actuary with extensive experience in Financial management across Life Insurance, Superannuation and Wealth.



MALCOLM MCCOOL
GROUP GENERAL COUNSEL

A senior lawyer with 30 years' experience. Previously a founding member of ALI.



DIANE OSBORNE
HEAD OF RISK & COMPLIANCE

Qualified lawyer with extensive experience in legal, risk and compliance in the financial services sector.



MARK SCHROEDER
MD SPECTRUM WEALTH

Founding member and director of Spectrum Wealth Advisers, an independent boutique Dealer Group established in 2010.



HARVEY LIGHT
HEAD OF OPERATIONS

Founding member of Freedom and is responsible for shared service functions including claims, underwriting and retention.



YOLANDE DE TORRES
HEAD OF MARKETING

Held senior roles in Compliance and Marketing. Responsibility for the strategic planning and execution of marketing and media activity.



ADRIAN TURNER
HEAD OF SALES

More than 10 years management experience in the Contact Centre industry and responsibility for the performance, quality and culture of a high performing sales team.

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