



ASX/Media Release

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Australian Securities Exchange
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STRONG FIRST HALF RESULTS AND UPGRADED FY17 OUTLOOK

Freedom Insurance (ASX: FIG), which listed less than three months ago, today reported robust financial results for the half year ended 31 December 2016.

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.

First half 2017 highlights:

- Net Revenue of \$25.7 million increased 116% on previous corresponding period (pcp)
- Pro-forma Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) increased more than five-fold on pcp to \$11.1 million
- Total sales (new business premium) rose 124% to \$31.8 million
- Total in force premium at 31 December 2016 up 78% in the year to \$89.7 million
- Statutory Net Profit After Tax (NPAT) was \$6.2 million for the period, representing Basic Earnings Per Share (EPS) of 3.4 cents
- Pro-forma NPAT increased to \$7.1 million, up from \$1.1 million in the pcp
- Customer numbers grew 85% to 241,000 in the 12 months to 31 December 2016

Half year ended 31 December (\$ million)	2017	2016	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 ³	7.1	1.1	+ 573%
Statutory NPAT	6.2	0.5	+ 1133%
Basic EPS (cents)	3.4	0.3	+ 1080%
Total Sales ⁴	31.8	14.2	+ 124%
Total In Force Premium ⁵	89.7	50.4	+ 78%

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Operations

Freedom's growth to date has been driven by sales of final expenses (funeral insurance) and accidental death and injury products.

The company's revenue is a mix of upfront commission and fees generated by policy sale and ongoing commission and fees related to the 'in force' book of policies. The main operating expenses are upfront customer acquisition costs and ongoing policy administration costs.

Strong revenue growth was achieved with savings in marketing and lead generation expenses. These costs were lower than 1H16 due to increased efficiencies and competitive pressure among suppliers of leads. The lower cost of lead acquisition enabled Freedom to acquire more leads for the same spend.

Mr Cohen said it was pleasing that new business sales in 1H17 increased 124% on pcp to \$31.8 million.

"As well, customer numbers grew 85% in the 12 months to 31 December 2016 to 241,000. As a result of the growth of the 'in force' book, enhanced service capability and a focus on retention, Freedom saw in force premium increase 78% to \$89.7 million.

"At the same time, due to the lower lead generation costs and scale economies available in many parts of the business, operating costs increased just 43% against revenue growth of 116%," Mr Cohen said.

Strategy

Mr Cohen reported that the Spectrum adviser network acquisition completed in December 2015 continues to achieve revenue growth.

"Together the Spectrum network and Finsure relationship position the company well for its next stage of growth through an expanded product offering," said Mr Cohen.

"Additionally, Freedom's established operating and management infrastructure enables the company to significantly grow via product manufacture, marketing, distribution and policy administration."

The expansion into mortgage protection and direct life insurance late in FY17 will be supported by a new insurer arrangement. While Freedom designs, markets and manages its products, the insurer bears all the claims risk.

Balance sheet

Following its December 2016 IPO, which raised \$15 million, Freedom Insurance is debt free and has sufficient working capital to fund expansion into new life insurance products.

Freedom has a medium term goal of becoming the second largest participant in the direct life insurance market. The primary focus is on continuing strong organic growth but it will consider selective acquisition opportunities that support strategic objectives and add value for shareholders.

Outlook

Freedom will continue to focus on excellence in lead generation, customer service, claims management and retention as it builds on the success of its existing products and rolls out new products in late FY17.

Following its 1H17 results, Freedom has updated its FY17 forecast to Pro-forma EBITDA of \$18 million to \$21 million on expected total sales (new business premium) of \$59 million to \$64 million.

Mr Cohen said that the guidance range reflects normal variation in a number of revenue and profit drivers including: availability of leads; lead conversion rates; lead costs; overheads; and retention rates.

He added that after a period of strong growth Freedom was looking to consolidate revenue in the second half ahead of new product rollout in last quarter of FY17.

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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 to financial summary table on page 1

¹ Total revenue less commissions paid to Spectrum advisers

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

³ Pro-forma NPAT excludes certain December 2016 IPO costs and other 1H16 adjustments

⁴ New Business Annual Premium during six month period; indirect (Spectrum) sales estimated from insurer data

⁵ In force Annual Premium Income at end of the period; indirect (Spectrum) in force estimated from insurer data