iSelect FY21 H1 Results

INVESTOR BRIEFING | 25 FEBRUARY 2021

iSelect

Business Update

Warren Hebard Chief Executive Officer

iSelect

FY21: Positive result reflecting iSelect's evolving business

H1 result: Underlying EBITDA $13.2m (incl. $3.4m JobKeeper)

Key appointments and decisions:

- Appointed new CEO - Warren Hebard
- Appointed new Chairman - Brodie Arnhold
- Closure of non-operational legacy items

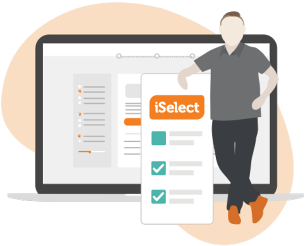
COVID-19 has continued to drive fluctuations in consumer demand impacting revenues

- To address the challenge COVID-19 posed, changes were made to the operating model which prioritised profit, however have impacted revenues in the short term
- 'Leaner model' enabling agility through this period
- Key performance metrics have improved across the board

Operating cash flows were positive, with Trail Revenue cash collections performing in line with expectations

Progression of strategic initiatives:

- Flexible / remote sales team
  - 50% of new hires based outside Victoria
- New partnerships and products introduced
  - New verticals, media partnerships
- Continued growth of our iSelect Account:
  - 541k account holders, increasing Active User base
- Driving efficiency through a disciplined focus on fixed costs



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H1 FY21 iSelect Headlines

REVENUE ($m)	LEADS (m)	CONVERSION
51.8	1.1	9.7%
-12%	-39%	1.6pp

EBITDA ($m)	SALES UNITS (k)	MARKETING ROI
13.2	106	3.84
724%	-27%	+26%

KEY COMMENTS

Market demand impacted by COVID-19:

- Leads in Energy, Telco, Car declining 40-50%, Travel Insurance -99%
- Health: -21% leads as the market recovered during H1

Changes introduced in Q4FY20 also impacted the result

- Restructure of operations and size
- Prioritisation of Profit and Cash flow during this period

Operationally, the business performed well across the key performance measures:

- Conversion, Cross-serve, Marketing ROI all improving
- Note: H1 FY20 comparatives were significantly impacted by the Energy regulatory changes (Jul 1, 2019)

Results shown above represent Underlying results, inclusive of JobKeeper

Financial Results

Vicki Pafumi Executive – Finance & Strategy

Pleasing underlying EBITDA result; positive momentum in H2

INCOME STATEMENT

UNDERLYING ($m)	FY21 H1	FY20 H1	CHANGE
REVENUE	51.8	58.6	-12%
Gross Profit	21.8	15.6	39%
GP Margin	42%	27%	+15p.p
Overheads	-12.0	-14.0	15%
JobKeeper	3.4	0.0	n.m
EBITDA	13.2	1.6	724%
EBITDA Margin	26%	3%	+23p.p
Depn. and Amort.	-5.2	-4.1	28%
EBIT	8.0	-2.5	n.m
Net Interest Expense	-0.2	-0.2	n.m
Income tax expense	-2.3	0.7	n.m
NPAT	5.5	-2.0	n.m
Reported EBITDA (continuing operations)	3.9	-0.1	n.m
Reported EBIT (continuing operations)	-1.3	-4.4	n.m

Revenue decline primarily caused by:

- COVID-19 impacting upon consumer demand
- Operating model changes made in Q4 FY20 to streamline the business for this uncertain period

Gross Profit improvement due to:

- Leaner model, with prioritisation of Profit and Cash flow through this period
- Improvement in key operational metrics: Conversion, Cross-serve, Marketing ROI

EBITDA of $13.2m inclusive of $3.4m of JobKeeper:

- Continued discipline on fixed costs saw a 15% reduction in Overheads
- JobKeeper subsidy ceased at September 30 2020

Full Reported Earnings breakdown is outlined in Appendix

Health Insurance

REVENUE ($m)	LEADS (k)	SALES UNITS (k)
34.0	357	32
-5%	-21%	-19%

EBITDA ($m)	RPS $	CONVERSION
6.6	1018	9.1%
+124%	+6%	+0.2pp

HEADLINES

Leads and Revenue impacted by a decline in demand due to COVID-19, with the market slowly recovering

Conversion rate uplift reflecting the focus on core operational performance and cross-serve from Energy returning

EBITDA improvement due to:

- Continued return of the Energy business positively impacting on cross-serve into our Health business
- Strong marketing ROI, assisted by Oct 1st rate rise
- Cost base efficiencies

Energy and Telco

REVENUE ($m)	LEADS (k)	SALES UNITS (k)
10.1	426	51
-22%	-50%	-26%

EBITDA ($m)	RPS $	CONVERSION
1.0	228	11.9%
n.m	+4%	+3.9pp

HEADLINES

Leads and Revenue decline:

- With the onset of COVID-19, the segment was restructured in Q4 FY20
- Additionally during H1 FY21, demand in the Energy market declined and competition increased. This proved a challenging dynamic as we re-scaled operations
- We maintain our two Energy brands and will continue to leverage the strength of Energy Watch in regional markets

Following a challenging FY20, key performance metrics returned in FY21:

- Conversion rates and RPS across Energy and Telco returned and the business is now stabilised and well positioned for growth

Life and General Insurance

REVENUE ($m)	LEADS (k)	SALES UNITS (k)
7.4	224	22
-16%	-49%	-36%

EBITDA ($m)	RPS $	CONVERSION
3.4	252	10%
+849%	-13%	+1.9pp

HEADLINES

Lead decline:

- Skewed toward General Insurance: Travel Insurance (-99%), Car Insurance (-44%) due to prioritisation of cash flows and profit in the period
- Improvement in key operational metrics, benefitting from the return of Energy
- Investments in user experience in General Insurance seeing positive results within our online channels

For Life Insurance:

- Changes made in Q4 FY20 meant H1 was a transitioning period for the business. Pleasingly, performance of existing Trail book remained strong, with our retention initiatives continuing to deliver

Balance Sheet and Cash Flow

BALANCE SHEET

($m)	DEC-20	JUN-20
Cash	12.5	10.5
Receivables	11.5	15.8
Trail Commission Asset	120.3	118.3
Other	24.9	29.6
Total assets	169.2	174.2
Total liabilities	58.4	59.5
Net assets	110.8	114.7

CASH FLOW STATEMENT

($m)	H1 FY21	H1 FY20*
Operating cash flow	6.9	2.1
Capital Expenditure	-2.6	-4.6
Free Cash	4.3	-2.5
Investing/Financing cash flow	-2.3	-2.0
Net movement in cash	2.0	-4.5
Cash at beginning	10.5	18.6
Cash at end	12.5	14.1

* H1 FY20 figures exclude iMoney (discontinued operation)

KEY COMMENTS

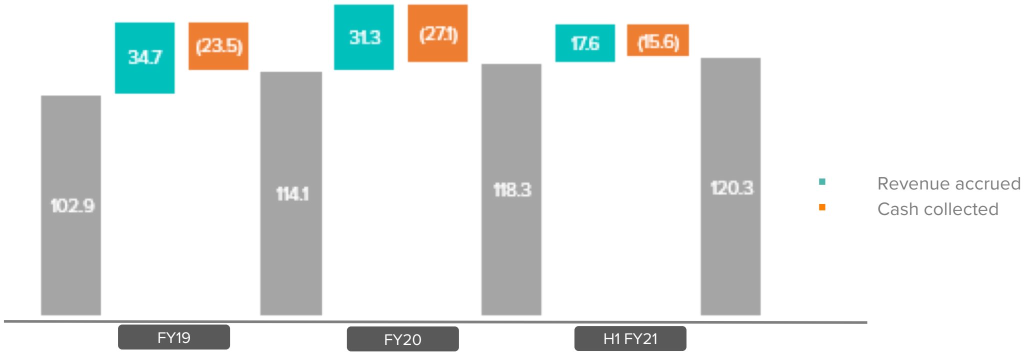
Operating cash flow, including $3.4m JobKeeper injection, was +$6.9m

- Capital Expenditure in technology reduced to $2.6m in line with our strategy, prioritising: Partners, Customers and Data

CASH FLOW OUTLOOK

- Capital expenditure in FY21 expected to be $5.0m - $5.5m
- We expect Working Capital outflow to slow during H2 and turn positive in FY22
- Further iMoney cash outflow: Nil

Trail Cash flow and Working Capital performing as expected



REVENUE MIX: UPFRONT / TRAIL	H2 FY19	H1 FY20	H2 FY20	H1 FY21
Upfront Revenue	*75.4%*	*72.9%*	*72.2%*	*66.0%*
Trail Revenue	*24.6%*	*27.1%*	*27.8%*	*34.0%*

ISU TRAIL WORKING CAPITAL (WC) TREND

	FY18	FY19	FY20	FY21	FY22
Trail WC impact	(12.7)	(11.1)	(4.2)	Negative	Positive

CASH FLOW AND WORKING CAPITAL

- Trail cash collections are performing in line with expectation; the Working Capital gap continues to narrow
- The Trail mix (as a % of Revenue) has increased in FY21 due to the Health business taking a greater share of Revenue through the COVID-19 period
- Looking ahead, the Working Capital outflow is expected to slow and turn positive during FY22

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Customer Strategy

Slade Sherman Executive – Customer Experience

Customer 360

Investments in Data Platforms and Single View of Customer resulting in new KPIs which we use to validate our progress:

ISU ANNUAL USERS[1]

1.9m

CUSTOMERS ORDERS[2]

84.6k

ISELECT ACCOUNTS

541k

VERTICALS PER CUSTOMER[3]

1.23

NPS

56

- ISelect Accounts is growing rapidly with over 541k Account holders since launch and strong utilisation of saved search
- Data platform modernisation program progressing well and on track for completion mid year
- Increasing our value proposition for consumers with ongoing focus on Customer Lifetime Value
- Improvement in NPS continues, validating our strategy

1. Number of individual customers who have completed a comparison with iSelect in the last 12mths
2. Number of individual customers who made a purchase in H1 FY21
3. The average number of verticals within which a customer made a purchase. Where verticals = Health, Energy, Telco, Life, Home Loans, Car, Home & Contents, Travel Insurance, Pet Insurance, Business Insurance

Delivering value to our marketplace
By evolving the comparison experience

Bringing new customers to iSelect through diversification of our lead sources:

- Scaling new partnership with NewsCorp; intention to announce a second partnership in coming months
- New B2B relationships with lead providers
- Maintaining our strengths in Digital marketing and Brand

Increasing our relevance to customers with an expanded product offering through the launch of new verticals:

- Business Loans (launched Jan-21),
- Two new verticals planned for Q4, with additional in FY22

Growing and leveraging our iSelect Account base:

- Focus on increasing highly engaged Active Users within the base
- Early data already showing higher propensity 'compare and buy' from this Active User group
- The investment in Marketing Automation and iSelect Account provides an opportunity to digitize cross-serve and realise greater marketing ROI

Looking ahead, this investment in Data and iSelect Account will enable evolution of comparison with the introduction Consumer Data Right rules:

- Personalised comparison journeys
- Permission to use customer needs to generate automated comparisons
- Open Energy rules (Jul-2022) to enable auto-switch

Outlook

Warren Hebard Chief Executive Officer

iSelect

Outlook

Through the COVID-19 period we have seen consumer demand fluctuate and we anticipate this will continue through FY21.

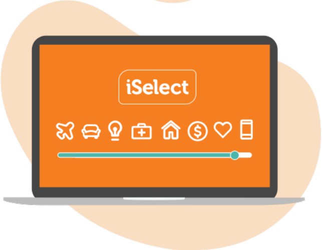
Looking ahead to H2, we remain focused on our key strategic initiatives:

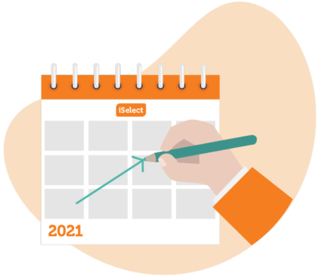
- Continuing to diversify and scale our lead sources
  - In particular, building out the partnership with NewsCorp
- Increasing our product offering to customers through new verticals
  - Intention to launch two additional verticals in H2
- Continuing growth of iSelect Account, leveraging our investment to evolve the comparison experience
  - Focus on scaling Account holders and increasing Active Users
- Expanding our flexible & remote sales and operations capability
- Retaining a disciplined approach to fixed costs

We believe continued execution against these initiatives will set the business up for growth in FY22.

Cash flows are strong and we expect that to continue:

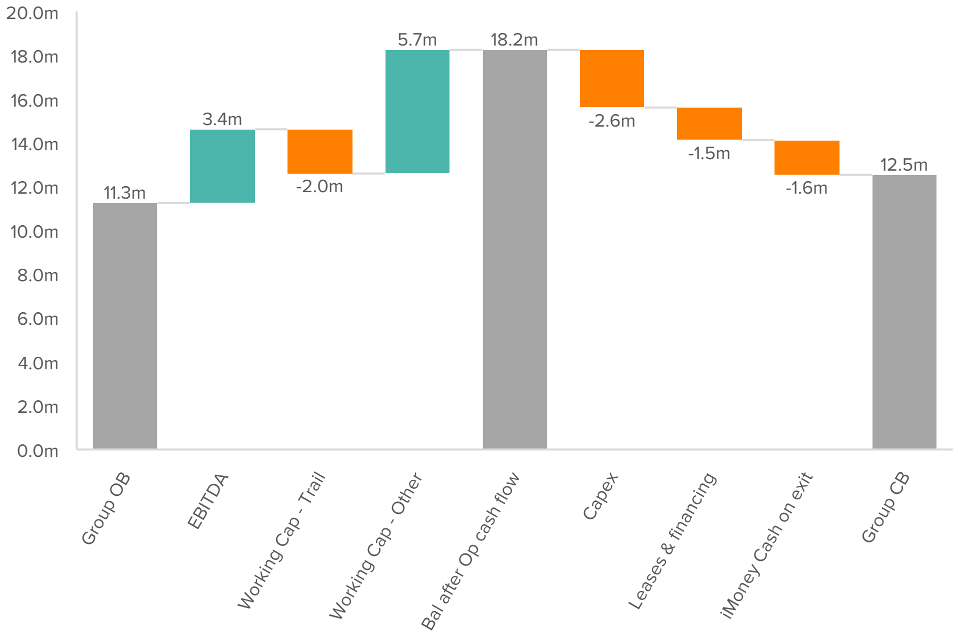
- Trail Asset cash collections performing in line with expectation. Working Capital gap on Trail Revenue is expected to reduce further in H2
- Capital management remains under consideration by the Board



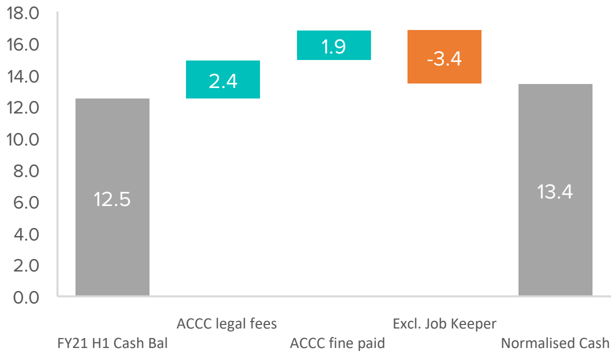


Appendix

FY20 Group Cash flow breakdown



FY21 H1: NORMALISED CASH POSITION



ACCC Settlement

- ACCC settlement reached in FY21 H1: $8.5m. This amount is reflected in our Reported results, see reconciliation on Page 21.
- Payment terms: The first instalment of this penalty was $1.9m paid in October 2020. The remaining balance is to be paid over the next 3 years.

Trail Book Assumptions

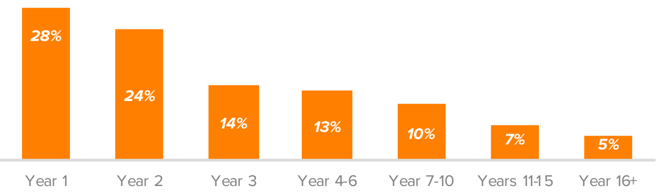
	KEY VARIABLES:	CUSTOMER: Blended Attrition/ Lapse Rates	INDUSTRY: Premium Increases	PRESENT VALUE: Discount Rate
Health	**Principle**	Historic trends +1.25 - 5.5p.p conservatism	Historic trends +0.1-1.0 p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset
	Assumption	7.5% - 26.5% (Industry Avg = 16.0%)	2.9% - 3.5% (Government Avg = 2.7%)	2.1%
	+1% Movement	$2.8m Rev	$2.2m Rev	n/a
Life Insurance	**Principle**	Historic trends + 0.7 - 6.1pp conservatism	Historic trends + 1.0 - 2.0 p.p conservatism	Locked at point of recognition. Doesn't impact Trail Asset
	Assumption	13.6% - 20.7% (Industry Avg = 13.7%)	8.0% (Industry Avg = 10.0%)	2.6%
	+1% Movement	$2.7m Rev	$2.1m Rev	n/a
Home Loans	**Principle**	Market driven data	Current variable interest rates	Locked at point of recognition. Doesn't impact Trail Asset
	Assumption	10% - 24% (Industry Avg = 22.0%)	3.65% (Industry Avg = 4.6%)	1.7%
	+1% Movement	$0.2m Rev	$0.2m Rev	n/a

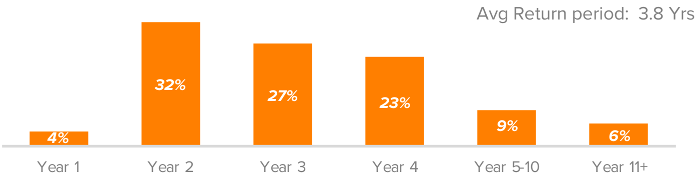
Trail Asset: Cash flow profiles

(A) CASH PROFILE: EXISTING TRAIL ASSET

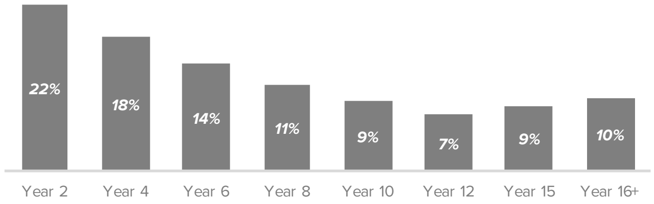
(B) AVERAGE CASH PROFILE: x1 NEW CUSTOMER

Health



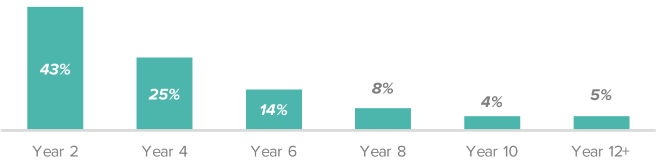


Life Insurance



No longer Applicable: Future Operating Model for Life will not attract accrual of Trail Revenue going forward

Home Loans



No longer Applicable: Future Operating Model for Home Loans will not attract accrual of Trail Revenue going forward

Reconciliation: Reported to Underlying results

	Reported	ACCC	iMoney Performance	Underlying (incl. JobKeeper)	JobKeeper	Underlying (excl. JobKeeper)
	FY21 H1			FY21 H1		FY21 H1
	$'000			$'000		$'000
EBITDA	3,356	9,342	546	13,244	(3,407)	9,837
Depreciation and amortisation	(5,210)	-	-	(5,210)	-	(5,210)
EBIT	(1,854)	9,342	546	8,034	(3,407)	4,627
Net finance income	(257)	-	-	(257)	-	(257)
Profit/(loss) before income tax expense	(2,111)	9,342	546	7,777	(3,407)	4,370
Income tax expense	(2,083)	(223)	-	(2,306)	1,022	(1,284)
Profit/(loss) for the period	(4,194)	9,119	546	5,471	(2,385)	3,086

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