

# iSelect Limited

# FY14 Annual General Meeting

17 November 2014

---

**iSelect**  
.com.au

**Welcome**

# Today's Agenda

---

**1. Chairman's Address**

---

**2. CEO's Review**

---

**3. Formal Business**

---

**4. Close**

---



# Chairman's Address

## Damien Waller

# Financial Summary

**Strong FY14  
operational  
result**

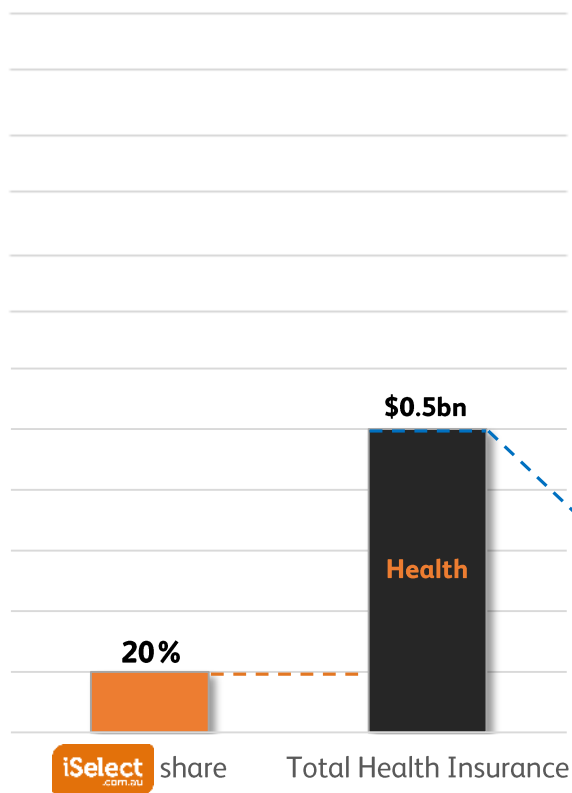


- **Revenue:** \$136.7m (↑16%) normalised
  - **EBITDA:** \$29.2m (↑10%) normalised
  - **NPAT:** \$18.3m (↑27%) normalised
  - **Cash conversion:** 39% (↑23pp) normalised
- 
- **Trail book:** downward revaluation (↓ \$16.3m)

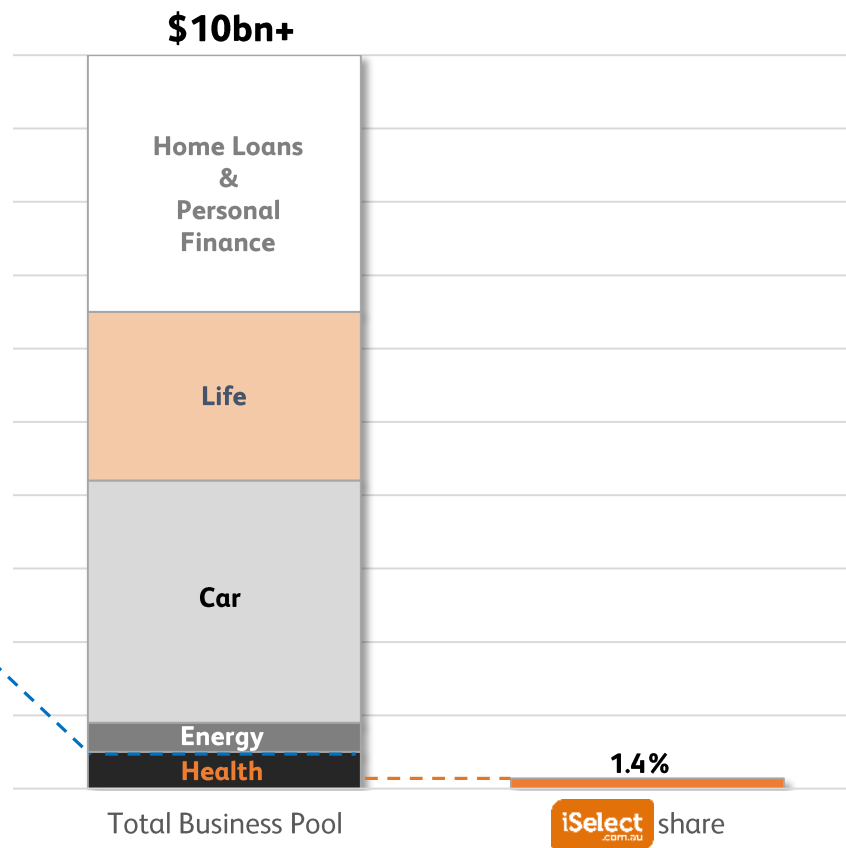
# The Opportunity

## Annual Commission Pool<sup>1</sup>

### Health Insurance Market



### All Businesses



<sup>1</sup>Indicative calculation that assumes all sales attract a relevant third-party commission

# Chairman's Overview

## Capital and Acquisitions

- Strong **asset** and **cash position**
- Capital structure will be reviewed once:
  - **NIA loan** has been **repaid**
  - Assessment of **acquisition opportunities** is **more advanced**
- **Energy Watch** and **iMoney** performing well

## Board and Governance

- iSelect is adopting a more traditional **governance structure**
- Significant improvements made to **remuneration**
- Appointment of **Brodie Arnhold** as independent non-Executive Director

## Executive Team

- **Alex Stevens** appointed as **CEO** in April
- **Paul McCarthy** appointed as **CFO** in July
- **Executive team** now renewed and **operating strongly**

# CEO's Review

## Alex Stevens



# Executive Summary

## Strong FY14 operational result

- **Revenue:** ↑16% normalised
  - **EBITDA:** ↑10% normalised
  - **NPAT:** ↑27% normalised
  - **Operating cashflow:** ↑174%
- 
- **Trail commission receivable:** downward revaluation (↓\$16.3m)

## Fundamentals continue to strengthen

- **Brand:** equity continues to grow
- **E2E model:** industry leading capabilities expanded
- **Partners:** building deep collaborative relationships
- **Industry:** favourable underlying market conditions

## Next phase of growth

- **Senior leadership:** renewed
- **Management style:** a disciplined and prudent approach
- **Strategic direction:** operational prioritisation and delivery
- **Alignment to shareholders:** value creation and returns focus

# Financial performance summary

Solid growth in underlying business, downward revaluation to trail book

Income Statement \$m, YE 30 June	Normalised			Reported		
	FY13	FY14	Change	FY13	FY14	Change
Revenue	118.0	136.7	↑ 16%	118.0	120.4	2%
EBITDA	26.5	29.2	↑ 10%	25.0	12.1	-52%
EBIT	21.3	22.8	↑ 7%	19.9	5.6	-72%
NPAT	14.4	18.3	↑ 27%	13.4	6.3	-53%
Operating cashflow	4.2	11.5	↑ 174%	4.2	11.5	174%

# FY14 operational performance highlights

Solid progress against key business drivers

## Leads (m)

FY13	FY14	Change
3.3	3.8	15%

- 15% lead growth in Health, particularly strong March
- Investment in Energy resulted in 50% lead growth
- Car and Broadband also up significantly

## Conversion (%)

FY13	FY14	Change
6.7%	6.6%	- 0.1pp

- Improvement across most verticals
- Upside opportunity from improved resourcing in FY15
- Home Loans and Broadband being reconfigured

## Sales Units (000s)

FY13	FY14	Change
221	250	13%

- Growth in sales units driven largely by leads
- Health up 16% on the prior year, Energy up 53%
- Life grew 22%, driven by improved conversion

## Revenue Per Sale (RPS)

FY13	FY14	Change
\$515	\$549	7%

- Improved Health RPS
- Life and Energy up significantly
- Car negatively impacted by contract renegotiation

# FY14 Segment Performance

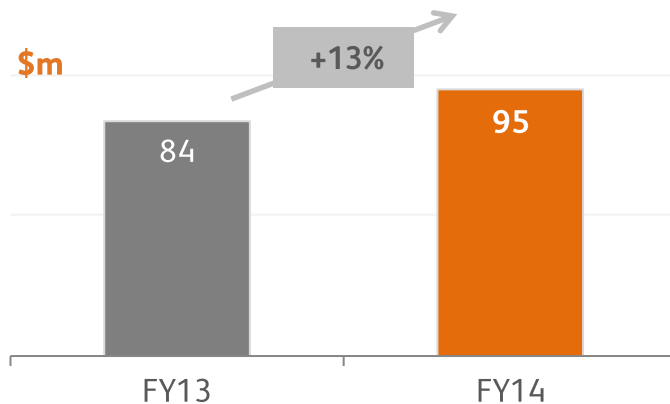
Solid performance in Health and Car insurance (HAC)

## Health

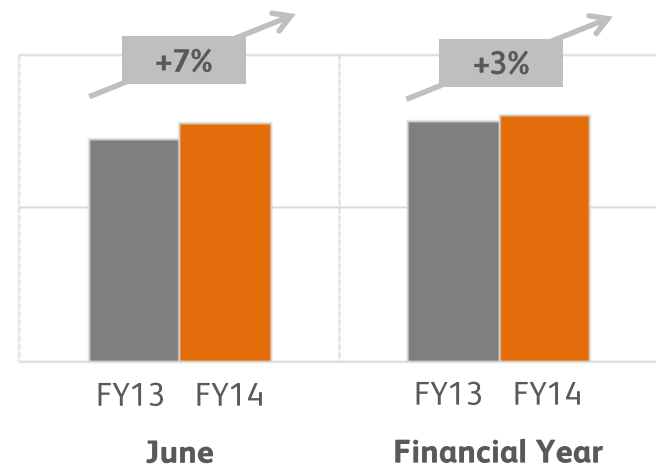
- Improved conversion and higher Revenue Per Sale (RPS)
- Qantas partnership launched in October 2013
- Largest annual premium increase in nine years

HAC \$m	FY13	FY14	Change
Segment revenue	93.1	104.3	12 %
Segment EBITDA	29.0	32.0	10 %
Margin	31 %	31 %	-

## Health revenue



## Health RPS



# FY14 Segment Performance

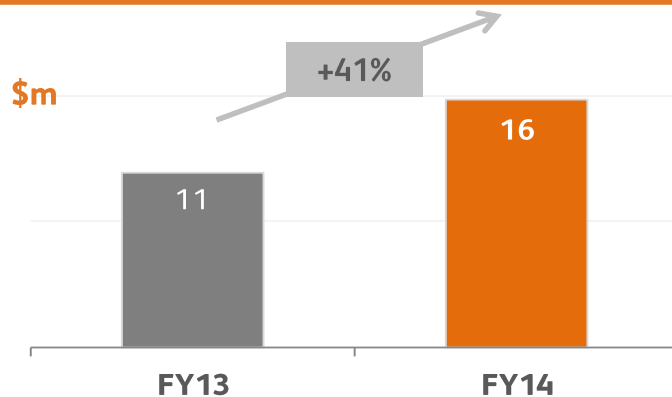
Household Utilities and Financial (HUF) accelerating

## Life

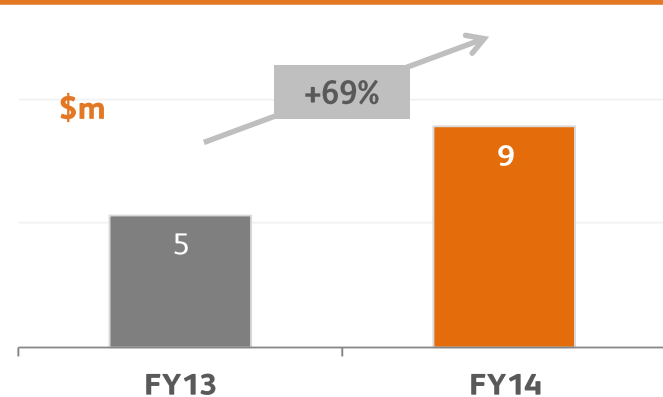
- Profitability improved substantially
- Improvement in conversion and RPS

HUF \$m	FY13	FY14	Change
Segment revenue	24.9	32.4	30 %
Segment EBITDA	0.3	1.3	372 %
Margin	1 %	4 %	3pp

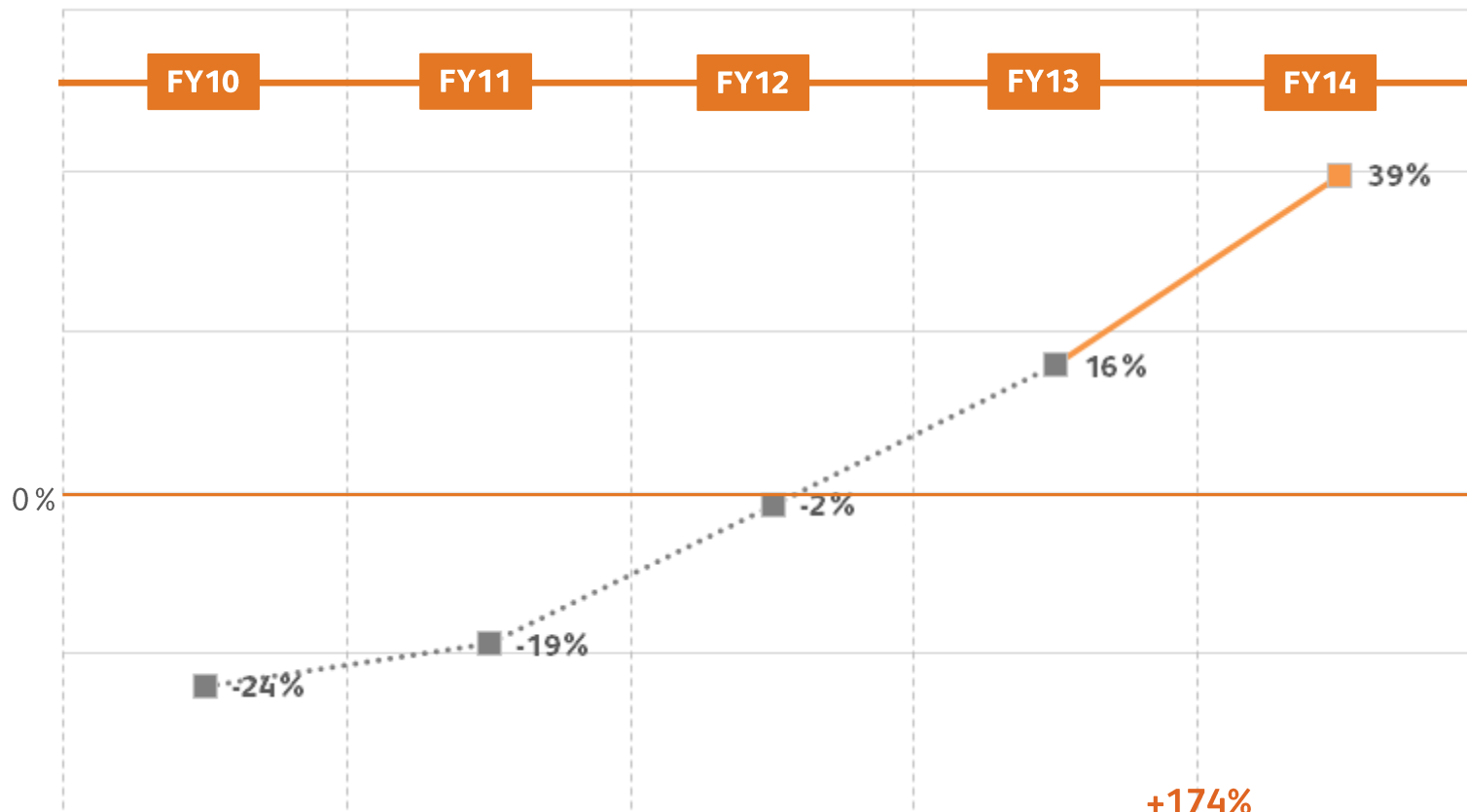
## Life revenue



## Energy revenue



## Continued acceleration in operating cash conversion



Operating cashflow	-\$2m	-\$3m	-\$0.4m	\$4m	\$12m
Normalised EBITDA	\$9m	\$17m	\$24m	\$27m	\$29m

+174%

# Balance Sheet

\$m YE 30 June	FY14
Cash	76
Trail commission receivable	99
NIA receivable	33
Other assets	77
<b>Total assets</b>	<b>285</b>
Debt	0
<b>Total liabilities</b>	<b>48</b>
<b>Equity</b>	<b>236</b>

## Key observations

- Healthy cash surplus
- Impacted by revaluation
- In line with NIA revenue recorded
- No borrowings

# NIA loan status

## Background rationale to arrangement

- **Health.com.au** - formed in 2012, first pure play **online health fund** in Australia, first new fund in >20 yrs
- Launched to address **unmet consumer needs** - product innovation, digital focus, growth orientation
- Required **effective channel to market** - **iSelect** platform ideally-suited

## Current balance and loan mechanics

- **Balance** as at 30 June 2014 **\$33m** (30 June 2013: \$15m)
- **Physical advances** made in line with commissions **received by** **iSelect**
- **Interest** on loan **physically paid to** **iSelect**

## Key terms of facility

- **Maturity date:** 31 July 2015
- **Facility Size:** Maximum \$75m, drawn only via commissions payable to **iSelect**
- **Security:** Loan secured by charge over all the assets and shares in NIA Health Pty Ltd
- **Covenants:** include minimum capital and loan service reserve account

## Loan monitoring

- **Regular business updates** between **iSelect** and NIA
- **Review** of NIA's monthly management reports and audited financial statements
- **Capital adequacy compliance:** review of returns submitted to prudential regulator (PHIAC)
- **Installed member base** exceeds 35,000 health insurance policies (80,000 members)



# Our mission...

**“To be the most highly  
valued and trusted  
adviser to households  
making important  
purchase decisions”**

**iSelect**  
.com.au



Health



Life



Car



Energy



Home Loans



Broadband

Energy  
Watch  
Make a Smart Choice

InfoChoice  
.com.au

A black and white photograph of a person wearing a plaid shirt, holding a smartphone in their hands. The person's face is not visible, and the background is blurred.

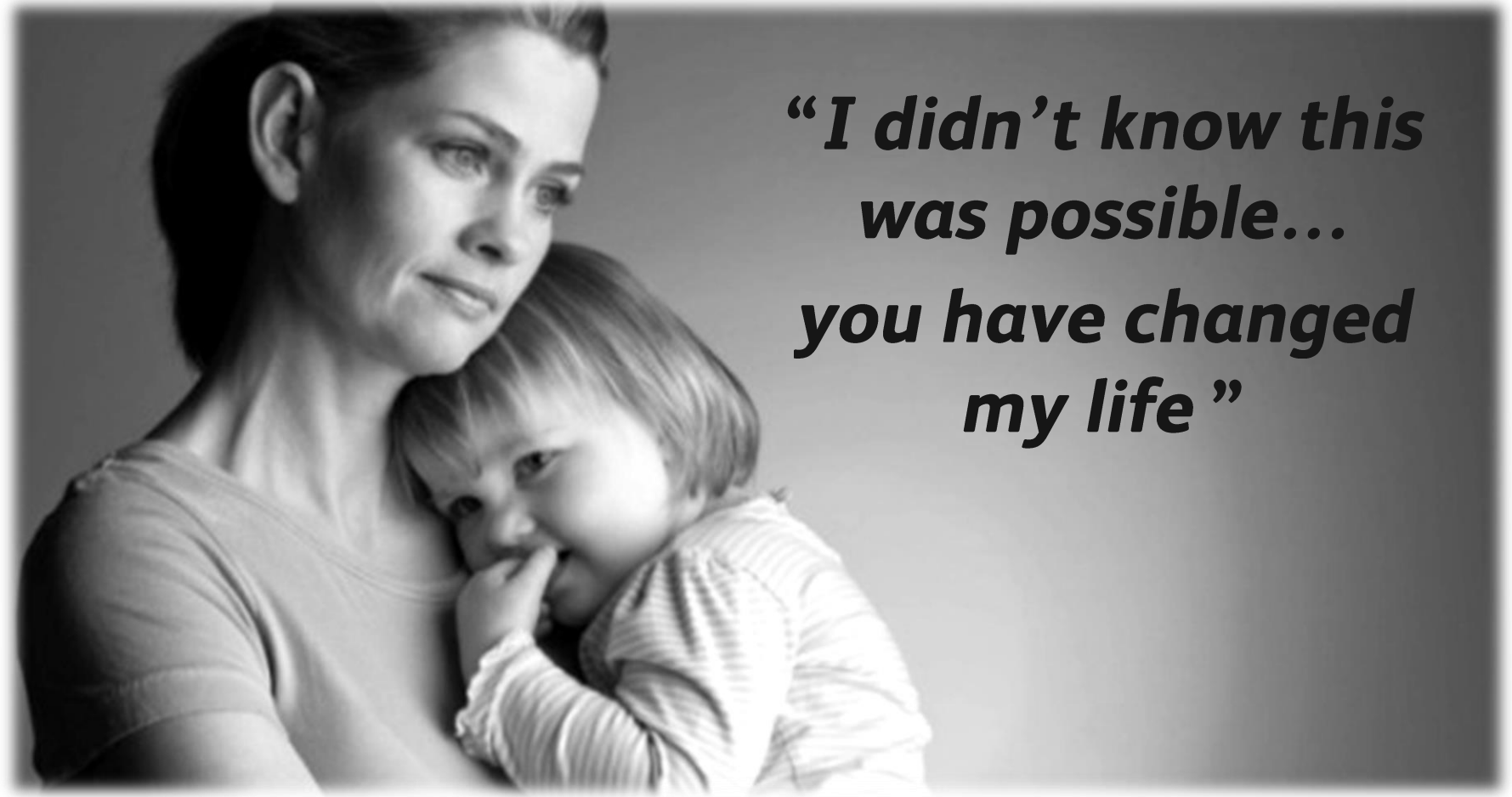
**We are...**

**Digitally - enabled  
Data - driven  
Customer - centric  
Value - focussed**

**A partner for life**

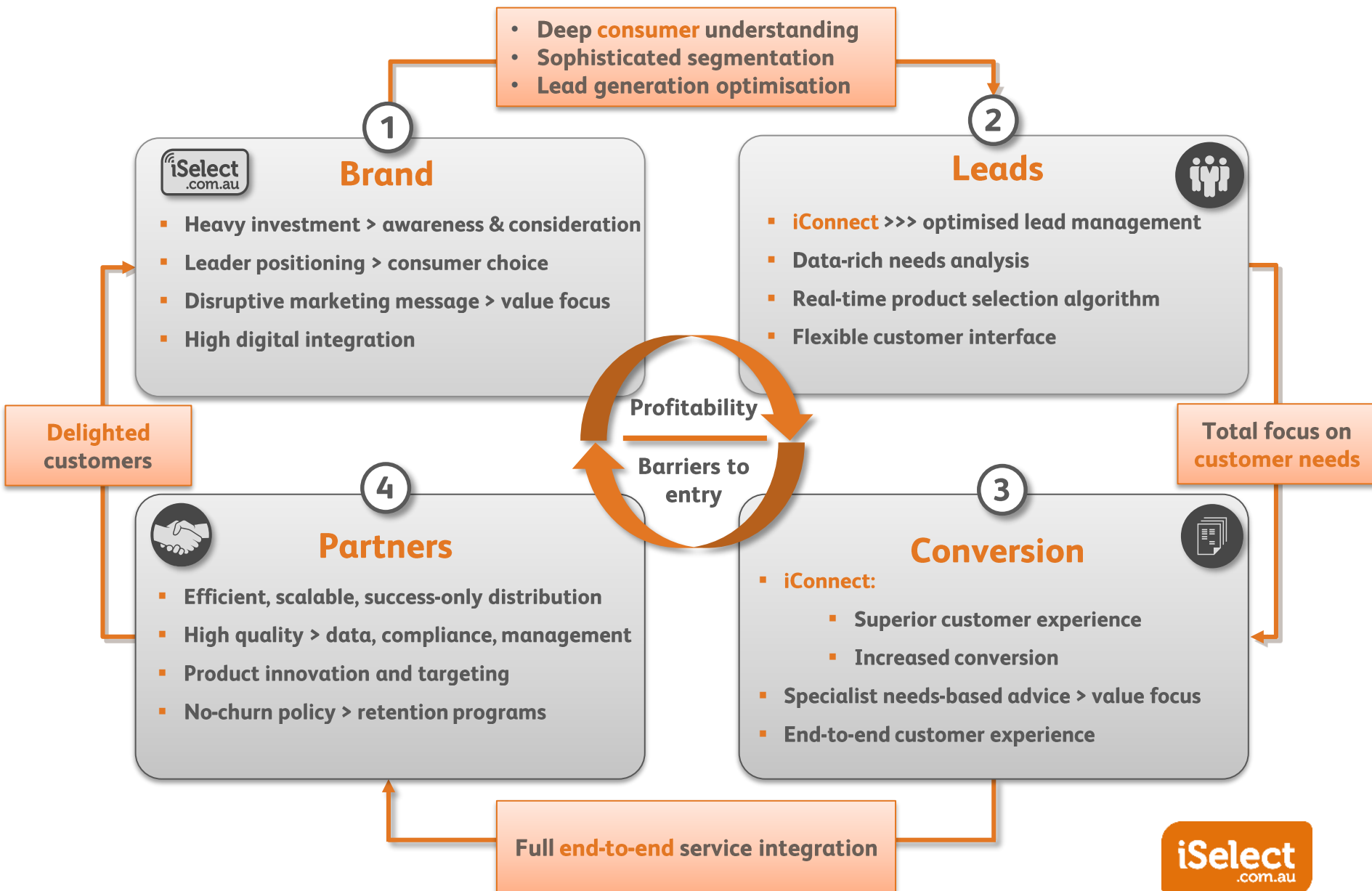
# Our Purpose...

---



Single mother, chronically ill child  
iSelect health insurance customer

# The iSelect .com.au business model



# Strategic priorities

Our next phase of growth



## Brand

- Continued strong investment in brand building
- Reinforce valued and trusted adviser credentials



## Partners

- Deepen our strategic partnerships
- Align partnerships with growth potential



## Business Verticals

- Disciplined prioritisation and focus
- Replicate successful Health model



## Data

- Increase investment in data mining capability > segmentation, targeting, innovation
- Continued development of iConnect



## Productivity

- Eliminate inefficiency and waste
- Reinvest for growth



## Acquisitions

- Domestic comparison market
- Health and Energy focus



## People & Culture

- Develop our leadership capabilities
- Phase-in structure and discipline...but maintain our 'can-do' culture

# Strategic priorities

Our next phase of growth



## Brand

- Continued strong investment in brand building
- Reinforce valued and trusted adviser credentials



## Partners

- Deepen our strategic partnerships
- Align partnerships with growth potential



## Business Verticals

- Disciplined prioritisation and focus
- Replicate successful Health model



## Data

- Increase investment in data mining capability > segmentation, targeting, innovation
- Continued development of iConnect



## Productivity

- Eliminate inefficiency and waste
- Reinvest for growth



## Acquisitions

- Domestic comparison market
- Health and Energy focus



## People & Culture

- Develop our leadership capabilities
- Phase-in structure and discipline...but maintain our 'can-do' culture



# The **iSelect** .com.au brand...motivated more consumers again in FY14

Over

**6.2m**  
Australians

viewed our Facebook posts



Take the  
**iSelect Detax.**

Get health insurance before June 30.

**iSelect**  
.com.au



**16,000+**  
new likes on Facebook

More than

**12**

MILLION

eDMs sent

**iSelect**  
.com.au

Get health insurance before June 30

13 19 20

Q iSelect Detax



**iSelect**  
.com.au

More than

**1.3**  
million

brand searches

**7m**

UVs to our  
websites

**25** new  
TVCs aired

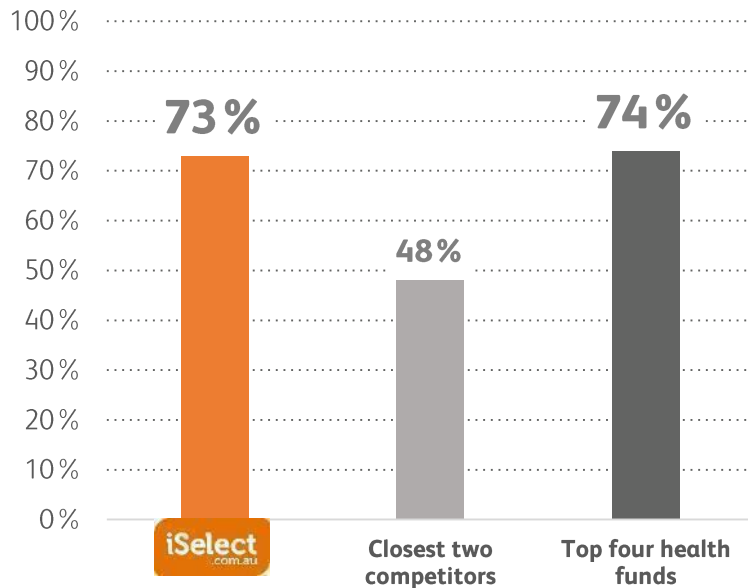
**660k+**

views of  
YouTube  
content

**iSelect**  
.com.au

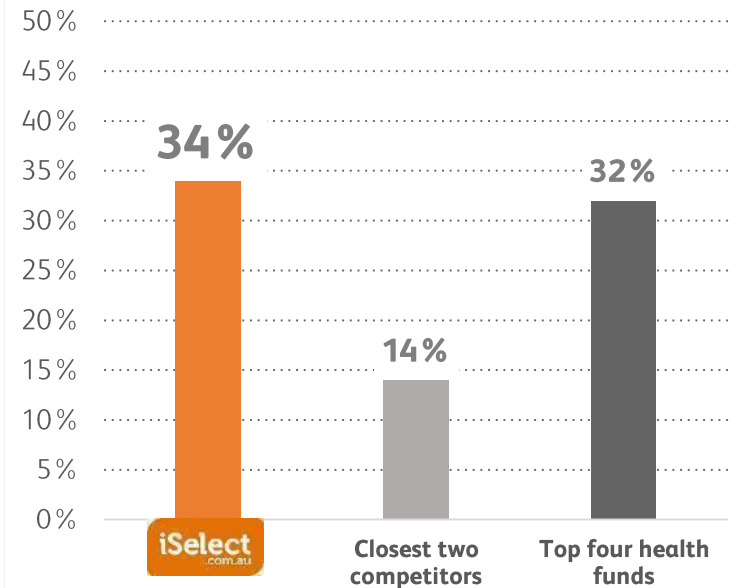
# The **iSelect** com.au brand equity...

## Prompted Brand Awareness



“Looking at this list, which of these companies that offer health insurance or compare health insurance **have you heard of?**”

## Consideration






























“Which companies would you **contact if you were considering purchasing** health insurance?”



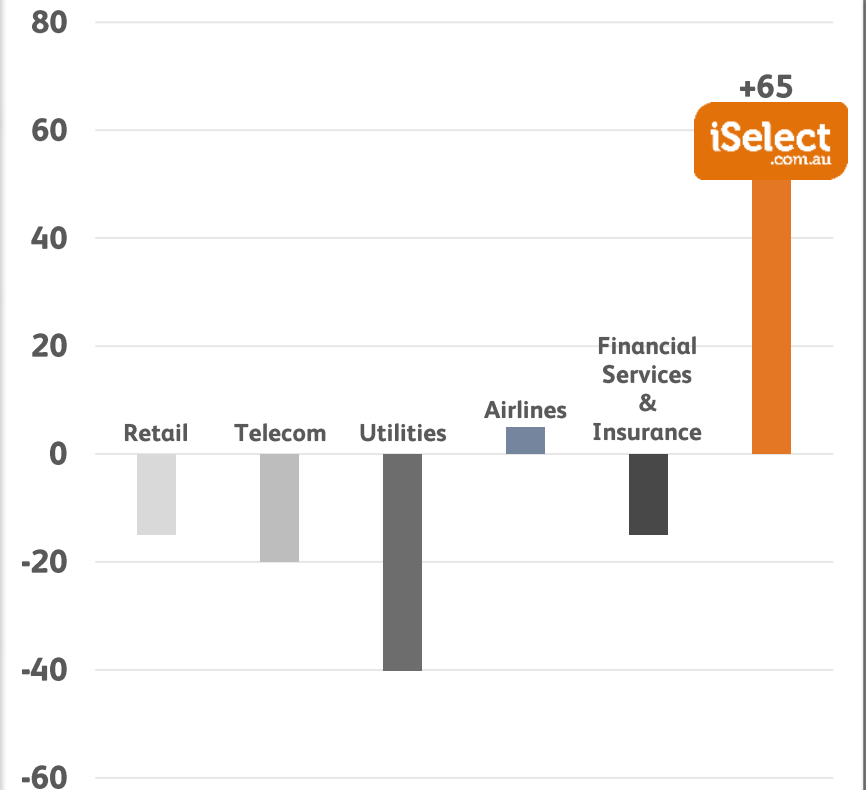
# Customer experience

Progressing nicely

## Contact Centre Sales Effectiveness<sup>1</sup>

Business	iSelect Rank	Comparison Set
Health Insurance	#1	   
Energy	#1	     
Car Insurance	#1	     
Home Loans	#2	          

## Net Promoter Score<sup>2</sup> Industry vs iSelect



<sup>1</sup> Source: Global Reviews, 2014

<sup>2</sup> Source: Bain & Co. 2012, iSelect. Net Promoter Score (NPS) is a widely-used customer loyalty metric created by Bain & Company in 2003. It measures Promoters-Detractors.

# Strategic priorities

Our next phase of growth



## Brand

- Continued strong investment in brand building
- Reinforce valued and trusted adviser credentials



## Partners

- Deepen our strategic partnerships
- Align partnerships with growth potential



## Business Verticals

- Disciplined prioritisation and focus
- Replicate successful Health model



## Data

- Increase investment in data mining capability > segmentation, targeting, innovation
- Continued development of iConnect



## Productivity

- Eliminate inefficiency and waste
- Reinvest for growth



## Acquisitions

- Domestic comparison market
- Health and Energy focus



## People & Culture

- Develop our leadership capabilities
- Phase-in structure and discipline...but maintain our 'can-do' culture



Car	Life	Health	Home Loans	InFoChoice .com.au	Energy	Broadband



- Increased investment in commercial team > optimising approved partner list
- Number of partner brands reached a new high of 127 in FY14
- Significant increase in data and insight sharing with partners > optimal product design and mix
- Available range has increased by 15% in FY14 to over 12,500 products

# Strategic priorities

Our next phase of growth



## Brand

- Continued strong investment in brand building
- Reinforce valued and trusted adviser credentials



## Partners

- Deepen our strategic partnerships
- Align partnerships with growth potential



## Business Verticals

- **Disciplined prioritisation and focus**
- **Replicate successful Health model**



## Data

- Increase investment in data mining capability > segmentation, targeting, innovation
- Continued development of iConnect



## Productivity

- Eliminate inefficiency and waste
- Reinvest for growth



## Acquisitions

- Domestic comparison market
- Health and Energy focus




## People & Culture

- Develop our leadership capabilities
- Phase-in structure and discipline...but maintain our 'can-do' culture

# Our vertical channel prioritisation framework



Assessment Criteria	Status		Launched
<ul style="list-style-type: none"> <li>Size of opportunity</li> <li>Partner support</li> <li>Complexity</li> <li>Competitive advantage</li> <li>Economics</li> <li>Scalability</li> </ul>	Must do priorities	Health	2000
		Energy	2012
	Optimise and scale	Life	2007
		Home Loans	2011
		 InfoChoice (Money) .com.au	2011
	Develop	Car Insurance	2009
		Broadband	2011

# Strategic priorities

Our next phase of growth



## Brand

- Continued strong investment in brand building
- Reinforce valued and trusted adviser credentials



## Partners

- Deepen our strategic partnerships
- Align partnerships with growth potential



## Business Verticals

- Disciplined prioritisation and focus
- Replicate successful Health model



## Data

- Increase investment in data mining capability > segmentation, targeting, innovation
- Continued development of iConnect



## Productivity

- Eliminate inefficiency and waste
- Reinvest for growth



## Acquisitions

- Domestic comparison market
- Health and Energy focus



## People & Culture

- Develop our leadership capabilities
- Phase-in structure and discipline...but maintain our 'can-do' culture

# Strategic priorities

Our next phase of growth



## Brand

- Continued strong investment in brand building
- Reinforce valued and trusted adviser credentials



## Partners

- Deepen our strategic partnerships
- Align partnerships with growth potential



## Business Verticals

- Disciplined prioritisation and focus
- Replicate successful Health model



## Data

- Increase investment in data mining capability > segmentation, targeting, innovation
- Continued development of iConnect



## Productivity

- Eliminate inefficiency and waste
- Reinvest for growth



## Acquisitions

- Domestic comparison market
- Health and Energy focus



## People & Culture

- Develop our leadership capabilities
- Phase-in structure and discipline...but maintain our 'can-do' culture

# Executive team

Renewed and operating effectively



**Alex Stevens**  
CHIEF EXECUTIVE OFFICER



**Paul McCarthy**  
CHIEF FINANCIAL OFFICER



**Elise Morris**  
HUMAN RESOURCES DIRECTOR



**David Christie**  
GENERAL COUNSEL & CO-SEC



**Geraldine Davys**  
MARKETING DIRECTOR



**Scott Wilson**  
COMMERCIAL DIRECTOR



# People and culture

## Key focus areas



### Resourcing

- Develop our scalability solution

### Leadership and learning

- Enhance our operating rhythm
- Grow our talent bench-strength
- Deliver amazing customer experiences

### Performance and contribution

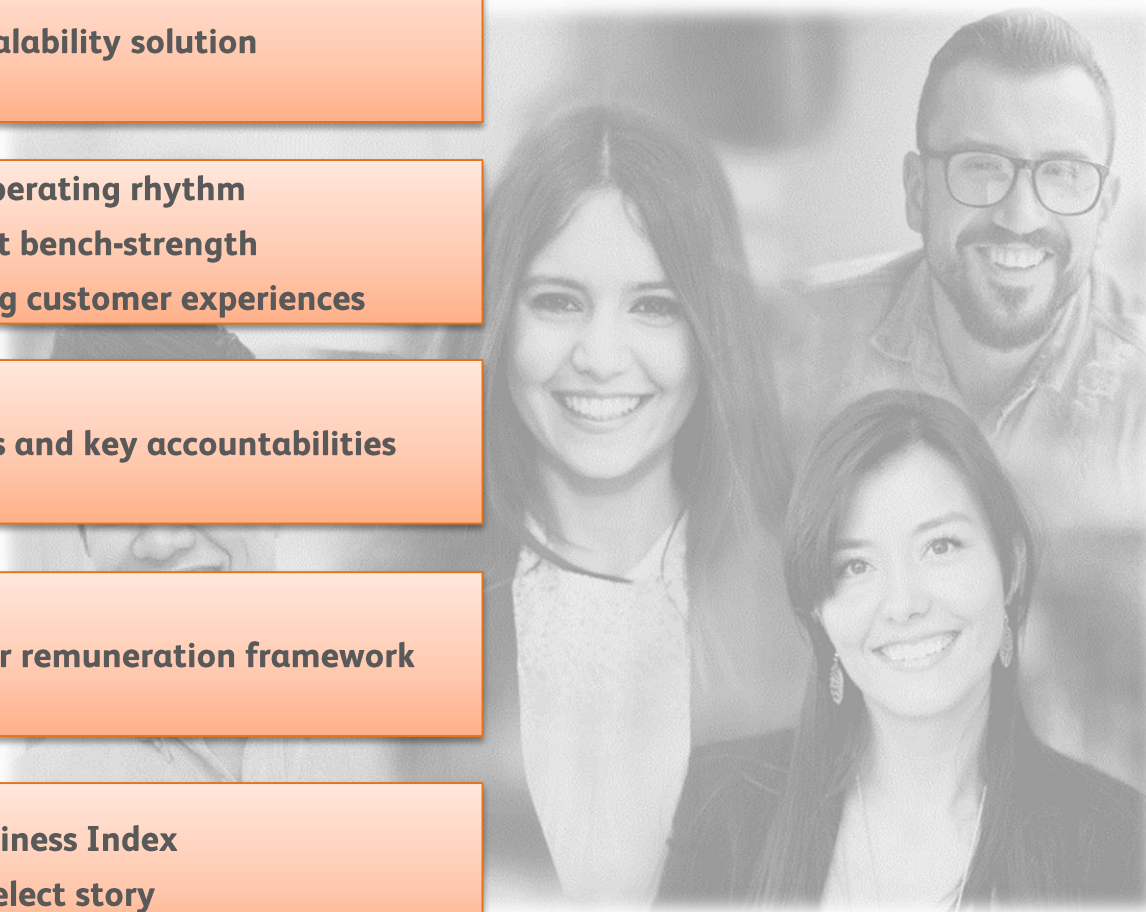
- Focus our goals and key accountabilities

### Reward framework

- Re-engineer our remuneration framework

### Culture

- Drive our Happiness Index
- Develop the iSelect story



## Group Financials


- **Expectation** for low double-digit (10 - 12%) NPAT growth (normalised basis) in FY15
- **Earnings bias** to remain towards H2, due to size of health business
- Some **earnings fluctuations** half on half, dependent on investment return profile

## Businesses

### Health Insurance

- **Health policy sales growth** in line with expectations
- Trail book **configured** for higher attrition environment
- **Fundamentals** of health insurance remain **robust**
- **Medibank float** is accelerating commercialization of the PHI industry

### Energy

- **Very strong** organic revenue growth
- **Continued investment** in staffing and marketing
- **Positive contribution** from  acquisition
- Will benefit from more **attractive industry outlook**

## Businesses

### Life Insurance

- Earnings in-line with expectations

### Car Insurance

- Top line performing ahead of expectations, but below LY (commission reduction)

### Home Loans

- Strong revenue growth, ahead of expectations (off low base)
- Re-investing and re-configuring business model

### Broadband

- Good progress on partnerships

## Capital

- We acknowledge that our current capital structure (i.e. amount of net cash) is inefficient
- We will review our capital structure and dividend policy when:

1. The evaluation of acquisition opportunities is complete; and
2. The NIA loan has been repaid, resulting in positive ongoing net cashflow

### Dividend policy:

- Payment of tax in FY16 (generating franking credits)
- Update on commencement of dividend to be provided at full year FY15 results

# Formal Business

## Today's procedure – REGISTRATION AND CARDS

---

- All those in attendance should have already registered at the **Computershare** desk at the back of the room.
- Shareholders, proxies, and corporate representatives who are registered to vote today should have received a **GREEN** voting card.
- Visitors have been given a **WHITE** admission card but are not able to vote, speak or otherwise participate in the meeting.

## Today's procedure – DISCUSSION AND QUESTIONS

---

- Questions should be restricted to the subject matter of the business and resolutions outlined in the NOM.
- We recommend that each area of discussion is limited to 5 minutes, unless otherwise required.
- When rising to ask a question or comment, please show your **GREEN** voting card, state your name and whether:
  - (a) You are a shareholder; OR
  - (b) You are attending as a proxy.

---

# Tabling of Financial Report

---

# Resolutions



---

# **Resolution 1**

## **Adoption of the remuneration report**

# Remuneration – Presented by Mr Les Webb

## Remuneration

- Remuneration framework reviewed following “first strike” in 2013
- Feedback from shareholders, market expectations and regulatory factors all considered
- Changes have been incorporated into both FY14 and FY15 remuneration structures

## Short Term Incentive Plan (“STI”) Changes

- Performance measures changed: (EBITDA & Gross Profit) → (EBITDA & Operating Revenue)
- Payment frequency reduced from quarterly to bi-annual
- Bonuses on financial KPIs won’t be paid if minimum financial targets are not met
- Discontinuation of bonus payments for non-Executive Directors

## Long Term Incentive Plan (“LTI”) Changes

- Introduction of dual performance measures (TSR and EPS compound annual growth)
- Lengthening of the performance period to 3 years
- Introduction of a single performance testing point at the end of 3 years (with no retesting)
- Tightening of our approach to the Board’s determination of a “good” or “bad” Executive leaver

## Item 1 – Adoption of the remuneration report

---

### Proxies Received:

FOR: 161,076,376

AGAINST: 813,999

ABSTAIN: 2,589,517

OPEN PROXIES: 85,918

---

# **Resolution 2**

## **Re-election of Mr Shaun Bonètt as a Director**

## Item 2: Re-election of Mr Shaun Bonètt

---

### Proxies Received:

FOR: 175,340,652  
AGAINST: 19,719,160  
ABSTAIN: 2,500,000  
OPEN PROXIES: 85,918

---

# **Resolution 3**

## **Re-election of Mr Brodie Arnhold as a Director**

## Item 3: Re-election of Mr Brodie Arnhold

---

### Proxies Received:

FOR: 197,215,046

AGAINST: 13,540

ABSTAIN: 331,226

OPEN PROXIES: 85,918

---

## **Resolution 4**

**Approve the issue of  
1,630,434 LTIP shares  
to Mr Alex Stevens**



## Item 4: Approve the issue of LTIP shares to Mr Alex Stevens

---

### Proxies Received:

FOR: 163,856,162

AGAINST: 674,990

ABSTAIN: 25,000

OPEN PROXIES: 85,918

---

**We will now move to a  
POLL on all resolutions**

---

**Thank you for your  
attendance today**

# Important notice and disclaimer

---

Any references to “Group” in this presentation refer to iSelect Limited and its controlled entities.

This document is a presentation of general background information about iSelect’s activities current at the date of the presentation, 17 November 2014. It is information in a summary form and does not purport to be comprehensive. It is to be read in conjunction with the iSelect Limited full year results filed with the Australian Securities Exchange on 28 August 2014.

This presentation is not a recommendation to buy iSelect shares. The information provided is not financial product advice and has been prepared without taking into account any investor or potential investor’s investment objectives, financial circumstances or particular needs, and should not be considered to be comprehensive or to comprise all the information which a recipient may require in order to make an investment decision regarding iSelect shares. You should make your own assessment and take independent professional advice in relation to the information and any action taken on the basis of the information.

The information in this presentation is of a general nature and has been prepared by iSelect in good faith and with due care but no representation or warranty, express or implied, is provided in relation to the accuracy or completeness of the information.

## **Forward looking statements**

This presentation contains forward-looking statements. The statements in this presentation are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this presentation, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Group, the Directors and management.

The Group cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Investor Presentation will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. To the full extent permitted by law, iSelect disclaims any obligation or undertaking to release any updates or revisions to the information contained in this presentation to reflect any change in expectations or assumptions

## **Non-IFRS information**

iSelect’s results are reported under International Financial Reporting Standards (IFRS). Throughout this presentation, iSelect has included certain non-IFRS financial information. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. iSelect uses these measures to assess the performance of the business and believes that information is useful to investors. EBITDA, EBIT, Operating Cash Conversion and Revenue per Sale (RPS) have not been audited or reviewed.

Any and all monetary amounts quoted in this presentation are in Australian dollars (AUD).