

FY15 Half Year Results Presentation

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iSelect
.com.au

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1. Highlights

Summary – On track for sustainable growth

Strong H1 FY15 operational result

H1 FY15	Actual	Growth	
		Normalised	Reported
Revenue	\$65.6m	↑18% ¹	↑18% ¹
EBITDA	\$8.4m	↑10%	↑23%
NPAT	\$5.4m	↑27%	↑47%
Operating Cashflow	\$8.5m	↑11%	↑23%

Fundamentals remain strong

- **Revenue mix:** up-front ↑27%, trail ↓7%
- **Energy contribution:** 19%² of all ISU revenue in H1 FY15 vs. 6% in H1 FY14
- **Brand:** continued investment, particularly in Energy
- **Operations:** increased scale, improved conversion and customer experience
- **Industry:** favourable underlying market conditions

Outlook

- **Partners:** new, deeper and more collaborative relationships, including **nib**
- **NIA:** recapitalisation process progressing
- **Board:** evolution to continue
- **H2 FY15:** well positioned for growth
- **Expectation for NPAT growth:** 10%-12% (normalised) in FY15

1. Revenue growth excluding Energy Watch was 12%. Revenue growth excluding Health non-cash discount unwind was 14%

2. Includes Energy Watch

2. Operational Performance

H1 FY15 operational performance highlights

Solid progress against key business drivers^{1,2}

Leads
(m)

H1FY14	H1FY15	Change
1.6	1.6	2 %

- Deliberate easing in most verticals to align with capacity
- Investment in Energy resulted in 34% lead growth
- Increased focus on longer term brand building in Health & Energy

Conversion
(%)

H1FY14	H1FY15	Change
6.8%	8.2%	1.4pp

- Improvement across majority of verticals, particularly Energy
- Home Loans, Money and Broadband re-config proceeding well
- Contact centre leadership reset

Sales Units
(000s)

H1FY14	H1FY15	Change
106	131	24 %

- Growth in sales driven by leads and conversion performance
- Health up 7% on prior year, Energy up 77%
- Strong cross-serve growth, particularly across health and energy

Revenue Per Sale
(RPS)

H1FY14	H1FY15	Change
\$512	\$482	-6 %

- Health in-line with prior year
- Energy RPS up 44%
- Car impacted by contract renegotiation

1. The definitions of Leads, Conversion, Sales Units and RPS are detailed in the 2014 Annual Financial Report
2. All H1 FY15 metric results above exclude Energy Watch and iSelect Money

H1 FY15 Segment performance

Health & Car Insurance

HAC \$m	H1FY14	H1FY15	Change
Revenue	39.9	40.8	2 %
EBITDA	7.6	7.9	4 %
Margin	19 %	19 %	-

Health

- Lead growth balanced to contact centre capacity
- Sales unit growth twice that of system growth
- Significant improvement in conversion
- Net revenue growth impacted by (non-cash) discount unwind

Car

- Revenue down in H1 only, due to contract renegotiation in FY14
- Modest volume growth and improved profitability

Health

H1 FY15 vs. H1 FY14

Conversion

+5 %

Sales Units

+ 7 %

RPS

-1 %

Health revenue in H1 FY15 impacted by lower discount unwind following revaluation of trail commission receivable at 30 June 2014

H1 FY15 segment performance


Household Utilities and Financial

HUF \$m	H1FY14	H1FY15	Change
Revenue	15.8	24.7	56 %
EBITDA	1.9	2.7	43 %
Margin	12 %	11%	-1pp

Energy

- iSelect Energy revenue up 160 %
- Investment in marketing and staffing for future growth
- Energy Watch integration progressing smoothly

Emerging verticals

- Very strong revenue growth
 -  InfoChoice up 25 %
 - Home Loans up 53 %
 - Broadband up 58 %

Energy¹

H1 FY15 vs. H1 FY14

Conversion

+34 %

Sales Units

+ 32 %

RPS

+77 %

¹ Operating metrics exclude Energy Watch

3. Financial Performance

Financial performance summary

Solid growth across the board

Income Statement \$m, HYE 31 December	Normalised ¹				Reported			
	H1FY14	H1FY15	Change		H1FY14	H1FY15	Change	
Revenue	55.8	65.6	↑	18% ²	55.8	65.6	↑	18% ²
EBITDA	7.7	8.4	↑	10%	6.8	8.4	↑	23%
EBIT	4.7	5.2	↑	10%	3.9	5.2	↑	33%
NPAT	4.3	5.4	↑	27%	3.7	5.4	↑	47%
EPS (cents)	1.6	2.1	↑	26%	1.4	2.1	↑	48%
Operating cashflow	7.7	8.5	↑	11%	6.9	8.5	↑	23%

1. In H1 FY14 normalised figures exclude CEO exit and replacement costs of \$0.8m

2. Revenue growth excluding Energy Watch was 12%. Revenue growth excluding Health non-cash unwind was 14%

Income statement

Solid revenue, EBITDA and NPAT growth

Income Statement		Normalised ¹	
\$m, HYE 31 December	H1FY14	H1FY15	Change
Upfront revenue	40.2	51.1	27 %
Trail commission revenue	15.6	14.4	-7 %
Revenue	55.8	65.6	18 %
Gross profit	24.5	26.4	8 %
%	44 %	40 %	
Overheads	16.8	18.0	7 %
Normalised EBITDA	7.7	8.4	10 %
Depn & Amort	3.0	3.2	9 %
Normalised EBIT	4.7	5.2	10 %
Loss from Associates	0.0	0.1	n.a.
Interest (Income)/Expense	(1.6)	(2.7)	73 %
Tax Expense	2.0	2.4	19 %
Normalised NPAT	4.3	5.4	27 %
%	8 %	8 %	

Key observations

- Shift in revenue mix towards up-front continuing
- Revenue up 18%
- Gross profit up 8%
- Margins reflective of deliberate investments
- Overhead growth planned and considered
- Higher D&A following prior period I.T. investment
- EBIT up 10%
- Investment in iMoney equity accounted
- Interest income from cash holdings and NIA loan
- Normalised NPAT up 27%

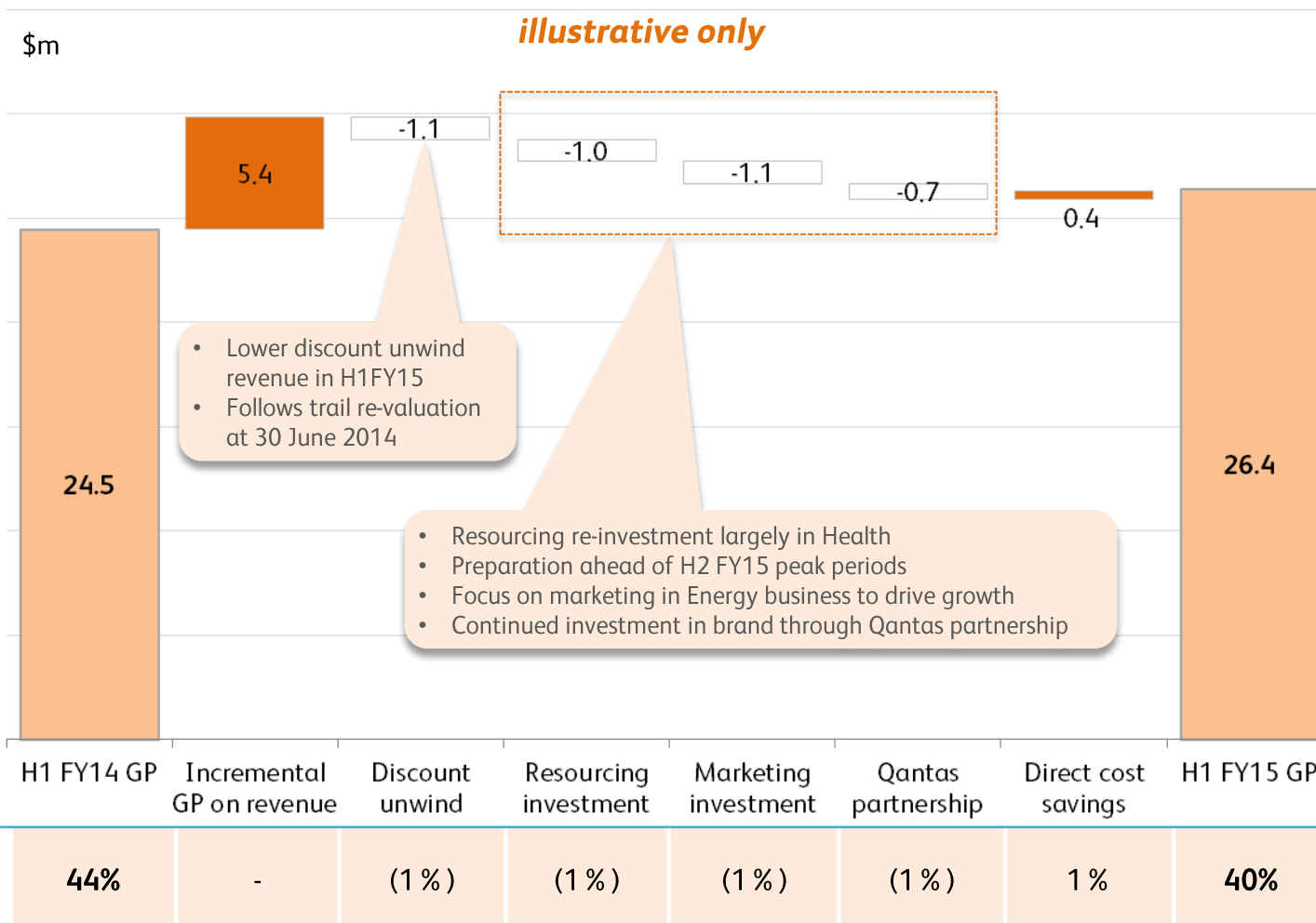
1. In H1 FY14 normalised figures exclude CEO exit and replacement costs of \$0.8m

Gross profit bridge

Reinvestment into resourcing and marketing

Gross profit progression

illustrative only



Cash flow statement

Strong operating cashflow and cash conversion – investments in M&A

Cash Flow Statement			
\$m, HYE 31 December	H1FY14	H1FY15	Change
Operating cashflow	6.9	8.5	23 %
Capital expenditure	(2.1)	(1.7)	-16 %
Acquisitions and investments	-	(14.3)	n.a.
Interest received	1.9	2.8	45 %
NIA facility advances	(6.1)	(13.1)	114 %
Investing cashflow	(6.3)	(26.3)	319 %
Finance costs	(0.5)	(0.1)	-87 %
Proceeds from share issues	1.6	0.8	-53 %
IPO cost payments	(3.6)	-	100 %
Financing cashflow	(2.4)	0.7	n.m.
Net movement in cash	(1.9)	(17.2)	826 %
Reported EBITDA	6.8	8.4	23 %
Cash conversion	101 %	101 %	0 %
Normalised operating cashflow	7.7	8.5	11 %
Normalised EBITDA	7.7	8.4	10 %
Normalised cash conversion	100 %	101 %	1 %

Key observations

- **Strong growth in operating cashflow due to:**
 - faster growth in 'upfront' health policies
 - contribution of newer businesses, especially Energy
- **Investing cashflow composition:**
 - ongoing IT related capex
 - interest received on NIA loan and cash balance
 - NIA advances in line with earned commissions
 - acquisition of Energy Watch
 - investment in iMoney
- **Consistent cash conversion performance**

Cash conversion = operating cashflow divided by EBITDA

Balance sheet

Strong balance sheet position

Balance Sheet \$m	Jun-14	Dec-14	Change
Cash	75.9	58.7	-23 %
Receivables	28.0	21.6	-23 %
Trail commission receivable	99.0	98.9	0 %
NIA receivable	32.8	45.9	40 %
PP&E	7.7	7.5	-3 %
Intangibles	37.5	46.0	23 %
Other	3.6	3.1	-13 %
Investment in associates	0.0	4.5	n.a.
Total assets	284.5	286.1	1 %
Payables	18.0	11.9	-34 %
Provisions	8.7	7.9	-9 %
Net deferred tax liability	21.5	23.5	10 %
Total liabilities	48.2	43.3	-10 %
Net assets	236.3	242.8	3 %
Contributed equity	173.0	173.7	0 %
Reserves	7.0	7.3	5 %
Retained earnings	56.4	61.8	10 %
Equity	236.3	242.8	3 %

Key observations

- Cash position remains strong
- Lower receivables in line with seasonality
- Trail asset in line with expectations
- Increase in line with NIA revenue growth
- Includes goodwill from Energy Watch acquisition
- Investment in iMoney equity accounted
- Lower payables reflective of business seasonality
- Increase in net DTL due to use of carry-forward tax losses, and business seasonality

4. Strategic priorities – progress update

Strategic priorities – progress update

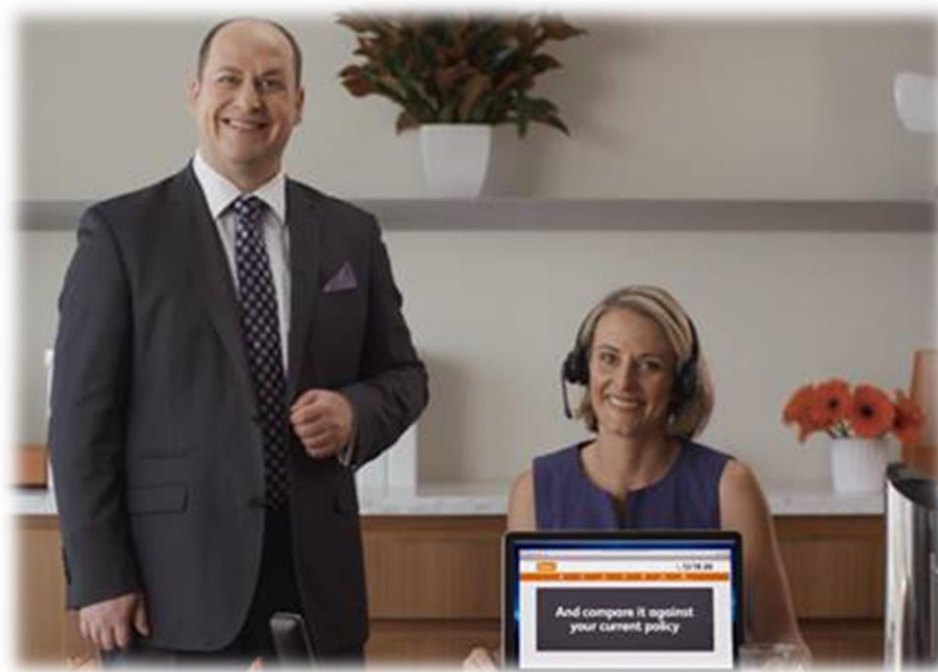
 Brand	<ul style="list-style-type: none">■ Strong investment in brand building for continued growth■ Increasingly sophisticated digital and traditional integration
 Partners	<ul style="list-style-type: none">■ Strategic partnership development continues – Life Insurance panel expansion■ Trials underway with several important new partners
 Business Verticals	<ul style="list-style-type: none">■ Disciplined prioritisation and focus being embedded■ Replicate successful Health model – Energy revenue now 19% of total ISU revenue¹
 Data	<ul style="list-style-type: none">■ Data mining capability accelerated■ Continued evolution of iConnect – functionality extended
 Technology	<ul style="list-style-type: none">■ Improved web functionality and architecture■ Gold-standard security regime now in place
 Acquisitions	<ul style="list-style-type: none">■ Priority will be on organic growth■ Exclusive focus on domestic market surveillance
 People & Culture	<ul style="list-style-type: none">■ Contact centre leadership materially strengthened■ Employee engagement at a record high
 NIA	<ul style="list-style-type: none">■ Recapitalisation process progressing■ Loan balance as at 31 December 2014 was \$45.9m (30 June 2014: \$32.8m)

























































































1. Includes Energy Watch

Strong investment in
brand building for
continued growth



- Total marketing investment $\uparrow 16\%^1$ (circa) versus H1 FY14
- Brand refresh in Q2 FY15: a more modern look and feel
- Further evolution of the 'Mr iSelect' brand mechanic
- Increase in breadth and depth of digital engagement
- Energy: transitioning into the 'above the line' advertising arena



Car	Life	Health	Home Loans	InfoChoice	Energy ¹	Broadband
        	     	          	                 	                   	           	           

- Improved streamlining of customer experience via new digital gateways
- Joint business planning, innovation and growth strategies now embedded with many partners
- Number of partner brands reached a new high of 137 in H1 FY15

Technology and product developments



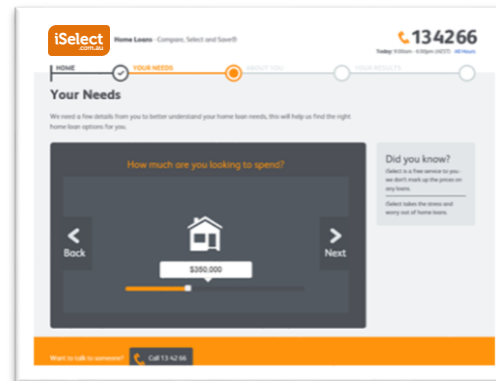
Technology



- Gold-standard security regime introduced
- Best-in-class telephony upgrade
- Enhanced data mining capability



Product



- Re-engineered web experience
 - New responsive design
 - Touch and swipe friendly

5. Outlook

Financials



- **Expectation** for NPAT growth of 10% - 12% (normalised) in FY15
- **Earnings bias** to remain towards H2, due to size of health business

Businesses

Health Insurance

- **April 1 premium increase** imminent, but **later** than 2014 announcement
- **Longer term fundamentals** of health insurance remain **positive**
- **Attrition rising** but within bounds of **conservative** trail book **configuration**
- **Strengthened partnerships** expected to drive growth

Energy

- Expect **very strong** organic **revenue growth**
- **Continued investment** in staffing and marketing
- **Defined roles established** for  and  brands
- Will benefit from more **attractive industry outlook**

Businesses

Life Insurance

- Benefit of **panel expansion**
- Scope for consumers to **fund policies through superannuation**

Car Insurance

- Top line performing **ahead** of expectations, but **below LY**
- **New product trials** being conducted

Home Loans

- **Strong revenue growth**, ahead of expectations
- **Re-investing** and **re-configuring** business model

Broadband

- Further progress on **partnerships and business model**

iMoney

- **Unique visitors** and **revenue** continuing to **grow**
- **End-to-end model** in **credit cards** launched with **pleasing early results**

Governance

- **Independent chairman** search and selection proceeding well

Capital &
dividends

- **Current capital structure** (i.e. amount of net cash) acknowledged as **inefficient**
- **Capital structure** and **dividend policy** to be reviewed when the **NIA loan** has been **repaid**, resulting in positive ongoing net cashflow
- A full update on **capital management** and **dividends** will be provided at the **full year**

6. Appendix

Gross metrics¹ - including Money and

Leads
(m)

H1FY14	H1FY15	Change
2.5	2.8	11 %

- Deliberate easing in most verticals to align with capacity
- Investment in Energy resulted in 34% lead growth
- Increased focus on longer term brand building in Health & Energy

Conversion
(%)

H1FY14	H1FY15	Change
14.2 %	14.2 %	-0.0pp

- Improvement across majority of verticals, particularly Energy
- Home Loans, Money and Broadband re-config proceeding well
- Contact centre leadership reset

Sales Units
(000s)

H1FY14	H1FY15	Change
352	390	11 %

- Growth in sales driven by leads and conversion performance
- Health up 7% on prior year, Energy up 77%
- Strong cross-serve growth, particularly across health and energy

Revenue Per Sale
(RPS)

H1FY14	H1FY15	Change
\$158	\$177	12 %

- Health in-line with prior year
- Energy RPS up 44%
- Car impacted by contract renegotiation

1. The definitions of Leads, Conversion, Sales Units and RPS are detailed in the 2014 Annual Financial Report



People and culture

■ Develop our leadership capabilities

- Strong focus on our leadership capability in two key areas: **contact centre and senior leadership**
- 12 new leadership appointments **since 1 July 2014**
- New CFO: **Paul McCarthy**
- New Operations Director: **Shane Abeyratne**

■ Phase-in structure and discipline...but maintain our 'can-do' culture

- Introduction of **category structure** across the business
- Implementation of a new **performance** and **contribution** framework
- Operating rhythms improved: **day-to-day management** and **decision making bodies**

The iSelect .com.au story...

Historically...

...private health insurance customers were in the dark...

- Products \neq needs
- Complexity and confusion reigned
- Inertia

Then in 2000 along came...

iSelect .com.au

- Cut through the complexity and confusion
- Simple and easy to use
- Products matched to changing needs
- Delivered value

Today, our typical customer profile is...

Young

Professional

Affluent

Intelligent

Tech-savvy

Time-poor

...and they're hungry for...

Options



Advice

...but above all else, **VALUE**...

If consumers aren't getting value

iSelect gives them a conduit to:

1. Find **value**
2. Conveniently make a **change**

Why consumers use online comparison:

- Save **money**
- Save **time**
- Save **effort**
- Find **a product better suited to needs**

Source: Nielsen 2013

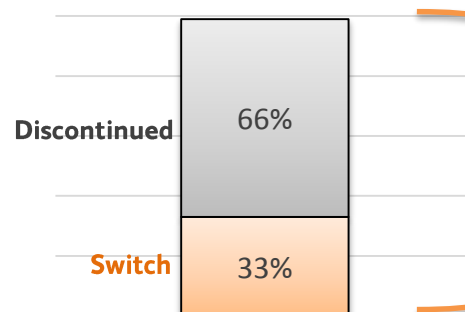
iSelect doesn't

- **Churn** the market
- **Re-target** customers
- **Re-market** to customers

- iSelect has a **no-churn policy**
- **>50% of our customers are new to PHI**

What drives lapse?

Drivers of lapse



Source: PHIAC, iSelect analysis

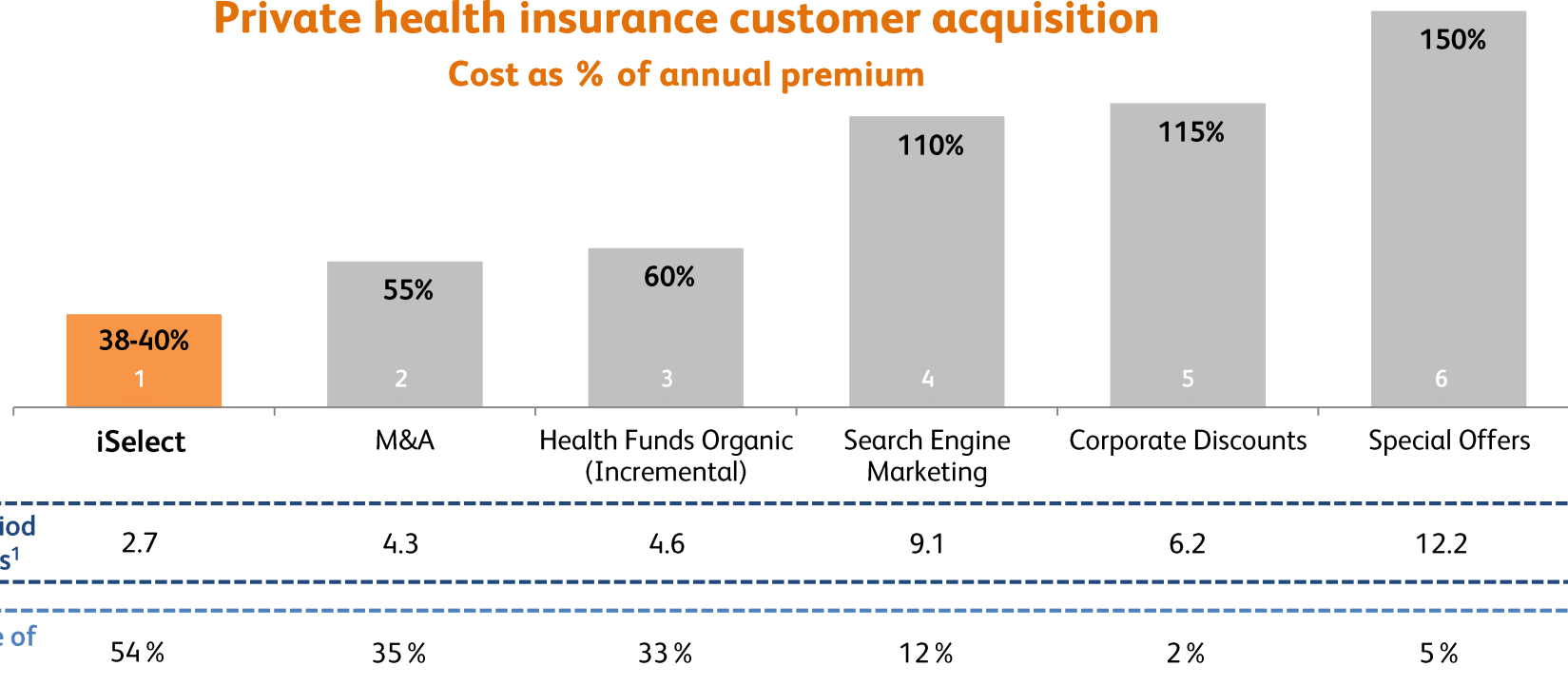
- **Affordability**
 - 10yrs of premium increases @ 3 x inflation
 - Highest average increase in 9yrs in 2014
 - PHI rebate reduction (due to means testing)
- **Life stage change**
- **Discontent with fund**
- **Lack of innovation**

**iSelect significantly over-indexes in young, wealthy
and well-educated consumers...passing through life stages**

	Young free and independent	Future focussed independents	Young prosperous families	Young Aussie families	Established affluent families	Established Aussie families	Mature maximisers
Age Range (years)	18 - 29	30 - 44	18 - 34	18 - 34	35 - 64	35 - 64	45 - 64
Children	No	No	Yes	Yes	Yes	Yes	No
Household Income	>\$50k	>\$80k	>\$90k	\$50k - \$90k	>\$150k	\$50k - \$90k	>\$400k (net worth)
% of iSelect Customers	27%	22%	7%	7%	14%	8%	15%
% of Aust. Population	4%	4%	5%	4%	19%	8%	7%
iSelect index	7 : 1	6 : 1	1.4 : 1	1.8 : 1	0.7 : 1	1 : 1	2 : 1

Private health insurance customer acquisition

Cost as % of annual premium



Assumptions:

- 1 Indicative range of iSelect commission arrangements.
- 2 Acquisition price, less net tangible assets per member acquired, presented as a % of LTM premium revenue.
- 3 Calculated from nib and Medibank annual reports. Assumes 70 % of marketing relates to customer acquisition.
- 4 Prevailing market metrics.
- 5 Assumes 12 % corporate discount over the life of the member. Calculated as the present value of the lifetime cost.
- 6 Assumes average special offer of 5 weeks free.



Partnering with iSelect de-risks customer acquisition



Significant brand exposure via product views on iSelect's websites



Increased website traffic via iSelect website (shown to be an ~8 % increase)



Performance and insight sharing to drive product innovation



Health Funds only pay for in-force policies



Fees proportional to income

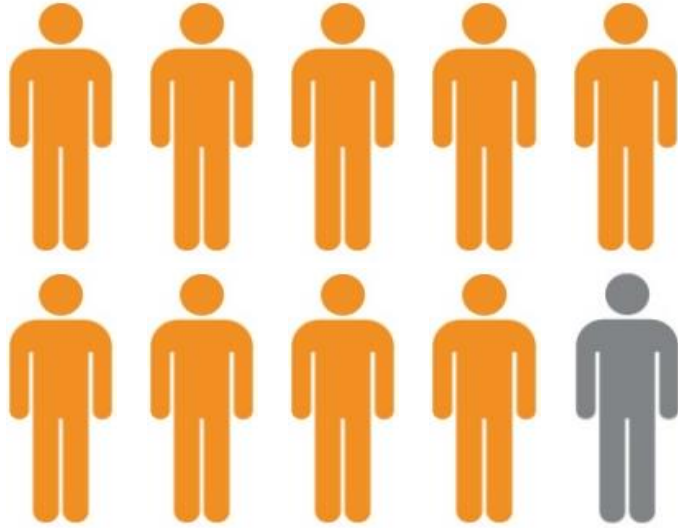


Best-practice monitoring and compliance regime



High value customers

Australian consumer use of comparison



9 out of 10 online
Australians (18+) are likely
to use online comparison
services for research /
comparison during the next
12 months...

Why consumers use online comparison

	Saved Money	Saved Time	Saved Effort	Product Better Suited Needs
Compared to shopping around OFFLINE	92%	97%	96%	92%

PHI purchasers are driven by “ease and convenience”

- Over half (**57%**) of those likely to take out PHI in the next year declare a **strong likelihood** of using intermediaries / comparators
- **83%** of those who use comparators for PHI are driven by **convenience**, ease, ‘**navigate complexity**’ and **time-saving** factors
- Only **16%** of those who use comparators for PHI are driven by a desire to get the **cheapest price**

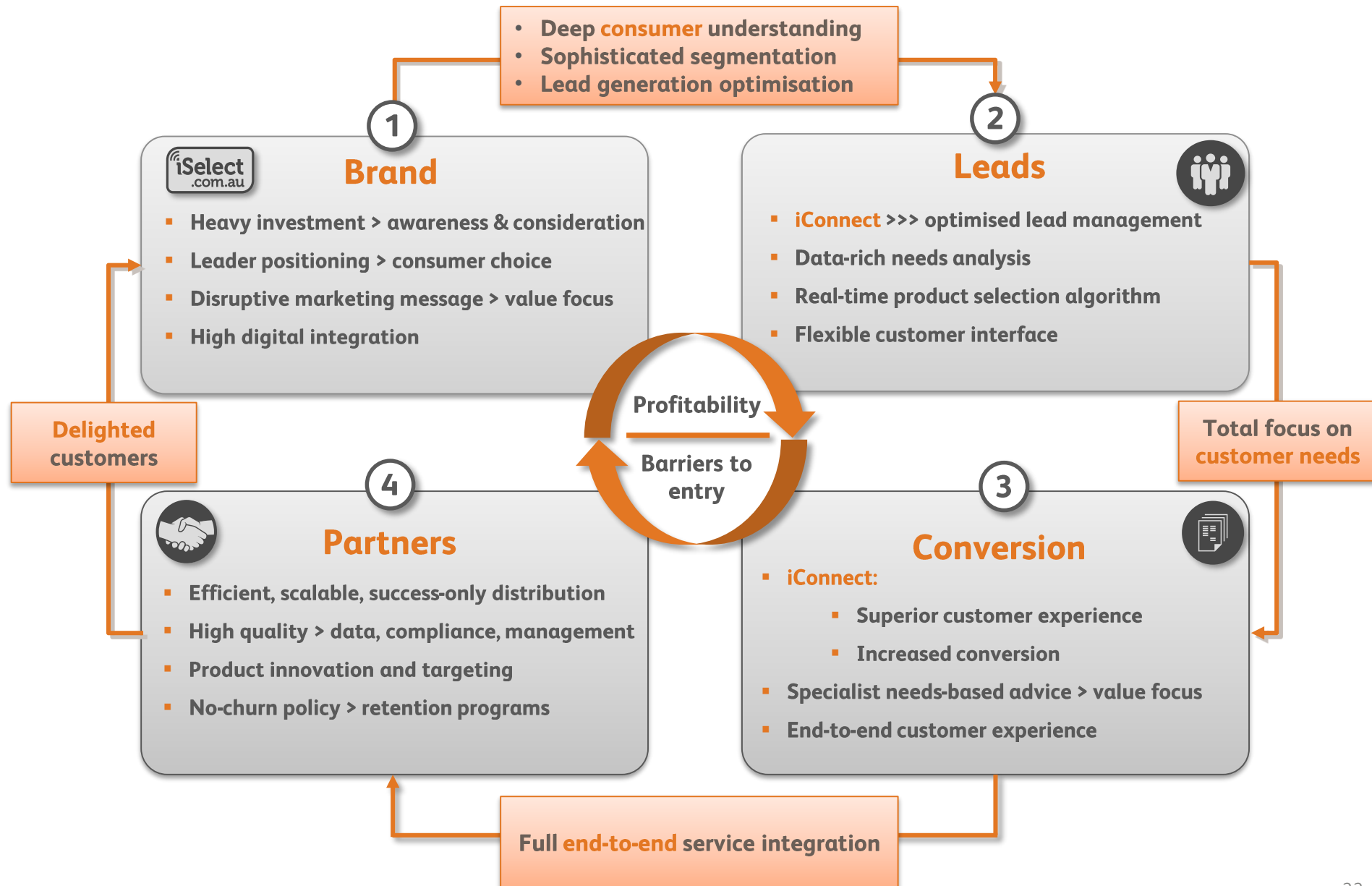
*“The more **complex and confusing** PHI is perceived to be, the more people will use comparators...indeed be driven to them”*



*“IPSOS believes **high inflation rates for PHI premiums, cost of living** pressures, a **general trend towards shopping around**, perceived **complexity** and **confusion of PHI** are **driving consumers to comparator sites**, rather than the comparator sites being the key motivator of the switch process in the first place.”*



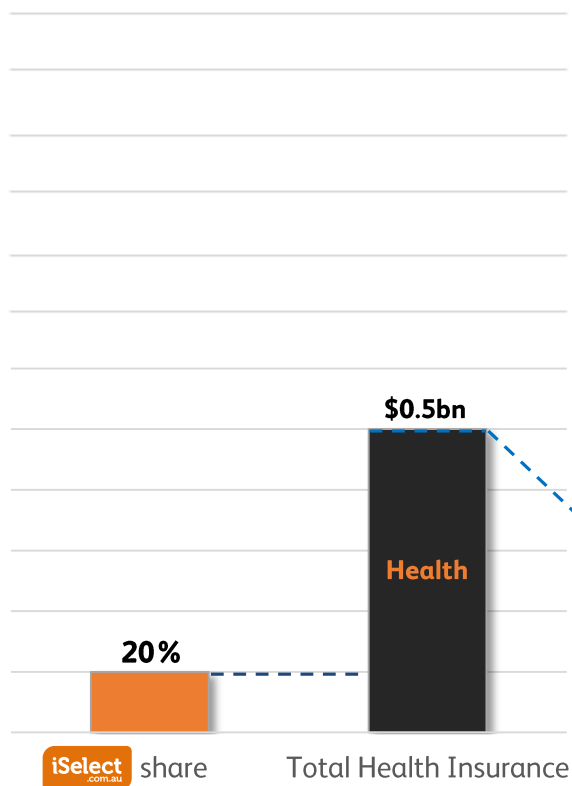
The iSelect .com.au business model



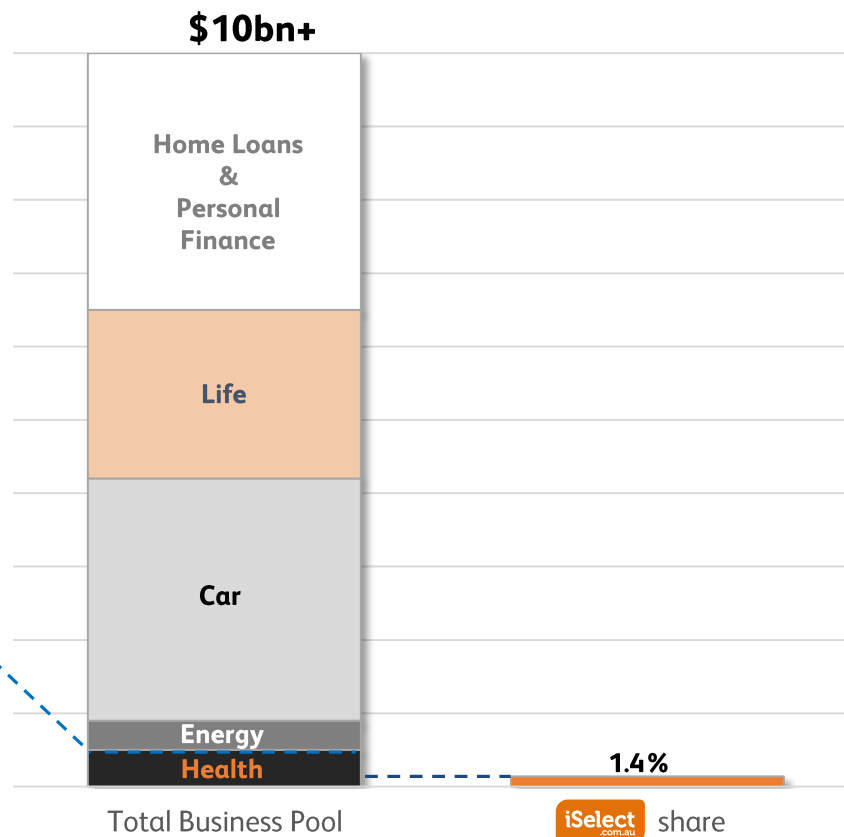
The **iSelect** .com.au opportunity

Annual Commission Pool¹

Health Insurance Market




All Businesses



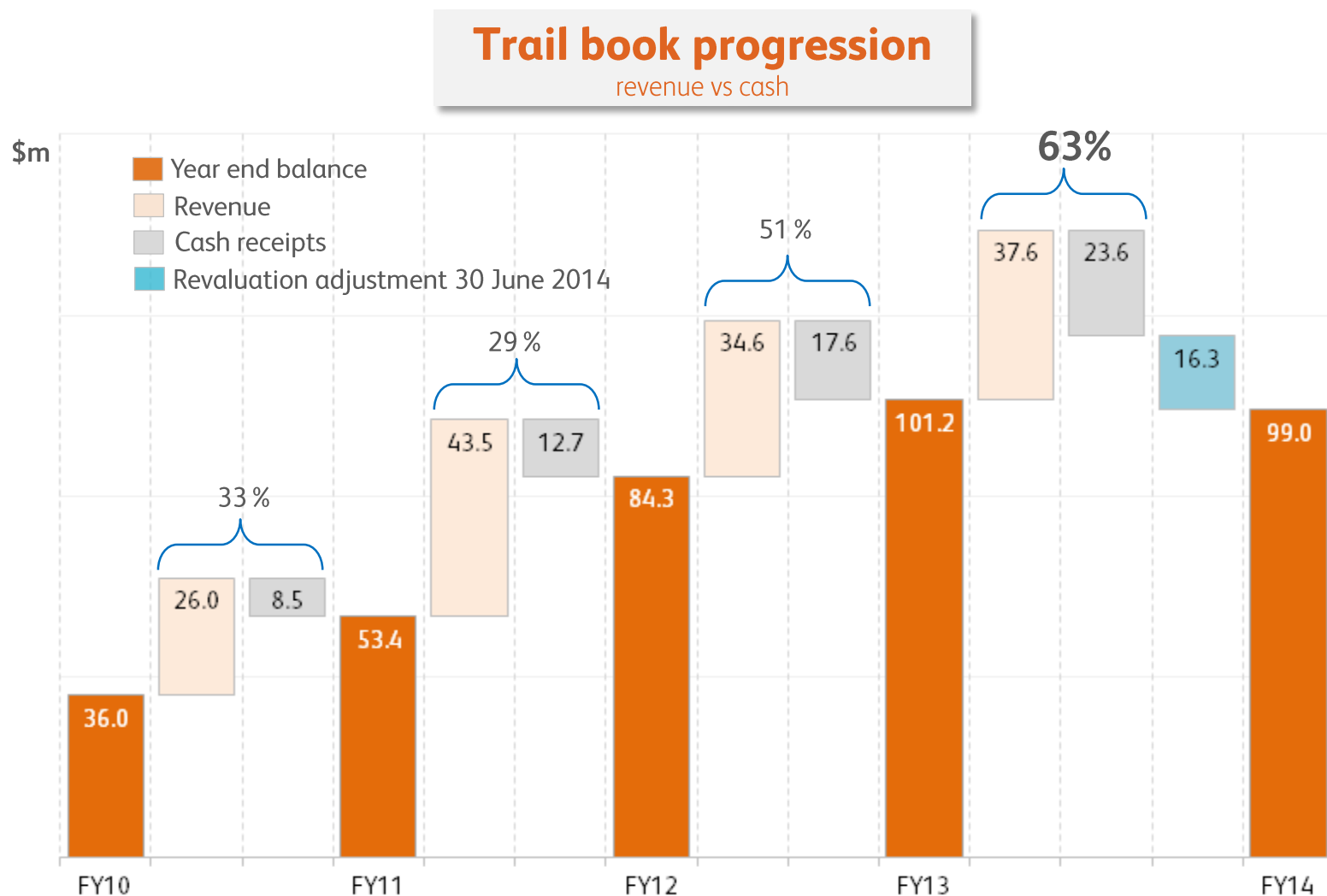
1. Indicative calculation that assumes all sales attract a relevant third-party commission

Vertical channel prioritisation framework

Assessment Criteria	Status		Launched
<ul style="list-style-type: none"> Size of opportunity Partner support Complexity Competitive advantage Economics Scalability 	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

Trail book progression over time

Cash receipts increasing as a % of trail revenue



Trail book valuation

Impacted by three key assumptions

	Description	Recent Observations / Expectations in Health
1 Volume of active policy holders	<ul style="list-style-type: none">■ Impacted by expected attrition largely resulting from:<ol style="list-style-type: none">1. switching due to:<ul style="list-style-type: none">• change in circumstances• pricing• product innovation• increased awareness2. changes in cover3. regulatory changes	<ul style="list-style-type: none">■ Higher attrition observed in iSelect's health books■ High switching behaviour following last premium rise■ Continued health cost pressures and premium rises■ Higher industry innovation and product promotion■ Attrition rates for health range from 5.1 % to 19.9 %
2 Annual premium increases	<ul style="list-style-type: none">■ Gross annual premium (varies by provider and policy type)	<ul style="list-style-type: none">■ Continued health cost pressures and premium rises<ul style="list-style-type: none">• annual premium growth assumption: 6 %
3 Discount rate	<ul style="list-style-type: none">■ Risk free rate (aligned to commission term); plus■ Margin (additional margin for residual risks not captured in forecast cashflow)	<ul style="list-style-type: none">■ Applied rates: 4.3 % to 6.5 %■ Risk to attrition & premiums now explicit in cashflow forecasts■ Residual risk in discount rate reflects counter-party credit risk<ul style="list-style-type: none">• regulated insurers and banks

Stated annual attrition rates based on weighted average attrition rates across policy age bands (i.e. <1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, >5 years)
And various policy books for each provider from which iSelect receives commission income.

NIA loan background

Background rationale to arrangement

- **Health.com.au** - formed in 2012, 1st **online health fund** in Australia, 1st major new health fund in >20 yrs
- Launched to address **unmet consumer needs** - product innovation, digital focus, growth orientation
- Required **effective channel to market** - **iSelect.com.au** platform ideally-suited

Current balance and loan mechanics

- **Balance** as at 31 December 2014 **\$45.9m** (30 June 2014: \$32.8m)
- **Physical advances** made in line with commissions **received by** **iSelect.com.au**
- **Interest** on loan **physically paid to** **iSelect.com.au**

Key terms of facility

- **Maturity date:** 31 July 2015
- **Facility Size:** Maximum \$75m, drawn only via commissions payable to **iSelect.com.au** (unlikely to reach \$75m)
- **Security:** Loan secured by charge over all the assets of NIA Health Pty Ltd (owner of health.com.au), and a mortgage over the shares in NIA Health Pty Ltd
- **Covenants:** include minimum capital and loan service reserve account

Loan monitoring

- **Regular business updates** between **iSelect.com.au** 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** as at 31 Dec 2014 exceeded **41,000** health insurance policies

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