

# FY15 Full Year Results Presentation

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# 1. Highlights

# Summary – diversification benefits delivers strong result

## Strong FY15 operational result

FY15	Normalised <sup>1</sup>	Growth	
		Normalised <sup>1</sup>	Reported
Revenue	\$157.2m	↑15% <sup>2</sup>	↑31%
EBIT	\$25.1m	↑10%	↑124%
NPAT	\$21.4m	↑17%	↑54%
Operating cash flow	\$27.5m	↑122%	↑116%

## Key highlights

- **Health contribution:** 59% of all ISU revenue in FY15 vs 70% in FY14
- **Energy contribution:** 18%<sup>3</sup> of all ISU revenue in FY15 vs 7% in FY14
- **Health:** Strong volume growth of 10% offset by lower RPS and discount unwind
- **Revenue mix:** Up-front ↑26%, trail ↓15%
- **Business model:** Improved website performance, mobile responsiveness and conversion
- **Partners:** Stronger and more collaborative relationships including NIB and HBF
- **NIA:** \$42.1m settlement, new multi-year partnership with GMHBA

1. Details of normalisations in both FY14 and FY15 are included in the appendix of this presentation  
 2. Revenue growth excluding Energy Watch and excluding the adverse impact of lower discount unwind was 13%  
 3. Includes Energy Watch

## 2. Operational Performance

# FY15 operational performance highlights

Solid progress against key business drivers<sup>1,2</sup>

## Leads (m)

FY14	FY15	Change
3.8	3.8	-1%

- Deliberate easing in most verticals to align with capacity
- Focus on improvement in quality
- Investment in Energy resulted in positive Energy lead growth

## Conversion (%)

FY14	FY15	Change
6.6%	9.7%	3.1pp

- Improvement across majority of verticals, particularly Energy
- Reflects past investment in people, systems & processes
- Home Loans and Broadband re-configuration proceeding well

## Sales Units (000s)

FY14	FY15	Change
250	362	45%

- Growth in sales driven mostly by focus on conversion
- Health up 10% on prior year
- Energy up significantly

## Revenue Per Sale (RPS)

FY14	FY15	Change
\$549	\$457	-17%

- Decrease largely reflective of shift in mix of business
- Health 6% down on prior year, with consumers trading down
- Energy RPS up significantly

1. The definitions of Leads, Conversion, Sales Units and RPS are detailed in the 2015 Annual Financial Report

2. All FY15 metrics include Energy Watch but exclude iSelect Money

# FY15 segment performance

## Health & Car Insurance

HAC \$m	FY14	FY15	Change
Segment revenue	104.3	101.0	-3%
Segment EBITDA	32.0	24.4	-24%
Margin	31%	24%	-7pp

### Health

- Sales unit growth well above system growth
- Significant improvements in contact penetration and conversion
- Adverse product mix due to market trend of consumers trading down:
  - RPS -6%
  - Decrease in combined-cover policy sales
  - Decrease in mid and top hospital cover sales
  - Reduced availability of certain product types e.g. mid-range pregnancy
- Net revenue growth also impacted by reduced discount unwind

### Car

- Revenue down due to contract renegotiation in FY14: RPS -22%
- Strong conversion performance and volume growth

## Health

FY15 vs FY14

### Conversion

+13%

### Sales Units

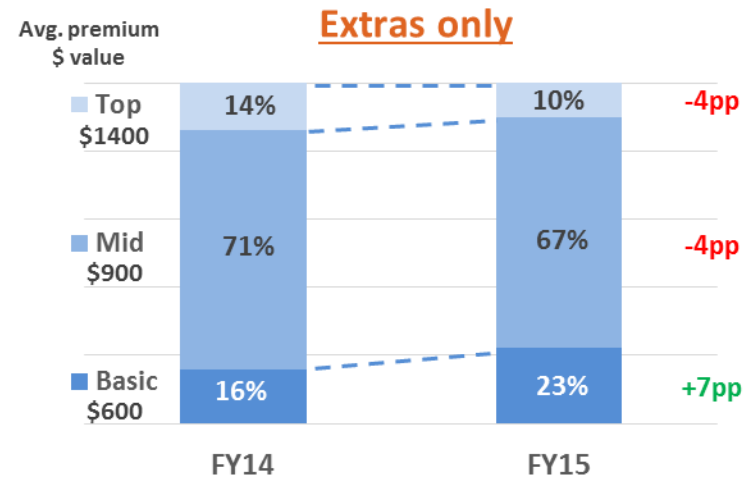
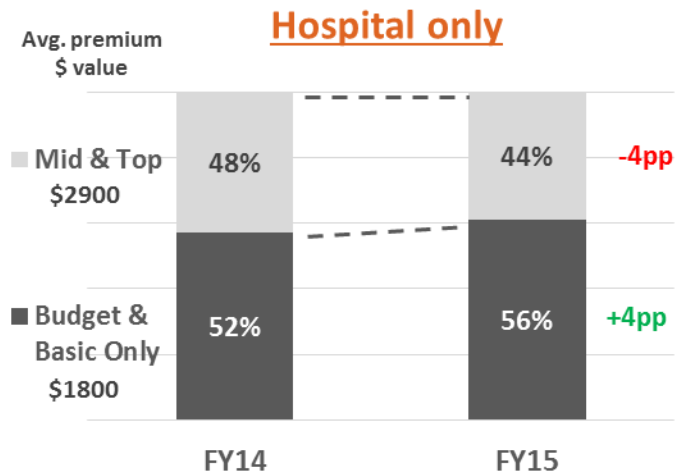
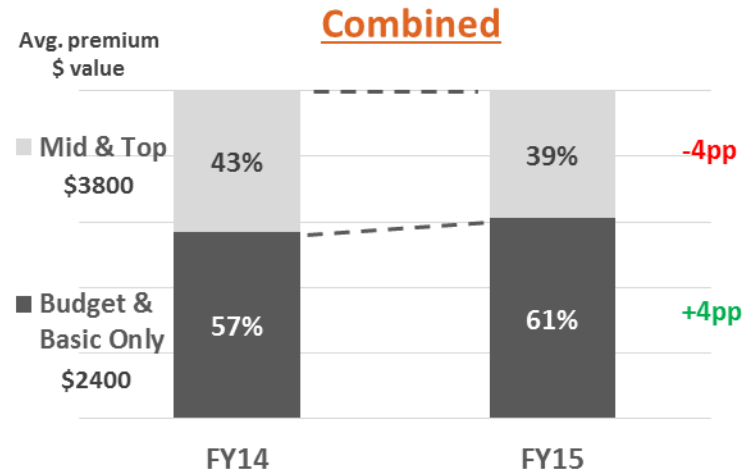
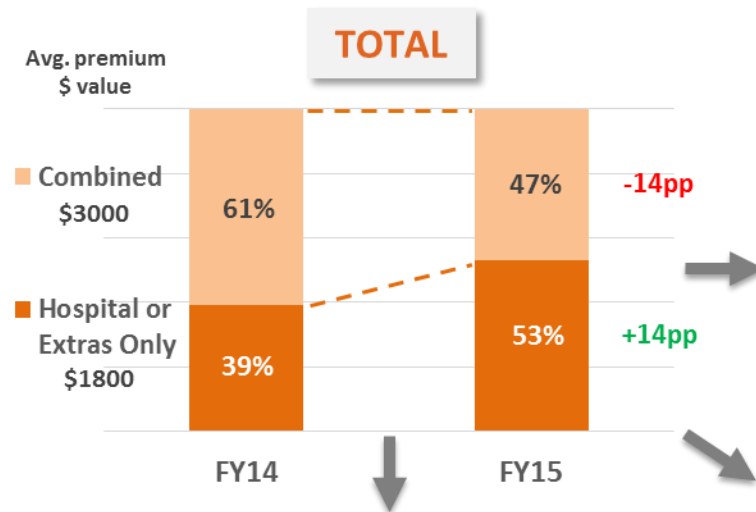
+ 10%

### RPS

-6%

# Health

## Adverse mix shift in FY15



Initiatives commenced

- **Passive** → **active** product development: **enabled by stronger & more collaborative panel**
- **Revenue driving initiatives:** (1) Marketing (2) Digital operations (3) Data mining
- **Consultants:** Enhanced product training

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# FY15 segment performance


Household Utilities and Financial

HUF \$m	FY14	FY15	Change
Segment revenue	32.4	56.2	74%
Segment EBITDA	1.3	9.5	625%
Margin	4%	17%	13pp

## Energy

- iSelect Energy revenue up 147%
- Investment in marketing and staffing for future growth
- Energy Watch integration progressing smoothly

## Emerging businesses

- Strong revenue growth across all other verticals including:
  -  InfoChoice up 20%
  - Home Loans up 51%
  - Broadband up 65%

## Energy<sup>1</sup>

FY15 vs FY14

### Conversion

+65%

### Sales Units

+ 77%

### RPS

+38%

1. Operating metrics exclude Energy Watch

# 3. Financial Performance

# Financial performance - summary

Solid growth across the board

Income Statement \$m, YE 30 June	Normalised <sup>1</sup>				Reported		
	FY14	FY15	Change		FY14	FY15	Change
Revenue	136.7	157.2	↑	15% <sup>2</sup>	120.4	157.2	31%
EBITDA	29.2	31.1	↑	6%	12.1	18.6	54%
EBIT	22.8	25.1	↑	10%	5.6	12.6	124%
NPAT	18.3	21.4	↑	17%	6.3	9.6	54%
EPS (cents)	7.0	8.2	↑	17%	2.4	3.7	54%
Operating cashflow	12.4	27.5	↑	122%	11.5	25.0	116%

1. Details of normalisations in both FY14 and FY15 are included in the appendix of this presentation

2. Revenue growth excluding Energy Watch and excluding the adverse impact of lower discount unwind was 13%

# P&L

## Solid revenue, EBIT and NPAT growth

Income Statement	Normalised		Change
\$m, YE 30 June	FY14	FY15	%
Upfront revenue	99.1	125.2	26%
Trail commission revenue	37.6	32.0	-15%
<b>Revenue</b>	<b>136.7</b>	<b>157.2</b>	<b>15%</b>
<b>Gross profit</b>	<b>63.1</b>	<b>66.3</b>	<b>5%</b>
<i>% revenue</i>	46%	42%	
<b>EBITDA</b>	<b>29.2</b>	<b>31.1</b>	<b>6%</b>
<i>% revenue</i>	21%	20%	
<b>EBIT</b>	<b>22.8</b>	<b>25.1</b>	<b>10%</b>
<i>% revenue</i>	17%	16%	
Interest (Income)/Expense	-3.4	-5.8	69%
Loss from Associate	0.0	0.3	n.m.
Tax Expense	7.9	9.2	16%
<b>NPAT</b>	<b>18.3</b>	<b>21.4</b>	<b>17%</b>
<i>% revenue</i>	13%	14%	
<b>EPS</b>	<b>7.0</b>	<b>8.2</b>	<b>17%</b>

### Key observations

- Large shift in revenue mix towards up-front continuing
- Revenue up 15%
- Gross profit up 5%
- Margins reflective of business mix and health revenue
- Overhead growth moderate, albeit investments made
- EBIT up 10%
- Interest income from cash holdings and NIA loan
- Investment in iMoney equity accounted
- Normalised NPAT up 17%

1. Details of normalisations in both FY14 and FY15 are included in the appendix of this presentation

# Cash flow

## Strong operating cashflow and cash conversion<sup>1</sup>

### Cash Flow Statement

\$m, YE 30 June	FY14	FY15	Change
<b>Operating cashflow</b>	<b>11.5</b>	<b>25.0</b>	<b>116%</b>
Capital expenditure	-4.8	-4.4	-10%
Acquisition of subsidiaries	0.0	-9.7	n.m.
Investment in associates	0.0	-4.6	n.m.
Interest income	4.0	5.6	39%
NIA facility advances	-17.4	-17.9	3%
<b>Investing cashflow</b>	<b>-18.2</b>	<b>-30.9</b>	<b>70%</b>
Finance costs	-0.7	-0.1	-81%
Proceeds from share issues	1.6	0.8	-53%
IPO cost payments	-3.6	0.0	-100%
<b>Financing cashflow</b>	<b>-2.8</b>	<b>0.6</b>	<b>-122%</b>
Net movement in cash	-9.4	-5.4	-43%
Normalised operating cashflow	12.4	27.5	122%
Normalised EBITDA	29.2	31.1	6%
Cash conversion	42%	88%	46pp

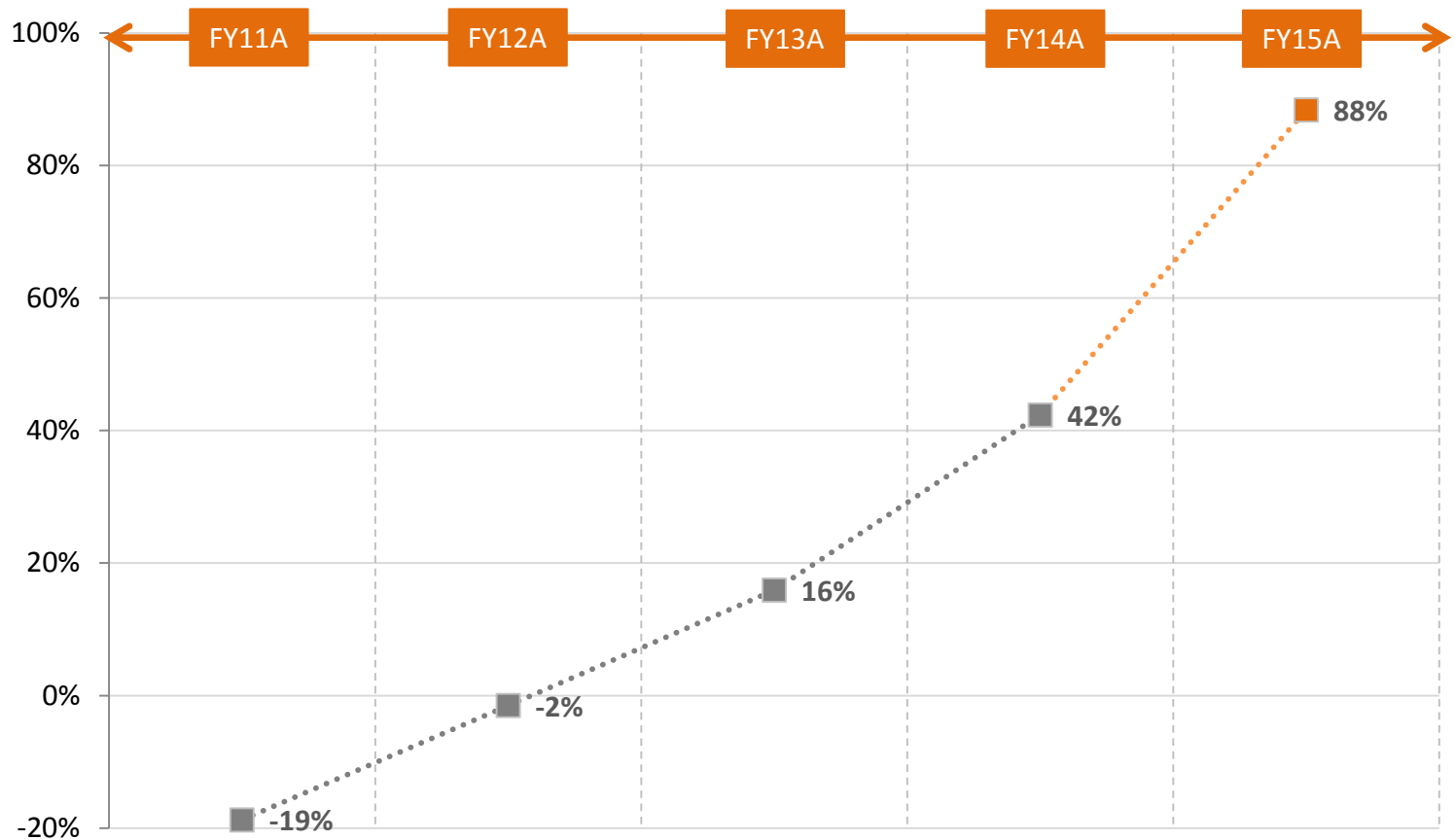
### Key observations

- **Strong growth in operating cash flow due to:**
  - faster growth in 'upfront' health policies
  - contribution of newer businesses, notably Energy
  - tight operational management
  - operating cash flow also positive net of NIA Health advances
- **Investing cash flow composition:**
  - ongoing R&D / I.T. related capex
  - acquisition of Energy Watch
  - investment in iMoney
  - NIA advances in line with earned commissions

1. Cash conversion = operating cash flow divided by EBITDA  
 2. Details of normalisations in both FY14 and FY15 are included in the appendix of this presentation

# Cash conversion

## Acceleration in performance



Operating cash flow <sup>1</sup>	(\$3.3m)	(\$0.4m)	\$4.2m	\$12.4m	\$27.5m
EBITDA <sup>1</sup>	\$17.4m	\$24.1m	\$25.0m	\$29.2m	\$31.1m

1. Normalised. Details of normalisations in both FY14 and FY15 are included in the appendix of this presentation. FY11 to FY13 indicative only.

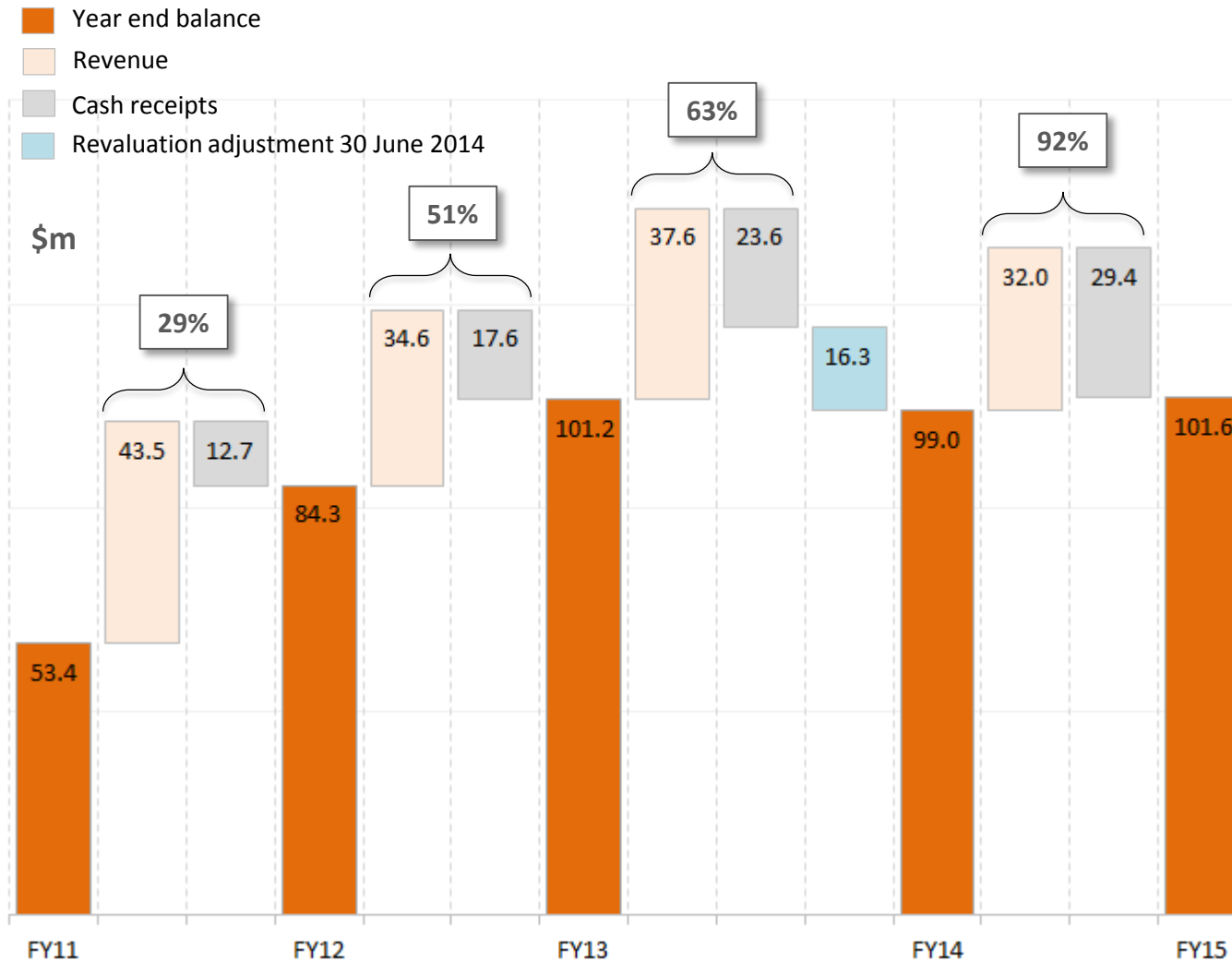
# Balance sheet

Net cash growth from \$71m in June 2015 to \$113m in July 2015

Balance Sheet				Key observations	
\$m, YE 30 June	FY14	FY15	Change		
Cash	75.9	70.5	-7%	▪ Cash position strong (further \$42.1m received in July)	
Receivables	28.0	33.0	18%		
Trail commission receivable	99.0	101.6	3%	▪ Trail book attrition increasing but provided for	
NIA receivable	32.8	40.7	24%	▪ NIA receivable balance reflective of increased sales	
PP&E	7.7	7.1	-8%		
Intangibles	37.5	46.2	23%	▪ Includes goodwill from Energy Watch acquisition	
Investment in associate	0.0	4.3	n.m.	▪ Investment in iMoney equity accounted	
Other	3.6	3.8	4%		
<b>Total assets</b>	<b>284.5</b>	<b>307.2</b>	<b>8%</b>		
Payables	18.0	22.1	23%		
Provisions	8.7	14.1	62%	▪ Increase in provisions reflective of tax payable	
Net deferred tax liability	21.5	24.1	12%	▪ Increase in net DTL due to use of tax losses	
<b>Total liabilities</b>	<b>48.2</b>	<b>60.3</b>	<b>25%</b>		
<b>Net assets</b>	<b>236.3</b>	<b>246.9</b>	<b>4%</b>		
Contributed equity	173.0	173.7	0%		
Reserves	7.0	7.2	3%		
Retained earnings	56.4	66.0	17%		
<b>Equity</b>	<b>236.3</b>	<b>246.9</b>	<b>4%</b>		

# Trail book cash conversion

Cash receipts continue to increase as a % of trail revenue...from 29% to 92%


























## Key observations

- Strong shift toward upfront revenue
- Attrition in Health book continues to increase, but currently adequately provided for



## 4. Strategic priorities

# Key achievements in FY15

 Brand	<ul style="list-style-type: none"> <li>Continued investment in brand – quality and depth of engagement</li> <li>Further development and integration of digital channels</li> </ul>	
 Operations	<ul style="list-style-type: none"> <li>Contact centre leadership enhanced</li> <li>More sophisticated people management systems and processes</li> </ul>	
 Partners	<ul style="list-style-type: none"> <li>Strategic partnerships widened and deepened: especially Health and Life insurance</li> <li>New long term agreements:     </li> </ul>	
 Business Verticals	<ul style="list-style-type: none"> <li>Energy vertical successfully established</li> <li>Capability enhanced to drive other verticals</li> </ul>	
 Data	<ul style="list-style-type: none"> <li>Data mining tools rolling out across all verticals and applied to marketing</li> <li>Data warehouse upgraded, single customer view established</li> </ul>	
 Technology	<ul style="list-style-type: none"> <li>Improved web and mobile functionality and customer engagement</li> <li>Investment in R&amp;D and core systems: data warehouse and network infrastructure</li> </ul>	
 Corporate	<ul style="list-style-type: none"> <li>NIA Health loan resolved, iSelect adopted a renewed focus on cash flow and ROIC</li> <li>Independent Chairman appointed, moved to conventional governance structure</li> </ul>	
 People & Culture	<ul style="list-style-type: none"> <li>Executive team reset and category leadership introduced</li> <li>Employee engagement at all time high, new reward and recognition program launched</li> </ul>	
 Compliance	<ul style="list-style-type: none"> <li>Best practice data security and compliance regimes introduced</li> <li>Independent PwC review of unbiased contact centre advice and our health algorithm</li> </ul>	

### Continued investment in brand during FY15

- Total marketing investment up 11% versus FY14
  - Increased quality of Health 'above the line' (ATL) and digital display activity
  - Increased Energy ATL and 'search engine marketing' (SEM) activity
- Spend also now focused on qualitative metrics: trust, consideration and loyalty
- Increased sophistication and investment in digital capability






























































































### Don't be an April fool

Compare health insurance with iSelect before average prices rise on April 1.

Visit [iSelect.com.au](http://iSelect.com.au) to view our range of insurers.

# Partnerships – a supermarket of brands

16 new partners in FY15...partnership sophistication enhanced

Car	Life	Health	Home Loans	InfoChoice	Energy <sup>1</sup>	Broadband
        	      	            	                	                   	            	           

- New partnerships and agreements including      
- Continued improvement of customer experience via new digital gateways
- Joint business planning, innovation and growth strategies continue with many partners

# Technology and product development



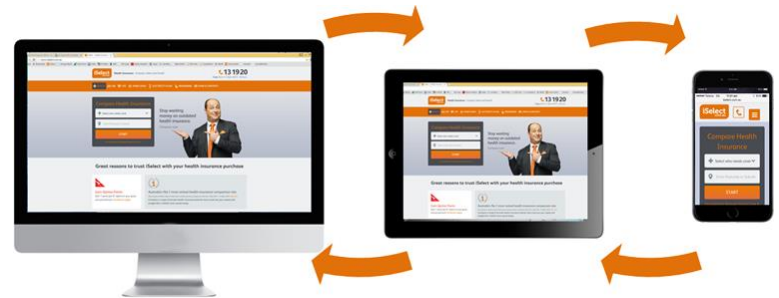
## Technology



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



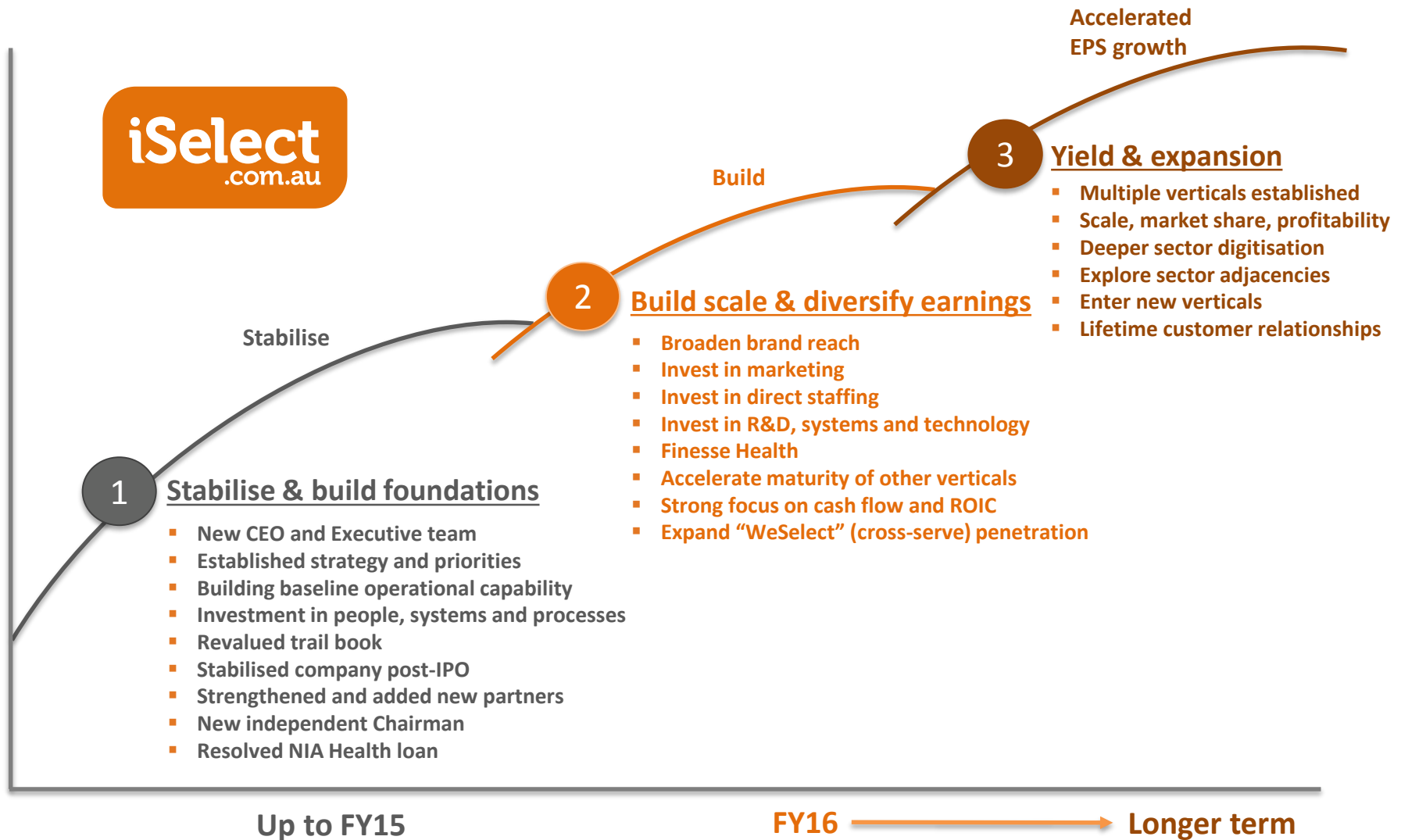
## Product



- Re-engineered web and mobile experience
  - All-vertical roll out in progress
  - New responsive design
  - Touch and swipe friendly

## 5. Outlook

# Strategic horizons



Investing  
for the future

- **Investment:** strengthen established and accelerate growth of developing businesses
- **Brand:** re-launch planned, further evolution of brand in line with long term strategy
- **Direct staffing:** earlier intakes to enhance competency and bolster experience levels
- **Technology:** Investment in R&D and core systems to build platforms for the future

## Financials

- **Revenue:** Strong growth expected to continue
- **FY16 EBIT:** Expected range of \$26m - \$28m (normalised)
- **H1 FY16:** EBIT to be materially below H1 FY15 due to above investments
- **Interest income:** Will be significantly lower in FY16 due to NIA Health resolution

Capital  
management

- **Board review ongoing:** considering a number of initiatives including:
  - on-market buyback of up to 5% of ISU issued capital over a 12 month period; *and*
  - commencement of paying a fully franked dividend (timing to be confirmed)



## Health



- Consumer propensity to trade down expected to be an ongoing industry issue
- RPS management focus to increase, with strengthened partnerships assisting
- Large investment in direct staffing in H1 FY16 expected to deliver benefits in H2 FY16, and beyond
- Increased attrition (lapses) may adversely impact trail book if observed increases continue
- Longer term fundamentals of health insurance remain positive

## Energy



- Expect strong revenue growth but requires reinvestment
- Step up in marketing investment to drive increased market presence and relevance
- Continued investment in staffing and partnerships
- Completion of Energy Watch integration in FY16

Other  
businessesLife Insurance

- Ongoing benefit of panel expansion
- Commenced policy sales via superannuation

Car Insurance

- Revenue and earnings growth driven by ongoing operational improvements
- New partner trials continuing

**iMoney.my** investment

- Unique visitors (UVs) and revenue growth ahead of expectation
- Strong focus on credit cards

Home Loans

- Revenue growth continuing but requires reinvestment
- Business re-configuration ongoing, including roll-out of digital consumer processes



- Business model now more established with plans to up-scale
- Ongoing progress on partnerships and technology investment required

Broadband

- Business model evolving with plans to up-scale
- Ongoing progress on partnerships (a vibrant sector) and staffing investment
- Establishment of robust technology platform

## 6. Appendix

# Reported vs normalised results FY14 and FY15

\$m, YE 30 June	FY14 Normalisations				FY15 Normalisations					
	Reported Result	CEO Costs	Trail Re-Valuat <sup>n</sup>	Normal-ised Result	Reported Result	NIA Loan Impairment	NIA Transaction Costs	Chairman Costs	Energy Watch Integrat <sup>n</sup> Costs	Normal-ised Result
Operating revenue	120.4		16.3	136.7	157.2					157.2
Cost of sales	73.6			73.6	90.9					90.9
Gross profit	46.7	0.0	16.3	63.1	66.3	0.0	0.0	0.0	0.0	66.3
Total expenses	34.7	-0.9		33.8	47.7	-10.0	-0.8	-1.0	-0.7	35.1
EBITDA	12.1	0.9	16.3	29.2	18.6	10.0	0.8	1.0	0.7	31.1
D&A	6.5			6.5	6.0					6.0
EBIT	5.6	0.9	16.3	22.8	12.6	10.0	0.8	1.0	0.7	25.1
Interest (Income)/Expense	-3.4			-3.4	-5.8					-5.8
Loss from Associate	0.0			0.0	0.3					0.3
Profit before tax	9.0	0.9	16.3	26.2	18.0	10.0	0.8	1.0	0.7	30.6
Income tax expense	2.8	0.3	4.9	7.9	8.4		0.3	0.3	0.2	9.2
NPAT	6.3	0.6	11.4	18.3	9.6	10.0	0.6	0.7	0.5	21.4
EPS	2.4	0.2	4.4	7.0	3.7	3.8	0.2	0.3	0.2	8.2
Operating cash flow	11.5	0.9		12.4	25.0		0.8	1.0	0.7	27.5

# Gross metrics<sup>1</sup> - including Money and

Leads  
(m)

FY14	FY15	Change
5.8	6.0	4%

- Deliberate easing in most verticals to align with capacity
- Softer market in Health in second half
- Investment in Energy resulted in 7% lead growth in Energy

Conversion  
(%)

FY14	FY15	Change
12.5%	14.2%	1.7pp

- Improvement across majority of verticals, particularly Energy
- Reflects past investment in people, systems & processes
- Home Loans and Broadband re-configuration proceeding well

Sales Units  
(000s)

FY14	FY15	Change
718	851	19%

- Growth in sales driven mostly by focus on conversion
- Health up 10% on prior year
- Energy up significantly

Revenue Per Sale  
(RPS)

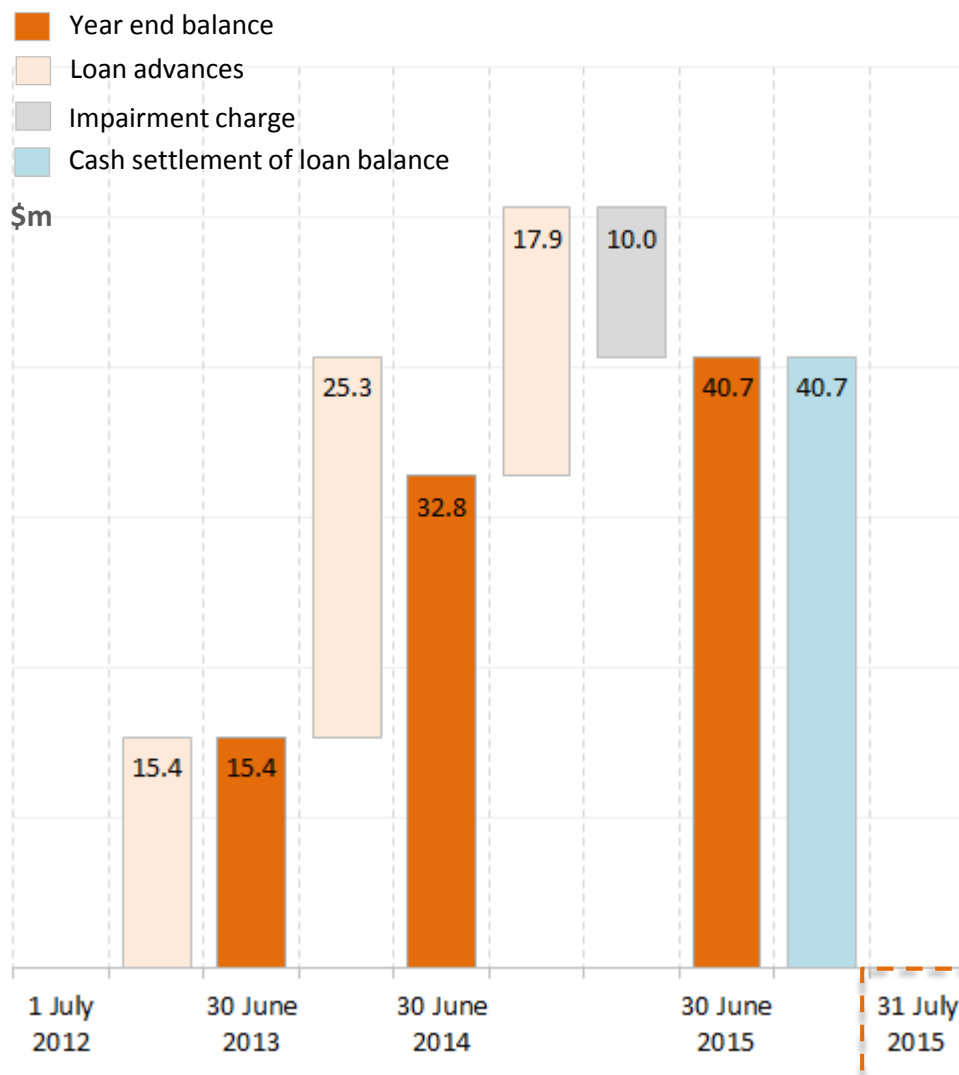
FY14	FY15	Change
\$195	\$198	2%

- Decrease largely reflective of shift in mix of business
- Health 6% down on prior year, with consumers trading down
- Energy RPS up 26%

1. The definitions of Leads, Conversion, Sales Units and RPS are detailed in the FY15 Financial Report

# NIA receivable balance

Settlement in July 2015



## Key comments

- NIA loan settled on 31 July 2015
- New multi-year agreement with GMHBA, including the GMHBA, Frank and health.com.au brands
- Total proceeds received: \$42.1m
  - \$40.7m received relative to loan of \$50.7m
  - \$1.4m received to discharge outstanding interest
- Fees of \$0.8m incurred in relation to the transaction

- Balance \$nil as at 31 July 2015

# The iSelect .com.au story...

## Historically...

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



- Products **≠** needs
- Complexity and confusion reigned
- Inertia

## Then in 2000...

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

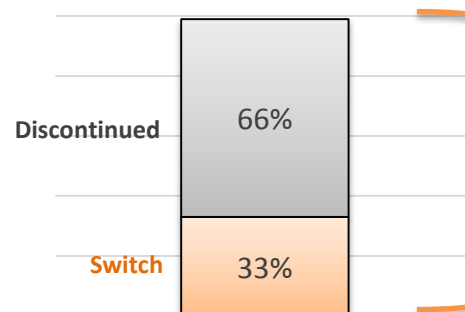
iSelect doesn't

- **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

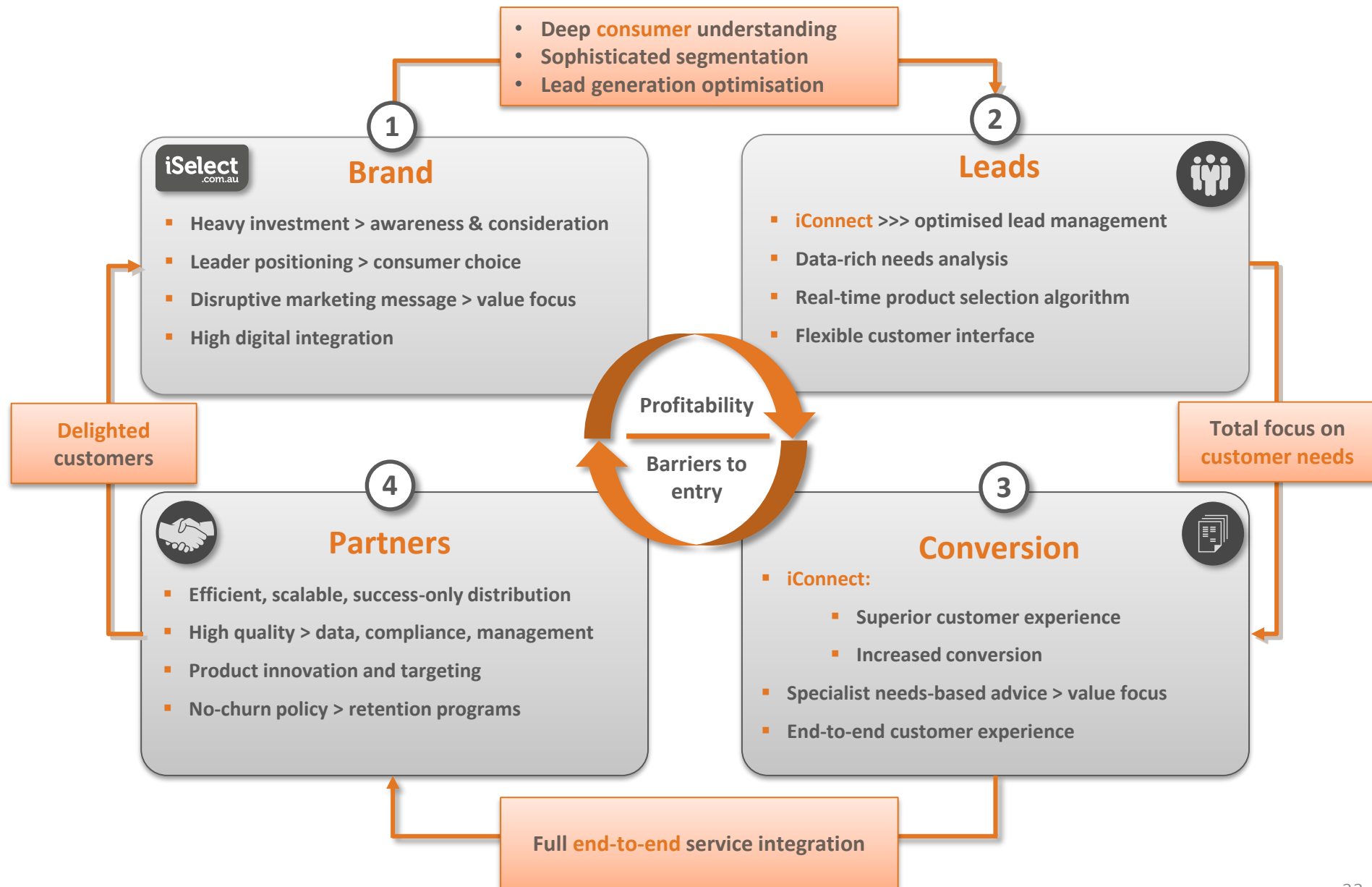


Source: PHIAC, iSelect analysis

- **Affordability**
  - 10yrs of premium increases @ 3 x inflation
  - Premiums increased by >6% again in 2015
  - PHI rebate reduction (due to means testing)
- **Life stage change**
- **Discontent with fund**
- **Lack of innovation**



# The iSelect .com.au business model

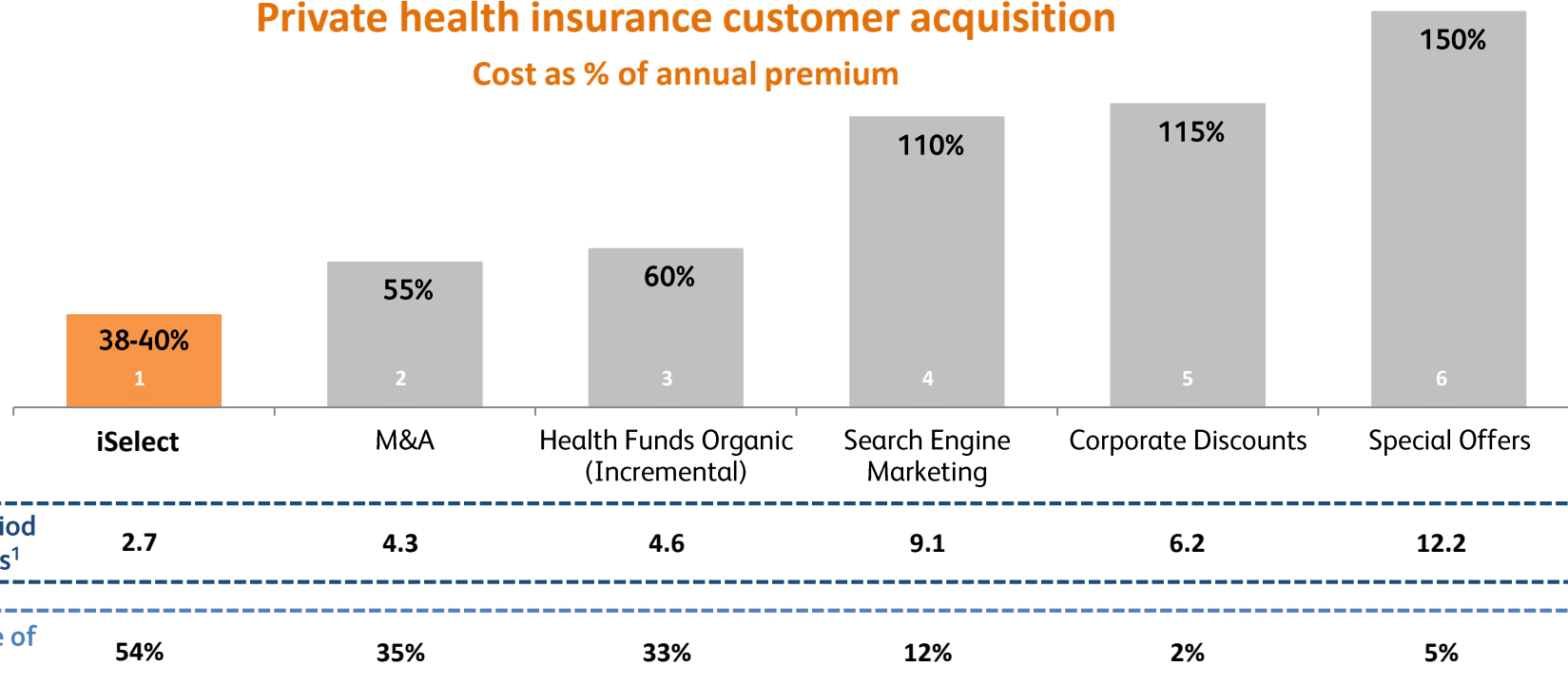


iSelect significantly over-indexes in young, wealthy  
and well-educated consumers...passing through life stages

	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 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

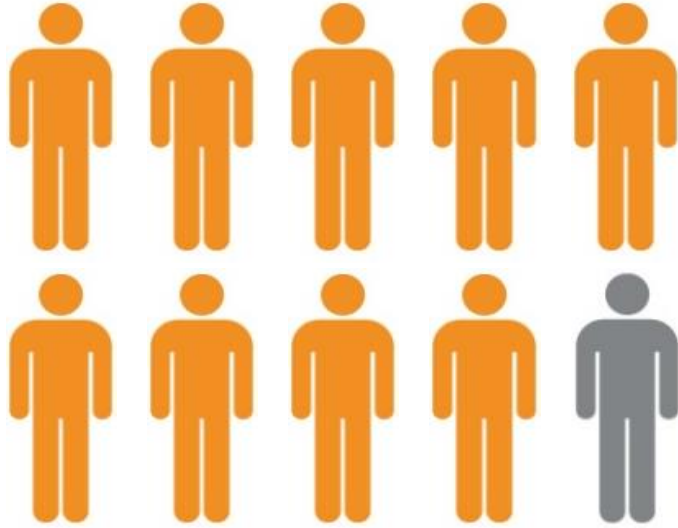


Best-practice monitoring and compliance regime



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”*



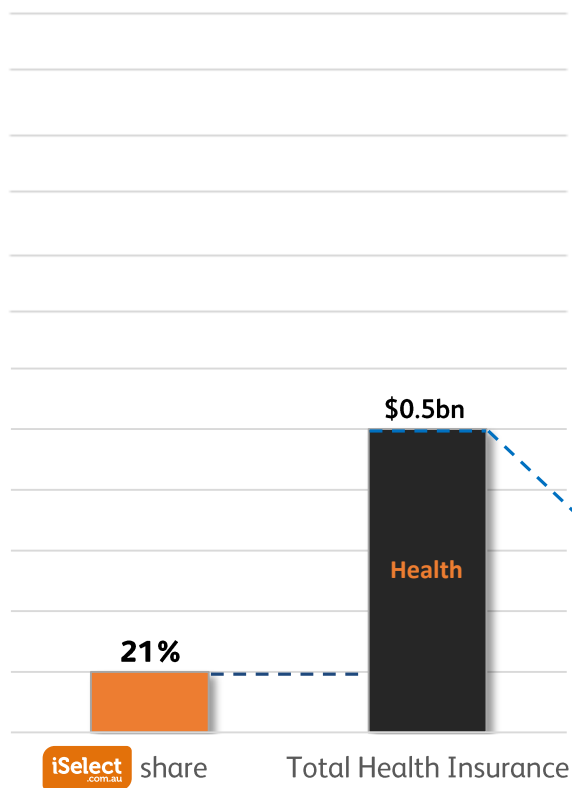
*“IPSOS believes **high inflation rates for PHI premiums, cost of living pressures, a general trend towards shopping around, perceived complexity and confusion of PHI are driving consumers to comparator sites, rather than the comparator sites being the key motivator of the switch process in the first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



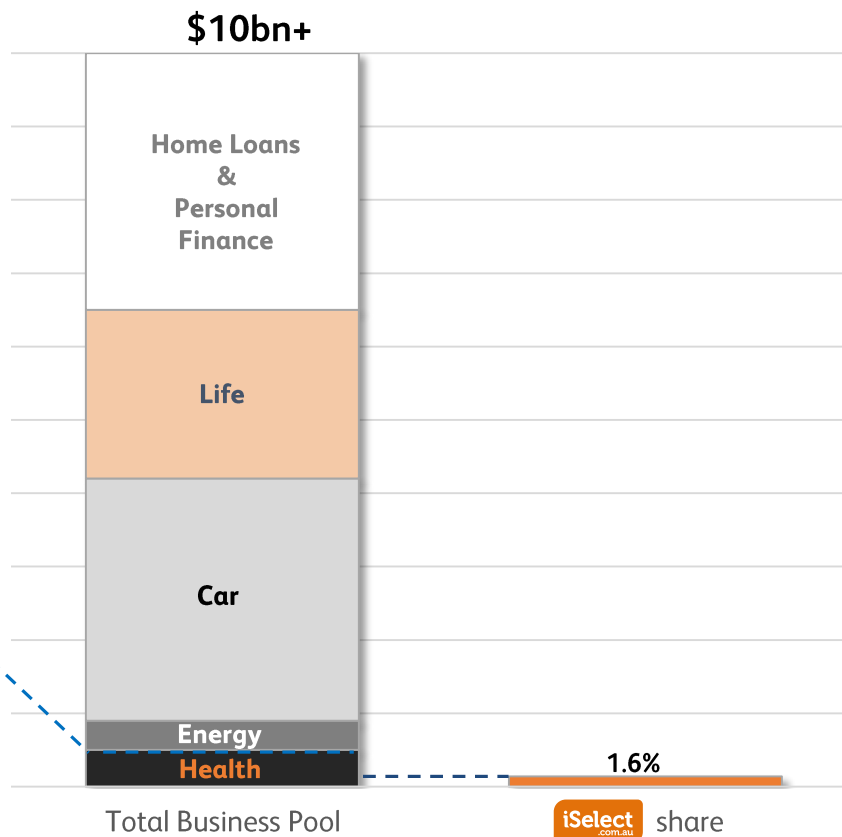
# The iSelect.com.au opportunity

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

### Health Insurance Market

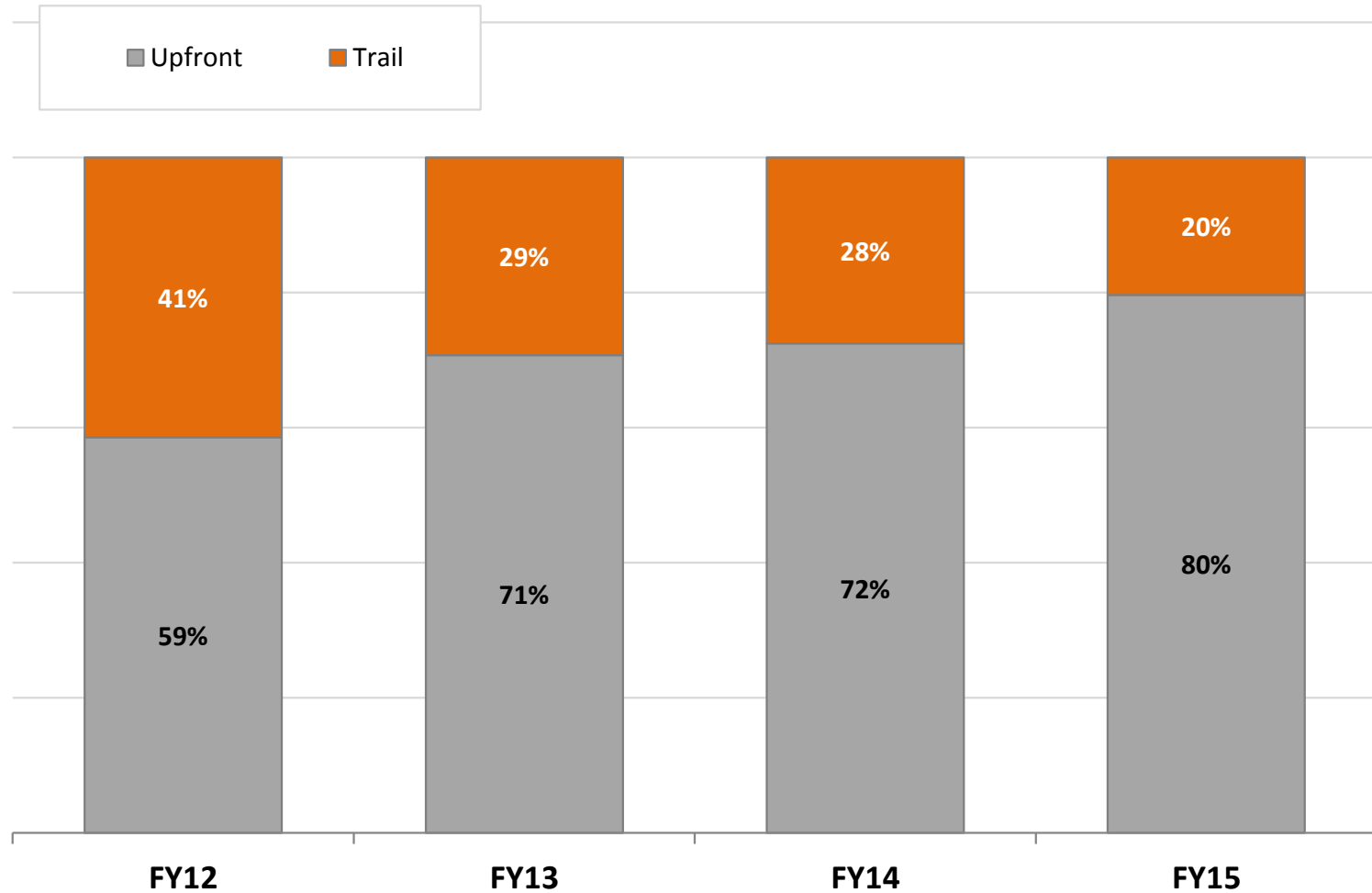


### All Businesses



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

# Up-front vs trail revenue over time





# Trail book valuation

Impacted by three key assumptions

	Description	Recent Observations / Expectations in <b>Health</b>
1 Volume of active policy holders	<ul style="list-style-type: none"><li>■ Impacted by expected attrition largely resulting from:<ol style="list-style-type: none"><li>1. <b>switching due to:</b><ul style="list-style-type: none"><li>• change in circumstances</li><li>• pricing</li><li>• product innovation</li><li>• increased awareness</li></ul></li><li>2. <b>changes in cover</b></li><li>3. <b>regulatory changes</b></li></ol></li></ul>	<ul style="list-style-type: none"><li>■ Higher attrition observed in iSelect's health books</li><li>■ High switching behaviour following last premium rise</li><li>■ Continued health cost pressures and premium rises</li><li>■ Higher industry innovation and product promotion</li><li>■ Attrition rates for health range from 6.5% to 21.0%</li></ul>
2 Annual premium increases	<ul style="list-style-type: none"><li>■ <b>Gross annual premium</b> (varies by provider and policy type)</li></ul>	<ul style="list-style-type: none"><li>■ Continued health cost pressures and premium rises<ul style="list-style-type: none"><li>• annual premium growth assumption: 6%</li></ul></li></ul>
3 Discount rate	<ul style="list-style-type: none"><li>■ <b>Risk free rate</b> (aligned to commission term); plus</li><li>■ <b>Margin</b> (additional margin for residual risks not captured in forecast cashflow)</li></ul>	<ul style="list-style-type: none"><li>■ Applied rates: 4.3% to 6.5%</li><li>■ Risk to attrition &amp; premiums now explicit in cashflow forecasts</li><li>■ Residual risk in discount rate reflects counter-party credit risk<ul style="list-style-type: none"><li>• regulated insurers and banks</li></ul></li></ul>

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.

# Trail book worked example

## The link between trail revenue, cash receipts and the trail asset

### Summary points:

- Revenue recognition and cash collection are linked by a timing relationship
- The **present value of the trail commission** is recognised as both revenue and a receivable at day zero
- The trail receivable is reduced over the life of the contract as the cash flows are received

### Illustrative example

#### Scenario

- We refer 10 customers to a product provider with a trail commission arrangement
- The trail agreement is over 4 years
- iSelect is paid 25 % of its commission upfront
- The remainder of the commission is paid in 3 instalments over the ensuing 3 years (subject to price rises and attrition)

#### Assumptions


- Annual premium increase – 5 %
- Attrition rate per year – 10 %
- Discount rate – 10 %

### Impact on revenue, trail asset and cashflow

\$	Year 0	Year 1	Year 2	Year 3	Total
Revenue – upfront	3,000	-	-	-	3,000
Revenue – trail commission	6,694	-	-	-	6,694
Revenue – discount unwind	-	669	453	230	1,352
<b>Total revenue</b>	<b>9,694</b>	<b>669</b>	<b>453</b>	<b>230</b>	<b>11,046</b>
Trail asset - opening balance	-	6,694	4,528	2,302	n.a.
Add: initial revenue recognition	6,694	-	-	-	n.a.
Less: cash received (PV component)	-	2,166	2,226	2,302	n.a.
<b>Trail asset - closing balance</b>	<b>6,694</b>	<b>4,528</b>	<b>2,302</b>	<b>-</b>	<b>n.a.</b>
<b>Total cash receipts</b>	<b>3,000</b>	<b>2,835</b>	<b>2,679</b>	<b>2,532</b>	<b>11,046</b>

Year 1: Cash \$2,835 = \$2,166 + \$669

# 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
	Building momentum	Car Insurance	2009
		Broadband	2011

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