

ASX announcement

Friday 20 February 2015

Cover-More NPATA +20.7% versus H1 FY2014 and announces interim fully franked dividend of 3.2 cents per share and a special fully franked dividend of 1.8 cents per share

Highlights

- Cover-More has recorded the following results when compared against H1 FY2014:
 - gross sales of \$221.0 million +10.3% vs pcg
 - net sales of \$112.7 million +10.7% vs pcg
 - net travel insurance sales of \$79.0 million +12.5% vs pcg
 - net medical assistance sales of \$33.7 million +6.6% vs pcg
 - EBITDA of \$24.4 million +15.6% vs pcg
 - NPATA of \$14.6 million +20.7% vs pcg
 - NPAT of \$11.9 million +26.6% vs pcg
- Operating free cash flow before CAPEX of \$24.2 million (\$22.5 million after CAPEX) displaying very strong conversion of EBITDA into cash flow.

Cover-More Group Limited (ASX:CVO), a specialist, integrated travel insurance, medical assistance and employee assistance provider, today released trading results for the six months ended 31 December 2014.

Group Chief Executive Officer, Peter Edwards said: “Cover-More continues to perform strongly with net revenue growth of 10.7%, EBITDA growth of 15.6% and NPATA growth of 20.7% in the first half of FY2015.

These are very pleasing results, given the current trading environment with outbound travel demand softening in the first half due to falling consumer sentiment in our major market, Australia, and the appreciation of the US dollar.

Cover-More has delivered strong, double digit revenue and earnings growth despite our major market experiencing a slow-down in the first half. This underlines the growing resilience of our business model, the increasing diversification of our revenue streams and the potency of our ability to deliver unique benefits to our retail agency partners. It also reaffirms the importance of our commitment to the growing Asian markets, particularly in India and China, the future powerhouses of the region.”

Operational highlights of the Cover-More result include the following:

- Leadership in agency channel extended with securing of *helloworld* (ASX:HLO) as its exclusive travel insurance partner
- New partnership with New Zealand’s largest general insurer—Insurance Australia Group—incorporating the AMI, State and NZI insurance brands with commencement in January 2015

- Website launches in China (www.covermoretravel.com) and the UK (www.covermore.co.uk) and delivery of enhanced conversion levels across a variety of intermediary partners through Impulse, our proprietary e-Commerce technology
- Partnership secured and commenced with MAS Wings in Malaysia for the provision of travel insurance distribution
- Indian business awarded Best Travel Insurance Provider by the Travel Agents Association of India for fourth year running; entered into new agreement with alternate underwriter in India
- Measurable efficiency improvements being delivered from the completed integration of operational platforms within the medical assistance division, with EBITDA growth of division being 20.0%

Peter Edwards said: “Cover-More’s primary market of Australia is expected to continue to see lower levels of outbound leisure departures in the second half of FY15, arising from a lower propensity to travel due to weaker consumer sentiment and a lower Australian dollar. Across the wider markets, recent terrorism and airline events also appear to have adversely impacted travel decisions.”

Across its operations, Cover-More Group continues to focus on improving customer and channel profitability as well as new account acquisitions with a healthy customer acquisition pipeline in place. In addition, the business expects to continue to leverage its customer focused innovation and strong e-commerce capabilities.

Cover-More has continued to invest in activities across Asia and Health in order to further decrease dependence on any one country or distribution channel. Moreover, the investments in India and China are expected to provide a platform for the Company’s future with both markets expected to continue their high rates of growth.

Cover-More has welcomed a new Group Chief Financial Officer, Mark Steinberg. John Murphy, who took on the dual roles of CFO and COO through 2014, will now shift his entire focus to running global insurance operations.

As flagged at the AGM, Michael Alscher will retire as Chairman effective today and is replaced by Louis Carroll, an existing board member. Michael Alscher will remain as a Non-Executive Director of Cover-More until 30 April 2015 to ensure an appropriate handover.

FY15 Interim Dividend

The Board declared an interim dividend of 3.2 cents per share fully franked and a special dividend of 1.8 cents per share fully franked. This brings total dividends declared to 12.2 cents per share (fully franked) over the last twelve months and represents a fully franked yield of 6.4% on the 2015 volume weighted average share price or 6.1% on the listed share price. Inclusive of franking credits, this represents a total cash return to investors of 17.4 cents or a gross yield of 9.1% on the listed issue price for the last 12 months of trading.

Appendix 1 follows which summarises financial highlights for FY2014.

Appendix 2 follows with key dates including dividend payment.

Appendix 1: Results overview

A\$ in millions	1H FY2014	1H FY2015	Growth
Travel Insurance Gross Written Premium	168.8	187.3	11.0%
Net Travel Insurance Sales	70.2	79.0	12.5%
Net Travel Insurance Sales (%GWP)	41.6%	42.2%	
Net Medical Assistance Sales	31.6	33.7	6.6%
Total Net Revenue	101.8	112.7	10.7%
Gross margin	39.7	44.2	11.3%
Gross margin (% of Net Revenue)	39.0%	39.2%	
EBITDA	21.1	24.4	15.6%
EBITDA (% of Net Revenue)	20.7%	21.7%	
EBITA	18.8	22.0	17.0%
EBITA (% of Net Revenue)	18.5%	19.5%	

Appendix 2: Key dates

Key event	Date
Announcement of 1H FY15 results and interim dividend	20 February 2015
Trading of Cover-More shares on an ex-entitlement basis	27 February 2015
Payment of the final dividend	10 April 2015

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About Cover-More

Cover-More Group is a specialist and integrated travel insurance, medical assistance and employee assistance provider. Cover-More has the leading market position in Australia—with an approximate 40% share of the national travel insurance market—and a growing footprint in India and China, as well as a presence in Malaysia, Singapore, New Zealand and the United Kingdom.

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