

## ASX announcement

**Cover-More travel insurance gross sales +10.1% and NPAT +13.7% versus pro-forma FY2014<sup>1</sup>; announces final fully franked dividend of 4.1 cents per share**

### Highlights

- Cover-More recorded the following results compared against pro-forma FY2014<sup>1</sup>:
  - gross sales of \$466.8 million +8.9% vs pcg
  - net sales of \$222.9 million +4.2% vs pcg
  - gross travel insurance sales of \$400.8 million +10.1% vs pcg
  - medical assistance sales of \$66.0 million +1.9% vs pcg
  - EBITDA of \$52.0 million +7.2% vs pcg
  - NPATA of \$31.1 million +10.3% vs pcg
  - NPAT of \$25.8 million +13.7% vs pcg
- Operating free cash flow before CAPEX of \$54.8 million (\$48.4 million after CAPEX) displaying very strong conversion of EBITDA into cash flow
- Fully franked final dividend of 4.1 cents, bringing total dividends declared in FY2015 to 9.1 cents per share (fully-franked)

Cover-More Group Limited (ASX:CVO), a specialist, integrated travel insurance, medical assistance and employee assistance provider, today released trading results for FY2015.

Group Chief Executive Officer, Peter Edwards, said: "Cover-More continues to perform strongly with gross revenue growth of 8.9% and NPAT growth of 13.7% for the financial year."

"We are pleased to have delivered another year of double digit earnings growth, with substantial growth in our offshore business. The resilience of our business model and the increasing diversification of our business are evident in the result. Our Australian operations outperformed the market with sales growth more than three times the market growth rate."

"We have also seen significant acceleration in international business, with our business in Asia achieving gross sales growth of 22% and EBITDA growth of 50% on a like-for-like basis. On this basis, Asia now contributes 15% of group profit compared to approximately 10% a year ago."

"Cover-More is well positioned for continued growth in our chosen markets. In our primary market, Australia, we expect sales momentum to continue, driven by recent contract wins and conversion of a healthy pipeline, while also capturing greater revenue opportunities with existing partners."

Cover-More's new partnership successes over the last twelve months include the following.

- A new partnership with Virgin Australia to form an integrated travel insurance distribution relationship to begin in October 2015.
- Commencement of five-year exclusive arrangement with *helloworld* (ASX:HLO) in January 2015.

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<sup>1</sup> Excluding underwriter profit share in pro-forma FY2014 which is highly unlikely to recur in future periods. Refer to Appendix 3.

- Commencement of roll-out of a corporate travel program in New Zealand—a first for Cover-More Group in any region.
- Partnership secured with IAG NZ, New Zealand’s largest insurer.
- Secured agreement with major NZ financial institution to deliver integrated and white label travel insurance solutions—Cover-More’s first relationship with a major bank.
- Secured new relationships in the UK with AJ Gallagher, Low Cost Travel Group, Baxter Hoare, My Vacations and Original Travel.
- Our India business is the clear leader in the agency channel and the second largest player in the market—Cover-More is now close to securing our first intermediary partners there.
- Secured partnership with PT Asuransi Simas Net in Indonesia.

Peter Edwards said: “We are confident that our customer-focused approach, our technology and our understanding of travellers is not just an Australian story—it is best practice globally.”

“Increasingly, we are seeing partners keen to embrace our unique DNA to deliver mutual success on a global basis. In the near term, we expect the accelerated trajectory seen in our Asian and UK businesses in the last six months to continue off the back of recent contract wins and existing pipelines. “

“We have also laid the foundations for expansion in North America and we are in advanced discussions on a model to greatly extend the global reach of our Cover-More direct business. Our investments to build innovative technology platforms, harness the potential of our rich sources of data and lay the foundations for international expansion will generate the next wave of growth for our business for many years to come.”

### **New Board member**

Cover-More will welcome Will Easton to the Board as of 1 September 2015. Will is Managing Director of Emerging Markets for Facebook and was previously the Managing Director of Facebook Australia and an executive with Google Australia and Microsoft.

Cover-More Group Chairman, Louis Carroll, said Mr Easton brings significant and unique expertise and talent in digital strategy to Cover-More.

“This is a pivotal appointment to our Board as Cover-More continues to expand and enhance our digital footprint in our global markets,” Mr Carroll said.

### **FY2015 final dividend**

The Board declared a final dividend of 4.1 cents per share fully franked. This brings total dividends declared to 9.1 cents per share (fully franked) over the last twelve months. The target dividend payout ratio remains at 60-80% of statutory NPATA.

Cover-More is active in investing for growth and selectively evaluating opportunities for acquisition. Rather than returning excess cash to shareholders by way of a special dividend, as the company has done in prior periods, the Board has taken the decision to stay within the company’s stated payout range in anticipation of investing in opportunities which meet strict return criteria.

**Appendix 1 follows which summarises financial highlights for FY2015.**

**Appendix 2 follows with key dates including dividend payment.**

**Appendix 3 follows with notes on pro-forma FY2014 results.**

**Friday 21 August 2015**

## Appendix 1: Results overview

A\$ in millions	FY2015	Pro-forma FY2014 <sup>1</sup>	Growth
Gross Travel Insurance Sales	400.8	363.9	10.1%
Gross Medical Assistance Sales	66.0	64.8	1.9%
<b>Total Gross Revenue</b>	<b>466.8</b>	<b>428.7</b>	<b>8.9%</b>
Net Travel Insurance Sales	156.9	149.1	5.2%
Net Travel Insurance Sales (% GWP)	39.1%	41.0%	
Net Medical Assistance Sales	66.0	64.8	1.9%
<b>Total Net Revenue</b>	<b>222.9</b>	<b>213.9</b>	<b>4.2%</b>
Gross margin	91.1	85.1	7.1%
Gross margin (% of Net Revenue)	40.9%	39.8%	
<b>EBITDA</b>	<b>52.0</b>	<b>48.5</b>	<b>7.2%</b>
EBITDA (% of Net Revenue)	23.3%	22.7%	
<b>EBITA</b>	<b>47.1</b>	<b>43.5</b>	<b>8.3%</b>
EBITA (% of Net Revenue)	21.1%	20.3%	
<b>NPAT</b>	<b>25.8</b>	<b>22.7</b>	<b>13.7%</b>
NPAT (% of Net Revenue)	11.6%	10.6%	

<sup>1</sup> Excluding underwriter profit share in pro-forma FY2014 which is highly unlikely to recur in future periods. Refer to Appendix 3.

## Appendix 2: Key dates

Key event	Date
Announcement of FY15 results and final dividend	21 August 2015
Trading of Cover-More shares on an ex-entitlement basis	26 August 2015
Record date	28 August 2015
Payment of the final dividend	20 October 2015

## Appendix 3: Pro-forma FY2014 notes

FY2014 performance includes a material positive impact from underwriter profit share in relation to the 2012 underwriting year, reflecting the fact that claims performance for that underwriting year was lower than the risk premium paid to the underwriter. As noted in an ASX announcement issued on 6 March 2014, management believes that the circumstances that gave rise to an underwriter profit share of this materiality are highly unlikely to recur in future reporting periods. To give a clearer view of underlying trading, FY2014 performance has been adjusted to normalise for the impact of that underwriter profit share.

ENDS

Friday 21 August 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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# Cover-More Group

FY15 Full year results presentation

21 August 2015

**Cover-More**

We focus on what matters.

## Cover-More delivered another year of double digit earnings growth, with offshore business growing substantially. Significant contract wins provide growth momentum for FY16





- **Strong FY15 results delivering 14%<sup>1</sup> NPAT growth**, EPS growth of 10% and operating cashflow (after capex) conversion of 93%. Delivered 10%<sup>1</sup> travel insurance gross sales growth
- **Outperformance in Australia** driven by deep expertise, proprietary systems and scale. 6% travel insurance gross sales growth and continued to gain share in Australia with sales more than triple market growth<sup>2</sup>
- **Acceleration of international growth** benefiting from structural growth trends and scale benefits
  - Asia gross sales +22% and EBITDA +50%<sup>3</sup> now contributing to 15%<sup>3</sup> of Group profit (10% FY14)
  - Offshore gross sales growth highlights: India +33%, NZ +35% and UK +28%
- **Foundations being laid for North American and Global Direct expansion** with advanced discussions underway
  - Global partner with existing travel insurance interests across US
  - Global partner providing capacity for Cover-More to participate in the Direct channel across global markets
- **Progress made on margin recovery** during H2 FY15 as FX depreciation and portfolio mix shift impacted Australian claims costs. Further re-pricing and margin gains continuing through FY16
- **Entering FY16 with significant momentum driven by major client wins:**
  - Australia: Virgin Australia, Helloworld
  - New Zealand: IAG NZ and major bank customer
  - India: American Express, Travel Air. Advanced discussions with intermediary partners
  - UK: AJ Gallagher, Low Cost Travel Group, Baxter Hoare, My Vacations and Original Travel
  - Indonesia: PT Asuransi Simas Net partnership

<sup>1</sup> Excluding extraordinary FY14 underwriter profit share; <sup>2</sup> Australian Bureau of Statistics FY15 LTM data relating to leisure travel - incorporating Holiday, Visiting Friends/Family and Other categories as of August 2015; <sup>3</sup> Adjusted on like-for-like basis to account for change in FY15 accounting treatments relating to reallocation of shared services overheads and Group Corporate costs to Asia business



# Company overview

Cover-More is a leading integrated travel insurance and medical assistance business

WHO WE ARE	OUR MODEL	OUR CAPABILITIES	GROWTH LEVERS
Australia's largest travel insurance company with 29 years' experience and 2.2m+ customers	Aligned economics and commercially collaborative models with partners	Best-in-class proprietary systems	
Australia, China, India, Malaysia, New Zealand, Singapore, UK	Symbiotic relationship between travel insurance and medical assistance		Strong growth through e-commerce, customer-focused innovation and Asian expansion
	Australia's leading employee assistance provider covering 1.4m+ employees	'Capital light', strong free cash flow	Deep specialist expertise and scalable global operating platform
Presence in high-growth India and China markets	Market resilient to economic, FX, geopolitical shocks	More than 35,000 medical assistance cases per annum	

# Agenda

1	Results overview
2	Financial performance
3	Strategic priorities and growth opportunities
4	Summary and outlook





A person wearing a bright orange hooded jacket is seen from behind, holding binoculars to their eyes. They are standing on a rocky, brownish terrain with sparse vegetation. In the background, there are large, rugged mountains with patches of snow under a clear blue sky with a few wispy clouds. A dark blue rectangular overlay is positioned in the top right corner of the image.

## Results overview

# Results overview: highlights

Strong financial performance with gross revenue growth of 8.9% and NPAT growth of 13.7% in FY15. Exceptional operating cashflow conversion (before capex) of 105.4%

	Proforma <sup>1</sup>		
	FY15	FY14	yoy growth
	\$m	\$m	%
Gross Travel Insurance Sales	400.8	363.9	10.1 ↑
Gross Medical Assistance Sales	66.0	64.8	1.9 ↑
<b>Total - Gross Sales</b>	<b>466.8</b>	<b>428.7</b>	<b>8.9 ↑</b>
Net Travel Insurance Sales	156.9	149.1	5.2 ↑
Net Medical Assistance Sales	66.0	64.8	1.9 ↑
<b>Total - Net Sales</b>	<b>222.9</b>	<b>213.9</b>	<b>4.2 ↑</b>
<b>EBITDA</b>	<b>52.0</b>	<b>48.5</b>	<b>7.2 ↑</b>
EBITA	47.1	43.5	8.3 ↑
EBIT	39.5	35.7	10.6 ↑
NPAT	25.8	22.7	13.7 ↑
NPATA	31.1	28.2	10.3 ↑
Earnings per share (cents) <sup>2</sup>	9.8	8.9	10.3 ↑
Dividend per share (cents) <sup>3</sup>	9.1	7.2	26.4 ↑
Net borrowings	32.1	25.0	28.4 —
Operating free cash flow before capital expenditure	54.8	47.7	14.9 ↑
Operating free cash flow after capital expenditure	48.4	43.4	11.5 ↑
Cash conversion ratio (before capex)	105.4%	98.4%	↑
Cash conversion ratio (after capex)	93.1%	89.5%	↑

<sup>1</sup> Excluding underwriter profit share

<sup>2</sup> Earnings per share calculated on the basis of NPATA

<sup>3</sup> FY15 dividend

# Results overview: highlights

## Insurance Australia tripled market growth; NZ and UK continue double-digit growth

Australia  
/NZ/UK

Australia

- Gross travel insurance sales **growth +6.3%** compared to market (+1.8%)<sup>1</sup>
- Claims cost increase in H2 FY15 of 5.9ppt due to currency and mix change. H2 FY15 included three quarters of claims cost increase related to FX which is progressively being re-priced
- Direct 'costs to operate' reduced by 1.1ppt through productivity improvements
- Median claims settlement timeframe improvement of 25%. Introduction of Net Promoter Score measurement across activities to 'claims officer' level to improve customer experience
- New partners:
  - Secured first Australian airline partner, **Virgin Australia** (commencing Oct 15) expected to incorporate frequent flyer programme, **Velocity**
  - Secured new partnerships with **P&O Cruises, Captain's Choice, Luggage Direct** and **Travelex**
  - Secured five-year exclusive partnership with **Helloworld**
- Commenced integration of major retail partner (integration on hold; expect to resume in H2 FY16)
- Performed due diligence on two acquisitive opportunities which were subsequently not completed

NZ

- Sales **growth +34.5%** through full year impact of Air NZ
- Achieved clear market share leadership<sup>2</sup>
- Commencing roll out of new Corporate Travel Insurance programme
- New partners:
  - Secured and integrated **IAG NZ** (including AMI, NZI and State brands)
  - Secured first bank partner with a planned integration of IMPULSE across their CRM platform

UK

- Sales **growth +28.3%** (+31.6% pcp H2) and gross profit improvement of 11.2ppt
- Sales growth in **Direct sales +35%** pcp
- New partners:
  - Secured partnerships with **AJ Gallagher, Low Cost Travel Group, Baxter Hoare, My Vacations** and **Original Travel**
- Three acquisitive opportunities reviewed: two discounted, one in continuing discussions

<sup>1</sup>Australian Bureau of Statistics data relating to leisure travel - incorporating Holiday, Visiting Friends/Family and Other categories as of August 2015; <sup>2</sup>Management estimates

# Results overview: highlights

## Increasing offshore focus: Asia EBITDA grew by 50%<sup>1</sup> and now makes up 15%<sup>1</sup> of Group profits

### Asia

#### India

- Sales **growth of +32.5%** (+43.2% pcp H2) and gross profit improvement of 1.2ppt
- New partners:
  - Secured American Express, Travel Air (Bangalore's largest retail agency)
  - Advanced discussions with airline and online travel agency partners
  - Expansion to new intermediary channels reflects successful deployment of Cover-more international market strategy
- Commenced shared services activities for other Cover-More Group businesses

#### South-east Asia

- Sales **growth +12.8%** (+16.9% pcp H2) and underlying gross profit growth of +30.0% despite ongoing trading difficulties faced by major trading partner
- New partners:
  - Secured and commenced partnership with Sinar Mas, one of the largest conglomerates in Indonesia (commenced Jul 15)
- Actively supporting MAS corporate reorganisation - greater clarity on outcomes expected in H1 FY16

#### China

- Decline in sales volume across core medical assistance business
- Continued failure to commence deployment of travel insurance solution with Qunar
- Notwithstanding poor sales execution, the business achieved underlying +47% gross profit growth pcp
- New Director of Sales appointed in China
- New Regional Sales Director appointed with strong Asia, Technology and Travel Insurance experience. Responsibility for Singapore, Malaysia, Indonesia and China

<sup>1</sup> Adjusted on like-for-like basis to account for change in FY15 accounting treatments relating to reallocation of shared services overheads and Group Corporate costs to Asia business



# Results overview: highlights

Assistance earnings +13.5% with gross profit improvements up +4.1ppt, offsetting lower sales growth +2%

## Medical Assistance

- Sales **growth of +1.9%** (H1 +6.7%, H2 -2.9%)
  - Travel medical assistance sales growth of +6.4%
  - Employee assistance sales growth flat against pcg due to loss of major contract with effect in H2
- Direct costs to operate reduced by 4.1ppt, leading to gross profit growth of +12.0%. Consolidated gross profit improvement of 8.7ppt since operational integration and productivity initiatives commenced 18 months ago
- New partners:
  - Secured new global agreement with major financial institution in employee assistance
  - Secured agreements to provide Cover-More's travel medical capabilities to further financial and educational institutions
- Response to tragic events showcased best-in-class assistance capabilities across both businesses (Nepal, Martin Place siege, major sporting codes)

## Group

### Dividend

- Dividend of 4.1 cents per share (fully franked), bringing total dividends to 9.1 cents per share (fully franked) declared for FY15

### People

- Will Easton, Managing Director of Emerging Markets for Facebook (former Managing Director of Facebook Australia, senior executive with Google and Microsoft) appointed to Cover-More Group Board with effect from 1 September 2015



**Financial performance**



# Financial performance: income statement

Double-digit travel insurance gross sales growth; claims impact offset by scalable operating model benefits to deliver proportionally higher earnings growth

A\$ in Millions	FY15	Pro-forma <sup>1</sup> FY14	yoy growth (%)
Gross Travel Insurance Sales	400.8	363.9	10.1%
Gross Medical Assistance Sales	66.0	64.8	1.9%
<b>Total - Gross Sales</b>	<b>466.8</b>	<b>428.7</b>	<b>8.9%</b>
Net Travel Insurance Sales	156.9	149.1	5.2%
<i>% of Gross Travel Insurance Sales</i>	<i>39.1%</i>	<i>41.0%</i>	
Net Medical Assistance Sales	66.0	64.8	1.9%
<b>Total Net Revenue</b>	<b>222.9</b>	<b>213.9</b>	<b>4.2%</b>
Cost of Sales	(131.8)	(128.8)	2.3%
<b>Gross margin</b>	<b>91.1</b>	<b>85.1</b>	<b>7.1%</b>
<i>% of Net Revenue</i>	<i>40.9%</i>	<i>39.8%</i>	
Employment overheads	(23.4)	(21.2)	10.4%
Other overheads	(15.7)	(15.4)	1.9%
<b>Total overheads</b>	<b>(39.1)</b>	<b>(36.6)</b>	<b>6.8%</b>
<b>EBITDA</b>	<b>52.0</b>	<b>48.5</b>	<b>7.2%</b>
<i>% of Net Revenue</i>	<i>23.3%</i>	<i>22.7%</i>	
Depreciation	(2.3)	(3.1)	(25.8%)
Amortisation of capitalised IT and software	(2.6)	(1.9)	36.8%
<b>EBITA</b>	<b>47.1</b>	<b>43.5</b>	<b>8.3%</b>
<i>% of Net Revenue</i>	<i>21.1%</i>	<i>20.3%</i>	
Amortisation of acquired intangibles	(7.6)	(7.8)	(2.6%)
<b>EBIT</b>	<b>39.5</b>	<b>35.7</b>	<b>10.6%</b>
<i>% of Net Revenue</i>	<i>17.7%</i>	<i>16.7%</i>	
Net interest expense	(2.6)	(2.8)	(7.1%)
Forex gains/ losses	-	(0.2)	n/a
Income tax expense	(11.1)	(10.0)	11.0%
<b>NPAT</b>	<b>25.8</b>	<b>22.7</b>	<b>13.7%</b>
<i>% of Net Revenue</i>	<i>11.6%</i>	<i>10.6%</i>	
<b>NPATA</b>	<b>31.1</b>	<b>28.2</b>	<b>10.3%</b>

<sup>1</sup> Excluding underwriter profit share

Comments
<ul style="list-style-type: none"> <li>Total Gross Sales up +8.9% <ul style="list-style-type: none"> <li>+10.1% growth in travel insurance</li> <li>+1.9% growth in assistance; lower growth due to loss of DTC contract</li> </ul> </li> <li>Net travel insurance sales growth +5.2% (vs gross travel insurance sales growth of +10.1%) reflects three quarters of claims cost increase in H2 due to currency and mix change; progressively being re-priced</li> <li>Underlying direct costs to operate (excluding claims costs) reduced by 1.1ppt</li> <li>Improvement in Gross Margin of 1.1ppt</li> <li>Overhead growth contained at +6.8%. Excluding impact of new LTI scheme introduced in FY15, other overheads grew +5.2%</li> <li>Resultant EBITDA growth of +7.2% and margin expansion from 22.7% to 23.3%</li> <li>NPAT growth of +13.7%</li> <li>NPATA growth of +10.3%</li> </ul>

# Financial performance: segment view

Assistance business delivered 13.5% EBITDA growth due to productivity improvements; Asia business EBITDA up by 50%<sup>1</sup> and now accounts for ~15%<sup>1</sup> of Group earnings

Operating	A\$ in Millions	Proforma <sup>2</sup>			yoy growth (%)	Comments
		FY15	FY14			
Gross sales	Travel insurance	400.8	363.9		10.1%	<ul style="list-style-type: none"> <li>Gross Travel Insurance Sales +10.1%</li> <li>Net sales impacted in H2 by claims cost due to FX impact and portfolio mix shift</li> <li>Medical Assistance gross margin ratio of 45.3% was +4.1ppt higher than pro-forma FY2014 due to margin optimisation and productivity improvements                             <ul style="list-style-type: none"> <li>Travel Insurance EBITDA up ~+2%<sup>1</sup></li> <li>Medical Assistance EBITDA ~+15%<sup>1</sup></li> </ul> </li> <li>(both EBITDA results excluding Group Corporate cost allocations)</li> </ul>
	Medical assistance	66.0	64.8		1.9%	
		<b>466.8</b>	<b>428.7</b>		<b>8.9%</b>	
Net revenue	Travel insurance	156.9	149.1		5.2%	<ul style="list-style-type: none"> <li>Australia, NZ, UK:                             <ul style="list-style-type: none"> <li>gross sales +7.6% with net revenue +3.0% (vs pro-forma FY14) due to Australian claims costs impact in H2 FY15</li> </ul> </li> <li>Asia:                             <ul style="list-style-type: none"> <li>gross sales +22.3% with net revenue +20.0% (vs pro-forma FY14). Strong growth in India +32.5% and Malaysia +12.8%</li> <li>gross margin ~+37%<sup>1</sup> and EBITDA ~+50%<sup>1</sup> (vs pro-forma FY14) on like-for-like basis after removing the effect of accounting changes</li> <li>Asia now constitutes ~15%<sup>1</sup> of Group profit compared to ~10%<sup>1</sup> in FY14</li> </ul> </li> </ul>
	Medical assistance	66.0	64.8		1.9%	
		<b>222.9</b>	<b>213.9</b>		<b>4.2%</b>	
Gross margin	Travel insurance	61.2	58.4		4.8%	
	Medical assistance	29.9	26.7		12.0%	
		<b>91.1</b>	<b>85.1</b>		<b>7.1%</b>	
EBITDA	Travel insurance	32.7	32.5		0.6%	
	Medical assistance	19.3	17.0		13.5%	
	Corporate	-	(1.0)		(100.0%)	
		<b>52.0</b>	<b>48.5</b>		<b>7.2%</b>	
Geographic						
Gross sales	Australia, NZ, UK	422.4	392.4		7.6%	
	Asia	44.4	36.3		22.3%	
		<b>466.8</b>	<b>428.7</b>		<b>8.9%</b>	
Net revenue	Australia, NZ, UK	204.3	198.4		3.0%	
	Asia	18.6	15.5		20.0%	
		<b>222.9</b>	<b>213.9</b>		<b>4.2%</b>	
Gross margin	Australia, NZ, UK	82.1	77.8		5.5%	
	Asia	9.0	7.3		23.3%	
		<b>91.1</b>	<b>85.1</b>		<b>7.1%</b>	
EBITDA	Australia, NZ, UK	47.3	44.4		6.5%	
	Asia <sup>2</sup>	4.7	5.1		(7.8%)	
	Corporate	-	(1.0)		(100.0%)	
		<b>52.0</b>	<b>48.5</b>		<b>7.2%</b>	

<sup>1</sup>Adjusted on like-for-like basis to account for change in accounting treatment relating to reallocation of Group Corporate costs; Geographic segments also include allocation of shared services overheads to Asia business in FY15; <sup>2</sup>Excluding underwriter profit share in proforma FY2014 which is highly unlikely to recur in future periods



# Financial performance: cash flow

Business continues to generate strong cashflow and high rates of cash conversion

A\$ in Millions	FY15	Pro-forma <sup>1</sup> FY14
<b>EBITDA</b>	<b>52.0</b>	<b>48.5</b>
Non-cash items in EBITDA	0.7	(0.4)
Change in Working Capital	2.1	(0.4)
<b>Operating free cash flow before capital expenditure</b>	<b>54.8</b>	<b>47.7</b>
<i>% of EBITDA</i>	<i>105.4%</i>	<i>98.4%</i>
<b>Capital Expenditure</b>		
Capitalisation of software	(4.6)	(2.9)
Net payments for property, plant and equipment	(1.8)	(1.4)
<b>Total capital expenditure</b>	<b>(6.4)</b>	<b>(4.3)</b>
<b>Operating free cash flow after capital expenditure</b>	<b>48.4</b>	<b>43.4</b>
<i>% of EBITDA</i>	<i>93.1%</i>	<i>89.5%</i>

<sup>1</sup> Excluding underwriter profit share

Comments
<ul style="list-style-type: none"> <li>Operating free cash flow before capital expenditure grew at +14.9% compared to prior year</li> <li>Operating free cash conversion of: <ul style="list-style-type: none"> <li>105% before capex</li> <li>93% after capex</li> </ul> </li> <li>Outflows from capital expenditure increased from \$4.3m to \$6.4m</li> <li>Investment related to: <ul style="list-style-type: none"> <li>Build of MyCoverMore technology platform (due for release in Q3 FY16)</li> <li>On-boarding of new distribution partners</li> </ul> </li> </ul>

# Financial performance: FY15 balance sheet compared to FY14

## Balance sheet remains healthy with low levels of gearing

A\$ in Millions	30 Jun 2015 \$m	30 Jun 2014 \$m
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	24.0	20.6
Trade and other receivables	31.3	30.2
Total current assets	55.3	50.8
<b>Non-current assets</b>		
Plant and equipment	4.7	5.2
Intangible assets	248.8	248.3
Other	0.5	0.1
Total non-current assets	254.0	253.6
<b>Total assets</b>	<b>309.3</b>	<b>304.4</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	34.5	31.3
Current tax provisions	4.5	7.4
Borrowings	-	0.1
Other	4.4	3.6
Total current liabilities	43.4	42.4
<b>Non-current liabilities</b>		
Borrowings	56.1	45.5
Deferred tax liabilities	7.2	8.3
Other	1.3	1.2
Total non-current liabilities	64.6	55.0
<b>Total liabilities</b>	<b>108.0</b>	<b>97.4</b>
<b>Net assets</b>	<b>201.3</b>	<b>207.0</b>
<b>EQUITY</b>		
Contributed equity	220.1	220.1
Other reserves	6.9	(0.4)
Retained earnings	(25.7)	(12.7)
<b>Total Equity</b>	<b>201.3</b>	<b>207.0</b>

### Comments

- CVO's balance sheet reflects simplicity of the financial business model
- Shape of June 2015 balance sheet similar to June 2014 balance sheet
- Negative working capital – current liabilities continue to exceed non-cash current assets
- Gearing remains conservative with all metrics well within bank covenants
- Capacity exists within the borrowing facility

# Financial performance: historical

Cover-More continues to be a fast growing, capital light business with a unique and innovative business model

## Consistent growth

- Gross revenue growth of 10.3% p.a. and net revenue growth of 14.2% p.a since 2008
- Strong EBITDA growth of 22.4% p.a. since 2008

## Diversified revenue streams

- Increasing diversification across segment, channel, geography
- Asia comprises 15%<sup>1</sup> of Group EBITDA; Health comprises 37%

## Scalable model with attractive margins

- Short tail insurance; able to adjust pricing to maintain margins to cover forex affected claims costs
- Scalable operating platform delivers operating leverage as business grows

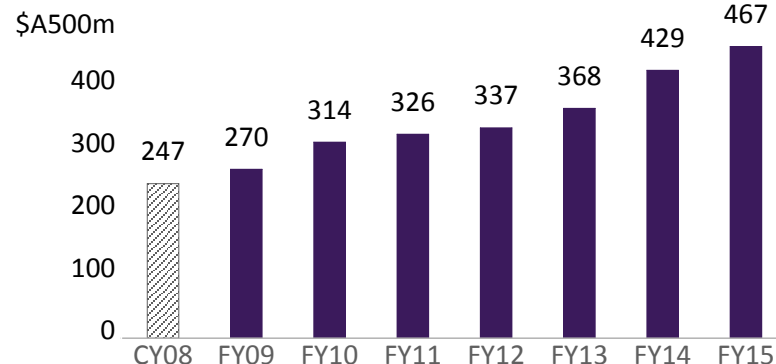
## Strong cash flow conversion

- Strong conversion of EBITDA into operating cash flow
- Efficient working capital model

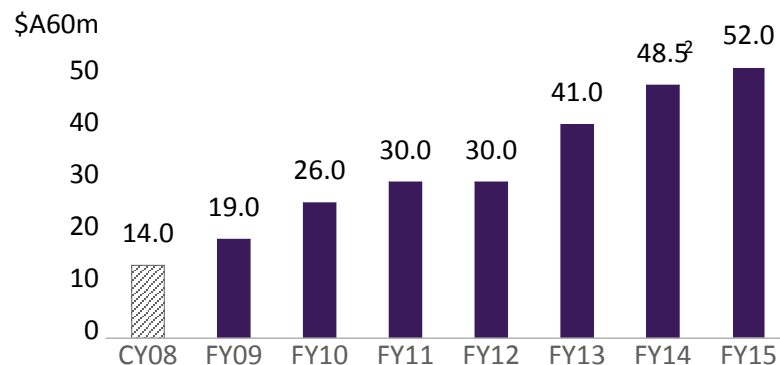
## Capital light

- Claims risk borne by Cover-More's underwriting partners – not constrained by capital
- Not regulated by APRA
- Unrestricted scope for growth, flexibility

## Pro-forma consolidated gross revenue (A\$m)<sup>1</sup>



## Pro-forma consolidated EBITDA (A\$m)<sup>1</sup>



<sup>1</sup>FY14 financial information is presented on a pro-forma basis

<sup>2</sup>FY14 result excludes \$3.4m from one-off GLA underwriting profit share related to FY12 financial year. This is not expected to be re-occurring.

A person with their hair in a ponytail is lying on a wooden lounge chair with orange cushions on a balcony. They are wearing a white long-sleeved shirt and white pants, with their hands clasped behind their head. A laptop is open on their lap. The balcony has a metal railing and a large potted plant with purple and white flowers on the left. In the background, there is a stunning view of a tropical coastline with turquoise water, white sandy beaches, and green hills under a blue sky with scattered white clouds.

## Strategic priorities and growth opportunities



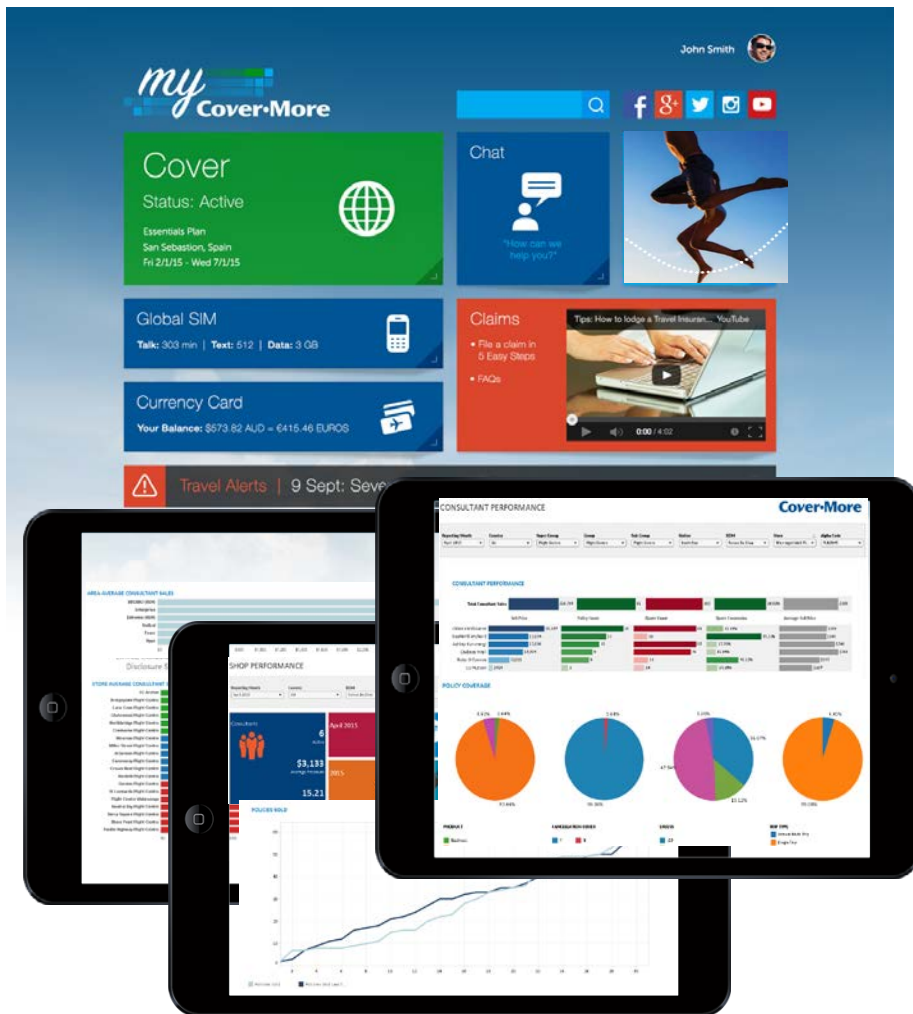
# Strategic priorities: overview

Cover-More's strategic priorities expected to deliver continued growth in sales and profitability while building the longer-term foundation for Cover-More's future



# Strategic priorities: Accelerate digital transformation

Cover-More is investing in industry-leading technology platforms and actively pursuing strategic opportunities to transform Cover-More's data capabilities



## Operational highlights: FY15

- Accelerated deployment of IMPULSE across partners enhancing commercial returns with dedicated optimisation resources now embedded within a number of major partners
- Increase in partners outsourcing internal e-Commerce and marketing capabilities to Cover-More
- Cover-More UK Direct launch resulting in +35% direct sales uplift
- Social media activity increased website traffic +17% (>2m YouTube views)
- Advanced discussions with key partners on the capitalisation of data use across the relationships for commercial gain and more enduring customer relationships

## Key priorities

- Innovative, customer-centric MyCoverMore platform build under way. Once complete, enhance data capture through interactions to drive commercial outcomes for partners
- Launch Cover-More Direct across multiple global jurisdictions through the deployment of existing technology platforms and capability, together with underwriting partners
- Continue to build-out strategic opportunities to leverage data from relationships with >2.2m travellers
- Continue to deploy IMPULSE into business partners' operations
- Seek out new opportunities to deploy IMPULSE across travel insurance and non-travel insurance purchase platforms

# Strategic priorities: Compelling customer experience

Cover-More continues to redefine the customer proposition across all elements of our customer's travel experience



Life's an experience ... keep travelling.



## Operational highlights: FY15

- Development of new 'Keep Travelling' proposition to capture and capitalise on customer experience before, during and after their journey
- Launch of Telstra Health partnership to allow Cover-More customers access to a doctor 24/7 via telemedicine services
- Enhanced ancillary services such as GlobalSIM retail solutions, data packs, family sharing and improved rates
- Improvements in the median claims processing cycle time reduced by 25% through customer-led initiatives
- 'Voice of customer' and Net Promoter Score – expansion of use across business activities to ensure alignment across all activities

## Key priorities

- Launch 'Keep Travelling' proposition with agency partners and roll-out initiatives that deliver value to the 94% of customers who don't claim
- Currency Card scheduled for launch in Q3 FY16 concurrent with MyCoverMore launch

# Growth opportunities: summary

Multiple domestic and offshore structural growth levers available to Cover-More to continue track record of above market growth

## Growth levers

- **Drive growth with existing partners** through economic alignment and deep commercial collaboration to optimise full potential around travel and capture share of customer wallet
- **Accelerate online channel growth** through the deployment of IMPULSE, leverage the optimisation capabilities for our partners **and** deploy to build a strong Cover-More Direct presence globally
- **Launch new product propositions** continue delivering ancillary services that enhance customer experience and increase our participation in the share of wallet
- **Secure new distribution partnerships** by converting on a healthy pipeline of potential opportunities across all geographies
- **Grow international businesses** by effectively deploying the Cover-More business model across identified channels, segments and markets consistent with priorities and resourcing
- **Consider selective acquisitions** that are accretive to value and accelerate the global roll-out of the Cover-More business model through access to market, technology or capability

## Key priorities

- Finalise negotiations with partners enabling **entry into US\$4.8b North America market**: once terms agreed, secure distribution partnerships
- Finalise capacity discussions enabling the **Cover-More Direct** model across additional **global markets**
- **Grow intermediary business in Asia** and achieve earnings diversification across all business units
- **Grow or acquire medical assistance** capability across **North America, UK and Europe** to underpin the success of the Cover-More business model and facilitate for 'follow the sun' capability
- Continue to **grow our partners' business** at rates which greatly **exceed their organic growth** rates through the deployment of systems and existing learnings
- **Broaden the commercial model** with Cover-More's partners and improve range of traveller services



# Growth opportunities: grow international businesses

Cover-More's offshore business increasing in scale and expected to drive continued growth

		Build operating platform	Secure underwriting partner	Establish distribution	Embed technology	Drive scale and optimise	Expand distribution
Description	FY16 GWP (US\$) <sup>1</sup>	Deploy scalable operating platform	Underwriting relationship with scale player	Establish foundation distribution strategy	Embed IMPULSE with key partners	Grow volume, refine operations and optimise	Secure new distribution partners
Australia	\$926m						
NZ	\$122m						
India	\$630m						
China	\$1.0b						
Southeast Asia <sup>2</sup>	\$674m						
UK	\$941m						
US	\$2.5b						
Canada	\$2.3b						
Europe <sup>3</sup>	\$2.2b						
Description	FY16 GWP (US\$) <sup>4</sup>	Set up capital-light operating platform	Underwriting relationship with global insurer	Establish digital distribution (SEO, SEM, Social Media)	Embed IMPULSE in Direct channel	Grow volumes, refine operations and optimise	Expand digital distribution
Global Direct	\$11.3b						

1. FinAccord and Euromonitor sources; <sup>2</sup>Includes Malaysia, Singapore and Indonesia; <sup>3</sup>Includes Germany, France, Spain, Norway, Denmark, Sweden and Finland; converted at FY15 EUR-US rates; <sup>4</sup>Total Global Direct market size is an approximation calculated as the equivalent of the total GWP across channels of Cover-More's other existing or target markets



## Summary and outlook

# Summary and outlook

**FY15 summary:** Strong result with another year of double digit earnings growth

**FY16 outlook:** Significant momentum driven by major new client wins, domestic outperformance and international expansion

- **Domestic outperformance:**

- FY15 - Insurance Australia sales growth triple market growth
- FY16 - Outperformance expected to continue with new contract wins, improved conversion and increased share of wallet

- **Asian acceleration:**

- FY15 - EBITDA +50%,<sup>1</sup> benefitting from structural growth trends and scale benefits
- FY16 - Momentum continuing into FY16 with new contract wins and migration into intermediary channel

- **Foundations laid for North America expansion:**

- FY15 - Advanced discussions underway with growth and enablement partners
- FY16 - Operations anticipated to commence in H2 and contribute to profits in the period

- **Cover-More Direct global deployment:**

- FY15 - Advanced discussions with capacity partners to deploy established model
- FY16 - Operational in new geographies in H2. Profit contribution in FY17

- **Re-pricing:**

- FY15 - Re-pricing and margin recovery for FX affected claims costs and portfolio mix shifts
- FY16 - Re-pricing to continue throughout FY16

- **Disciplined evaluation of acquisition opportunities**

- Must provide either geographic expansion, technology enablement or opportunities to increase share of wallet and be financially accretive

- **Build broader commercial solutions**

- Provide travellers with enhanced experiences in integrated partnership with our distributors

- **Continue to leverage** structural growth trends, specialised expertise, scale data and proprietary systems to deliver strong earnings growth and shareholder returns

<sup>1</sup> Adjusted on like-for-like basis to account for change in FY15 accounting treatments relating to reallocation of shared services overheads and Group Corporate costs to Asia business



## Appendix





# Who we are

Cover-More is a leading integrated travel insurance and medical assistance business

	Travel Insurance			Medical Assistance				
				Travel Medical Assistance		Employee Assistance		
Locations	<ul style="list-style-type: none"><li>• Australia</li><li>• New Zealand</li><li>• United Kingdom</li><li>• India</li></ul>			<ul style="list-style-type: none"><li>• Malaysia</li><li>• China</li></ul>		<ul style="list-style-type: none"><li>• Australia (Sydney + Brisbane)</li><li>• Malaysia</li><li>• China</li><li>• India (to commence FY16)</li></ul>		<ul style="list-style-type: none"><li>• Australia</li><li>• Singapore</li></ul>
Distribution	<ul style="list-style-type: none"><li>• Agency</li><li>• Intermediary</li><li>• Direct</li></ul>			<ul style="list-style-type: none"><li>• Corporate</li><li>• Large international travel insurers</li></ul>		<ul style="list-style-type: none"><li>• Seven of the 10 largest companies (by revenue) in Australia</li><li>• Access to employee base of ~1.4m</li></ul>		
Key Financials (AUD millions)								
	Segments FY15 (AUD m)	Travel Insurance	Medical Assistance	Total	Geographic Split FY15	Australia, NZ, UK	Asia	Total
	Gross Sales	\$400.8	\$66.0	\$466.8	Gross Sales	\$422.4	\$44.4	\$466.8
	Pro Forma EBITDA	\$32.7	\$19.3	\$52.0	Pro Forma EBITDA	\$47.3	\$4.7	\$52.0
Competitors	<ul style="list-style-type: none"><li>• Key competitors are typically large domestic and international general insurers</li><li>• As a specialist in Australia, Cover-More has successfully outperformed against significantly larger organisations through customer-led innovation, technology, intelligent control of the value chain, specialised management and commercially aligned relationships with partners.</li></ul>							

# Global travel insurance market dynamics

Significant potential in multiple travel insurance markets around the globe

Country (US\$m)	Market value (GWP)	Future market value (est) (GWP)	4-yr CAGR	Market size policies	Future market size policies (est)	4-yr CAGR	Trips (m)	Future trips (est) (m)	4-yr CAGR
<b>Australia</b>	722	926	6.4%	4.5	5.3	4.2%	8.2	10.3	5.9%
<b>New Zealand</b>	95	122	6.5%	1.3	1.5	3.6%	2.2	2.5	3.2%
<b>China</b>	495	1,045	20.5%	21.6	40.6	17.1%	83.2	145.0	14.9%
<b>India</b>	285	630	21.9%	11.5	17.5	11.1%	14.9	22.0	10.2%
<b>SE Asia</b>	419	674	12.6%	12.8	19.1	10.5%	34.0	43.2	6.2%
<b>USA</b>	2,103	2,462	4.0%	32.7	35.4	2.0%	71.1	72.3	0.4%
<b>Canada</b>	1,652	2,298	8.6%	19.3	25.2	6.9%	34.1	43.5	6.3%
<b>United Kingdom</b>	937	941	0.1%	15.6	16.2	0.9%	53.7	60.5	3.0%
<b>Europe</b>	1,806	2,158	4.6%	39.8	42.7	1.8%	168.5	186.7	2.6%

<sup>1</sup>Includes Malaysia, Singapore and Indonesia; <sup>2</sup>Includes Germany, France, Spain, Norway, Denmark, Sweden and Finland; converted at FY15 EUR-US rates

Note: Number of policies 000's. Finaccord 2013 data captures 2012 historical and 4-year CAGR to 2016 forecast; 2015 data captures 2014 historical and 4-year CAGR to 2018 forecast

Source: Finaccord (2013, 2015); Euromonitor

## Cover-More's differentiated model: aligned, diversified distribution

## Travel retail



## Online and white label distribution



## Travel Medical and Employee Assistance

# Financial characteristics: Cover-More's P&L structure

Net travel insurance sales comprise of premium sales, ancillary income, other revenue less claims costs. Cost of sales comprise employment and other expenses and JV profit share

## Management accounts (example)

June year end (A\$m)	FY13A
Premium	XX
Assistance	XX
Ancillary income	XX
Other revenue	XX
<b>Sales</b>	XX
Commissions	XX
<b>Net sales</b>	XX
Acquisition costs	XX
Claims costs	XX
Employment expenses	XX
Other expenses	XX
<b>Total direct costs</b>	XX
<b>Contribution to overheads</b>	XX
Employment expenses	XX
Other expenses	XX
Depreciation	XX
Amortisation	XX
<b>Total overheads</b>	XX
<b>Net result</b>	XX
<b>JV profit share</b>	XX
<b>EBIT</b>	XX
Interest	XX
Income tax	XX
<b>Profit after tax</b>	XX

## Cover-More profit and loss statement

June year end (A\$m)	FY13A
Net Travel Insurance Sales	135.7
Net Medical Assistance Sales	60.4
<b>Total Net Revenue</b>	<b>196.2</b>
Cost of Sales	(117.1)
<b>Gross margin</b>	<b>79.0</b>
Employment overheads	(20.5)
Occupancy costs	(6.3)
Other overheads	(11.3)
<b>Total overheads</b>	<b>(38.2)</b>
<b>EBITDA</b>	<b>40.9</b>
Depreciation	(3.1)
Amort. of capitalised IT & software	(1.8)
<b>EBITA</b>	<b>35.9</b>
Amort. of acquired intangibles	(7.8)
<b>EBIT</b>	<b>28.2</b>
Net interest expense	(3.1)
Income tax expense	(8.4)
<b>NPAT</b>	<b>16.6</b>
<b>NPATA</b>	<b>22.1</b>
<i>Insurance Gross Written Premium (A\$m)</i>	<i>304.1</i>
<i>GWP Growth (%)</i>	<i>8.0%</i>
<i>Net Insurance Sales (% of GWP)</i>	<i>44.6%</i>
<i>GM (% of Net Revenue)</i>	<i>40.3%</i>
<i>EBITDA (% of Net Revenue)</i>	<i>20.8%</i>
<i>EBITA (% of Net Revenue)</i>	<i>18.3%</i>



- **Demand** for travel insurance may decline in Cover-More's key markets
- **Key distribution agreements** may be terminated, not renewed or renewed on less favourable terms
- **Increased competition** from existing or new competitors which may reduce growth, market share and or margins
- Inability to secure **favourable underwriting terms**
- Earnings impacted by fluctuations in **foreign exchange** rates
- Loss of **identified key personnel** across the business
- Change in **local laws and government regulations**

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