



Cover-More Group

Emerging Stars Symposium

October 2015

Cover•More

We focus on what matters.

Executive summary: As presented at FY15 full year presentation

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%¹ NPAT growth**, EPS growth of 10% and operating cashflow (after capex) conversion of 93%. Delivered 10%¹ 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 growth²
- **Acceleration of international growth** benefiting from structural growth trends and scale benefits
 - Asia gross sales +22% and EBITDA +50%³ now contributing to 15%³ 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

¹ Excluding extraordinary FY14 underwriter profit share; ² Australian Bureau of Statistics FY15 LTM data relating to leisure travel - incorporating Holiday, Visiting Friends/Family and Other categories as of August 2015; ³ 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

Australia/ NZ/UK

- Australian gross travel insurance sales growth ahead of H2 FY15 and continuing to outperform underlying market (+1.2% pcp growth in outbound traveller numbers year to date to August 2015)¹
 - Lower AUD continues to impact outbound travel volumes and offshore claims cost
 - Strong focus on recovering margin through re-pricing
 - Virgin Australia implementation underway and scheduled to go live later this month
- Modest growth in NZ compared to pcp due to Air New Zealand booking path change
 - Corporate travel and financial institution initiatives remain on track
- UK gross insurance sales growth ahead of H2 FY15
 - Acquisitive opportunity still under review

Asia

- India sales growth well ahead of H2 FY15. Secured agreement with first major intermediary partner in India with Goibibo, one of the top three travel aggregators in India
 - First online travel agency relationship in Cover-More Group
 - First expansion outside of retail agency channel in Cover-More India
- Southeast Asia sales lower than pcp as major partner emerges from restructure
 - Contract with Malaysia Airlines renewed
 - Momentum expected to improve as Malaysia Airlines stabilises and recent SE Asian wins contribute
- China sales volumes in medical assistance business ahead of pcp
 - Continued improvement in gross margins
 - Build out of senior leadership team in China continuing

Medical Assistance

- Medical assistance sales slightly lower primarily due to impact of contract losses in second half of FY15 in employee assistance
- Commenced Readycare services with positive customer feedback and improved costs to operate

¹Australian Bureau of Statistics data relating to leisure travel - incorporating Holiday, Visiting Friends/Family and Other categories as of October 2015

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

- Contract execution phase with US partner to enable **entry into US\$4.8b North America market**
- Finalise capacity discussions enabling the **Cover-More Direct** model across additional **global markets**
- **Secure further intermediary business in Asia** on the back of Goibibo contract win
- **Grow or acquire medical assistance** capability across **North America, UK and Europe** to underpin the success of the Cover-More business model and facilitate '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: Global travel insurance market dynamics

Cover-More is well positioned in large structural growth markets

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	
Australia	722	926	6.4%	4.5	5.3	4.2%	8.2	10.3	5.9%	Cover-More markets
New Zealand	95	122	6.5%	1.3	1.5	3.6%	2.2	2.5	3.2%	
China	495	1,045	20.5%	21.6	40.6	17.1%	83.2	145.0	14.9%	
India	285	630	21.9%	11.5	17.5	11.1%	14.9	22.0	10.2%	
SE Asia	419	674	12.6%	12.8	19.1	10.5%	34.0	43.2	6.2%	
United Kingdom	937	941	0.1%	15.6	16.2	0.9%	53.7	60.5	3.0%	Expected to enter in FY16
USA	2,103	2,462	4.0%	32.7	35.4	2.0%	71.1	72.3	0.4%	
Canada	1,652	2,298	8.6%	19.3	25.2	6.9%	34.1	43.5	6.3%	
Europe	1,806	2,158	4.6%	39.8	42.7	1.8%	168.5	186.7	2.6%	

¹Includes Malaysia, Singapore and Indonesia; ²Includes 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

Growth opportunities: Cover-More's repeatable model

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\$) ¹	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 ²	\$674m						
UK	\$941m						
US	\$2.5b						
Canada	\$2.3b						
Europe ³	\$2.2b						
Description	FY16 GWP (US\$) ⁴	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; ²Includes Malaysia, Singapore and Indonesia; ³Includes Germany, France, Spain, Norway, Denmark, Sweden and Finland; converted at FY15 EUR-US rates; ⁴Total 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

- **FY16 outlook:**

- Significant momentum driven by major new client wins, domestic outperformance and international expansion. H2 trading expected to offset currency impacted H1, driven by contribution from recent client wins and portfolio repricing.

- **Australia:**

- YTD travel insurance revenue reflecting higher growth than H2 FY15, despite lower outbound leisure travel growth.¹
- Currency depreciation continuing to impact claims costs.
- Focus on restoring margin through selective portfolio repricing.
- H2 to reflect contribution from recent contract wins and portfolio repricing.

- **Asia:**

- Momentum continuing in FY16. Impressive performance in India with growth significantly exceeding H2 FY15.
- First intermediary partner, Goibibo, secured in India.
- Southeast Asia momentum expected to improve with stabilisation of major trading partner and new contract wins through dedicated sales focus.

- **US:**

- Entering contract execution phase with US based partner.
- JV model to accelerate growth and leverage partner's established brand and infrastructure.
- Resources committed to project and operations anticipated to commence in H2 FY16.

- **Cover-More Global Direct:**

- Planning and execution continues with global insurance partner to deploy established online model across multiple geographies.
- Expected to be operational in new geographies in H2 FY16 with a profit contribution in FY17.

- **Data:**

- Increasing role and value of data to provide travellers with enhanced experiences in integrated partnership with our distributors.

Continue to leverage structural growth trends, specialised expertise, scale advantages, data and proprietary systems to deliver strong earnings growth and shareholder returns in FY16 and beyond.

¹Australian Bureau of Statistics data relating to leisure travel - incorporating Holiday, Visiting Friends/Family and Other categories as of October 2015

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"> Australia New Zealand United Kingdom India 		<ul style="list-style-type: none"> Malaysia China 	
			<ul style="list-style-type: none"> Australia (Sydney + Brisbane) Malaysia China India (in FY16) 	<ul style="list-style-type: none"> Australia Singapore

Distribution	<ul style="list-style-type: none"> Agency Intermediary Direct 		<ul style="list-style-type: none"> Corporate Large international travel insurers 	
			<ul style="list-style-type: none"> Seven of the 10 largest companies (by revenue) in Australia Access to employee base of ~1.4m 	

Key Financials (AUD millions)	Segments FY15 (A\$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"> Key competitors are typically large domestic and international general insurers 			
	<ul style="list-style-type: none"> 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. 			

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	Pro-forma ¹		yoy growth (%)
	FY15	FY14	
Gross Travel Insurance Sales	400.8	363.9	10.1%
Gross Medical Assistance Sales	66.0	64.8	1.9%
Total - Gross Sales	466.8	428.7	8.9%
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%
Total Net Revenue	222.9	213.9	4.2%
Cost of Sales	(131.8)	(128.8)	2.3%
Gross margin	91.1	85.1	7.1%
<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%
Total overheads	(39.1)	(36.6)	6.8%
EBITDA	52.0	48.5	7.2%
<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%
EBITA	47.1	43.5	8.3%
<i>% of Net Revenue</i>	<i>21.1%</i>	<i>20.3%</i>	
Amortisation of acquired intangibles	(7.6)	(7.8)	(2.6%)
EBIT	39.5	35.7	10.6%
<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%
NPAT	25.8	22.7	13.7%
<i>% of Net Revenue</i>	<i>11.6%</i>	<i>10.6%</i>	
NPATA	31.1	28.2	10.3%

¹ Excluding underwriter profit share

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

Financial performance: segment view

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

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

¹Adjusted 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; ²Excluding 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 ¹ FY14
EBITDA	52.0	48.5
Non-cash items in EBITDA	0.7	(0.4)
Change in Working Capital	2.1	(0.4)
Operating free cash flow before capital expenditure	54.8	47.7
<i>% of EBITDA</i>	<i>105.4%</i>	<i>98.4%</i>
Capital Expenditure		
Capitalisation of software	(4.6)	(2.9)
Net payments for property, plant and equipment	(1.8)	(1.4)
Total capital expenditure	(6.4)	(4.3)
Operating free cash flow after capital expenditure	48.4	43.4
<i>% of EBITDA</i>	<i>93.1%</i>	<i>89.5%</i>

¹ Excluding underwriter profit share

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

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
ASSETS		
Current assets		
Cash and cash equivalents	24.0	20.6
Trade and other receivables	31.3	30.2
Total current assets	55.3	50.8
Non-current assets		
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
Total assets	309.3	304.4
LIABILITIES		
Current liabilities		
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
Non-current liabilities		
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
Total liabilities	108.0	97.4
Net assets	201.3	207.0
EQUITY		
Contributed equity	220.1	220.1
Other reserves	6.9	(0.4)
Retained earnings	(25.7)	(12.7)
Total Equity	201.3	207.0

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 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)	FY15A
Premium	XX
Assistance	XX
Ancillary income	XX
Other revenue	XX
Sales	XX
Commissions	XX
Net sales	XX
Acquisition costs	XX
Claims costs	XX
Employment expenses	XX
Other expenses	XX
Total direct costs	XX
Contribution to overheads	XX
Employment expenses	XX
Other expenses	XX
Depreciation	XX
Amortisation	XX
Total overheads	XX
Net result	XX
JV profit share	XX
EBIT	XX
Interest	XX
Income tax	XX
Profit after tax	XX

Cover-More profit and loss statement

June year end (A\$m)	FY15A
Net Travel Insurance Sales	156.9
Net Medical Assistance Sales	66.0
Total Net Revenue	222.9
Cost of Sales	(131.8)
Gross margin	91.1
Employment overheads	(23.4)
Occupancy costs	(6.7)
Other overheads	(9.0)
Total overheads	(39.1)
EBITDA	52.0
Depreciation	(2.3)
Amort. of capitalised IT & software	(2.6)
EBITA	47.1
Amort. of acquired intangibles	(7.6)
EBIT	39.5
Net interest expense	(2.6)
Income tax expense	(11.1)
NPAT	25.8
NPATA	31.1
<i>Insurance Gross Written Premium (A\$m)</i>	<i>400.8</i>
<i>GWP Growth (%)</i>	<i>10.1%</i>
<i>Net Insurance Sales (% of GWP)</i>	<i>39.1%</i>
<i>GM (% of Net Revenue)</i>	<i>40.9%</i>
<i>EBITDA (% of Net Revenue)</i>	<i>23.3%</i>
<i>EBITA (% of Net Revenue)</i>	<i>21.1%</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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