

# FY16 - Q1 Trading Update & Investor Presentation

October 2015

Stream Group Limited | ABN: 57 010 597 672



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- **ASX CODE: SGO**
- **Providing insurance claims solutions to reduce cost and increase insured satisfaction for insurers, brokers and governments in:**
  - Australia
  - New Zealand, &
  - United Kingdom.
- **Issued Capital: 200,740,873 shares**
- **Market Capitalisation : \$17 Million @ 8.5c**

# Q1 Financials - Solid start and on track to deliver strong EBITDA result at year end

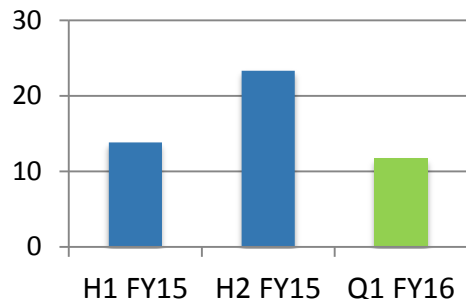
| Billed Revenue | \$11.7mil  |
|----------------|------------|
| Change in WIP* | -\$1.6mil  |
| Net Revenue    | \$10.1mil  |
| EBIT           | -\$0.87mil |
| EBITDA         | -\$0.46mil |

- AU traditionally loss making in H1 however good start with strong conversion of WIP into billed revenue from FY15 events.
- NZ operations delivering historical profitability, and new client on boarded.
- UK forecast to be cash neutral end of H1 with strong claims growth being achieved.
- Costs continue to be reduced.

## Billed Revenue – H1 to H2 FY15

Flow through of high open claims/WIP at 30 June as expected.

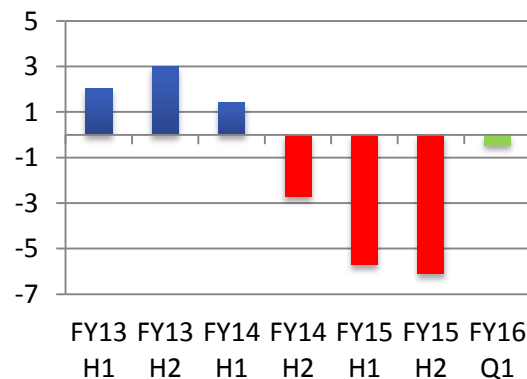
(A\$m)



## Historical EBITDA Performance

Strong turn around in performance when compared to prior 18 months.

(A\$m)

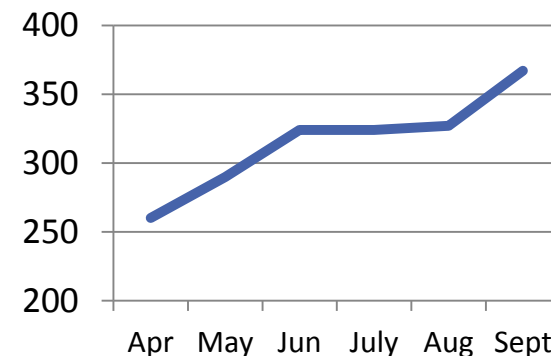


\*Work In Progress (WIP) is work complete on open claims, however not invoiced.

## UK New Claims Growth

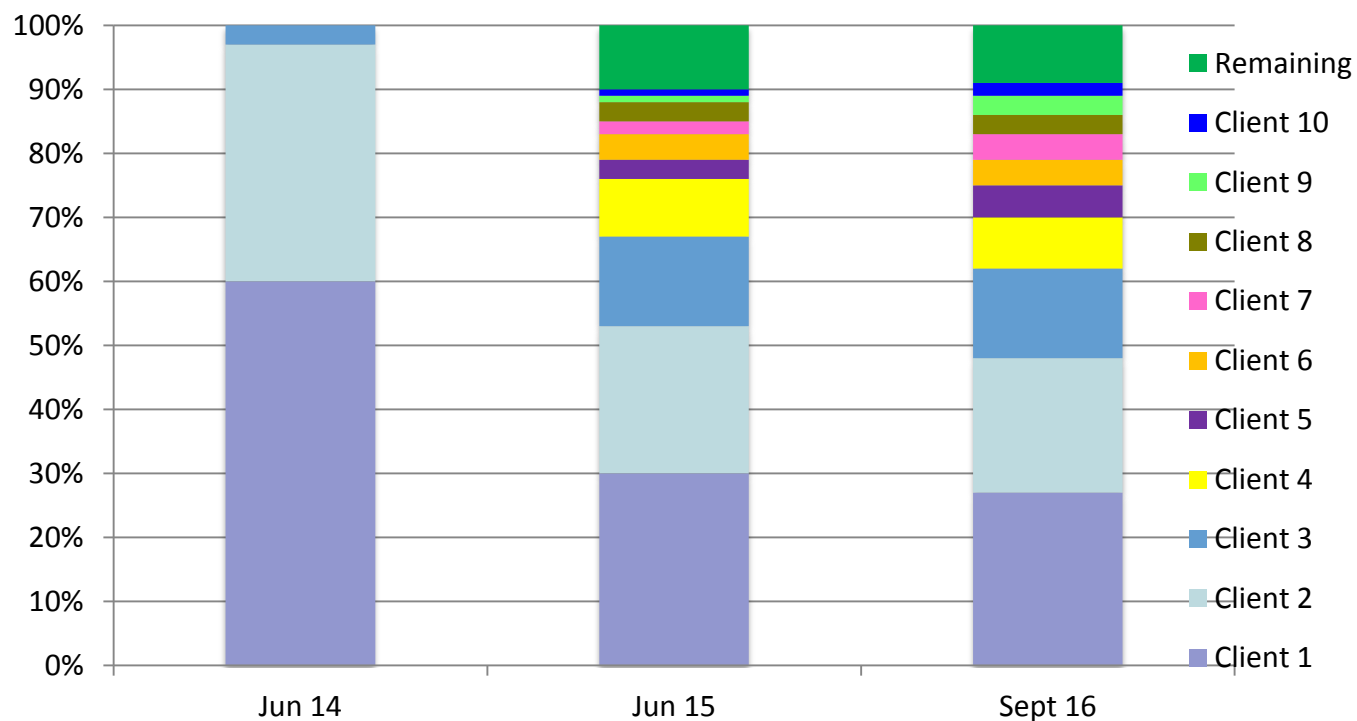
Strong claims growth being achieved up 38% between April and September

2015.

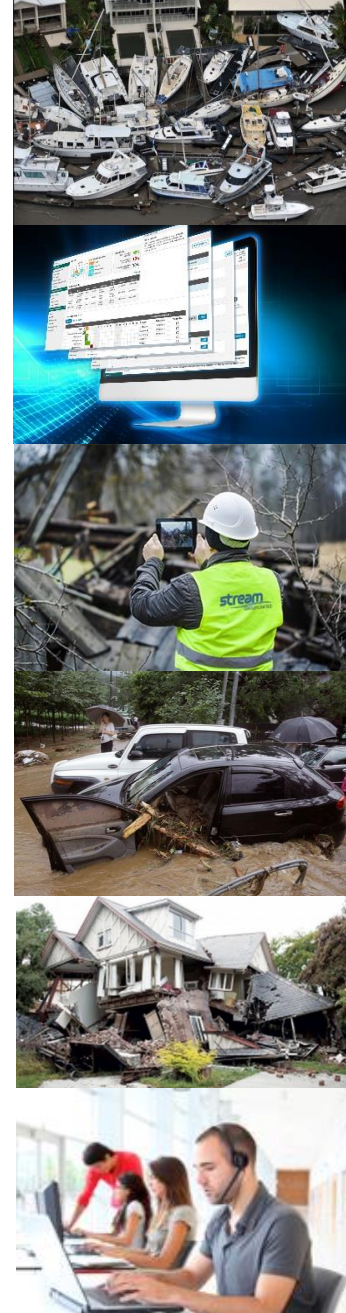


# Q1 – Client diversification continues

## Client diversification summary



# BACKDROP TO CYCLICALITY IN STREAM





# H1 v H2- a normal cycle for Stream

The lower claims in H1 than in H2 (QLD weather driven) leads to profitability being weighted to H2.

This asymmetry is being reduced through growth in the UK and acquisitions in Australia.

## Australia

- Group results sensitive to weather (notably QLD) events
- H1 – lower new claims volumes and closure of prior year H2 events
- H2 – volume increase from ‘normal’ weather activity between November to April



## Volatile profitability

- Q1 & H1 – historically loss or breakeven due to weather patterns
- H2 – historically profitable due to events

## UK & New Zealand

- More stable weather environments
- Predictable revenues from H2 earthquake response



## Stable profitability

- UK reduced volatility as underlying operations matures and grows
- NZ earthquake response profitable

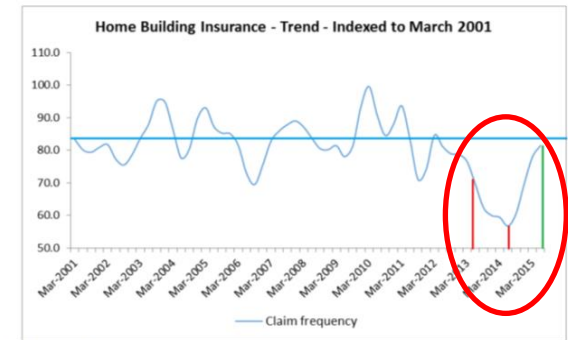
# H1 v H2- marked Australian cyclicality

This cycle is demonstrated historically by higher Q3/Q4 new claims each year and consequently higher open claims during these periods.

Q1 FY16 **new claims** allocations have started strongly due to expanding national client base with less reliance on Queensland weather cycles.

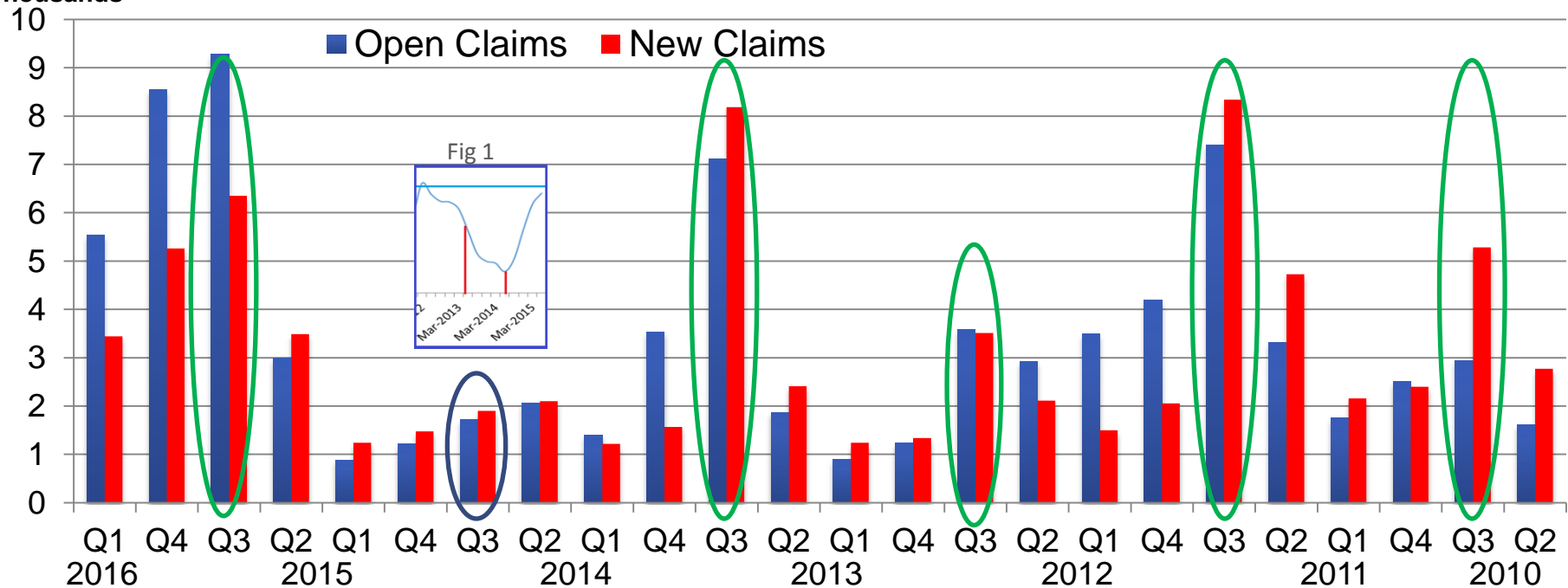
Q1 FY16 **open claims** is a combination of new claims and claims still open notably impacted from a late Queensland event season.

**Figure 1 – 15 year claim frequency**



Source of underlying data: Insurance Statistics Australia.

Thousands

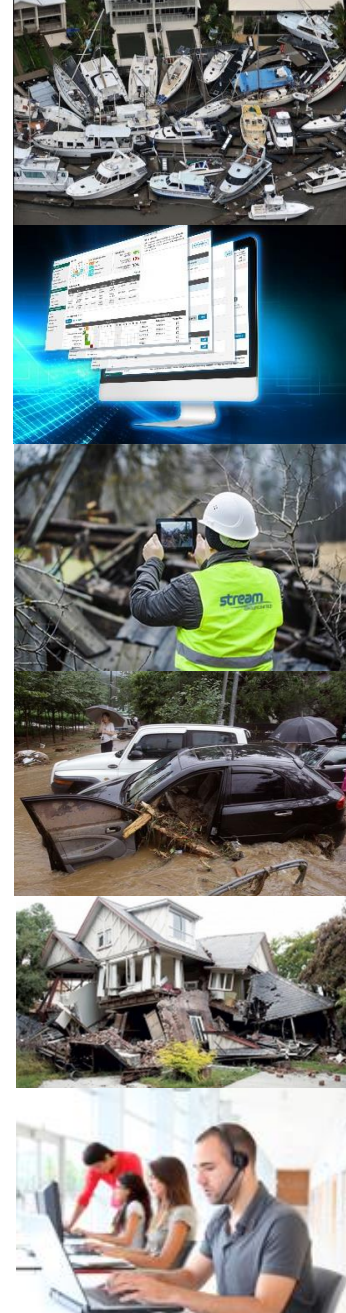




The group is focusing on the following four key areas in FY 16.

| FOCUS                    | COMMENTS   |
|--------------------------|--|
| Profitability            | <ul style="list-style-type: none"><li>• Targeting profitability in all regions and operating units.</li><li>• Setting a future target of exceeding historical profitability.</li></ul>   |
| Organic Growth           | <ul style="list-style-type: none"><li>• Expand existing clients.</li><li>• New client acquisition for similar services.</li></ul>  |
| Cost Reductions          | <ul style="list-style-type: none"><li>• Ongoing shared services cost reductions.</li><li>• Reduction in required CAPEX whilst maintaining competitive edge.</li><li>• Continuous improvement program to improve efficiency and reduce operating costs.</li></ul> |
| Strengthen Balance Sheet | <ul style="list-style-type: none"><li>• Strengthen through profitability and retained earnings.</li><li>• Working capital facilities to support growth.</li><li>• Raise capital to strengthen Balance Sheet</li></ul>  |

# THE MARKET & STREAM'S POSITION



# Strong business outlook

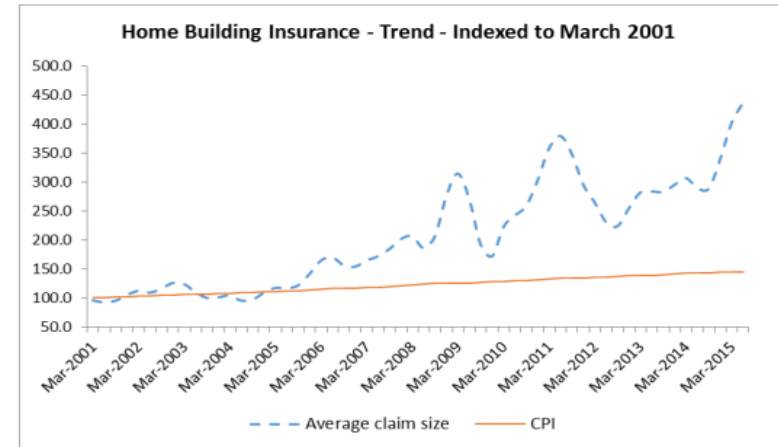
## Key drivers

- Rising asset prices- larger losses
- Urbanisation - increased impact of weather events
- Climate change contribution to weather events
- High competition among insurers for new customers/customer retention increasing demand for best, transparent and cost effective claims services.
- Greater acceptance and adoption of technological solutions by insurers



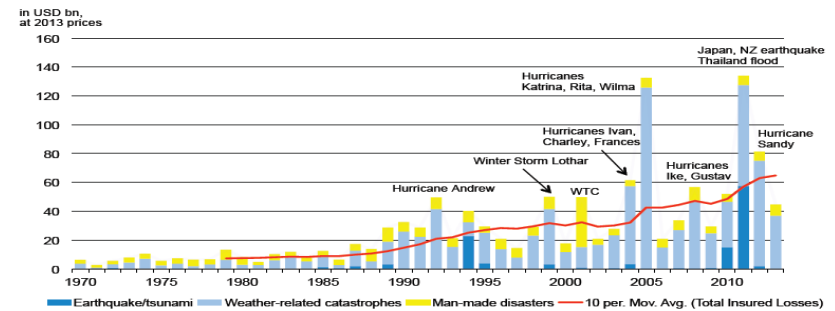
These factors lead to a strong outlook for  
Stream Group across all regions.

## Increasing claim sizes



## Increasing catastrophic losses

A history of rising losses...



## We help insurance companies achieve greater profitability:



We reduce the overall cost of claims.



We help them retain their customers.

## Stream is able to deliver those benefits because:



We close claims swiftly using leading edge technology to support highly efficient processing.



Our processes and technology ensure that the replacement / repair scope is only for items covered under the policy.



We use an online competitive market place to achieve the best price.



# One Stream - global services with local delivery

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**Technology**





# Company Contacts



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