

2016 Annual General Meeting

CEO'S SPEECH

Thank you Chris, and good afternoon everyone.

I'd also like to welcome you to iSelect HQ and thank you for coming to our AGM today.

Following on from Chris' closing remarks, I have to say I share his and the rest of the Board's confidence in the future outlook for our Company.

Today I'm going to reflect for a few minutes about how far we have come over the past year, speak to the current trading performance of our businesses and then share with you, our vision for the future. But first I'd like to spend some time focusing on what I believe is the number one priority for our company – our customers.

Delivering for our customers the products they need, when they need them and how they want them provided, via an effortless customer experience will continue to deliver results across the board – both for iSelect and, importantly, for our partner companies.

You may have heard me talk recently in the media about iSelect aiming to become "Australia's Life Admin Store". What does this mean? We know we are much more than just another online comparison service. We are not just a website and we don't just compare. Rather we are a virtual store where Australians are able to sort out all those important-but-fundamentally-boring purchase decisions, with 90 per cent of our sales coming from conversations with our highly trained advisors. We are not just a web-based comparison site, indeed we're more like a digitally enabled broker and have over 2 million calls with customers each year, advising them on their Life Admin. If we are to realise our ambition to become the Life Admin Store for all Australians, it will only be possible if we focus wholly on the customer – putting the customer front-and-centre in everything that we do.

When I addressed you last year, I had just implemented a change in the Company's management structure to refocus our executive team on our customers' needs. The re-focused executive and senior management team and our current investments in technology and data science are all geared towards delivering this truly effortless customer experience.

FY16 Recap

I'd like now to recap briefly on the financial year that ended in June 2016. I believe it can be best categorised as a 'year of two halves'. I spoke at last year's AGM about the significant short-term challenges in our Health business during the first few months of FY16. Results from Health were dramatically impacted by a number of strategic and operational mis-steps, resulting in the Company reporting a loss in the first half.

I am happy to report that while these issues impacted first half results, the operational changes we implemented have turned the Health business around in the second half and this positive momentum has continued into this current financial year. This is despite the well-publicised external industry softness and the affordability headwinds that a number of private health insurance funds are experiencing.

<Summary Results slide – "Key Financials">

Turning now to the results from FY16, these numbers demonstrate the strong return to growth for the business. All segments performed well in FY16. Our health vertical returned to solid growth in the second half and we saw even stronger growth in our Energy & Telco and Life & General Insurance businesses.

Our websites received 9 million unique visits during the year, with over 6 million comparisons by customers. This resulted in 4 million customer leads, which was up over 7%. I am very pleased that conversion has remained stable at 9.9% in FY16. Considering the growth in customer leads, the conversion issues we had in Health in the first half and the changing mix of businesses, each with different conversion rates, this stability was a great outcome. The number of sales units achieved at 397,000 was also up 10% on the prior year.

A 2% increase in Revenue Per Sale to \$466 delivered a 9% increase in Revenue to a record \$172 million. This in-turn delivered a pleasing Earnings Before Interest & Tax of \$15 million, up 23% – on a reported basis. As Chris mentioned earlier, the net profit in FY16 was up 34% to \$12.9 million and resulted in iSelect paying its maiden fully franked dividend.

Our cash position continues to remain strong. The group has no debt and cash at 30 June 2016 was a healthy \$87.6 million. This has enabled us to maintain our on-market buyback as a key plank in the Board’s capital management program. At current share price levels, the Board’s view is that the buyback is well accretive, and subject to market conditions the Company will continue to be in the market buying shares.

<Segment results slide>

This chart shows the changing mix in our businesses – with Health providing a lesser proportion of revenue as the non-health businesses increase their impressive growth. Health provided 52% of revenue in FY16 and we expect this to reduce to below 50% in the current financial year.

I’d like to highlight the results you can see for both the Energy & Telco and the Life & General Insurance businesses. Revenue growth of 34% and 33% respectively is really pleasing and the early indication this financial year is that this growth is continuing. I would particularly like to call out the performance of the Telco business. Telco had a stellar year of exponential growth. Telco leads were up 60%, conversion rates up 70%, resulting in revenue increasing by a staggering 250%.

<Partners slide>

During the FY16 year we added a further 7 partners to our marketplace. We now have more than 100 partner companies offering our customers more than 150 partner brands and over 12,500 products. The increasing number of brands is attracting ever-increasing numbers of new customers, which in turn increases the attractiveness of our marketplace to prospective partner companies. We expect this snowballing “Network Effect” to continue in the coming years as we expand into new verticals as well as growing the brand offerings in our existing businesses.

<Brand slide>

Another FY16 achievement I’d like to mention is the re-launch of the iSelect brand that we undertook in April. Moving on from the successful Mr iSelect campaign to our new “Always get it Right” brand platform has really resonated with our audience and has moved us away from the health dominated messaging to be more in line with our Life Admin Store aspirations. iSelect’s prompted brand awareness has reach record highs and puts the iSelect brand up there with some of the biggest and best known local and global brands.

Future Outlook

I’d now like to look ahead to the outlook for FY17 and beyond.

<Addressable Market slide>

This slide shows our current verticals’ addressable market size. In just these nine verticals listed, the total commission pool is over \$9.5 billion. As you can see, with continued increase in market-share in our current verticals, the scope for further top-line growth for many years to come is very material.

For example, with Energy at 12% now, and Broadband at over 5%, we are aiming to replicate the scale that we have in health over the medium term and will be continuing to invest to reach this goal. A bit further out we see the potential for Car, Credit cards, Home Loans and Life also attaining significant shares.

I’m delighted to report that the strong performance we experienced in the second half of FY16 has continued into the current period. Trading in all of our segments in the first quarter of FY17 has been very strong, with revenue growth at or above our expectations for this time of year.

Although still early in the financial year, our performance to-date has given us confidence about the earnings guidance we provided in August, of EBIT for this financial year of \$21 to \$24 million. We reaffirm this guidance range and, based on the trading so far, expect the result will be at its upper end.

There are a number additional investment opportunities for growth that we have identified – across both marketing and technology projects. Should our strong performance to-date continue, we expect to be able to accelerate the investment in these projects while still maintaining our confidence in the EBIT guidance.

Life and General Insurance

In our Life and General Insurance business unit, we have experienced strong sales growth, particularly in the Car Insurance vertical, and we are close to welcoming further car insurance brands to our panel. During the first quarter we expanded our General Insurance offerings and successfully launched our travel insurance vertical, welcoming Allianz Global Assist and InsureandGo Travel.

I note the strong media and political calls to increase competition and transparency in the car and home insurance industries. This includes calls by Senator Nick Xenophon for the government to introduce a government-funded general insurance comparison site.

Car and home insurance policies are complex financial products that need explanation and advice when being purchased. Being difficult to understand means many customers using only price based aggregator sites, end up making a decision based purely on price and as a result may not have the right level of cover.

At iSelect we strongly believe that it is important for customers look at the total cost and value when purchasing any insurance product and not just on the “sticker price” at the time of purchase.

The fact many major players within the Australian general insurance industry have opted not to make their products available via comparison sites means customers are the ones missing out. We call on all General Insurance industry participants to open up availability of their products to digitally enabled brokers like iSelect in the interest of consumers. It is our belief that doing so will avoid unnecessary government intervention in the General Insurance market, by providing transparency, innovation and most importantly helping customers find the right product that best suits their needs.

Home Loans

On the topic of innovation, I would like to highlight our home loans area. The advances this year made by our home loans team have been revolutionary. We are leading the Australian market in pushing the digitisation of the home loans industry. Traditional home lending practices involve a mountain of paperwork with up to seven different physical signatures by the customer and up to forty-six pages of paperwork, taking up to three weeks to be approved through the financial institution.

By embracing verbal signatures and alternative identification processes, our iSelect digitised home loans approval process can provide customers with a conditionally approved home loan in as little as three hours, with no physical wet signatures or paperwork required. We are in discussions with many of our other lending partners to join iSelect in digitising the Home Loan process, further accelerating the expansion and growth of this exciting and innovative solution for our customers.

Energy and Telco

Our Energy vertical is continuing to display strong growth over recent months. As I mentioned earlier, we are investing heavily in Energy to increase our market share from the current 12% of all new sales in Australia. Part of the strength in Energy is due to our ‘mover’ initiative in partnership with YourPorter. Our ‘mover’ initiative involves dedicated advisers who are trained to maximise cross-serve opportunities in both Energy and Broadband products.

The incredible growth of our Telco business over the past 12 months has continued into this period. This growth has been assisted by the roll-out of the nbn across Australia, as more customers ensure they are on the right broadband plan. In the past 12 months our nbn sales have grown 100% and nbn sales now make up 25% of all our broadband sales. We expect this momentum to increase and for nbn products to reach 50% of our broadband sales in FY17.

We are excited to be partnering with nbn co to help them reach their goal of 8 million homes connected by 2020 and have already been testing co-branded marketing and education activities, yielding some really positive results. The next few months will see us integrate their serviceability tool into both our website and CRM to continue to assist our customers with seamless connections to the nbn.

You will see us talking more about speed as it’s no longer just about having an unlimited plan. The arrival of the nbn means customers have a wider choice when it comes to speed, and faster speeds are becoming more important to customers given their ever increasing rate of content consumption and connected devices.

What all of this means is that iSelect is exceptionally well placed to further disrupt the broadband market. What has been particularly interesting to us is that under 5% of iSelect customers who are signing up to nbn plans are opting to stay with their current provider. With millions of homes set to roll-over to the nbn over the next few years, this presents a significant opportunity for iSelect and our partners.

<Internet of Things slide>

Internet of things

These changing needs include the medium-term opportunities for iSelect as we move towards what has become known as the ‘internet of things’ (IoT). Recent research has revealed the number of mobile-connected devices in the average Australian home is expected to grow from 11 to 29 per household over the next four years as more homes connect to the nbn. Of course, we are talking about a lot more than just laptops, phones and tablets. Now our TVs and watches are connected to the internet and this is only going to increase as more and more household devices are connected. Think, smoke detectors, heating and cooling, lighting, door locks, security cameras and fridges that are controlled via an app on your mobile phone or via Artificial Intelligence through your digital assistant such as “Siri” – essentially remote controlling our homes and our lives. Products like Nest, Google Home and Amazon Echo are leading the way in connected home solutions around the world.

It is estimated that by 2020, 34 billion devices will be connected to the internet – that’s more than 4 devices for every human on earth! As more of our everyday items become connected to the internet, our desire for fast, reliable internet will only increase. And the opportunities also flow over into other iSelect verticals, such as Energy, with the development of new solar solutions, battery storage and the mass adoption of connected electric hybrid vehicles, enabling iSelect to provide customers with the tools, products and services to better manage their life admin.

Health

In our Health vertical, we are confident it will continue to grow – and we forecast this to be in the range of 2 to 3 times the industry policy growth rate. We have achieved this growth rate in the first four months of this financial year, with solid increases in Gross Written Premiums and therefore revenue per sale. That said, we are seeing a continuation of some of the affordability issues experienced by customers last year in certain segments, however we believe this will be somewhat offset soon by the Government’s efforts in this space. We are big supporters of Minister Ley’s current review into the broader Private Health Insurance industry and support the changes made so far – notably, the amendments to reduce the cost of medical devices. We call for further transparency in Private Health Insurance with the release of Standard Information Statements to all market participants, which will enable the development of more innovative solutions and increase competition.

We are also aware of potential future competition in the private health insurance market in Australia, with a number of new entrants (both Australian and foreign) currently examining the space.

On consumer benefit more broadly, we note the Productivity Commission’s recent draft report on “*Data Availability & Use*” which has recommended that Australian consumers be given a “comprehensive right” over their own personal data held by Government and businesses. We believe that consumers will benefit by having greater control over their own data. By securely opening their history and being granted portability of their own data, financial services and insurance customers will be able to shop around to find a product which better suits their needs.

IT Update

This brings me to iSelect’s own technology upgrades. As we have announced previously, iSelect is in the process of its own systems enhancements. We are well down the track in the integration of our new CRM system with Salesforce. Although as with all major systems upgrades there have been challenges along the way, we believe we are on track for the Salesforce system to be operational by the end of this financial year. The integration of Salesforce across our verticals will enable advisers to see the full picture of a customer and their past dealings with iSelect. This 360 degree “single-view” of the customer will greatly enhance personalisation in our customer service proposition as well as increase cross-serving customers into other verticals.

<Salesforce/Aspect slide >

As well as the rollout of Salesforce, we are also introducing a new customer engagement platform with Aspect Software. This new system – Aspect’s Via, cloud-based customer engagement centre – will replace the current dialling technology we use and put the control of our interactions squarely in the hands of the customer. The customer will be able to determine how they interact with us, be it via phone, text message or even chatbots using Facebook Messenger. We will be the first company in the world to implement Aspect Via and it will help deliver that truly effortless customer experience.

In addition to those two major systems upgrades, we have a number of other tech projects underway or in the pipeline, including the continued rollout and expansion of our proprietary iConnect platform across all the verticals.

New Verticals

With these tech investments, we will be able to roll out new verticals, and bring them on line and into profitability much faster. It took us 15 years to launch our first seven verticals but we have launched three in just the past six months – credit cards, travel insurance and mobiles – and have plans for another four by June next year. We are, in effect, building the ‘cookie-cutter’ to launch new verticals in rapid time.

<Corporate Strategy slide>

Moving on to our corporate strategy, where the customer is front and centre.

We have multiple initiatives in place to achieve our corporate strategy, however if I can draw your attention to the bottom line, I will briefly touch on some of the levers & tactics.

You met Darryl our CFO earlier – Darryl started with us in July and is well on the way to identifying a suite of efficiency initiatives which will have a significant impact on our cost base.

We are constantly working on increasing our strategic partnerships with both current partner companies and new ones – the strength of our partnerships is evident by the growing number of products we offer customers.

As mentioned before, our organic growth is continuing apace with new verticals coming on line.

And we are looking at multiple avenues for inorganic growth, with our Growth Team having identified a number of potential acquisitions. The group has had a positive track record in this area, such as our successful acquisition of Energy Watch which has become a material contributor to the group’s overall energy results, and our strategic investment in iMoney, the leading comparison service in South East Asia. iMoney is rapidly growing and is achieving record revenue growth, with exposure to the South East Asian market with over 600 million potential customers.

We couldn’t achieve any of these objectives without an amazing team of people. I’d like to highlight our aim to be an employer of choice. The iSelect team numbers over 700 now and is still growing fast. This dedicated and talented group of individuals is what sets iSelect apart. I would like to thank every one of them for their efforts over the past year, helping our customers to “Always get it Right”.

<Life Admin Slide>

Finally, back to our vision of becoming Australia’s Life Admin Store.

Our products are often thought of as grudge purchases. They are the important but boring stuff in life. Adding new verticals and building out our product offering – as well providing an effortless customer experience will make iSelect the go-to destination for all the complex tasks that are just too easy to keep putting off – your Life Admin!

<Thank you slide>

In summary, I’m very happy to leave you with our continued optimism for the future, with iSelect’s growth now at a very exciting stage.

We have strengthened throughout FY16 and fully returned to stability and profitability. We are investing strongly for future growth, and have the right team in place now to implement our strategy to become Australia’s Life Admin Store.

Thank you very much.

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About iSelect

At iSelect, we get that most people find insurance, utilities and personal finance boring. But we understand that it’s really important to always get these things right. As Australia’s life admin store, iSelect gives customers the confidence to make the right call on some of the things that matter most.

Last year, more than 9 million Australians visited our website and we provided recommendations to over 6 million customers. But we are much more than just another online comparison website. Our highly-trained experts at iSelect HQ help customers to choose and buy from thousands of available policies, products and plans. And we provide our advice at no cost to the customer.

We compare and sell some of Australia’s biggest brands but are proud to be 100% independently owned. From health and life insurance through to energy and broadband, as well as car insurance and home loans, iSelect helps Australians take care of the boring but important stuff. www.iselect.com.au