

23 April 2018

Trading update and CEO resignation

iSelect Limited (ASX: ISU) provides the following update, that saw trading through the last two weeks of March and the first three weeks of April, below company expectations:

- Both the Health and Energy & Telco verticals have been negatively impacted by market volatility and lower than expected leads due to changes in the marketing mix, particularly reduced search engine marketing (SEM)
- Health experienced a softening in overall market demand following low industry rate rises and challenging market conditions given ongoing industry affordability issues
- Energy & Telco was impacted by higher digital customer acquisition costs and lower leads
- Life & General Insurance has been performing to plan, with the changes implemented in Life stabilising that segment and General Insurance continuing to grow.

Revised FY18 underlying EBIT guidance

iSelect has reviewed its expectations for the remainder of the 12 months ending 30 June 2018 (FY18) in light of current market conditions, performance in the second half of FY18 and in particular trading over the past five weeks. With June historically accounting for the bulk of second half earnings and assuming a similar trajectory as that experienced over the last five weeks, the Company has updated its guidance for FY18 underlying EBIT to be in the range between \$8 million to \$12 million (previously \$26 million to \$29 million).

CEO resignation

Scott Wilson has tendered his resignation as Managing Director & CEO of iSelect, effective immediately. The Board thanks Scott for his contribution to iSelect over the past five years and wishes him all the best in his future endeavours.

The Board will immediately commence an executive search process for a new Managing Director & CEO, and in the interim Brodie Arnhold (currently Independent non-executive Director and Chair of the Audit & Risk Committee) has been appointed Acting-CEO. The terms of Brodie's remuneration as Acting-CEO are yet to be agreed and the market will be informed in due course.

Brodie has been an independent non-executive director of iSelect since September 2014, and in his role as Acting-CEO will be supported by a strong Executive Leadership Team that has been formed over the past 12 months through the addition of the following experienced executives:

- Henriette Rothschild – Chief Operating Officer; responsible for developing and enhancing the performance and productivity of iSelect's contact centre staff
- Slade Sherman – Chief Experience Officer; responsible for developing and investing in iSelect's technology platforms and Intellectual Property, aligning technologies with customer experience and driving future growth
- Warren Hebard – Chief Marketing Officer; responsible for building iSelect's brand and consumer engagement across all media channels.

As previously announced, Nadine Lennie will commence in the role of Chief Financial Officer on 2 July 2018, bringing with her senior finance experience in a high growth technology environment.

In addition, David Christie (Chief Strategy Officer, General Counsel and Company Secretary) and Vicki Pafumi (Group Executive Business Operations; and currently also Acting-CFO) will continue as key members of the Executive Leadership Team.

Health – higher conversion and RPS insufficient to offset lead decline and increased marketing costs

The YTD performance of Health (vs same period FY17) has seen leads decline by 11% given the continued reduction in new to PHI customers across the industry and low rate rises. In the same period, iSelect's conversion rate and Revenue Per Sale (RPS) both increased. While YTD revenue was roughly in line with internal expectations, a 33% increase in marketing spend did not deliver the forecast yield increase.

Most of this underperformance occurred in the last two weeks of March 2018 (historically the second highest month for Health) with leads down 17%. This trend continued, with leads down 21% over the first three weeks of April.

Until the proposed Government reforms to Australia's private health insurance industry come into effect in July this year and incentives to attract young "new to PHI" members ramp up in April 2019, no improvement in the health insurance market is anticipated until the fourth quarter of FY19.

Outside of these industry factors, the key operational driver of the underperformance in Health has been changes in the marketing mix resulting in substantially reduced leads from SEM, and the anticipated greater uplift from the new marketing campaign that launched one week ago, not yet materialising.

Energy and Telco – higher customer acquisition costs and reduced leads

While the YTD number of leads for Energy & Telco has been relatively flat on FY17 YTD, and conversion rate and RPS are both up, the Company had budgeted for an even higher conversion rate. As a result, YTD EBIT is substantially below forecast.

Like Health, most of this underperformance has occurred in the last two weeks of March and has continued into April reflecting:

- a decline in leads to Energy Watch caused by the adjustment of marketing mix between traditional and digital media
- lead performance in iSelect Energy (whilst improved) was not sufficient to offset the decrease in Energy Watch
- higher customer acquisition costs in Telco that reduced the number of leads generated, combined with lower conversion and RPS due to product changes and challenges in broadband operations that are currently being addressed.

Life & General Insurance performing as expected

Life & General Insurance has performed slightly above YTD expectations across leads and conversion rate. However, in March lead numbers were lower but offset by higher than expected RPS as the mix between Life and General Insurance resets and the Company sells more general insurance products at a lower value.

The operational changes made to the Life segment have stabilised its contact centre team performance, with contact centre conversion improving and higher RPS.

Operational response to current trading

Warren Hebard (Chief Marketing Officer) is currently undertaking a full strategic review of the Company's marketing strategy and mix modelling tools to address the recent lead generation underperformance. iSelect's business model depends on both building long-term brand equity and short-term lead generation – the mix between traditional media and digital spend must be carefully balanced to ensure both objectives are met. As such, the mix of marketing spend is being adjusted in the near-term to allow for the continued support of iSelect's long-term growth strategy, while better supporting short-term lead generation.

Henriette Rothschild (Chief Operating Officer) has been leading the business unit performance improvement, investing in cross vertical consistency and commercial partnerships. During the March quarter, over 50 consultants were cross vertically trained to enable better customer experience and increased multi-product sales. While this has increased near-term costs, the benefits are expected to be seen in FY19 as consultants have already moved from selling 1.5 products per customers to 1.74 year on year, and Net Promoter Score has increased to 49.

Vicki Pafumi (Group Executive Business Operations) is leading significant focus on operational performance improvement, specifically improving the productivity of the Cape Town team.

Benefits from technology investment to flow from FY19

Slade Sherman (Chief Experience Officer) is overseeing the investment in new technologies that are being embedded into iSelect's cross vertical platform and further enhancing iConnect's machine learning / artificial intelligence [AI] capabilities. Operational gains from rationalising CRMs and rolling out iConnect have been limited to date by the Company's existing 'product first' legacy technology. The two remaining CRMs are now being combined into a single 'customer focused' platform, the impact of which is expected to drive increased customer lifetime value and higher customer numbers from FY19.

Strong balance sheet; no debt and \$21.1 million cash

iSelect's balance sheet remains strong, and at 22 April had no debt and a cash balance of \$21.1 million. The business remains cash generative. In addition, the balance sheet value of the Company's trail book has increased to \$123.7 million at 31 March 2018.

-- ENDS --

Investor and analyst conference call

The Company will be holding an investor and analyst conference call at **9:30am AEST today**. Participants can **dial +61-2 9007 3187 or 1800 558 698 (toll free)** to join the call. When prompted, please provide **conference ID: 880959**.



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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 trusted Life Admin partner, 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 and are proud to be ASX-listed and, unlike other comparison sites, we are not owned by an insurance company. 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.home.iselect

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