

iSelect completes a year of substantial turnaround in FY19 Underlying EBIT up 77% to \$15.2 million

20 August 2019: iSelect Limited (ASX: ISU) is pleased to announce its results for the full year ended 30 June 2019 (FY19), that saw the Company make significant improvements to its operational performance and position the business for sustainable growth.

FY19 results overview

- Substantial turnaround in the business is reflected in its earnings performance
 - Reported EBIT including iMoney of -\$2.3 million (FY18: -\$15.3 million)
 - Underlying revenue down 16% to \$150.7 million (FY18: \$178.5 million)
 - Underlying EBITDA up 45% to \$22.9 million (FY18: \$15.7 million)
 - Underlying EBIT up 77% to \$15.2 million (FY18: \$8.5 million)
 - Underlying NPAT up 64% to \$11.1 million (FY18: \$6.7 million)
- Balance sheet remains strong with \$22.0 million cash and no debt
 - Supports further investment in technology and brand to drive future growth
 - No dividends or buy-backs during FY19
 - Operating cash flow underpinned by increased profitability, offset by a higher mix of Trail revenue
- Ongoing turnaround with positive and sustained performance for FY20 and beyond. iSelect remains confident of a return to historic profitability in future years on a stable and scalable base that is focused on our customer experience and technology.

Improved core business performance in an environment of regulatory change

Underlying revenue (excluding iMoney) for FY19 was down 16% to \$150.7 million, reflecting the successful prioritising of profitable revenue and focussing on core business. iSelect has a clear strategy of sustainable profitable growth, underpinned by significant improvement in marketing return on investment (ROI) and operational efficiency. The growth in underlying EBIT, up 77% to \$15.2 million, was a clear demonstration of the successful execution of the Company's turnaround and growth strategy.

Commenting on the FY19 results, iSelect's Chief Executive Officer Brodie Arnhold said: "We delivered on our FY19 strategic objectives, which included stabilisation of the business and obtaining cost efficiencies, while investing in technology. This was supported through a focus on core operations and giving customers the information, services and choices that they needed, to deliver real value, while producing financial results to our expectations."

"FY19 saw a rebalance in marketing with a focus on ROI, in respect to spend and activity, resulting in higher quality, higher value customer leads laying a strong platform," added Mr Arnhold.

Focus on marketing ROI delivers EBITDA uplift across verticals

"Our Health business has seen a strategic shift away from traditional lead sources to a focus on marketing ROI. As a result, while there has been an expected decline in numbers around revenue, leads, sales units and RPS, we have seen an uplift in EBITDA of 7%," said Mr Arnhold.

For Energy and Telco there was a year on year decline in revenue, a consequence of unprecedented market demand in FY18 as well as the exit of an affiliate partner. In addition, conversion was impacted by the Cape Town team’s performance, with this operation closed in H2 FY19.

“Our Life & GI business saw an uplift of 43% in leads due to growth in the newer General Insurance (GI) verticals: Home & Contents, Pet, and Travel Insurance. While revenue was down slightly year on year, due to Life Insurance being impacted by the Life Insurance regulatory reforms, EBITDA was up significantly, by 40%, as a result of more profitable revenue and an adjusted cost base,” added Mr Arnhold.

Strategic investment in technology and marketing driving EBITDA growth

iSelect has invested significantly in technology through outcome-based design and innovation, which has seen a substantial increase in delivery in the technology release cycle.

Mr Arnhold said: “Our technology initiatives will continue to focus on the core – Customers, Partners and Operations – taking us from a transactional to a relationship business. This will transform the way customers interact with us in the future.”

“With strategic marketing investment and focus on ROI underpinning the greater efficiency and EBITDA growth seen in FY19, we will continue this into FY20 whilst also investing further in our brand.

“When you look at the pillars of our marketing strategy through our digital efficiency, affiliates, new lead sources, marketing cloud and iSelect brand, in FY20 we intend to build on these foundations and we look forward to seeing continued efficiencies as a result,” said Mr Arnhold.

A strong balance sheet with \$22 million cash and no debt

iSelect has maintained a strong balance sheet, no debt and \$22.0 million cash at 30 June 2019, with operating cash flow underpinned by increased profitability. Capital expenditure was driven by the company’s technology roadmap, with the focus being partners, customers, and operations.

The Board remains focused on conserving cash for strategic business reinvestment such as technology, marketing and brand, and has determined not to pay a final dividend for FY19. iSelect’s dividend policy will be considered periodically and dividends will be reinstated as soon as it is deemed prudent by the Board.

iMoney – Strong YOY growth in FY19 with trajectory set to continue

iMoney delivered annualised revenue growth of 39% in FY19 to \$4.1 million, in one of the fastest growing financial services markets in the world, South East Asia. iMoney’s strategic alignment with iSelect’s business is progressing well, with lead numbers up 35% year on year to 1.8 million, highlighting the growth potential of this region.

“There is a significant opportunity for iSelect in our four key markets, Singapore, Indonesia, Malaysia, and the Philippines. We have invested US\$18.4 million in iMoney with a shareholding of 84.3%. iMoney will require investment to grow in its markets and capitalise on the opportunities we see ahead for this business, and we are considering strategic options for this,” said Mr Arnhold.

Improved profitability whilst continuing to build on foundations for growth

Mr Arnhold said: “In FY20, we expect an increased spend in Technology and Marketing, as we continue our transition from a transactional to a customer relationship business. This will ensure that as we return to historic profitability levels in future years, we do so on a stable and sustainable base for the benefit of customers we help, employees and partners we develop, and our shareholders that support iSelect’s growth ambitions.”

“In FY20, our investment in technology will peak and we will reinvest in our Brand. This significant investment, combined with the Energy reforms (from July 1st 2019) and AASB15 will materially impact H1 FY20 compared to H1 FY19. We expect a stronger H2 in FY20 as we realise the benefits of this investment and the Energy market adjusts to the new regulatory environment.

“We are pleased to close FY19 having significantly improved profitability while continuing to build on the Company’s foundations for growth. We will remain focused on sustainable profitable growth in FY20 through our increase in spend in Technology and Brand,” said Mr Arnhold.

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Investor and analyst conference call

The Company will be holding an investor and analyst conference call on Tuesday 20 August at **11:00AM Australian Eastern Standard Time**. Participants can dial 1800 870 643 (toll free) to join the call. When prompted, please provide **CONFERENCE ID: 10001591**.

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