

## Despite a challenging year, iSelect well-positioned for FY21 and beyond

**27 August 2020:** iSelect Limited (ASX: ISU) has released its results for the full year ended 30 June 2020 (FY20) which saw the Company continue its evolution into a technology-driven customer relationship business, despite challenging external market conditions.

### FY20 Results Overview

FY20 proved a challenging year, with both Energy regulatory change and the unexpected shock of COVID-19 impacting performance, resulting in an Underlying EBITDA including JobKeeper of \$13.7 million (FY19: \$22.9 million)

- Underlying Revenue of \$123.0 million (FY19: \$150.7 million)
- Underlying EBIT of \$5.1 million (FY19: \$15.2 million)
- Underlying NPAT of \$3.1 million (FY19: \$11.1 million)
- Reported NPAT loss including iMoney of -\$43.5 million\* (FY19: -\$4.4 million)

\* FY20 Reported NPAT result includes: Goodwill impairment of \$18.8 million and iMoney trading losses and impairment of \$23.1 million

Despite both the expected and unexpected challenges faced in FY20, the Board remains committed to the long-term strategy and believes the recent changes to the operating model will allow the Company to build a strong base and return to growth in the near term.

### External Market Challenges

FY20 presented challenging market conditions and unprecedented economic uncertainty as a result of the COVID-19 pandemic. The Company's first half result was impacted by the significant challenges within the wider Energy market due to regulatory changes introduced on 1 July 2019. By early H2FY20, signs of recovery in the Energy market were evident and Health performance was strong. However, the unexpected onset of COVID-19 in mid-March led to the last-minute cancellation of the annual April 1 health insurance premium rise and suspension of elective surgeries which severely impacted performance at this time and throughout the remainder of FY20.

Unfortunately for our Energy and Telco segment, the severity of these market disruptions, combined with the uncertain timing of a recovery, has impacted the valuation of our Energy Watch business. We have taken a conservative position by impairing our EnergyWatch business.

### Adapting to COVID-19

As always, the safety and wellbeing of our people comes first. Our team members showed impressive resilience as we rapidly moved to setup all operations and staff to a 'Work-from-home' (WFH) environment in March. At this time, the Board and Executive also moved quickly to adjust the cost base by introducing Board and Executive pay reductions of 30%, 8-day fortnight for staff along with an organisational redesign and other significant fixed cost savings.

### Strategic Review

In light of the uncertain macro-economic outlook, the Board has conducted a strategic review and repositioned the business for improved profitability in FY21 and beyond. This strategic review has resulted in significant structural changes and led to the introduction of our 'Future Operating Model'. This leaner model will enable greater emphasis on marketing ROI, profitability and cash flow in the short-to-medium term.

iSelect CEO, Brodie Arnhold, commented: “I am very proud of the way iSelect has quickly adapted our operations and adjusted our model in response to COVID-19 without wavering in our commitment to our customers. Importantly, our core business remained resilient throughout FY20 and I believe we are now well positioned heading into FY21” said Mr Arnhold.

### **iMoney Exit**

In August 2020, iSelect finalised the sale of Intelligent Money SDN BHD (“iMoney”) to one of the founders of the iMoney business for a nominal value. The transaction followed an earlier exploratory sale process that had progressed to documentation with interested parties, but due to the ongoing impact of COVID-19 on iMoney’s operations, the sale process did not result in a transaction.

Despite iMoney’s potential, it had become clear that the capital investment needed to continue to support that business was no longer aligned with iSelect’s strategy, especially considering operational and other impacts of COVID-19 on the Asian market.

### **Corporate activity**

During July 2020, iSelect was in confidential and incomplete discussions with Innovation Holdings Australia Pty Ltd (“IHA”), a 28.7% shareholder in iSelect regarding a number of alternate “change of control” proposals. These discussions resulted in IHA proposing for negotiation of an off-market takeover offer to acquire the remaining shares in iSelect.

On 1 August 2020, IHA notified iSelect that it was not proceeding because the parties could not agree on various terms.

### **Business Performance**

The COVID-19 health crisis continues to create market volatility. Uncertainty due to the extent and impact of ongoing Government lockdowns, flow on effects to economic performance, and future action the Government will take to support economic recovery, make it difficult to predict market outcomes.

Mr Arnhold commented: “Despite this ongoing uncertainty, we are pleased that the operating model changes made in Q4FY20 have already begun to yield early positive results. In July 2020, we posted an EBITDA of \$2.6 million (including JobKeeper) with momentum continuing in August. Whilst we anticipate a reduction in revenue in FY21, we believe our model change will allow us to build a stronger base and enable return to growth in the near term.”

The Company continues to prudently manage its cost base, targeting a full year reduction in Overhead costs of 15.8% for FY21.

### **Commitment to our strategy**

FY20 saw the Company’s continued evolution into a technology-driven customer relationship business, with a number of key initiatives delivered during FY20, including:

- New Genesys telephony platform with Salesforce integration
- Customer Account now live, with Monthly Active Users now being tracked
- Marketing Automation

Mr Arnhold said: “Our Customer Account ‘Saved Search’ feature is now live across Health, Energy and Telco, allowing us to track monthly active users (MAUs) and products purchased per user. Building customer trust and confidence in our brand means we are more likely to increase lifetime value through repeat visits, upsell and cross-sell. As we move into FY21, we will continue to invest in our Customer

Account capabilities, along with improvements to our data and contact strategies which will benefit both our customers and our partners.”

### **Balance Sheet Strength**

The Company’s consolidated cash balance at 30 June 2020 was \$10.5 million. Significantly, the Working Capital outflow due to Trail Revenue decreased from \$11.4 in FY19 to \$4.2m in FY20. We expect this positive trend will continue resulting in stronger cash flows in FY21. In due course we will consider capital management options as appropriate.

### **Executive Succession Planning**

The Board has appointed Russell Reynolds who are assisting with executive succession planning.

### **Outlook**

Looking ahead to FY21, Mr Arnhold said: “While the market is beginning to show resilience, bouncing back from the lows of COVID-19 in March and April, the extent of this recovery is still dependent on efforts to contain the virus and the outlook for the underlying economy. In this uncertain economic environment, iSelect’s service is more relevant than ever as Australian households look to reduce the financial pressure and find ways to save on their bills and expenses. We will continue to adapt our model to the changing external environment while always remaining focused on improving our value offering to our customers.”

Authorised for release by the Board of iSelect Limited.

-- ENDS --



**Investor and analyst conference call**

The Company will be holding an investor and analyst conference call on Thursday 27 August at **11:00AM Australian Eastern Standard Time.**

**Please note that pre-registration is required for Q&A calls.** Please use the link below to pre-register:

- <https://s1.c-conf.com/diamondpass/10009531-invite.html>

**Investor and analyst enquiries:**

**Rohan Dixon**

Group Investor Relations, Strategy and Analysis

M: +61 402 094 289

E: [rohan.dixon@iselect.com.au](mailto:rohan.dixon@iselect.com.au)

**Media enquiries:**

**Tim Allerton**

City Public Relations

M: +61 412 715 707

E: [tallerton@citypublicrelations.com.au](mailto:tallerton@citypublicrelations.com.au)

**About iSelect**

---

At iSelect, we're passionate about helping Australians with their household bills and save time, effort and money.

We are Australia's go-to destination for comparison across insurance, utilities and personal finance products made available from our range of providers and our service is provided at no cost to the customer.

We compare a wide range of Australia's leading brands but unlike other comparison sites, we are not owned by an insurance company. Our trained consultants help Australians to compare, select and save. [www.iselect.com.au](http://www.iselect.com.au)