

ASX announcement

Friday 19 February 2015

Cover-More Group continued to deliver strong growth with outperformance in Australian travel insurance business, international business momentum continuing and global initiatives on track. EBITDA impacted by increased underwriting premiums.

Overview

- Cover-More continued to deliver strong revenue growth with outperformance of the market in Australia and double digit growth in Asia:
 - Group sales grew by +6.6% vs pcp
 - Gross travel insurance sales in Australia grew by +7.1% vs pcp
 - Gross sales in Asia grew at +27.6% vs pcp.
- EBITDA was \$20.4m, 16.4% behind pcp of \$24.4m. Excluding one-off costs and business expansion costs linked to our increased global footprint, adjusted EBITDA was \$22.0m, -9.8% vs pcp. Key drivers of the EBITDA decline, announced to the ASX on 16 February 2016, include:
 - Increased underwriting premium payable (EBITDA impact -\$5.6m) due to higher claims costs
 - one-off costs of \$1.0m, associated with the settlement of a legal dispute and the impacts of Bali's ash cloud events
 - investment of \$0.6m incurred in expanding Cover-More's international footprint
 - decline in the Assistance business of \$0.6m due to lost contracts as reported in FY2015.
- NPATA of \$10.7m, -26.7% vs pcp
- NPAT of \$8.2m, -31.1% vs pcp
- Operating free cash flow before CAPEX of \$18.8m (\$14.3 million after CAPEX) displaying strong conversion of EBITDA into cash flow.

Cover-More Group Limited (ASX:CVO), a specialist, integrated travel insurance, medical assistance and employee assistance provider, today released trading results for the six months ended 31 December 2015.

Group Chief Executive Officer, Peter Edwards said: "Our first half has delivered strong revenue growth and market outperformance in the travel insurance business. Our Australian business achieved growth of +7.1%—an acceleration of the growth we saw in the FY2015 year. Our international business momentum is continuing with EBITDA in Asia up +75.0% and significant global growth initiatives on track including North America and Global Direct."

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“EBITDA was impacted primarily by an increase in the premium we paid to our underwriting partner in Australia in relation to claims costs. The business also experienced one-off costs and invested to support our growth aspirations globally.”

“We continue to work with our Australian underwriting partner in an effort to limit the volatility experienced through the current underwriting premium model with an aim to transition to a Generalised Linear Model. We anticipate that the issue will be resolved in H2 FY2016.”

Operational highlights of the Cover-More result include the following.

- Insurance segment revenue growth +8.3%; Australian sales +7.1% while conversion rates in key partners have materially increased. This growth was achieved in an environment of lower outbound travel growth rates.
- International growth and profitability continue to accelerate, benefiting from structural growth trends and scale benefits.
- Asia gross sales +28% and EBITDA +75% vs pcp—this now contributes 17%¹ of Group profit vs 15%¹ in FY2015 and 10%¹ in FY2014.
- Offshore highlights include:
 - India +60% gross sales
 - UK +29% gross sales
 - China +23% gross sales.
- North America and Global Direct initiatives on track:
 - secured Flight Centre USA supported by Aon Affinity Travel Practice with sales expected to commence in April 2016—includes Liberty Travel and GOGO Vacations brands
 - continued to build out capability to deploy Cover-More Direct business model through relationship with Zurich Insurance utilising Zurich’s broad international reach and existing infrastructure.
- Continued travel insurance momentum driven by major customer milestones:
 - extended Flight Centre partnership to 2024 with expanded participation across global footprint and deeper integration into customer touch points
 - Australia and NZ: secured P&O Cruises, Travelex, Topdeck Travel and Westpac NZ (first banking partner)
 - Asia: secured Yatra (the second largest online travel agency in India), GoAir (an airline carrying six million passengers per year), Palm You (a platform to over 1,400 travel agents in China) and a relationship with Zurich to distribute product using Impulse technology through Hong Kong Airlines.

Peter Edwards said: “We are pleased to announce the extension of our contract with Flight Centre, one of our most valued partners, through to 2024. This extension was reached three years in advance of the end of the existing contract term and is a testament to the strength of a relationship built on a unique

¹ Adjusted on like-for-like basis to be consistent with previously reported figures and account for change in FY2015 accounting treatments relating to reallocation of shared services overheads and Group corporate costs to Asia business.

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aligned economic interest model. We have extended the scope of the arrangement to envisage greater participation across our combined global footprint and deeper integration into customer touch points. This also speaks to the role that both Cover-More and Flight Centre expect data to play in shaping unique experiences for international and domestic travellers.”

“We continue to invest in the business to lay the foundations for our next phase of growth. Our investment in the development of *My Cover-More* remains on track and will deliver an innovative, customer-centric approach to enhancing our relationship with travellers.”

“Cover-More continues to expand our global footprint with our entry into the US\$2.5 billion US travel insurance market anticipated to be live by April 2016. We will be commencing travel insurance distribution with key Flight Centre brands, supported by Aon Affinity Travel Practice to provide us with operational support.”

“We have signed a Heads of Agreement with Zurich to support Cover-More’s Global B2C Direct strategy and will be deploying Cover-More’s Global Direct travel insurance offering across multiple global jurisdictions. Our initial agreement includes five countries with further geographies under consideration.”

“We continue to expand our global footprint while leveraging structural growth trends, specialised expertise, scale data and proprietary systems to deliver strong earnings growth and shareholder returns,” Peter Edwards said.

FY2016 Interim Dividend

The Board declared an interim dividend of 2.1 cents per share fully franked. Inclusive of franking credits, this represents a total cash return to investors of 8.8 cents or a gross yield of 4.1% on the share price for the last 12 months of trading.

Appendix 1 follows which summarises financial results for H1 FY2016.

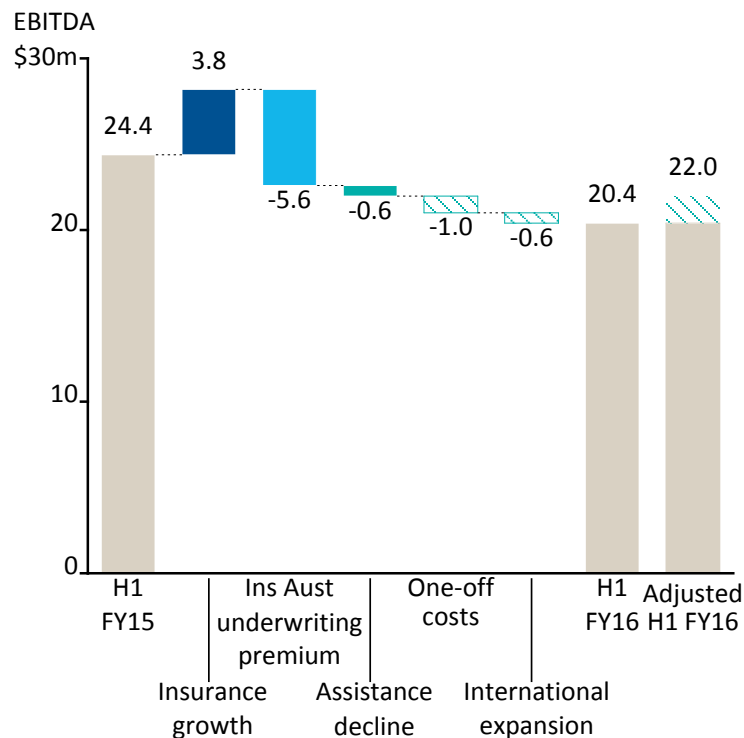
Appendix 2 follows which provides a reconciliation between statutory and adjusted H1 FY16 EBITDA.

Appendix 3 follows with key dates including dividend payment.

Appendix 1: Results overview

A\$ in millions	1H FY2016	1H FY2015	Growth
Travel Insurance Gross Written Premium	202.8	187.3	8.3
Net Travel Insurance Sales	71.6	79.0	(9.4)
Net Travel Insurance Sales (%GWP)	35.3%	42.2%	
Net Medical Assistance Sales	32.8	33.7	(2.7)
Total Net Revenue	104.4	112.7	(7.4)
Gross margin	40.5	44.2	(8.4)
Gross margin (% of Net Revenue)	38.8%	39.2%	
EBITDA	20.4	24.4	(16.4)
EBITDA (% of Net Revenue)	19.5%	21.7%	
EBITA	16.9	22.0	(23.2)
EBITA (% of Net Revenue)	16.2%	19.5%	

Appendix 2: Statutory to adjusted EBITDA reconciliation



Appendix 3: Key dates

Key event	Date
Announcement of 1H FY2016 results and interim dividend	19 February 2016
Trading of Cover-More shares on an ex-entitlement basis	24 February 2016
Record date	26 February 2016
Payment of the final dividend	11 April 2016

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Contact

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About Cover-More

Cover-More Group is a specialist and integrated travel insurance, medical assistance and employee assistance provider. Cover-More has the leading market position in Australia—with an approximate 40% share of the national travel insurance market—and a growing footprint in India and China, as well as a presence in Malaysia, Singapore, New Zealand and the United Kingdom.

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