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Cover-More Group

H1 FY16 Half year results presentation

19 February 2016



Executive summary

Outperformance in Australian travel insurance business with international business momentum continuing. Asia EBITDA +75% and global growth initiatives on track. EBITDA impacted by increased underwriting premiums

- **H1 FY16 Gross Sales** of \$235.6m (+6.6%), **EBITDA** of \$20.4m (-16.4%)
 - Excluding one-off costs and business expansion costs linked to the increased global footprint, adjusted EBITDA was \$22.0m (-9.8%)
- **Insurance segment revenue growth +8.3%:** Australian sales +7.1% with conversion rates in key partners continuing to increase
 - Investment in 'My Cover-More' (single view of customer) and expanding capability internationally
- **International growth and profitability continue to accelerate,** benefiting from structural growth trends and scale benefits
 - Asia gross sales +28% and EBITDA +75% vs pcp; now contributes 17%¹ of Group profit (15%¹ FY15; 10%¹ FY14)
 - Offshore growth highlights: India +60%, UK +29%, China +23%
- **Key drivers of EBITDA decline:**
 - Increased underwriting premium (EBITDA impact -\$5.6m) due to higher claims costs driven by AUD depreciation, portfolio mix shift and underwriting premium model volatility
 - One-off costs of \$1.0m from impact of Bali ash cloud events and settlement of a legal matter
 - Investment of \$0.6m on international expansion
 - Assistance business decline of \$0.6m due to lost contracts (as reported in FY15)
- **North American and Global Direct initiatives on track:**
 - Implementing Flight Centre US in partnership with Aon Affinity Travel Practice for expected go-live of April 2016. Model provides for a lower risk, capital-light entry to the US\$2.5bn market
 - Building out capability to deploy Cover-More Direct business model with Zurich Insurance utilising Zurich's broad international reach and existing infrastructure
- **Major client milestones:**
 - Extended Flight Centre partnership to 2024 with expanded participation across global footprint and deeper integration into customer touch points
 - Australia and NZ: P&O, Travelex, Topdeck tours, Westpac NZ (first banking partner)
 - Asia: Yatra (#2 OTA in India), GoAir (6m pax p.a. in India), Palm You (platform to 1,400+ travel agents in China), relationship with Zurich to distribute product using Impulse technology through Hong Kong Airlines

¹Adjusted on like-for-like basis to be consistent with previously reported figures and account for change in FY15 accounting treatments relating to reallocation of shared services overheads and Group Corporate costs to Asia business

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Summary and outlook



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Results overview

Results overview: summary

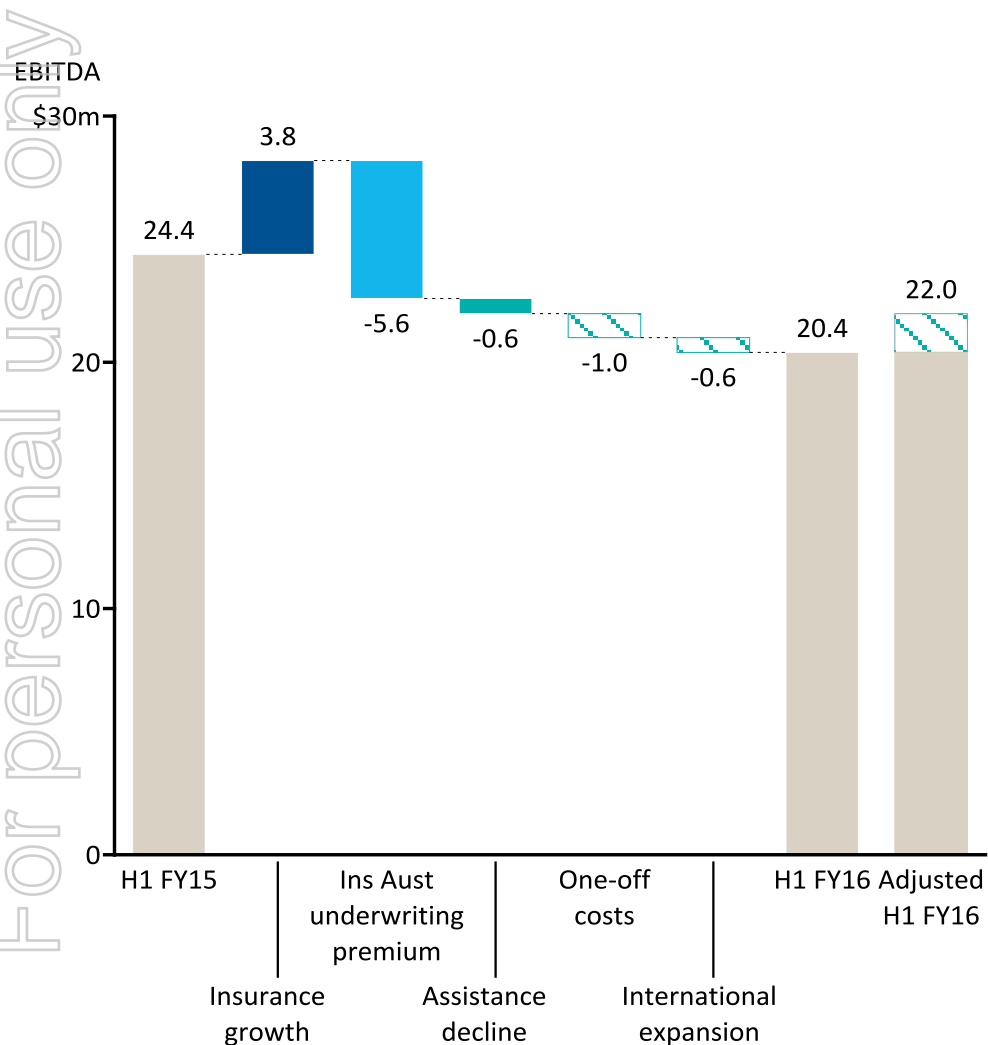
Total gross sales grew by +6.6%, however increasing underwriting premium led to decline of -7.4% in net sales and -16.4% decline in EBITDA

	H1 FY16 \$m	H1 FY15 \$m	yoy growth (%)
Gross Travel Insurance Sales	202.8	187.3	8.3
Gross Medical Assistance Sales	32.8	33.7	(2.7)
Total - Gross Sales	235.6	221.0	6.6
Net Travel Insurance Sales	71.6	79.0	(9.4)
Net Medical Assistance Sales	32.8	33.7	(2.7)
Total - Net Sales	104.4	112.7	(7.4)
EBITDA	20.4	24.4	(16.4)
EBITA	16.9	22.0	(23.2)
EBIT	13.2	18.2	(27.5)
NPAT	8.2	11.9	(31.1)
NPATA	10.7	14.6	(26.7)
Earnings per share (cents) ¹	3.4	4.6	(26.7)
Interim dividend per share (cents)	2.1	3.2	(34.4)
Special dividend per share (cents)	-	1.8	
Net borrowings	40.4	34.9	15.8
Operating free cash flow before capital expenditure	18.8	24.2	(22.3)
Operating free cash flow after capital expenditure	14.3	22.5	(36.4)
Cash conversion ratio (before capex)	92.2%	99.2%	
Cash conversion ratio (after capex)	70.1%	92.2%	

¹Earnings per share calculated on the basis of NPATA

Results overview: EBITDA impact

EBITDA decline driven by increased underwriting premium, assistance earnings decline, investment in overseas business and one-off costs. Adjusted H1 FY16 EBITDA is \$22.0m (-9.8% vs pcg)



Comments

- Insurance segment primarily impacted by increased underwriting premium in Insurance Australia (-\$5.6m EBITDA impact) due to:
 - FX impact:** More than half of Cover-More's claims denominated in foreign currency. AUD weakening relative to major currencies impacts claims cost, with US declining 30% and basket of key currencies declining 20% from beginning of H1 FY15 to end of H1 FY16
 - Portfolio mix shift:** Recent years have seen changes in underlying demographic trends and travel behaviour along with a change in CVO's customer profile as a result of continued client wins
 - Underwriting premium model:** Working with our Australian underwriting partner to limit the volatility experienced through current underwriting premium model
- Outside of the impact of underwriting premium, the adjusted insurance segment growth had a +\$3.8m EBITDA impact due to growth in our Australian and international insurance businesses
- Medical assistance business EBITDA declined by -\$0.6m due to loss of a few key high margin contracts in DTC business in FY15 and lower external travel medical case volumes
- Additional costs incurred building out capability in overseas businesses and one-off costs primarily relating to settlement of employment dispute and Bali ash cloud events. Excluding these costs, adjusted H1 FY16 EBITDA is \$22.0m (-9.8% vs pcg)

Results overview: underwriter relationship

Premium payable to underwriter in H1 FY16 has caused instability in CVO's earnings

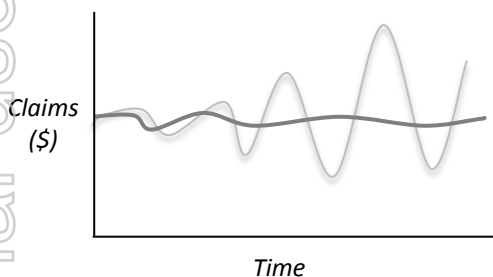
Why has this happened and how will it be resolved?

Context

Payment to underwriter
(current model)

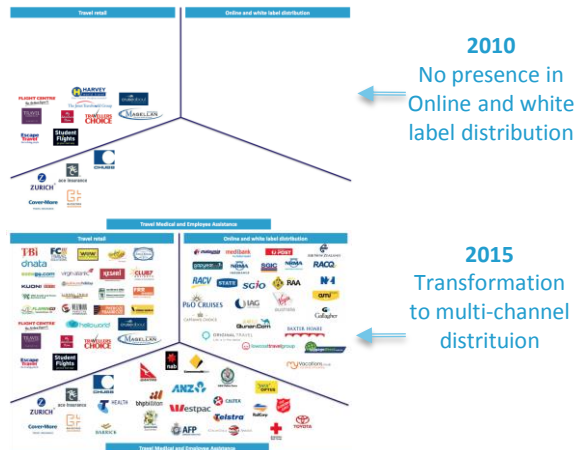
CONCEPTUAL

Actual claims experience



- Underwriting arrangement provides for a calculation of the amount payable to the underwriter each quarter in advance of claims being incurred
- Arrangement is a unique element of our business model and provides certainty of underwriting premium payable for CVO in advance of claims incurred
- Actual claims experience may differ from the premium paid to underwriter. In any given quarter, the underwriter may benefit or be negatively impacted by this

What has changed?



- Underwriting premium model is highly predictive and stable when claims experience remains relatively unchanged. Mechanism created in 2009, when Cover-More was largely in one distribution channel with one dominant distributor and model worked effectively
- Cover-More has grown significantly and seen portfolio mix shift accentuated by CVO's move into intermediated market, alongside rapid depreciation of the AUD which has increased volatility in the risk premium paid to the underwriter

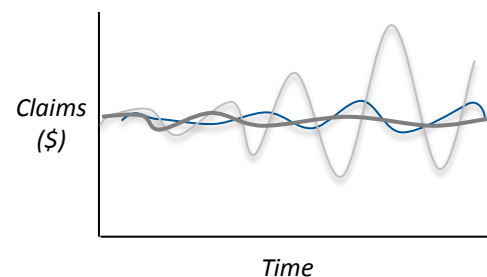
Solution

Payment to underwriter
(current model)

CONCEPTUAL

Payment to underwriter (GLM)

Actual claims experience



- Moving to an underwriting premium model based on a Generalised Linear Model (GLM) is expected to reduce this volatility
- Cover-More has been involved in ongoing negotiations with our underwriter to move to a GLM for the purposes of paying the underwriting premium
- We expect a resolution in H2 FY16

Strong sales growth in Insurance Australia and UK; NZ impacted by Air NZ result

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Australia
/NZ/UK

Australia

Sales +7%

- Gross travel insurance sales **growth +7.1%**
- Conversion rates in key partners continue to improve
- Repricing efforts ongoing to recover increases in underwriting premium
- Development of innovative, customer-centric My Cover-More platform ('single view of customer') on track
- Commencement of Virgin Australia relationship which increases domestic travel as part of policy mix
- Key highlights:
 - Flight Centre partnership extended to 2024 to provide for increased participation on data led, customer relevant solutions to travelers
 - Secured relationships with P&O Australia, Travelex and Topdeck tours

NZ

*Secured
Westpac
NZ*

- Gross sales **declined -4.6%** due to impact of Air NZ booking path shift to opt-out for regulatory reasons. Sales growth in other partners grew by strong double-digits.
- Continued success in digital channel with partners, with selected new partners seeing 20%+ increase in sales after engaging Cover-More as digital optimisation partner
- New partners:
 - Commenced travel insurance distribution with Westpac NZ in December 2015; development commenced for innovative product distributed through mobile app
 - Partnered with Mosaic to launch Volo travel insurance targeting Gen Y travellers via mobile app
 - Secured P&O Cruises NZ relationship

UK

*Gross
profit
+53%*

- Gross sales **growth +28.9%** and **gross profit +53.0%**; **Direct sales growth +20%** pcp
- New partners:
 - Cover-More UK nominated and short-listed for Globe Awards "Best Travel Insurance Provider 2016"
 - New Business Travel Insurance Product launched in January 2016, aimed at UK SME market
- Ongoing consideration of acquisition opportunities

Increasing offshore focus: Asia EBITDA grew by 75% and now makes up 17%¹ of Group profits

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Asia

India

Sales +60%

- Gross sales **growth of +60.4%** and gross profit growth of **+116.6%**
- Strong continuing sales growth in retail agency and corporate distribution channels. Successful geographic expansion to southern India. Further sales uplift expected from new partners
- Continue to build out presence in white-label intermediary channels securing first regional airline partner and #2 online travel agent by market share
- Key highlights:
 - Secured GoAir (fifth largest airline in India with 6 million passengers per year)
 - Secured Yatra, India's second largest online travel agency (OTA)
 - Goibibo distribution scheduled to commence by Q4 2016. Goibibo is India's third largest OTA and has 35% share of OTA air travel bookings
- Continued shared services activities for other Cover-More Group businesses, achieving lower costs to operate along with enhanced customer service levels

South-east Asia

- Sales **declined -27.5%** and **gross profit -26.1%** due to ongoing trading difficulties faced by major trading partner. Rate of sales decline moderating in Q2
- Actively supporting MAS corporate reorganisation

China

Sales +23%

- China **sales grew by +23.0%** due to uplift in China assistance business and increase in air ambulance cases
- New CEO and Director of Sales appointed in China
- New CEO and sales team gaining traction in the market with promising pipeline of opportunities
- Key highlights:
 - Relationship with Zurich to distribute product using Impulse technology through Hong Kong Airlines
 - Travel insurance distribution arrangement signed with travel platform Palm You; capability to reach 1,400+ travel agents

¹ In order to provide a consistent comparison to previously reported numbers, Asia EBITDA % of group has been adjusted on a like-for-like basis to exclude changes in accounting treatments in FY15 relating to reallocation of shared services overheads and Group Corporate costs to Asia business

Results overview: assistance and other

Positive growth in Assistance sales returned in Q2 following loss of major contract in DTC and lower external volumes in Travel Medical Assistance as reported in FY15

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Medical Assistance	Travel Medical	<ul style="list-style-type: none"> Sales decline of -2.1% vs pcp <ul style="list-style-type: none"> External volumes down materially as major clients scale back their credit card travel insurance businesses Internal volumes continue to be strong with growth above that of the travel insurance business Gross profit impacted <ul style="list-style-type: none"> Attributable to temporary labour increase to meet demand from Bali ash cloud events Excluding Bali impact, gross margins consistent with pcp
	DTC	<ul style="list-style-type: none"> Sales decline of -5.5% vs pcp <ul style="list-style-type: none"> Due to contract losses in FY15 including significant downsizing of second-largest contract in the business as well handful of other key contracts Major impact in Q1, with revenue stabilising in Q2 to be largely in line with pcp due to effects of retention of Westpac, NAB and scope extension of CBA and the Department of Immigration and Border Patrol Gross margin impacted by loss of higher margin contracts and lower levels of trauma revenue Decision to retain DTC as part of Group; intention is to revitalise the DTC proposition to capture greater value from the strong position the business has in mental health
Group	Overhead costs	<ul style="list-style-type: none"> One-off costs with EBITDA impact of \$1.0m Additional investment of \$0.6m related to building out capability in overseas businesses
	Dividend	<ul style="list-style-type: none"> Interim dividend of 2.1 cents per share (fully franked)
	People	<ul style="list-style-type: none"> John Murphy, Group COO, retiring on 30 June 2016. Andrew Byrne, former senior executive for AIG, Suncorp and Allianz with experience across Australia and Asia, to join as new Group COO in March 2016 Wilson Chan, China CEO, joined in December 2015 Kevin Davis has rejoined the DTC business as COO

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Financial performance

Financial performance: income statement

Travel insurance gross sales up +8.3%; increased underwriting premium led to net sales and earnings decline

A\$ in Millions	H1 FY16	H1 FY15	yoy growth (%)
Gross Travel Insurance Sales	202.8	187.3	8.3
Gross Medical Assistance Sales	32.8	33.7	(2.7)
Total - Gross Sales	235.6	221.0	6.6
Net Travel Insurance Sales	71.6	79.0	(9.4)
<i>% of Gross Travel Insurance Sales</i>	<i>35.3%</i>	<i>42.2%</i>	
Net Medical Assistance Sales	32.8	33.7	(2.7)
Total Net Revenue	104.4	112.7	(7.4)
Cost of Sales	(63.9)	(68.5)	(6.7)
Gross margin	40.5	44.2	(8.4)
<i>% of Net Revenue</i>	<i>38.8%</i>	<i>39.2%</i>	
Employment overheads	(10.5)	(11.6)	(9.5)
Other overheads	(9.6)	(8.2)	17.1
Total overheads	(20.1)	(19.8)	1.5
EBITDA	20.4	24.4	(16.4)
<i>% of Net Revenue</i>	<i>19.5%</i>	<i>21.7%</i>	
Depreciation	(1.9)	(1.2)	58.3
Amortisation of capitalised IT and software	(1.6)	(1.2)	33.3
EBITA	16.9	22.0	(23.2)
<i>% of Net Revenue</i>	<i>16.2%</i>	<i>19.5%</i>	
Amortisation of acquired intangibles	(3.7)	(3.8)	(2.6)
EBIT	13.2	18.2	(27.5)
<i>% of Net Revenue</i>	<i>12.6%</i>	<i>16.1%</i>	
Net interest expense	(1.6)	(1.3)	23.1
Forex gains/ losses	-	0.3	n/a
Income tax expense	(3.4)	(5.3)	(35.8)
NPAT	8.2	11.9	(31.1)
<i>% of Net Revenue</i>	<i>7.9%</i>	<i>10.6%</i>	
NPATA	10.7	14.6	(26.7)

Comments

- Total Gross Sales up +6.6%
 - +8.3% growth in travel insurance
 - -2.7% growth in assistance; lower growth due to loss of DTC contract and decline in external case volumes in travel medical
- Net travel insurance sales decline -9.4% reflecting impact of increased underwriting premium
- Gross margin as % of net sales declined marginally by 0.4ppt due mainly to a lower rate of profit share as a % of net revenue as a result of the growth of non profit share business (most notably in Asia)
- Overheads grew at 1.5%. Employment overheads improved due to realignment of incentives to current Group performance and ongoing focus on achieving efficiencies across the Group. Excluding impact of one-off costs (including a legal settlement), total overheads were reduced by -2.5%
- Depreciation including make good acceleration relating to lease premises
- Amortisation has increased in line with increased capital expenditure on projects (including My Cover-More and new client on-boarding)

Financial performance: segment view

Travel insurance sales remained robust; Asia sales up by +27.6% and Asia EBITDA now accounts for ~17%¹ of Group earnings. Margins impacted by increased underwriting premium and assistance

Operating

A\$ in Millions	H1 FY16	H1 FY15	yoy growth (%)
Gross sales			
Travel insurance	202.8	187.3	8.3
Medical assistance	32.8	33.7	(2.7)
	235.6	221.0	6.6
Net revenue			
Travel insurance	71.6	79.0	(9.4)
Medical assistance	32.8	33.7	(2.7)
	104.4	112.7	(7.4)
Gross margin			
Travel insurance	27.3	29.7	(8.1)
Medical assistance	13.2	14.5	(9.0)
	40.5	44.2	(8.4)
EBITDA			
Travel insurance	12.3	15.4	(20.1)
Medical assistance	8.1	9.0	(10.0)
Corporate	-	-	n/a
	20.4	24.4	(16.4)

Geographic

A\$ in Millions	H1 FY16	H1 FY15	yoy growth (%)
Gross sales			
Australia, NZ, UK	212.3	202.8	4.7
Asia	23.3	18.3	27.6
	235.6	221.1	6.6
Net revenue			
Australia, NZ, UK	93.6	105.1	(10.9)
Asia	10.8	7.6	42.1
	104.4	112.7	(7.4)
Gross margin			
Australia, NZ, UK	35.8	41.3	(13.3)
Asia	4.7	2.9	62.1
	40.5	44.2	(8.4)
EBITDA			
Australia, NZ, UK	19.0	23.6	(19.5)
Asia	1.4	0.8	75.0
Corporate	-	-	n/a
	20.4	24.4	(16.4)

Comments

- Gross Travel Insurance Sales +8.3% (vs pcp)
- Net sales impacted by increased underwriting premium due to FX impact and portfolio mix shift
- Travel insurance EBITDA declined -\$3.1m. Excluding one-off impacts (-\$0.7m) and international expansion costs (\$-0.6m), adjusted travel insurance EBITDA declined -\$1.8m
- Medical Assistance gross margin impacted by Bali ash cloud and decline in DTC margins. Excluding impact of Bali (-\$0.3m), CustomerCare (travel medical) gross margin remained relatively stable and underlying Assistance EBITDA declined -\$0.6m
- Australia, NZ, UK:
 - gross sales +4.7% with net revenue -10.9% (vs pcp) due to underwriting premium impact primarily in Australia. UK sales +28.9%
- Asia:
 - gross sales +27.6% and net revenue +42.1% (vs pcp). Strong growth in India +60.4% and China +23.0%
 - gross margin +62.1% and EBITDA +75.0% (vs pcp)
 - Asia now contributes ~17%¹ of Group profit compared to ~15%¹ in FY15 (on a like-for-like basis with corporate allocations excluded)

¹ Adjusted on like-for-like basis to be consistent with previously reported figures and account for change in FY15 accounting treatments relating to reallocation of shared services overheads and Group Corporate costs to Asia business

Financial performance: cash flow

Business continues to generate strong cashflow and high rates of cash conversion. Increase in capex as Cover-More invests for next phase of growth

A\$ in Millions	H1 FY16	H1 FY15
EBITDA	20.4	24.4
Non-cash items in EBITDA	(0.5)	0.3
Change in Working Capital	(1.1)	(0.5)
Operating free cash flow before capital expenditure	18.8	24.2
<i>% of EBITDA</i>	<i>92.2%</i>	<i>99.2%</i>
Capital Expenditure		
Investment in software	(3.6)	(1.2)
Net payments for property, plant and equipment	(0.9)	(0.5)
Total capital expenditure	(4.5)	(1.7)
Operating free cash flow after capital expenditure	14.3	22.5
<i>% of EBITDA</i>	<i>70.1%</i>	<i>92.2%</i>

Comments

- Operating free cash flow before capital expenditure declined from \$24.2m to \$18.8m, reflecting the decline in EBITDA
- Operating free cash conversion of:
 - 92% before capex
 - 70% after capex
- Outflows from capital expenditure increased from \$1.7m to \$4.5m. H1 FY15 capital expenditure was atypically low (H2 FY15 expenditure of \$4.7m)
- Capital expenditure related to investments for next phase of growth, notably:
 - Build of My Cover-More technology platform (due for release in Q3 FY16)
 - On-boarding of new distribution partners including Virgin Australia and Westpac NZ

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Financial performance: H1 FY16 balance sheet compared to FY15

Balance sheet remains healthy with low levels of gearing

A\$ in Millions	31 Dec 2015	30 Jun 2015
	\$m	\$m
ASSETS		
Current assets		
Cash and cash equivalents	23.8	24.0
Trade and other receivables	33.2	31.3
Total current assets	57.0	55.3
Non-current assets		
Plant and equipment	4.8	4.7
Intangible assets	247.6	248.8
Other	0.6	0.5
Total non-current assets	253.0	254.0
Total assets	310.0	309.3
LIABILITIES		
Current liabilities		
Trade and other payables	34.5	34.5
Current tax provisions	0.3	4.5
Borrowings	-	-
Other	4.5	4.4
Total current liabilities	39.3	43.4
Non-current liabilities		
Borrowings	64.2	56.1
Deferred tax liabilities	7.7	7.2
Other	2.3	1.3
Total non-current liabilities	74.2	64.6
Total liabilities	113.5	108.0
Net assets	196.5	201.3
EQUITY		
Contributed equity	220.1	220.1
Other reserves	6.9	6.9
Retained earnings	(30.5)	(25.7)
Total Equity	196.5	201.3

Comments

- CVO's balance sheet reflects simplicity of the financial business model
- Shape of December 2015 balance sheet similar to June 2015 balance sheet
- Negative working capital – current liabilities continue to exceed non-cash current assets
- Gearing remains conservative with all metrics well within bank covenants. Capacity exists within the borrowing facility.
- Debt facility extended in December 2015 on improved terms and to provide additional capacity, including a \$100m debt accordion facility for the purposes of major transactions

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**Strategic priorities and
growth opportunities**

Strategic priorities: overview

Cover-More's strategic priorities expected to deliver continued growth in sales and profitability while building the longer-term foundation for Cover-More's future

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Strategic priorities: Building partnerships

Flight Centre partnership extended to 2024 with agreement to extend reach of co-operation into new geographies



Highlights: H1 FY16

- Flight Centre partnership extended to 2024 (a five-year extension on the existing agreement) under substantially similar ongoing terms
- Extension reflects:
 - the commercial alignment of FLT and CVO's partnership
 - the increasing importance of our combined focus on the end user and the role that data will play in shaping unique experiences to international and domestic travellers
 - the opportunity to globalise our approach to building unique traveller products and service
 - the opportunity to globalise our approach to improving sales effectiveness through the adoption of existing protocols
- Additional geographies to be progressively introduced

Key priorities

- Commence operations in US in April 2016
- Expand the range of customer touch points through integration of data leading to increased spend per customer and deeper relationships
- Further deploy joint operating model leveraging Flight Centre's global footprint

Strategic priorities: Invest for growth

Cover-More's expansion into the US\$2.5bn US travel insurance market on track

Operation commencing with Flight Centre, supported by Aon Affinity Travel Practice with projected go-live in April 2016



FLIGHT CENTRE™
TRAVEL GROUP

LIBERTY TRAVEL
America's Vacation Experts

GOGO
VACATIONS

Highlights: H1 FY16

- Secured Flight Centre US as anchor client with distribution through their ~170 Liberty Travel and GOGO stores from April 16
- Cover-More is finalising terms with Aon Affinity Travel Practice to support Cover-More's ability to address Flight Centre US need for travel insurance products and services
- Aon Affinity Travel Practice, is a provider of customized travel protection programs to over 10m travelers through its partnership with US-based cruise lines, online travel agencies, tour companies and other leading travel companies. It provides a best-in-class tailored customer experience to travelers
- Partnership approach provides for a lower-risk, capital light solution for CVO to enter key market

Key priorities

- Launch travel insurance with Flight Centre US April 16
- Further develop and capitalise on identified sales pipeline
- Anticipate year one sales from Flight Centre partnership of ~AUD\$25 to \$30m

Strategic priorities: Accelerate digital transformation

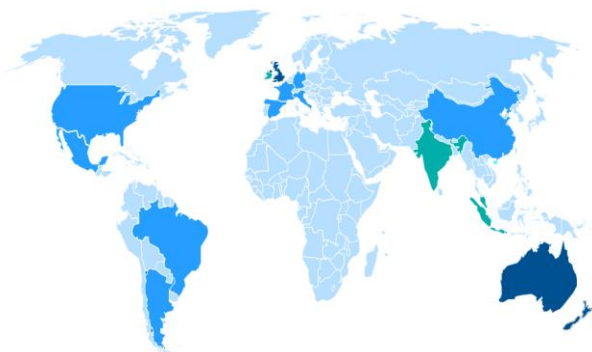
Establish framework to deploy Global 'B2C direct' platforms together with Zurich Insurance

Use of Impulse technology in joint tenders

The screenshot shows the Cover-More Travel Insurance website. The header includes the logo and navigation links. The main content area is divided into three steps: 1. 'Where are you going?' with a dropdown for 'Region of travel' and 'Country most time spent in'. 2. 'When is your trip?' with date pickers for 'FEB 17 2016' to 'FEB 17 2016'. 3. 'Who is travelling?' with 'Ages of All Travellers' (1-5) and a dropdown for 'All live in Australia' set to 'Yes'. A 'GET QUOTE' button is at the bottom. A footer contains trust signals: 'Established in Australia in 1986', 'Trusted by 2.2 Million Australians Every Year', 'Rated 4 stars from over 1,350 Customer Reviews', 'Unlimited Overseas Medical Cover', and '24/7 Emergency Assistance'.



ZURICH



Highlights: H1 FY16

- Heads of Agreement signed with Zurich to provide global support for Cover-More's Global B2C Direct strategy
- Rollout of Cover-More Global Direct travel insurance offering across multiple global jurisdictions underway. Initial agreement includes five countries with further geographies under consideration
- Cover-More Direct strategy will comprise a centralised model for build, deployment, SEO and SEM activities, utilising Zurich's established presence for underwriting, claims handling etc. Provides for strong economies of scale
- Extension of this relationship intended to provide CVO's Impulse technology platform to potential distribution partners
- First win under this model includes Hong Kong Airlines
- Zurich relationship provides foundation to expand distribution and caters for jointly-pursued distribution opportunities

Key priorities

- Expand footprint in targeted key global markets
- Jointly pursue distribution opportunities together with Zurich
- Leverage both organisations' capabilities to maximum effect
- Capitalise on extensive reach and existing infrastructure of Zurich, while building capital-light, centralised global B2C business operating model

Execution roadmap: grow international businesses

Cover-More's offshore business increasing in scale and expected to drive continued growth

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		Build operating platform	Secure underwriting partner	Establish distribution	Embed technology	Drive scale and optimise	Expand distribution
Description	FY16 GWP (US\$) ¹	Deploy scalable operating platform	Underwriting relationship with scale player	Establish foundation distribution strategy	Embed IMPULSE with key partners	Grow volume, refine operations and optimise	Secure new distribution partners
Australia	\$926m	●	●	●	◐	◐	◐
NZ	\$122m	●	●	●	◐	◐	◐
India	\$630m	●	●	●	◐	◐	◐
China	\$1.0b	●	●	◐	◐	○	○
Southeast Asia ²	\$674m	●	●	●	◐	◐	◐
UK	\$941m	●	●	◐	◐	◐	◐
US	\$2.5b	●	●	●	○	○	○
Canada	\$2.3b	◐	◐	◐	○	○	○
Europe ³	\$2.2b	○	○	○	○	○	○
Description	FY16 GWP (US\$) ⁴	Set up capital-light operating platform	Underwriting relationship with global insurer	Establish digital distribution (SEO, SEM, Social Media)	Embed IMPULSE in Direct channel	Grow volumes, refine operations and optimise	Expand digital distribution
Global Direct	\$11.3b	◐	◐	◐	○	○	○

1. FinAccord and Euromonitor sources; ²Includes Malaysia, Singapore and Indonesia; ³Includes Germany, France, Spain, Norway, Denmark, Sweden and Finland; converted at FY15 EUR-US rates; ⁴Total Global Direct market size is an approximation calculated as the equivalent of the total GWP across channels of Cover-More's other existing or target markets

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Summary and outlook

H1 FY16 summary: Strong revenue growth in Australian and international businesses; EBITDA impacted by increased underwriting premium and one-off costs

H2 FY16 outlook: Revenue growth in Australia will reflect pricing changes implemented and new business wins. International businesses are expected to remain strong with intermediary channel wins beginning in H2 and commencement of Flight Centre in US from April 2016. Subject to outcome of underwriting premium model negotiations, margins expected to reflect benefit of pricing initiatives

- **Resolution of underwriting premium model in underwriting relationship**
 - Resolution of underwriting premium model volatility expected in H2 FY16, providing for greater stability in underwriting premium
- **Domestic outperformance:**
 - H1 FY16 - Insurance Australia sales performed strongly at +7.1% in market against lower outbound travel growth
 - H2 FY16 - Outperformance expected to continue with greater level of price recovery, the benefit from recent contract wins and improved conversion
- **Asian acceleration:**
 - H1 FY16 - EBITDA +75% benefitting from structural growth trends and scale benefits
 - H2 FY16 - Momentum continuing into FY16 with new airline and OTA contract wins
- **North America expansion:**
 - H1 FY16 - North American initiatives on track
 - H2 FY16 - Commence sales with Flight Centre US in April 16 targeting A\$25m-\$30m sales pa. Progress sales pipeline
- **Cover-More Direct global deployment:**
 - H1 FY16 - Global Direct initiatives on track
 - H2 FY16 - Commence Global Direct in late Q4 (subject to finalising geographic scope). No profit contribution in FY16
- **Re-pricing:**
 - H1 FY16 - Re-pricing and margin recovery for FX affected claims costs and portfolio mix shifts
 - H2 FY16 - Re-pricing to continue throughout FY16 and into FY17. Some H2 repricing already in market
- **Continue driving scale and growth:** expand global footprint while leveraging structural growth trends, specialised expertise, scale data and proprietary systems to deliver strong earnings growth and shareholder returns

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Appendix



Company overview

Cover-More is a leading integrated travel insurance and medical assistance business

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WHO WE ARE	OUR MODEL	OUR CAPABILITIES	GROWTH LEVERS
<p>Australia's largest travel insurance company with 30 years' experience and 2.2m+ customers</p>	<p>Aligned economics and commercially collaborative models with partners</p>	<p>Best-in-class proprietary systems</p>	
<p>Australia, China, India, Malaysia, New Zealand, Singapore, UK</p>	<p>Symbiotic relationship between travel insurance and medical assistance</p>		<p>Strong growth through e-commerce, customer-focused innovation and Asian expansion</p>
	<p>Australia's leading employee assistance provider covering 1.4m+ employees</p>	<p>'Capital light', strong free cash flow</p>	<p>Deep specialist expertise and scalable global operating platform</p>
<p>Presence in high-growth India and China markets</p>	<p>Market resilient to economic, geopolitical shocks</p>	<p>More than 35,000 medical assistance cases per annum</p>	

Who we are

Cover-More is a leading integrated travel insurance and medical assistance business

	Travel Insurance		Medical Assistance																										
			Travel Medical Assistance	Employee Assistance																									
Locations	<ul style="list-style-type: none"> Australia New Zealand United Kingdom India 	<ul style="list-style-type: none"> Malaysia China 	<ul style="list-style-type: none"> Australia (Sydney + Brisbane) Malaysia China India (to commence FY16) 	<ul style="list-style-type: none"> Australia Singapore 																									
Distribution	<ul style="list-style-type: none"> Agency Intermediary Direct 		<ul style="list-style-type: none"> Corporate Large international travel insurers 	<ul style="list-style-type: none"> Seven of the 10 largest companies (by revenue) in Australia Access to employee base of ~1.4m 																									
Key Financials (AUD millions)	<table border="1"> <thead> <tr> <th>Segments FY15 (AUD m)</th> <th>Travel Insurance</th> <th>Medical Assistance</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Gross Sales</td> <td>\$400.8</td> <td>\$66.0</td> <td>\$466.8</td> </tr> <tr> <td>Pro Forma EBITDA</td> <td>\$32.7</td> <td>\$19.3</td> <td>\$52.0</td> </tr> </tbody> </table>			Segments FY15 (AUD m)	Travel Insurance	Medical Assistance	Total	Gross Sales	\$400.8	\$66.0	\$466.8	Pro Forma EBITDA	\$32.7	\$19.3	\$52.0	<table border="1"> <thead> <tr> <th>Geographic Split FY15</th> <th>Australia, NZ, UK</th> <th>Asia</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Gross Sales</td> <td>\$422.4</td> <td>\$44.4</td> <td>\$466.8</td> </tr> <tr> <td>Pro Forma EBITDA</td> <td>\$47.3</td> <td>\$4.7</td> <td>\$52.0</td> </tr> </tbody> </table>		Geographic Split FY15	Australia, NZ, UK	Asia	Total	Gross Sales	\$422.4	\$44.4	\$466.8	Pro Forma EBITDA	\$47.3	\$4.7	\$52.0
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Competitors	<ul style="list-style-type: none"> Key competitors are typically large domestic and international general insurers As a specialist in Australia, Cover-More has successfully outperformed against significantly larger organisations through customer-led innovation, technology, intelligent control of the value chain, specialised management and commercially aligned relationships with partners. 																												

Global travel insurance market dynamics

Significant potential in multiple travel insurance markets around the globe

Country (US\$m)	Market value (GWP)	Future market value (est) (GWP)	4-yr CAGR	Market size policies	Future market size policies (est)	4-yr CAGR	Trips (m)	Future trips (est) (m)	4-yr CAGR
Australia	722	926	6.4%	4.5	5.3	4.2%	8.2	10.3	5.9%
New Zealand	95	122	6.5%	1.3	1.5	3.6%	2.2	2.5	3.2%
China	495	1,045	20.4%	21.6	40.6	17.1%	83.2	145.0	14.9%
India	285	630	21.9%	11.5	17.5	11.1%	14.9	22.0	10.2%
SE Asia¹	419	674	12.6%	12.8	19.1	10.5%	34.0	43.2	6.2%
USA	2,103	2,462	4.0%	32.7	35.4	2.0%	71.1	72.3	0.4%
Canada	1,652	2,298	8.6%	19.3	25.2	6.9%	34.1	43.5	6.3%
United Kingdom	937	941	0.1%	15.6	16.2	0.9%	53.7	60.5	3.0%
Europe²	1,806	2,158	4.6%	39.8	42.7	1.8%	168.5	186.7	2.6%

¹Includes Malaysia, Singapore and Indonesia; ²Includes Germany, France, Spain, Norway, Denmark, Sweden and Finland; converted at FY15 EUR-US rates

Note: Number of policies 000's. Finaccord 2013 data captures 2012 historical and 4-year CAGR to 2016 forecast; 2015 data captures 2014 historical and 4-year CAGR to 2018 forecast

Source: Finaccord (2013, 2015); Euromonitor

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Cover-More's differentiated model: aligned, diversified distribution

Travel retail



Online and white label distribution



Travel Medical and Employee Assistance

Financial characteristics: Cover-More's P&L structure

Net travel insurance sales comprise of premium sales, ancillary income, other revenue less claims costs. Cost of sales comprise employment and other expenses and JV profit share

Management accounts (example)

June year end (A\$m)	FY15A
Premium	XX
Assistance	XX
Ancillary income	XX
Other revenue	XX
Sales	XX
Commissions	XX
Net sales	XX
Acquisition costs	XX
Claims costs	XX
Employment expenses	XX
Other expenses	XX
Total direct costs	XX
Contribution to overheads	XX
Employment expenses	XX
Other expenses	XX
Depreciation	XX
Amortisation	XX
Total overheads	XX
Net result	XX
JV profit share	XX
EBIT	XX
Interest	XX
Income tax	XX
Profit after tax	XX

Cover-More profit and loss statement

June year end (A\$m)	FY15A
Net Travel Insurance Sales	156.9
Net Medical Assistance Sales	66.0
Total Net Revenue	222.9
Cost of Sales	(131.8)
Gross margin	91.1
Employment overheads	(23.4)
Occupancy costs	(6.7)
Other overheads	(9.0)
Total overheads	(39.1)
EBITDA	52.0
Depreciation	(2.3)
Amort. of capitalised IT & software	(2.6)
EBITA	47.1
Amort. of acquired intangibles	(7.6)
EBIT	39.5
Net interest expense	(2.6)
Income tax expense	(11.1)
NPAT	25.8
NPATA	31.1
<i>Insurance Gross Written Premium (A\$m)</i>	<i>400.8</i>
<i>GWP Growth (%)</i>	<i>10.1%</i>
<i>Net Insurance Sales (% of GWP)</i>	<i>39.1%</i>
<i>GM (% of Net Revenue)</i>	<i>40.9%</i>
<i>EBITDA (% of Net Revenue)</i>	<i>23.3%</i>
<i>EBITA (% of Net Revenue)</i>	<i>21.1%</i>

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- **Demand** for travel insurance may decline in Cover-More's key markets
- **Key distribution agreements** may be terminated, not renewed or renewed on less favourable terms
- **Increased competition** from existing or new competitors which may reduce growth, market share and or margins
- Inability to secure **favourable underwriting terms; volatility of underwriting premium model** in underwriting model
- Earnings impacted by fluctuations in **foreign exchange** rates
- Loss of **identified key personnel** across the business
- Change in **local laws and government regulations**

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