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Cover-More Group

2017 Half year results presentation – Mike Emmett Group CEO
& Mark Steinberg Group CFO

13 February 2017

Cover·More

Agenda

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Outlook and Summary

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CEO Overview and Strategic Update



H1 FY17 Financial results overview

EBITDA

\$20.8 million

up 2% versus H1 FY16

Net Revenue

\$111.1 million

up 6.4% versus H1 FY16

Basic Earnings Per Share

2.5 cents

Flat versus H1 FY16

Cash Conversion Ratio

117%

25 percent point improvement versus H1 FY16

^ All metrics are for the period ended 31 December 2016 on an adjusted basis (excluding Zurich scheme costs and TIS transaction costs), consistent with H1 FY16 Presentation excluding EPS which is presented on a statutory basis (including all costs). Note that the H1 FY17 Interim Report also includes pro-forma metrics reflecting the inclusion of Travelex Insurance Services as if the acquisition had occurred prior to 1 July 2015, thereby illustrating what a normalised run-rate would look like for the current and comparative period.

Building a more sustainable and profitable Cover-More



- New operating model to leverage specialist expertise and technologies
- Go to market industry verticals
- Continue to assess other small bolt-on opportunities to support our ‘follow-the-sun’ platform

- Market leading position in Australia
- More sophisticated approach to growth and returns
- Margin recovery underway

- New underwriting agreement signed
- 5-year contract
- Lower risk return profile

- Overhead reduction – driving lower cost structure
- Trajectory now reset
- Cash conversion restored – long term expectations in the range of 80% to 90%

- Travelers Insurance Services acquired
- US expansion strategy beginning to deliver anticipated returns
- Progress in delivering TIS synergies

New operating model positions Cover-More for growth

Go-to-market industry approach focused on core competencies.



Travel and
Aviation

1



Financial
Institutions
and Direct

2



Medical
Assistance

3



Employee
Assistance

4

Digital Technologies

5

Update on Travelex Insurance Services (TIS)

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- Travelex Insurance Services acquisition completed in November 2016 for consideration of US\$109.5 million¹
- While still early, performance for the first two months under Cover-More ownership has delivered on, or better than, expectations
- TIS performance in line however North America segment results adversely impacted by the start up nature of the organic operations
- Integration activities commenced - immediate focus on finance and HR systems – material component of synergy benefits expected to be realised from FY18 onwards



- Delivers scale in market segment
- Local USA presence critical to securing access to partners
- Brand recognition and Cover-More's best-practice approach
- Scale, market credibility and infrastructure (+ Cover-More's IMPULSE technology) will challenge existing players in the airline category
- Access to established direct to consumer platform supported by a recognised brand with strong online presence
- Customer intimacy platforms extend customer relationships beyond transactions
- Allows Cover-More to split the day into two 14-hour periods and manage crises from three hubs (Australia, India, USA)
- Enables build out of our medical assistance capabilities across the USA
- Significant process and cost efficiencies including
 - Lower staff costs
 - Improved service consistency
 - More effective crisis management capabilities

¹ Consideration remains subject to final purchase price adjustments

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Results Overview

Financial presentation

Management presentation - EBITDA

1. Adjusted – basis for all metrics contained in this presentation unless otherwise stated

- Reflects the acquisition of Travelex Insurance Services Inc (TIS) but only includes 1.5 months of earnings contribution. In addition adjustments have been made to exclude the impact of acquisition-related costs associated with TIS and the cost associated with the scheme implementation agreement with Zurich Insurance Company Limited
 - › TIS earnings (1.5 months) ✓
 - › Acquisition costs associated with TIS ✗
 - › Scheme related costs ✗

2. Pro-forma

- Reflects the acquisition of TIS as if it had occurred prior to 1 July 2015. In addition adjustments have been made to exclude the impact of acquisition related costs associated with the scheme implementation agreement with Zurich Insurance Company Limited, and to include Cover-More Group's estimates of TIS additional standalone costs for the period prior to acquisition date. There have been no pro-forma adjustments for the acquisition of Stratos Limited (a New Zealand Employee Assistance business), acquired during the period, due to materiality considerations
 - › TIS earnings in full for both H1 FY17 and H1 FY16 ✓
 - › Acquisition costs associated with TIS ✗
 - › Scheme related costs ✗

Results Overview

Building a more sustainable and predictable Cover-More; earnings momentum building

Strategic initiatives on track

- Operating model moved to industry verticals; supported by consolidated digital strategy

H1 FY17 Gross Sales¹ of \$277.8 million (+17.9%)

- Insurance segment gross sales growth +19.9%
 - Asia segment benefiting from strong growth in India; Insurance Australia sales impacted by loss of client at beginning of the period; growth from entry into North American market
- Assistance segment revenue growth +5.5%; primarily driven by strong DTC sales growth of +13.6%

New underwriting agreement (through to 2021) signed with BHSI

- New ISA signed on similar underwriting terms; interim GLA agreement remains in place pending transition

Group EBITDA up 2% with improving trajectory

- Underwriting payments reflect the transition under the interim GLA agreement. Additional \$0.5m provided for at 31 December 2016 to reflect current net estimate of impact of any adjustments to Cover-More EBITDA relating to policies sold under the interim GLA agreement
- Expenses associated with cost-out initiatives taken in H1 FY17; full run-rate benefit expected to be realised in FY18

Travellex Insurance Services acquired

- Travellex Insurance Services integration has commenced; expect to have migrated core systems by end of H2 FY17; first 1.5 months of trading activity have been strong

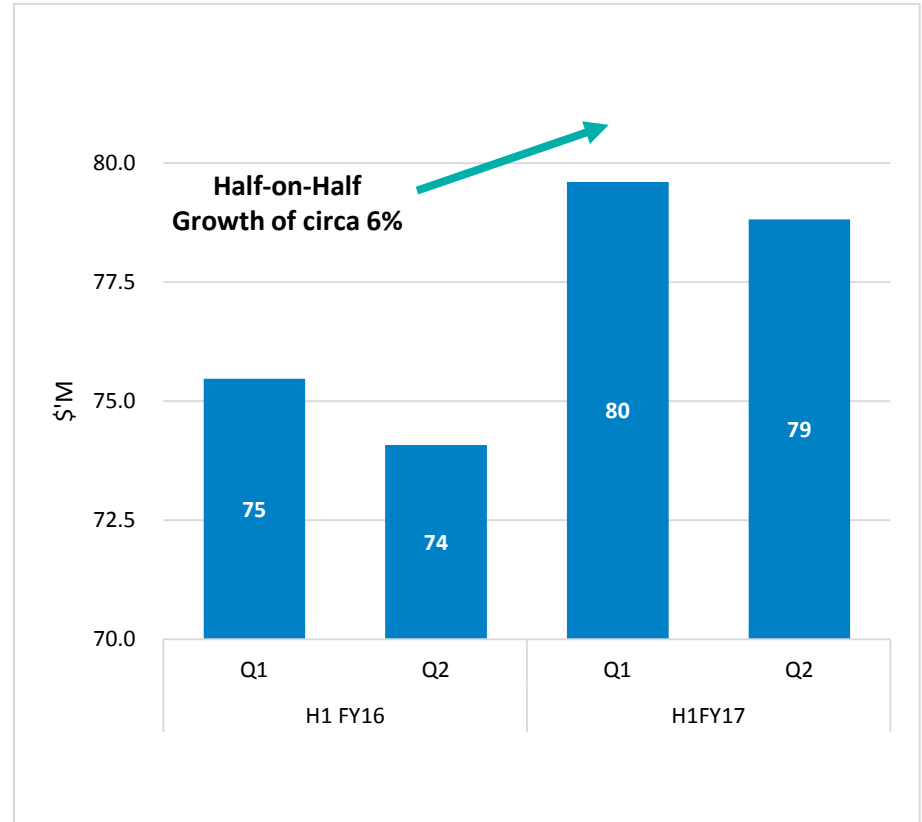
¹Gross sales is un-audited, non-IFRS financial information and does not represent revenue in accordance with Australian Accounting Standards. Gross sales represents the aggregate value of travel insurance premiums paid for the insurance policies by the policyholders across the Group's various operations, plus revenue from assistance services and other sources. The Group's revenue is derived from gross sales.

Top line gross sales¹

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- Gross sales for the group +17.9%; Travel Insurance gross sales +19.9%
- Key contributors to growth included entry into the North American market; strong growth in India, New Zealand and DTC
- Core growth in the Australian Travel Insurance portfolio reflected the loss of a client, Australian Automobile Association (**AAA**) in June 2016
- Loss masked stronger underlying trends in the portfolio, with growth of circa 6% as illustrated in the chart (AAA removed from current and prior period)
- We remain focused on maintaining our market leading position in Australia and have signed new clients during the period including Ticketek, AHM and HIF

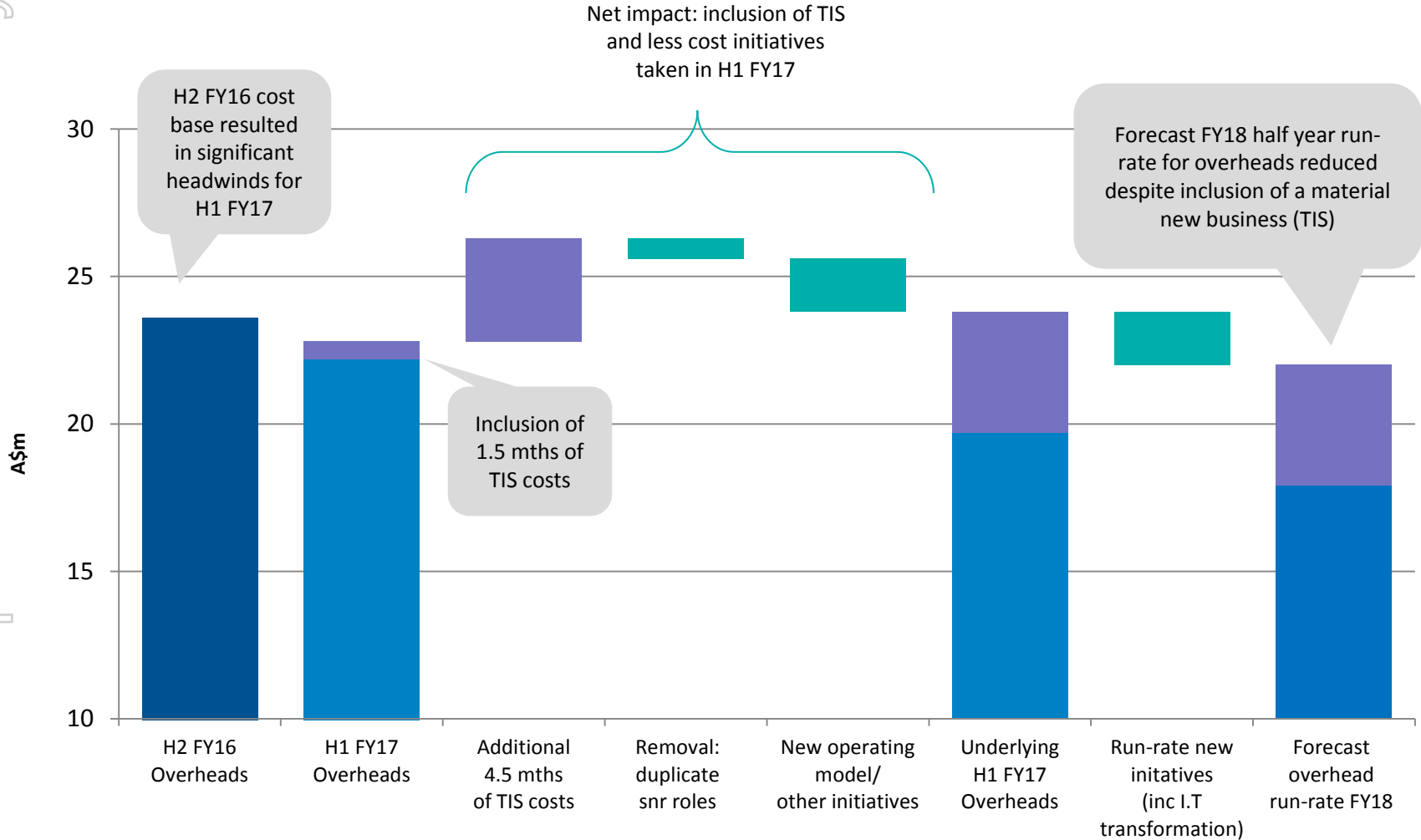
Australian Travel Insurance Sales



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Cost initiatives

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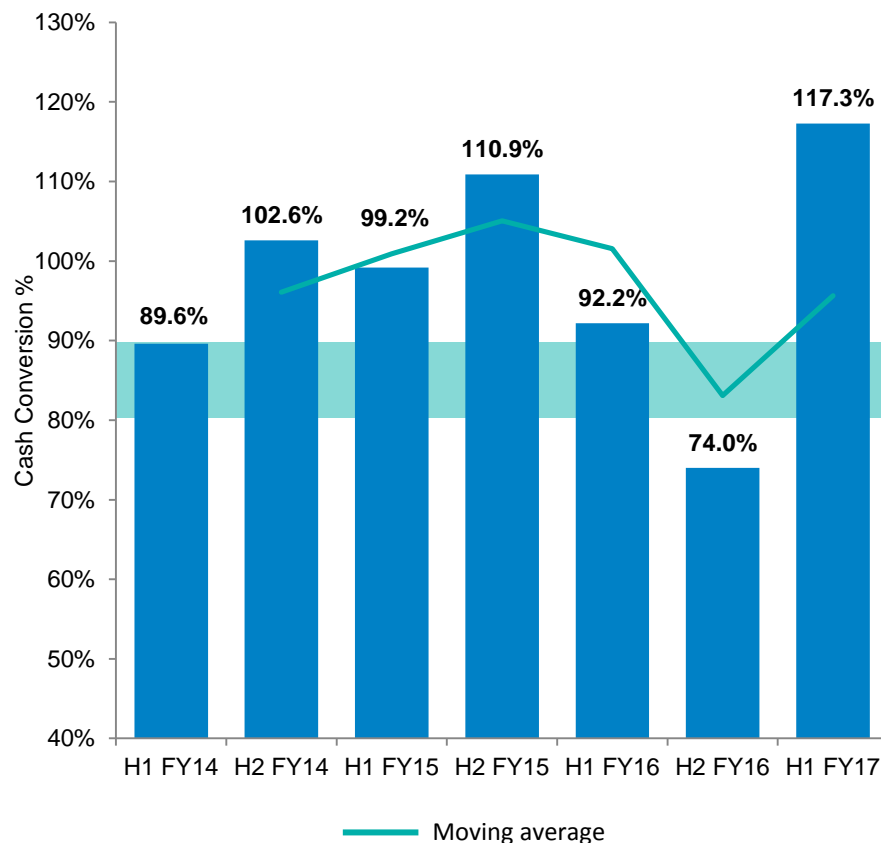


Cash Conversion

Cover-More expects its longer-term cash conversion ratio (before tax and capex) to be between 80-90% of EBITDA

Comments

- Historically Cover-More has generated positive working capital reflecting timing lag in payments to distribution partners under joint venture agreements
- Conversion rates reduced in H2 FY16 due to timing of contract extensions or change in mix of distribution agreements
- Conversion rates in H1 FY17 reflect an increased focus on working capital management
- The longer-term moving average conversion has trended back towards the expected 80-90% range



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Financial Performance

Financial Performance

A\$ in Millions	H1 FY17	H1 FY16	yoy growth (%)
Gross Travel Insurance Sales ¹	243.2	202.8	19.9
Gross Medical Assistance Sales ¹	34.6	32.8	5.5
Total - Gross Sales¹	277.8	235.6	17.9
Net Travel Insurance Sales	76.5	71.6	6.8
<i>% of Gross Travel Insurance Sales</i>	31.5	35.3	-
Net Medical Assistance Sales	34.6	32.8	5.5
Total Net Revenue	111.1	104.4	6.4
Cost of Sales	(66.6)	(63.9)	4.2
Gross margin	44.5	40.5	9.9
<i>% of Net Revenue</i>	40.1	38.8	-
Employment overheads	(13.8)	(10.5)	31.4
Other overheads	(9.9)	(9.6)	3.1
Total overheads	(23.7)	(20.1)	17.9
EBITDA	20.8	20.4	2.0
<i>% of Net Revenue</i>	18.7	19.5	-
Depreciation	(1.0)	(1.9)	(47.4)
Amortisation of capitalised IT and software	(1.4)	(1.6)	(12.5)
EBITA	18.4	16.9	8.9
<i>% of Net Revenue</i>	16.6	16.2	-
Amortisation of acquired intangibles	(2.3)	(3.7)	37.8
EBIT	16.1	13.2	22.0

Top line growth trends (gross sales, net revenue and gross margin) remained strong in both Travel and Assistance

- Gross Travel Insurance Sales growth of 19.9% includes strong growth in India and New Zealand, and new USA operations with major distribution partner
- Medical Assistance Revenue up 5.5% versus H1 FY16, with strong growth in the Employee Assistance business
- Overheads of \$23.7 million were 17.9% higher than H1 FY16. The primary drivers of higher overheads included costs associated with transition to a new operating model, duplication of senior executive costs for most of the period and associated recruitment fees
- Lower depreciation charge reflects a make-good adjustment in the prior corresponding period

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Financial Performance – by segment and geography

Operating	A\$ in Millions	H1 FY17	H1 FY16	% mvmt
Gross Sales ¹	Travel Insurance	243.2	202.8	19.9
	Medical Assistance	34.6	32.8	5.5
Net Revenue	Travel Insurance	76.5	71.6	6.8
	Medical Assistance	34.6	32.8	5.5
Gross Margin	Travel Insurance	30.2	27.3	10.6
	Medical Assistance	14.3	13.2	8.3
EBITDA	Travel Insurance	12.4	12.3	0.8
	Medical Assistance	8.4	8.1	3.7

Geographic	A\$ in Millions	H1 FY17	H1 FY16	% mvmt
Gross Sales ¹	Australia, NZ, UK	216.6	212.3	2.0
	North America	33.5	-	Large
	Asia	27.7	23.3	18.9
Net Revenue	Australia, NZ, UK	95.7	93.6	2.2
	North America	5.1	-	Large
	Asia	10.3	10.8	(4.6)
Gross Margin	Australia, NZ, UK	38.3	35.8	7.0
	North America	1.6	-	Large
	Asia	4.6	4.7	(2.1)
EBITDA	Australia, NZ, UK	19.2	19.0	1.1
	North America	0.5	-	Large
	Asia	1.1	1.4	(21.4)

Top line growth trends (gross sales, net revenue and gross margin) remained strong in both Travel and Assistance

- Growth in EBITDA more muted, reflecting transition to the interim GLA agreement, start-up costs supporting organic growth in the USA and under performance in China Medical Assistance/UK Travel Insurance
- Australia – lower growth due to the loss of a client, masking underlying growth of circa 6% (as outlined on slide 11)
- Asia net revenue impacted initial higher commission rates for some new Indian distributors and lower China revenue. Gross margin reduced due to change in portfolio mix
- North America reflects a 1.5 months contribution from Travelex Insurance Services offset by initial start up costs associated with the organic USA operations

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Cash Flow / Borrowings

A\$ in Millions`	H1 FY17	H1 FY16
EBITDA	20.8	20.4
Non-cash items in EBITDA	0.4	(0.5)
Change in Working Capital	3.2	(1.1)
Operating free cash flow before capital expenditure	24.4	18.8
% of EBITDA	117.3%	92.2%
Capital Expenditure		
Investment in software	(3.2)	(3.6)
Net payments for property, plant and equipment	(0.8)	(0.9)
Total capital expenditure	(4.0)	(4.5)
Operating free cash flow after capital	20.4	14.3
% EBITDA	98.1%	70.1%
A\$ in Millions	H1 FY17	H1 FY16
Borrowings	(143.1)	(63.8)
Cash and cash equivalents	38.7	24.0
Net borrowings	(104.4)	(39.8)

A strong focus on working capital management during the period resulted in an improved cash conversion ratio relative to both H1 FY16 and FY16

- Refer slide 13 for additional commentary on cash conversion
- Borrowings increased during the period. On 14 October 2016, the Group amended its existing loan facilities held with Westpac Banking Corporation to increase the multi-option working capital facility from \$32.5 million to \$52.5 million
- On 15 November 2016, the Group completed a further modification to the existing facilities to finance the acquisition of Travelex Insurance Services (in conjunction with a non-renounceable rights issue). Included in the amendment was a syndication of a portion of the facility to another lender
- The amended facilities are made up as follows:
 - a bullet revolving term cash advance facility of \$39.4 million;
 - a multi-option working capital facility of \$52.5 million; and
 - a \$100.0 million bullet term facility.
- The amended facilities are valid for a term of two years

Balance Sheet

A\$ in Millions	31 Dec 16	30 Jun 16
Assets		
Current assets		
Cash and cash equivalents	38.7	24.0
Trade and other receivables	38.5	39.9
Total current assets	77.2	63.9
Non-current assets		
Plant and equipment	4.3	4.1
Intangible assets	394.7	243.6
Other	13.9	2.6
Total non-current assets	412.9	250.3
Total assets	490.1	314.2
Liabilities		
Current liabilities		
Trade and other payables	53.4	37.6
Current tax provisions	0.8	1.3
Borrowings	7.5	0.0
Other	6.1	5.5
Total current liabilities	67.8	44.4
Non-current liabilities		
Borrowings	135.6	63.8
Deferred tax liabilities	6.0	5.9
Other	2.4	1.5
Total non-current liabilities	144.0	71.2
Total liabilities	211.8	115.6
Net assets	278.3	198.6
Equity		
Contributed equity	291.1	220.1
Other reserves	13.5	5.2
Retained earnings	(26.3)	(26.7)
Total Equity	278.3	198.6

Assets

- Cash and cash equivalents increased by \$14.7 million, including a \$6.1 million contribution from Travelex Insurance Services following financial close in November 2016
- The increase in Other primarily relates to payments in respect of contractual commitments
- The acquisition of Travelex Insurance Services resulted in an increase in intangible assets

Liabilities

- Trade and other payables rose following a contribution from Travelex Insurance Services and the timing of distribution partner payments
- Current borrowings increased \$7.5 million reflecting scheduled repayments associated with the Group's Westpac syndicated facility
- Non-current liabilities increased reflecting borrowing under the syndicated facility to partially fund the acquisition of Travelex Insurance Services

Equity

- Contributed equity increased following a non-renounceable rights offer to partially fund the acquisition of Travelex Insurance Services

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Outlook and Summary

Update on Scheme of Arrangement

Summary timetable

12 December 2016

- Board of Cover-More recommends offer from Zurich of \$1.95 per share, by way of a Scheme of Arrangement

3 February 2017

- Draft Scheme Booklet lodged with ASIC for review

7 February 2017

- FIRB approval granted for the Scheme

End of March 2017

- Shareholders meeting to approve the Scheme
- Second Court hearing

Mid April 2017

- Scheme implemented
- If declared, Special dividend paid
- De-listing from the ASX

3 February 2017

- Board of Cover-More announces intention to declare a 5 cents per share, fully franked, special dividend in the event shareholders vote in favour of the Scheme

End of February 2017

- First Court hearing
- Scheme Booklet including Independent Experts Report dispatched to shareholders

Early April 2017

- Scheme effective if approved by shareholders and the Court

^ A full timetable will be included in the Scheme Booklet, expected to be dispatched to shareholders and lodged with the ASX at the end of February 2017

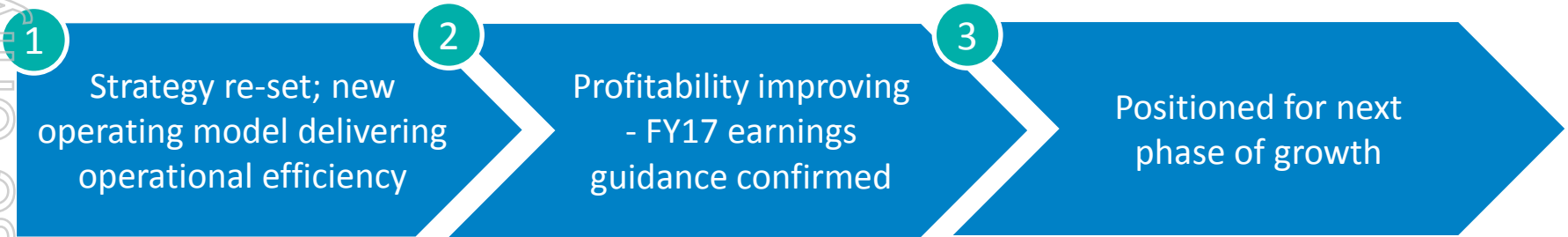
Outlook and summary

Positive earnings trajectory - confidence in confirming guidance range

Forecast growth - H2 FY16 to H2 FY17	Movement	Comments
Net revenue	Up 16-18%	Growth primarily driven by TIS (included for a full six months) / change in business mix
Overheads	Up 2-4%	Overheads expected to increase versus H2 FY16 primarily due to TIS inclusion, however are expected to be down from the underlying H1 FY17 (mainly due to cost-out initiatives)
EBITDA	Up 40-50%	Benefits from cost-out initiatives and inclusion of higher proportion of TIS earnings (non JV partnership model)
FY17 EBITDA Guidance	\$54m - \$57m	

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Outlook and summary



- Moving from a geographic based business model to an industry vehicle model, increasing Cover-More's scalability and operational efficiency
- New 5-year underwriting agreement with Berkshire Hathaway Specialty Insurance signed
- Focus on cost reduction, with a number of cost-out initiatives occurring during the six months to 31 December 2016, future savings to be partially realised in H2 FY17 and further benefit in FY18
- Travelex Insurance Services (TIS) acquired in November 2016. Early integration progressing well, with the business delivering on, or better than, expectations
- Earnings momentum building - guidance confirmed FY17 EBITDA of between \$54 million to \$57 million

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