

iSelect announces FY22 H1 Results and enters B2B comparison & tech platform market via initial \$26.6m investment in CIMET; Additionally, announces new strategic opportunities, loan facilities, sale of legacy Trail Asset and cancellation of dividend program

28 February 2022: iSelect Limited (ASX: ISU) ("The Company") has released its results for the half year ended 31 December 2021 (FY22 H1) and today announces that it has entered into an Agreement to acquire a 49% share in CIMET Holdings Pty Ltd ACN 639 859 797. CIMET Holdings is the holding company of the CIMET Group which includes its subsidiaries, CIMET Sales Pty Ltd ACN 620 395 726 and Bulk Bargains Pty Ltd ACN 609 377 406. ISU will additionally acquire a 49% share in VConnex Private Limited CIN: U72200RJ2017PTC057996 (VConnex), a company located in India which exclusively provides technology and other services to the CIMET group of companies (collectively "CIMET").

In addition to the **FY22 H1 Results** and **initial investment in CIMET**, the Company is also announcing:

- **CIMET Investment and Loan Facilities**
 - 2-stage Put and Call options with CIMET, providing iSelect with a pathway to full ownership
 - The investment will enhance iSelect's core business as well as open new opportunities: CIMET's growth plans include taking Energy comparison overseas, exploring a By-Now-Pay-Later comparison proposition
 - The cash component of the investment in CIMET will be funded via 2 Loan facilities with ANZ; This replaces the existing working capital facility (\$10 million) with CBA, which remained undrawn
- **Cash and Capital Management update**
 - The sale of a legacy Health Insurance Trail Asset for \$4.6 million
 - The dividend program will be cancelled, effective immediately

FY22 H1 Results Overview

The Company has posted an Underlying EBITDA of \$6.6 million (FY21 H1: \$13.2 million, including Job Keeper)

- Revenue of \$44.6 million (FY21 H1: \$51.8 million)
- Reported EBIT of \$0.9 million (FY21 H1: -\$1.3 million)
- Reported NPAT of \$0.5 million (FY21 H1: -\$3.6 million, continuing operations)

Dec 31, 2021 Balance Sheet

- Consolidated Cash Balance: \$12.4 million
- Net increase in Cash Balance for H1 FY22: +\$5.0 million (excluding ACCC instalment)

CIMET: Overview

CIMET is a fast-growing 'B2B' comparison and technology platform business enabling brands to offer comparison via CIMET's white-label and SaaS-style propositions. CIMET are currently operating in the Energy, Broadband and Mobile verticals, with all the funding (net of transaction costs) from this investment to be injected into the business to accelerate CIMET's product and technology roadmap and fast track their planned expansion into new verticals. CIMET's unaudited revenues for FY21 were approximately \$5.0 million (+76% vs FY20). A similar annual growth rate is expected in FY22.

CIMET: Key Terms

Total consideration for the 49% investment in CIMET is comprised of \$20.7m upfront ("Upfront Amount"), plus up to a \$3.6m performance based earn-out ("Earn-out"), plus \$2.24m deferred consideration due 12 months post Completion ("Deferred Amount"), leading to a maximum potential consideration of \$26.6m. The Earn-out will be payable if CIMET achieves defined volume and margin targets in the 6 months post Completion, with the option of a pro-rata payment if performance targets are partially achieved. This equates to a Pre-money valuation of between \$33.4m - \$40.6m, subject to performance during the Earn-out period.

Consideration will be satisfied via \$14m Cash at Completion with the balance, including the Deferred Amount and Earn-out, to be satisfied via cash or iSelect Scrip (issuance of new shares) at the election of iSelect (and subject to Listing Rule requirements). Where iSelect Scrip is utilised in these circumstances, the issue price will be the volume weighted average price at which ordinary shares in iSelect are traded on the ASX (excluding special crossings and overnight sales), during the 90 Day period ending on 27th February 2022. The \$14m cash component at Completion will be funded via 2 Loan facilities from ANZ. Highlighting the commitment from both parties to this strategic partnership, all of this cash consideration (net of transaction fees) will be invested into CIMET's business to fund the growth. The iSelect Scrip issued to the CIMET shareholders at Completion will be subject to a 24-month voluntary escrow period.

Completion is subject a number of conditions precedent, including no Material Adverse Effect, key executives entering into service agreements and entering into a Shareholders Agreement.

Additionally, Put/Call options will be entered into by the parties providing iSelect with a pathway to 100% ownership of CIMET.

- The first Put/Call option for an additional 26% shareholding becomes exercisable 24 months after Completion for an exercise period of 2 months. If not exercised by either party within that period, the first Put/Call option is again exercisable annually each year thereafter for an exercisable period of 2 months.
- A second Put/Call option for the final 25% shareholding then becomes available 12 months after the first Call option has been exercised. Similarly, if it is not exercised by either party within that period, the second Put/Call option is again exercisable annually each year thereafter for an exercisable period of 2 months.

- The price of the Put/Call options, should they be exercised, will be based on a valuation of CIMET at the time of exercising. If a valuation of CIMET is not agreed between the two parties, it will be determined by an independent valuation expert.
- Both first and second Put/ Call options will be satisfied via cash or iSelect Scrip at the election of iSelect (and subject to Listing Rule requirements at the time).

iSelect and existing shareholders of CIMET will each have the right to appoint 2 directors on CIMET Holding's Board with an independent chairperson to be appointed as a 5th Director.

iSelect and the shareholder of Vconnex will each have the right to appoint 1 director on Vconnex's Board.

CIMET: Strategic Rationale

- **Access to a new revenue model:** CIMET's business model has shown strong potential and the investment represents an opportunity for iSelect to diversify its model into the B2B market.
- **Enhances iSelect's current model:** Additionally, the CIMET platform's digital first approach to comparison, will assist iSelect to realise new opportunities for its core business:
 - Improved unit economics realised from new digital customer experiences, which align better to consumer preferences, increasing iSelect's online business as a percentage of total revenue;
 - The ability for iSelect to compete harder from a marketing and brand perspective to drive revenue;
 - Consolidation of iSelect's outsourced development resources leading to increased capacity and capability for ISU's technology department over time;
 - Savings from simplifying and decommissioning of iSelect's legacy technology over time
- **Platform renewal:** CIMET's core platform combined with their demonstrated technology development capability, provides iSelect with a 'future platform' opportunity. The funding injection will enable CIMET to further develop its technology platform, with both parties having aligned on a Product & Technology roadmap as part of the partnership. Identified opportunities include: New verticals, international expansion in the Energy category and 'a proof of concept 'buy-now-pay-later' comparison proposition.

CIMET: Loan Facilities

The initial cash injection into CIMET will be funded via two loan facilities from ANZ. The first facility is for \$11.24 million and is repayable over 6 years. The second facility is for \$5.0 million and is repayable over 5 years. Both facilities share the same variable interest rate terms of Bank Bill Swap Bid Rate (BBSY) plus a minimal margin. The combined facilities are solely for this investment in CIMET with standard terms including customary representations, warranties and events of defaults. These include maintenance of financial covenants tested quarterly. The new ANZ facilities replace a \$10 million debt facility with CBA, which was established for working capital purposes in April 2020, but never drawn upon.

FY22 H1 Results commentary

FY22 H1 saw consumer demand remain suppressed¹ and in Energy, prices for consumers dropped to the lowest level in 8 years². This market dynamic combined with increased competition, particularly in Energy comparison, has made trading conditions more challenging. From a Health Insurance perspective, the absence of a Premium rate rise in FY22 H1 contributed to lower demand compared to last year. Consumer demand in other verticals was also well down on prior year¹ (Car: -7.8%; Telco: -16.2%). This environment impacted segment results directly through lead volumes and marketing ROI as well as indirectly through our cross-serve business.

Despite this, operational performance remained strong with conversion and RPS in Health and Energy/Telco segments remaining broadly stable. The iSelect call centre continued to maintain these performance levels despite operating almost entirely remotely. iSelect continues to recruit from a national talent pool and approximately 33% of our sales team are now based regionally or interstate.

Cash and Balance sheet strength

Total cash flows were strong in FY22 H1, with an increase of \$5.0 million (excluding the ACCC instalment of \$2 million). This was underpinned with the performance of the Trail Asset, with cash collections performing slightly above expectations again. Pleasingly, the Trail related Working Capital turned positive in FY22 H1 and we expect this to continue in H2 FY22.

The Company's Net Assets as at 31 December 2021 remain strong at \$111.7 million, with a cash balance of \$12.4 million.

Cancellation of Dividend Program

On 27 April 2021, iSelect announced a Dividend program, with the next dividend (at a level of \$0.01 per share) planned to be payable in March 2022. Following the investment in CIMET, the Board has determined that the Dividend program will be cancelled, unless and until otherwise determined by the Board, effective immediately.

Sale of legacy Trail Asset

Separate to the CIMET transaction, iSelect has announced it has reached agreement with The Hospitals Contribution Fund of Australia Ltd ("HCF") to sell a small portion of the Health Trail Book to HCF for \$4.6 million. This sale relates to a 'closed trail book' stemming from legacy commercial agreements relating to health insurance sales, some of which date back to 2000. In contrast to our current average Trail commercials, these legacy trailing commission terms are 'perpetuity based' and their associated monthly cash receipts have now declined to very low levels. The sale of this legacy Trail book allows iSelect to bring forward these cash flows by approximately 5 years, whilst at the same time close-out a legacy arrangement and reduce some of the monthly administration time. iSelect would like to acknowledge and thank HCF, who are a long-term partner, for their collaboration on this.

Commenting on the CIMET Announcement:

Warren Hebard, iSelect CEO says: “I am excited to announce iSelect’s investment and partnership with CIMET. iSelect was a pioneer of price comparison in Australia 21 years ago, however increasing competition and rising consumer expectations have challenged iSelect and undoubtedly our legacy systems have become an inhibitor of growth for us in recent years.”

“The decision to fast-track access to the technology opportunities available now in the comparison market, rather than take a number of years to build them internally, was taken carefully. This investment was preceded by a thorough due diligence process,” Mr Hebard said.

Commenting on the investment overall, Mr Hebard said: “This deal is multifaceted for the iSelect business. It allows us to enter the SaaS B2B market in our category, diversifying our revenue whilst re-platforming the iSelect business over time. It will enable us to uplift our core business via a significantly improved digitally focused customer experience and opens up future opportunities for us including international expansion and BNPL products for our category”.

Commenting on the FY22 Full Year Outlook:

Warren Hebard, iSelect CEO says: “The lower levels of consumer demand are anticipated to continue in H2 FY22 and with the lowest Health premium rate rise in 21 years³ expected, these factors will impact FY22 revenue and profitability. However, we see more favorable trading conditions ahead firstly with major Energy retailers foreshadowing wholesale price increases⁴ in FY23 and secondly Health Funds indicating premium rate increases will also return in FY23. Thirdly, and more broadly, with Open Finance⁵ now announced as the 4th sector following Open Energy (2nd) and Open Telco (3rd), we have increasing conviction around our i26 strategy and CDR and are excited about Open Energy coming in October 2022. For this reason, we are investing now in a new brand campaign and will be focused on leveraging improved unit economics that CIMET offers once we have bedded in our partnership. This will enable iSelect to better compete from a marketing perspective facilitating, a return to growth for our core business.”

Authorised for release by the Board of iSelect Limited.

1. Source: 2021 - Google Industry Demand Index, year on year comparison of average demand queries
2. Source: <https://www.theaustralian.com.au/nation/household-power-bills-hit-lowest-in-eight-years-accc/news-story/c0134c0397926460d93b06c3e0e1f8c0>
3. Source: <https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/delivering-australias-lowest-private-health-insurance-premium-change-in-21-years>
4. Source: AGL: <https://www.afr.com/companies/energy/agl-coal-power-business-to-ride-higher-prices-20220111-p59nf7>; Origin: <https://www.originenergy.com.au/about/investors-media/half-year-results-2022/>
5. Source: <https://ministers.treasury.gov.au/ministers/jane-hume-2020/media-releases/more-power-compare-and-switch-telco-providers-and-share>

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Investor and analyst conference call

iSelect's Leadership Team will host a conference call for analysts and investors at **11:00am (AEDT) on Monday, 28 February 2022.**

Please note that pre-registration is required for the call.

Please use the link below to pre-register: <https://s1.c-conf.com/diamondpass/10019945-4hek5ls.html>

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.
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