

21 April 2020 || GoCo Group plc

Saving people money when they need it most - Q1 Covid-19 update

GoCo Group plc today announces trading results for the 3 months ended 31 March 2020 and an update on the potential impact of the Covid-19 pandemic on the Group's trading and operations.

A strong Group balance sheet, Board continues to recommend paying a final dividend

- Through continued investment discipline, the Group remains highly cash generative with a strong balance sheet, underpinned by the refinancing of bank facilities in October 2019:
 - o Considerable headroom with cash of £27.4m as of 31 March 2020 and a further £22m undrawn from RCF
 - Leverage of 2.2x at 31st December 2019 and 2.1x at 31st March 2020 well below our covenant of 3.0x adjusted EBITDA¹
 - o Even under multiple stress scenarios, the Group expects to continue to generate positive operational cash flow
 - o Bank facilities run until October 2023 with option to extend by a further year
 - o The Group has not called on government-assisted schemes relating to employment or loans
- The Board is confident the Group can weather the current challenges while having the funds to invest into future opportunities. The Board therefore continues to recommend the payment of a final dividend of 0.5 pence per share as previously announced with the Group's preliminary results on 3rd March

GoCo's operations have adapted quickly and effectively to the new environment

- The Group's Business Continuity Plan, routinely tested over the last two years, was quickly implemented enabling working from home for our 350 employees
- Our main concern remains the safety and wellbeing of the business's employees, and the Group has sought to
 increase support for them through this Covid-19 period, including provisions for their physical and mental wellbeing.
 However, the effort over several years to improve the agility of our operations has enabled the Group to respond
 more effectively to the changing environment
- The Board and management are particularly grateful for the incredible commitment and dedication shown by the Group's employees enabling the business to operate effectively with no impact to service for customers or partners

A strong Q1 trading performance, against a backdrop of recent changing behavioural dynamics

While there has been impact from Covid-19, the underlying business remains robust:

- GoCompare car insurance Q1 revenue growth +4% YoY built on the launch of £250 excess proposition. Prior to Covid-19, growth rates accelerated from the 2019 exit rate. Following initial traffic volatility, trading has since seen some stabilisation although some short-term impact is expected
- AutoSave delivered £4.2m of revenue in Q1, now representing 10% of Group revenue. 25%+ growth in AutoSave customers from year end 2019, on track to deliver previous expectations to grow customers by at least 40% to 30th June 2020 (from 300,000 customers as of 31st December 2019) reflecting continued strong customer demand
- Rewards performed well pre-Covid-19 driven by conversion and SEO recovery. Post Covid-19, multiple industries
 ceased marketing activity therefore impacting end of quarter. Trading has recovered somewhat but remains
 impacted by availability of supply

Revenue, £m	Q1 2020 £m	Q1 2019 £m	YOY
Price Comparison	36.1	35.9^2	+1%
AutoSave	4.2	1.42	+200%
Live customers ³	383k	135k ⁴	+184%
Rewards	1.2	1.7	-29%
Total	41.5	39.0	+6%



While this rapidly changing environment has created both challenges and opportunities for our businesses, our teams have responded quickly to the many behavioural changes which we see as being temporary in nature:

- Search volumes have reduced. Search data showed reductions in people searching for previously stable generic search terms across UK financial services (e.g. car insurance), understandable given what else is happening in peoples' lives. Conversely data from social media (Facebook, Instagram, YouTube) showed multiple-fold increases in impressions i.e. more people spending time in social media perhaps seeking "escapism and entertainment" (ref. Harvard Business Review⁵). Although neither Google nor Facebook publish UK macro trends, it is clear that there has been a reduction in search activity apparently in favour of time spent in social media. A return to a more normalised life post lock-down would suggest a return to previous shopping behaviour.
- People are distracted and risk averse. People have been naturally distracted by current events, and therefore browsing and quoting has reduced. Some of the reductions have come from people who have either auto-renewed, suspended or let their policy expire or lapse. In support of this DVLA SORN data from March 2020 shows the number of cars taken off the road double vs February (526,747 March '20 vs 250,352 Feb '206'). Separately, GoCompare also saw quote reductions from people still waiting to buy a car or waiting to take their driving test, mirroring broader shifts while people put off bigger spend decisions. While demand will not return overnight, it is considered a temporary phenomenon and the Group will continue to seek to avoid people falling into a loyalty pricing trap.
- Buying behaviour changed, both during the day and by device. While GoCompare car insurance traffic dropped following the 23rd March lock-down announcement, conversion increased (a core of people with a higher propensity to purchase and save); peak site activity also shifted to mid-morning from early evening and from Sunday to Monday, while searches also moved predominantly to desktops as opposed to mobiles where search decreased in March, consistent with more people working from home. Conversely Autosave maintained acquisition in social media despite a drop in conversion relative to increased impressions. These changes reflect the way people have adapted to the lockdown, indicating that a return to more normal patterns would reverse these behaviours.
- Material changes in supply require agility in response. With travel being heavily impacted, travel insurance demand initially grew heavily in March before falling back materially at the end of the month. Furthermore, the GoCompare team recently took the decision to temporarily stop offering this service given the potential for consumers to purchase a policy which may not fully meet all of their needs. Separately, Rewards revenue from travel declined in line with the travel ban from the first 3 weeks of February to the equivalent in March. However, the Rewards business has also seen other industries using this channel to maximise demand, for example Home & Garden retailers business almost doubled over the same period; our top retailers recently included a homeware retailer, a recipe box company, and a sportswear brand.
- In consequence, the cost of marketing decreased, most notably on TV where April, May and June broadcast costs have decreased materially as a result of less demand from multiple sectors. The behavioural shifts noted above have also impacted scheduling for top slots, all components that have had to be adjusted.

The Group's strategy continues to support consumers when they need it most; offering free £250 car insurance excess cover on GoCompare whilst our AutoSave business ensures customers are never over-paying for energy, demonstrating our ability to invest and innovate with consumer-centric propositions.

Outlook - guidance suspended for 2020

The Board remains confident of long-term group strategy, and believes it is very well positioned to meet the challenges presented. However, dynamic changes in consumer behaviour, positive and negative, post Covid-19 make it difficult to provide precise forecasts with a broad range of post lockdown outcomes for the year possible. We have therefore taken the prudent decision to suspend formal guidance for 2020, but we are committed to keep the market regularly apprised of our position.

Matthew Crummack, Chief Executive Officer said:

"Our thoughts and hearts go out to those impacted directly and indirectly by Covid-19. We are prioritising the wellbeing of our colleagues and their families and we are doing all we can to support them through this time. I would like to take this opportunity to personally thank all our employees for their incredible efforts during this challenging time.

Our ambition remains to save real money for as many people as possible, a mission that we believe resonates more than ever at this current time. We continue to do all we can to put the consumer at the heart of what we're doing; from helping them reduce the price of their car insurance, to getting the best energy deal, to getting discounts on items for the home.

We have a resilient business and continue to be disciplined in our financial management, supported by strong operational cash flows and balance-sheet. While we do not require intervention from government-assisted schemes relating to employment or debt, and are not planning redundancies, we appreciate the support extended to UK businesses by the government and the Chancellor at this difficult time. We remain confident in our long-term strategy for the Group and believe we can play an important role in supporting the consumer at this challenging time."



Notes

- Leverage ratio is calculated as net debt divided by 12 month rolling Adjusted EBITDA; leverage tested every 6 months

 AutoSave includes Look After My Bills revenue recognised by the Group in Price Comparison in Q1 2019 prior to the acquisition to enable a like for like comparison

 Live AutoSave customers defined as those who have provided full switching authority to enable a switch net of churned customers
- Q1 2019 customer number includes Look After My Bills customers prior to acquisition and being part of the Group Harvard Business Review article "Brand Marketing Through the Coronavirus Crisis" by Janet Balis, 6^{th} April 2020
- SORN data from UK Government statistics: https://www.gov.uk/performance/sorn

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