

# GoCompare Group

## 2018 Full Year Results

28<sup>th</sup> February 2019

# Agenda

## **1** Highlights

Matthew Crummack (CEO)

## **2** Financial Review

Nick Wrighton (CFO)

## **3** Business Review

Matthew Crummack (CEO)

## **4** Summary

Matthew Crummack (CEO)

# Delivered strong performance in line with our expectations

## Doing More for Less

### Increasing Quality of Earnings on our Core Business

- Strong marketing margin improvements – instead of chasing revenue
- Improved conversion and more targeted marketing spend



**+6%pts** (v '17)  
Marketing Margin

## Unlocking New Markets

### Focus on Cash to Reinvest for Faster Growth

- Over the last 24 months we have consistently pursued profit growth and cash generation
- This relentless focus on profit and cash enables us to invest in M&A and innovation to create long-term shareholder value



**+22% AOP** (v '17)

## Improved Capabilities

### Innovating and Investing in Technology

- Significant increase in headcount in Product & Technology (+42 FTEs v '17 and +84 v '16), reflecting our drive to be a leading innovative Tech company who is transforming the market
- 45% of our people are working in a Tech/Product role, this is up from 27% in 2016

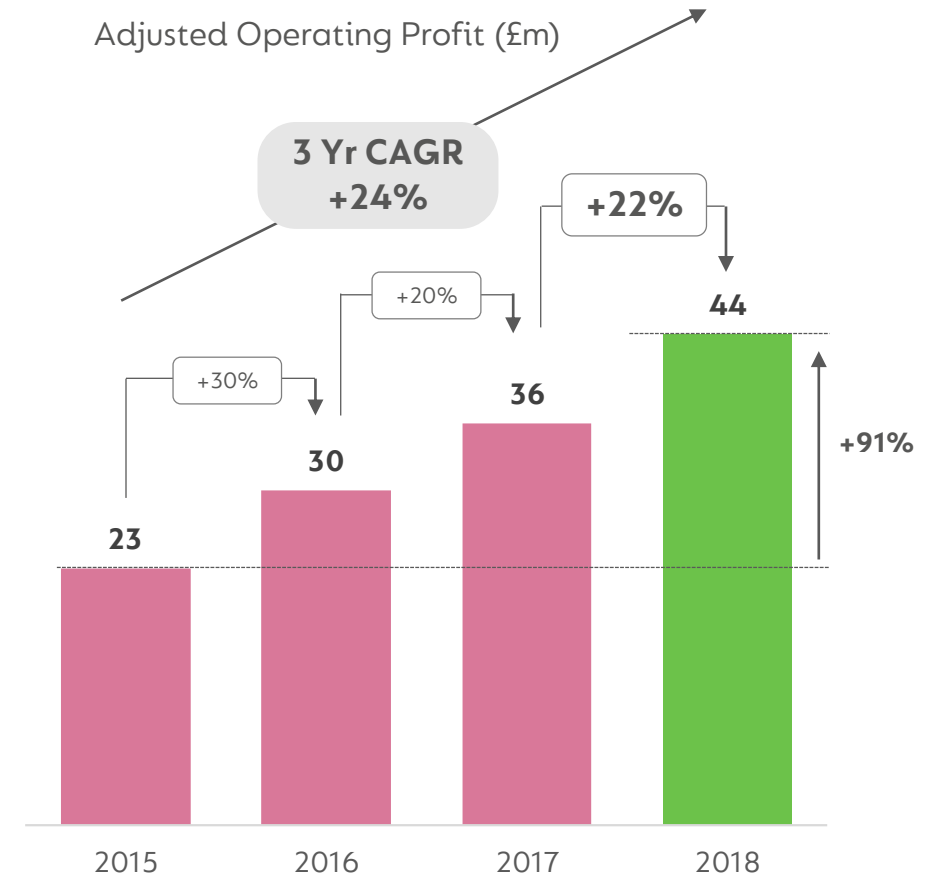


**x5 releases<sup>1</sup>** (v '17)  
Increase in # of releases per year

**Highly disciplined approach to drive strong financials**

# 3 years of profit growth

- ✓ **Focus on continued profit growth**
  - Cash generation more important than chasing revenue
- ✓ **Transformed core operating platform**
  - Capability, not spending big on building an app
- ✓ **Growth mindset**
  - Speed of learning that delivers innovation



A track record of increasing adjusted operating profit

# Our transformation journey continued through 2018

## Optimised Cash Generation on Our Core

### Comparison

- Appointment of new CMO and improved efficiency
- Continued improvements to conversion on core
- Investments into people for long-term growth

### Rewards

- Quickly re-platformed
- Secured exclusive deals with News UK (The Sun) and Reach plc (The Express)

**GoCompare**  
GROUP



**GoCompare**  
**weflip**   
MyVoucherCodes  
MORE MONEY IN YOUR WALLET  
**ENERGYLINX**

## Transforming the Business

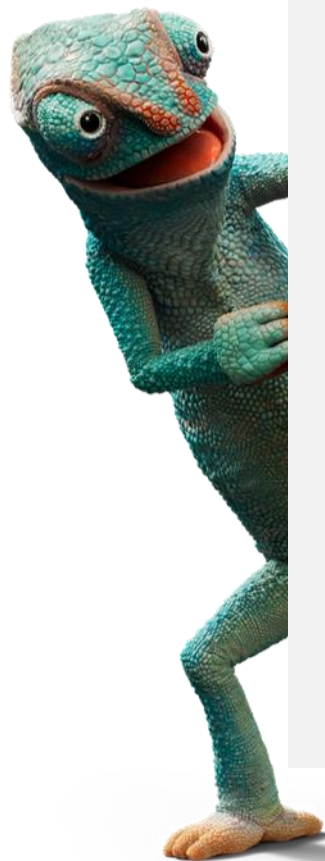
### Moving from one brand to a Group to diversify revenue

- Rapid integration of **MVC** following completion in January 2018
- Acquisition of **Energylinx** to support our GoCompare energy journey along with supporting launch of weflip
- Launch of our new automated savings proposition **weflip**
- Implementation of matrix Group leadership structure

### Improved culture demanding action

- Developed consumer-focussed, product-led mindset
- More tests & releases – agile business operating at pace
- Investment in people, significantly improved processes
- Launch of our GoFurther Academy

# We are optimising to unlock growth



- Launch of our new automated savings proposition **weflip**, starting with Energy
- Targets huge unaddressed market opportunity of ‘infrequent switchers’
- Weflip automatically switches consumers to another supplier when they can make a saving<sup>1</sup> – free and continuous service to the consumer
- Transformative business model delivering sustainable recurring revenue from suppliers and profit growth over the medium to longer term
- Further services to launch through to 2022



## Unlocking New Markets

# Agenda

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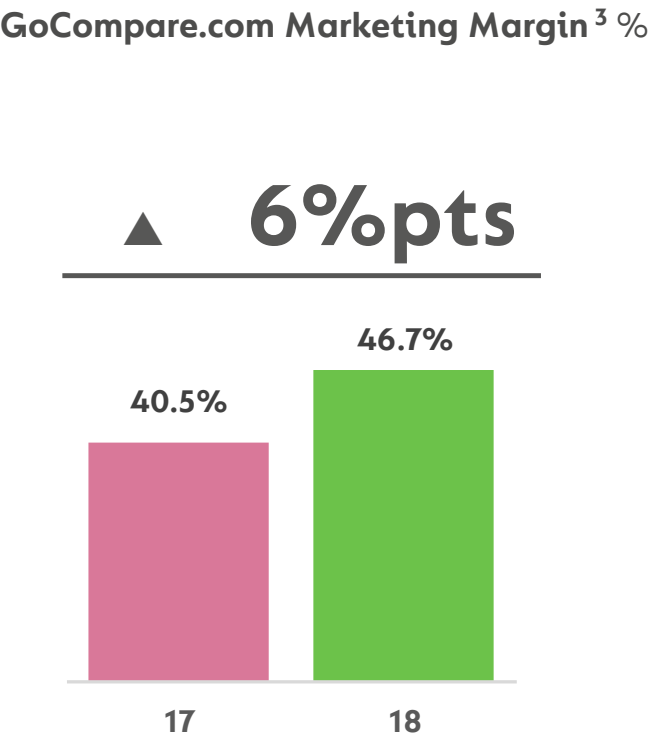
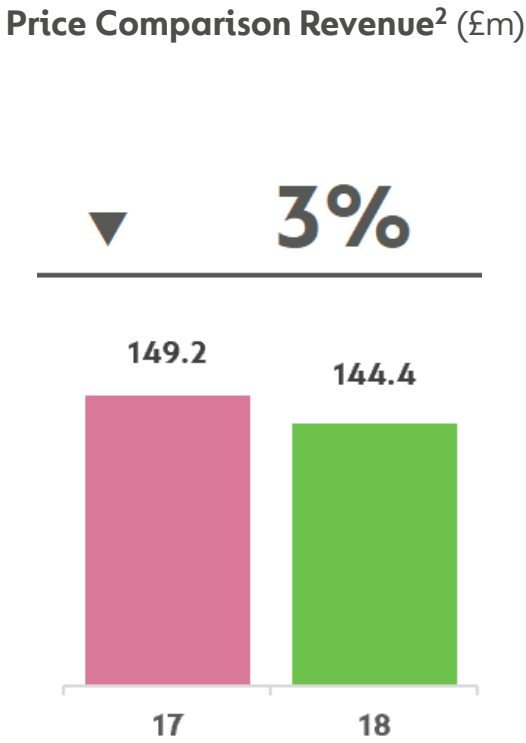
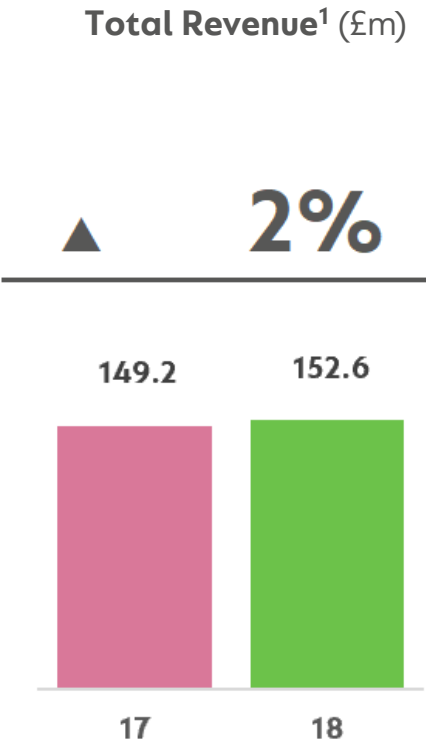
## 3 Business Review

Matthew Crummack (CEO)

## 4 Summary

Matthew Crummack (CEO)

# Focus on improving margin rather than revenue growth...

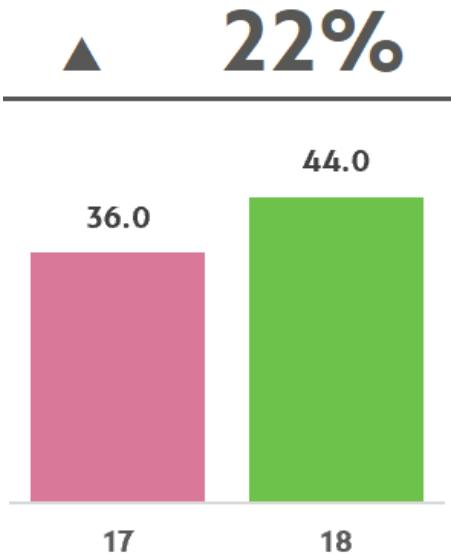


1. Total revenue includes Rewards revenue of £8.2m for 2018  
2. Price comparison includes revenue for GoCompare.com and Energylinx  
3. GoCompare.com Marketing Margin = GoCompare.com Trading profit as a percentage of Gocompare.com Revenue.

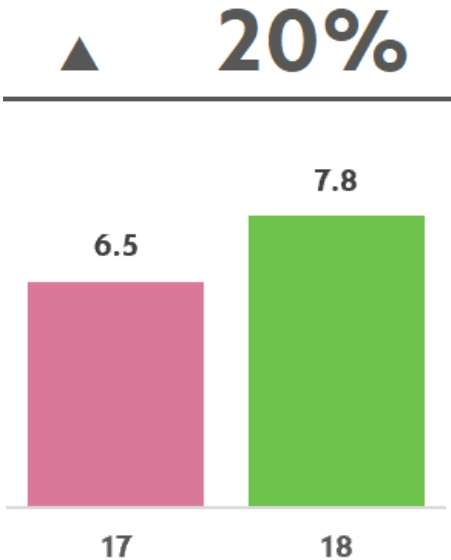


# Consistently delivering sustainable earnings growth and cash generation

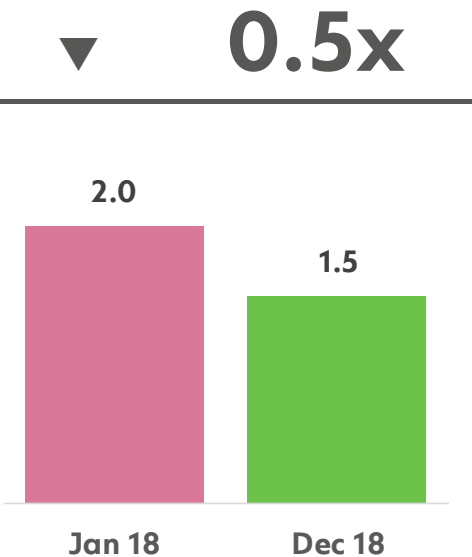
Adjusted Operating Profit<sup>1</sup> (£m)



Adjusted Basic EPS (pence)



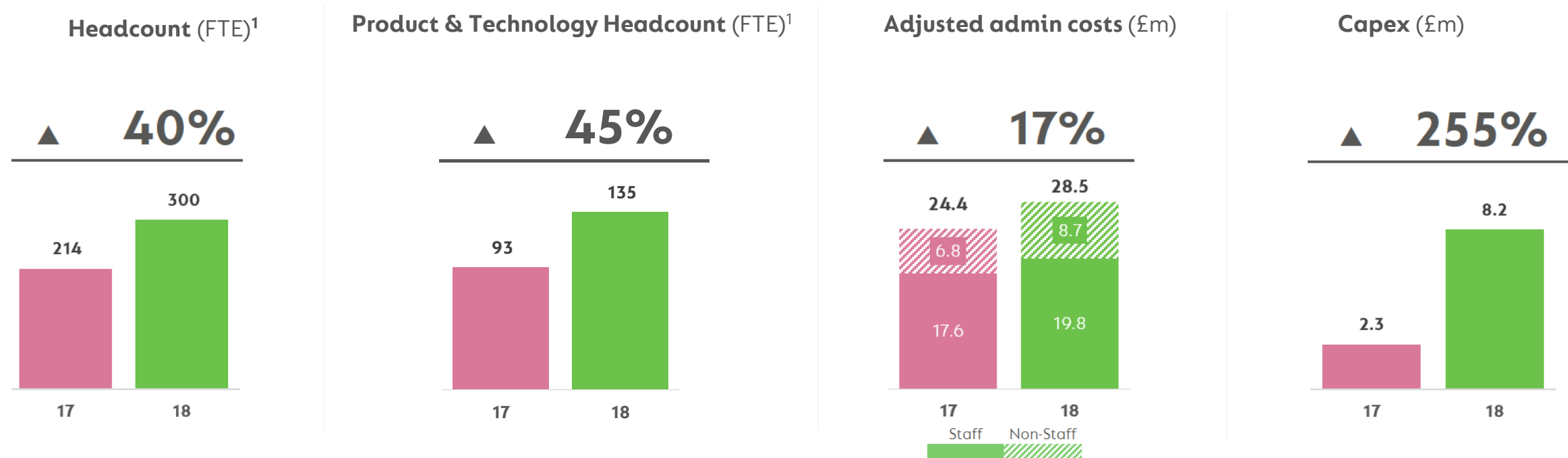
Leverage<sup>2</sup>



1 Adjusted operating profit represents operating profit for the year after adding back transaction costs and other exceptional corporate costs, fees in relation to listing and Foundation Award share-based payment charges

2. Based on Jan 2018 – Post MVC acquisition

# Savings in marketing re-invested into people & skills to drive the innovation required to deliver long-term growth



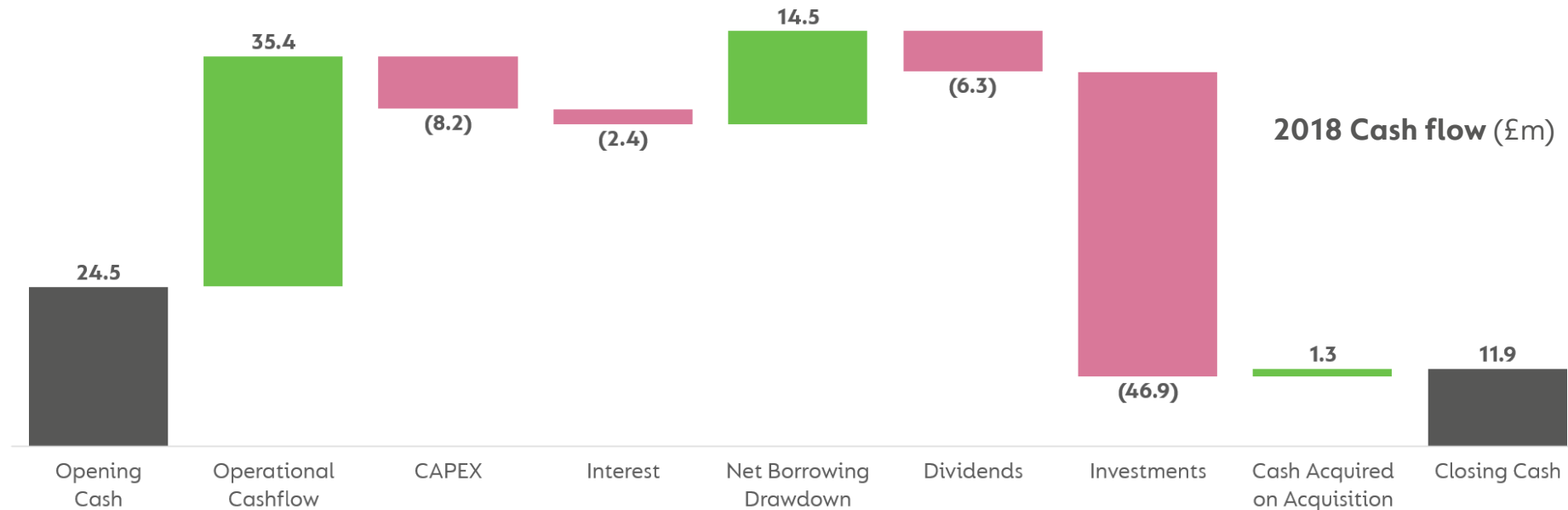
- Headcount increased by 86 since December 2017 – reflecting MyVoucherCodes and Energylinx acquisitions, as well as ongoing recruitment in Newport
- Admin costs up by £4.1m versus 2017, which includes MyVoucherCodes & Energylinx costs
- Increase in CAPEX (in line with guidance) from £2.3m to £8.2m – reflecting development of weflip and MVC white label sites
- Expected to continue at similar levels in 2019

1. Headcount as of December 2017 and December 2018

# Income Statement and Segmentation Overview

£m	2018				2017		YoY (%)	
	Price Comparison	Rewards	weflip	Total	Price Comparison	Total	Price Comparison	Total
Revenue	144.4	8.2	0.0	<b>152.6</b>	149.2	<b>149.2</b>	-3%	<b>2%</b>
COS	(42.8)	(1.8)	-	<b>(44.6)</b>	(42.5)	<b>(42.5)</b>	1%	<b>5%</b>
<b>Gross Profit</b>	<b>101.6</b>	<b>6.4</b>	-	<b>108.0</b>	<b>106.7</b>	<b>106.7</b>	<b>-5%</b>	<b>1%</b>
Distribution Costs	(34.6)	(0.8)	(0.1)	<b>(35.5)</b>	(46.3)	<b>(46.3)</b>	-25%	<b>-23%</b>
<b>Trading Profit</b>	<b>67.0</b>	<b>5.6</b>	<b>(0.1)</b>	<b>72.5</b>	<b>60.4</b>	<b>60.4</b>	<b>11%</b>	<b>20%</b>
Marketing Margin (%)	46.4%	68.2%	-	47.5%	40.5%	40.5%	5.9%pts	7%pts
Adjusted Admin Costs	(13.2)	(2.8)	(1.1)	<b>(17.1)</b>	(13.6)	<b>(13.6)</b>	-3%	<b>26%</b>
<b>Adjusted Op Profit</b>	<b>53.8</b>	<b>2.8</b>	<b>(1.2)</b>	<b>55.4</b>	<b>46.8</b>	<b>46.8</b>	<b>15%</b>	<b>18%</b>
Group Adjusted Admin Costs				<b>(11.4)</b>		<b>(10.8)</b>		<b>5.6%</b>
<b>Group Adjusted Op Profit</b>				<b>44.0</b>		<b>36.0</b>		<b>22%</b>

# Strong operational cash generation deployed on external and internal investments



- **Strong operational cash flow £35.4m**
  - £36.9<sup>1</sup>m investment in acquisition of MyVoucherCodes
  - £8.6<sup>1</sup>m investment in acquisition of Energylinx
  - Further £1.3m investment in MortgageGym
- **Net debt of £67.5m at 31/12/18**
- **Leverage of 1.5x at end of December, falling from 2.0x post MyVoucherCodes acquisition**
- **Final dividend of 0.8 pence per share taking the full year dividend to 1.6 pence per share**

# Clear capital allocation policy

Prioritise capital allocation as follows:

Repayment of  
Debt

*£10m per annum*

Investment into  
weflip

Inorganic  
investments and  
M&A

Capital Returns  
*target pay out ratio  
of 20%-40%*

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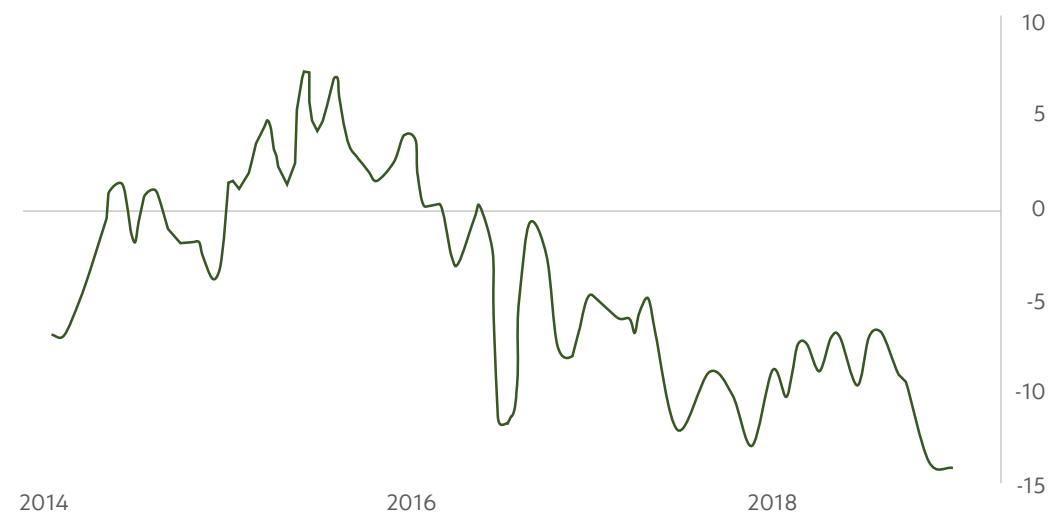
Matthew Crummack (CEO)

## 4 Summary

Matthew Crummack (CEO)

# Despite a tough economic backdrop, people are still overpaying & spending more than they need on household essentials

Consumers **FELT** squeezed in 2018



Consumer confidence hit a 5-year low in December 2018

But they continue to overpay

**> £2bn** overpaid every year by consumers



Car Insurance

£527m



Energy

£932m

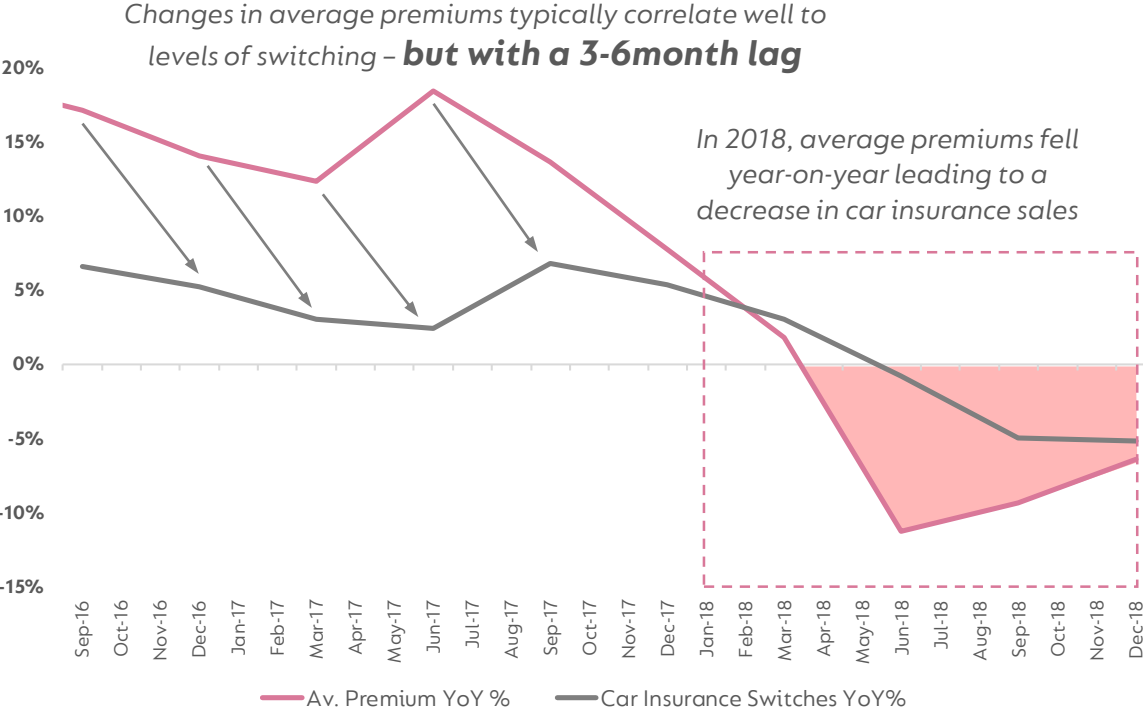


Home, building & contents insurance

£591m

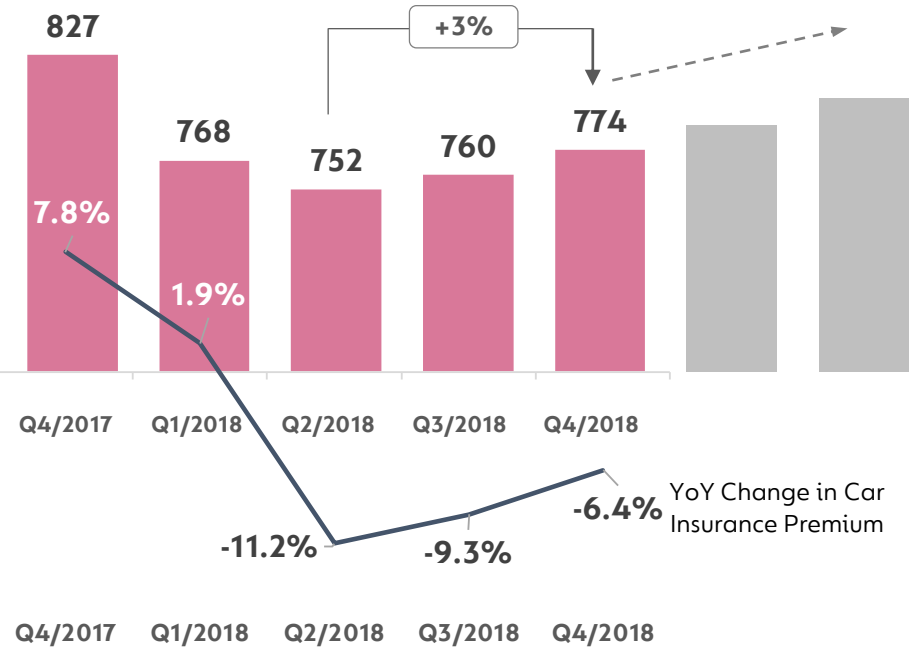
# 2018 was a challenging year for car insurance switching

**Car Insurance Sales vs Average Car Insurance Premium**  
YoY% Change



**Average Car Insurance Premium**  
£ per Policy / % YoY Change

Car insurance premiums +3% from Q2/2018 to Q4/2018 – early indications this may continue in 2019

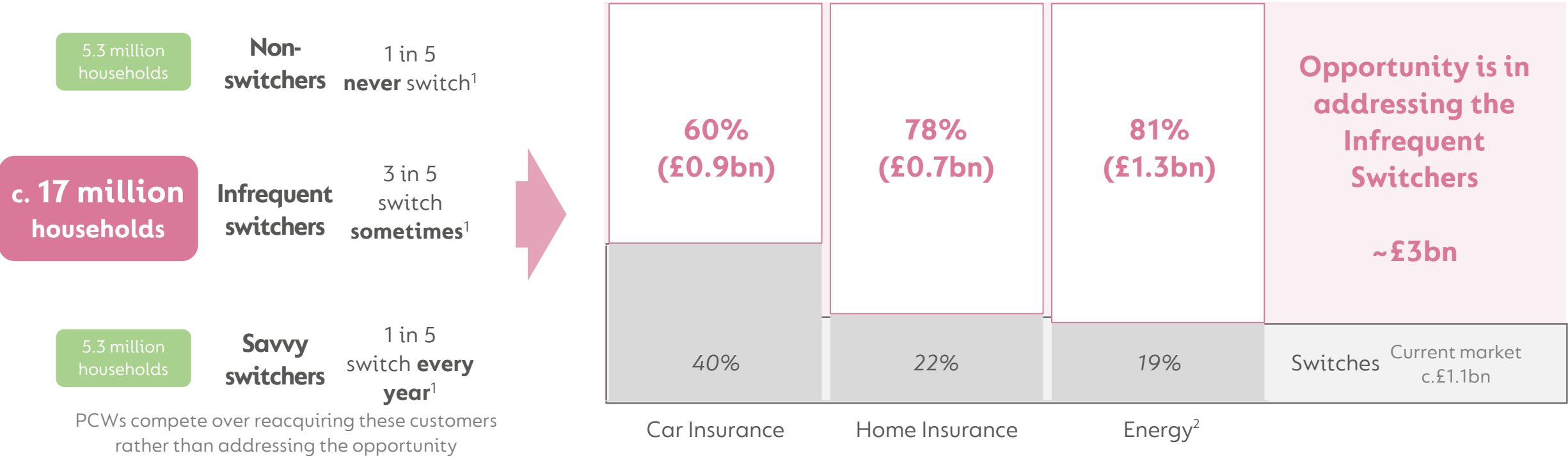




# Solving for the '3 in 5' unlocks a **£3bn** opportunity *3x current market*

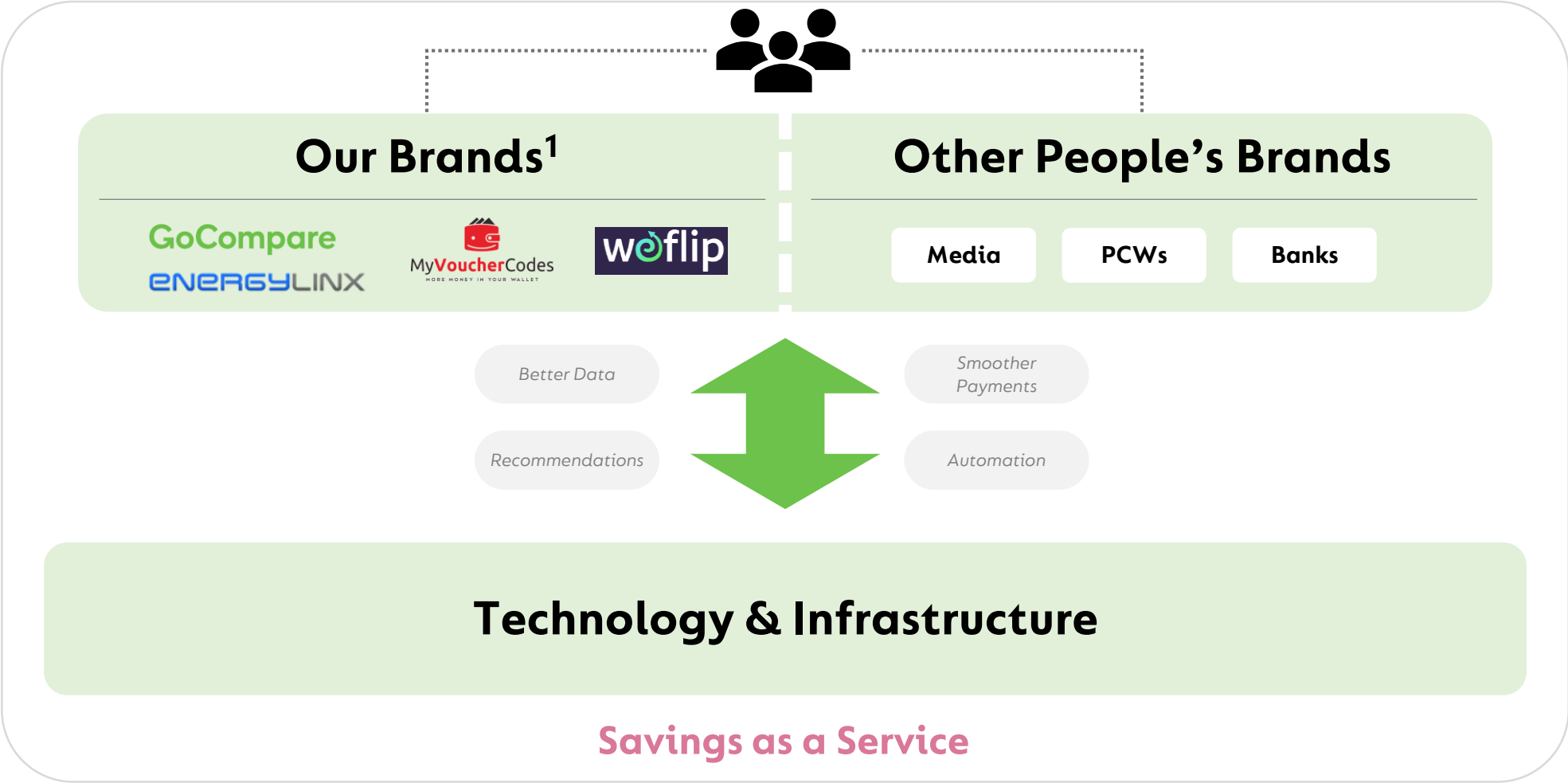
## UK consumers 2018 Switching Rates by Product

% of insurances policies & energy contracts switched in 2018; implied switching revenue opportunity (£)



Incremental opportunity worth **c.£3bn** in Car Insurance, Home Insurance & Energy alone

# In Savings as a Service we believe we have the right technology platform to maximise the opportunity



# We had 3 areas of focus for 2018

1

## Improved Capabilities

- Creating an agile and innovative Technology company
- Customer-focused product and software development
- Formation of the Group – from 1 brand to 4 to diversify revenue

2

## Doing More for Less

- Comparison: business optimised with improvements to conversion and marketing efficiencies driving Marketing Margin increase
- Rewards: MyVoucherCodes integrated, re-platformed and 2 exclusive White Labels launched

3

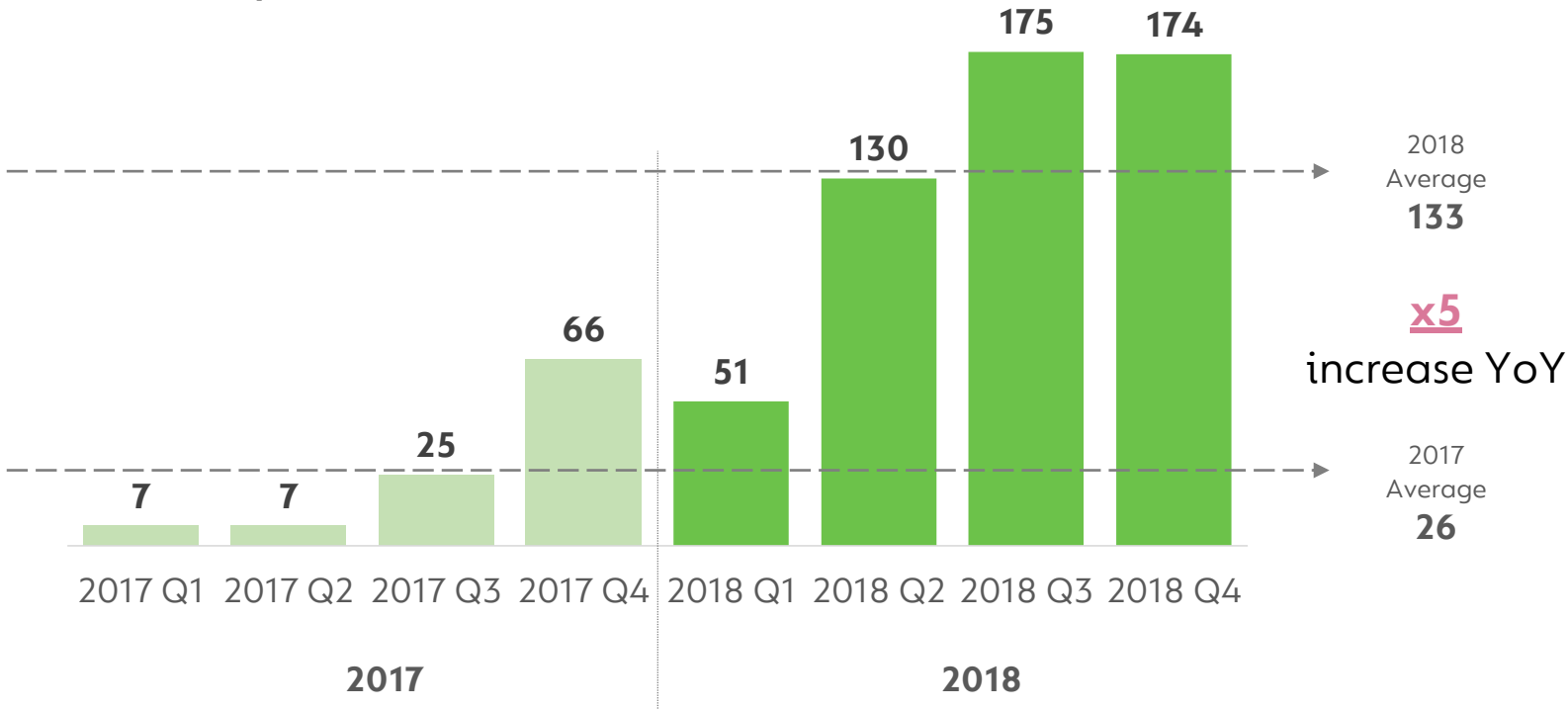
## Unlocking New Markets

- Launch of weflip to target the huge unaddressed market opportunity
- Weflip automatically switches consumers to another supplier when they can make a saving – free and continuous service to the consumer
- Transformative business model delivering sustainable and predictable recurring revenue and increased profit margin

Improved Capabilities

Enabled by our ability to transform the business to move at pace

Number of Releases<sup>1</sup> per Quarter  
#



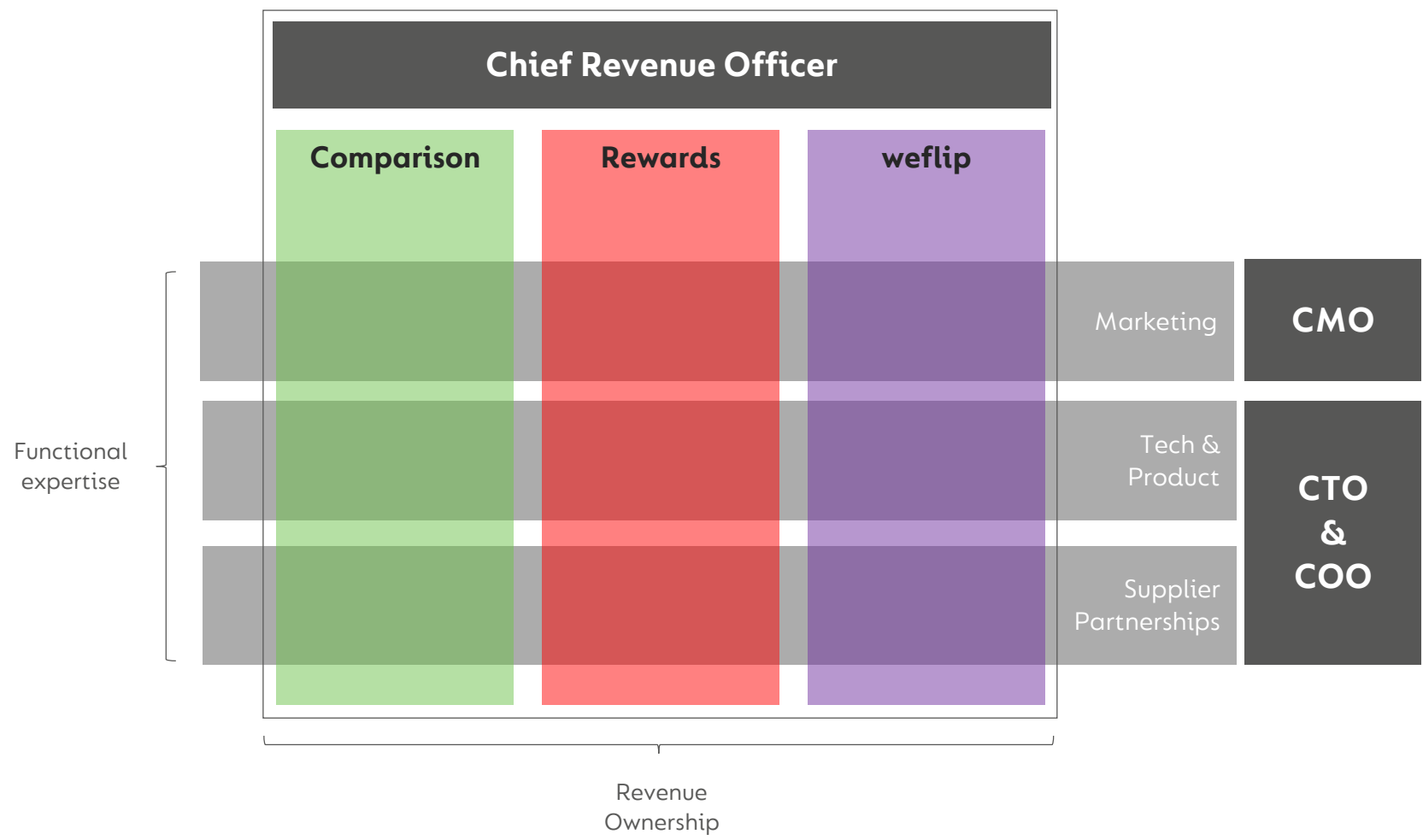
Step-change in speed of delivery

Consumer driven, product-led software development

1. A 'release' represents a discrete component

Improved Capabilities

Right team and structure in place



**Lee Griffin = Chief Revenue Officer**

- Founding member of GoCompare

**Zoe Harris = CMO**

- 2013 to 2018, CMO at Trinity Mirror (Reach plc)
- Prior to 2013, headed-up marketing functions for Channel 5 and MTV, as well as working for the agency WCRS

**Jackson Hull = COO & CTO**

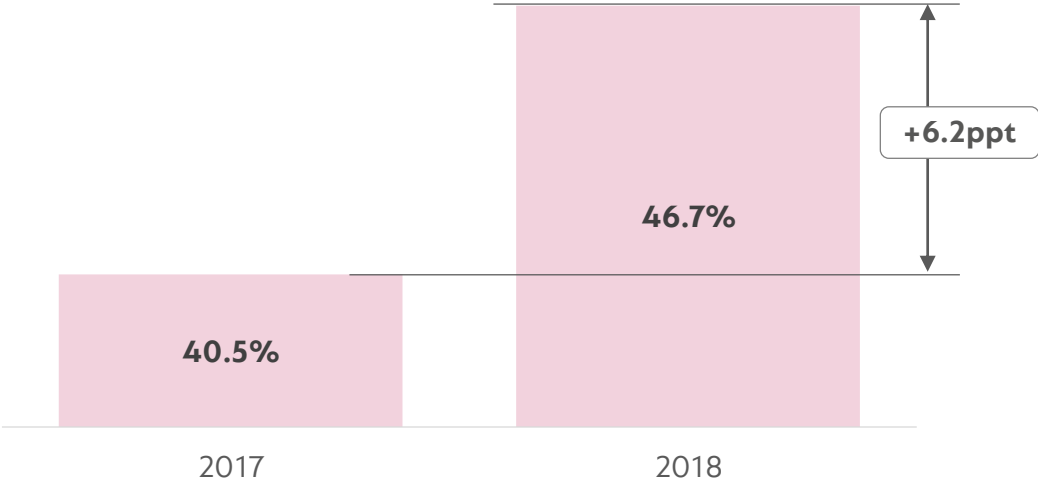
- Previously CTO at Student.com and OneFineStay, Plum District and Sitoa

Doing More for Less

# We've been optimising our Comparison business

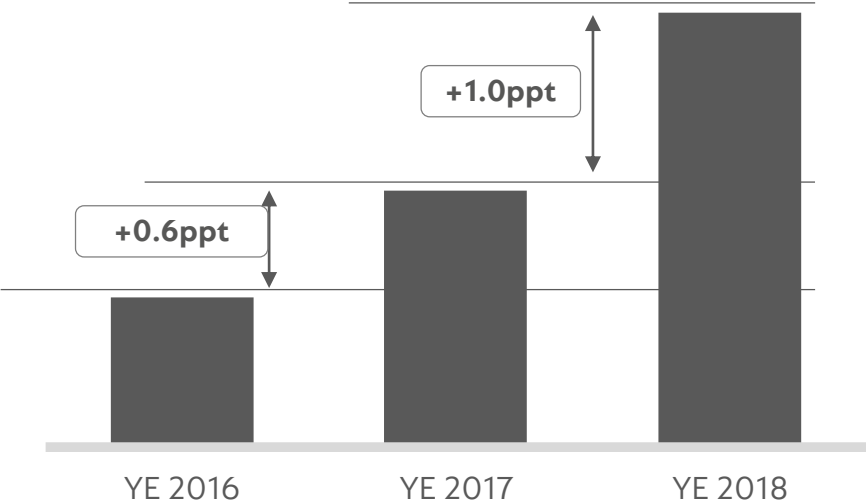
## More Efficient Marketing

GoCompare.com Marketing Margin  
% of Revenue



## Improved Conversion

GoCompare.com Car Insurance Conversion  
Position at Year End

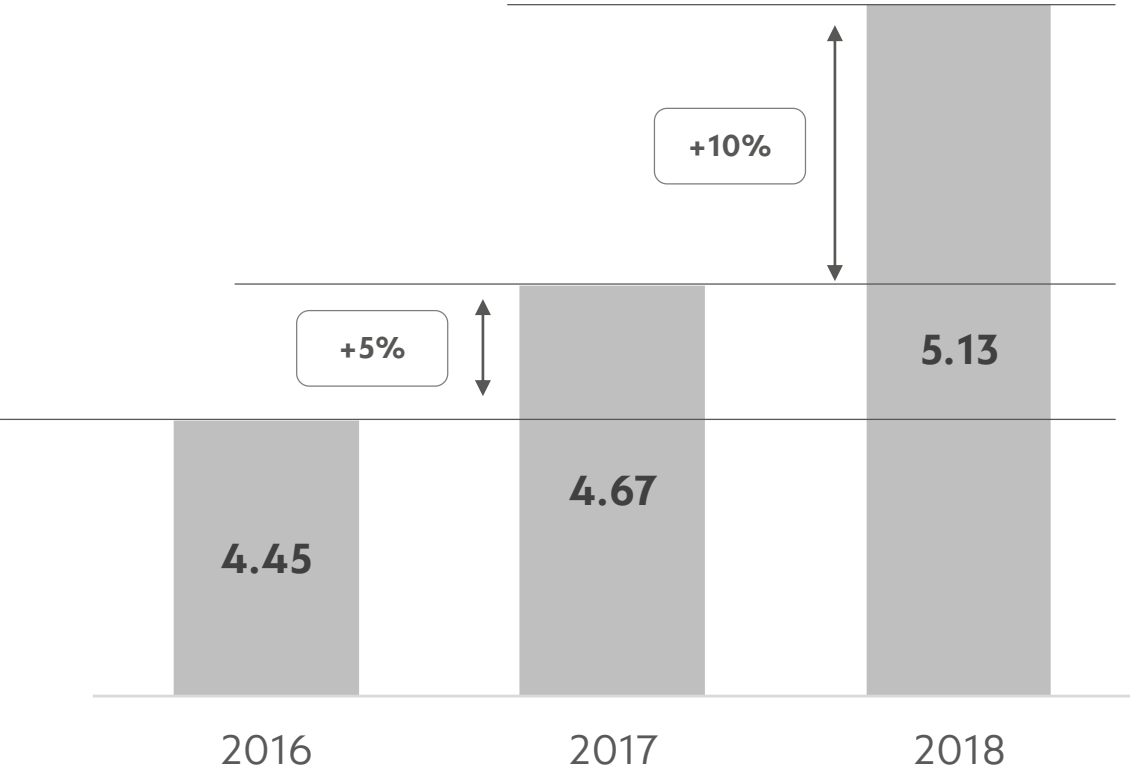


By optimising in a down-cycle, we are well placed to be more aggressive as the market recovers

Doing More for Less

# Significant increases in revenue per interaction

Group Revenue per Interaction  
£



Improved Conversion Rates

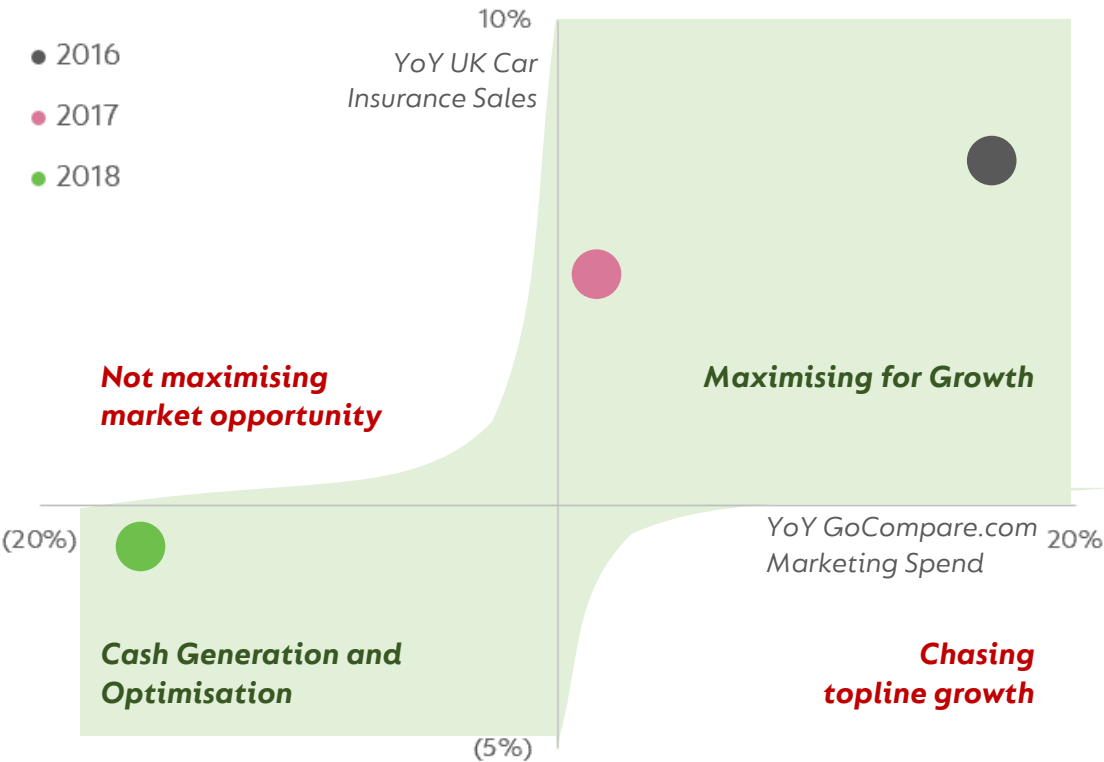


Increased Income per Transaction

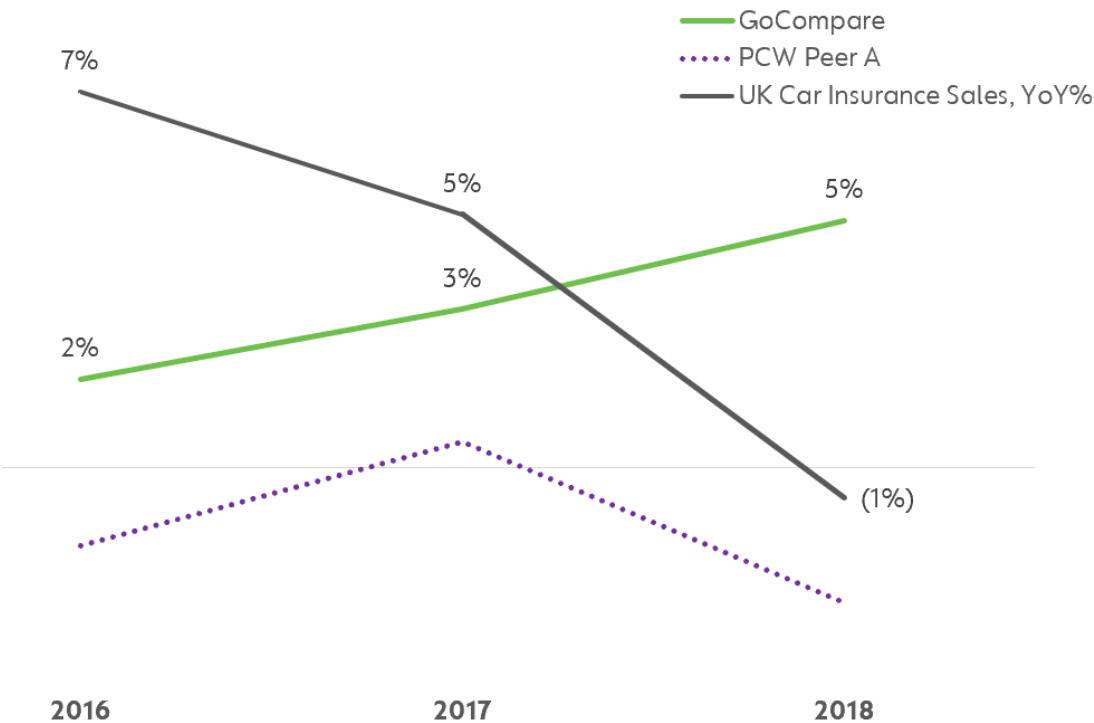
Doing More for Less

We don't over spend in a down-cycle

GoCompare.com Marketing Spend vs UK Car Insurance Sales  
Year-on-Year Change, %



GoCompare Group AOP Margin vs. PCW Peer A and Car Insurance Sales  
GoCompare Group & PCW Peer A = YoY Change in AOP Margin (ppt delta)  
Car Insurance = YoY % Change



This is a core business philosophy



Doing More for Less

# We continue to adapt our marketing & customer experience to drive success

**Q4 2018**

**New CMO Appointed**

- Marketing team restructured
- New media buying agency appointed

*In Progress*  
**Q1 2019**

**New Creative Agency**

- New creative agency briefed
- Revisit optimal mechanism to drive preference
- Continued efficiency and conversion improvements over the medium-term

*Planned*  
**Q2 2019**

**Develop and Launch New Creative & Proposition**

- Rapid development of a new creative and proposition to be launched in Q2
- Continued efficiency and conversion improvements over the medium-term

**H2 2019**

**Impact Expected Through H2**

- Efficiency and conversion improvements as we approach the market upcycle in H2 and beyond
- Impact from creative expected to deliver improvements in H2 as it gains traction

Doing More for Less

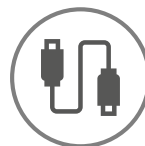
# Rewards business successfully integrated, re-platformed and new exclusive partnerships launched

## Integration



Moved fast, successfully integrating the business into the Group

## Re-Platform



Rapidly re-platformed to deliver best-in-class tech

## New Partnerships



2 new partnerships for National Media Publishers



## Unlocking New Markets

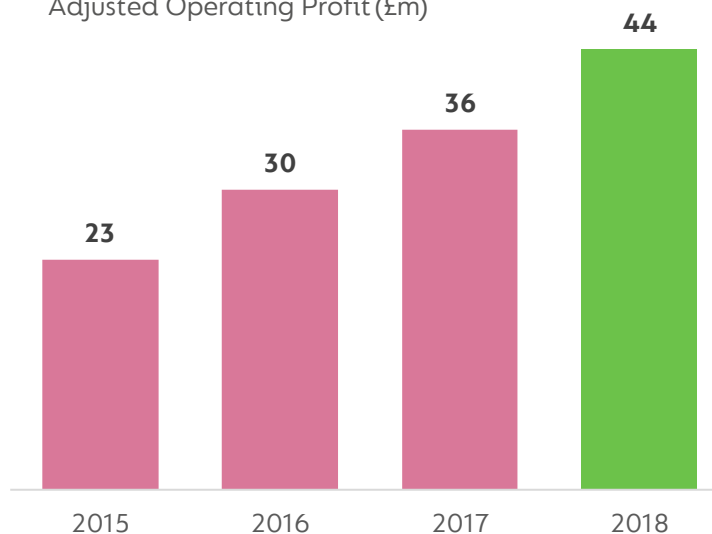
# Cash generation from the core to reinvest for faster growth

## Optimising the Core



## Grow Profit & Generate Cash

Adjusted Operating Profit (£m)



## Unlock New Growth

### Inorganic



souqalmal.com

ENERGYLINX

### Organic

Energylinx acquisition enabled weflip launch

weflip

Demerger from esure driven in part by a desire to better deploy capital

## Unlocking New Markets

# Solving innovation is key

2016 Full  
Year Results

March 2017

2017 Interims

August 2017

2017 Full Year  
Results

February 2018

2018 Interims

July 2018



“Category growth comes from reducing bother”



“Solving botheration is critical to our mission”



“Three year plan to solve for botheration”



“Automatically saving households money”

## Unlocking New Markets

# We have done a thorough review of the Energy market and what the consumer wants

### External Strategy Review

2017



28M

Supplied households



5M

Switched Energy  
BUT, only...



2.5M

Switch Regularly

### In-Depth Consumer Research

2017/18



### Detailed Market Analysis

2018



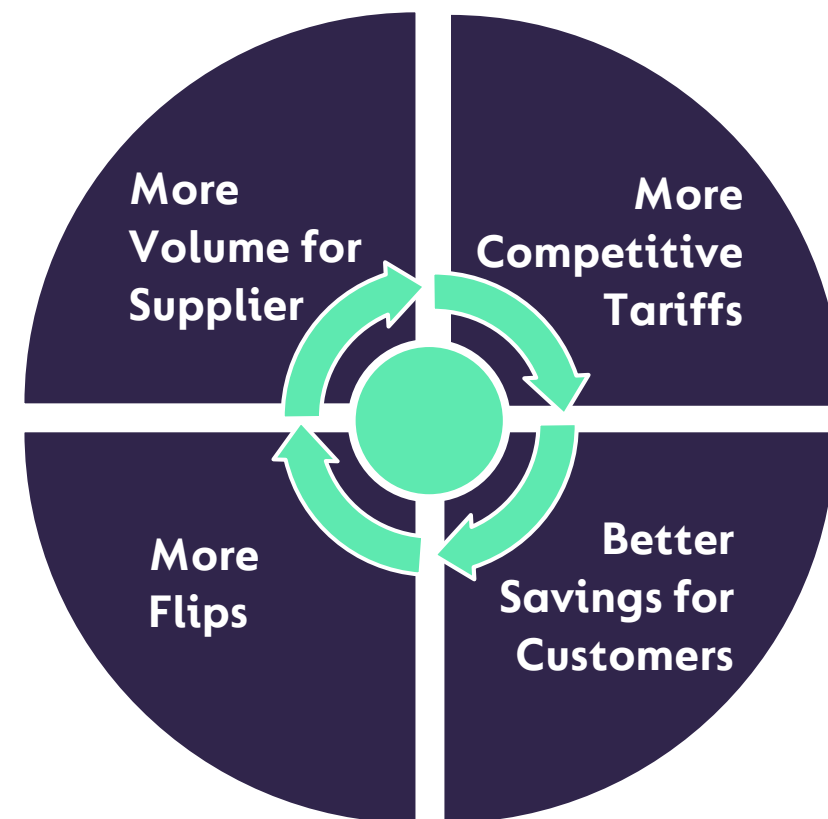
- Approx. **23m** households did not change suppliers in last 12 months
- **34%** of consumers who have never switched is because it is too much hassle
- Large percentage of users only switch once, then let that deal expire without finding another deal
- **72%** of consumers would be likely to sign-up to an auto-switching proposition

“It would be a comfort to know you are always getting the best deals and would get rid of confusion over how to switch and when”

## Unlocking New Markets

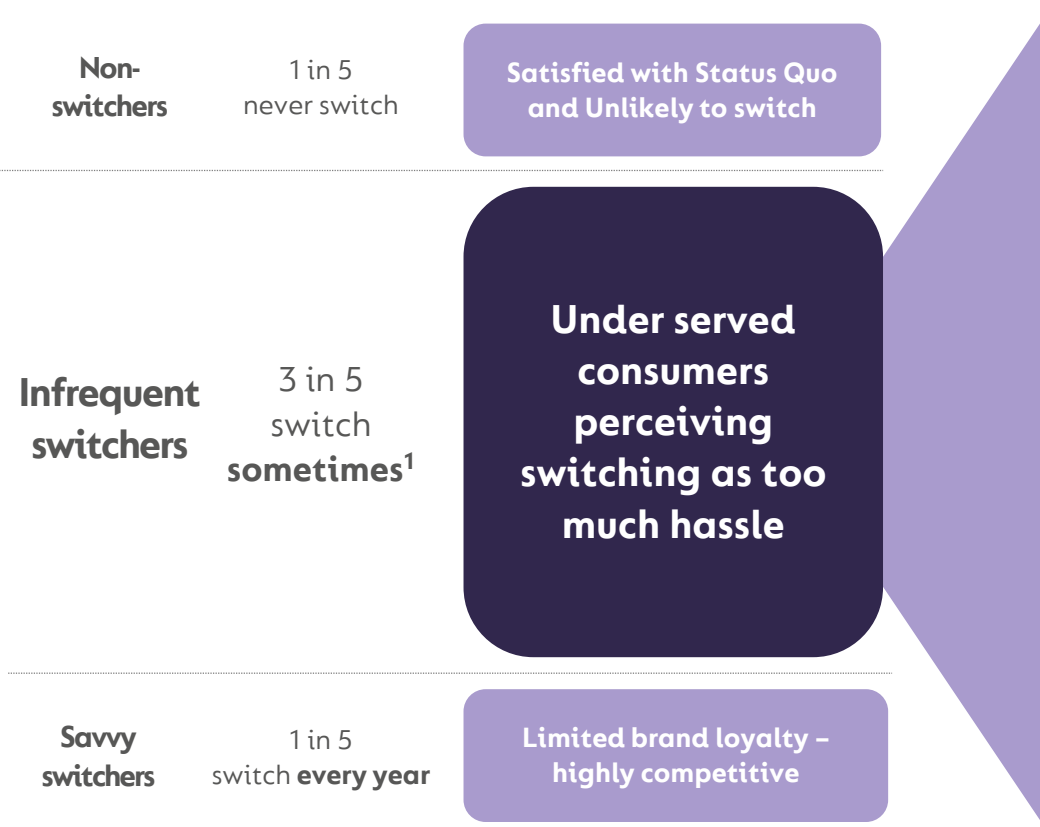
## Energylinx brings supplier relationships

- **ENERGYLINX** powering GoCompare.com and weflip from July 2018
- Supplier discussions yielding a model that works for all parties: **customers**, **suppliers** and **weflip**
- Suppliers moving from *annual* CPA to *monthly* tenancy model in recognition of the potential increase in frequency of flips
- Working in partnership has enabled exclusive “**best in market**” tariffs with some suppliers, e.g. Octopus in February
- One of the most comprehensive panel of suppliers which we expect to expand during 2019



## Unlocking New Markets

# weflip launched energy to the consumer in October 2018



### Reduces hassle for the consumer

- Quick and easy consumer journey => enter personal details once (takes 3 minutes), then save forever
- Continuous improvements in journey to come in Q2

### More confidence in always saving

- Consumers don't have to worry about remembering to switch but automatically save every year
- Free to consumers, revenue received from suppliers
- weflip automatically switches users if they could save at least £50<sup>2</sup>

### Best-in-class customer service









- High service brand with effortless and visible ways of contacting weflip to help with the process

### Leading supplier relationships

- Through our acquisition of Energylinx we have direct relationships with all the key energy suppliers and are able to agree exclusive, best-in-market offers

## Unlocking New Markets

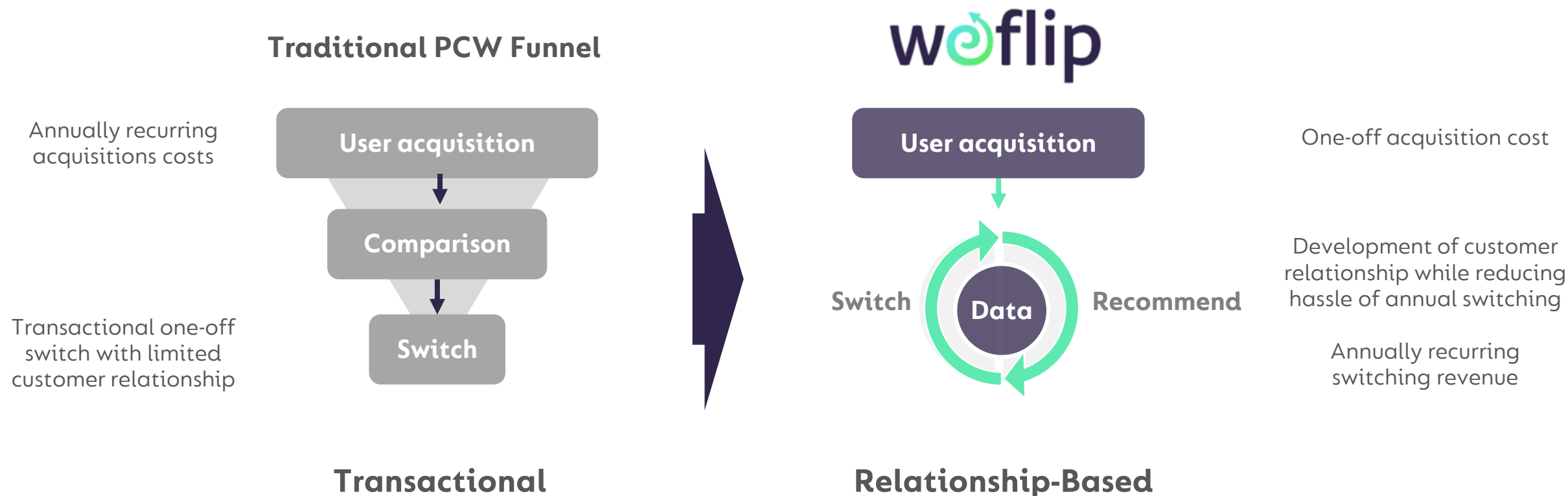
# weflip is a unique proposition

	Customer Journey				Capabilities				
	 Find tariffs	 Choose/ recommend a tariff for consumer	 Monitor the market	 Switch to the next deal	 Ability to Invest at Scale	 Relevant Management Expertise	 Contractual Relationships with Energy Suppliers	 Ability to Leverage Group Technology Resource	
Traditional Price comparison	★	✗	✗	✗	★	★	★ <sup>1</sup>	★	Other Comparison Sites are not delivering an auto-switching proposition
Comparison site with price alerts	★	✗	★	✗	★	★	★ <sup>1</sup>	★	Smaller auto-switching start-ups do not have the same underlying capabilities
Auto-Switching Start-Ups	★	★	★	★	✗	✗	✗	✗	Weflip is the only auto-switching proposition launched by a scale operator
weflip	★	★	★	★	★	★	★	★	



## Unlocking New Markets

# Transformative business model underlies weflip's attractive proposition



**weflip delivers a recurring revenue stream and higher customer lifetime value**

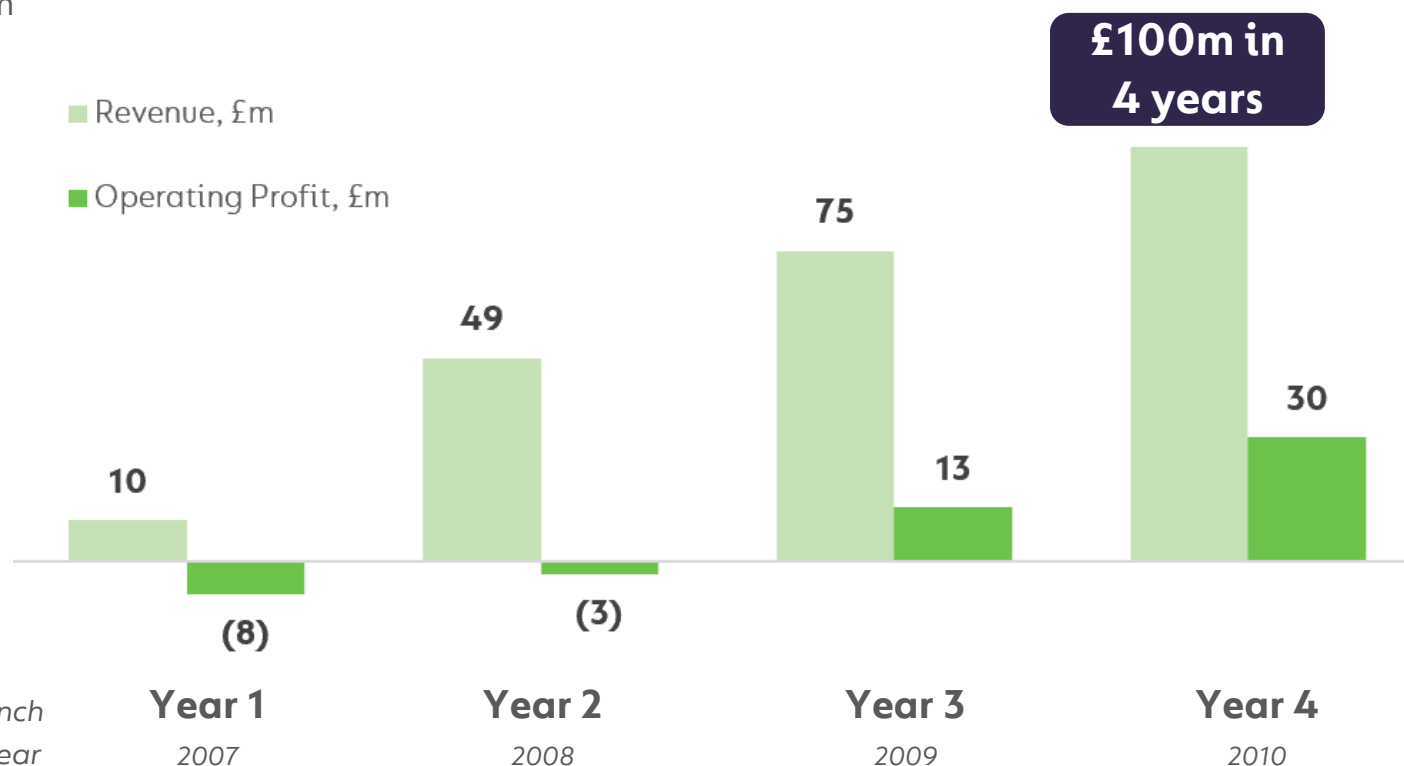
## Unlocking New Markets

# We have assessed what is required to successfully launch a new brand - and have extensive experience

GoCompare Revenue and Operating Profit Post Launch  
£m

Revenue, £m

Operating Profit, £m



Sir Peter Wood, our Chairman



Matthew Crummack, our CEO



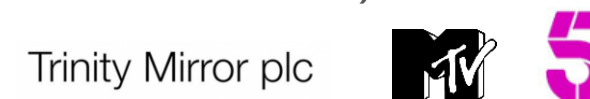
Lee Griffin, our Chief Revenue Officer



Jackson Hull, our CTO and COO



Zoe Harris, our CMO



## Unlocking New Markets

# We're building the brand

weflip received considerable coverage  
at soft launch in Oct 2018



“The only people you need to sign up to to get cheap energy deals forever - new weflip service launched”



“GoCompare’s new energy switching service weflip could save you THOUSANDS of pounds”



“Switching service aims to end ‘rip-off’ household bills”

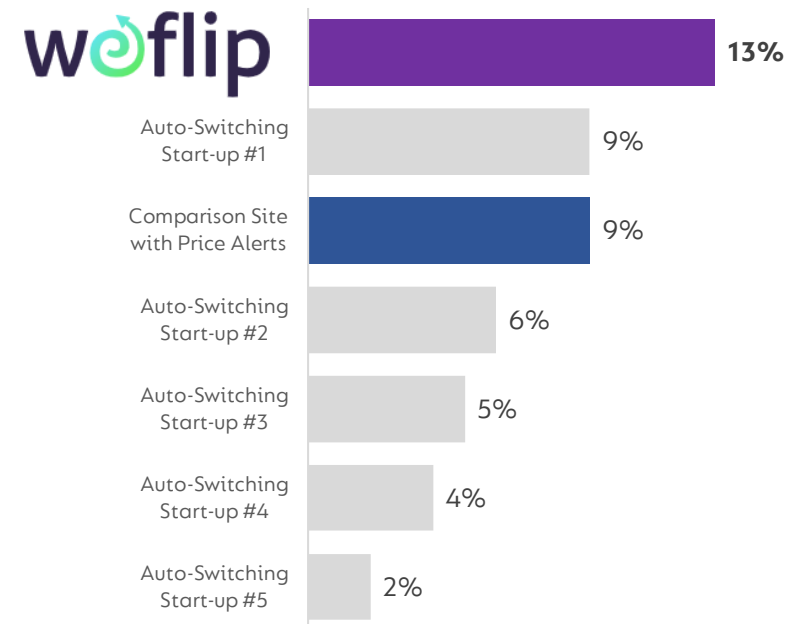


“Too lazy to switch energy provider? This could be the answer”

And has already achieved solid awareness amongst consumers

### Prompted Awareness<sup>1</sup>

% of Responses



## Unlocking New Markets

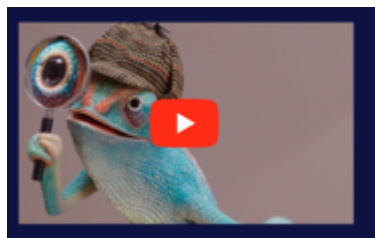
**We are a data driven business – and will continue to use data to inform decisions as to how much to invest and in which channels**

### Data to Refine Approach



**Test & Learn approach to optimise our marketing and customer acquisition**

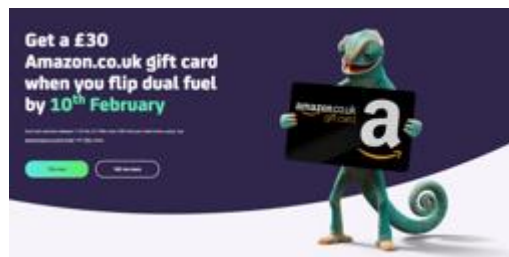
TV



Print media



Incentives



### Customer-Centric KPIs

Moving away from traditional PCW KPIs:

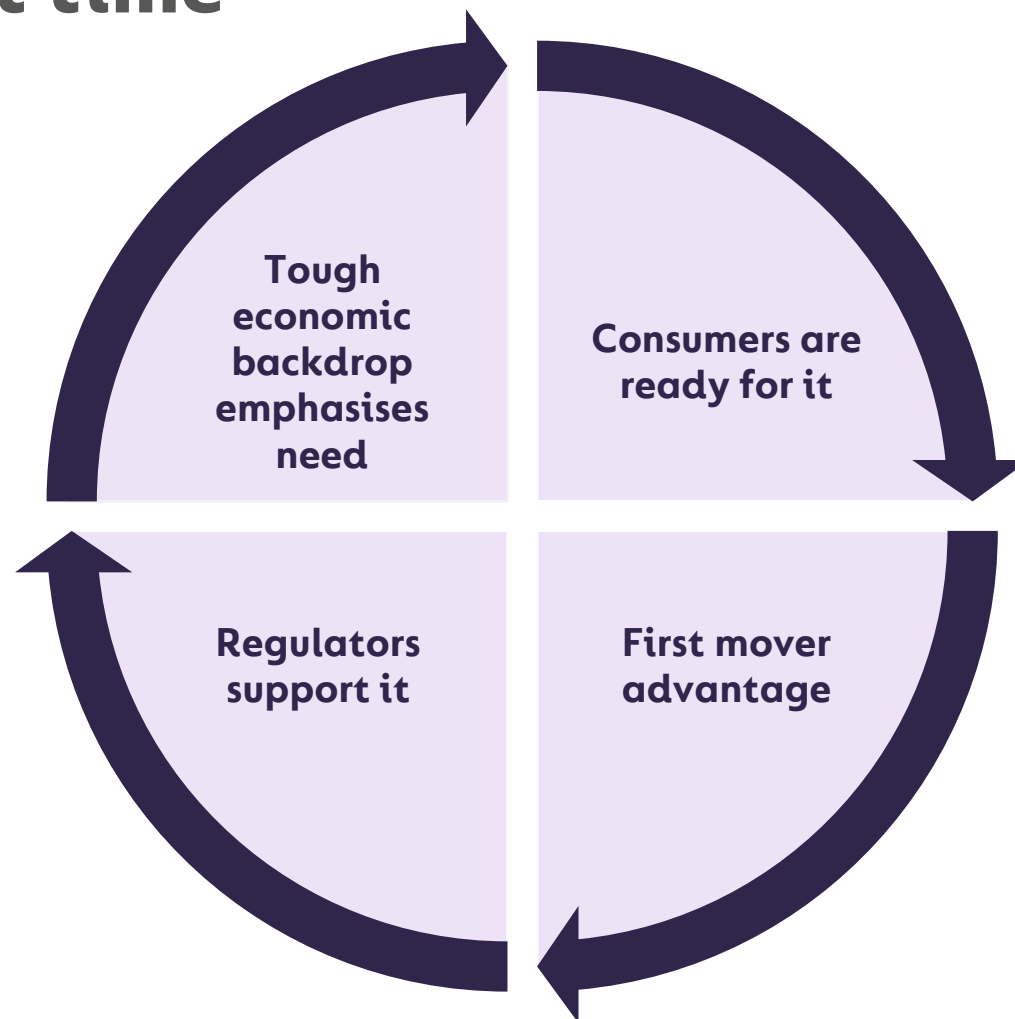
- Interactions
- Conversion
- Marketing Margin
- Income per Transaction

To customer-centric KPIs. Key internal metrics include :

- Customer numbers
- Prompted awareness
- ARPU
- Retention rates
- Lifetime Value

## Unlocking New Markets

# And now is the right time



## Unlocking New Markets

# We are building a new business and brand that requires investment but which we believe will be transformative

**weflip requires investment in 2019 but we expect it to be transformative to Group earnings by 2022**

- weflip opportunity is huge but requires investment to deliver sustainable profit growth and margin improvement in the medium term
- We will invest in the region of £10m in marketing in 2019
- Funding for weflip will be from operational cashflow (no new funding required)
- Subscription style service (*free to consumers, revenue from suppliers*) will drive high customer retention, less marketing spend and will lead to higher margins
- Energy is the start - we will launch further verticals /services through to 2022

# Agenda

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Matthew Crummack (CEO)

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Nick Wrighton (CFO)

## 3 Market Context

Matthew Crummack (CEO)

## 4 Summary

Matthew Crummack (CEO)

# 2019 Outlook

- The Board expects another year of disciplined performance on the core business with modest revenue growth and stable marketing margin, with performance to be skewed towards H2, reflecting our business initiatives and the market backdrop.
- We are investing in weflip in 2019 to unlock the potential for exceptional growth in the medium term, with a spend in the region of £10m in marketing, funded by operational cash flow from the core business.
- Our ambitions are to scale weflip to transform the Group into a higher EBITDA margin business. weflip will benefit from higher customer retention, recurring revenue and multi-year customer lifetime value.



# Executive Summary

- Through 2018 we continued to deliver against our plans with a focus on sustainable earnings delivering sector-leading AOP growth (+22% YoY)
- We had 3 areas of focus:
  - **Improved Capabilities:** continued transformation to an agile, innovative technology business
  - **Doing More for Less:** optimisation and driving efficiency within the core parts of our business
  - **Unlock New Markets:** re-investment of cash generated on the core into innovation with the launch of our exciting new proposition weflip
- We believe the huge opportunity lies in addressing the ‘infrequent switchers’, and following extensive data-led analysis we launched weflip, starting with Energy, in October 2018 to take advantage of this opportunity
- weflip is revolutionary with a transformative business model delivering sustainable recurring revenue improving loyalty and developing deeper customer relationships
- Potential medium-term weflip opportunity is significant but requires investment in 2019 to deliver exceptional growth
- Our ambition is to deliver a multi-product service to target the substantial untapped market opportunity across verticals

# Questions?

# Appendix

# Cash, Debt and Leverage Summary

	Demerger (Proforma)	31/12/17	Jan 18 – Post MVC	30/06/18	31/12/18
Borrowings	£(75.0)m	£(63.9)m	£(83.9)m	£(88.5)m	£(79.4)m
Cash	£4.0m	£24.5m	£8.0m	£14.6m	£11.9m
Net debt	£(71.0)m	£(39.4)m	£(75.9)m	£(73.9)m	£(67.5)m
Leverage	2.8x	1.1x	2.0x	1.7x	1.5x

# GoCo Exec Structure and Team Bios

**CEO**  
**Matthew**  
**Crummack**



Matthew became CEO in June 2016. He was previously CEO of lastminute.com from 2011 until the business was acquired by lastminute.com Group (previously Bravofly Rumbo Group) in March 2015. Post-acquisition, he served as Deputy CEO and Chief Integration Officer until 31 December 2015. Matthew was formerly SVP of Global Lodging at Expedia, and has previously worked for Nestle UK Limited, and spent eight years at Procter & Gamble in a variety of UK and European sales and marketing roles. In May 2015, Matthew became a Non-Executive Director of National Express plc.

**CFO**  
**Nick**  
**Wrighton**



Nick joined GoCompare as CFO in September 2016.

Nick is a Chartered Accountant and was previously Deputy CFO at esure Group plc.

Nick was part of the esure Group plc team that guided esure Group plc's flotation on the London Stock Exchange in 2013 and worked on the acquisition of the remaining 50% of GoCompare in 2014.

Prior to joining esure Group plc, Nick spent five years at Brit Insurance and seven years at RSA Group plc.

**COO / CTO**  
**Jackson Hull**



Previously Jackson was CTO at Student.com, building the foremost global marketplace for student accommodation, and at onefinestay (acquired by Accor hotels in 2015), where he and his team re-built the product and experience.

He co-founded Chatterfly, a mobile start-up, which was acquired by San Francisco-based Plum District, the leading daily deal company for mums in the USA. Jackson went on to become CTO at Plum District.

Earlier in his career, Jackson acted as CTO at VC-backed Sitoa.

**Chief Revenue Officer**  
**Lee Griffin**



Lee is one of the founding members of GoCompare and has been with the company since its inception. He has vast experience of business development, partner relationships and product innovation.

Lee has spent over 20 years in the insurance industry, and during the last 14 years he has played a pivotal role in the rise of price comparison websites.

Before helping to start GoCompare he worked for Admiral in various business critical roles, culminating in being part of the team that launched Confused.com.

**Chief Marketing Officer**  
**Zoe Harris**



Throughout her career, Zoe has led teams to build well-known brands such as The Mirror, Sky, Channel 5 and MTV through a creative and disruptive approach to multi-channel marketing.

Prior to joining GoCompare, Zoe was Group Marketing Director at Reach plc, one of the largest multimedia publishers in the UK, where she was responsible for building its portfolio of national newspapers, 130 regional newspapers and over 100 digital products.

**Chief of Staff / General Counsel**  
**Nick Edwards**



Nick is a hugely experienced lawyer who has served in senior corporate governance and advisory roles. Prior to joining Gocompare.com Nick spent nine years at esure, where he was appointed as Head of Legal before being promoted to General Counsel and then Company Secretary. While at esure he led the company's IPO in 2013, as well as the demerger of GoCompare from esure Group in 2016.

After qualifying as a lawyer in 1998, Nick spent six years with a City law firm and was also Principal Legal Counsel at a European media group.