

NobleOak Life Limited

Sewing the seeds for growth

NobleOak Life Limited (ASX:NOL) is an independent, APRA-regulated friendly society which manufactures and distributes life risk insurance including term life, income protection, trauma, total & permanent disability (TPD) and business expenses cover. The company's history dates back to one of Australia's first benevolent societies, the United Ancient Order of Druids Friendly Society of NSW. NobleOak listed on the ASX in July 2021, raising \$62.2m at \$1.95/share to give a market capitalisation at listing of \$162.7m. Of the IPO proceeds, \$32.2m was paid to departing shareholder Avant for its 24.3% stake. Since listing, NobleOak has acquired Budget Direct's run-off portfolio from Auto & General Services for \$3.2m in NOL scrip. The transaction delivered 4,000 policies across the life insurance, income protection and accidental death products and at the time of acquisition had a gross written premium of \$4.1m. The acquisition is part of the company's strategy to add strategic acquisitions while focused on growing organically without taking on excessive risk. NOL has reaffirmed its FY22 profit forecast for \$9.03m underlying NPAT.

Business model

NobleOak Life operates across three business lines: Direct Channel, in which mostly NobleOak branded policies are marketed and distributed by NobleOak, often through Alliance Partners and without personal financial advice; Strategic Partner Channel which are mostly white-labelled policies marketed and administered by one of NOL's strategic partners, PPS Mutual, Avant Mutual and NEOS; and Genus, which is the administrator of legacy life insurance portfolios. The company generates revenues differently across each of these business lines. With Direct Channel, NOL earns a margin on retained insurance risk in the portfolio, while its Strategic Partner Channel generates additional management fees for providing services such as product manufacturing and claims handling. With Genus, NobleOak earns an administration fee for administering the portfolio's life insurance books.

H1 FY22 exceeds prospectus forecasts

NobleOak delivered a 47% increase in H1 FY22 underlying NPAT to \$4.6m, exceeding its prospectus forecast for NPAT of \$4.13m, or 11%. The company generated 59% in-force premium growth in the half year to \$226.5m and ended the half with a 54% increase in active policies which now stand at more than 94,000. NOL's in-force premium growth was 12% ahead of prospectus forecast driven in particular by its strategic partner segment which increased in-force premiums by 79.0% to \$162.8m. The company's direct channel segment grew in-force premiums by 23.8% to \$63.7m in H1 FY22. In-force premiums are the key value driver for the company, and benefitted from strong sales and continued low lapse rates. New business generated in the half grew 27% on the previous corresponding period (pcp) to \$40.2m and exceeded prospectus by 24%. Direct channel contributed \$2.58m to underlying H1 FY22 NPAT, while the Strategic Partner channel delivered \$1.45m and Genus \$0.56m.

Tower Ltd is the closest peer in market size

ASX/NZX-dual listed Tower Ltd (ASX:TWR) is the closest peer in terms of market capitalisation, although unlike NOL, it is an insurance broker and does not manufacture or distribute products. TWR is currently trading on a Price/Earnings ratio of 14.4x, which is at a discount to NOL's FY21 21.6x.

Historical earnings[^] and ratios (In A\$m unless otherwise stated)

Year end	Net Revenue	EBITDA Adj.*	NPAT Adj.	NPAT Rep.	EPS Adj. (c)	EPS Rep. (c)	EV/Revenue (x)#	EV/EBITDA (x)#	PER (x)#
06/19a	27.2	5.7	2.1	4.0	n.a	n.a	n.a	n.a	n.a
06/20a	36.6	8.9	5.8	7.6	10.18	13.52	4.1	17.0	22.8
06//21a	46.6	9.4	7.0	4.9	10.72	7.50	3.3	16.2	21.6

Source: Company data *EBITDA, NPAT and EPS adj for one-time, non-cash items ^Pro forma #calculated using current enterprise value and share price

Insurance

11th March 2022

Share Details

ASX code	NOL
Share price	\$2.32
Market capitalisation	\$194.7M
Shares on issue	83.9M
Net cash at 31-Dec-2021	\$42.9M
Free float	67.6%

Share Performance (since listing)



Upside Case

- Digital-first offering keeps cost of acquisition low
- Almost 70% CAGR of in-force premiums from 2017-2021
- Has so far exceeded prospectus forecasts

Downside Case

- Highly-regulated and scrutinised sector
- Reliant on third-party global reinsurers to help mitigate risk
- Small player in a competitive market

Catalysts

- Delivery of, or exceeding, FY22 prospectus forecast
- Continued demonstrated marketshare growth

Comparable companies (Aust/NZ)

Tower Ltd (ASX:TWR)

Board and Management

Stephen Harrison	Non-Executive Chair
Anthony R. Brown	Managing Director/CEO
Inese Kingsmill	Non-Executive Director
Andrew Boldeman	Non-Executive Director
Kevin Hamman	Non-Executive Director
Sarah Brennan	Non-Executive Director

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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