
Alpha Ventures

Investment Thesis for Client

Team VentureEQ |

Client overview

An online insurance platform that empowers insurance advisors and identifies appropriate insurance policies for consumers

About Client

Online insurance platform & marketplace

Founded in **2015**

Presence PAN India **14K+ pin codes**

of customers: **1.5M+** (Mar-22)

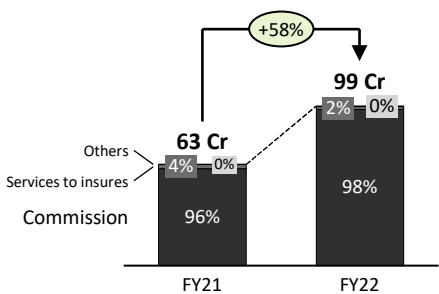
of advisors: **235K+** (Dec-22)

Latest valuation: **~\$900 Mn**

Key financials¹

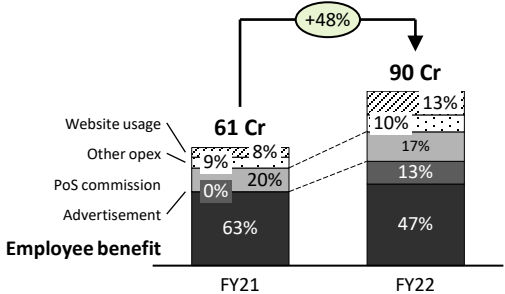
Operating Revenue

Early signs of diversification

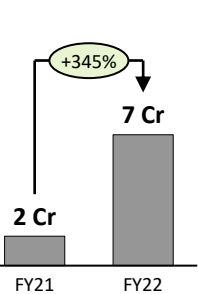


Operating Expense

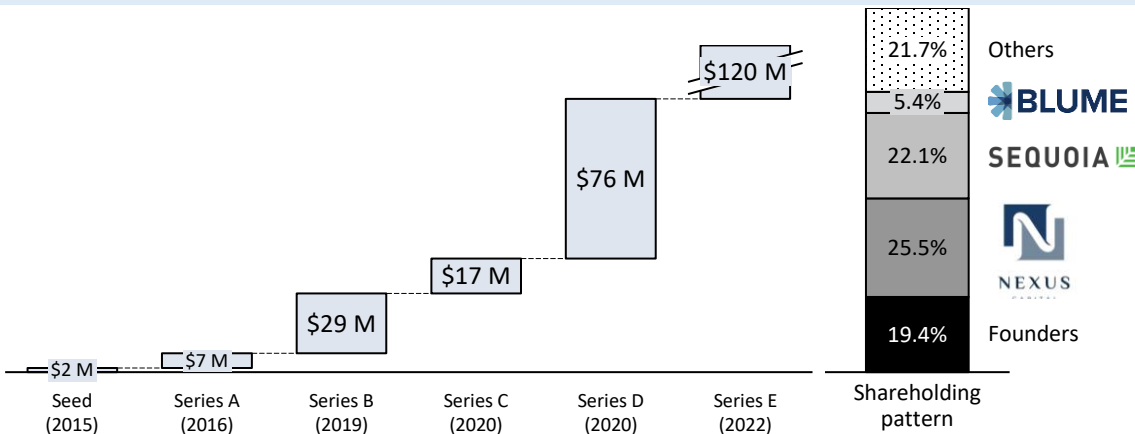
Decrease in promo expense



Profits



Funding rounds and shareholding pattern²



Businesses

	Description	Contribution	Margins	Network
PoSP (Point of Sale Presence)	<ul style="list-style-type: none">Onboarding and training insurance advisors which in turn sells insurance products to customers along with physical purchase assistance	High	Low	~235K PoSP agents
SaaS for agent distribution and for financial institutions (subscription based)	<ul style="list-style-type: none">Digital tools for advisors to generate leads and customize insurance offering for end customer (Client Pro)API based solutions for financial institutions to access Client's technology platform to enhance end customer experience (Turtlefin)	Medium	Medium	~55K Client Pro users
Direct online distribution	<ul style="list-style-type: none">Digital unassisted model providing consumers an end-to-end online experience	NA	High	Not Operational since 2021

Business vs peers

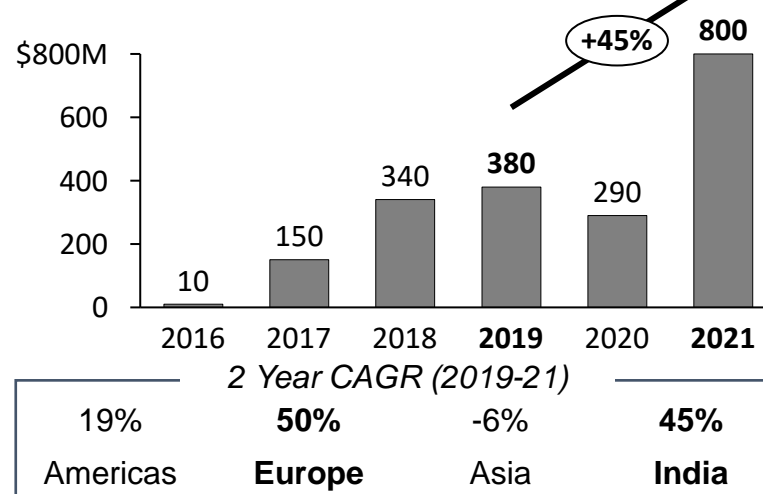
- Lean Operational Model:** Compared to peers, Client has a very lean model where 100% of advisors are on commission basis vs on payroll
- Advisor First-Model:** Client's focus on empowering advisors by giving them digital tools, training, and competitive commission rates has created a huge network of ~235K PoSP agents

Insurtech industry landscape – Key trends & players

Client well positioned vis-a-vis peers to capitalize on the booming Insurance & Insurtech industry in India

Critical trends shaping the Indian Insurtech Industry

Equity Funding in Insurtechs in India:



- ❑ **MSMEs** in India expected to be next growth engine for Insurtechs
- ❑ **Penetration & Distribution** continue to be the biggest roadblocks for insurers
- ❑ **Superior Customer experience** emerging as the key differentiator for informed audience
- ❑ Strong push from Government via **National Health Stack** is a strong tailwind
- ❑ **Platforms act as enablers** to the Insurance industry– Insurtech brokers are a play on the positive outlook for Indian insurance story

	Client	Comp 1	Comp 2	Comp 3
Funding	\$250M	\$636M	\$104M	\$55.1M
Stage	Series E	Public	Series D	Series C
Market Share	10-15%	80-90%	<10%	<10%
Revenue (FY22)	\$12.01M	\$96.6M	~\$23.1M	~\$1.58M
Valuation	\$900M	\$2,499M	\$327M	\$80M
Profit/ (Loss)	\$1.09M	(\$56.38M)	(~\$4.62M)	(~\$0.61M)
Insurance partners	45+	50+	40+	40+
# of policies sold	3L+ / month	6L+ / month	NA	0.5L+ / month
Recent events, trends and risks	Surge in operating revenue of 57%	Softbank halves stake as loss surges	Closed \$8.3M funding in Nov'22	Revamp post founder exit
Proposition	Empowering consumers & agents	Simplifying insurance process	Smart tech and right advisor	Making insurance simple using tech capability

“Client is one of the fastest growing and profitable insurtech firm, that focusses on empowering advisors and building trust, with technology at its center”

Investment Rationale

Key reasons that make Client an attractive investment opportunity

1 A Model built on Trust

- ❑ Insurance a complex product for the masses- **95%** policies sold via **in-person consultancy** as customers aren't sophisticated enough to self-decide
- ❑ **Pioneered the PoSP broking model** connecting consumers & advisors who consult on policies
- ❑ Strong **tech** platform enabling short TATs while also giving the human touch that builds trust
- ❑ Client's power users instrumental in WOM publicity, facilitating **organic** growth and enabling **65-70%** revenue generation from **non-Metros**

2 High Growth with Profitability

- ❑ Revenues have grown at a **CAGR of 107%** b/w FY18-FY22 to **~INR 1bn** in FY22 while making **profits in each of the last 3 years**
- ❑ Focus on scaling only after proof of concept ensures **low expenditure** on Ad promotions and **healthy EBITDA margins of 9.43%** (FY22)
- ❑ With **3.5mn** annual policy issues (~10k daily), Client expects business to grow **10x by 2025** with improving profitability

3 Scalability with Product-Market fit

- ❑ Focus also on how insurance is sold – not only how it is bought – Advisors as important cogs
- ❑ **Digitized** advisor onboarding (**easy, fast and more efficient**), acquiring **160k advisors in 4 years** viz-a-viz normal timeframe of **20+ years**
- ❑ Firm targets to onboard **>1mn advisors by 2025** & expand footprint in non-Metro India, SE Asia
- ❑ Client spends several months **iterating and improving** its Minimum Viable Product with user feedback; **expands only after value has been demonstrated**

4 Sectoral Tailwinds

- ❑ **E2E digitalized customer journeys** in the evolving landscape contributing to growth
- ❑ Shifting preference towards **convenience & shorter turn around time** by consumers
- ❑ **Digital channel** opening up with immense opportunity around **big data, cloud capabilities** and **AI enabled customization**
- ❑ **Multiple initiatives by IRDAI** and govt. to promote insurance penetration – Sandbox, PoSP license, relaxation in FDI ownership norms etc.

5 Lean operating model

- ❑ Unlike peers such as Policybazaar, Client **operates on a PoSP model** (Connecting agents to consumers on their platform)
- ❑ **Agents are not on firm's payroll** and are paid based on **commissions** from policies they close
- ❑ This enables a **low fixed cost operating model** which leads to **positive unit economics** and profitability (As opposed to pure marketplaces like Policybazaar which have huge fixed costs towards telemarketing personnel)
- ❑ This model has made Client the **sole EBITDA positive Insurtech player** in India

By digitizing human relationships and **empowering** financial advisors rather than eliminating them, Client has radically changed how insurance is sold rather than how it is bought, because at its core, insurance is a **push-product** in India...

Risks and Mitigants

Top 3 reservations about the investment and potential mitigants

Description

Degree

Mitigants

1 Underwriters developing own digital channels

- ❑ Legacy underwriters are investing in **own tech capabilities and digital channels** to attain **more autonomy** in digital insurance
- ❑ Players such as **LIC, HDFC Ergo, ICICI Lombard** have recently **de-listed** some of their products on 3rd party platforms
- ❑ This **threatens network effects** limited product availability will impact both advisors and customers additions



HIGH

- ❑ Client provides a **platform to compare policies** thus **building consumer trust**
- ❑ Insurance a **push product** in India – Client's **PoSP model creates USP**
- ❑ Large network of insurance agnostic PoSPs
- ❑ Venture into **other value added services** for insurers (**B2B**) to retain them on platform

2 Competitive pressure from peers & substitutes

- ❑ **Policybazaar** remains the largest insurtech broker with **10x the size of Client**
- ❑ New platforms coming up (**Bima Sugam**) which will impact commissions & traffic
- ❑ **Digital first underwriters** (Substitutes) like Acko, GoDigit also emerging to tap into uninsured markets
- ❑ **Deplatformization** a potential concern – Customers compare policies on Client but buy on other platforms



MEDIUM

- ❑ Continue with an **asset light business model** to keep expenses at a check
- ❑ Focus on **advisor loyalty & retention** along with **skill enhancing activities** while exploring alternate revenue sources

3 Standardization of insurance policies

- ❑ **IRDAI encouraging simplification and standardization of policies** in industry
- ❑ This will impact the proposition of insurance comparison platforms in general
- ❑ Moreover, **platforms** have been under **criticism** for providing **comparison solely based on premiums** (cost) and not adequately covering more intricate details on the benefits side of policies



LOW

- ❑ Client differentiates itself through its network of advisors/ PoSPs – **Insurance policy sales largely driven by personnel relationships** in India
- ❑ **Low financial literacy** imply consumers continue to depend on the **human aspect** of insurance sales – **Human contact on Client much higher** vs peers

Valuation and Stake considerations

Valuation methodology and Stake considerations for Alpha ventures

Methodology	Description & Assumptions/ Data	Remarks
1 Discounted Exit Value	<ul style="list-style-type: none">Based on exit multiple & expected IRR of 25%5-year investment horizon assumed (3x MOIC)	✓ Approach from an investor's perspective – Entry valuation to justify required IRR and Exit multiple
2 VC method	<ul style="list-style-type: none">Top-down valuation approachIncorporates growth in insurance penetration, higher share of digital channel going forward5% market share assumed in 2027E (Cons. est.)	✓ Approach is from an external perspective -accounts for high growth expected in industry and digital channel
3 Transaction comps.	<ul style="list-style-type: none">Benchmarks the valuation to precedent transactions in the space and w.r.t peersLTM EV/Revenue ~ 28x – 30x (Includes premium)No direct comparables given business model	✓ A premium of 20% applied to account for superior margin profile and lean business model
4 Trading comps	<ul style="list-style-type: none">Policy bazaar only listed insurtech broker in India – trades at an EV/Revenue of ~14-15xNot a direct comparable (different business model vs Client – Marketplace vs PoSP sales)	✓ Policy bazaar multiples not applicable since stock has corrected over 50% from its IPO price

Valuation Summary

Valuation Method	Valuation		Weight
	Min	Max	
Disc. exit value	1,054	1,264	50%
VC method	974	1,168	30%
Transaction comp.	657	711	20%
Weighted avg. EV	950	1,125	
Net Debt	~0		
Equity value	950	1,125	

Transaction sizing and stake

- Equal split assumed across Insurtech, Lending, Wealthtech & Payments (Total - \$950mn)
- Further, avg. ticket size of ~\$75-80mn assumed (12 investments from the fund)

Proposed stake for acquisition	\$mn
Equity value (Avg.)	1,038
Fund size	950
Asset exposure %	8.3%
Transaction size	79
Stake %	7.6%

✓ Acquisition of **~7.5%** stake is proposed

Revenue Drivers and New business opportunities

Ways of exploring new opportunities – growth options

Factors most important in driving the topline



Insurance advisors on the platform: Client’s unique business model of onboarding advisors and providing them tools to sell insurance policies makes the advisors one of the most important driver of revenue



Digital penetration: Growing middle-class & increasing digitization is expected to be a huge tailwind for the industry. India is expected to be the 6th largest insurance market by 2032 @14% 10YCAGR.



Policy listings: Commissions/brokerage is one of the most important revenue drivers for Client which is directly linked to the variety of policies listed on the platform.

Valuation Sensitivity

		Exit Multiple					
		20x	22x	24x	26x	28x	30x
IRR	15%	1,279	1,407	1,535	1,663	1,791	1,918
	20%	1,034	1,137	1,241	1,344	1,447	1,551
	25%	843	927	1,012	1,096	1,180	1,264
	30%	693	762	831	901	970	1,039

- ✓ Valuation sensitive to both IRR and exit multiples
- ✓ Exit multiple to be driven by profitability metrics & unit economics
- ✓ IRR realization to be driven by growth
- ✓ Key to ensure profitable scaling of business & prevent undue expenses/cash burn
 - ❑ Expanding advisor network key to sustainable value creation - They bring in more revenues & customers while working on commission-based contracts

Inroads to the future

Unbundling of the Insurance industry

Forward integration

- Claims processing management is a **huge B2B SaaS** opportunity where Client can use it’s **unique positioning and technology** to transform the claims process for both policy holders and issuers.

Expanding the playground

International footprint

- The marketplace model positions Client to **tap the underpenetrated Tier3/4** market in India which requires extensive advisor handholding.
- International market expansion of SaaS offering (for FI’s) is a huge business opportunity. With presence in **Middle East (UAE)**, Client has opportunities in **Southeast Asian markets** which have similar industry dynamics as India.

Increasing the product stack

Diversified Insurance Offering

- Client’s ability to build a profitable advisor driven marketplace model opens opportunities in building **adjacent businesses in various financial products** including commercial Insurance for instance corporate health & fire insurances

Questions for the founders

Further Diligence points

Company operations & Vision

Team & vision

- Quality of 2nd level of **mgmt** – execution capabilities in tier 2 cities.
- Vision for the company – **IPO vs acquisition?**
- Growth plans going forward post the unicorn status

Financial History

- Involvement of shareholders in company direction
- Detailed revenue & expenses history with breakup under majority heads
- Contingent liabilities and their potential impact on future revenue (lawsuits, IP)
- Financial Ratios – profitability, solvency, liquidity, turnover
- Fund raise plans – Given profitable and positive cash flow business, do we expect further dilution in the future?

Business Fundamentals

Unit Economics

- Unit economics across different types of insurance policies – commissions %, expenses (actual & attributable)
- Range of commission/ take rates with different insurers

Operations

- Client's value proposition for insurance advisors & retention strategy
- Tech capabilities and data storage centers?
- Data usage and legal reasoning for using big data

Customer Value

- Lifetime value to Customer Acquisition cost analysis
- Retention rate, activity rate, NPS score
- AOV, revenue & frequency pareto for customer base

Strategy

Growth Strategy

- Applicability of expertise of dense cities in tier 2+ cities (current expansion)
- Plans for expanding and implementing growth in Tier 2+ cities
- How to manage large team of advisors and ensure training in bigger batch sizes?
- Exclusivity clause with agents and plans in case of backlash?
- Any plans on separate programs to educate prospective customers in tier 2+ locations?
- Response to Bima Sugam and Policybazaar entering the advisor PoSP model

Positioning

- Differentiation strategy within crowded marketplace of Insurtech
- How to shift from impulse/emergency purchase to habitual purchase?

Term Sheet

Key Terms to be included

Offering terms	Basic deal details including but not limited to co./investor names, closing date, amount raised, price per share and pre-money valuation
Securities to Issue	Instruments shall be compulsorily convertible preference shares (CCPS)
Investment	\$79Mn for a 7.6% fully diluted equity stake (together with other investors, if any) for Series F round
Liquidation Preference	Liquidation amount – 2x original issue price + annual 5% cumulative dividends (assuming conversion ratio 1:1)
Dividend	Pro-rata participation in any dividend paid to common stockholders
Conversion Rights	Convertible to common stock after 12 months or date of allocation for public investors on 1:1 basis (whichever is earlier)
Vesting Rights	Each founder will have staggered 5 years vesting period. In IPO, founders can participate for 20% of their stake, & 50% in year 4 & 5
Anti-dilution	Broad based weighted average adjustment to reduce dilution in case of a reduction in valuation
Employee Pool	2% shares will be saved as employee stock option pool
Drag Along Rights	Limited to 5x of actual investment made
Tag Along Rights	Right to sell at the same price as another investor selling his shares in secondary sale to another investor
Voting rights	Entitled to vote together with the common stock on all matters of the organization as-if shares are held on converted basis
Board of Directors	Right to appoint 1 director on the Board
Protective Provision	Majority and veto approval required in critical decision, for instance, liquidation, business model change, bringing new investor on Board
Information Right	Access to quarterly financial statement, annual budget, financial statements, management dashboard & independent legal audit
Participation Rights	Right to participate on a pro-rata basis in subsequent fund-raising opportunities
Future Rights	The series seed will be given same contractual rights as first series of preferred stock
Non-Compete	Restrict the founders and key employees from competition with the same business as Client
Right of First Refusal	In case of stake sale by founder, the reservation of the right of first refusal
Co-sale Agreement	Right to sell shares, in case other investor group does so (under same conditions)
No Shop Agreement	The company & founders agree that they will not share the terms of deal with third party for 30 days from date of acceptance of terms

Thank You

Appendix

([Link to Excel Valuation Model Working](#))

Appendix-1

Financial projections

Summary projections

Particulars	FY2021	FY2022	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E
Operating Revenue	₹ 63	₹ 99	₹ 173	₹ 277	₹ 444	₹ 665	₹ 965
Expenses:							
Employee Benefit Expenses	₹ 38	₹ 42	₹ 50	₹ 62	₹ 79	₹ 101	₹ 131
Commission / Distribution Expenses	₹ 12	₹ 15	₹ 27	₹ 42	₹ 64	₹ 93	₹ 135
Website Usage and Ad / Promo	₹ 5	₹ 24	₹ 65	₹ 117	₹ 191	₹ 280	₹ 385
Other Operating and Admin	₹ 6	₹ 9	₹ 15	₹ 24	₹ 37	₹ 53	₹ 77
Total Operating Expenses	₹ 61	₹ 90	₹ 157	₹ 243	₹ 371	₹ 528	₹ 728
EBITDA	₹ 2	₹ 9	₹ 17	₹ 34	₹ 72	₹ 137	₹ 236
EBITDA Margin	3.65%	9.43%	9.57%	12.19%	16.24%	20.66%	24.49%

Key assumptions

Particulars	Unit	FY2021	FY2022	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E	Remarks
Operating Revenue	CAGR %		57.14%	75%	60%	60%	50%	45%	<<Benchmarked to growth in Policybazaar projections
Employee Benefit Expenses	Difference in Difference		11.11%	11.11%	11.00%	10.50%	10.00%	10.00%	<<Retained at historical levels; slight operating leverage assumed with scale
Commission / Distribution Expenses	% of Operating Revenue	19.37%	15.35%	15.35%	15.00%	14.50%	14.00%	14.00%	<<Retained at industry standards
Website Usage and Ad / Promo	Difference in Difference		52.33%	55.00%	50.00%	45.00%	40.00%	35.00%	<<Strong organic growth and WOM publicity, network effects of advisor network to enable organic growth with minimal promotional spends
Other Operating and Admin	% of Operating Revenue	8.84%	8.78%	8.78%	8.50%	8.25%	8.00%	8.00%	<<Retained at historical levels; slight operating leverage assumed with scale

Appendix-2

Valuation workings

1. Discounted exit value

Particulars	INR cr	2021	2022	2023E	2024E	2025E	2026E	2027E
	Revenue	₹ 63	₹ 99	₹ 173	₹ 277	₹ 444	₹ 665	₹ 965
	EBITDA	₹ 2	₹ 9	₹ 17	₹ 34	₹ 72	₹ 137	₹ 236
	<u>Exit Multiple</u>							
<u>EV/Revenue</u>	Min							25
	Max							30
<u>Future EV (INR cr)</u>	Min							24,116
	Max							28,940
Target IRR								25%
Target MOIC								3.05
Present EV (INRcr)	Min							7,902
	Max							9,483
Present EV (\$mn)	Min							1,054
	Max							1,264

Appendix-2

Valuation workings

2. VC Method

INR cr	2022	2027	CAGR	Remarks
India_insurance premiums	9,87,696	19,01,724	14%	
Share of Digital channel	4%	10%		<<Based on Jefferies study & china data
Digital premiums		1,90,172		
Market share of Turtlemint_now	9%	5%		<<Market share decreases due to insurers developing own capabilities and emergence of digital first insurers
Premiums through turtlemint		9,509		
Commission% share on premiums		8%		<<Compression in premiums due to competition & substitutes
Total_commission income		713.15		
EV/Rev multiple		25		

Particulars	INR cr	\$ mn
Future EV	17,829	2,377
IRR	25%	
Present_EV	7,303	974

Note: Upper end calculated with 30x exit revenue multiple

Appendix-3

Transaction comps

Figures in \$mn							
S.No.	Date	Target	Acquirer	Funding	Valuation	Revenue	EV/Revenue (LTM)
	Apr-22	Turtlemint	Amansa, Nexus, Jungle ventures	120	900	13.2	68.2
1	Mar-21	Turtlemint	Jungle, GGV	46	222	8	28.2
2	Nov-20	Turtlemint	GGV, Sequoia, Trifecta	30	176	6	30.1
3	Mar-21	Policy Bazaar	Multiple investors	45	2400	111	21.6
4	IPO	Policy Bazaar	Multiple investors	761	5506	138	40.0
5	Jul-20	Policy Bazaar	Softbank	50	1500	99	15.1
6	Nov-19	Policy Bazaar	Tencent	150	1400	62	22.8
7	May-18	Policy Bazaar	Softbank	200	1000	42	24.0
8	Jun-21	Renewbuy	Apis	45	146	6	23.4
Mean							25.6
Median							23.7
Premium for Turtlemint							20%
							30.8
							28.4
Implied_EV							711
							657