

**cash.life**

**Telephone Conference:  
Preliminary Figures FY 2007 &  
Strategy Update**

January 18<sup>th</sup>, 10.00 am German time (GMT+1)





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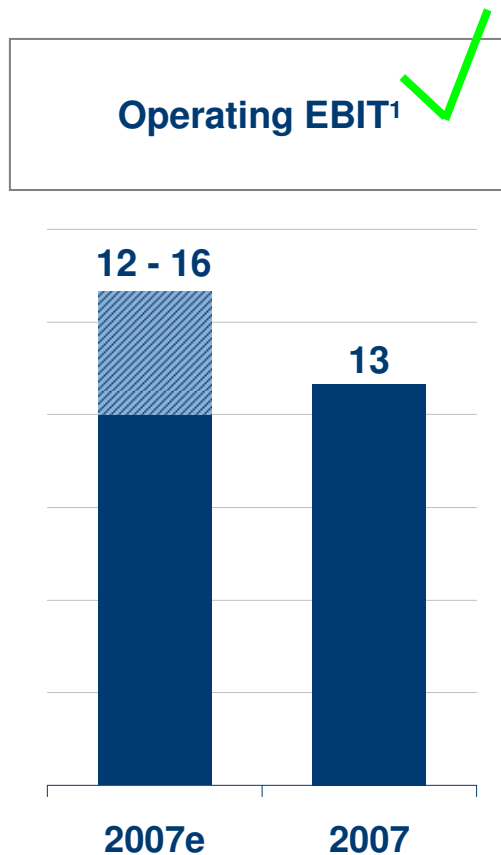


**A** | Preliminary Figures FY 2007



## Operating EBIT of 13 Million € is in line with Q3 guidance

[m €]

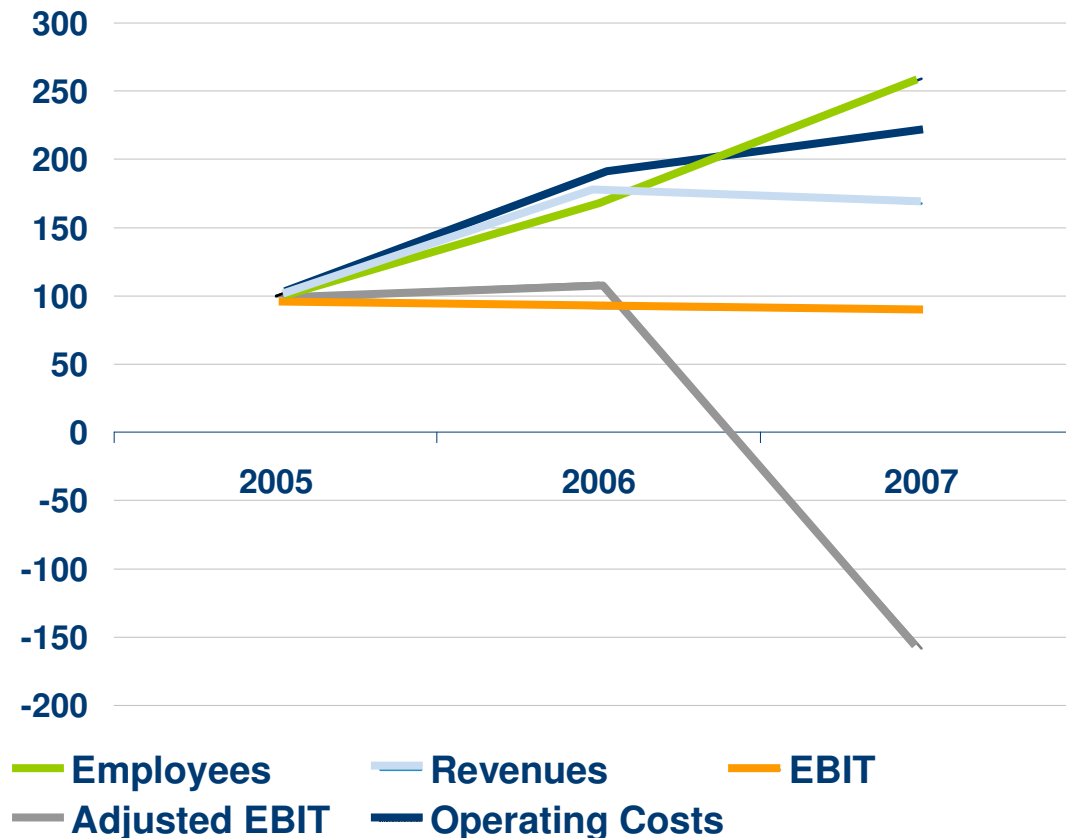


- However, this EBIT is unsatisfactory
- Management sees the reasons in
  - disproportional investments in market and product development
  - inadequate reaction to increased competition
  - unfavourable cost structure
  - organisational inefficiencies

1) Before one-off restructuring charges



# Adjusted EBIT<sup>1</sup> declined significantly due to increasing operating costs not mirrored by revenues

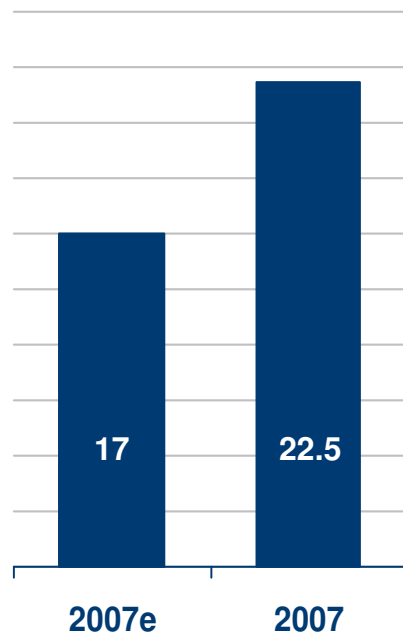


1) Adjusted for effects that can be assigned to fluctuations in trading book volume



## Servicing fees: Our recurring fee base continued to grow rapidly at an attractive margin

NPV of servicing fees from 2007 sales

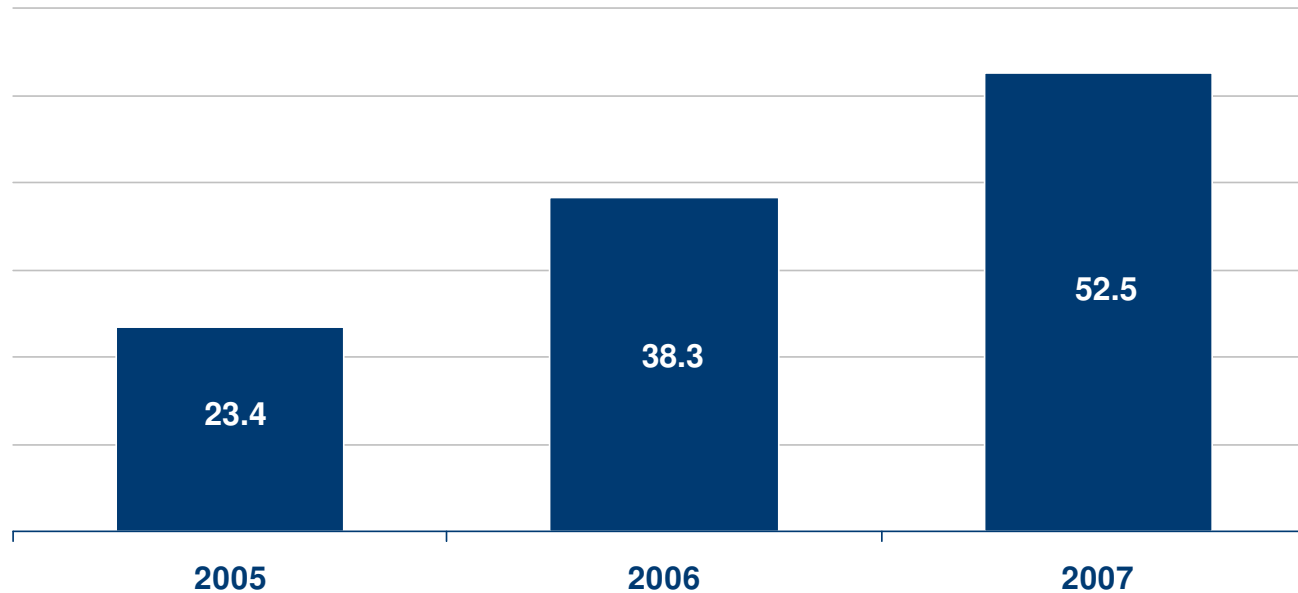


- Ahead of Q3 guidance
- Servicing fees form a stable financial backbone of recurring income



**YOY, the NPV from servicing fee contracts grew with 37.1 % to 52.5 m €**

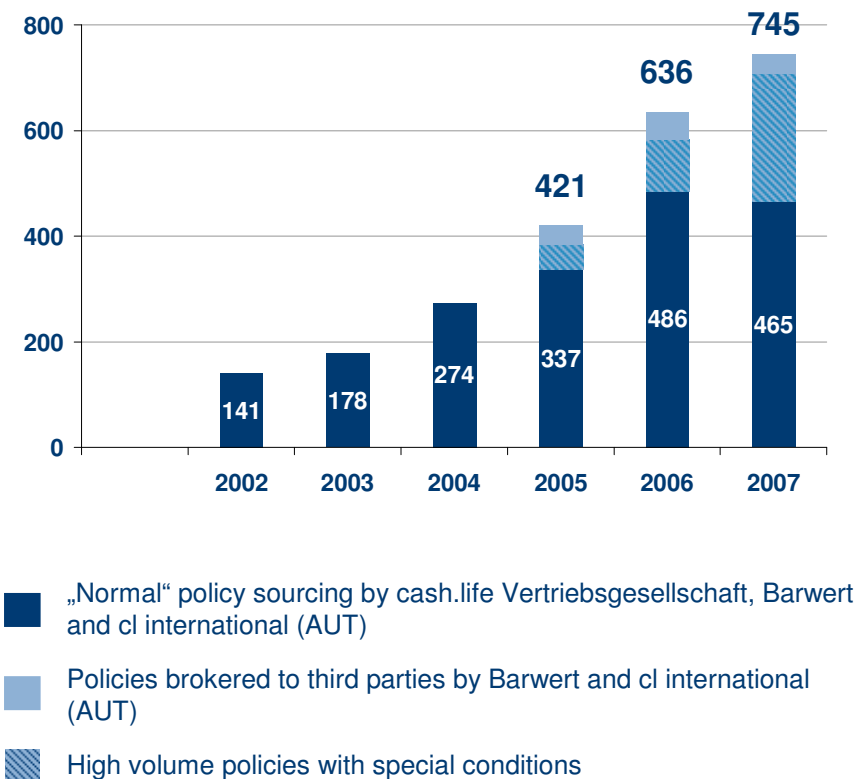
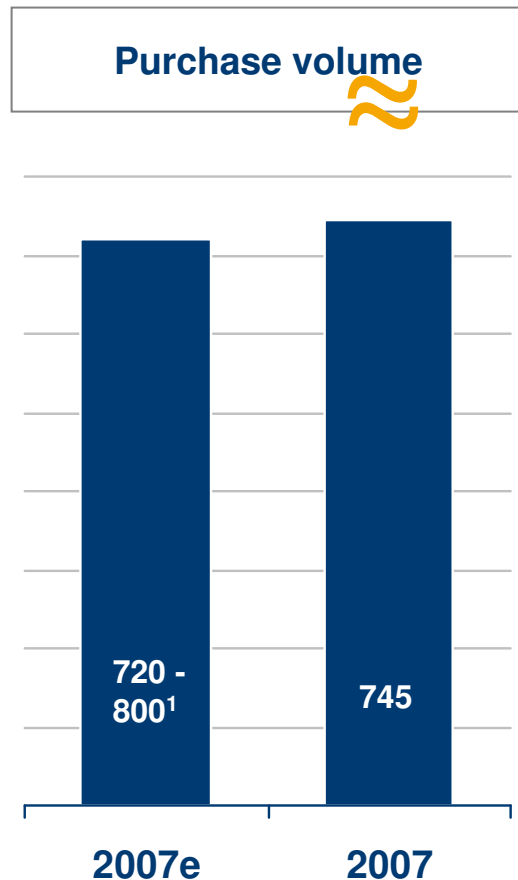
NPV from servicing fees<sup>1</sup> [m €]



1) Discount rate: 5.0%



## Total purchase volume increased with 17.1 % YOY. Its structure indicates room for sourcing improvements

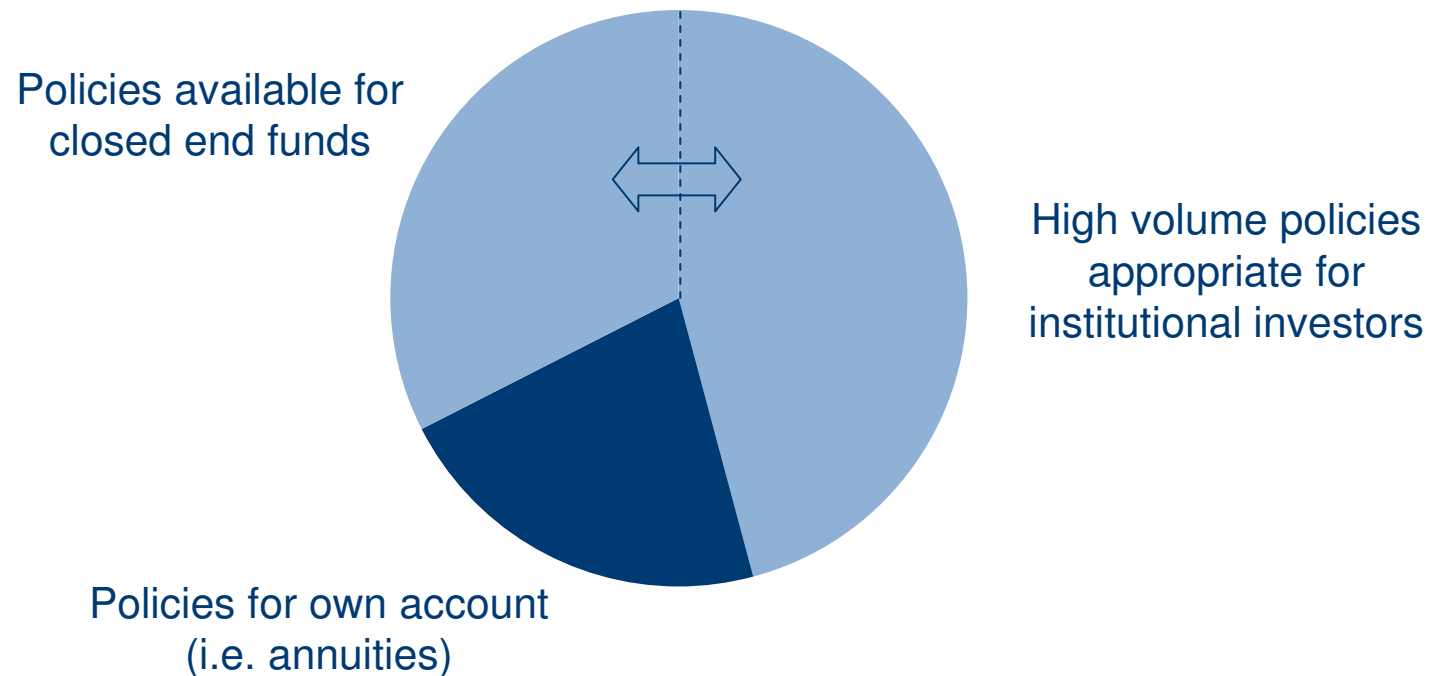


1) Including Austria 20-30 m €



## Our trading book structure shows potential for sourcing-sales synchronisation

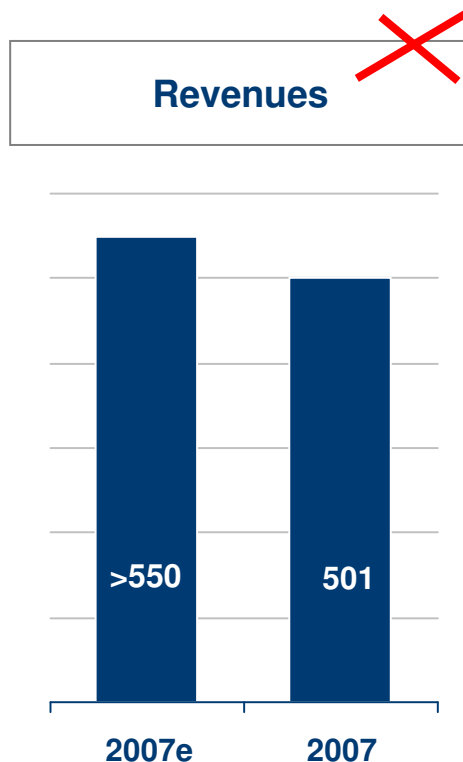
### Trading book structure





## Sales stayed behind guidance partly due to an unmatching portfolio structure sourced

Forecast 2007 [m €]



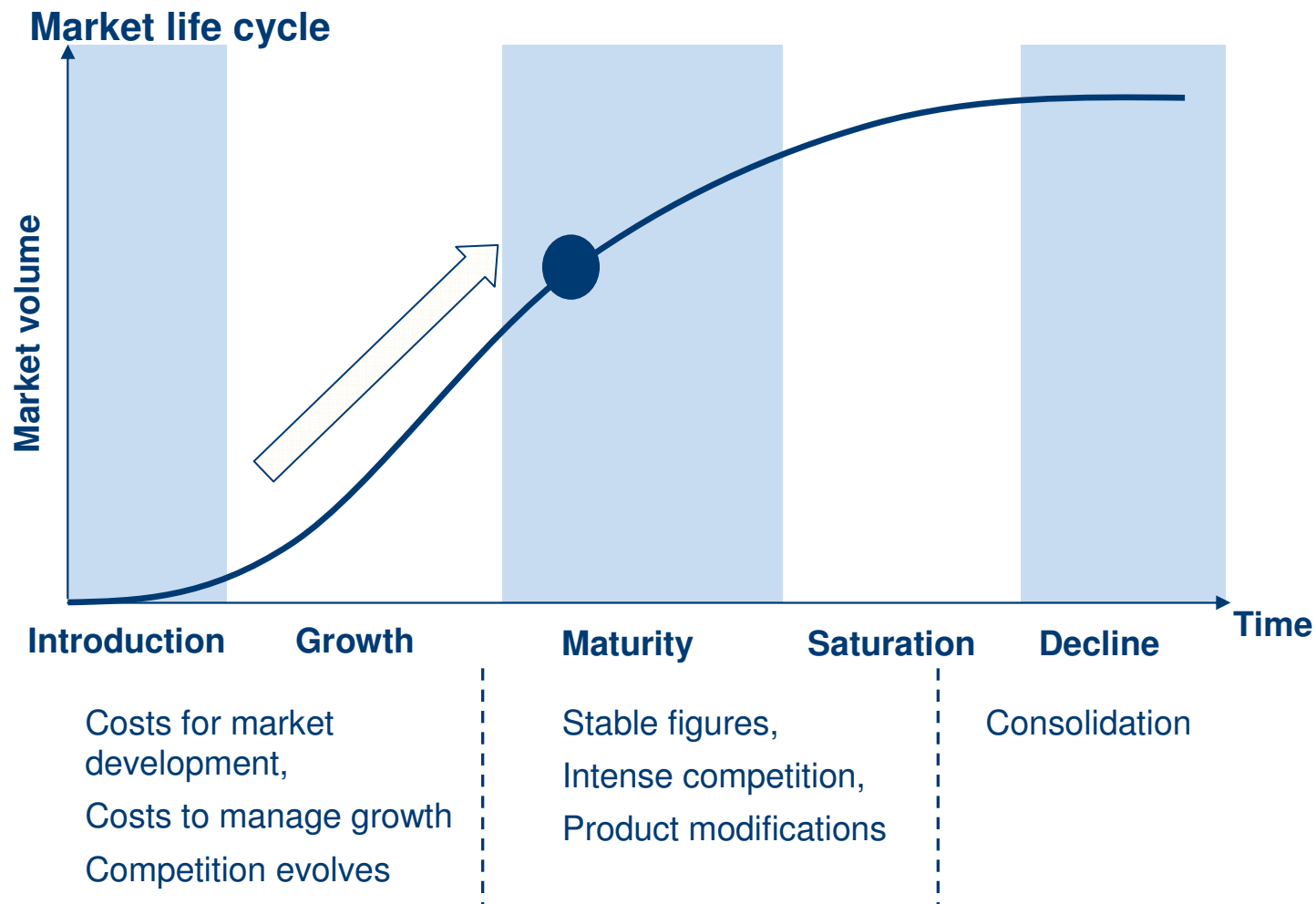
- Temporary decline in demand due to significant interest rate increase in 2007.
- At year end demand picked up again on the back of increasing bonus rates and interest rates decline. At that time our sourcing policy did not match demand.
- High volume policies sourcing at year end aimed at an institutional product, the launch of which is postponed to 2008.



**B** | Strategy Update

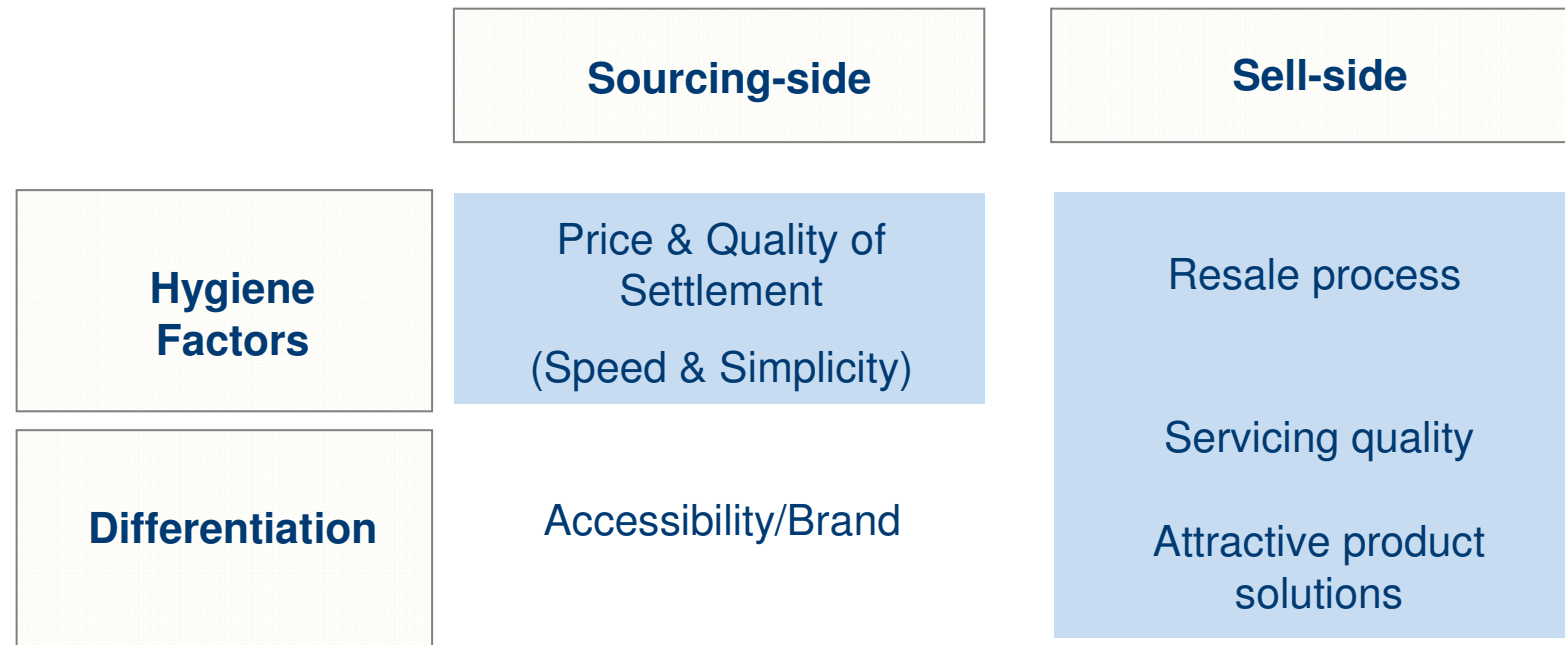


## The maturing market calls for a strategy adaptation





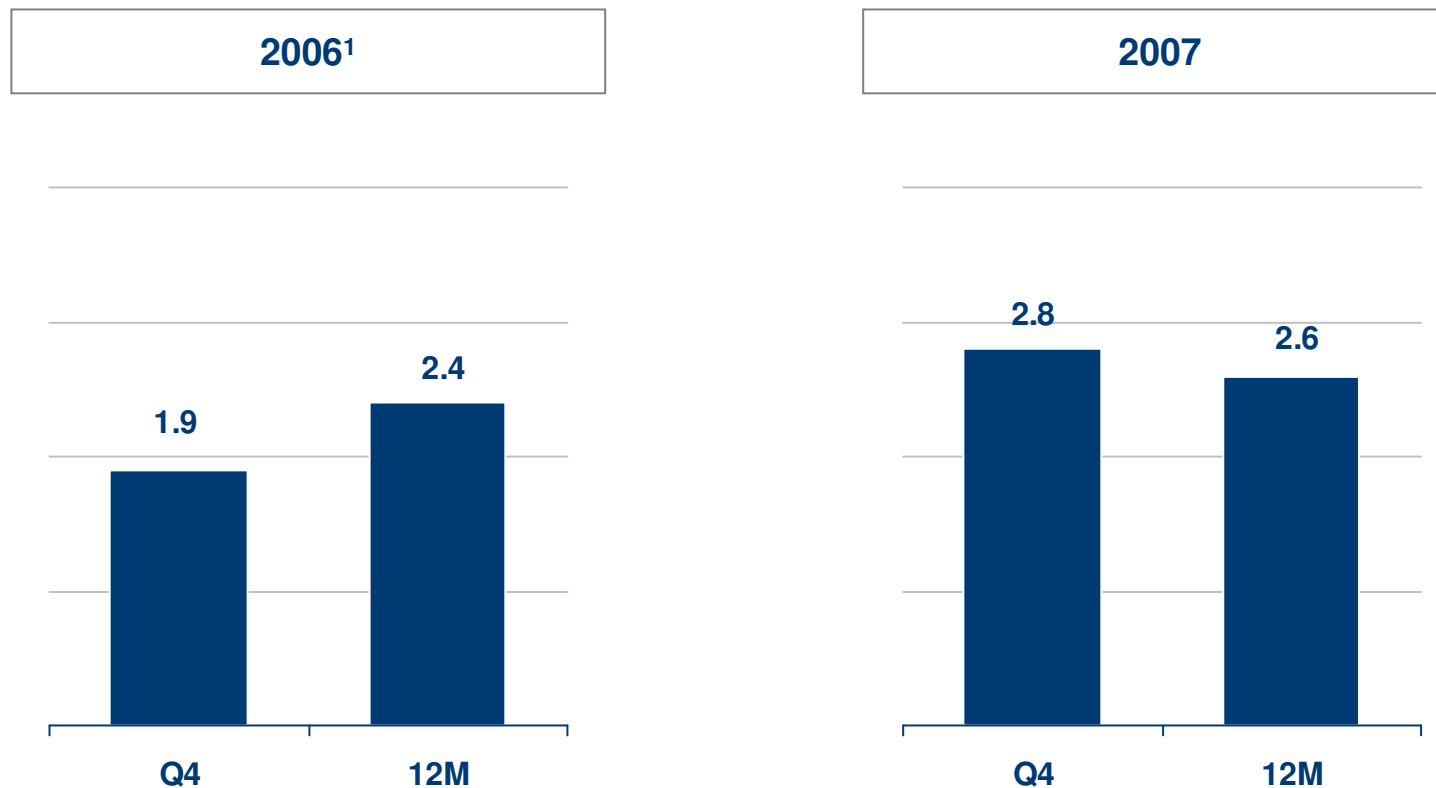
## The key decision drivers for the client are becoming a commodity





**In 2007, our trade margin remained stable. We expect pressure due to increasing competition**

Gross margin from sale of policies [%]

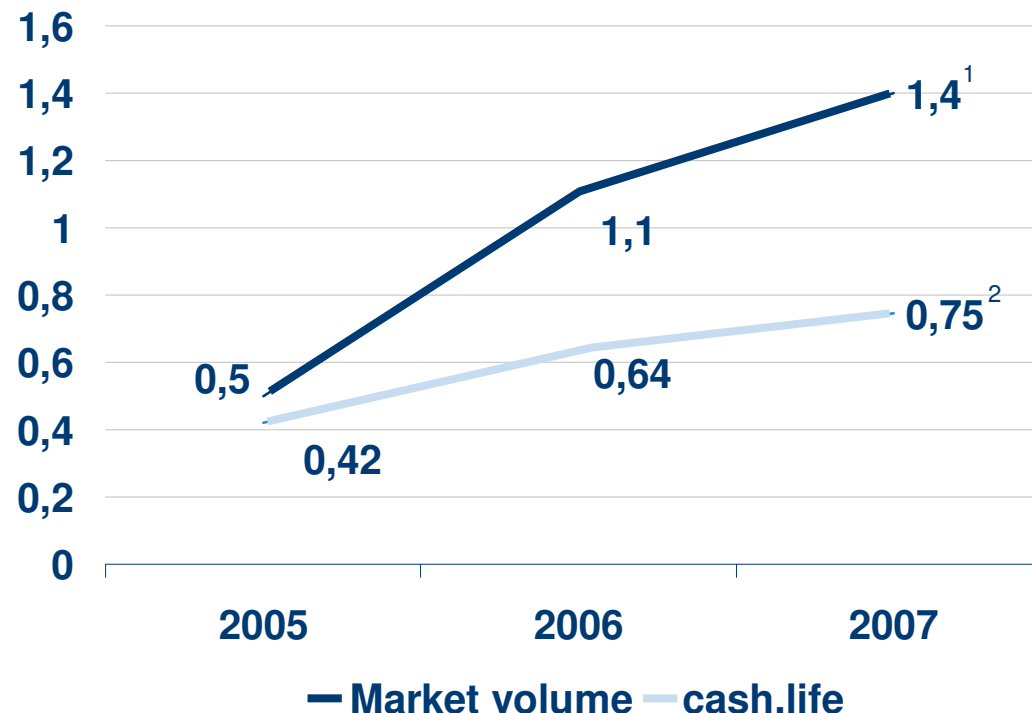


1) Differs from P&L figure because the lines "Appreciation of insurance contracts" and "Disposal of sold insurance contracts" in our P&L are not fully restated according to the new valuation method in 2006



## The total market grew. As a consequence of our sourcing strategy we lost market share at high cost

Market volume & purchase volume cash.life [bn €]



Main Drivers:

- 1) Our high cost base made it difficult to compete in pricing
- 2) Our settlement process showed operating inefficiencies

Source: BVZL, cash.life

1) cash.life estimate

2) Including high-volume policies



## Strengths

### Market leader with a strong, established brand

- ▷ **Most Diversified Sourcing:** Partnerships with a broad network of financial professionals (~75% of purchase volume) and significant direct channel (~25%).
- ▷ **Servicing:** high quality processes resulting in well-diversified, profitable business, building a stable financial backbone.
- ▷ **Most Diversified Sales:** existing cooperations with leading fund initiators in Germany.
- ▷ **Know how:** our proprietary rating model analyses the financial strength and capital investments of over 100 German life insurers and more than 2.500 different tariffs
- ▷ **Significant NAV:** Solid balance sheet and NPV of locked-in servicing fees provide a strong financial backbone with reliable and recurring future cash flows.
- ▷ **Processing Capabilities:** **Our systems** manage the full process and have proven to be able to deal with high volumes.
- ▷ **Independence:** We handle all critical processes in house. We are not reliant on cross subsidies from strategic partners/investors.
- ▷ **Own trading book:** We have the refinancing capabilities to purchase substantial amounts on our own balance sheet.



## Weaknesses

- ▷ **Insufficient reaction to competition:** As market initiator, we have been focusing on market and product development, whereas our competitors mainly copied our successful concepts “without learning curve investments”. We did not enter into price competition, hence invested heavily in brand name, training and support for intermediaries.
- ▷ **Operating inefficiencies:** As a consequence of our rapid growth and market focus, we did not prioritize improving our operating processes adequately.
- ▷ **Complex organisation:** Due to expansion plans and our fast growth we have built up a complex organisation structure that complicated corporate management, flexibility and focus.
- ▷ **Dilution of management capacity:** Over the last 1,5 years focus was less on sales and operations efficiencies and too much attention on non core activities such as the development of new business lines → management was too far away from daily business



## We identify two Critical Success Factors for our core business which is transactional driven

### **Efficient access to sourcing and distribution channels**

- Direct marketing to all target groups, not limited to policy holders
- Online solutions for the sale and purchase of policies (two ways) that provide all necessary information (incl. pricing) and workflow tools
- Open systems that are compatible with those of our partners

### **Cost leadership**

- Operational excellence: industrialised and scalable processes
- Lean and flexible organisation



## Strategic Guidelines

- ▷ **Focus on Core Business**: We concentrate our management capacities on the strengthening of our core business: Sourcing, structuring, selling and servicing of life policies. We aim for cost and process leadership, as in our business we broker high volumes of endowment policies at a relative low margin.
- ▷ **Policyholders and intermediaries** expect attractive purchase prices and fast and easy processing. For any single policyholder or intermediary the sale of a policy is a relatively infrequent event --> rather a transaction than a relationship business.
- ▷ **Policy investors** demand for attractive returns, reliable servicing and innovative custom-made products.
- ▷ **Profitability outweighs growth**: Strict profit thinking interdicts growth that is only driven by volumes. Thereby we want to maximise shareholder value.



## To Do's

- New management team and structure
- Reduction of organisational complexity: streamlining organisation
- Focus on efficient sourcing
- Ending non core activities
- Cost reductions
- Increase low cost direct marketing/internet
- Further improve institutional product development
- Initiate market consolidation if this adds sustainable shareholder value



## Our Focus is mirrored by the new and streamlined management structure as of Jan 1<sup>st</sup> 2008

Frank Alexander de Boer  
(on board since Jan 08)  
CEO

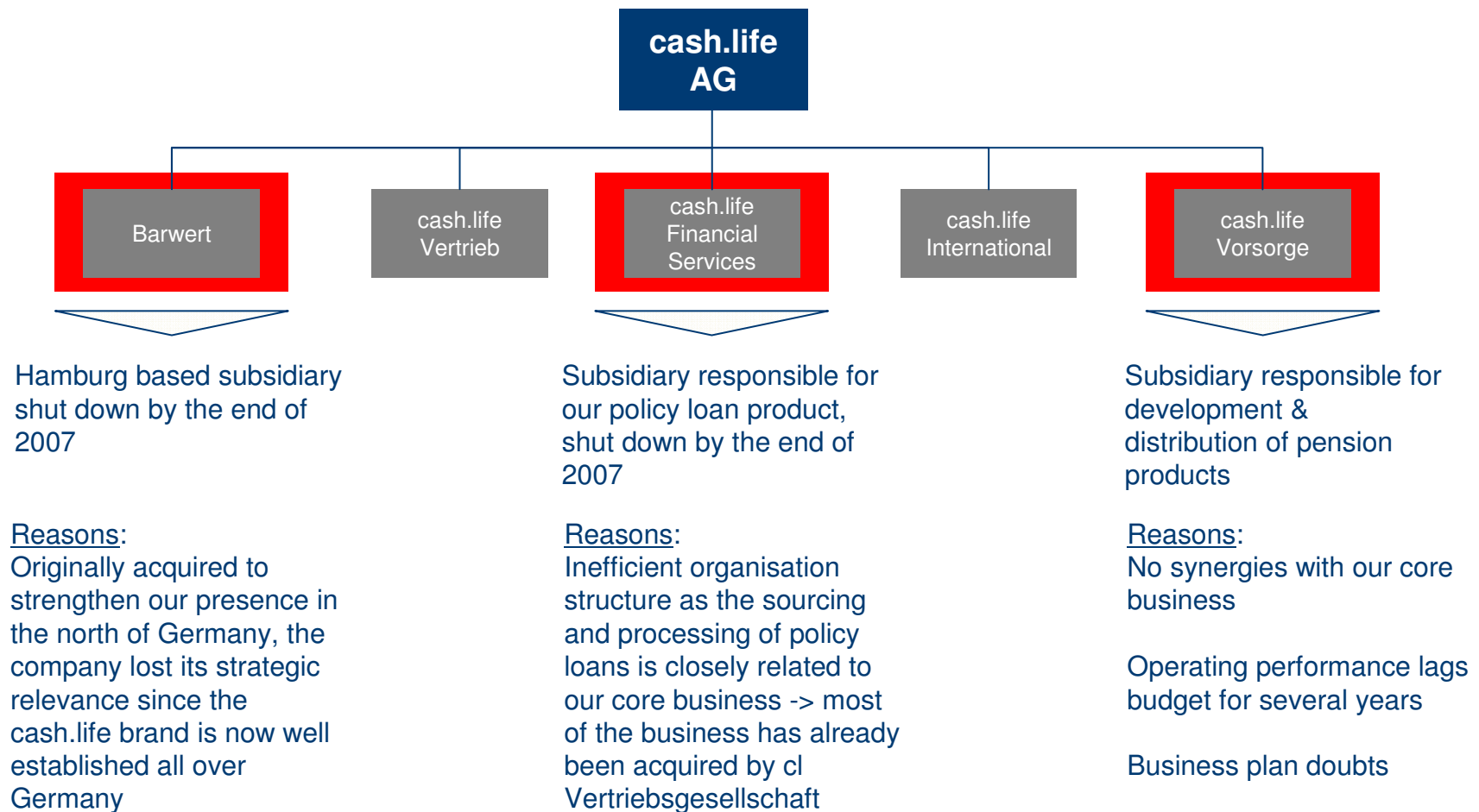
Distribution / Sourcing  
Staff divisions

Klaus Leusmann  
CFO

Operations / IT  
Treasury & Capital Markets

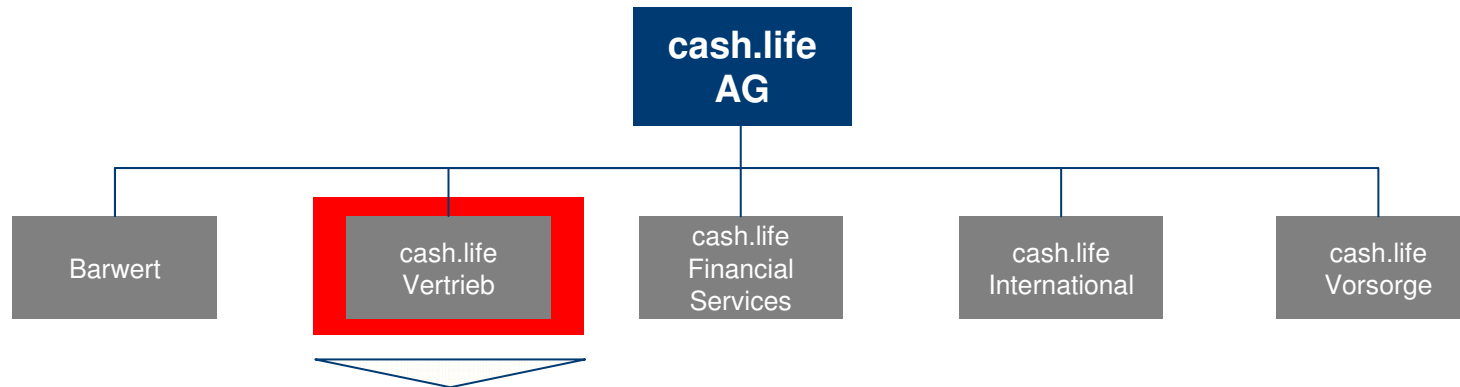


## Focus on core: Ending non-core and non-performing business lines





## Improvement of our sourcing approach will lead to cutbacks within cash.life Vertriebsgesellschaft



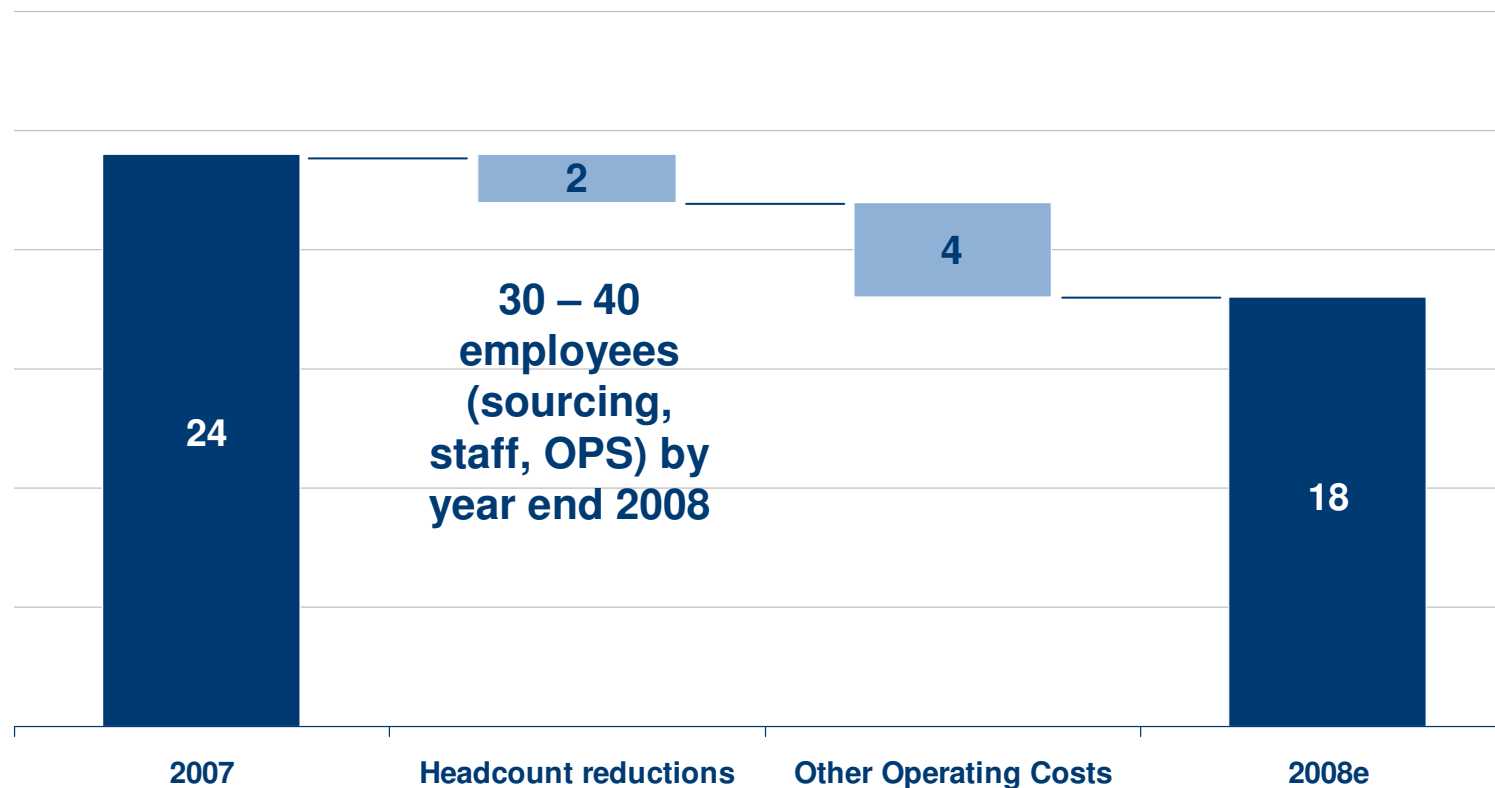
### Reasons:

- Inefficient acquisition, losing market share, high sales and marketing costs per lead.
- High relationship management costs for a transaction based business.
- High organisational follow-up costs.
- Disappointing performance of the new services policy loan and closed end fund purchase leads to lesser staff allocation.
- Product focus instead of focus on customer needs resp. his unwillingness to pay for add-on services.



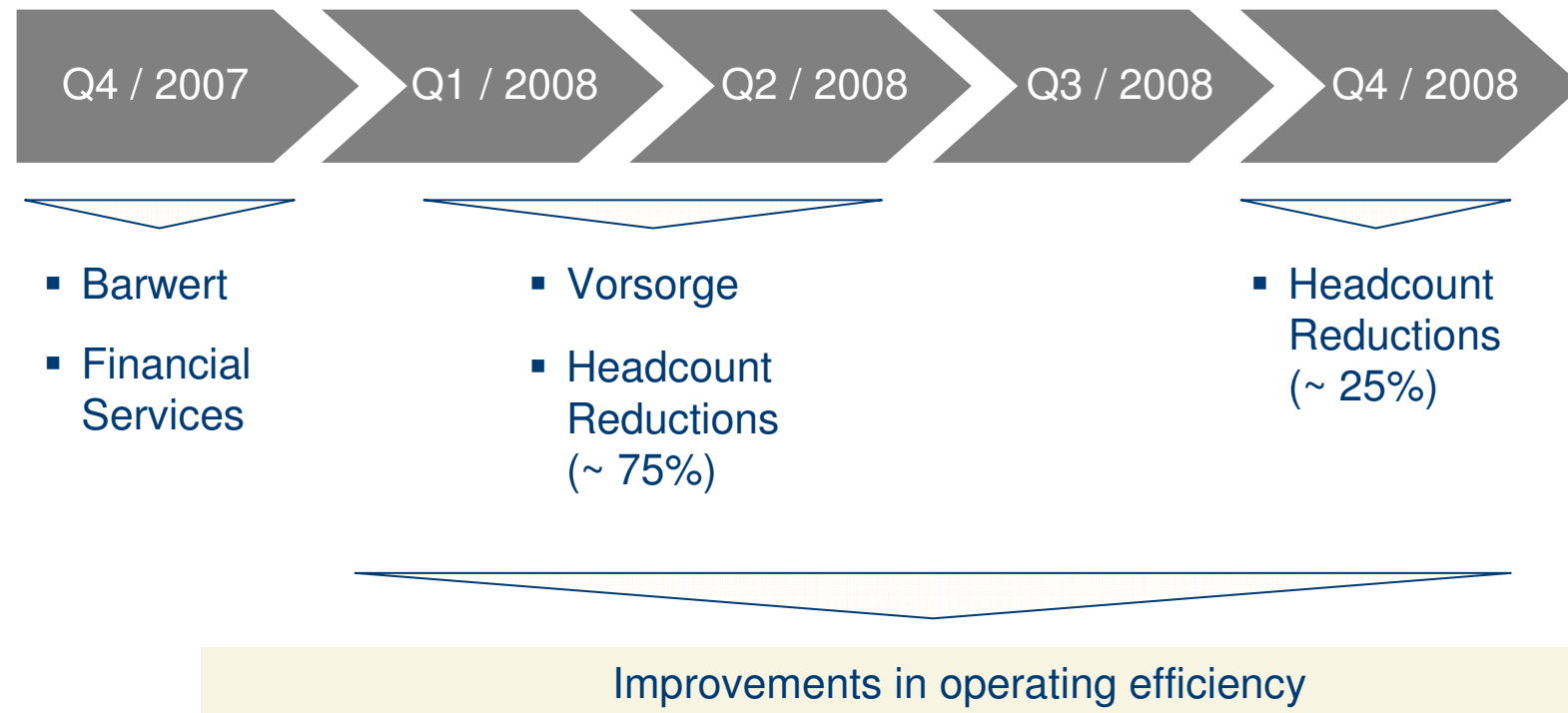
# Focus on Client Needs and Operational Efficiency allows for 25% Cost Savings.

Operating costs excluding broker commissions [m €]





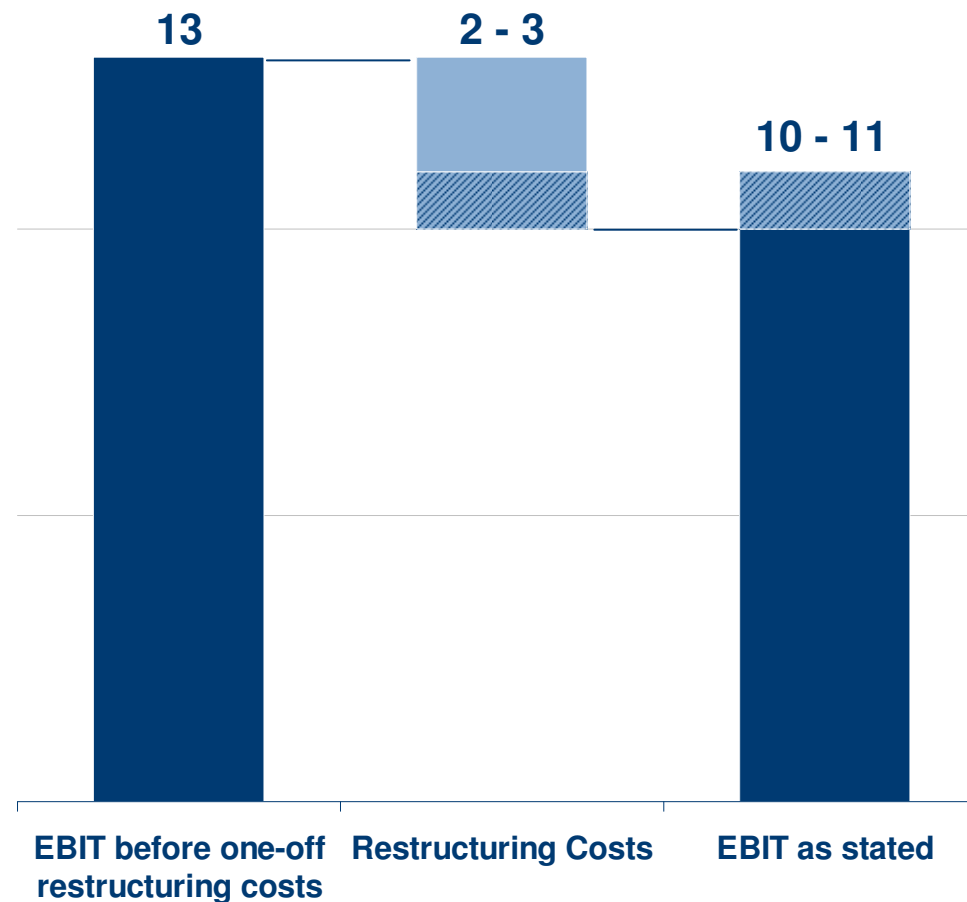
## Timeline for the implementation of restructuring measures





# The restructuring will require a 2007 provision of 2 - 3 Million €

[m €]





C | Outlook



## Outlook (1/2)

- ▷ As of 31/12/2007 we still have an order backlog of 320 m €.
- ▷ All in all we have seen a significant increase in bonus rates for 2008. Combined with the positive effects from the new insurance law due to the participation in hidden reserves, investments in endowment policies have become more attractive again.
- ▷ At current interest rate levels we clearly see a pick up in demand from the side of the fund initiators so that we expect to see significant sales volumes in 2008.
- ▷ A strategic milestone for 2008 will be the roll out of our institutional product in order to diversify sales channels.



## Outlook (2/2)

- ▷ We think that it is too early in the year to give out a reliable revenue or profit guidance for 2008.
- ▷ We are absolutely committed to our cost cutting target of 6 m € as it is underpinned by concrete measures.
- ▷ We are convinced that our focused strategy will lead to a significant and sustainable improvement in profitability.
- ▷ Mid-term we want to achieve a ROE consistently above 15%.



**D** | **Financial Calendar**



## Financial calendar

23/01/2008	Cheuvreux German Corporate Conference, Frankfurt
03/04/2008	Press conference on annual results
09/05/2008	Interim report Q1
30/05/2008	Annual General Meeting
08/08/2008	Interim report Q2
07/11/2008	Interim report Q3

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**E** | **Appendix**



## The results of Q4/2007 and FY 2007 at a glance

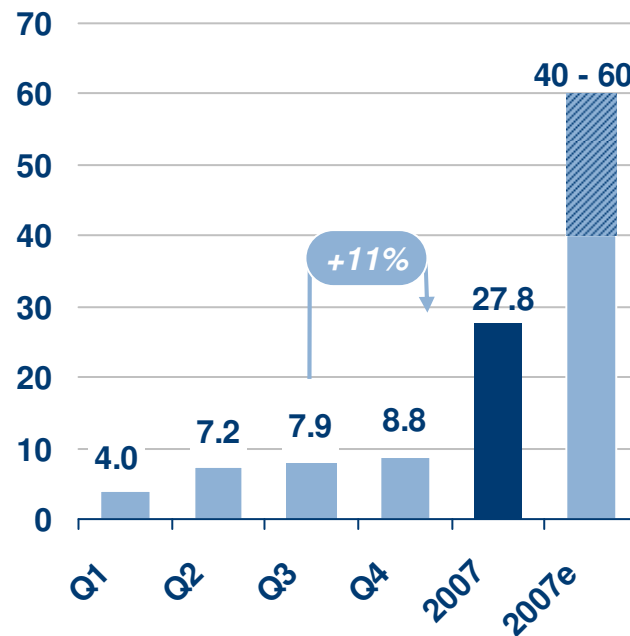
IFRS [m €]	Q4/2007	Q4/2006	Change [%]	2007	2006	Change [%]
<b>Purchase volume</b>	209	216	-3.2	745	636	17.1
<b>Revenues</b>	201.9	230.3	-12.3	500.5	532.7	-6.0
Thereof sales of policies	199	227	-12.3	490.5	524.4	-6.5
Thereof servicing	2.7	2.4	12.5	8.3	6.2	33.9
Thereof others	0.2	0.9	-77.8	1.7	2.1	-19.0
<b>EBIT before one-off restructuring costs</b>	7	5.2	34.6	13	13.3	-2.3
Restructuring costs & provisions	2 - 3	-	-	2 - 3	-	-
<b>EBIT</b>	4 - 5	5.2	-	10 - 11	13.3	-
<b>Policies under management</b>	2,311	1,674.1	38.0			
Thereof trading portfolio	449	286.3	56.8			
Thereof management for third parties	1,862	1,387.8	34.2			



## New business lines lagged behind targets

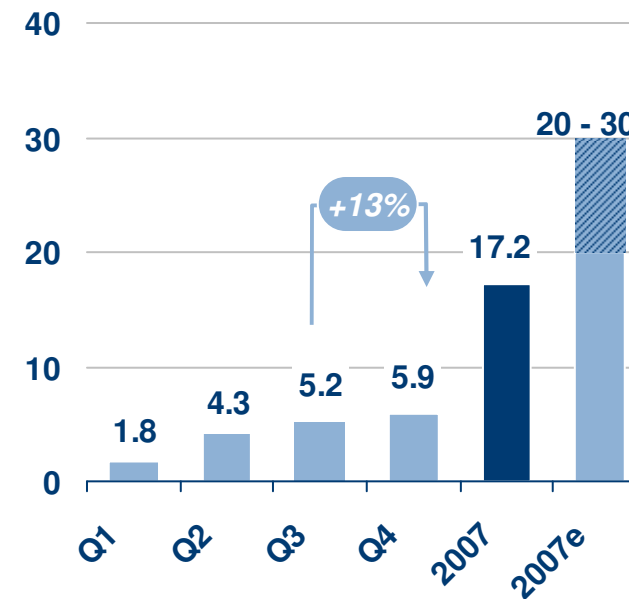
[m €]

Policy loan: Brokered volume<sup>1</sup>



1) Figure for Q3 had to be restated

Austria: Purchase volume<sup>2</sup>



2) Included in the overall purchase volume on slide 5



# YOY our policies under management grew by 38.0 %

Policies under management [m €]

