

# Executive Summary

***“Fitbit will grow to a \$5B valuation by transitioning towards healthcare services.”***

## **1. You will immediately address data security**

- a. Data protection won't gain sales, but it can lose them
- b. You will create a new data standard and communicate it to customers
- c. This will avoid a scandal, which could cost up to \$200M in sales

## **2. Next you will create a defensible healthcare platform**

- a. There is a shift away from bands to smart watches
- b. To be profitable you must produce software.
- c. Focus on your super users' network to build customer base.
- d. Build preventative capabilities and partner with insurers.

## **3. This strategy will create \$3.7B of shareholder value**

- a. By 2022 you will add 60M customers
- b. You will save 25k lives per year with insurance partners
- c. 50% of revenue and 75% of profit will come from software

# FITBIT

THE FUTURE OF HEALTHCARE

## THE LIFE OF K.I.

David Sorrenson

James Shore

Jenny Liu

Jillin Yan





How can Fitbit address privacy concerns, and reach a market cap of \$5B?

1

# Address Security Concerns

CONSUMER PERCEPTIONS



2

## Long Term Shift

SMART WATCHES

INDUSTRY PROFIT



SUPERUSER NETWORK

INSURANCE PARTNERSHIP

1

# Address Security Concerns

CONSUMER PERCEPTIONS



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# Long Term Shift

SMART WATCHES

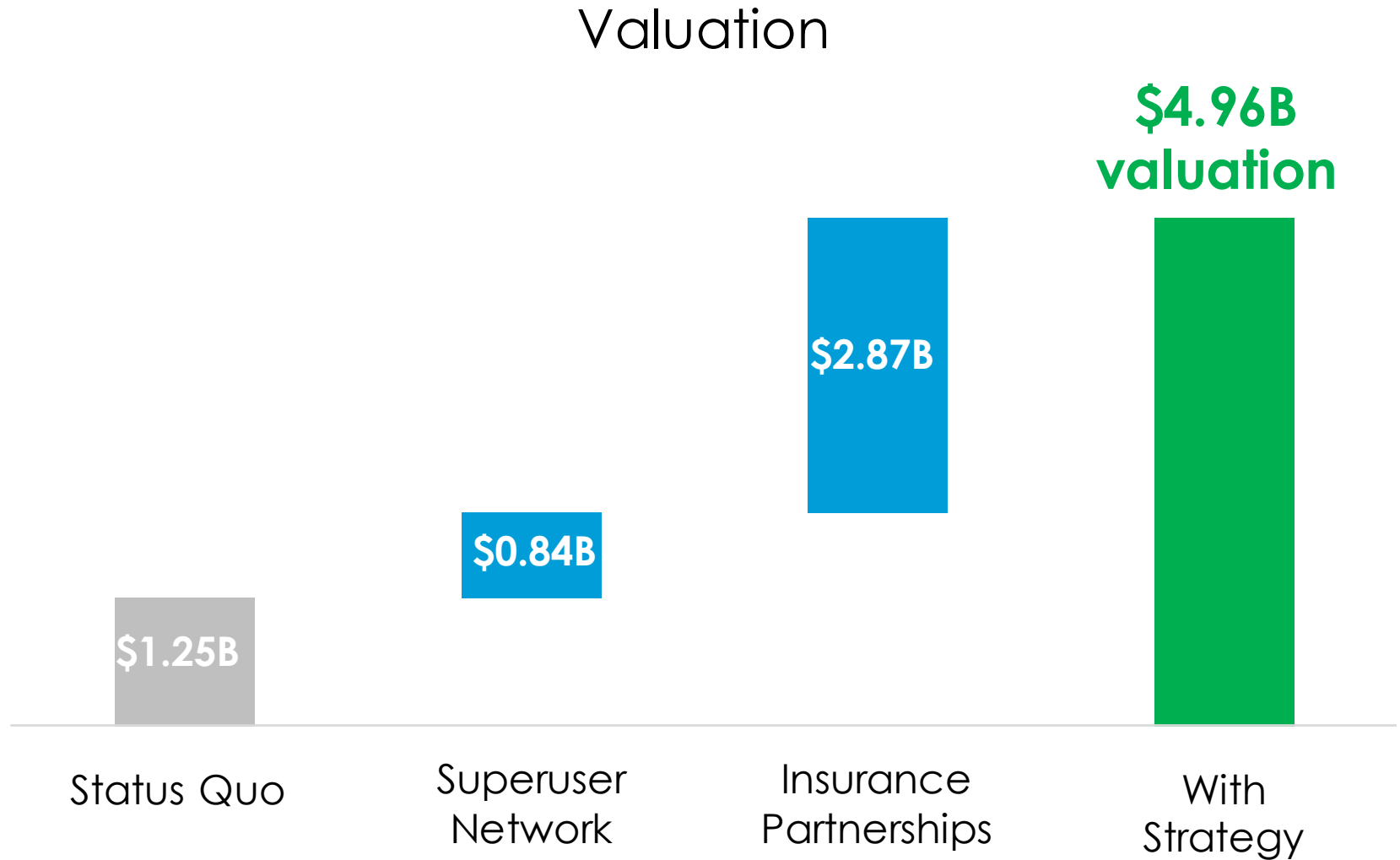
INDUSTRY PROFIT



SUPERUSER NETWORK

INSURANCE PARTNERSHIP

Overall, our strategy will increase valuation by \$3.7B



1

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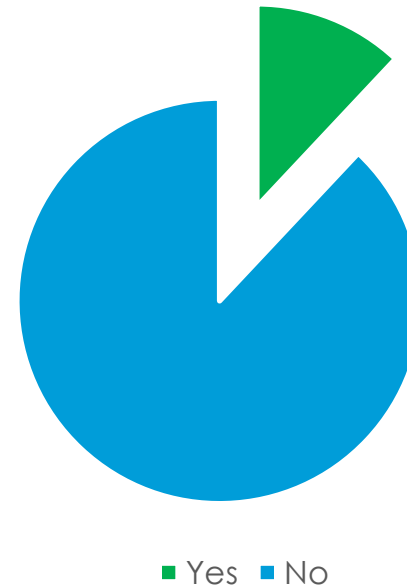
# While 80% are concerned about data privacy, it doesn't determine purchase

Care About Data Security



Source: AAAS

Data Security in Top 3 Purchasing Decision Factors



Source: Tsai and Egelman, 2014



# While 80% are concerned about data privacy, it doesn't determine purchase

Care About Data Security

Data Security in Top 3 Purchasing Decision Factors

***Profit will fall if a data scandal happens***

■ Yes ■ No

■ Yes ■ No

Source: AAAS

Source: Tsai and Egelman, 2014

1

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# Create and communicate a future-looking data standard



# Data privacy frame work will be implemented through 5 steps over the next year

Committee

Consult Stakeholders

Develop Privacy Plan

Communicate to customers

Yearly Audit



- ✓ Consult all stakeholders and discuss interest
- ✓ Future looking plan
- ✓ Address main concerns that consumers care about
- ✓ Consent, transparency, and control of own data

# Data privacy framework will be implemented through 5 steps over the next year

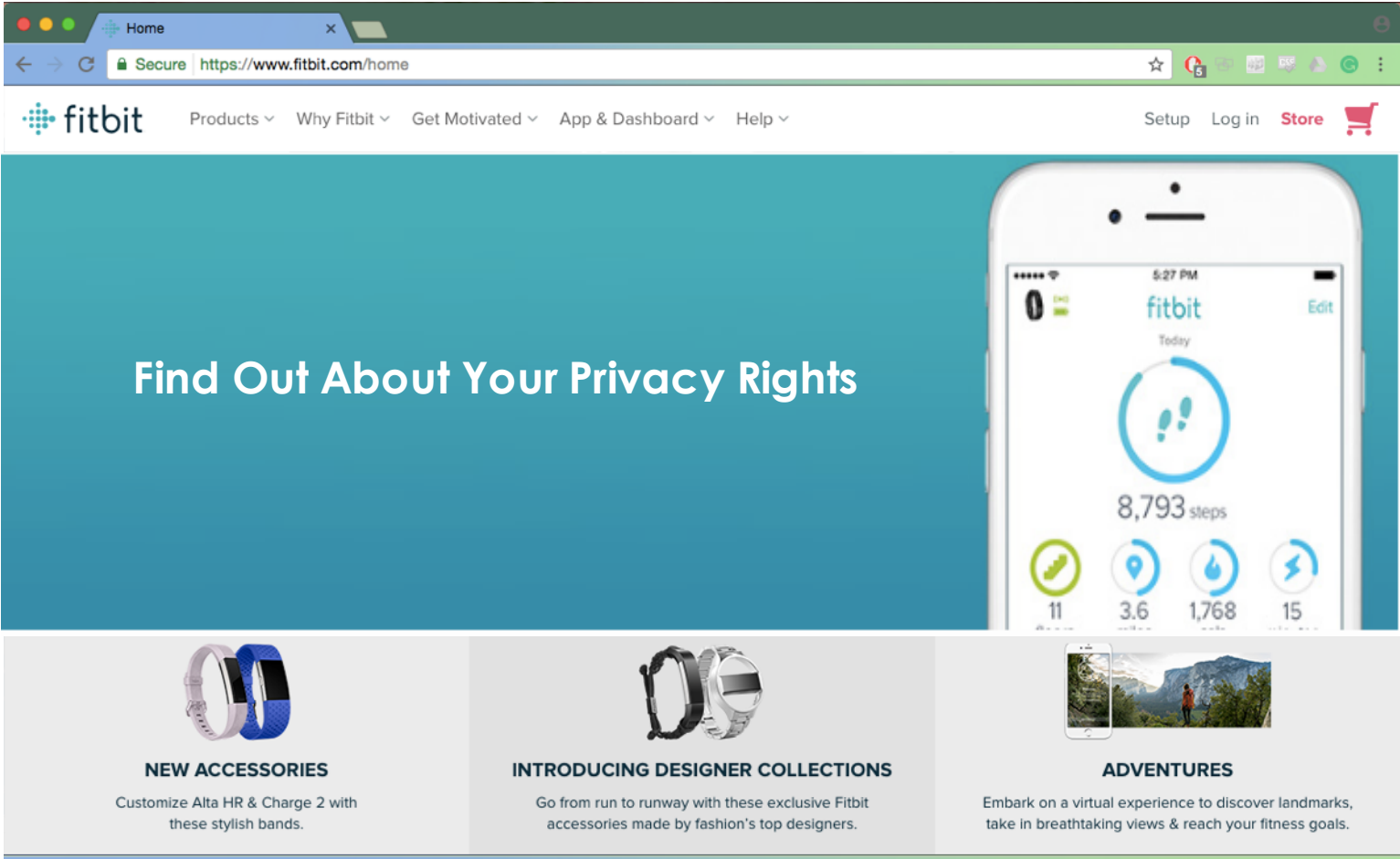
Committee

Consult Stakeholders

Develop Privacy Plan

Communicate to customers

Yearly Audit



# A scandal could cost up to \$200M

## Comparable Scandals

2012

**SONY**

*10% short term sales reduction*

2016



*12% short term reduction in active userbase*



Privacy Scandal would cost **\$200M**



High Likelihood Without Changes



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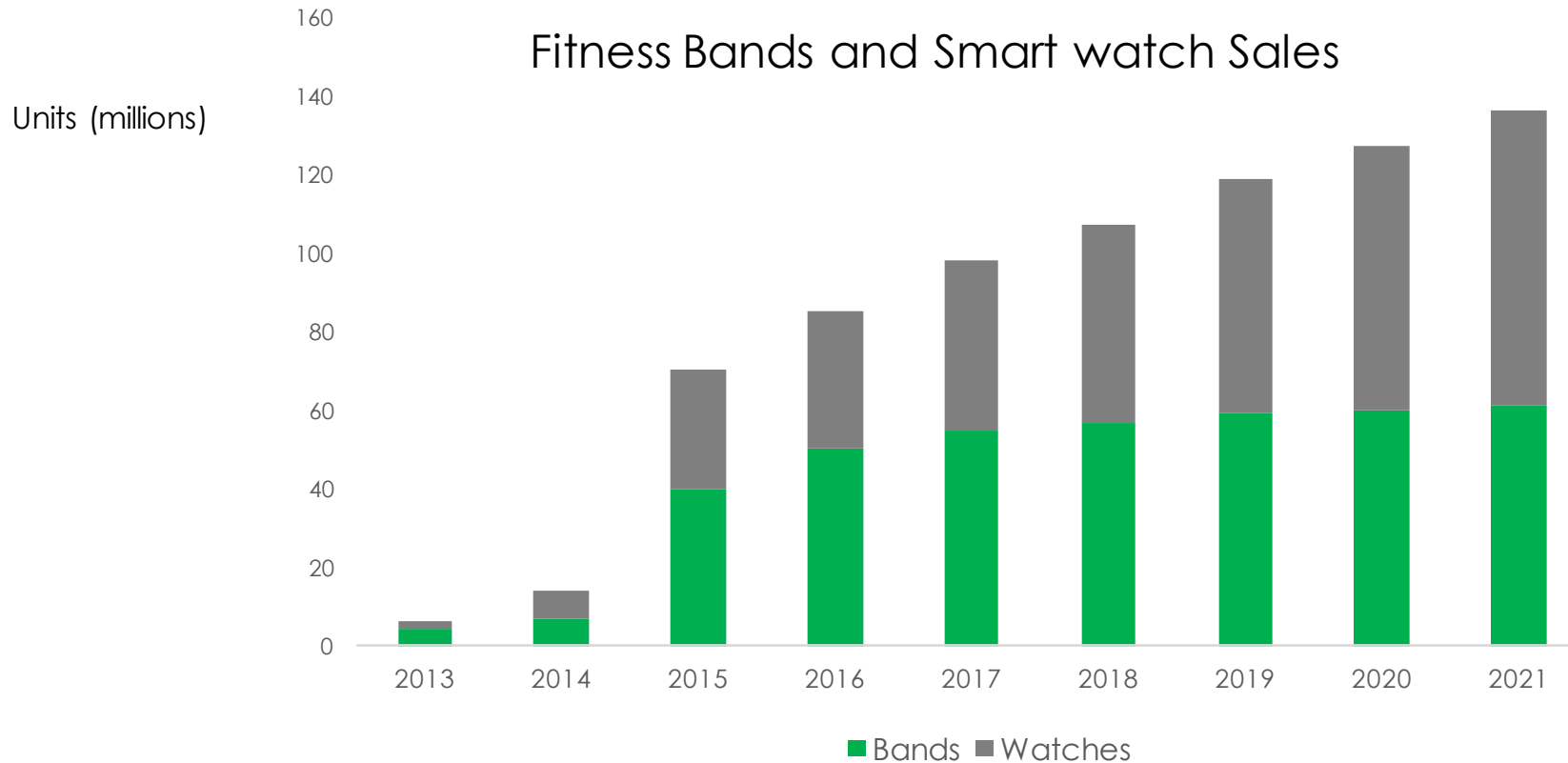


SUPERUSER NETWORK

INSURANCE PARTNERSHIP



# Smart watches will replace tracker sales



Source: IDC, BI Intelligence

# Smart watches will replace tracker sales

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***Your tracker sales will not grow from 2019 onwards***

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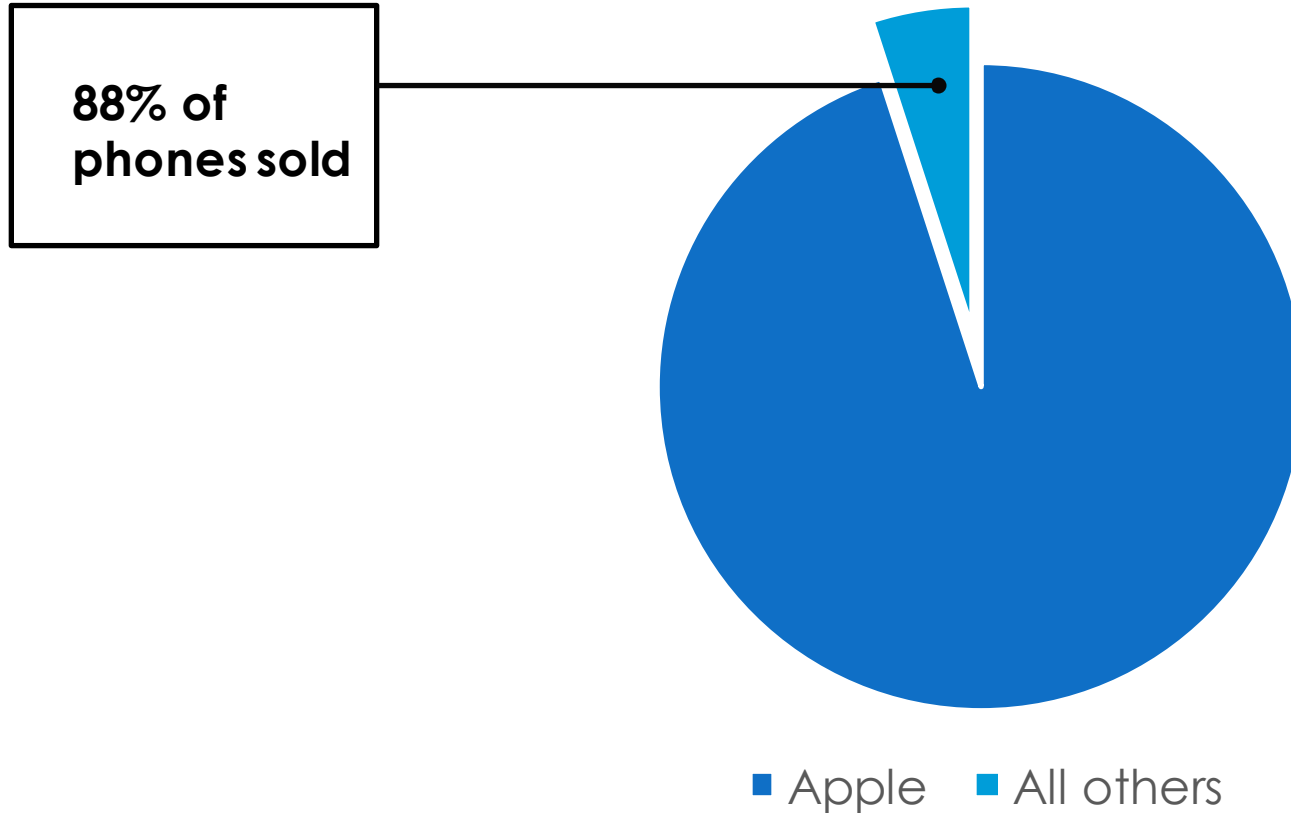


SUPERUSER NETWORK

INSURANCE PARTNERSHIP

# In smart watches, 95% of profit will go to the eco-system

Share of Smartphone Profit 2016



Source: Strategy Analytics

# In smart watches, 95% of profit will go to the eco-system

Share of Smartphone Profit 2016



**You will be unprofitable if you stay hardware-only**

■ Apple ■ All others

Source: Strategy Analytics

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INDUSTRY PROFIT



SUPERUSER NETWORK

INSURANCE PARTNERSHIP

# For software, aim at what your customer cares about most

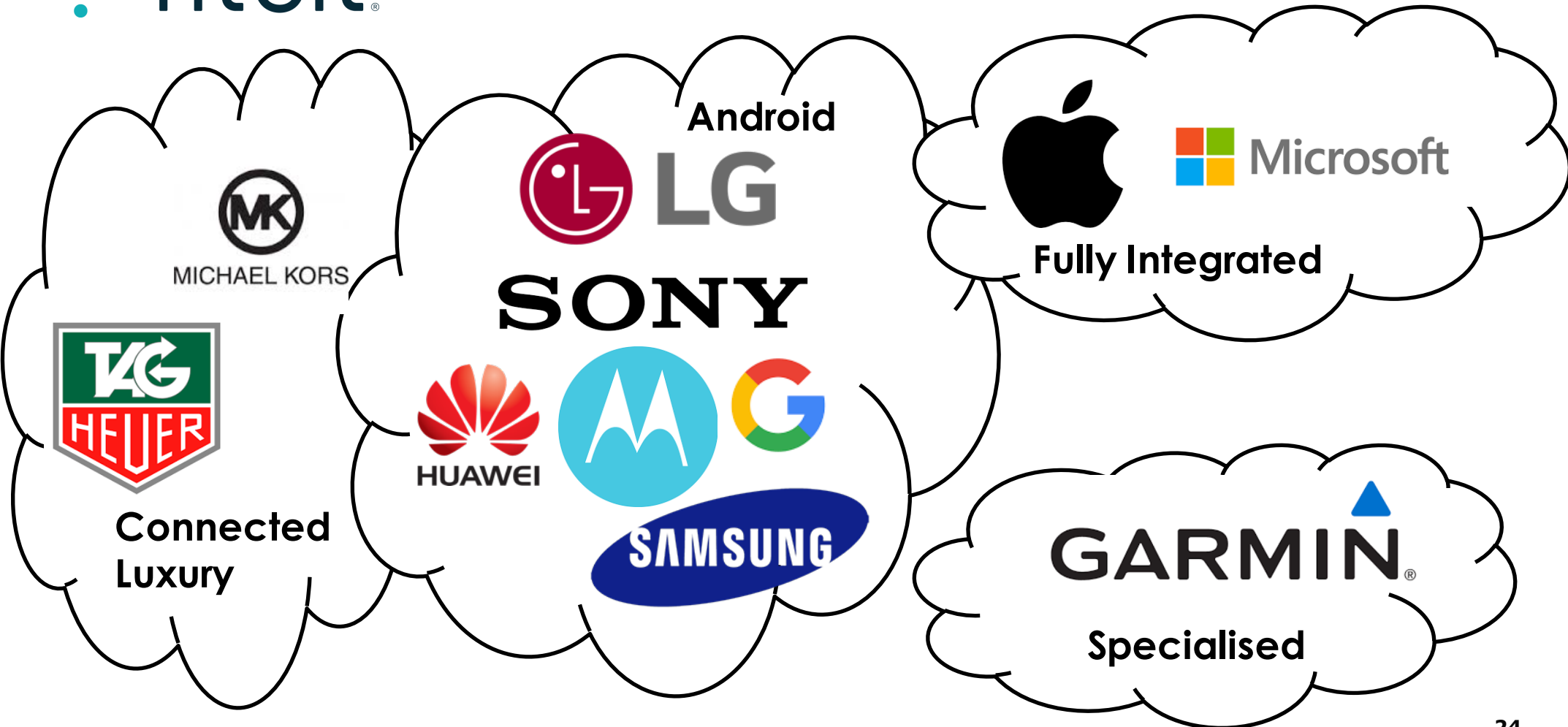
## Why Are Customers on Your Platform?



- 1 Keep Fit
- 2 Track Goals
- 3 Live Longer

**Care about the health and wellbeing of themselves and their families**

# Your product must be defensible in order to survive





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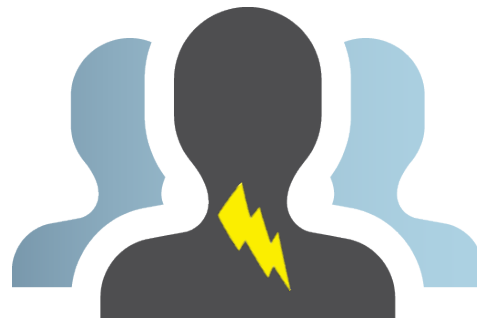
INDUSTRY PROFIT



SUPERUSER NETWORK

INSURANCE PARTNERSHIP

# Use your core customer as a node to build your user base

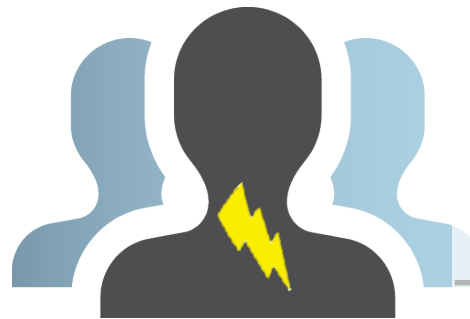


## Super User

- ✓ 20-45
- ✓ Active 3 times/wk
- ✓ Professional
- ✓ Earn > \$100k (40% of users)

# Use your core customer as a node to build your user base

Children



Super User

- ✓ 20-45
- ✓ Active 3 times/wk
- ✓ Professional
- ✓ Earn > \$100k (40% of users)

Colleagues  
- Fundraising platform

Grandparents



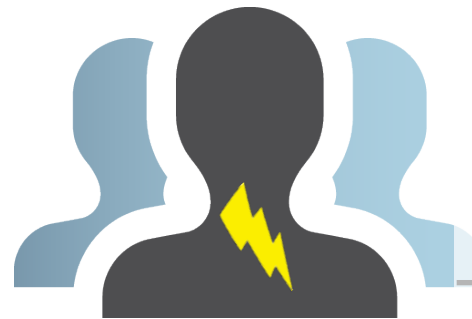
# Use your core customer as a node to build your user base

## Children



### Fitbit Play

Make exercise into a game



## Super User

- ✓ 20-45
- ✓ Active 3 times/wk
- ✓ Professional
- ✓ Earn > \$100k (40% of users)



Colleagues  
- Fundraising platform

## Grandparents



### Fitbit Alert

Give peace of mind

1

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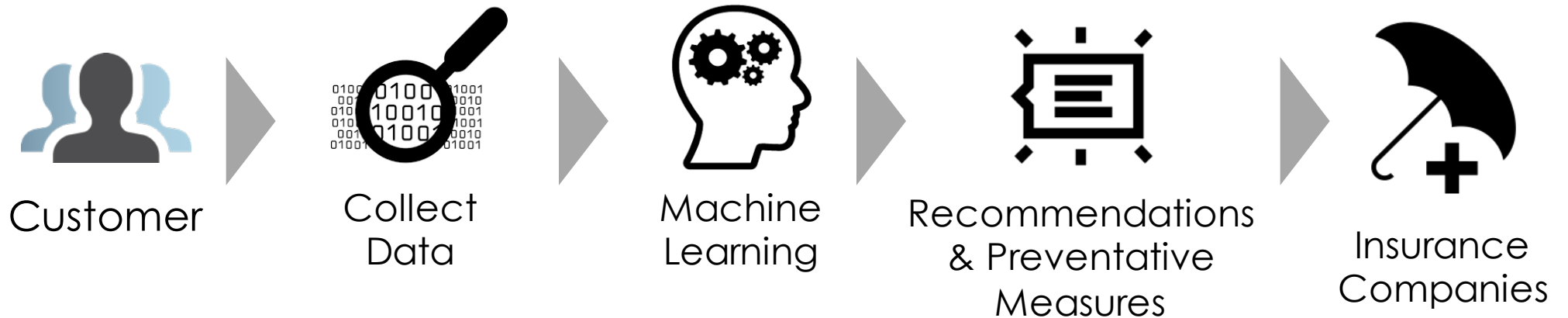
INDUSTRY PROFIT



SUPERUSER NETWORK

INSURANCE PARTNERSHIP

# Partnering with insurers will reduce premiums for your customer



# Partnering with insurers will reduce premiums for your customer



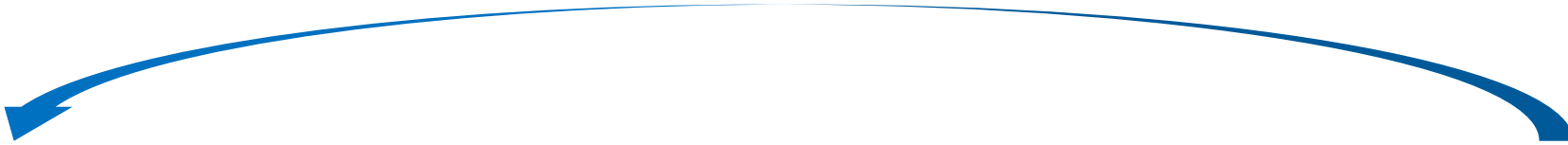
**New Revenue Stream**



**Reduced Premiums**



**Longer Lives**



Customer



Collect Data



Machine Learning



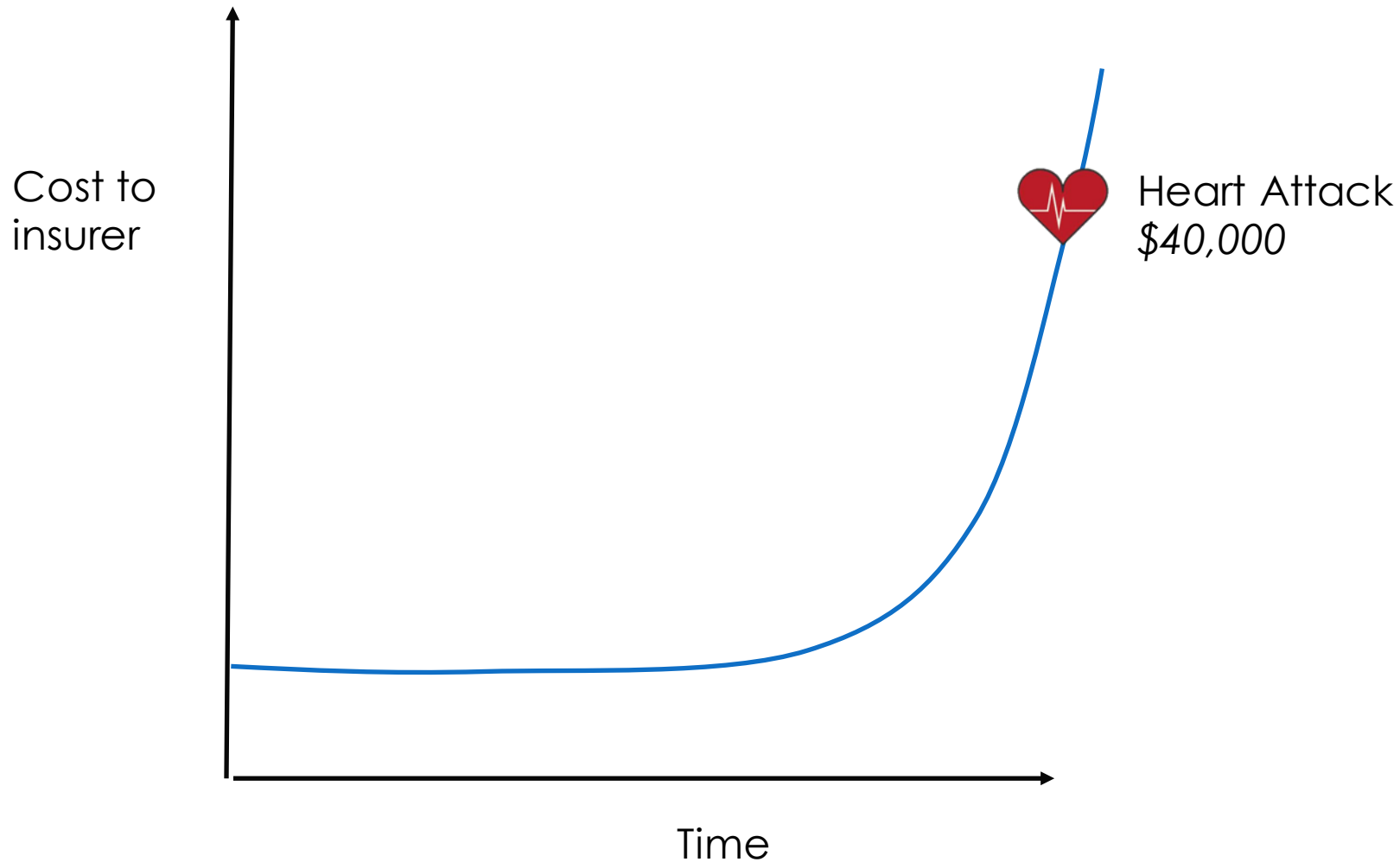
Recommendations & Preventative Measures



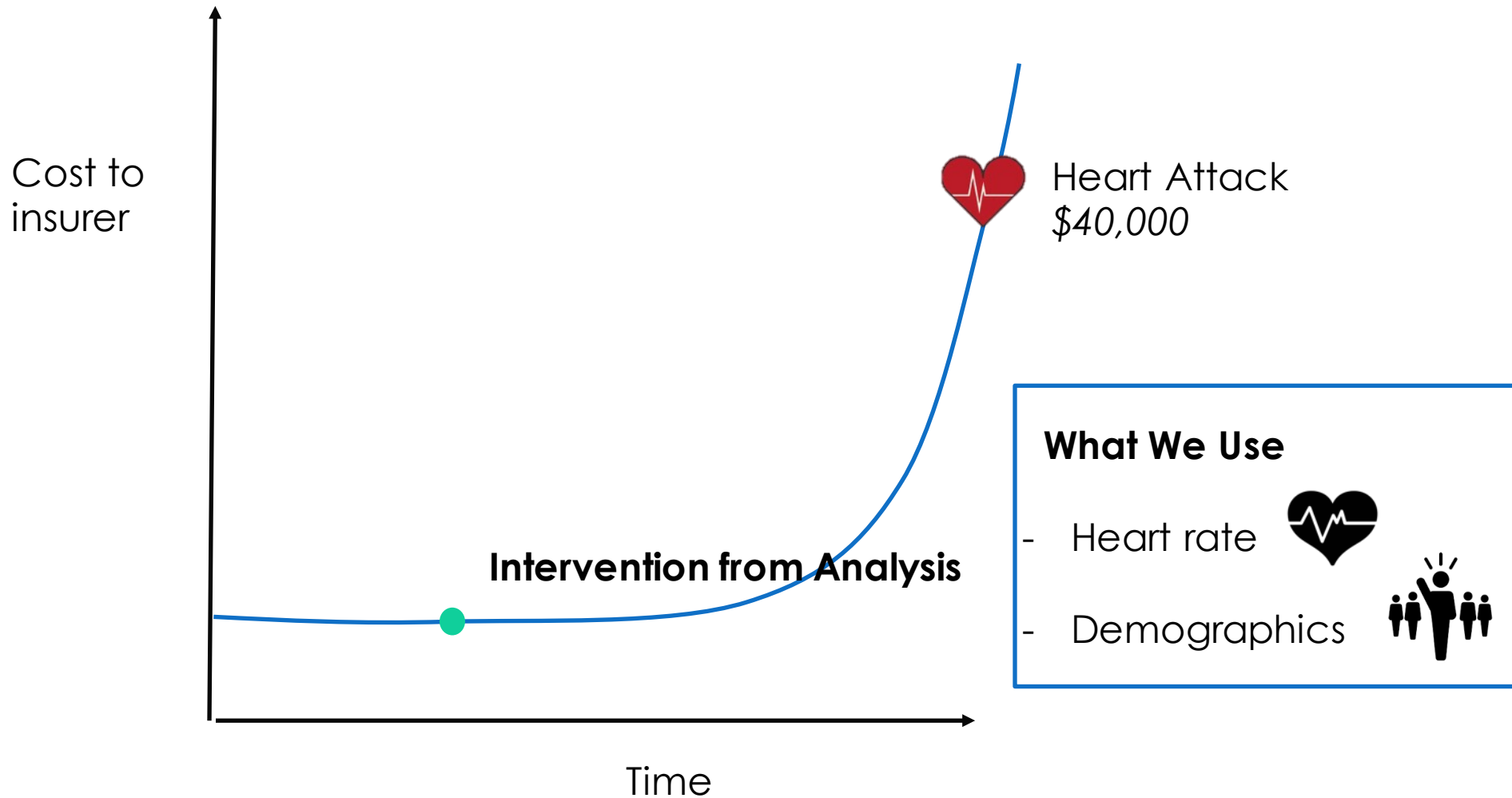
Insurance Companies



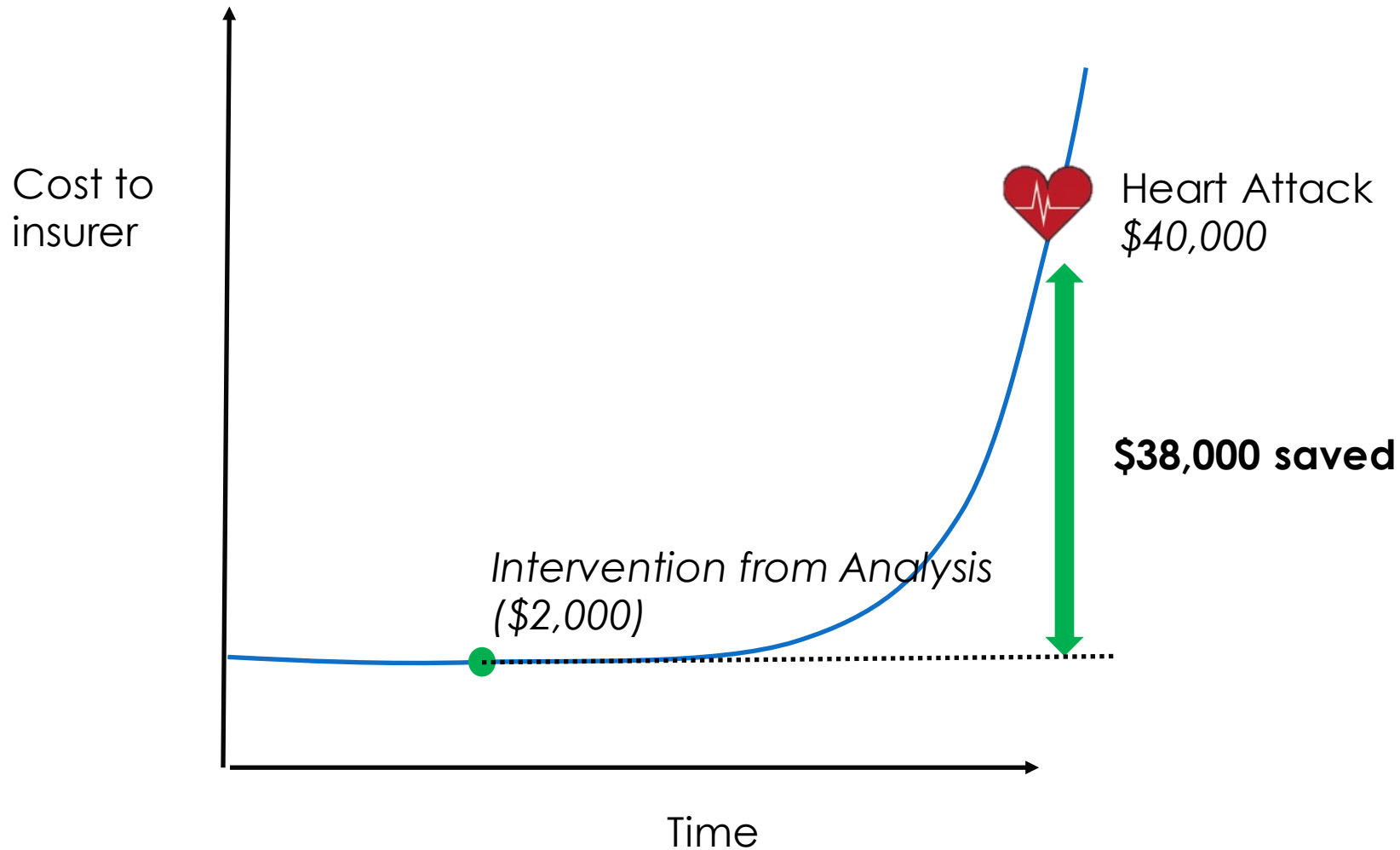
# Partner with insurers to save your customer's lives



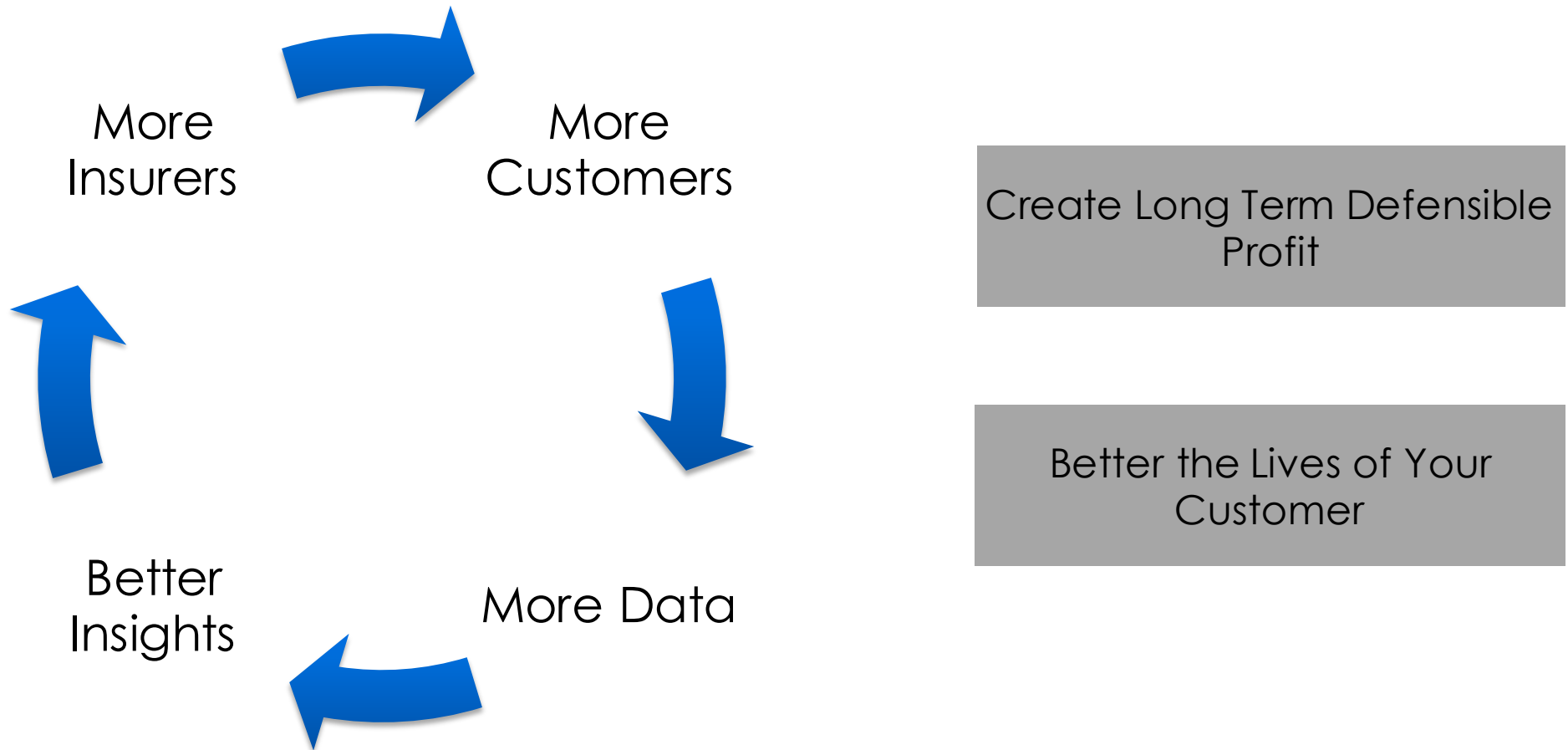
# Partner with insurers to save your customer's lives



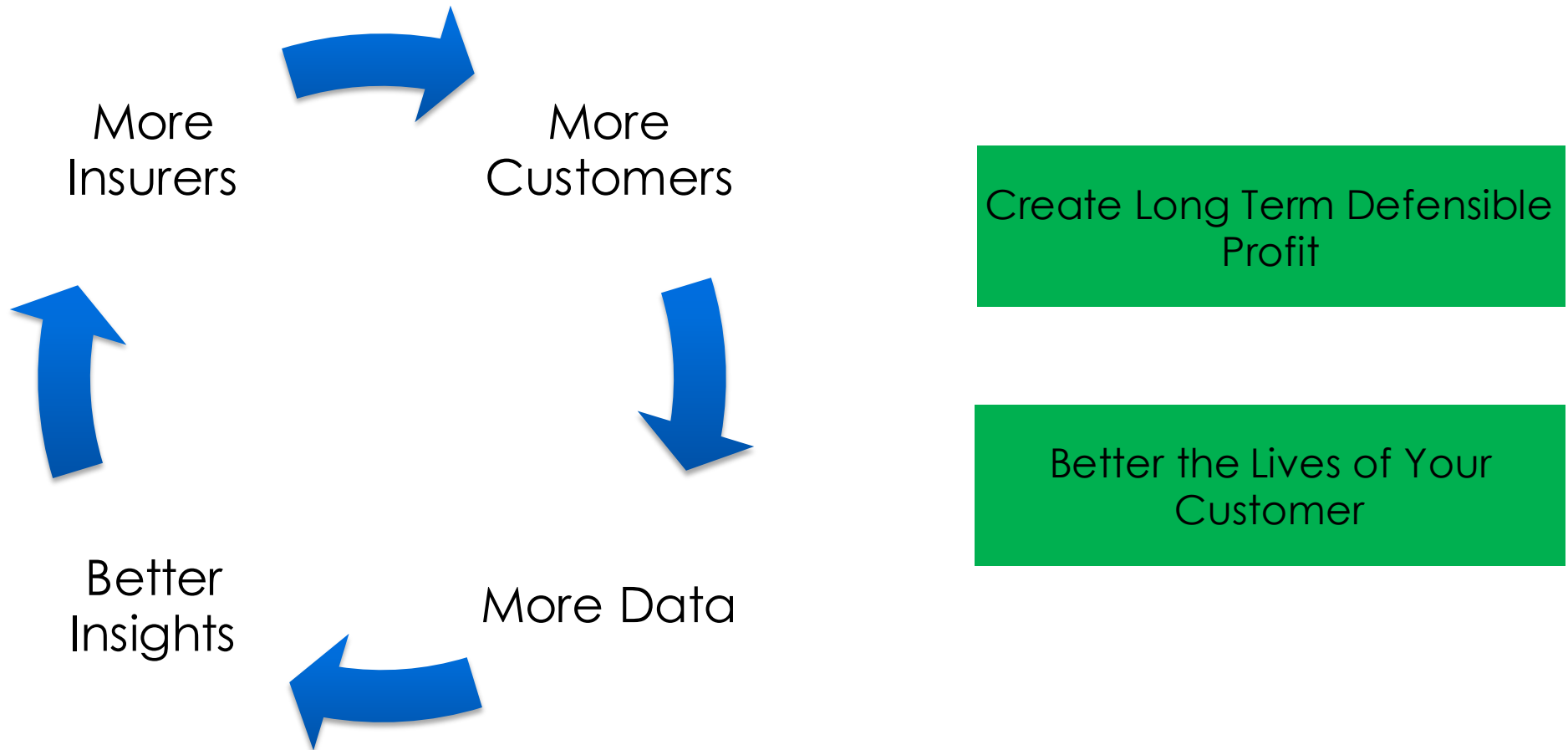
# Partner with insurers to save your customer's lives



# You will create a long term defensible structure



# You will create a long term defensible structure



1

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SMART WATCHES

INDUSTRY PROFIT

The image shows the 'fitbit Health' logo. The word 'fitbit' is in its signature lowercase font with a dot-matrix icon to the left. The word 'Health' is in a bold, uppercase, sans-serif font. To the right of 'Health' is a white caduceus symbol (a staff with two snakes and wings) on a dark blue background.

fitbit Health

SUPERUSER NETWORK

INSURANCE PARTNERSHIP

1

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SMART WATCHES

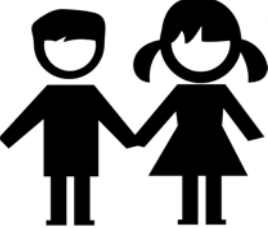
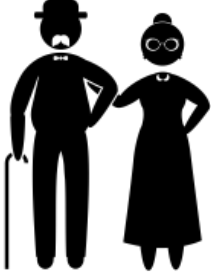

INDUSTRY PROFIT



SUPERUSER NETWORK

INSURANCE PARTNERSHIP

# Tailor product and platform for different family members

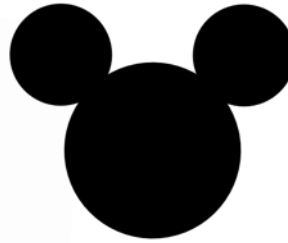
Who	What Product	Why would they love it	Why would superusers push
	<ul style="list-style-type: none"> <li>✓ Activity tracker Utilises gamification to encourage activity</li> </ul>	<ul style="list-style-type: none"> <li>✓ Fun</li> <li>✓ Well loved characters</li> </ul>	<ul style="list-style-type: none"> <li>✓ Encourages outdoor activities</li> <li>✓ Active location tracking</li> </ul>
	<ul style="list-style-type: none"> <li>✓ Health tracker Alerts superusers in an adverse event Give recommendations on diet and exercise</li> </ul>	<ul style="list-style-type: none"> <li>✓ Assurance for user and superuser</li> <li>✓ Interaction with children</li> </ul>	<ul style="list-style-type: none"> <li>✓ Peace of mind</li> <li>✓ Instant notification</li> </ul>
	<ul style="list-style-type: none"> <li>✓ Competition and gamification</li> </ul>	<ul style="list-style-type: none"> <li>✓ Competition with colleagues</li> <li>✓ Social</li> </ul>	<ul style="list-style-type: none"> <li>✓ Social aspect</li> </ul>



# You will introduce Fitbit Play, which gamifies healthy habits



Price: \$100



✓ Licensed Character



✓ Walk/run to collect, feed and level up



✓ Virtual Pet



✓ Compete with friends



✓ Cross platform

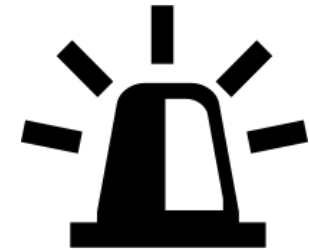
# You will also introduce Fitbit Alert, aimed at elderly users



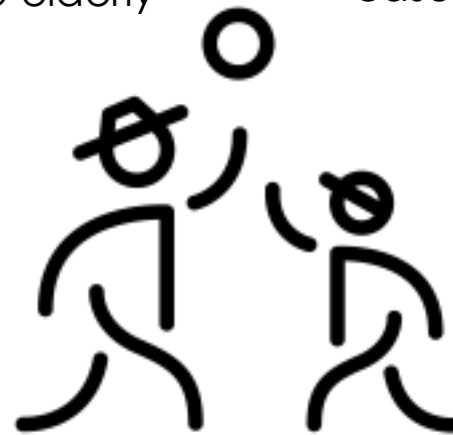
Price: \$150



✓ Gives health warnings to elderly



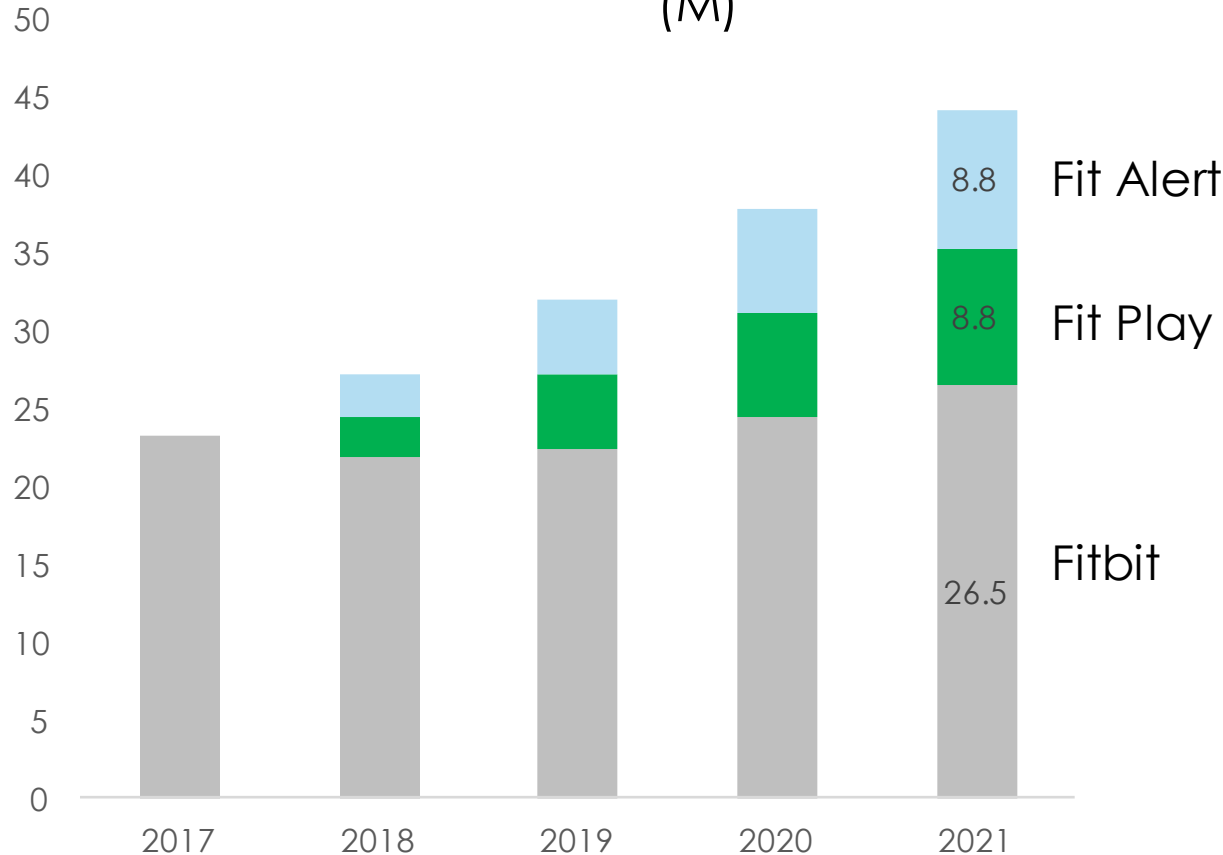
✓ Alerts to superuser in case of an emergency



✓ Interaction with grandchildren

# You will double your customer base to 44M active users by 2021

Customer Breakdown by Age and Product (M)



40% from Fit Play & Fit Alert

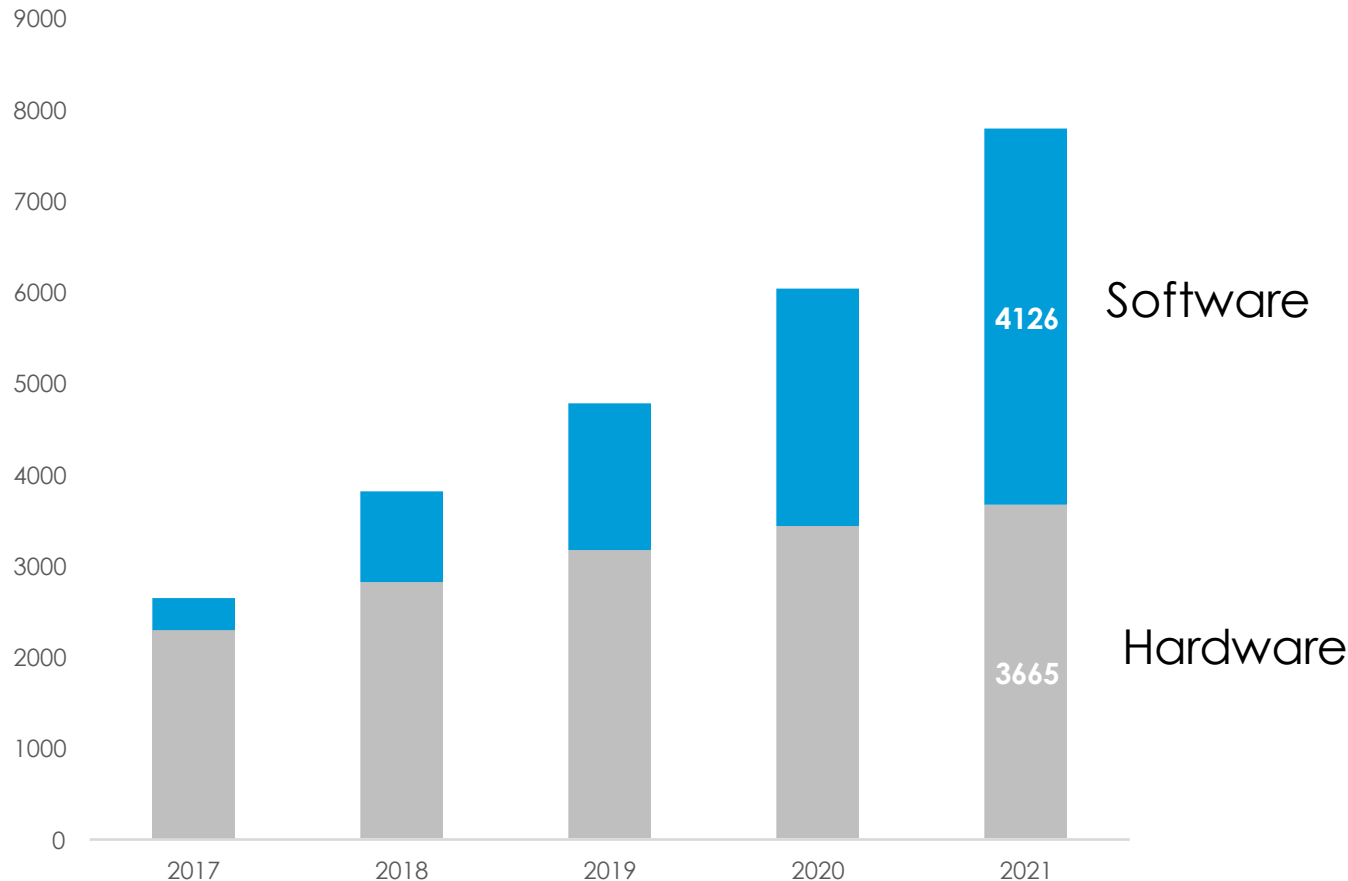
44M active users

2.5 new users per node

91% increase in customers

# By 2021, 53% of revenue will come from software

Hardware and Software Revenue (\$M)



40M users (90%)  
on subscription

50% repeat  
hardware  
purchase

75% total profit  
from software

1

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# You need to build competencies that will allow you to work with insurers



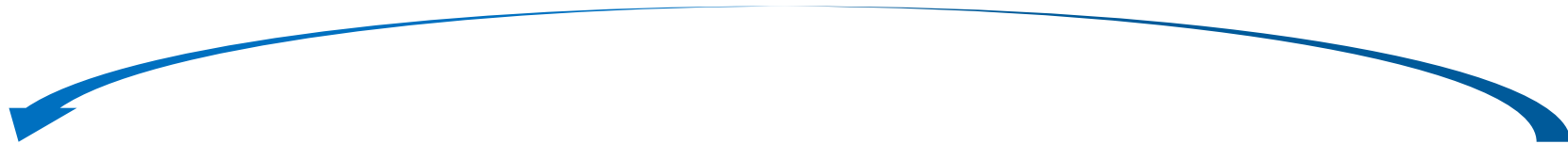
**New Revenue Stream**



**Reduced Premiums**



**Longer Lives**



Customer



Collect Data



Machine Learning

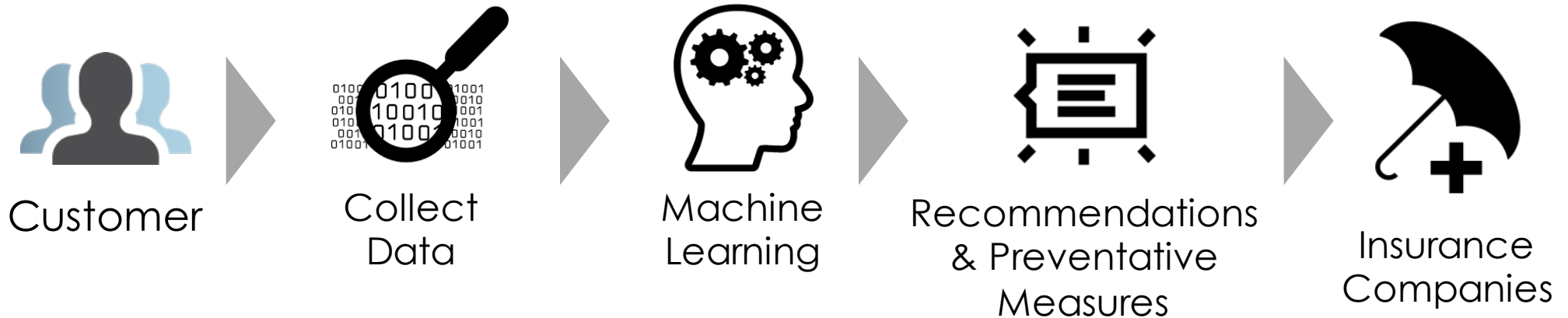


Recommendations & Preventative Measures

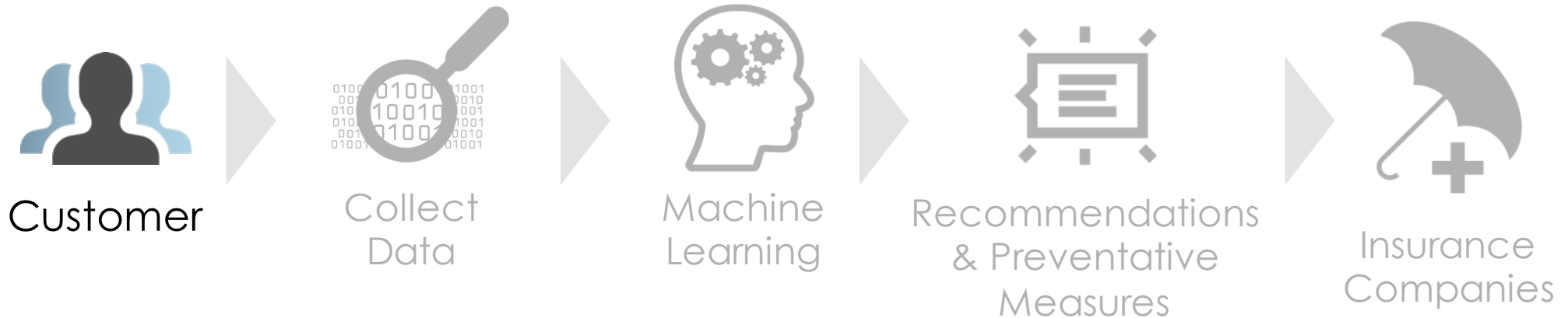


Insurance Companies

# You need to build competencies that will allow you to work with insurers



# You need to build competencies that will allow you to work with insurers



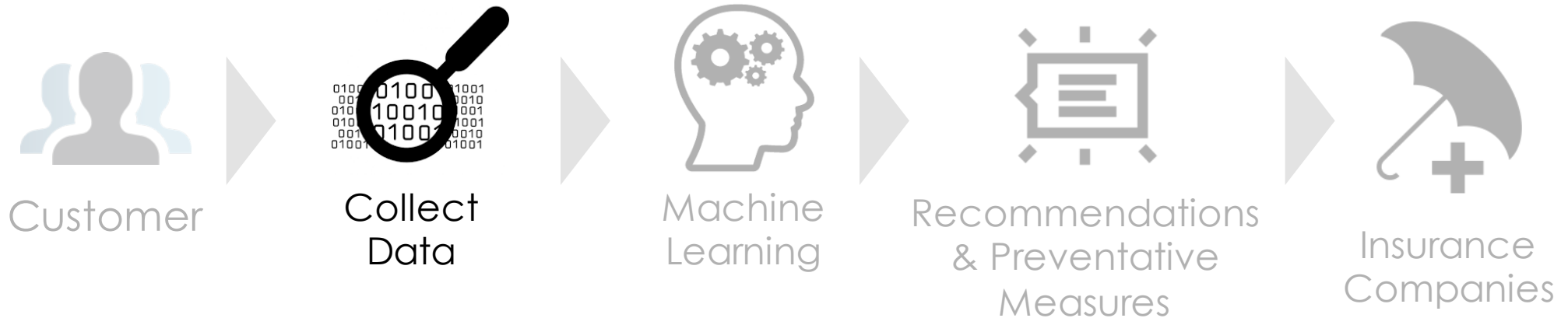


# We will collect data from every aspect of the user's life

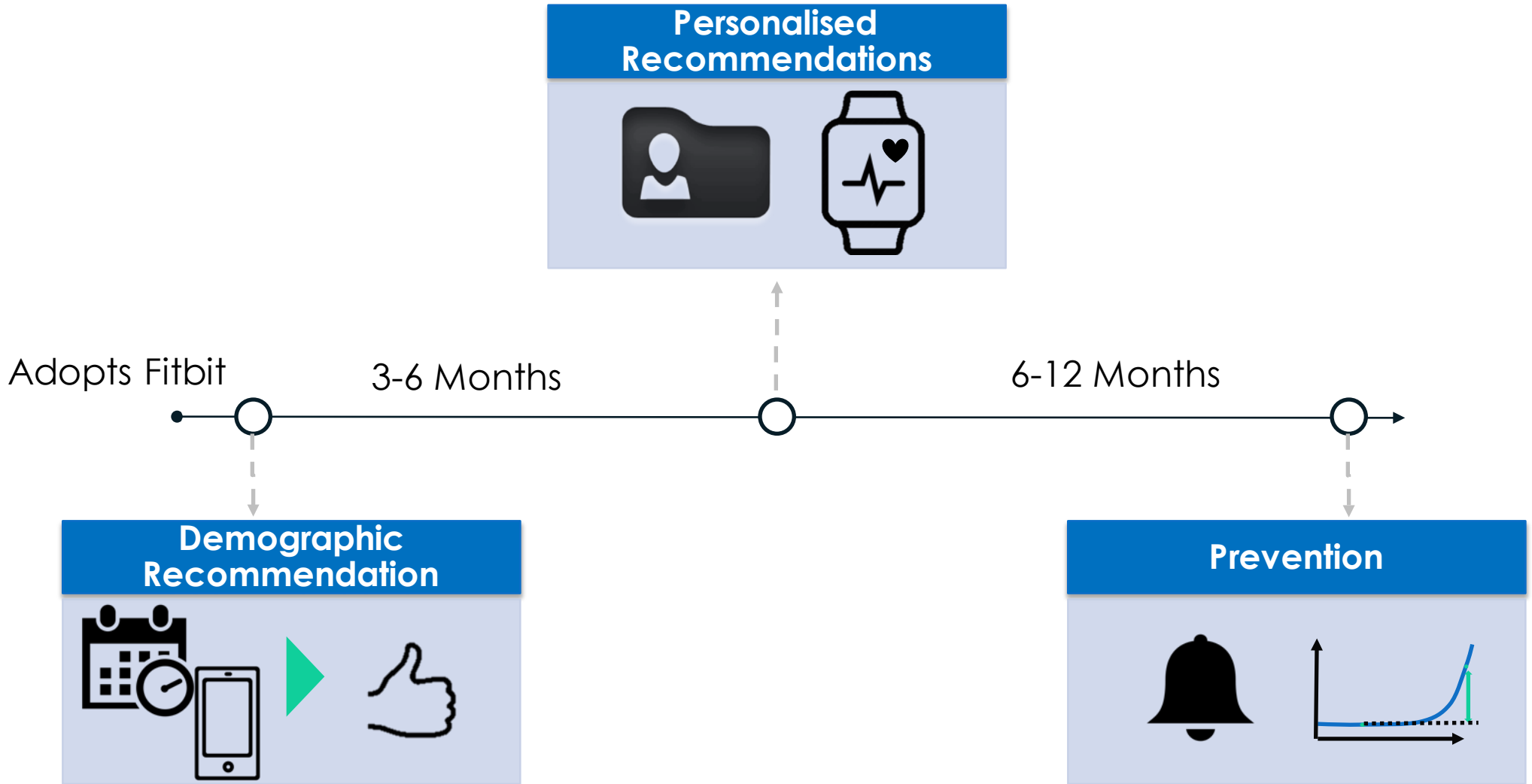


- ✓ Schedule prompts for health inputs e.g. Coughing, headaches
- ✓ Overall rating of the users health index
- ✓ Users choose how much data they opt enter
- ✓ Health index determine premium over the long run

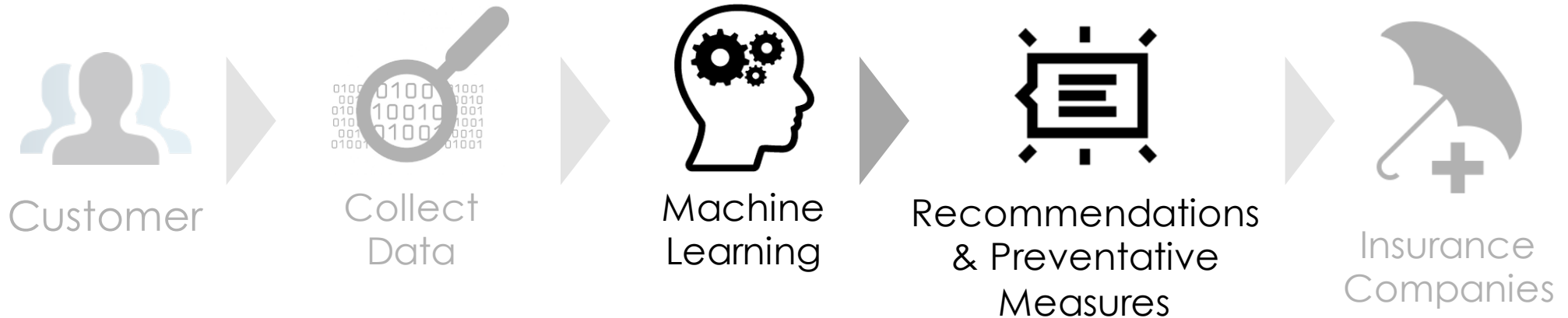
# You need to build competencies that will allow you to work with insurers



# Machine Learning will make recommendations personalized and specific



# You need to build competencies that will allow you to work with insurers



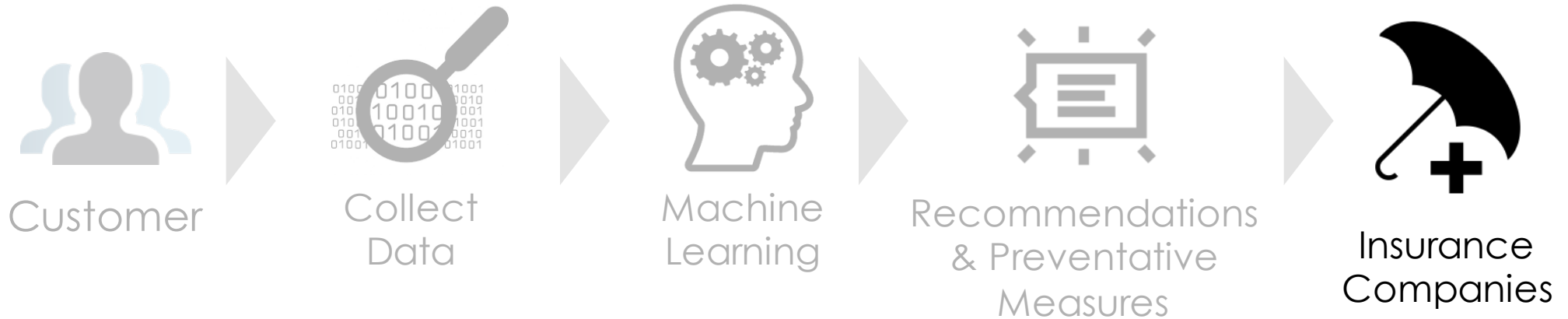
# You will acquire a machine learning company

## CRITERIA

- ✓ Start up company with 20 + Talent
- ✓ ~ \$50 Million Valuation
- ✓ System is compatible with our data
- ✓ Track record for innovation
- ✓ Founders have aligned values
- ✓ Culture fit



# You need to build competencies that will allow you to work with insurers



# You will approach key insurance companies

## CRITERIA

- ✓ Number of Subsidiaries

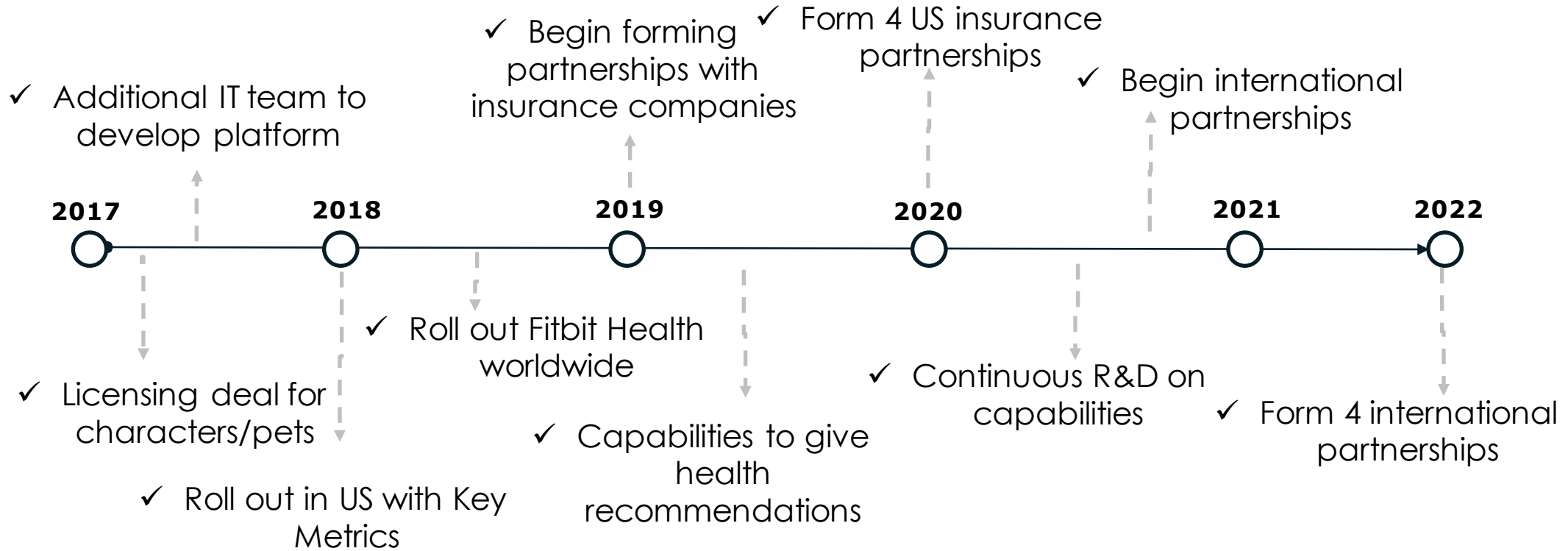
*The ability to roll out programs to smaller subsidiaries initially*

- ✓ Global reach

*You will enter into new markets rapidly*



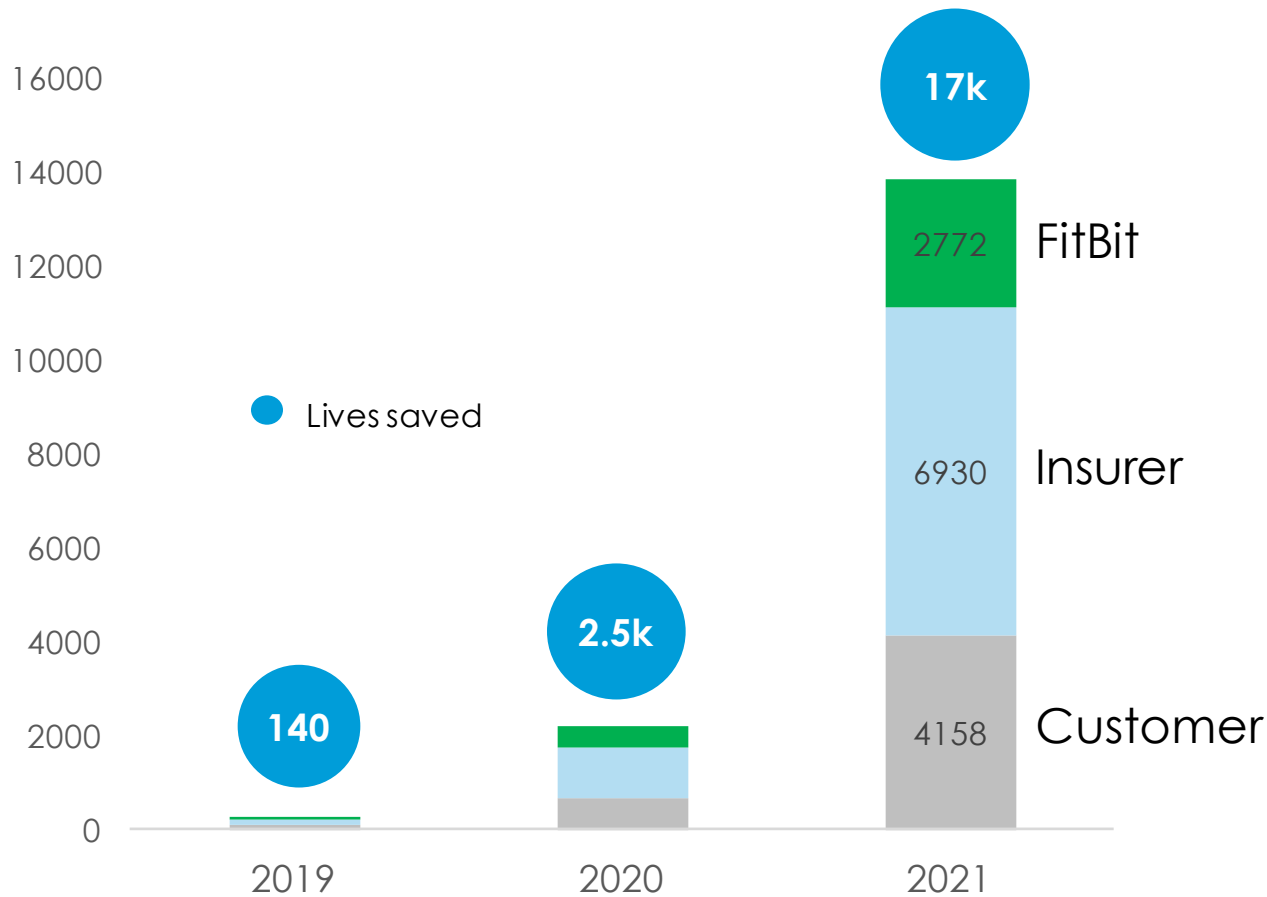
# Your strategy will roll out in the next 5 years





You will be saving 17,000 lives and \$14B in costs to insurers by 2022

Total Savings to Fitbit, Customer and Insurer (\$M)



**Assumptions**

8 insurance partnerships

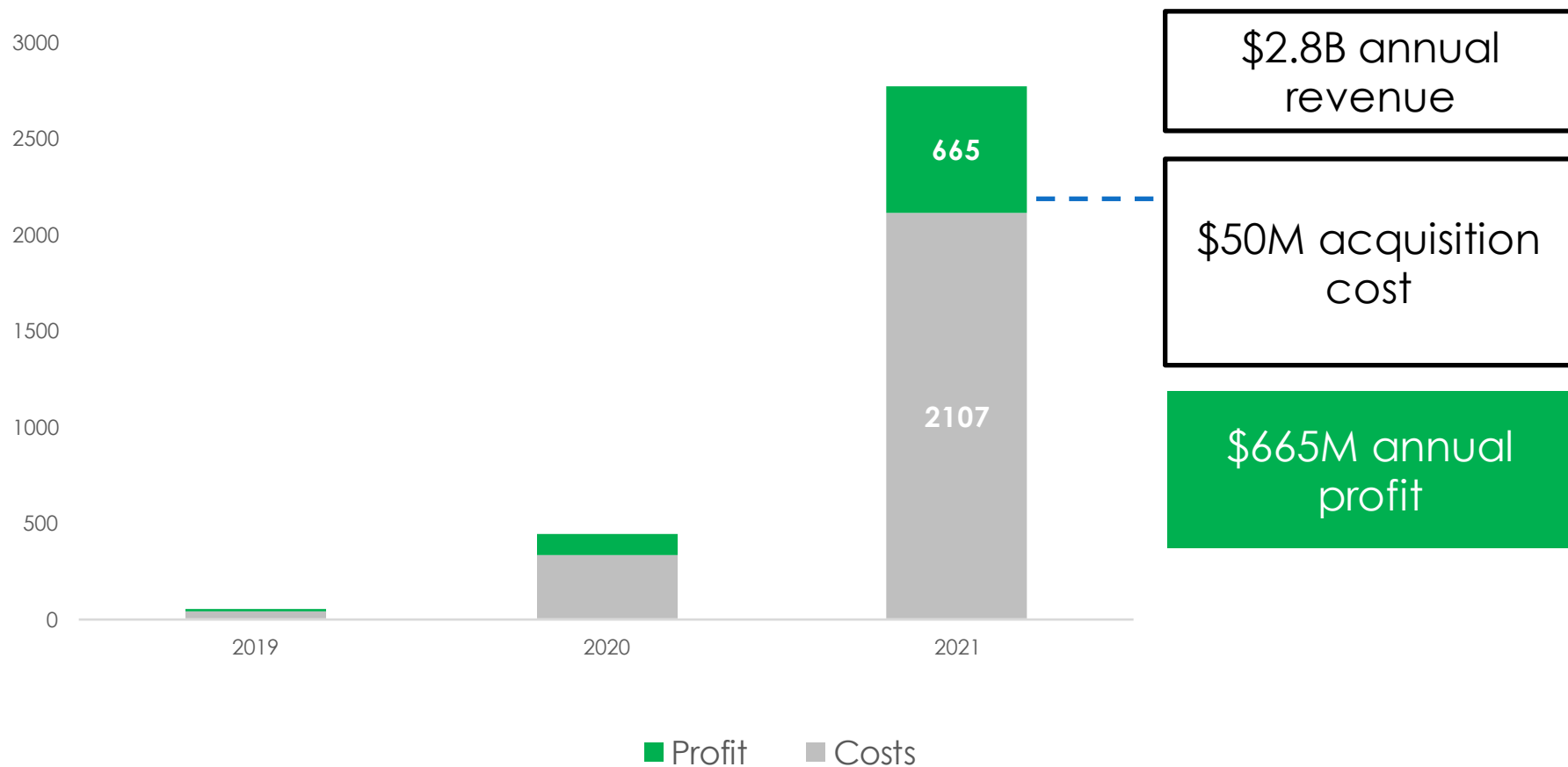
60M customers

\$115 annual saving per customer

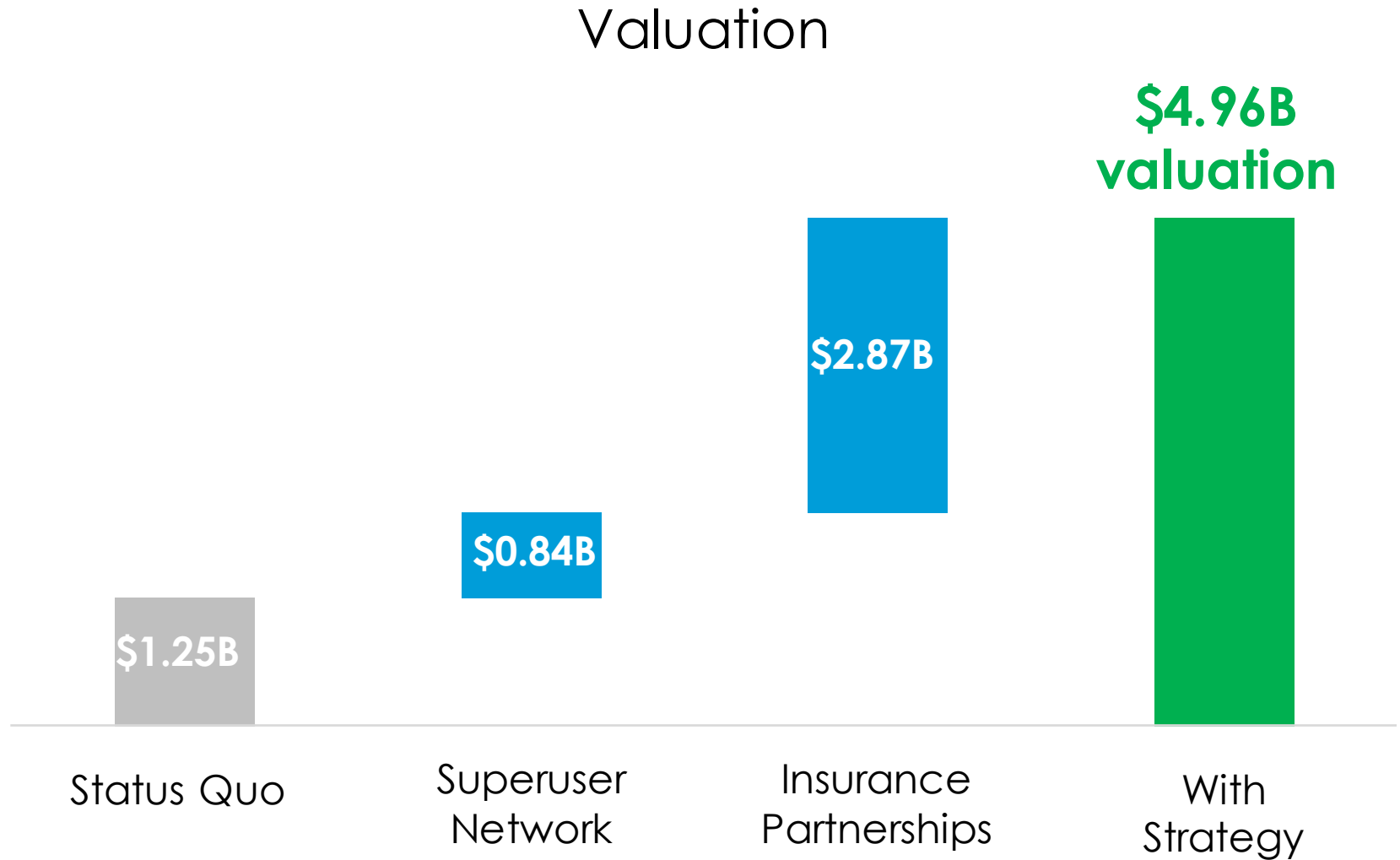
20% cut

# Insurance partnerships will generate \$665M in annual profit by 2021

Fitbit Insurance Revenue, Costs and Profit Breakdown



Overall, our strategy will increase valuation by \$3.7B





How can Fitbit address privacy concerns in order to reach market cap of \$5B by 2021?

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- Implementation Insurance

## Overall Finances

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## **Privacy Certified**

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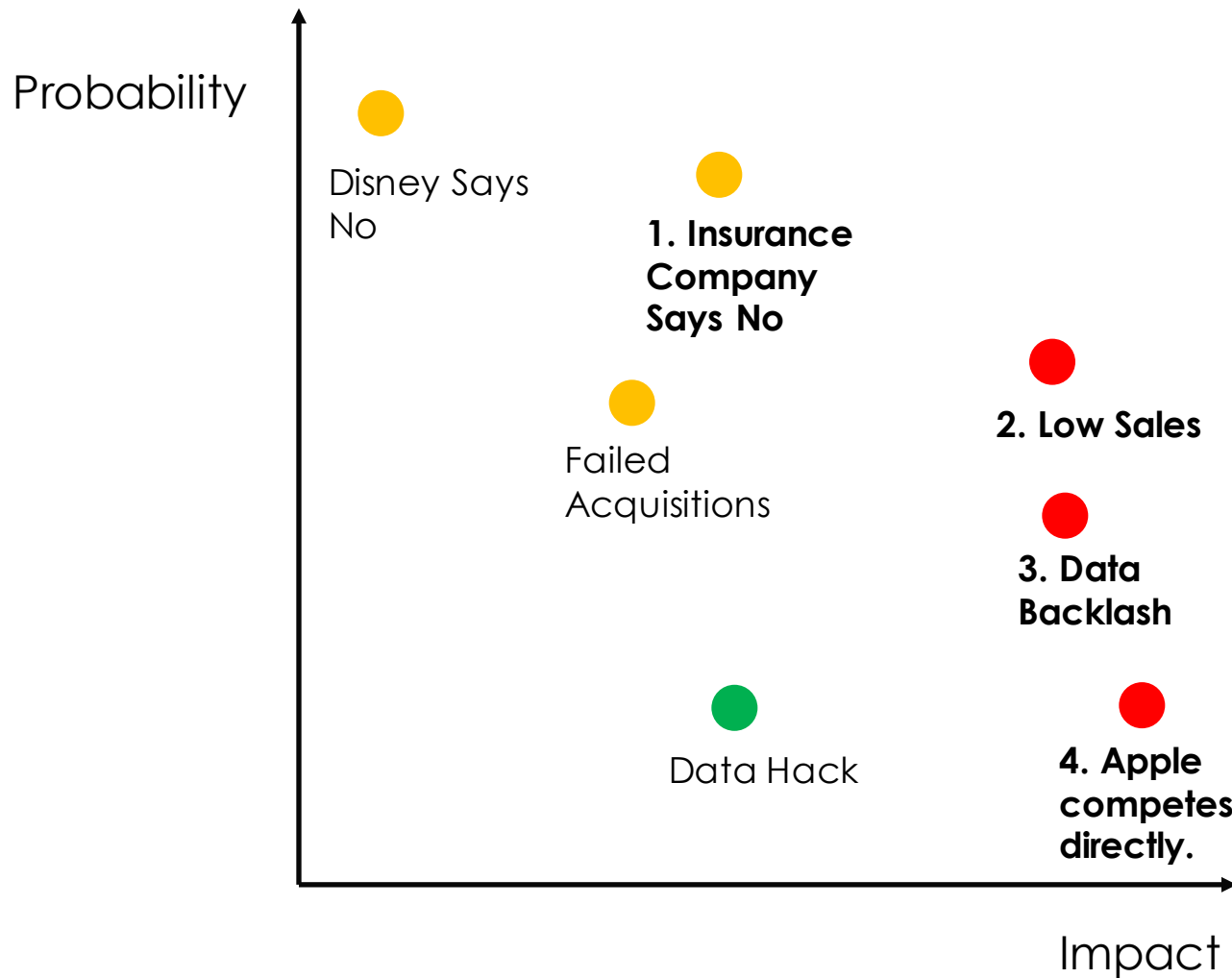
## **Super Users**

- 93. Nodes
- 94. Push products to family
- 95. Revenue from Hardware
- 96. Revenue from Software
- 97. Costs by 2021
- 98. Profit
- 99. NPV

## **Insurance Partnership**

- 100. Number of Insurers
- 101. Deaths Prevented & Savings
- 102. Savings Split
- 103. Costs
- 104. NPV

# Risk and Mitigations



## Mitigations

Continue to grow data set;  
approach other insurers

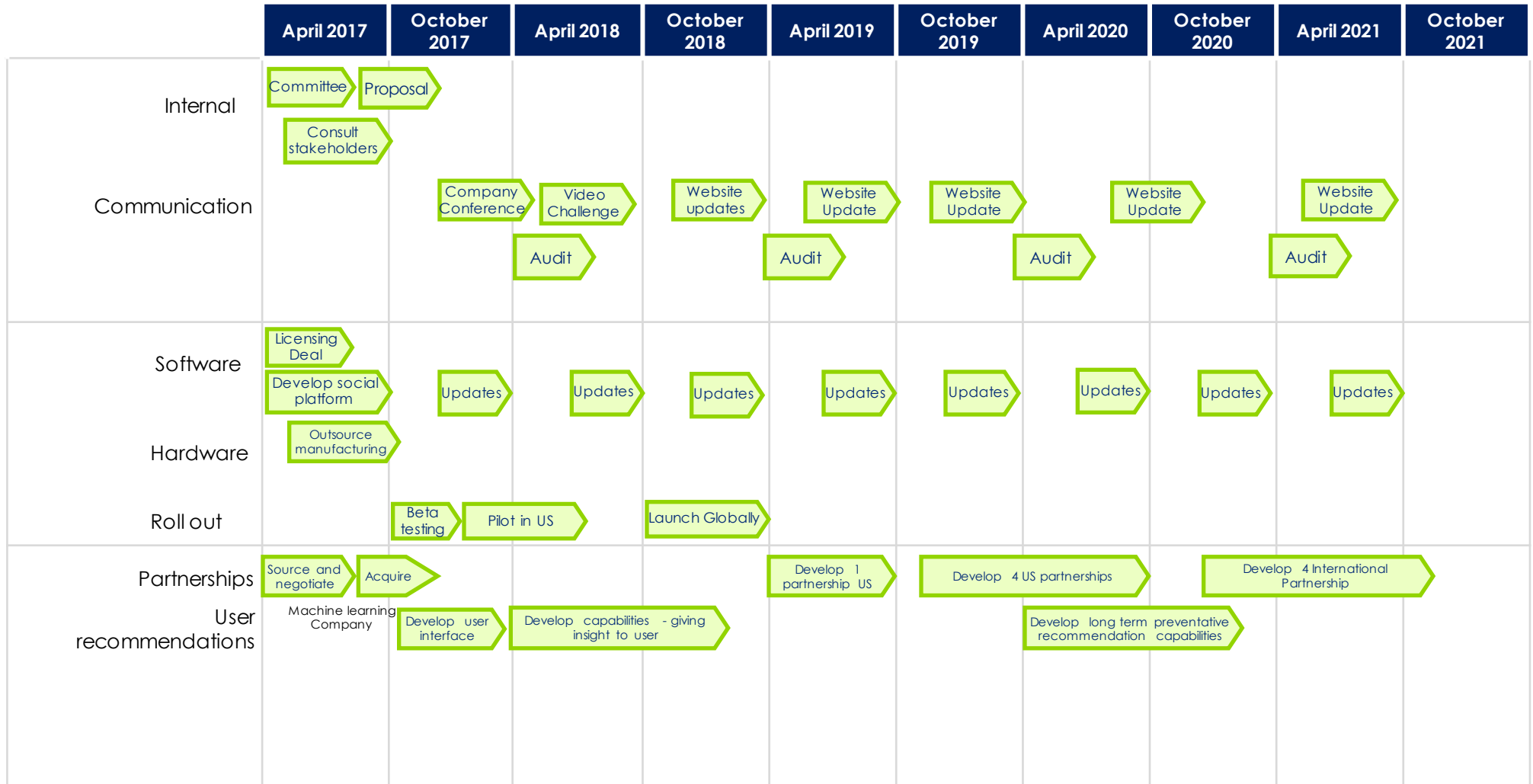
Continue product strategy;  
grow insurance partnership  
strategy;

Reinforce data standards; step  
back from more radical  
collection

Compete using existing brand;  
keep pushing super users

# Appendix

## High Level Plan





# Privacy Certified Framework

## KEY FOCUS

- ✓ Consent over data
- ✓ Transparency of how data is used
- ✓ Control over one's own data



## KEY TERMS


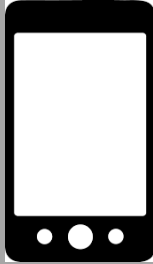


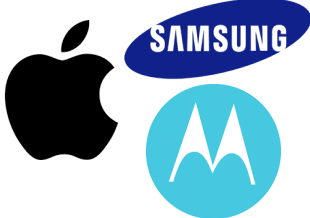
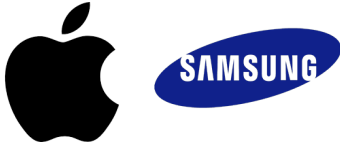






- ✓ Fitbit recognises that all data collected is sensitive. It requires affirmative consent from it's customers to use their data.
- ✓ All data used and the purposes of use will be transparent and made available for Fitbit's customers.
- ✓ Customers can place limits on the level of data collection and the use of information. E.g. A customer may request that while movements can be tracked, locations may not be.
- ✓ Consumers have access to all data Fitbit collects from them. The data can be corrected incase of inaccuracy and can be deleted if requested by customers in a timey, pro consumer manner
- ✓ All data collected is to help us PROVIDE you with a better, and healthier future

# Business model for Fitbit Play



- ✓ Breakeven for hardware through reducing margins, and heartbeat tracker
- ✓ Freemium model – the virtual pet app is free with in app downloads  
More characters, backgrounds, Double XP, but **cannot** buy miles
- ✓ Software updates weekly with new games, reward systems and new licensed characters

# Ecosystems

<p>Generation</p>	 <p>PCs 1980-2000</p>	 <p>Mobiles 2000-2020</p>	 <p>Wearables 2020-2040</p>
<p>Hardware</p>			
<p>Ecosystem</p>			
<p>Core Apps</p>			

# Potential Acquirers

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## For Hardware



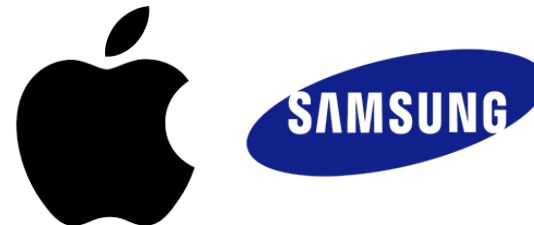
## For Network



## For Data



## Unlikely



# Data Analytics Industry

## KEY COMPETITORS



- ✓ Health analytics from large data sets
- ✓ Focuses on public healthcare/healthcare providers

## OUR COMPETITIVE ADVANTAGE

- ✓ Large current network with superusers as key influencers of the household
- ✓ Live tracking and personalised recommendations
- ✓ Insurance buyers can actively lower their premium for insurance

# Encryption



## Wristband-end

Encrypting data immediately after it is stored

Requiring password or PIN protection to view historical data on wristband/app

All communication on Bluetooth, WiFi must be encrypted on both sides of the exchange

## Server-end

All user data must be encrypted in the company servers to prevent hackers accessing individual data

Servers that contain the most sensitive data (eg GPS location) must have the most encryption

# EU Data Regulations - Overview

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**easier access to your own data:** individuals will have more information on how their data is processed and this information should be available in a clear and understandable way;

**a right to data portability:** it will be easier to transfer your personal data between service providers;

**a clarified "right to be forgotten":** when you no longer want your data to be processed, and provided that there are no legitimate grounds for retaining it, the data will be deleted;

**the right to know when your data has been hacked:** For example, companies and organisations must notify the national supervisory authority of serious data breaches as soon as possible so that users can take appropriate measures.

*Source: European Commission*

# EU Data Regulations – Business Impacts

**One continent, one law:** The regulation will establish one single set of rules which will make it simpler and cheaper for companies to do business in the EU.

**One-stop-shop:** businesses will only have to deal with one single supervisory authority. This is estimated to save €2.3 billion per year.

**European rules on European soil–** companies based outside of Europe will have to apply the same rules when offering services in the EU.

**Risk-based approach:** the rules will avoid a burdensome one-size-fits-all obligation and rather tailor them to the respective risks.

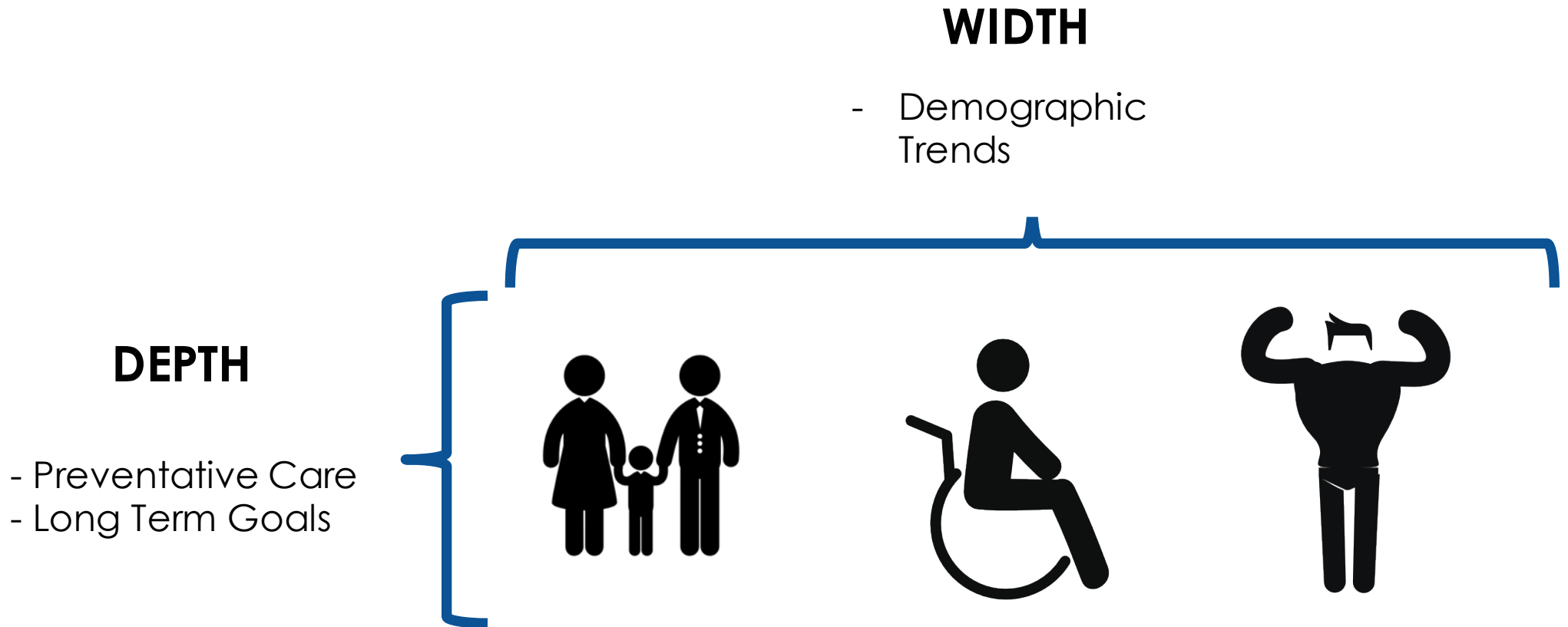
**Rules fit for innovation:** the regulation will guarantee that data protection safeguards are built into products and services from the earliest stage of development (Data protection by design). Privacy-friendly techniques such as pseudonymisation will be encouraged, to reap the benefits of big data innovation while protecting privacy.

**Penalties: up to 2% of revenues**

*Source: European Commission*



# Value of Data



## Future Measuring Capabilities

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Skin temperature

Galvanic skin response

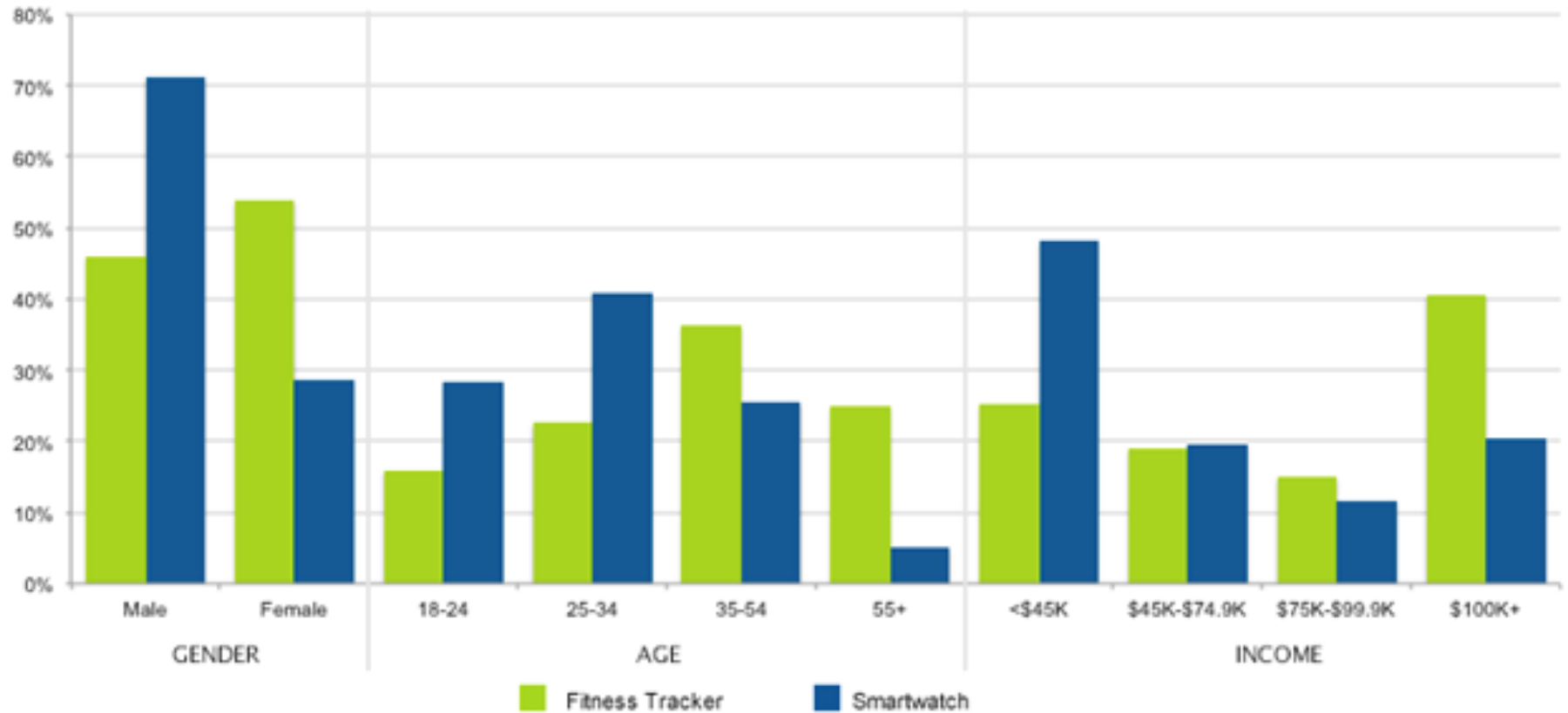
Blood pressure



Measure mood, anxiety, likelihood of certain mental illnesses

Measure physiological issues more accurately, more data for the learning platform to work with

# Current Customer – Fitness vs Smartwatch



# Previous data scandals

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Fitbit hacking scandal



Pokemon Go data use scandal



Sony spyware: lawsuit of \$150 per person



Spotify data use scandal: large consumer pushback

Volkswagen: 5% reduction in sales

BP: 4% reduction in sales

# Previous data scandals

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2012



\$100 million in cost  
5% short term sales reduction

2016



6% short term reduction in  
active userbase

# Advertising for the new product offerings

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- ✓ Advertised on the app + online
- ✓ Target on holidays
- ✓ Customise marketing to profile and demographic



- ✓ Purchase online and in-store
- ✓ Personalised packages
- ✓ Family deals/packs

# Additional factors to measure

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Skin temperature

Galvanic skin response

Blood pressure

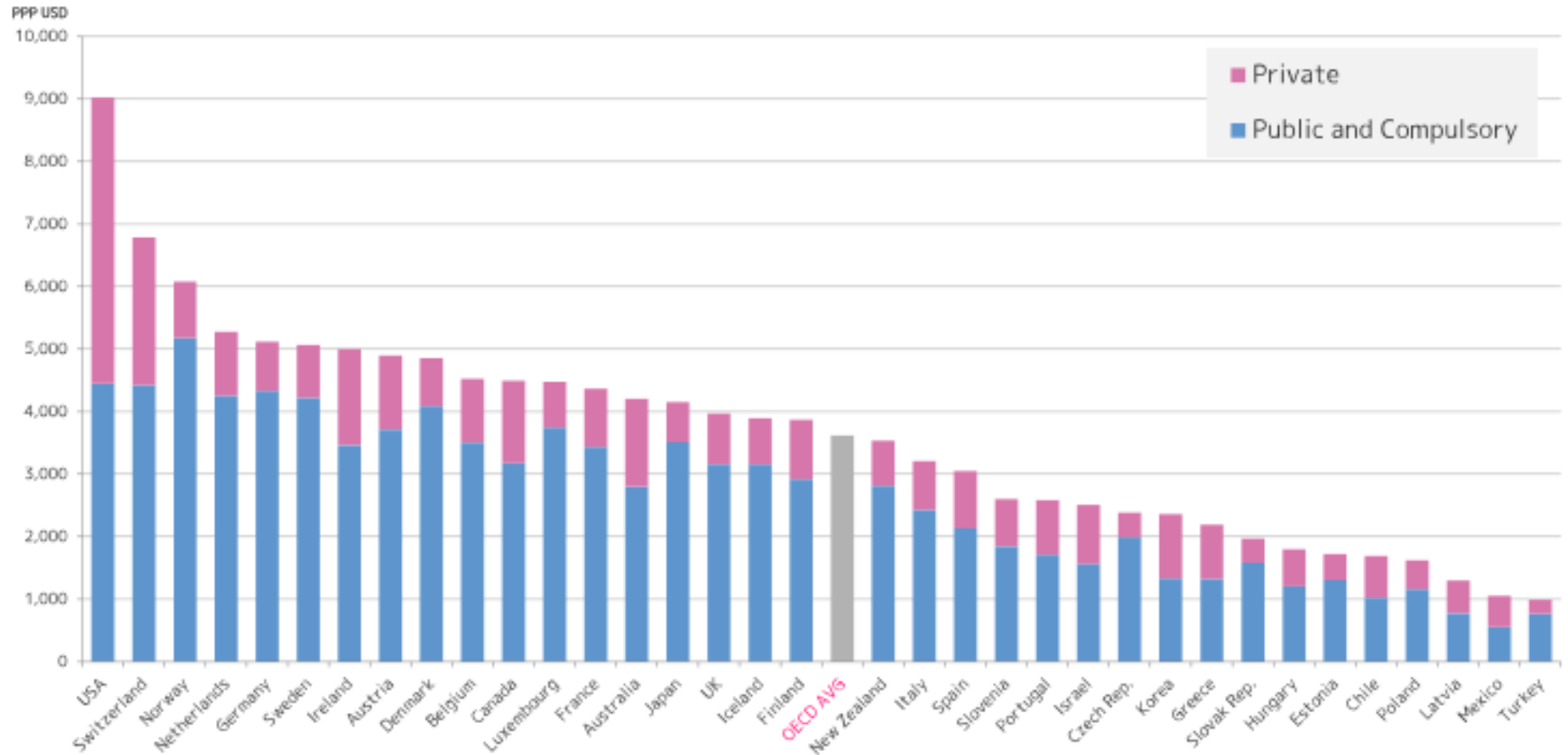


Measure mood, anxiety, likelihood of certain mental illnesses

Measure physiological issues more accurately, more data for the learning platform to work with

## Differences in healthcare markets

Health expenditure per capita, 2014 (OECD stat)



<https://data.oecd.org/healthres/health-spending.htm>



# Opportunities in foreign markets

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## Asia

Consumers care about air pollution – potential for an air pollution meter with insights on impact on health

## Europe

Alcohol consumption issue – can incorporate long-term health advice

## Australasia

Issues around sun exposure, high skin cancer rates – opportunity for warnings around sun exposure

# Fall in Asia Pacific Sales

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## Asia Pacific Wearable Sensors Market – Modor Intelligence

The Asia Pacific wearable sensors market is expected to increase to \$80.91 million by 2018 at a CAGR of 46.27% over the period 2014-2020.

## Forbes

The US wearable Tech market is expected to increase to \$41 billion 2020

- ✓ Low cost competitor – Xiaomi
- ✓ You must compete on software and partnerships
- ✓ Customers are sticky to the eco system they adopt

# USA spending on healthcare

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Total USA spending on healthcare: \$3.2 trillion

USA Population: 319 million

Per-person average spending: \$10k yearly

# Heart Attacks

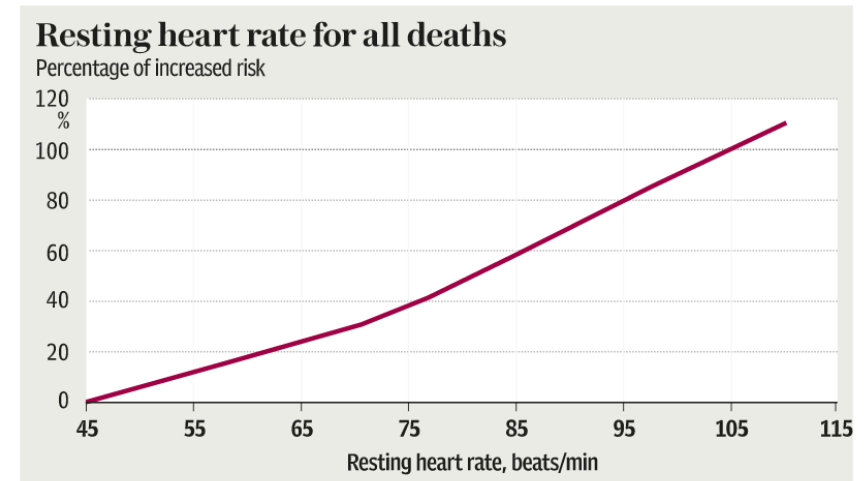
Average cost to insurers for 90 day heart attack treatment = **\$40000**

<http://www.nber.org/digest/oct98/w6514.html>

People who have a resting heart rate of 80 beats per minute (bpm) are 45 per cent more likely to die of heart attacks in the next 20 years compared to those with 45bpm.

For every 10 bpm over average, the chance of suffering a fatal heart attack or stroke rises eight per cent.

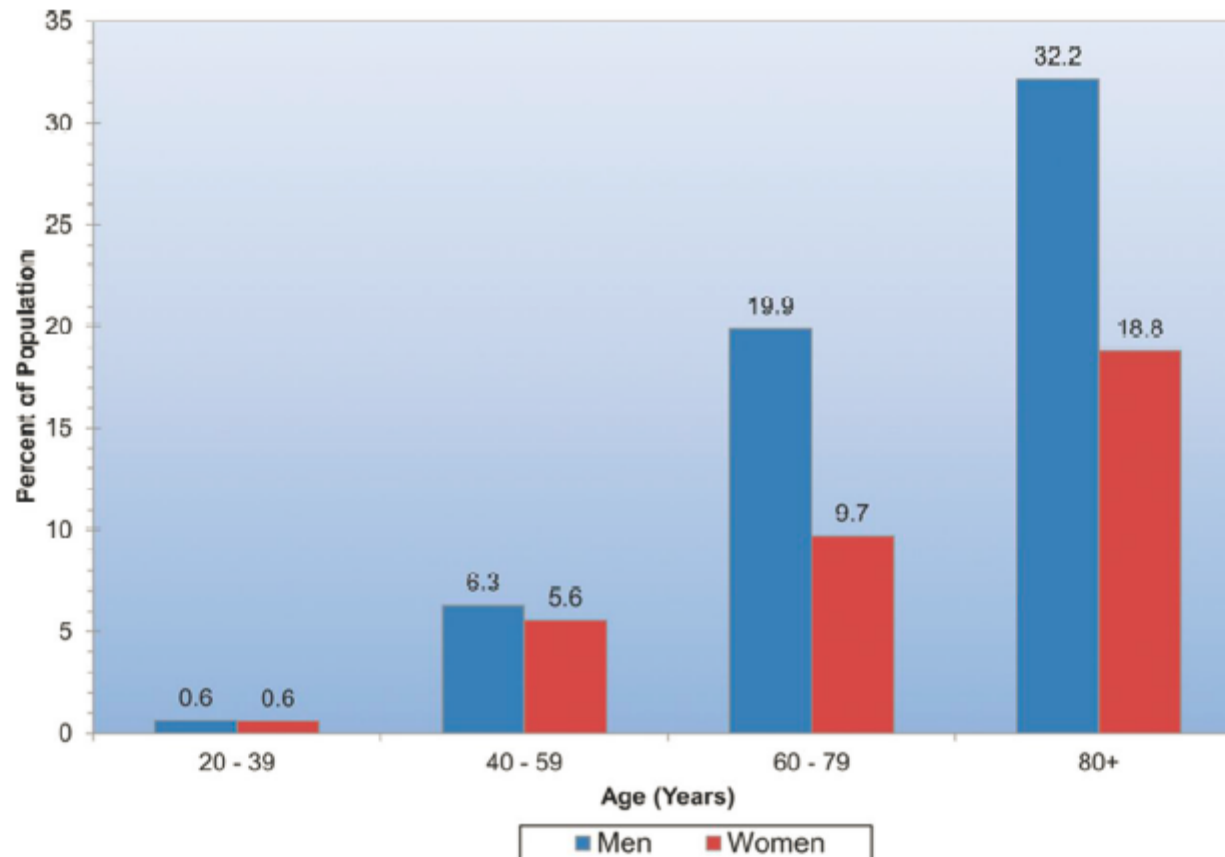
<http://www.cmaj.ca/content/188/3/E53>



<http://www.cmaj.ca/content/188/3/E53>

# Prevalence of Heart Disease by Age and Sex

Prevalence of coronary heart disease by age and sex



National Health and Nutrition Examination Survey: 2009–2012.



Mozaffarian D et al. *Circulation*. 2015;131:e29-e32  
Copyright © American Heart Association, Inc. All rights reserved.

# Data privacy is not a major determinant of purchasing decision

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Source:

The Effect of Online Privacy Information on Purchasing Behaviour: An Experimental Study

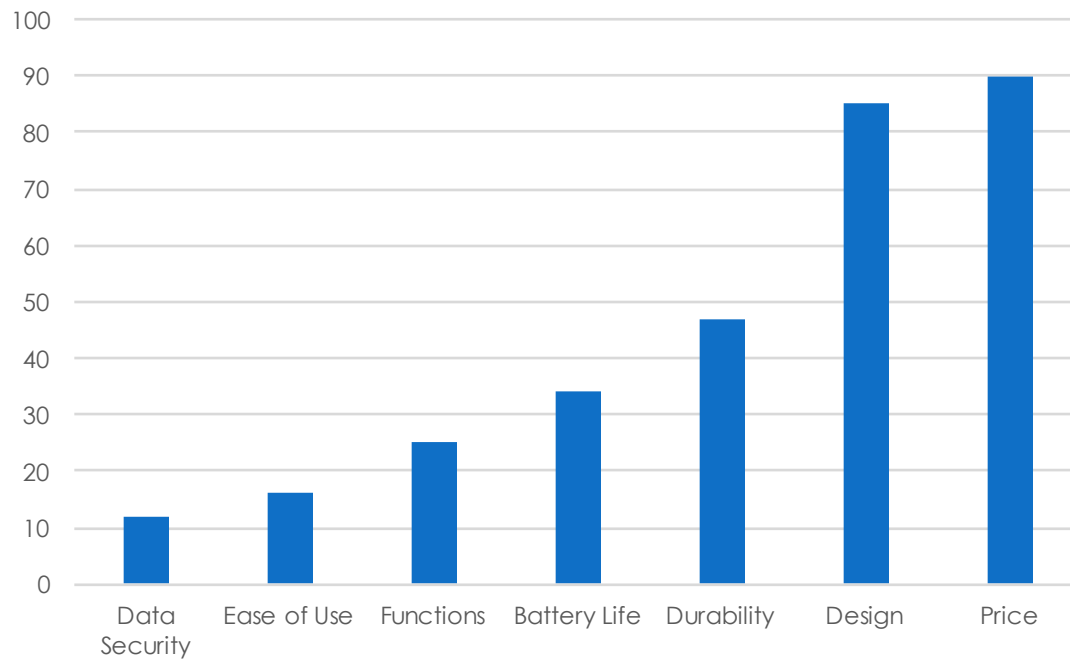
People readily accept trade-offs between privacy and monetary benefits (Hann et al., 2007) or personalization (Chellapa and Sin, 2005)

Both privacy policies and privacy seals do not seem to consistently impact consumer decision-making (Tsai and Egelman, 2014)

Accessed: <https://www.heinz.cmu.edu/~acquisti/papers/acquisti-onlinepurchasing-privacy.pdf>

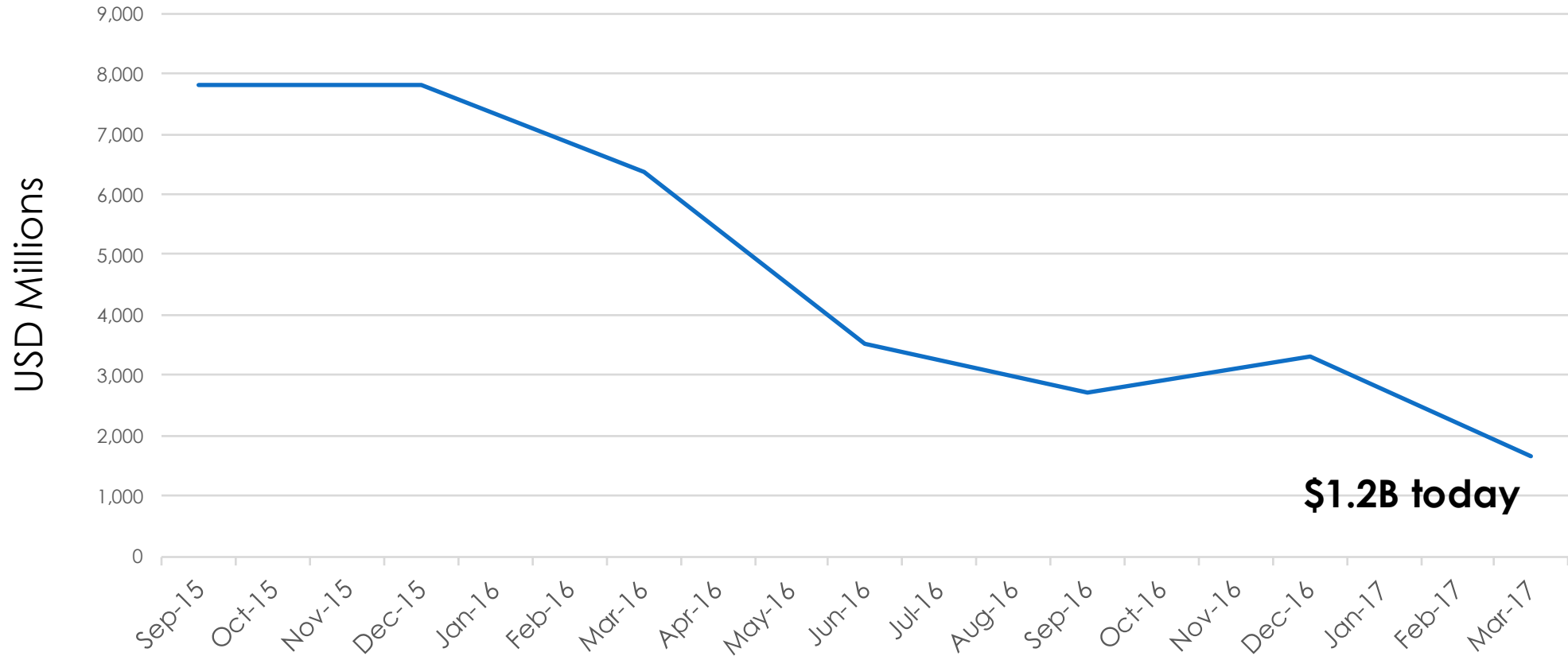
# Importance of Features

Placed Feature in Top 3 Most Important



# Valuation – Market Cap

FitBit Market Cap



**\$1.2B today**

Source: Yahoo Finance



# Valuation - NPV

	2016	2017	2018	2019	2020	2021
Rev Line	\$2,169.00	\$2,494.35	\$2,868.50	\$3,298.78	\$3,793.59	\$4,362.63
Op Margin	--5%	15%	12%	9%	4%	0%
EBITDA	\$(112.00)	\$374.15	\$344.22	\$296.89	\$151.74	\$-
Tax	\$39.20	\$(130.95)	\$(120.48)	\$(103.91)	\$(53.11)	\$-
CAPEX	\$-	\$-	\$-	\$-	\$-	\$-
FCF	\$(72.80)	\$243.20	\$223.74	\$192.98	\$98.63	\$-
PV	\$(72.80)	\$217.14	\$178.37	\$137.36	\$62.68	\$-
Terminal	\$717.38					
NPV	<b>\$1,240.13</b>					

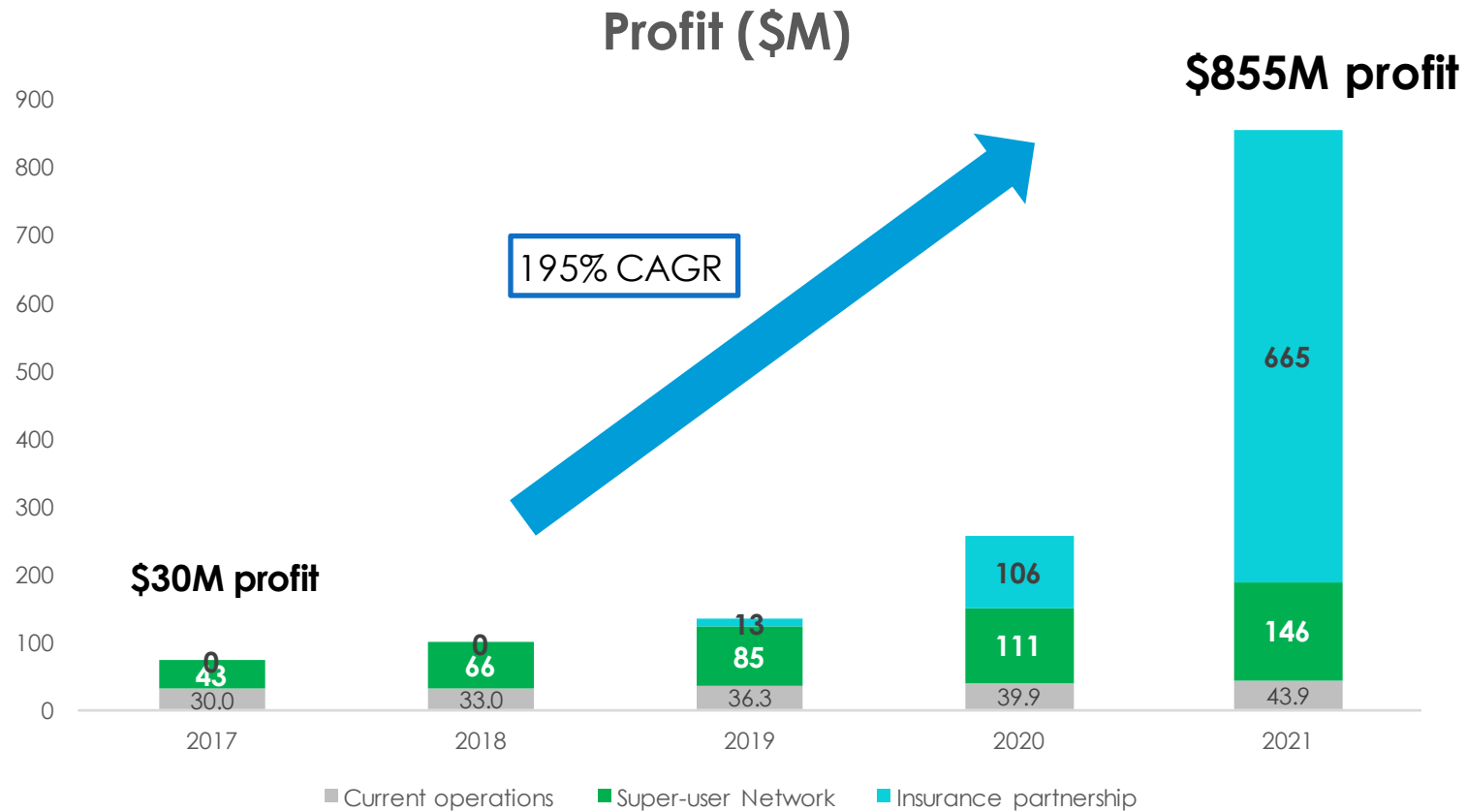
Revenue Growth:  
15%

WACC: 12%

Terminal Growth: 3%

Tax Rate: 35%

# Profit from Strategy



# Financing Options

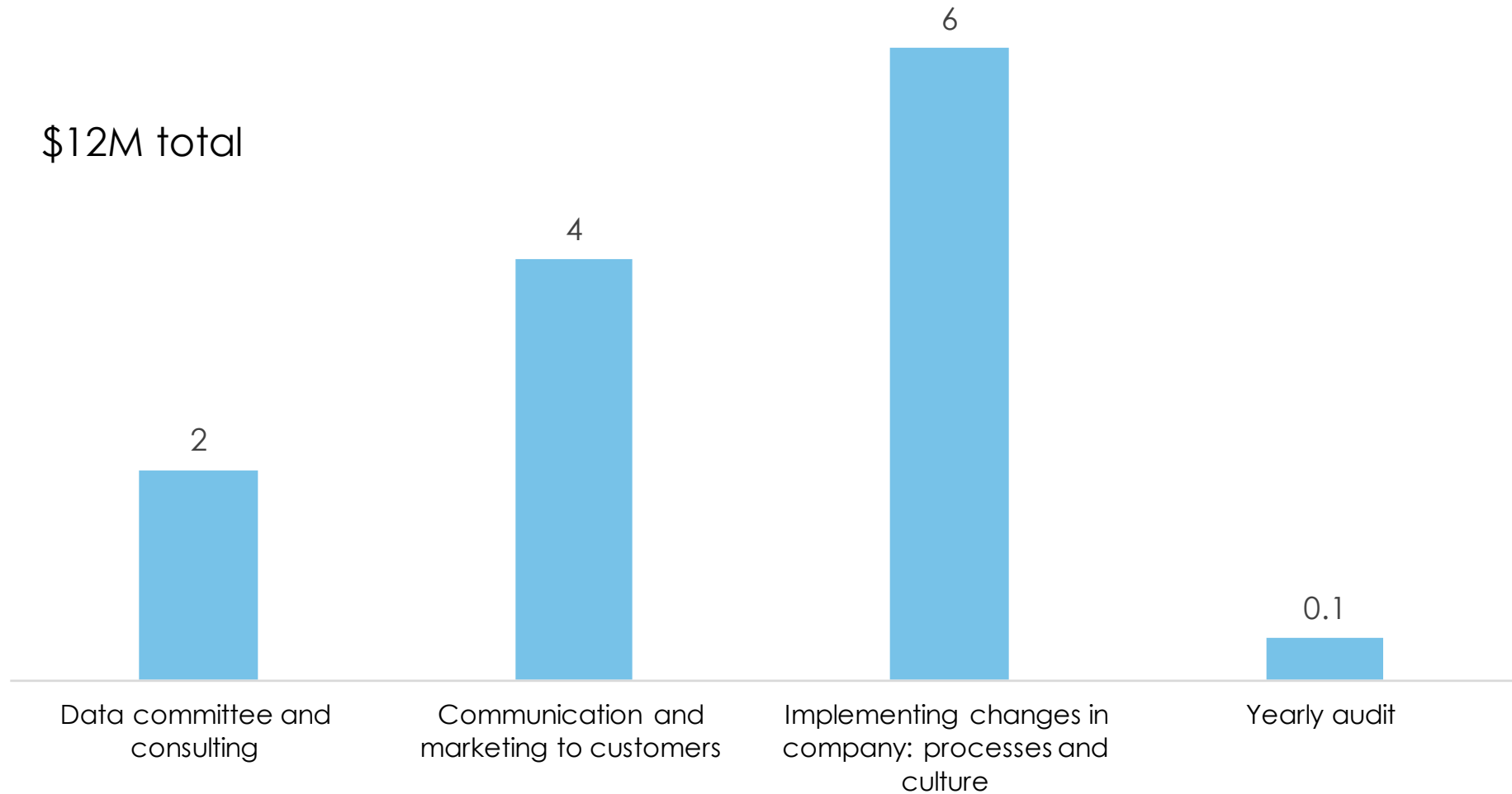
## Major costs:

- Data Security Framework \$3M
- Acquisition of machine learning company \$50M
- Software update for family platforms \$10M
- Research and development \$10M

## Financing Options:

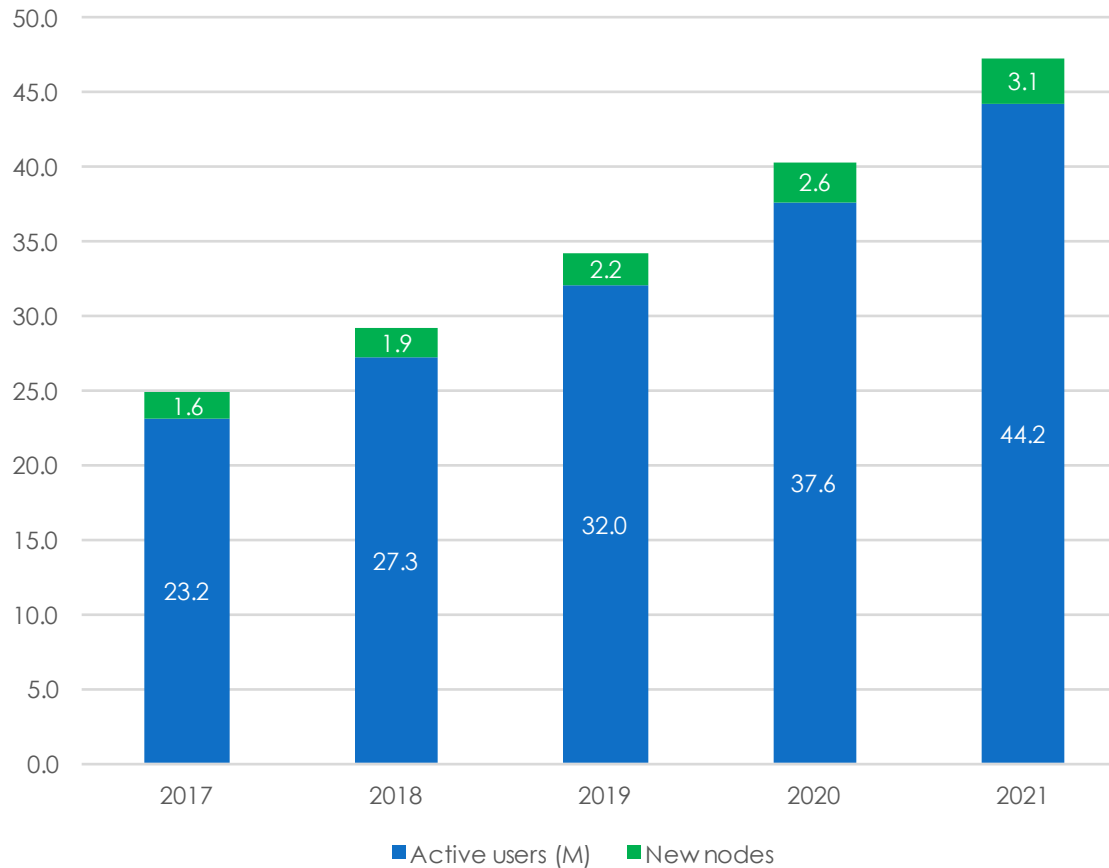
- 700M in cash and cash equivalents
- Retained earnings
- Sell stock directly to prospective investor
- Borrow through bank loans or bond issues

# Cost of Data Security Framework (\$M)



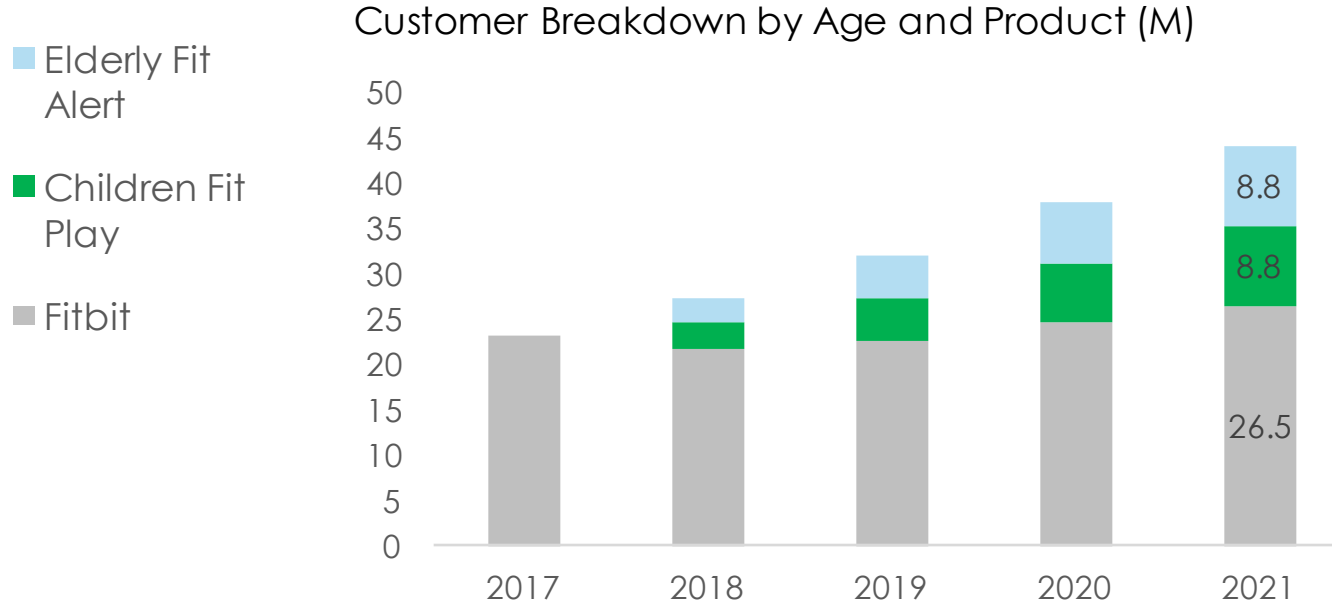
# Using super-users as nodes to build customer base

Active users and new nodes (millions)



Current number of active users	23.2
Average number of parents	2
Average number of children	1
Average number colleagues influenced	2
Total influences per customer	5
Adoption rate	50%
New customers brought in per node	2.5
Percent of new customers will be nodes	7%

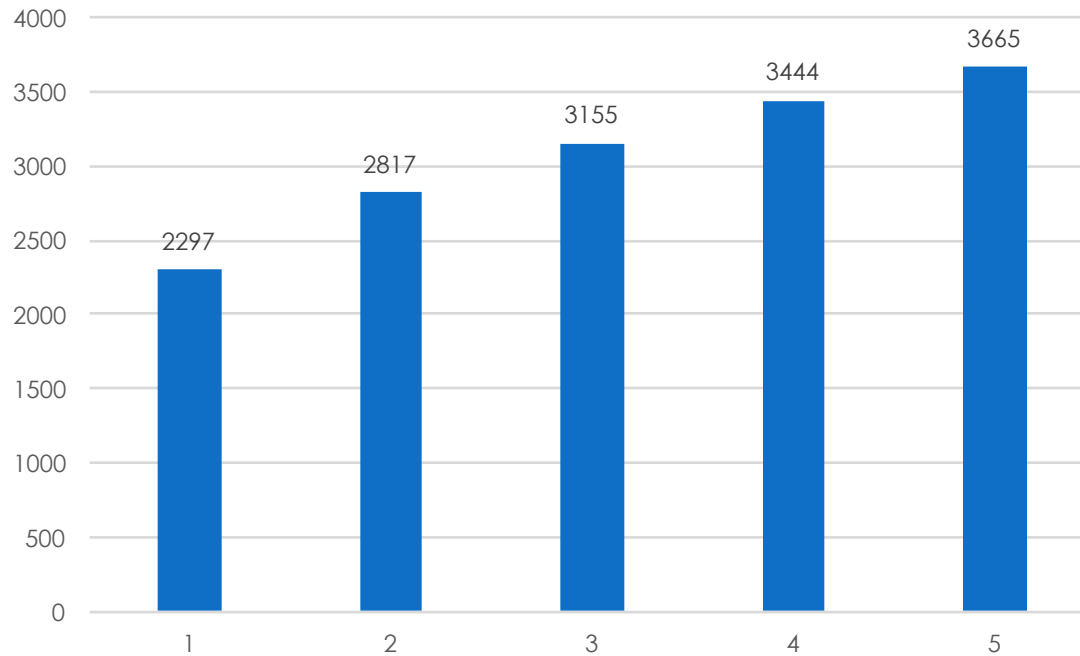
# Use super-user to push products to family



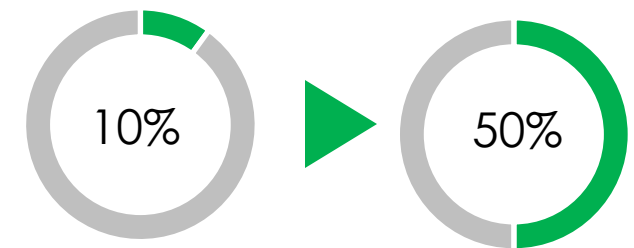
Current demographic	100%	80%	70%	65%	60%
Young Fit Play	0%	10%	15%	18%	20%
Elderly Fit Alert	0%	10%	15%	18%	20%
Middle aged Fitbit	23.2	21.8	22.4	24.5	26.5
Children Fit Play	0.0	2.7	4.8	6.6	8.8
Elderly Fit Alert	0.0	2.7	4.8	6.6	8.8
Total number of users	23.2	27.3	32.0	37.6	44.2

# Super-user Strategy: Revenue from Hardware Sales

Revenue from Hardware



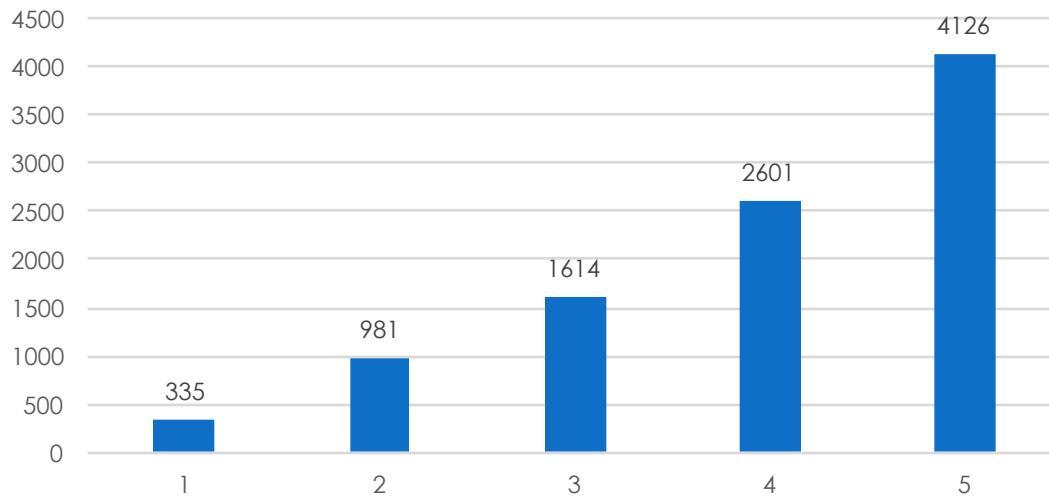
Increase in % customers who make repeat hardware purchase due to increased engagement



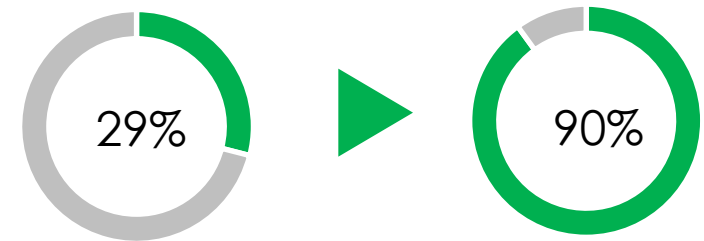
Units sold to new customers	20.9	21.8	22.4	22.6	22.1
Percentage who buy new hardware after 2 years	10%	20%	30%	40%	50%
Units sold to returning customers		3.8	6.3	8.7	11.2
Total units sold	20.9	25.6	28.7	31.3	33.3
Revenue from Hardware	2297	2817	3155	3444	3665

# Super-user Strategy: Revenue from software subscription

Subscription revenue



Increase in % customers on Fitbit Premium due to added value from software platform

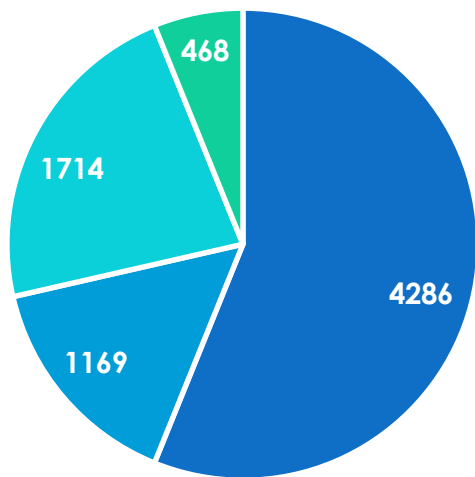


Premium subscription cost	50.0	60.0	72.0	86.4	103.7
Increase in subscription due to upgrades	20%				
<b>Percent on Fitbit Premium</b>	29%	60%	70%	80%	90%
Users on Fitbit Premium (M)	6.7	16.4	22.4	30.1	39.8
Subscription revenue	335	981	1614	2601	4126



# Super-user Strategy: Costs by 2021

Costs

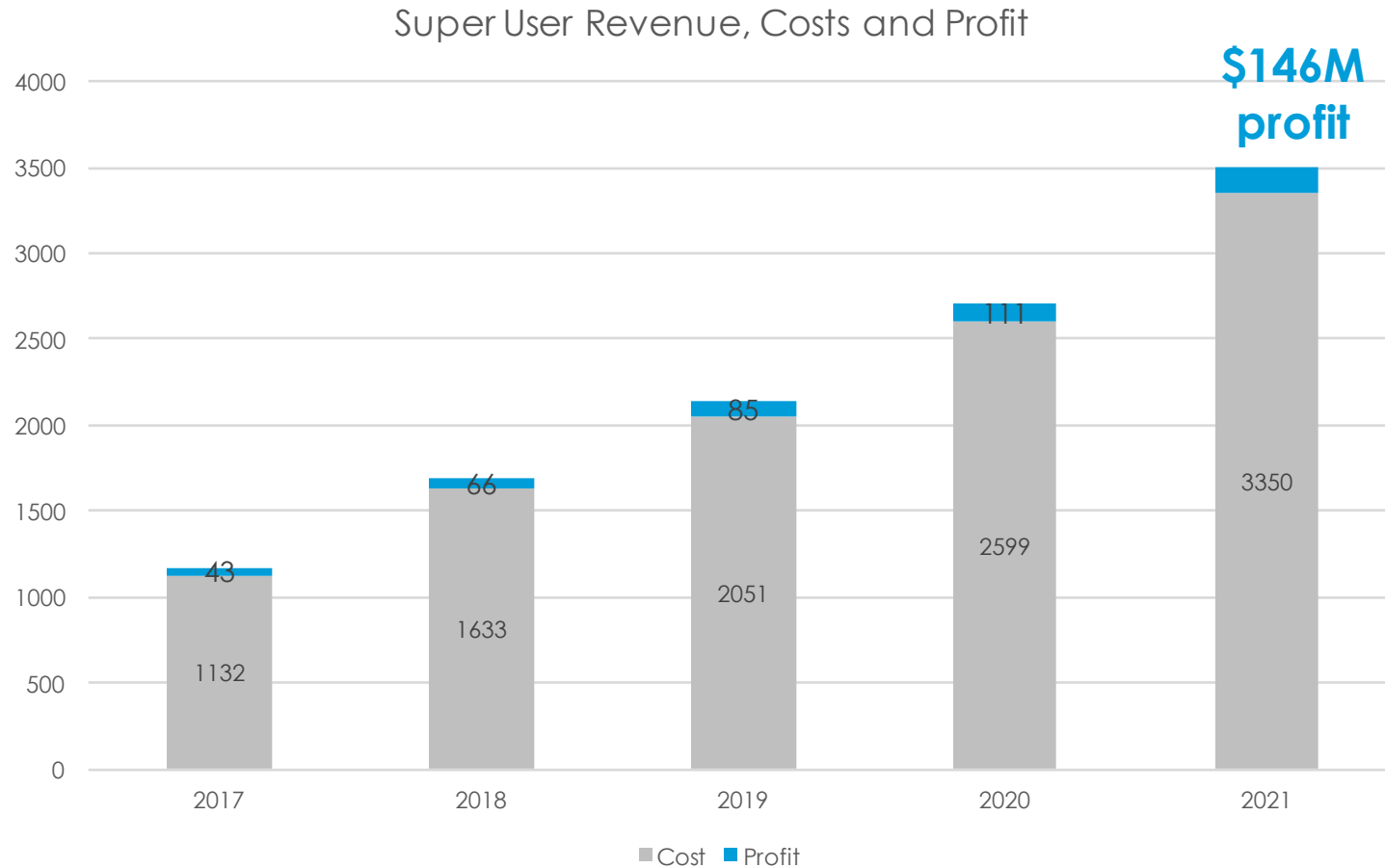


- Cost of sales
- Research and Product Development
- Sales and Marketing
- Administrative and Overheads

Costs	
COGS	55% of revenue
Research and product development	15% of revenue
Sales and marketing	22% of revenue
Administrative	6% of revenue
Operating expenses total	43%
Operating margin	2%
CAPEX software update	10 million

**Costs: \$7.6B**  
 Revenue: \$7.8B  
 Profit: \$146M

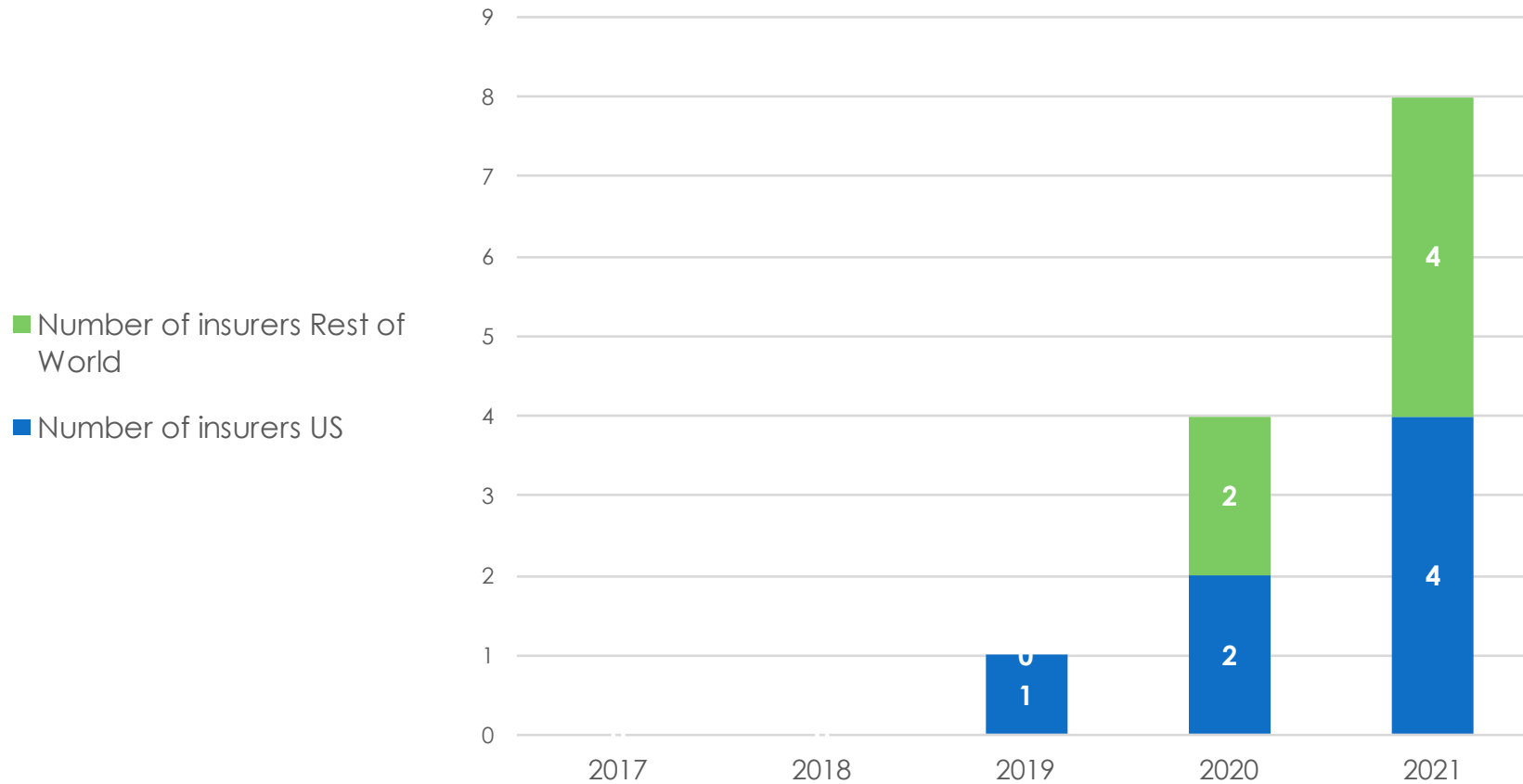
# Super-user strategy: Profit



# Super-user strategy NPV (\$M)

	1	2	3	4	5
<b>Revenue</b>	<b>2632</b>	<b>3798</b>	<b>4770</b>	<b>6045</b>	<b>7792</b>
Cost of Sales	1447	2089	2623	3325	4286
Operating expenses	1132	1633	2051	2599	3350
EBIT (cash flows from operations)	53	76	95	121	156
Software development	10	10	10	10	10
<b>Free cash flow</b>	<b>43</b>	<b>66</b>	<b>85</b>	<b>111</b>	<b>146</b>
Discount rate	12%				
Discount factor	0.893	0.797	0.712	0.636	0.567
PV of free cash flow	38.1	52.6	60.8	70.5	82.8
Terminal growth rate					3%
Terminal					947.0
Discount terminal					537.4
<b>NPV</b>	<b>\$842</b>				

# Insurance Partnership: Number of Insurers



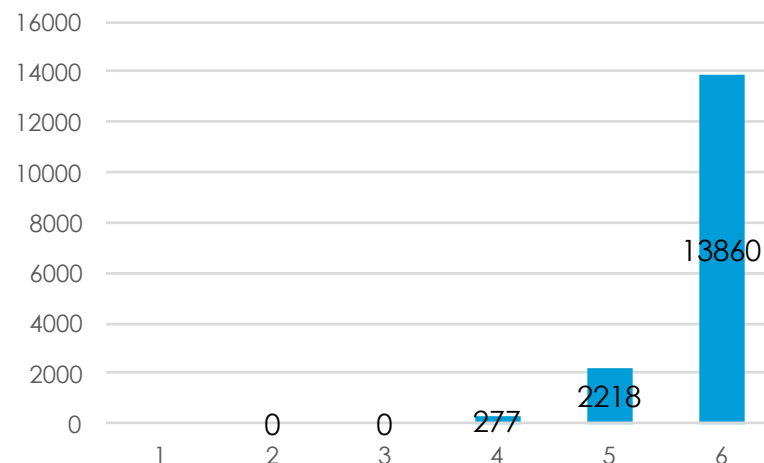
# Insurance Partnership: Deaths prevented and Cost savings to Insurer

Average customers per insurer (M)	30					
Potential Customers (M)		0	0	30	120	240
Uptake (M)		0	0	4%	8%	25%
Number of customers		0	0	1.2	9.6	60
Number of customers who will suffer from heart attack (M)		0.00	0.00	0.02	0.17	1.05
Preventable heart attacks among our customers		0	0	6930	55440	346500
<b>Cost savings to insurer (M)</b>		<b>0</b>	<b>0</b>	<b>277</b>	<b>2218</b>	<b>13860</b>

US healthcare industry (M)	3200000
US population	319
Spending per person per year	10031

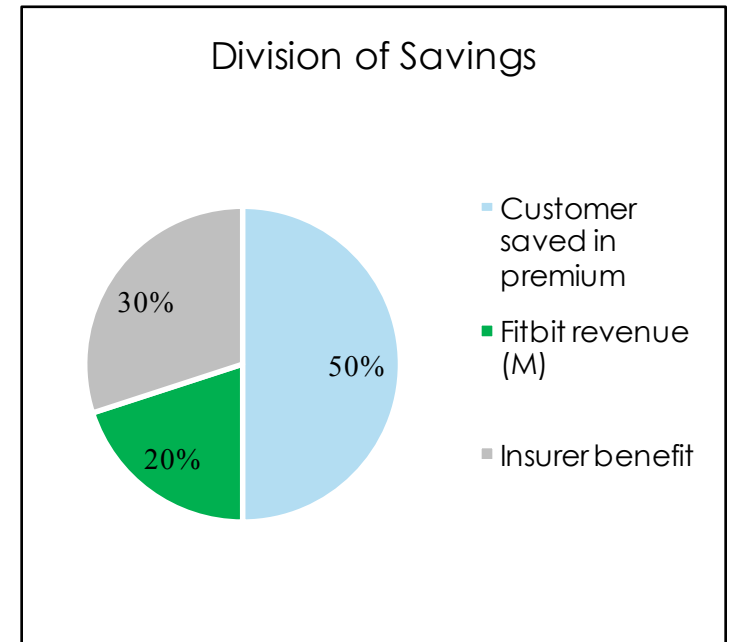
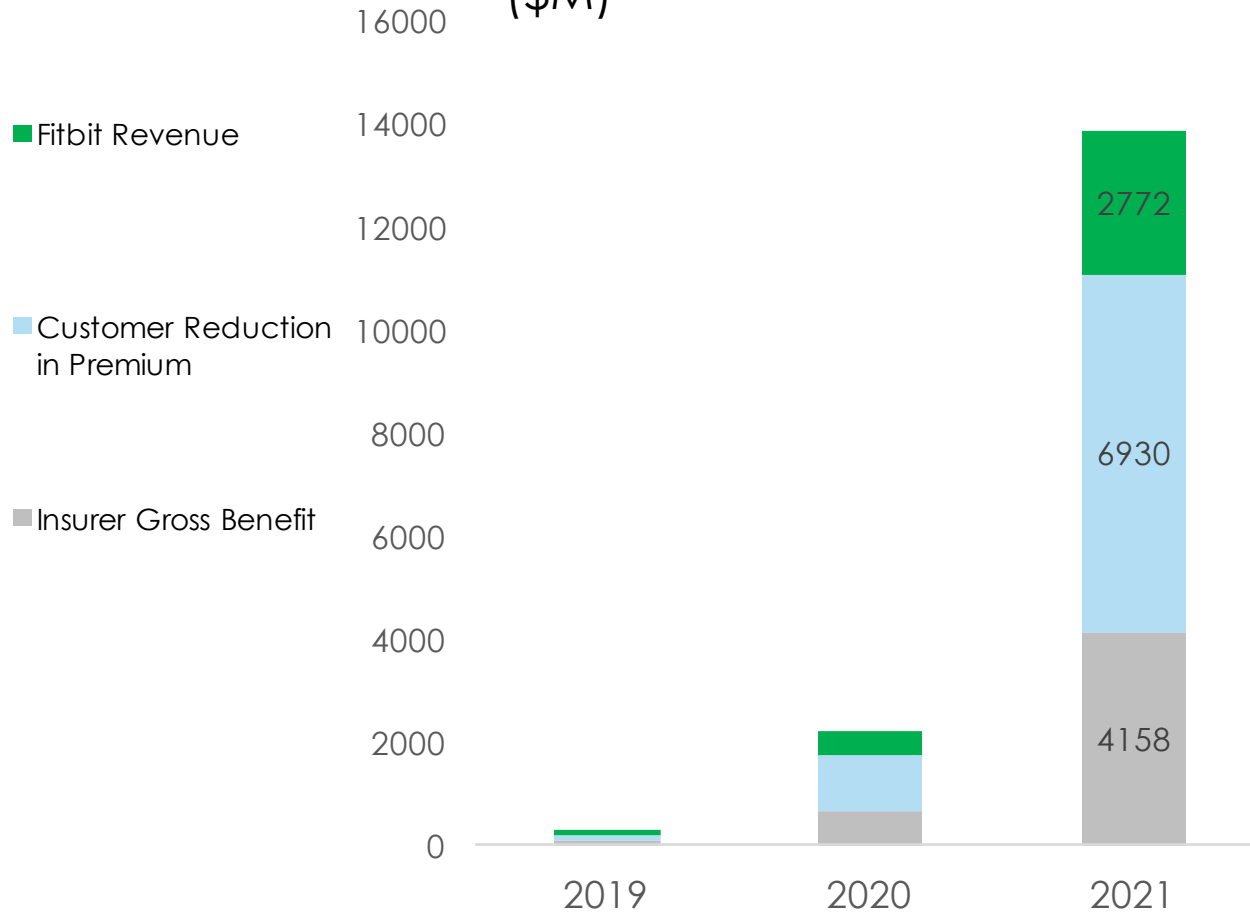
**Cost saving to customer: \$115 per year**

Cost savings to insurer (M)

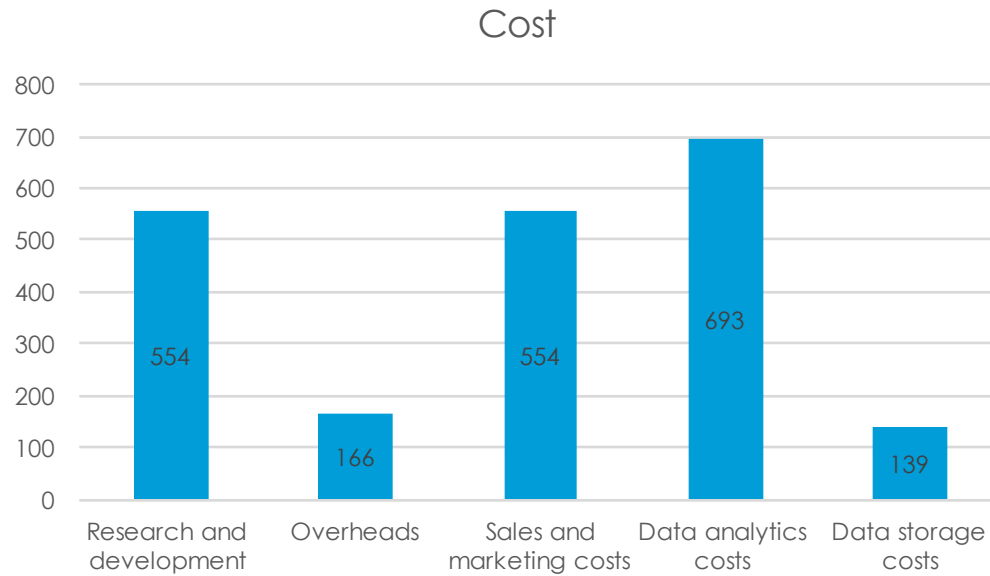


# Insurance Partnership: How savings are divided between Fitbit, Customer and Insurer

Total Savings to Fitbit, Customer and Insurer (\$M)



# Insurance Partnership: Costs



	2017	2018	2019	2020	2021
Research and development	0	0	11	89	554
Overheads	0	0	3	27	166
Sales and marketing costs	0	0	11	89	554
Data analytics costs	0	0	13.86	110.88	693
Data storage costs	0	0	2.772	22.176	138.6
<b>Total costs</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>337</b>	<b>\$2107</b>

# Insurance Partnership Strategy NPV (\$M)

		1	2	3	4	5
<b>Revenue (\$M)</b>		<b>0</b>	<b>0</b>	<b>55</b>	<b>444</b>	<b>2772</b>
Research and development	554	0	0	11	89	554
Overheads	166	0	0	3	27	166
Sales and marketing costs	554	0	0	11	89	554
Data analytics costs	693	0	0	13.86	110.88	693
Data storage costs	139	0	0	2.772	22.176	138.6
<b>Total costs</b>		<b>0</b>	<b>0</b>	<b>42</b>	<b>337</b>	<b>2107</b>
Cash flow from operations		0	0	13	106	665
Acquisition		40				
<b>Free cash flow</b>		<b>-40</b>	<b>0</b>	<b>13</b>	<b>106</b>	<b>665</b>
Discount rate	12%					
Discount factor		0.893	0.797	0.712	0.636	0.567
PV of free cash flow		-35.7	0.0	9.5	67.6	377.5
Terminal growth rate	3%					
Terminal						4320.3
Discount terminal						2451.4
<b>NPV</b>						<b>\$2870</b>