

Date Monday 18 February 2013

Subject nib announces results for six months ended 31 December 2012

Highlights

- Premium revenue up 10.5% to \$612.8 million
- Pre-tax underwriting result of \$39.1 million versus \$42.7 million in 1H12
- nib New Zealand inaugural contribution of \$2.0 million (one month net underwriting profit)
- Investment income of \$18.2 million or 7.6% (annualised)
- Consolidated net profit after tax of \$36.3 million versus \$38.3 million in 1H12
- Earnings per share per share of 8.3 cents (1H12: 8.2 cents)
- Return on equity of 21.7% versus 18.0% in 1H12
- Interim ordinary dividend of 5 cps fully franked (1H12: 4.25cps)
- Forecast FY13 pre-tax net underwriting profit of \$75 million to \$78 million (previously \$70 million to \$75 million)

nib holdings limited (nib) today announced premium revenue had increased almost 11% to \$612.8 million for the six months ended 31 December 2012 (1H13). Despite the improved year-on-year result, nib's first half pre-tax net underwriting result of \$39.1 million was down 8.6% (1H12: \$42.7 million), due to higher claims costs and one off expenses.

nib's Managing Director, Mr Mark Fitzgibbon, said based upon the first half underwriting result nib has upgraded its FY13 pre-tax net underwriting profit guidance to \$75 million to \$78 million (previously \$70 million to \$75 million) reflecting anticipated additional earnings from nib's newly acquired New Zealand business (nib nzed).

"In terms of top line performance, we have seen strong revenue growth across the entire business for the six months ended 31 December 2012," Mr Fitzgibbon said.

"Encouragingly policyholder growth within our Australian Resident Health Insurance (arhi) business continues to be a key driver of this result with policyholder growth up 2.4% for the first half of the year. This compares very favourably with to 1.3% for the industry and is in keeping with our sustainable organic growth rate target," Mr Fitzgibbon added.

International Business

"Our International Workers Health Insurance (iwhi) business performed strongly with premium revenue up 12% to \$13.8 million. We believe iwhi has considerable upside yet and is getting plenty of attention within the business."

"Our International Students Health Insurance (ishi) business while still small, looks as though it may have turned a corner. Premium revenue grew 80% to \$2.1 million and an underwriting loss of \$0.1 million compares favourably with a loss of \$0.7 million in 1H12."

According to Mr Fitzgibbon, although only a one month result, nib nzed made a solid contribution to the first half result, generating premium revenue of \$10.1 million and a net underwriting profit of \$2.0 million.

"It's very early days but everything in nib nzed is going to plan with the transition of the business and excitement amongst employees is palpable. The appointment of a New Zealand resident Chairman and CEO are well advanced, with the announcement of the Chairman to be made once standard regulatory requirements are satisfied," Mr Fitzgibbon said.

Outlook & summary

Higher than forecast year-on-year claims costs, an increasing contribution to the industry's risk equalisation scheme (up 9.5%) and one off ambulance levy expense has impacted the company's first half gross margin, with nib forecasting a more stable underwriting experience for the second half of the year.

“Our underwriting margins are very sensitive to claims inflation and we experienced some challenges across the Group in 1H13. But we've taken a number of corrective measures including our recently announced arhi premium increase to arrest any further gross margin deterioration. We also have some key innovative projects coming to fruition during the course of 2013 which we are confident will create enterprise value.”

“Behind our latest pre-tax net underwriting profit guidance of between \$75 million to \$78 million are some key assumptions, including nib nzed making an underwriting profit of \$5 million to \$7 million and Group premium revenue of between \$1.2 billion to \$1.3 billion,” Mr Fitzgibbon added.

nib's consolidated net profit after tax (NPAT) for 1H13 was \$36.3 million, compared to \$38.3 million in 1H12. Earnings per share per share were 8.3 cents (1H12: 8.2 cents), with return on equity up from 18.0% to 21.7%.

nib declared an interim dividend of 5 cents per share (1H12: 4.25 cents per share) totalling \$22.0 million, to be paid to shareholders on 5 April 2013. The interim dividend represents a payout ratio of 60% of first half NPAT. nib reaffirmed its dividend payout ratio policy of between 60-70% for the full year.

MEDIA AND INVESTOR RELATIONS

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