

26 September 2019

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

2019 Shareholder Review – nib holdings limited

Please find attached nib holdings limited's 2019 Shareholder Review which was distributed to nib shareholders today.

nib's 2019 Shareholder Review can also be viewed online at nib.com.au/shareholders.

Yours sincerely,



Roslyn Toms
Company Secretary

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shareholder review

2019



chairman's report



It's with pleasure that I report to shareholders another successful performance for the nib Group for the fiscal period ending 30 June 2019. As can be observed from our financial and operating results, strong member, revenue and earnings growth reflect our commitment to meeting the needs of our members and travellers wherever they are in the world.

Managing Director, Mark Fitzgibbon will provide further granularity of our business performance for the year in his report, but it's fair for me to note that our financial results demonstrate our member focus, measured risk-taking and a culture that embraces the role of innovation.

And while our commercial results speak for themselves, our primary motivation is the better health of our members and travellers.

Based on our financial results the Board have declared a full year dividend of 23.0 cents per share fully franked, up from 20.0 cents per share last year. The full year dividend comprises an interim dividend of 10.0 cents per share and a final dividend of 13.0 cents per share, payable to shareholders on 30 September 2019. We're pleased to confirm the Dividend Reinvestment Plan will be available for the final dividend for eligible shareholders.

Our performance continues to deliver a very good return for shareholders. Since we listed on the ASX in late 2007, our total shareholder return is 1,701% compared to 66% for the ASX200¹.

You can learn more in our 2019 Annual Report, including the Remuneration Report which is available on our shareholder website, nib.com.au/shareholders.

But we know past performance is definitely no indication of future success and we remain focused as ever on delivering value for our members. We're also cognisant that companies and some industries are being increasingly scrutinised on their various environmental, social, governance and ethical practices.

I can assure our shareholders we remain committed to maintaining the productive relationship we have with our regulators and this is not just limited to our Australian operations. Our broad operating environment and geographies in which we operate, means we apply a Group-wide risk governance approach to meet our multi-regulated obligations.

Our sense of community and being a good corporate citizen is the bedrock of our foundations from when nib was established more than 65 years ago as a sick and hospital fund for workers and their families at Newcastle's BHP steelworks. I encourage shareholders to take the time to read our 2019 Sustainability Report and Community Report available at nib.com.au/shareholders, which highlights our ongoing commitment to helping make the world a better place.

Increasingly, we're seeing the Australian private healthcare system do much more in terms of healthcare funding and treatment. During FY18, the industry paid a record \$20.8 billion in benefits, contributed over \$1.8 billion for the treatment of private patients in public hospitals and funded over 42 million dental services. All the while the industry has worked hard to keep prices as low as possible, with premiums increasing on average by 3.25% during the year, compared to public healthcare costs which are rising at more than 6% annually.

However, like many consumer discretionary sectors, private health insurance (PHI) has not been immune to the affordability challenges many households are confronting. And there's no shortage of political and media commentary taking a swipe at our industry for not doing enough.

We agree that there is more to be done to improve affordability, increase transparency and reduce unnecessary cost (and with that waste) to help curb rising premiums, significant out-of-pocket expenses and a diminishing value proposition for members.

We're working hard to address these very real challenges. The recent Australian Government PHI Reforms, which we adopted from 1 April 2019, are a meaningful and

positive start to help make health insurance more affordable and encourage consumers, particularly younger people into private health cover. The initiative and resolve of Federal Health Minister, Greg Hunt to introduce these important reform measures is making a real difference to improve the value of PHI. Our Australian premium increase this year was also the lowest in 16 years and the fifth consecutive year we've delivered an increase lower than the previous year.

As we have to date, we will continue to be active and engage with our own supply chain and providers, as well as policy makers for more substantial and meaningful health policy reform.

We're also doing more to help our members to make better healthcare decisions, and if they do need treatment, helping them to recover as quickly as possible. There's no better example of this than our recently launched Clinical Partners program in the Hunter Region, which provides our arhi members guaranteed no out-of-pocket expenses for knee and hip replacement surgery. These members can also access home rehabilitation programs ensuring a speedy at home recovery. Based on the success of this program we hope to expand to other regions and include many other surgical procedures.

While our financial and operating results reflect solid commercial and strategic execution across all parts of our business, they have not been without challenge and subject to appropriate discussion and interrogation by your Board. I would like to thank my fellow Directors, our Executive team and everyone at nib for their ongoing commitment and sense of purpose to help deliver another successful year.

Steve Crane
Chairman



32.5
Net promoter score (arhi)²



\$149.3m
NPAT up 11.8%



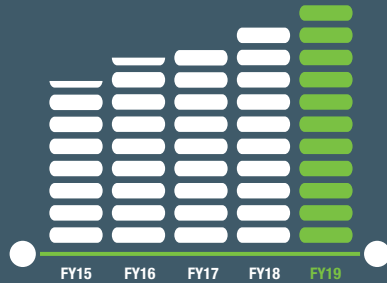
23.0cps
full year dividend

¹ Source: Bloomberg. Total shareholder return represents the simple return over the holding period due to the change in the share price plus dividends re-invested on the ex-dividend date.
² Excludes GU Health.

group performance highlights

Total underlying revenue
\$m

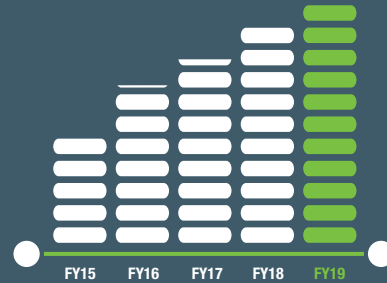
1,639.3 1,873.1 2,004.5 2,235.1 2,421.6



8.3%

Underlying operating profit
\$m

88.0 132.0 153.7 184.8 201.8



9.2%

Earnings per share (statutory)
CPS

17.3 21.2 27.2 29.4 32.9



11.9%

Dividends
CPS

11.5 14.75 19.0 20.0 23.0



15.0%

Net investment income¹
\$m

31.4 16.9 28.6 29.6 36.1



22.0%

Net profit after tax
\$m

75.3 91.8 120.2 133.5 149.3



11.8%

Return on invested capital²
%

20.1 19.0 22.7 19.5 19.1



(40)bps

Net promoter score (arhi)³

20.7 17.7 23.2 28.7 32.5



380bps

¹ Includes profit on sale of PSG shares of \$5.4m in FY15

² ROIC calculated using average shareholders' equity including non-controlling interests and average interest-bearing debt over a rolling 12 month period

³ Excludes GU Health

All figures quoted are in Australian dollars unless otherwise stated.

managing director's report



Private health insurance continues to play an indispensable role in both Australia's and New Zealand's healthcare systems. In Australia, insurers fund the lion's share of almost 5 million hospital admissions (about 40% of total) and about 60% of all elective surgery. In FY19, nib's arhi business alone paid \$1.6 billion in benefits for almost 300,000 hospital admissions including over \$373 million for dental procedures throughout Australia.

Yet the industry across Australia and New Zealand experienced another year of challenging market conditions. On the back of actual claims growth, premiums continue to rise while household disposable incomes remain static and competition for discretionary consumer spending fierce.

Nevertheless, we had another year of generally strong performance across the Group. Group net membership growth was in the order of 5.7%¹ with Group revenue up 8.3% to \$2.4 billion and Underlying Operating Profit (UOP) up 9.2% to \$201.8 million. EPS (statutory) grew 11.9% to 32.9 cents per share.

Our flagship arhi business led the performance adding 2.1% to our membership even though we expect the industry as a whole retreated. arhi has now consistently outperformed industry growth by multiples for over 15 years. During the past five years we estimate we've accounted for about 20%² of total industry growth. It's a remarkable achievement mostly explained by a culture of entrepreneurship and innovation. For example, who would have imagined 15 years ago we'd one day be private labelling health insurance for our partner Qantas.

FY19 was of course, somewhat a turbulent year for arhi given most people expected a change of Federal Government. Investor confidence in the sector was at an all-time low when the prospect of a legislated "cap" for two years on arhi premiums looked so likely. It's now history that the risk has passed with the re-election of a Coalition Government, but it served to reinforce just how vital it is for the industry to have a stronger voice in healthcare policy and work even harder at keeping premium growth as low as possible. Not that we haven't been getting results on the latter. Our most recent premium increase for arhi of 3.38% was the lowest since FY03.

While arhi still accounts for the bulk of our operating earnings, our portfolio of adjacent businesses continues to demonstrate "economies of scale and scope". Today, we have membership³ spread across New Zealand (213,061) and foreign student and workers (188,324) and last year sold over 736,000 travel insurance policies. We also have a new business in China with our joint venture partner Tasly. Together our non-arhi businesses accounted for 25.9% of UOP in FY19 and future prospects within each remain attractive.

The outlook for all of our businesses remains positive even if our arhi insurance margins look likely to normalise towards longer term averages (circa 5%-6%) and competition continues to intensify across the Group. In Australia, New Zealand and across the entire OECD,

healthcare spending generally is expanding at twice the rate of GDP and we'll need more private funding and delivery to relieve pressure on public financing. Government healthcare spending in Australia today accounts for about 27% of all tax revenue compared to just 22% 10 years ago.

There are some common themes within all our businesses.

First, each has to become all the more focused upon understanding and, as best we can, meeting the needs of members and travellers. Second, we recognise just how important a role technology is playing in healthcare and how we must best capture the "zeitgeist". Third, we can never "rest on our laurels". While we celebrate our successes, we have an endless sense of discontentment and ambition to do even better.

At the heart of each of these themes is an enormous effort and investment we're putting into healthcare "personalisation". Courtesy of the digital age and data science, we're convinced our future value proposition will be as much about helping our members better understand their individual health profile and disease risk and then equipping them in conjunction with their healthcare providers, with the means to prevent, mitigate and more precisely treat disease. I've no doubt just how well we realise this potential will decide our future.

My thanks to the Board of Directors, Executive team and the almost 1,500 nib employees who are located in six countries around the globe for their very meaningful contribution towards our defining purpose of "your better health".

Mark Fitzgibbon
Managing Director

- 1 Membership growth is for underwriting segments only and excludes travel insurance sales.
- 2 Source: APRA data. Estimate for the period up to 30 June 2019 extrapolated from data for the five year period up to 31 March 2019.
- 3 Persons covered.

arhi

Our core arhi business again led the charge in terms of Group contribution, accounting for 74.1% of total earnings. Overall, the business delivered another stellar result, with UOP up 14.4% to \$149.5 million, while premium revenue rose 7.6% to just over \$2 billion.

Our arhi business also paid out a record amount in claims, topping more than \$1.6 billion helping fund more than 3.8 million ancillary services, such as dental and optical treatment and almost 300,000 hospital visits.

A strong emphasis on improving the experience for our members, from when they contact us to join, to helping them make a claim or choose a medical provider, saw our arhi net promoter score¹ for the year rise to 32.5 from 28.7 last year.

new zealand

Our New Zealand business delivered a solid result for the year with premium revenue up 8.8% to \$215.5 million.

One of the key drivers of this improvement has been policyholder growth, which for the period was 7.2%².

Claims expense rose 10.7% for the period due to an increase in utilisation, with UOP down 15.4% to \$19.8 million. The earnings and performance of our New Zealand business is consistent with our long term strategy as we deliver more value to members.

Our New Zealand NPS continued its positive trajectory reaching 34.0 from 21.1 last year, the highest ever annual result.

iihi

Our international inbound health insurance (iihi) business had another impressive year with improvement across key performance metrics.

Our strong sales pipeline remains a key contributor of our improved commercial results, with net policyholder growth for the period an impressive 19.5%.

The business which now provides comprehensive health cover and financial protection for almost 190,000³ international students and workers while they are in Australia, saw premium revenue rise 18.0% to \$110.1 million and UOP of \$34.9 million up 17.9%.

We continue to believe the outlook for our iihi business remains positive, supported by strong growth prospects, increasing scale and with that ongoing stable margins.

nib Travel

While the earnings for our travel insurance business were down on last year, we've started to see some green shoots of recovery in our second half of the year sales.

While domestic sales remain flat compared to last year, international sales have taken-off, up 15.5% for FY19. International sales to markets such as the USA, accounted for more than half of the 736,553 travel insurance sales we made during the year.

We also recently completed our acquisition of Australia's fourth largest travel insurer, QBE Travel, which is already showing signs of bolstering our presence in the domestic market.

Gross written premium for the period was up 7.5% to \$152.7 million, with UOP of \$6.6 million down 18.5%.

1 Excludes GU Health.

2 Includes policyholder growth attributable to new strategic partnership.

3 Persons covered.

nib in the community

We foster a spirit of giving back to the communities in which we live, work, and operate in line with our **Sustainability Principles**. This is driven through our support of a range of events, organisations and initiatives that help people and communities live healthier lives.

Learn more in our [2019 Community Report](#).



\$1.8m

funding by nib foundation



\$750k

funding through customer giving



nibGIVE

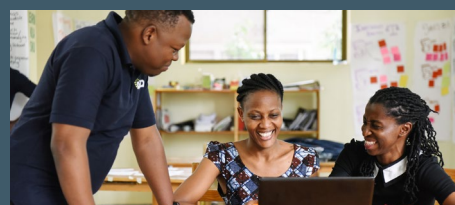
175 employees
1,084 volunteer hours
12 charities



Announcement of joint major partnership with Richmond's inaugural AFLW team



nib foundation celebrated 10 years of giving this year, with \$19 million invested in 144 partnerships to reduce inequalities for people experiencing health vulnerabilities and improve physical, mental and social wellbeing.



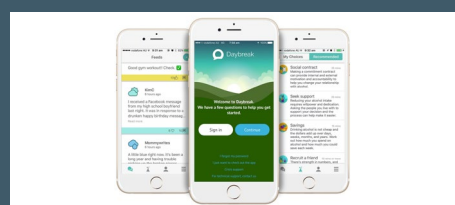
Through our partnership with The Footprints Network, our nib Travel customers donated micro-donations to community development projects across the world.



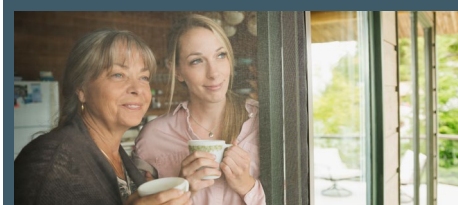
We encourage our employees to support causes they care about through fundraising, our Small Steps payroll deductions program and volunteering with nibGIVE. Matched dollar for dollar we raised almost \$60,000 this year.



We diversified our sponsorships this year partnering with two female teams, the Newcastle Jets in the W-league and Richmond Tigers in the AFLW.



We empower people to better manage health risks through investment in digital solutions. For example, participants in nib foundation partner, Hello Sunday Morning's alcohol behavior change app, showed clinically significant reductions in alcohol consumption.



We were proud to do our bit to lend a helping hand to Aussie farmers battling the drought through our health insurance waiver and Hunter-based charity partnerships that provide access to local support services.

Five-year performance summary

\$m	2019	2018	2017	2016	2015	
Net premium revenue	2,340.8	2,162.6	1,943.1	1,818.7	1,634.9	
Underlying operating profit	201.8	184.8	153.7	132.0	88.0	
Statutory operating profit	184.6	169.0	150.6	120.8	81.7	
Profit before tax	213.0	192.3	174.4	132.4	109.6	
Net profit after tax	149.3	133.5	120.2	91.8	75.3	
Balance sheet						
Total assets	1,554.1	1,447.5	1,136.1	1,045.6	837.1	
Equity	632.2	557.8	427.6	386.1	344.3	
Debt	233.9	230.6	153.2	151.9	63.9	
Share performance						
Number of shares on issue	m	455.6	454.8	439.0	439.0	
Earnings per share (statutory)	cps	32.9	29.4	27.2	21.2	17.3
Dividend per share	cps	23.00	20.00	19.00	14.75	11.50
Dividend payout ratio	%	70.0	68.5	70.0	70.0	66.6
Share price at year end	\$	7.67	5.73	5.75	4.22	3.36
Total shareholder return ²	%	38.1	4.5	44.3	30.0	15.2
Other financial data						
MD/CEO total actual remuneration	\$m	3.8	3.6	2.6	1.7	1.5
Return on invested capital	%	19.1	19.5	22.7	19.0	20.1
Operating cash flow	\$m	184.5	179.9	171.7	148.4	114.2

The above reflects the operations of the Group and should be read in conjunction with the 2019 financial statements, together with the accompanying notes which is available on our shareholder website, [nib.com.au/shareholders](#).

- 1 Statutory operating profit includes \$17.2m in amortisation of acquired intangibles, one-off transactions (integration of acquired business, establishment of business costs as well as extraordinary legal fees), and merger and acquisition costs.
- 2 Source: Bloomberg. 12 month TSR. Total shareholder return represents the simple return over the holding period due to the change in the share price plus dividends re-invested on the ex-dividend date.
- 3 Total actual remuneration comprises cash salaries, fees and superannuation as well as STI and LTI paid in the year through cash or shares issued.

2019 Annual General Meeting

The Annual General Meeting (AGM) of nib holdings limited will be held on Wednesday, 30 October 2019 at 11am (AEDT) at the Amora Hotel, 11 Jamison Street, Sydney NSW 2000.

Full details of the AGM, including the Notice of Meeting, will be available at [nib.com.au/shareholders](#)

Corporate Governance

nib's Corporate Governance Statement and further information about nib's Governance, including company policies, Board and Committee charters, are available from the Corporate Governance section of the shareholder website [nib.com.au/shareholders](#)

Investor Relations

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