

nib announces FY23 result: another strong year, outlook positive

- FY23 Group underlying operating profit (UOP) of \$263.2 million up 11.1%
- Net profit after tax (NPAT) of \$191.1 million up 42.8%
- Group revenue of \$3.1 billion, up 10.9% notwithstanding COVID-19 compensation
- Group claims expense¹ of \$2.2 billion up 6.6%
- Statutory earnings per share² of 41.4 cents up 39.9%
- Full year dividend of 28.0 cents per share fully franked (FY22: 22 cps); DRP available
- Australian Residents Health Insurance (arhi) membership grew 4.7%; strongest result since FY15 and more than double anticipated industry growth
- Net investment income added \$54.7 million to pre-tax earnings against FY22 loss of \$30.0 million

nib holdings limited (ASX: NHF) today announced Group UOP rose 11.1% to \$263.2 million for the 12 months to 30 June 2023. Group revenue grew to \$3.1 billion or 10.9% on FY22. NPAT rose to \$191.1 million up 42.8%.

nib's flagship arhi business achieved its highest sales and strongest net policyholder growth in more than eight years. Net growth was 4.7%, more than double the anticipated industry rate. Notwithstanding lingering COVID-19 constraints, arhi paid for 340,694 hospital admissions and almost 4 million dental and other ancillary treatments.

"This is another strong commercial result for the company and indicative of growth and progress across the Group," said nib Managing Director Mark Fitzgibbon. "arhi continued its long track record of above system growth, and those businesses that were troubled by COVID-19 - international students and travel - are experiencing good recovery," Mr Fitzgibbon said.

nib's travel, international students and workers, and New Zealand operations reported strong growth and profitability. nib Travel's gross written premium and UOP were the highest since nib's acquisition of World Nomads Group in 2015. Investment returns rebounded in FY23 adding \$54.7 million to pre-tax earnings from a loss of \$30.0 million in FY22.

"A lingering pandemic didn't stop us supporting members' usual need for medical treatment," Mr Fitzgibbon said. "And this year's approved 2.72% premium increase was our second lowest in 20 years following the lowest, of just 2.66%, in 2022. Both increases were deferred for substantial periods because of COVID-19 impacts, and to ease pressure on affordability," he said.

"Most importantly, we got on with our business strategy to become as much a health management company as we are a private health insurer.

"We're not trying to manufacture every element of healthcare, rather orchestrate people's ability to meet most of their healthcare needs seamlessly in a single place. We call it our Payer to Partner or P2P transformation."

nib also continued its investment in technology across the Group during the year, from cyber security to member experience.

"In addition to health insurance support, such as finding a surgeon, our nib app allows a member to consult with a GP, fill and have home delivered a prescription, purchase a men's, women's, or non-binary healthcare product, scan skin for damage, complete a health check and design a good health plan supported by clinical machine learning," Mr Fitzgibbon said.

Australian Residents Health Insurance (arhi)

Underlying operating profit of \$222.9 million was down 7.3% on FY22, reflecting a deliberate easing towards more sustainable long-term margins. The net margin of 8.9% was less than FY22 (10.2%) but remains above target (6-7%) due to lower claims experience.

Premium revenue was up 6.1% to \$2.4 billion notwithstanding the impact of nib's 2023 premium price deferral and member give-back, which effectively reduced premium revenue by about \$71.0 million in FY23.

arhi gained 31,342 policyholders. Our net policyholder growth of 4.7% is more than double the anticipated industry average and the best growth rate in eight years. Claims expense, including risk equalisation, increased 6.0% on FY22. Hospital and ancillary claims have largely returned to pre-COVID levels. arhi's net promoter score reached +34, up from +30 in FY22. Risk equalisation of \$228.1 million³ is expected to be easily the largest transfer payment of any private health insurer and indicative of the central role nib plays in the sustainability of community rating as a health system policy.

International Inbound Health Insurance (iihi)

Strong demand for international workers, a clearing of visa backlogs and a return to Australian campuses for international students drove iihi's results. Policyholder and premium growth were up 15.7% and 22.4% respectively. UOP was \$23.0 million in FY23, against a loss of \$1.1 million in FY22.

Mr Fitzgibbon said the business is back in good order. "In the second half of FY23, we added 17,839 policyholders, compared to a net loss in the same period last year. UOP of \$15.1 million for 2H23 is over 90% on the first half of FY23. The high claims expense incurred amongst international students during COVID-19 has eased significantly to more normal levels."

New Zealand (nib NZ)

nib NZ delivered UOP of \$34.2 million for FY23, up from \$22.7 million in FY22. Results include a 12-month UOP contribution of \$2.3 million from the life and living insurance business, compared to a two-month contribution of \$0.1 million in FY22⁴. Premium revenue grew 13.2% to \$330.4 million while policyholder growth was 3.2%.

In November 2022, nib NZ acquired OrbitProtect, which provides insurance cover for international students and workers, and travellers visiting New Zealand.

nib is actively working on plans that aim to help iwi (Māori tribes) overcome barriers in accessing healthcare services and enhance the health outcomes. "Individual good health and wellbeing is profoundly influenced by what's happening within a local community. Employment, housing, food sources, neighbourhood safety and numerous other social determinants all play a big role," Mr Fitzgibbon said. "Although nib can't solve for all these factors, we can bring insight and collaborate with community leaders to make healthcare all the more connected and effective," he said.

nib Travel

nib's Travel business, which includes nib Travel, Travel Insurance Direct and World Nomads, rebounded strongly, posting a record result with FY23 UOP of \$14.0 million, up from a \$7.4 million loss in FY22.

Gross written premium (GWP) rose to \$224.1 million in FY23 from \$96.5 million in FY22. FY23 was the highest ever GWP and UOP since the acquisition in 2015 of the travel business. Travel demand and a heightened recognition of the importance of insurance value drove sales to over 728,000, with growth across domestic and international markets.

nib Thrive

In November 2022, nib raised \$158.1 million in equity capital to create "nib Thrive" and pursue opportunities within Australia's National Disability Insurance Scheme (NDIS). nib swiftly finalised the acquisition of four plan managers and in June, agreed to acquire IT service platform Kynd, which completed in July 2023. Acquisition of the plan managers added more than 250 employees to the nib Group.

For FY23, nib Thrive reported UOP of \$3.1 million. nib's plan management businesses support more than 27,000 participants. In early FY24, nib entered into agreements to purchase two more plan management businesses, BudgetNet and Developing Links, which would take participant numbers to around 37,000, and on track to reach 50,000 by FY25.

"We have more than 70 years' experience in connecting those who need healthcare with doctors, dentists, hospitals and other clinical providers," Mr Fitzgibbon said. "Our vision, and investment thesis, is that in time these skills and experiences can similarly help NDIS participants - and anyone else with a disability - connect with the right providers of support in pursuit of their goals."

Outlook

Mr Fitzgibbon said although a number of macro-economic factors suggest a level of caution, the outlook across the Group is positive.

“Our businesses are supported by a strong thematic,” he said. “COVID-19 made people more aware of risks to their health and the need for protection; public healthcare delivery and financing are under extreme pressure, immigration is adding to populations; foreign students are returning, foreign workers are in high demand; people have rediscovered travel,” Mr Fitzgibbon said. “Technologies are making our P2P strategy more viable and NDIS sustainability requires the kind of sophistication we can deliver.”

Mr Fitzgibbon said he expects nib’s private health insurance business across Australia and New Zealand to continue to grow notwithstanding pressure on household budgets. Although it will likely moderate, private health insurance in Australia has experienced 11 consecutive quarters of growth. “And it would be defying history if nib didn’t do much better than average system growth,” he said.

He emphasised there remains some ongoing uncertainty about the trajectory of future claims expense.

“While we are all breathing easier about the threat of COVID-19, there remain consequences for private health insurers, in particular, uncertain demand for healthcare treatment and associated claims costs. To what extent that plays out and how fast, remains hard to predict with any precision.

“There are supply side limitations but the last couple of years of low arhi claims inflation are now behind us and we are reverting to a new normal. Thankfully, we’ve some margin scope to deal with future demand and pricing flexibility to meet whatever the new normal looks like.”

Dividend

The Board declared a final dividend of 15.0 cents per share fully franked, resulting in a full year dividend of 28.0 cents per share (FY22: 22.0 cps).

The full year dividend represents a pay out ratio of 68.7% of FY23 NPAT. The final dividend has a record date of 5 September 2023 and will be paid to shareholders on 3 October 2023. The Dividend Reinvestment Plan is available to eligible shareholders.

Investor Briefing

nib will conduct an investor briefing at 9.30am (AEST) today via webcast and teleconference. The webcast is accessible via our shareholder website nib.com.au/shareholders

Register for the teleconference via this link:

<https://register.vevent.com/register/BI8a8bed8099304dbf978db926d56af7f1>



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This announcement has been authorised for release by Roslyn Toms, nib Company Secretary.

¹ Total claims incurred including claims handling expenses for underwriting segments only.

² Statutory earnings per share includes losses from discontinued operation.

³ Includes OSC.

⁴ nib nz insurance ltd (previously Kiwi Insurance Ltd) acquired 29 April 2022.

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