

ASX ANNOUNCEMENT

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nib holdings limited (asx: nhf)

13 August 2018

nib provides forecast FY18 earnings update

nib holdings limited (ASX: nhf) today indicated unaudited Group Underlying Operating Profit (UOP) for the financial year ended 30 June 2018 (FY18) will be approximately \$184.0 million (Group Statutory Operating Profit of approximately \$169.0 million). The result also includes earnings from the acquisition of GU Health in October 2017.

nib's previous FY18 Group UOP guidance was a minimum of \$165.0 million (Group Statutory Operating Profit at least \$148.0 million).

nib's Managing Director, Mark Fitzgibbon, said a benign claims environment especially in its Australian residents health insurance (arhi) business was the main factor behind the revised outlook.

"Our previous guidance was premised upon an arhi net margin towards the upper end of our 5% to 6% target range but we now expect it to be closer to 6.9%, following completion of a one-month hindsight review of claims. Our international students and workers businesses have also exceeded our expectations," Mr Fitzgibbon said.

Mr Fitzgibbon said there were several factors that explain the lower trajectory of claims inflation including tighter cost containment, price reductions in medical devices spearheaded by the Federal Government and some downgrading in cover.

He added broader economic conditions were also causing slower growth in the volume of medical, dental and other treatment. Excluding the impact of the GU Health acquisition in October 2017, nib's arhi business expects to pay \$1.46 billion in claims in FY18 up 4% on the previous year notwithstanding net organic membership growth of 3%.

Mr Fitzgibbon said he hoped lower claims inflation reflected a new norm although inevitably a combination of an ageing population and future growth in household incomes would stoke higher growth in treatment volumes.

"Everyone shares the objective of making private health insurance more affordable and strains on the public health system mean we actually need greater market participation. We're doing our very best and making good progress as evidenced by our 2018 premium increase of 3.95% being the lowest in 15 years," he said.

Mr Fitzgibbon indicated nib was still finalising a view on its Group FY19 outlook with a market update to be provided as part of the release of nib's FY18 full year results on 20 August 2018. However, he expected the arhi net margin would in FY19 move back towards the top end of its target range of 5% to 6%.

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