

6 November 2019

nib provides FY20 market update

nib Group (ASX: NHF) today reaffirmed its financial year 2020 (FY20) underlying operating profit (UOP) guidance of at least \$200 million¹ (statutory operating profit of at least \$180 million).

nib Group Managing Director, Mark Fitzgibbon, said based on current market trading conditions, nib is maintaining its current FY20 guidance, reiterating arhi's net margin was expected to be circa 6% this financial year.

"For FY19 we saw actual arhi claims inflation per person expense of 2.9%, which was understated by product mix erosion or downgrading. We expect this pattern of inflation to continue in FY20. Our FY19 net margin with further actuarial development is now 6.3%² compared to 6.5% (adjusted for FY18 claims provision release) reported at the time of our full year announcement in August," Mr Fitzgibbon said.

"Overall hospital inflation in FY19 was 3.2% representing a combination of episode growth and episode price inflation as well as our significant risk equalisation contribution."

"As anticipated, the mental health waiver played a significant role in this inflation, in terms of both utilisation and costs per episode, but this impact is expected to moderate in FY20. Experience in other parts of the case mix is varied without any significant developments," he added.

nib will announce its FY20 interim results on 24 February 2020.

MEDIA AND INVESTOR RELATIONS

Matthew Neat

Tel: 0411 700 006 (+61 411 700 006)

Email: m.neat@nib.com.au

1. The Group expects that net profit after tax will decrease by approximately \$1.3 million for FY20 as a result of adopting the AASB16 Leases Standard. UOP used to measure segment results is expected to increase by approximately \$4.0 million, as the interest on the lease liability is excluded from this measure. UOP of \$200m includes the \$4.0m increase.
2. The adjusted arhi net margin of 6.3% (from 6.5%) is based on hindsight to 31 October 2019 equating to \$4.9m underprovision of FY19 claims