

nib announces solid 1H23 Group performance

- Group underlying operating profit \$125.1 million, up 13.3%
- Total Group revenue¹ \$1.5 billion, up 9.3%
- Group claims expense² \$1.1 billion, up 4.9%
- Net profit after tax³ \$91.6 million, up 12.8%
- Statutory earnings per share³ 20.0 cents, up 12.4%
- Interim dividend of 13.0 cents per share fully franked (1H22: 11.0 cps)

nib holdings limited (ASX: NHF) today announced an increase in underlying operating profit (UOP) to \$125.1 million, up 13.3% from \$110.4 million in 1H22. Group underlying revenue grew 9.3% to \$1.5 billion. nib's major businesses all performed well with strong results from the Australian Residents Health Insurance (arhi) and New Zealand (NZ) businesses and a recovery in the International Inbound Health Insurance (iihi) business and nib Travel.

"We're very pleased with the result on a number of fronts," said nib Chief Executive Officer and Managing Director, Mark Fitzgibbon. "There's a symmetry returning to the businesses and profitability, after a period of COVID-led disruption. The half-year has set us up for a good full-year result and longer-term outlook."

Policyholder growth across arhi, iihi and NZ drove health insurance premium revenue 5.8% higher to \$1.4 billion. During 1H23, net claims expense² grew 4.9% to \$1.1 billion mainly reflecting higher policyholder growth. The deferred claims liability (DCL) for arhi rose to \$124.0 million (30 June 2022: \$110.2 million) calculating additional deferred activity and expectations of claims catch-up.

Net profit after tax³ increased 12.8% in 1H23, to \$91.6 million from \$81.2 million. Net investment income improved sharply (47.0%) to \$22.2 million from \$15.1 million in 1H22, noting investment markets have been fickle.

Mr Fitzgibbon said: "Market and business conditions look favourable for our strategy and we've definitely got an appetite to invest across the Group. Yet inflation, rising interest rates, and slowing economic growth suggest some level of caution is required. Claims are still lower than we'd expected and at some point, volumes will lift."

nib Group continues to make good progress in its Payer to Partner (P2P) strategy, which is as much about helping people stay well, as it is paying claims when members get sick. "We see a future whereby people join nib not just because we offer financial security, but because we provide members and their doctors with deeper insight into personal health risk and management, and easy access to a broad ecosystem of healthcare products and services designed to better prevent, manage and treat medical conditions," Mr Fitzgibbon said. "This is playing well for our members and the business. Members now have access to health assessments, GPs, men's and women's health products, pharmacy delivery at home, skin checks, sophisticated disease management programs and healthcare literature. And most of it can be done on your smart phone," he said.

nib's joint venture with Cigna Corporation, Honeysuckle Health, is a significant contributor to nib's P2P strategy and ambitions. For example, its Hospital Support Program has supported more than 12,000 nib members since the inception of the program⁴. This program has resulted in an estimated 16% reduction in unplanned hospital readmissions, which not only improves safety and experience for members but reduces costs. It's a similar story for nib's investment in Midnight Health, which is a key part of the Group's P2P strategy and ecosystem. During the period, nib moved to majority ownership (63.14%) of Midnight Health.

¹ Total Group revenue includes net premium revenue, other underwriting revenue and other income.

² Total claims incurred including claims handling expenses for underwriting segments only.

³ Includes discontinued operation.

⁴ Hospital Support Program enrolments since inception of program to 31 December 2022.



Mr Fitzgibbon said nib targets arhi net margins at around 6-7%. The margin reduced in 1H23 compared to the previous comparable period. However, the lingering impacts of the pandemic explain the relatively high margin at 8.6%. nib has taken and continues to take action to compensate for this higher level of profitability and protect affordability for members including cash rebates, premium deferrals and expanded cover. This year's premium increase at 2.72% was nib's second lowest increase in 20 years and below the industry average of 2.90%.

During 1H23, nib raised \$158.1 million to fund its entry into the National Disability Insurance Scheme (NDIS). nib purchased its first plan manager, Maple Plan in November 2022 and launched nib Thrive as the brand for the NDIS business. nib has also entered into agreements to buy two more plan managers, Peak Plan Management and Connect Plan Management. Both are top ten ranked plan managers in Australia. After these acquisitions are completed, nib will have around 22,000 NDIS participants and is on track to reach at least 50,000 by FY25. "It is early days but there are few greater opportunities for us to have meaningful social impact than in keeping people healthy, and now, in supporting people with disabilities achieve their life goals," Mr Fitzgibbon said.

Australian Residents Health Insurance (arhi)

nib's arhi business reported premium revenue growth of 4.3% to \$1.2 billion mainly due to net policyholder growth of 4.2%⁵ and the 2022 annual price increase, offset by nib's various COVID-19 compensation measures. Net policyholder growth⁵ was the strongest reported first-half growth in eight years.

"We continue to achieve above PHI system growth through good product design and marketing, price competitiveness and broad sales and distribution capability," Mr Fitzgibbon said.

International Inbound Health Insurance (iihi)

nib's iihi business continues to rebound, reporting an underlying operating profit of \$7.9 million for 1H23 compared to a loss of \$7.4 million in 1H22. International workers drove strong returns with iihi premium revenue increasing 19.0% to \$71.3 million. "We have halved student losses and are rapidly returning to pre-COVID performance levels," Mr Fitzgibbon said. "Demand for foreign workers, and Australia's world-class tertiary education, makes us very bullish about our outlook," he said.

New Zealand

nib New Zealand delivered another impressive half, with underlying operating profit of \$16.7 million, including a \$1.4 million favourable impact from the life and living benefits business⁶. Policyholder growth⁷ was 5.2%, and the business completed the acquisition of OrbitProtect, a provider of insurance cover for international students, workers and inbound travellers.

Travel

nib Travel reported an underlying operating profit of \$6.4 million for 1H23, compared to a loss of \$7.9 million in 1H22, the best half-year result since nib's entry into the travel insurance market in July 2015. "Market conditions improved rapidly, and sales grew with surging demand for travel, post COVID-19. Our team is demonstrating just how much the business can contribute to the Group," Mr Fitzgibbon said.

Dividend

The Board declared a fully franked interim dividend of 13.0 cents per share (11.0 cents per share 1H22). The interim dividend has an ex-dividend and record date of 2 March and 3 March 2023 respectively. Payment will be made to shareholders on 3 April 2023. The dividend reinvestment plan is available.

⁵ 12-month growth rate to 31 December 2022.

⁶ nib nz insurance limited (previously Kiwi Insurance Limited, acquired on 29 April 2022). Our life and living products include life, serious illness trauma and income protection insurance.

⁷ Resident policyholder growth, excludes students business and life and living insurance. 12-month growth rate to 31 December 2022.

Outlook

Mr Fitzgibbon said nib is positive about the outlook for its businesses across the Group.

"No one is happy about the difficulties we see in the public healthcare system, but those issues will continue to render private health insurance more attractive to consumers," he said. The return of permanent immigration should boost demand in our international business.

"We don't celebrate the problems we see in public health, with the system under considerable pressure. At nib, we have the sense of purpose and a strong appetite to do more. Private health insurers and the private healthcare sector generally, need greater non-government investment and participation in healthcare.

"We are an ageing society, with growing needs for healthcare, aged care and disability support. The inconvenient truth is we are simply running short of taxpayers' dollars to fund our critically important welfare state. In healthcare, a very sensible start would be for private health insurers to cover members wherever they meet the healthcare system in Australia, just as we do today in New Zealand without fuss," he said.

nib remains reluctant to reinstate financial guidance given lingering COVID-19 consequences and uncertainty. "The business outlook is encouraging but there's still some noise around COVID-19, deferred medical treatment and claims exposure," he said. "Our current provisioning is prudent, but it's going to take a bit more time for this to settle."

Investor briefing

nib will conduct an investor briefing at 10.00am (AEDT) today via webcast and teleconference. The webcast is accessible via the shareholder website nib.com.au/shareholders

Register for the teleconference via this link:

<https://register.vevent.com/register/Ble45d0c316ae948aba2436cc94f8cde69>



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

Note: This announcement provides commentary on financial performance for the six months to 31 December 2022 (1H23) compared to the six months to 31 December 2021 (1H22) unless otherwise stated. Policyholder growth figures are for the 12 months to 31 December 2022.

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