

ASX announcement

22 February 2021

nib delivers improved FY21 half year results

Highlights:

- Total Group revenue of \$1.3 billion - down 1.1%
- Group claims expense¹ of \$1.0 billion - up 0.9%
- Total Group expenses² of \$172.1 million - down 14.1%
- Group UOP of \$86.9 million - up 4.4%
- NPAT of \$66.2 million - up 15.9%
- Interim dividend of 10.0cps fully franked (1H20:10.0cps)
- COVID-19 member and community support package of more than \$45 million to date
- Commitment that nib operations will be carbon neutral by end of FY22

nib holdings limited (ASX: NHF) today announced Group Underlying Operating Profit (UOP) of \$86.9 million (up 4.4%) and Net Profit After Tax (NPAT) of \$66.2 million (up 15.9%) for the six months to 31 December 2020 (1H21).

nib's Managing Director and CEO, Mark Fitzgibbon said the half year result was pleasing given all the challenges presented by COVID-19.

"COVID-19 has had many malign consequences across the nib Group. It's caused needed clinical treatment for our members to be delayed, uncertain market conditions and totally disrupted parts of our business such as international workers, students and travel insurance," Mr Fitzgibbon said.

"It's especially necessitated us supporting members throughout the pandemic with premium relief and membership suspension options and expanded cover for COVID-19 related treatment. And we've leaned into various public health initiatives such as the procurement early in the pandemic of scarce surgical face masks for frontline healthcare workers and financial support for Lifeline. The cost of these combined initiatives totals more than \$45 million so far."

Mr Fitzgibbon said nib's membership growth in its core Australian residents health insurance (arhi) business is expected to be ahead of the industry growth rate and impressive given economic conditions.

"We added more than 16,000 arhi members representing a 2.7% increase for the half year and grew premium income by 2.2% to \$1.1 billion. Premium revenue growth would have been 4.2% if not for the six month postponement of the 2020 annual premium increase."

"Of our growth, about 52% of policy sales were to members under the age of 40 with more than 45% of all sales new to private health insurance. We're also seeing welcomed improvement in member retention. Our experience helps counter all the negative talk about the value of private health insurance and COVID-19 has clearly raised people's awareness about the risk of disease and the need for protection," he added.

Mr Fitzgibbon noted the net profit margin of arhi was above the target range but had to be treated with some caution. arhi's UOP of \$89.0 million was up 42.2%.

"arhi profitability has been slightly distorted by COVID-19 and consequential delays in treatment and claims which is still playing out. We've modelled that impact as best we can and continue to make allowance for a claims catch-up in our financial accounts," Mr Fitzgibbon said.

"Yet it's an inexact science and while ever the pandemic persists, underlying claims costs trends will continue to have some noise, as we've seen with events such as the Victorian lockdowns. I also suspect there may be for many, a natural aversion to going to hospital and other forms of treatment involving close contact as a result of COVID-19," he added.

The strong performance of arhi was mirrored by nib New Zealand which saw resident membership growth of 2.6% and premium growth of 6.6% to \$126.9 million. UOP of \$11.0 million was broadly in line with last year.

¹ Including claims handling.

² Underlying expenses excluding claims handling.

Mr Fitzgibbon singled out nib's partnership with Auckland based iwi (Māori tribe) Ngāti Whātua Ōrākei, as a future model for healthcare.

"Working closely with the iwi we are using data science to identify specific disease risk amongst their people, design and deliver programs to improve health outcomes and better support each iwi member with health insurance. We're quickly demonstrating we have the capability and capacity to do more of the heavy lifting in the healthcare system both in New Zealand and Australia."

nib said its international inbound health insurance (iihi) business which provides health insurance to international students and workers, was hit hard by COVID-19 restrictions on travel. iihi premium revenue of \$58.3 million was down 5.2% and UOP of \$0.3 million compared unfavourably to \$12.3 million in the prior year.

"Restrictions on inbound arrivals have been tough on business but also hard for our workers and students members with no ability to return home to visit family and friends. Despite the restriction on foreign travel our international workers business is however actually holding up well. We've only shed 3.8% of its membership base, we have won some new business such as the Pacific Labour Scheme and Seasonal Workers Program and profitability remains solid. Yet our international students business isn't doing as well. It has shed 7.3% of its membership base and is experiencing much higher claims," he said.

Similarly, nib Travel continues to be severely hampered by COVID-19, with operating income down 90.8% and a UOP loss of \$7.3 million (1H20 UOP of \$1.7 million). nib also has taken a non-cash impairment charge against nib Travel's intangible assets of \$7.0 million reflecting the more difficult outlook for travel.

"It's all a bit gloomy at the moment yet COVID-19 will pass and our travel business is well positioned for recovery and growth when travel restrictions are relaxed or borders re-open. The hiatus is actually providing us with an opportunity to recalibrate and modernise the business," Mr Fitzgibbon said.

Mr Fitzgibbon said that while nobody celebrates the disruption and misery of COVID-19, the pandemic was at least accelerating numerous initiatives to improve the health care system as well as improve outcomes and efficiency.

"The pandemic is demanding more active and precise disease prevention and management as well as a shift to virtual and other forms of digital engagement between doctors and patients."

"We see ourselves playing a leading role in driving the tactics and investment required. There's no better evidence of this conviction than our newly created joint venture with global health care company, Cigna. Our future is very much about helping our members and travellers achieve and maintain good health as much as it is today about protecting them once they're already sick or injured," he said.

nib also announced its operations will be carbon neutral by the end of FY22, reflecting its commitment to sustainability and reducing the company's environmental footprint.

"Although our carbon footprint is low, we see no less a responsibility in tackling global warming especially with its well established risks to population health and safety," Mr Fitzgibbon said.

The Board has declared a fully franked interim dividend of 10.0 cents per share (1H20: 10 cents per share). The interim dividend has an ex-dividend and record date of 4 March and 5 March 2021 respectively with payment to be made to shareholders on 6 April 2021. nib's Dividend Reinvestment Plan will be available to eligible shareholders for the interim dividend.

nib has not provided FY21 Group guidance due to the continued uncertainty in the current COVID-19 environment in planning and forecasting across all its business operations.

Investor Briefing

nib will conduct an online investor briefing at 10.00am (AEDT) with teleconference details below. The webcast of the briefing is available at nib.com.au/shareholders

Dial: 1800 148 258 or +61 2 8038 5271 and Conference ID: 7822539

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