ASX release

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Chair and CEO AGM presentations and FY24 Outlook Update

In accordance with the ASX Listing Rules, Medibank releases to the market the addresses to security holders to be delivered by the Chair, Mike Wilkins AO and the Chief Executive Officer, David Koczkar, at Medibank's 2023 Annual General Meeting to be held at 10.30am today, along with an update to its FY24 outlook.

This document has been authorised for release by Mei Ramsay, Company Secretary.

For further information please contact:

For media

Emily Ritchie
Hub Lead - External Affairs
M: +61 429 642 418
Email: Emily.Ritchie@medibank.com.au

For investors/analysts

Michael Hajdinjak
Hub Lead - Investor Relations
T: +61 475 038 762
Email: investor.relations@medibank.com.au

CHAIR

Good morning everyone.

My name is Mike Wilkins, and on behalf of the Board of Directors of Medibank I would like to welcome you to our 2023 Annual General Meeting.

I'd like to invite Wurundjeri elder Uncle Perry to join us and open today's proceedings with a welcome to country. Thank you, Uncle Perry.

Thank you, Uncle Perry, for that very warm welcome to country. And thank you, also, for the work that you and the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation are doing with Medibank teaching us to respect country and to respect each other. We recognise Australia's traditional owners and their continuing connection to country.

I respectfully acknowledge the Wurundjeri Woi-wurrung peoples of the Kulin nation on whose lands we meet this morning, and I pay my respects to elders past, present and emerging. I'd also like to extend that respect to all Aboriginal and Torres Strait Islander peoples joining us today.

As was the case last year, today's meeting is being held in a hybrid format.

I'd like to thank all shareholders for joining us today, whether you are joining us virtually through our livestream or here with us in the room.

I now formally declare the meeting open.

The Notice of Meeting has been sent to shareholders and I will take it as read.

Joining me on stage is the Medibank Board of Directors and I'd like to introduce them to you. On your far left is Linda Nicholls who is Chair of the Investment and Capital Committee, followed by Peter Everingham. Sitting next to Peter is Dr Tracey Batten who is Chair of the Board's People and Remuneration Committee and also standing for re-election today, and of course sitting next to Tracey is our Chief Executive Officer David Koczkar.

On your far right is Anna Bligh who will be retiring as a director at the conclusion of this meeting, and Anna is sitting next to David Fagan who is Chair of the Risk Management Committee. Sitting next to David is Kathryn Fagg followed by Gerard Dalbosco who is Chair of the Audit Committee. Finally, to your immediate right of me is our Company Secretary Mei Ramsay.

I would now like to reflect on our financial year 2023 performance and then hand over to David for his comments.

Throughout 2023, we remained focused on the needs of our customers – in the way we responded to the challenging economic environment, rising costs of living or to the cybercrime event.

As a result of this focus, we delivered a solid financial result with momentum returning to our health insurance business, strong underlying profit growth of Medibank Health, and our capital position remained strong.

Resident policyholder growth got back on track and our non-resident business recorded its highest growth in 7 years. For the first time in our almost 50-year history we ended the 2023 financial year with more than 4 million customers whose health and wellbeing we are supporting.

We have continued managing the business well and our management expense ratio remains one of the lowest in the market.

At a Group level, Net Profit After Tax was up 29.8% to $511.1 million, including net investment income of almost $139 million.

We remain well capitalised and in line with this, shareholders received a fully franked final ordinary dividend of 8.3 cents per share, which brought our full year dividend to 14.6 cents per share fully franked – that was an increase of 9%.

The impact of the cybercrime event was significant for our organisation and all of our stakeholders. Since that time we have worked hard to re-establish the trust of all of those stakeholders. One year on, we know we can still do more as we continue to apply the lessons we have learnt.

The Board has been overseeing a Group-wide program of work that aims to continue uplifting and embedding the technology, processes and security culture within Medibank to support our customer promise of being a trusted health partner.

We continue to work collaboratively with APRA in response to its decision to apply an additional capital adequacy requirement of $250 million on Medibank from 1 July of this year until we have met key remediation milestones. We were already well progressed on our uplift activities and have been sharing updates on this work with APRA, including the work already completed.

The regulatory investigation by the Office of the Australian Information Commissioner is also progressing and we continue to cooperate with the OAIC.

We are also responding to three representative claims. These claims are in their early stages and the Board is carefully monitoring their progress.

I would like to thank the Australian government, including the Australian Signals Directorate, the Australian Cyber Security Centre and the Australian Federal Police, with whom we continue to work closely. The investigation into the cybercrime by the relevant authorities is ongoing.

Recognising the expectations of our customers, shareholders and community for there to be meaningful consequences as a result of the cybercrime, the Board determined the executive leadership group would receive zero short-term incentives for the 2023 financial year.

In addition there have been zero increases in fixed remuneration for our CEO David Koczkar and your Board directors for the 2024 financial year.

As you would expect, the Board also reviewed Medibank's remuneration framework to enhance its focus on our customers and to ensure we meet APRA's new remuneration standard CPS511.

Key changes include the introduction of a customer service satisfaction measure into the short-term incentive plan, a new brand sentiment performance hurdle in our long-term incentive plan, and longer deferral periods on variable remuneration for the executive leadership group.

The Board also recently undertook its annual review of the Group's risk appetite and approach to managing risk as we look to achieve our strategic ambitions. This incorporated a review of our progress towards the implementation of APRA's new operational risk standard CPS230 that comes into effect in 2025. It also incorporated global concerns identified as being key risks to Australia's economy, such as geopolitical instability, cyber threats, climate change and technology such as artificial intelligence.

We have been focused on the increasing financial pressure felt by many households, as ongoing inflation, rising interest rates, housing concerns and subdued economic growth contribute to uncertain economic times.

While the private health insurance industry is expected to remain resilient, the affordability challenges facing our customers and the wider community means that delivering greater value is even more important. David will detail our response to these challenges during his address to the meeting.

Healthcare inflation is also adding to the significant challenges impacting Australia's healthcare system. Demand for healthcare is growing as our population ages and chronic disease becomes more prevalent, with people facing even longer wait times in the public system for both primary and hospital care.

Today, around a quarter of the Australian Government's budget is directed to health, age-related pensions and aged care. By 2050, this is expected to rise to around half, with rising health costs the biggest contributor.

As a health company, we believe Medibank has an important role to lead change – to better support our customers' health by strengthening our Medibank and ahm brand offerings, while also making our health system more sustainable by improving access to the quality healthcare that we all enjoy.

We have been at the forefront of championing innovation in the sector through Medibank Health and in particular our Amplar Health business; investing in prevention and new care settings, which are both better for our customers and crucial to transforming health in Australia – both now and for the future.

To strengthen our private health proposition, this year more than 16,000 of our health insurance customers enrolled in one of our 9 prevention programs in areas such as osteoarthritis or heart disease.

Our short stay no gap network now stands at 34 hospitals, and in the last year alone, almost one in three of our health insurance customers having a joint replacement opted to have rehab at home.

And in the public system, we're working with hospitals, doctors and governments to give people greater access and choice while taking pressure off a strained health system – such as the free 24/7 health support service for NSW North Coast residents, hospital-level home care in Adelaide or the virtual psychology program offered through the Myhealth GP network.

So, it is heartening to see more providers embrace homecare and virtual health offerings alongside us.

Equity in health and wellbeing outcomes remains a fundamental part of our vision to achieve the best health and wellbeing for Australia.

We have a long-standing commitment to Reconciliation and helping to close the gap that exists between Aboriginal and Torres Strait Islander people and others in Australia.

We have seen firsthand the value within our business and across the health sector of structures that seek to address those issues.

In the lead up to the Voice referendum, we saw an opportunity to encourage people to listen and learn, so as to understand what the referendum was asking. We took steps to ensure that our people were informed about the position of both sides of the debate and able to participate in a respectful discussion. Our role was not about encouraging people to vote a certain way. I can also confirm that Medibank did not make a financial contribution to either side of the referendum debate.

The referendum result does not stop us from listening to Aboriginal and Torres Strait Islander voices on matters that concern their communities, nor our focus on supporting the health and wellbeing of First Nations people and the wider Australian community.

Our work to embrace and promote diversity and inclusion in our workplace and our community was recognised by Equileap's Gender Equality Index, where we placed third worldwide and second in Australia and by the Australian Network on Disability's 2022-23 Access and Inclusion Index.

We've also made progress on our Net Zero commitment, including developing a strategy for transitioning to 100% renewable electricity and beginning research into the environmental impact of preventative health delivered through new care settings.

Further detail on our sustainability approach can be found in our 2023 sustainability report on our website.

While 2023 has presented some significant challenges for our company, we have emerged as a stronger business – one that is more resilient and even more deeply committed to our purpose of Better Health for Better Lives.

This is a tribute to the hard work and dedication of our people – whom I would like to thank on behalf of the Board and on behalf of you, our shareholders.

I would also like to recognise the leadership of David Koczkar and the executive group during this last 12 months and to acknowledge my fellow Board directors for their ongoing wise counsel and support.

As you know, today marks Anna Bligh's retirement from our Board after 11 years. Anna brought a unique set of skills to the Board and her wisdom and experience has been integral to Medibank's transformation from a government-owned entity to where we are today. And I would like to thank you Anna for your support and significant contribution over this time.

We are well underway in our search to replace Anna.

As we look to the year ahead, our focus remains on supporting our customers, continuing to develop our people and helping our community, as we work to deliver the best health and wellbeing for Australia.

Thank you to all our shareholders who share this vision with us and enable what we do.

I'd now like to ask David to provide an update on Medibank's strategy, direction and current performance.

CHIEF EXECUTIVE OFFICER

Thank you, Mike – and good morning to everyone joining us in the room here today and on the webcast.

I want to begin by acknowledging the Traditional Owners and Custodians of country throughout Australia and their connections to land, sea and community and pay my respects to their Elders past, present and emerging.

This morning I want to say a few words on the past year, before I turn to the current operating environment and then share some comments on the outlook.

Despite the challenges over the past year, we have remained focused on our customers, first and foremost.

We have continued to support and protect the people impacted by the cybercrime event last year, and I want to call out the incredible response by our people over this time. This includes the teams who stood up our Cyber Response Support Program so quickly to provide mental health and wellbeing support, identity protection and financial hardship measures to people impacted by this crime.

As Mike said, we have remained focused on our cyber uplift program, and have worked hard to regain our customers' trust.

Despite the impact of the cybercrime and challenges in the economy, we closed out FY23 with momentum returning to our business and delivered a solid result for shareholders.

Resident policyholder growth was up 0.6%, or almost 11,000 policies, driven by families, younger people and those taking up cover for the first time.

Pleasingly, our key customer advocacy measures had also returned to pre-cybercrime levels.

We have continued to grow over the past 4 months, adding 5,200 policyholders in what is increasingly a very competitive market.

In our non-resident business, we recorded 40% policy unit growth in FY23. We've continued to see growth in this segment, reflecting our dual brand strategy, ongoing investment in the proposition and strong delivery of our health and wellbeing services, particularly in the student market.

As I've said before, we remain disciplined in our approach to growth. We know that establishing longer-term relationships with customers, supporting them in health as they move through their life stages, is better for them and also for the sustainability of our business.

We have a unique position in the market that sets us apart from others – our Medibank and ahm brands provide customers with a differentiated offering in health insurance, and our Medibank Health businesses continue to expand their reach – providing both products and services to our insurance customers that strengthens our PHI proposition, and also delivering health services in the community alongside our government and health partners.

Further to Mike's comments, we recognise the financial pressure that many households are under.

With this pressure to persist for some time, we know the onus is on us to offer value that our customers can see and feel today, while still investing to change the way health can be delivered into the future.

And while we are not immune to the impacts of the tightening economy, we remain well positioned to navigate through it.

People are continuing to prioritise their health and wellbeing. The ongoing challenges in the public system have only amplified this.

The latest IPSOS data shows that the proportion of people viewing private health insurance as essential is the highest it has been since 2015.

I sit in on customer conversations regularly and that sentiment is coming through too.

This is not to say that cost of living concerns haven't emerged. They have, but customers are more likely to cut back on discretionary areas of spending like entertainment, dining out and holidays, rather than drop their health cover.

Industry data reflects this too, with June the 12th consecutive quarter of growth. The industry also saw the highest growth in customers with hospital cover under 30 in a decade, with 25-to-29-year-olds growing the most in terms of hospital lives covered, both helped by adult dependant reform that allows many young people to stay on their parent's cover until they turn 31.

The IPSOS data also shows a positive shift in attitudes of young singles and young couples – who are seeing private health insurance as increasingly essential.

This remains good news for the sustainability of the sector.

While we continue to see strong growth in the market, we anticipate the operating environment will become more challenging as cost-of-living pressures persist. And while we expect to see some signs of moderation in APRA's quarterly data released today, resident industry growth still remains well above pre-pandemic levels.

Despite household budgets being squeezed, we are not seeing any meaningful shift in people dropping their cover or downgrading.

What we are seeing is more people seeking more value from their health insurer – wanting their dollar to go further.

Value means different things to different people, but we know that for all our customers, this starts with their premiums.

We continue to work hard to keep our premiums as low as possible, with our average 2.96% increase in 2023 well below headline inflation and significantly under increases in other areas such as housing, transport, the weekly grocery shop and utility bills.

Our customers have also seen money return to their bank accounts. Our latest COVID cash back hit bank accounts last month, taking our total support to date to $1.15 billion. We continue to monitor claims activity and will return any permanent net claims savings due to COVID back to customers.

In recent months, we've started to see softness in some extras claiming, although surgical claims have largely rebounded back to pre-COVID levels. And while trends in non-surgical claims remain below expectations – some of which is structural, like we've seen in rehab – affordability challenges persist.

So, as we emerge from the pandemic, every part of the health sector needs to continue to think differently.

As a key example, our hospital agreements are there to ensure our customers can access the quality care they need. But this cannot come at any cost, and we have a responsibility to act on our customers' behalf to ensure that care remains affordable.

Our evolving relationships with hospitals, and in particular the partnership models we have been building are key.

These partnerships create alignment to drive innovation, to embrace different approaches and new care settings that take unnecessary costs out of the health system.

But each part of the health system has a responsibility to manage its costs especially given rising inflation, to minimise the flow-on impact to customers. And in the current environment, this has never been more important.

This continues to be a focus for us, having removed more than $100 million of our own management expenses over the last 6 years.

These productivity savings have helped us maintain one of the lowest management expense ratios in the resident health insurance market – across both for-profit and not-for-profit funds.

Notwithstanding this – we have continued to invest in the differentiation of our two brands, supported by our Medibank Health businesses, which are providing more value to our customers through our products and services, enabling us to better serve them in the current environment.

As an example – it's someone having a knee replacement and saving an average of $1,600 in out-of-pocket costs through our no gap network.

For a family, it is each member getting 100% back on up to two dental check-ups each year through their Members' Choice Advantage dentist. This network saved customers more than $25 million last year.

For another customer, value can be earning Live Better reward points to cut $200 off their premium or receive additional extras treatments.

We also know that value comes from making it easy for customers to deal with us.

With the significant shift towards digital channels, our digital spend is almost 5 times the size it was 5 years ago. We have continued to invest in the experience of our customers when they use their cover, but also to connect them to services in health.

More and more Medibank customers are looking to us to help them reach their health and wellbeing goals, with almost a third engaging with one of our health offerings last year.

In our resident business, virtual health interactions grew 30%, while virtual consults for non-resident and corporate customers was up 163%. Over the same time, our Amplar Health team provided more than 1.6 million virtual health interactions to our customers and the community.

While we are seeing some positive change in the sector, we know there is more we all need to do.

The latest intergenerational report paints a picture of Australia over the next 40 years.

With spending on health to rise significantly as the population ages and with an increasing burden of chronic conditions, it is sobering reading. But it also points to opportunities to get in front of the issues now – to evolve as our customers and community evolve, and to rethink the status quo.

As a company, we have already made this important shift, to expand the ways we support our customers in health and to innovate – to support the long-term sustainability of the health system.

That includes continuing to invest in prevention, to support our customers' health and wellbeing.

The number of Live Better members grew 34% to almost 700,000 last year, continuing to make it one of the leading health and wellbeing programs in the country.

And with around half of Australian adults living with at least one chronic health condition, for more than a decade we have delivered programs to support these customers. Last year we enrolled 16,000 customers in one of our prevention programs – which saw improvements in their net promoter scores and saved the equivalent of around 55,000 hospital bed days.

And now through our investment in Myhealth and its 108 GP clinics across Australia, we are working with their teams to pilot a new approach to supporting patients living with complex and chronic health conditions.

We also continue to invest in new care models across both the public and private systems.
In mental health for example, we're challenging the traditional one-size-fits-all approach in the private system, introducing an innovative model of care that focuses on supporting patients outside of hospital – just as much, as in it. Through our joint venture with Aurora Healthcare, we have invested in three new mental health hospitals, with the first site in Canberra already operating.

Then there is My Home Hospital – a virtual hospital in South Australia that our Amplar Health team has delivered in partnership with Calvary on behalf of the state government since 2021. This service saved more than 19,000 hospital bed days in the public system last year, and has just reached the milestone of caring for 10,000 patients.

As one of the first standalone virtual hospitals in Australia accredited to deliver acute care, it has enormous possibilities elsewhere as jurisdictions across the country are grappling with the mounting healthcare challenges ahead, and the finite resources to address them.

To help challenge the status quo in the health sector, we are also reinventing the way we work.

Our people remain engaged around Medibank's 2030 vision – to create the best health and wellbeing for Australia. It's a bold vision, so we're asking them to experiment in the ways we can all achieve it.

This includes an experiment to challenge the traditional work week, with 250 of our people trialling a 4-day work week based on the 100 / 80 / 100 model. That is, 100% pay, 80% of working hours while maintaining 100% productivity.

These teams will challenge each other over the next 6 months to work smarter and remove unnecessary red tape, empowering them to focus on areas where they can make the greatest impact on our customers.

In another experiment, our frontline customer teams are trialling an ultra-local approach to support our customers. So when a member in Geelong, Adelaide or the Gold Coast calls our contact centre, it's now very likely they will speak to a team member who lives in the same region with true local knowledge of the health services in the area, and who is actively involved in the community.

As we look forward – there will be challenges – but there are also many opportunities for Medibank as we increase the support we provide our customers and expand our role in health – to innovate and help sustain the health system.

Pleasingly, we entered FY24 with good momentum, and our strategy continues to support our growth. We will continue to pursue growth opportunities in our target, high growth markets, building upon our investments in health and wellbeing, primary and virtual care and short stay and community care. We also remain clear on who we will partner with, and we will continue to remain disciplined in our expansion in health.

Turning now to the outlook.

There is no change to the FY24 outlook that we presented at our full year result.

On resident policyholders, our year-to-date net growth is 0.3% as at 31 October 2023 – this includes the impact of the June 2023 premium review.

Medibank Health growth momentum is in-line with our FY24-26 target.

Our capital position also remains strong and we continue to target $150 million to $250 million inorganic investment in Medibank Health.

Productivity savings remain on track.

Cybercrime costs also remain on track.

Before I hand back to Mike, I want to thank the entire team across Medibank for their contribution throughout the year. It has not been without challenges, but their passion for our customers and commitment to our vision has not wavered.

I also want to recognise the executive leadership team for their support over the past year.
Thank you in particular to Dr Andrew Wilson, who recently made the decision to step away from the executive leadership team after 13 years – and take on the key role of Group Chief Medical Officer.

And of course, I would also like to thank you, our shareholders, for your ongoing support.

I'll now hand back to Mike.

Outlook update: no change to any FY24 outlook statements

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	FY24 outlook presented during FY23 results	Commentary
Resident policyholder growth	We anticipate further moderation in resident industry growth in FY24 relative to FY23 Aiming to achieve 1.5% - 2.0% resident policyholder growth in FY24	Resident industry growth in line with expectations with the market remaining competitive Net resident growth YTD +5.2K policyholders[1] (+0.3%) as at 31 October 2023 – includes the impact of the June 2023 premium review
Resident claims	Underlying claims per policy unit growth of 2.6% for FY24 among resident policyholders	Recovery in surgical claims whilst trends in non-surgical remain below underlying expectations Softness in discretionary extras modalities is starting to materialise
Customer relief	We continue to assess claims activity. Any permanent net claims savings due to COVID-19 will be given back to customers through additional support in the future	Assessing any further permanent net claims savings due to COVID-19 Equity reserve in place to support COVID-19 related claims or additional customer give-backs
Growth	Targeted organic and inorganic growth for Medibank Health and Health Insurance remain areas of focus	Medibank Health growth momentum in-line with FY24-FY26 target Capital position remains strong - targeting \$150m-\$250m inorganic investment in health segment
PHI management expenses	Targeting \$20m of productivity savings across FY24 and FY25	Productivity savings on track for FY24
Cybercrime costs	Expect costs of between \$30m – \$35m in FY24 for further IT security uplift and legal and other costs related to regulatory investigations and litigation • Excludes the impacts of any potential findings or outcomes from regulatory investigations or litigation	Cybercrime costs on track for FY24

(1) Net resident YTD policyholders reflects both Medibank and ahm brands. Note: The information in this slide is given in summary form and does not purport to be complete. This slide should be read in conjunction with Important Notice on slide 2 of the FY23 Results Investor Presentation dated 24 August 2023, and in particular the notice on Forward-looking statements, which applies to this presentation and is available at www.medibank.com.au.