



ASX CEO Connect

25 August 2020



Chief Executive Officer
& Managing Director

Mark Fitzgibbon



Our purpose: **your better health**

Supporting our members through COVID-19

Our Members



1 April 2020 premium changes postponed until
1 OCTOBER 2020



Expanded cover for **COVID-19** related treatment and additional Extras psychology benefits at

NO COST



24/7 medical and non-medical assistance hotline



Latest **COVID-19** health related information provided to members and the community on nib's digital channels, including the

CHECK UP



A range of financial hardship support and premium relief options



ACCESS TO TELEHEALTH CONSULTATIONS for a range of health services



Free antenatal and early parenting

ONLINE CLASSES



\$250 wellness benefit for **FRONTLINE HEALTHCARE WORKERS**



6,657

3 month suspensions

575

30 day waivers

2,233

6 month suspensions

469

60 day waivers

- CV19 support package to date more than \$45m.
- Across the Group, six month premium postponement (arhi and nib NZ) represents \$38.5m in forgone premium revenue.
- 560,000 arhi members provided expanded product coverage for chest, lung, kidney and other treatment for CV19 across all levels of hospital cover at no additional cost.
- Extended \$300 minimum psychology benefit for all arhi members with Extras cover.
- More than 1,500 arhi members accessed \$250 frontline health care worker wellness rebate.
- Committed funding to GPConsults, a GP telehealth platform, providing free access to providers and patients.
- Waiving 1 October 2020 premium increase for 6 months for arhi members on JobKeeper and JobSeeker.

Our purpose: **your better health**

Supporting our employees and the community through COVID-19

Our Community



**\$1.5
MILLION**

donated to community and clinical initiatives in Australia and New Zealand with nib foundation



100,000

surgical masks donated to healthcare and allied health workers



and health packs to support international students



Donation of 100,000 face masks



Food relief to international students

Our Employees



Up to two weeks

SPECIAL PAID LEAVE



Ergonomics package to support
WORK FROM HOME



Hygiene packs to international students



\$500,000 to support Lifeline

FY20: Group results



\$2.5b

total Group revenue
up 3.4%



\$150.1m

Group UOP
down 25.6%
Statutory operating profit \$118.1
down 36.0%



\$16.6m

net investment income
down 54.0%



\$89.2m

NPAT
down 40.3%



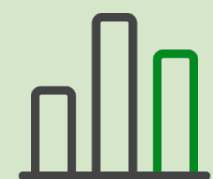
19.8cps

statutory EPS
down 40.0%



4.0cps

final dividend
down from 13.0cps



14.5%

ROE
down 1130bps



34.8

Group NPS
up 2.3



\$57.0m

available capital
above internal
target

FY20: Summary observations

Business fundamentals remain strong

- arhi policyholder growth of 1.9% (accounted for 41.5% of total industry net growth) with premium revenue ▲2.9% and net margin of 6.4%.
- NZ policyholder growth 7.4% with premium revenue ▲11.4% and net margin of 9.8%.
- Notwithstanding CV19 impact on foreign entry, iihi membership growth 6.3% with premiums up 11.8% and net margin of 17.1%.

Profitability materially impacted by CV19

- In addition to CV19 initiatives, arhi UOP accommodating a \$90.4m provision for deferred claims with extreme uncertainty.
- In addition to CV19 initiatives, NZ UOP accommodating a \$8.4m provision for deferred claims with extreme uncertainty.
- iihi UOP in 4Q20 down 57.5% pcp.
- Travel GWP 4Q20 down 128.0% pcp.

Business silver linings

- Group remains well capitalised with \$57.0 million in available capital above internal targets and gearing ratio of 28.3%.
- Evidence of heightened consumer awareness of disease risk and need for protection and support.
- “Clinical Partners” orthopaedic pilot since Feb 2019 has avoided potential out of pocket expenses for 550 arhi members equating to a saving of \$660,000 for nib members (average \$1,200 per member).
- Group operating expenses¹ (excluding marketing) down 2.2%.
- Honeysuckle Health (JV with Cigna) launched and progressing rapidly.



1. Underwriting segments - arhi, iihi & nz, excludes nib Travel.

Group income statement

(\$m)	FY20	FY19	Change
Net premium revenue	2,439.6	2,340.8	▲4.2%
Net claims incurred ¹	(1,955.3)	(1,829.8)	▲6.9%
Other underwriting revenue	3.5	3.6	▼2.8%
Underwriting expenses	(307.1)	(310.7)	▼1.2%
Underwriting result	180.7	203.9	▼11.4%
Other income	60.1	77.2	▼22.2%
Other expenses	(86.7)	(78.3)	▲10.7%
Share of net profit/(loss) of associates and joint ventures	(4.0)	(1.0)	▲300.0%
Underlying operating profit	150.1	201.8	▼25.6%
Amortisation of acquired intangibles	(10.4)	(9.2)	▲13.0%
Impairment of intangibles	(8.0)	(1.0)	▲700.0%
One-off transactions, M&A and business implementation costs	(13.6)	(7.0)	▲94.3%
Statutory operating profit	118.1	184.6	▼36.0%
Finance costs	(9.7)	(7.7)	▲26.0%
Net investment income	16.6	36.1	▼54.0%
Profit before tax	125.0	213.0	▼41.3%
Tax	(35.8)	(63.7)	▼43.8%
Net profit after tax	89.2	149.3	▼40.3%

1. Net claims incurred including claims handling.

Key drivers of result

- CV19 impact on claims and pricing.
- Other CV19 impacts especially on nib Travel as well as iih.
- Price inflation v claims inflation including impact of 6 month premium postponement and CV19 impact on claims.
- Above industry arhi policyholder growth 1.9% v industry 0.4%.
- nib Travel UOP decline.
- One-off transactions include QBE Travel and GU Health integration (\$9.3m), organisation re-alignment.
- Amount of Group deferred claims 80%: arhi hospital 85%, arhi ancillary 70%, NZ 90%.

(\$m)	arhi	NZ	Group
Lower than expected claims	113.5	9.4	122.9
Balance sheet - CV19 claims liability	(90.4)	(8.4)	(98.8)
Net claims incurred ¹ impact	23.1	0.9	24.1
% deferred	79.6	90.0	80.4

Key focus areas



Ongoing CV19 response and business adaptation



Personalisation business transformation strategy



Market growth and share



Claims and operating cost efficiency and pricing



Regulatory reform and opportunities (eg. risk equalisation)



Minimise travel impact and losses



- Target annual net organic policyholder growth 2% - 3%
- Unpredictable claims trajectory given CV19
- Net margin circa 6%
- Ever present premium pricing risk
- Prudent capital management
- Managing health risk and digital health
- Opportunistic M&A



iihi

- Slow recovery in market conditions
- Positive medium-long term performance
- Competitive pressures on profit margins



New Zealand

- Positive market fundamentals
- Expansion of iwi population health business



nib Travel

- Slow recovery in market conditions
- Focus upon operating efficiencies
- Positive medium-long term performance



China

- Sell health insurance in China
- Ongoing growth of health management business



Honeysuckle Health

- Development of data science capability
- Initial population risk stratification and management strategy
- Portfolio of health management platform and programs

August 2020 snapshot



Year to 14 August	Sales		Lapse		Net growth	
	2020	2019	2020	2019	2020	2019
arhi ¹	17,901	16,415	(10,703)	(12,408)	7,198	4,007
iihi ¹	5,646	14,396	(8,269)	(9,307)	(2,623)	5,089
NZ ²	2,476	6,231	(1,366)	(1,610)	1,110	4,621
nib Travel						
Domestic	198	103,785				
International	6,796	54,022				

Week to 16 August ³	2020	2019	Change
Hospital benefits paid	\$18,681,219	\$18,587,115	▲0.5%
Hospital benefits paid excluding Victoria	\$15,692,779	\$15,282,759	▲2.7%
Eligibility checks	8,246	8,251	▼0.1%
Eligibility checks excluding Victoria	7,330	6,782	▲8.1%
Ancillary benefits paid	\$6,590,448	\$6,935,186	▼5.0%
Ancillary benefits paid excluding Victoria	\$5,865,273	\$5,382,583	▲9.0%

1. 2019 sales, lapse and net growth for GU Health arhi and GU Health iihi are estimates based on monthly actuals and are indicative and for comparative purposes only.

2. Figures are New Zealand resident health insurance sales/lapse only and exclude international students sales through Uni-Care distribution agreement.

3. Claims figures include arhi, iihi and exclude GU Health



Questions and Answers