



ASX Investor Access Program

21 November 2017

Mark Fitzgibbon
Managing Director & Chief Executive Officer

nib



We exist to help people access and afford healthcare when and where needed.

- nib has approximately 1,200 employees in all parts of the globe
- Our markets include:
 - Australian Residents Health Insurance
 - New Zealand Residents Health Insurance
 - International Workers and Students Health Insurance
 - Travel Insurance
 - International Health Insurance (expat global health cover)
- Market capitalisation ~\$3.0b (455m shares on issue, 65% retail: 35% institution)

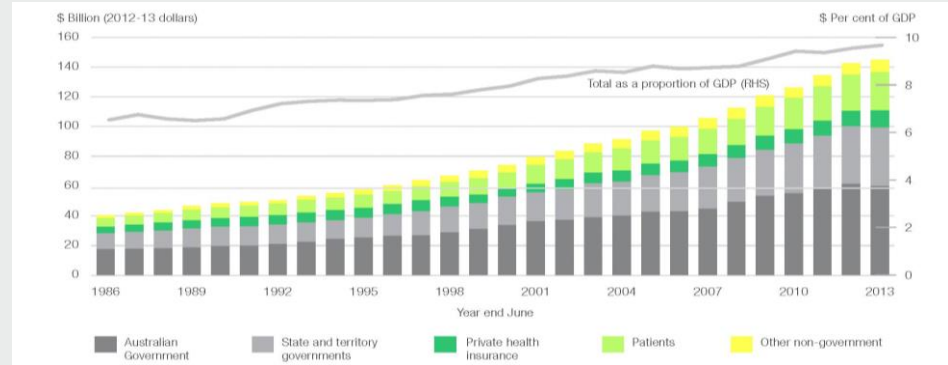
Key Business Strategies

- 1. Grow our core Australian Resident Health Insurance (arhi) business at a “sustainable” rate of 4-5% (net policyholder growth) with an emphasis upon segmentation and risk selection.**
- 2. Leverage capabilities and assets within the Group to pursue adjacent business opportunities.**
- 3. Create competitive advantage across the Group through constant innovation, agility and cultural alignment.**

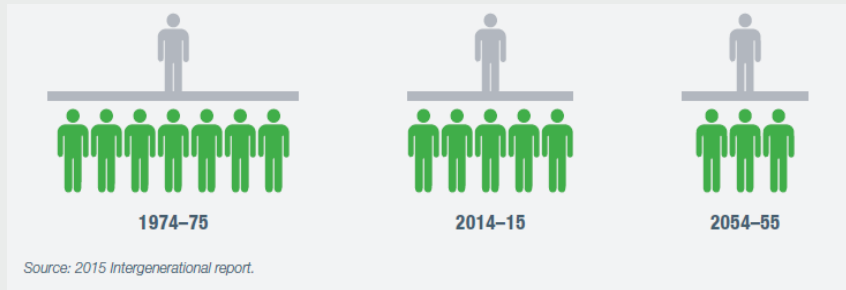
The Private Health Insurance (PHI) Industry

Australian healthcare spending has topped more than **\$170 billion** accounting for more than **10% of GDP**

Australia's health expenditure continues to grow

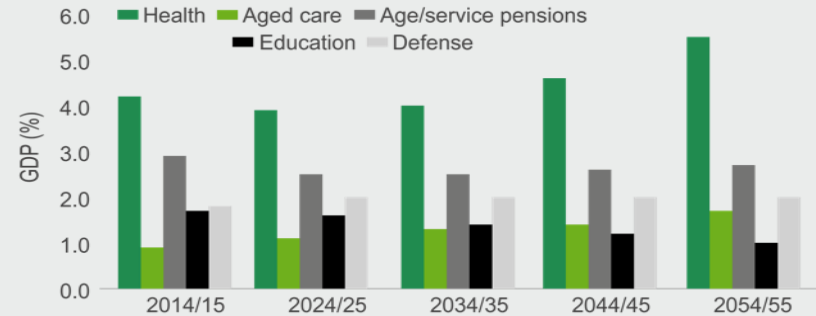


An ageing population












Source: AIHW 2015/16 Health Expenditure Australia

Government cannot sustain its relative share (Commonwealth spending)



The role of PHI in Australia

What PHI does and doesn't cover		Covered (Aust)	Not covered (Aust)
	Public & Private Hospital (accommodation, theatre, etc), choice of specialist	✓	
	Medical specialist (surgeon, anaesthetist) in hospital	✓	
	Medical specialist (surgeon, anaesthetist) outside hospital		✗
	Pharmaceuticals in hospital	✓	
	Pharmaceuticals outside hospital		✗
	Diagnostics (x-ray, blood tests) in hospital	✓	
	Diagnostics (x-ray, blood tests) outside hospital		✗
	General Treatment cover (dental, optical, etc)	✓	
	Ambulance	✓	

Australian PHI growth drivers:

Increasing wealth and favourable economic circumstances

Dissatisfaction with public system and rationing

Competition and investment in marketing and growth

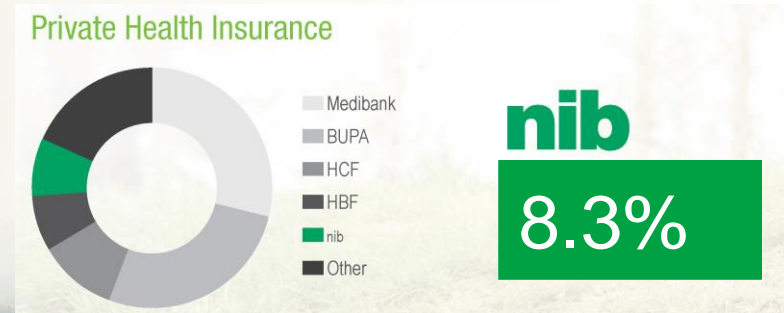
Government “sticks and carrots”

Growth in healthcare spending driven by;

1. Wealth effect
2. Ageing
3. Rise of chronic disease
4. Cost of new technology
5. Supply induced demand and moral hazard.

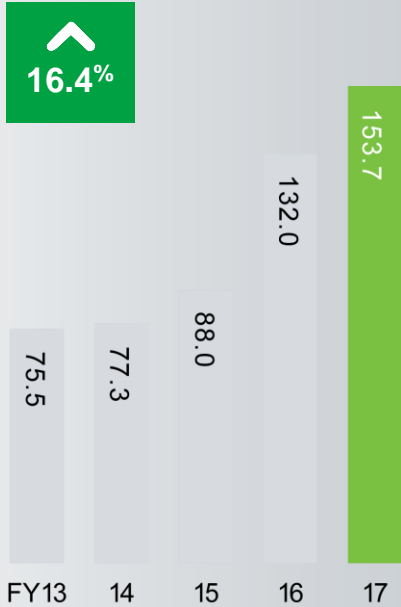
PHI Structure in Australia

- There are currently 37 private health insurers operating in Australia
- Top five PHI players represent 81% of the polices nationally
- For profit insurers make up around 69% of the industry
- Health insurance predominately sold Direct to Consumer
- Policies are community rated (i.e. not risk rated)
- Approximately 55% of population have private health insurance

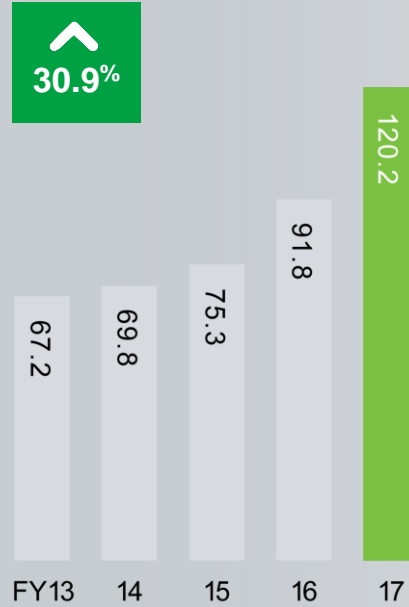


FY17 RESULTS

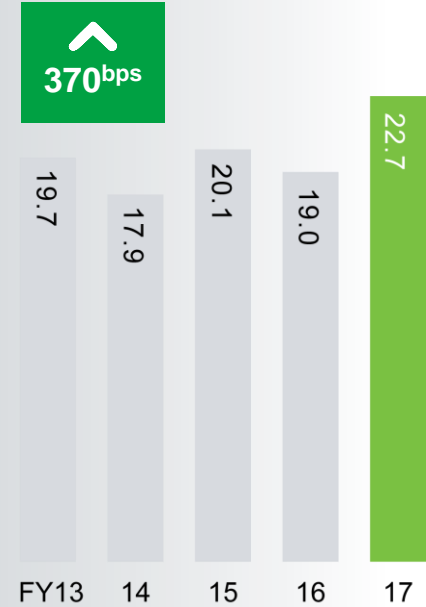
UNDERLYING OPERATING PROFIT (UOP) \$m



NET PROFIT AFTER TAX \$m



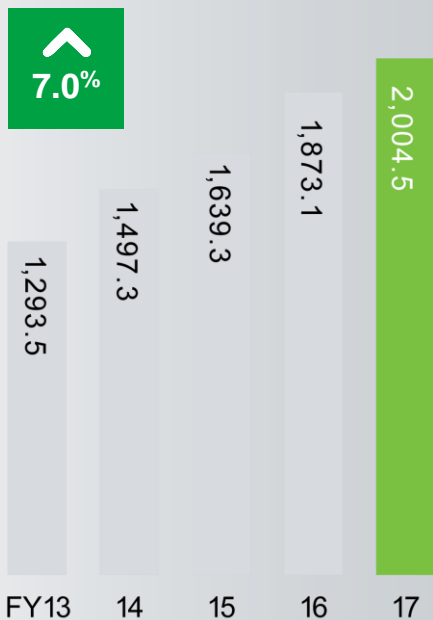
RETURN ON INVESTED CAPITAL* %



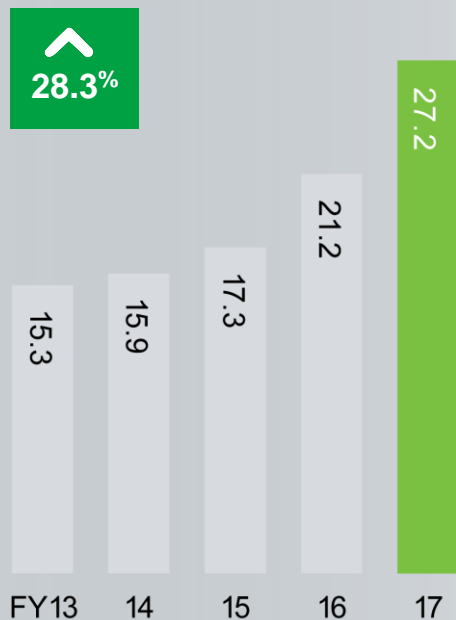
* ROIC calculated using average shareholders' equity including non-controlling interests and average interest-bearing debt over a rolling 12 month period.

FY17 KEY PERFORMANCE HIGHLIGHTS

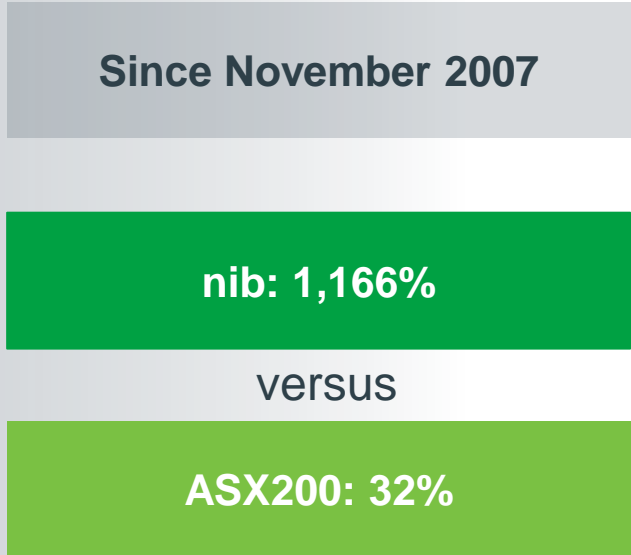
TOTAL UNDERLYING REVENUE \$m



EARNINGS PER SHARE (STATUTORY) cps



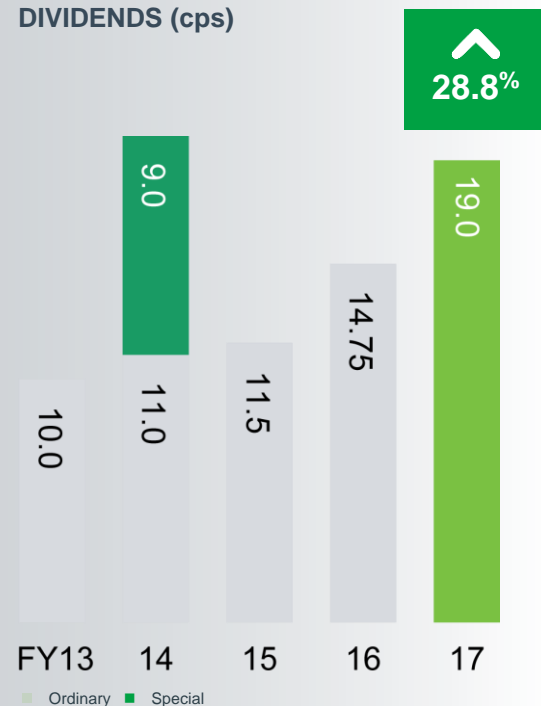
TOTAL SHAREHOLDER RETURN* (TSR) %



* Source: Bloomberg, assumes dividends and capital returns reinvested at the payout date. Period 2 November 2007 to 30 June 2017.

DELIVERING STRONG SHAREHOLDER RETURNS

- FY17 full year fully franked dividend of 19 cents per share (up from 14.75 cents per share in FY16)
- FY17 full year dividend represents a payout ratio of 70% of full year NPAT and is consistent with our policy to pay ordinary full franked dividends between 60%-70% of full year NPAT



OUR FOCUS

- Pursue arhi organic net growth in 4-5% range with net margins 5-6% via market insight and multi-channel distribution.
- Increase investment in adjacent businesses and their contribution to Group earnings towards 50% of total.
- Expand the value proposition for consumers through knowledge and empowerment.
- Continue to experiment and innovate as a fundamental basis for competitive advantage.
- Making healthcare systems better.



FY18 GUIDANCE AND OUTLOOK



FY18 UOP forecast to be at least \$155m¹ (Statutory operating profit approximately \$143 million), reflecting:

- Reduced arhi net margin to within target range
- New business and technology investments:
 - nib international students services
 - DTC 2.0 in NZ
 - arhi retention
 - WNG growth opportunities
 - New international markets
 - Digital, data science and Internet of Things
- FY18 investment returns in line with relevant internal benchmarks².

¹ Excludes one-off transaction costs and amortisation of acquired intangibles.

² Internal Investment benchmarks

- Australian Regulatory capital (79%/21% defensive/growth) – target for portfolio bank bill index plus 1%
- New Zealand regulatory capital (100% defensive) (1) For core portfolio target is a 6 month bank bill index (2) For premium payback portfolio target is a 3.0 years interest rate swap index
- Surplus capital (100% defensive) – bank bill index



A photograph of a family of four—a mother, a father, and two young children—smiling and embracing each other. The image is overlaid with a semi-transparent blue filter. The text 'Thank you' is positioned on the left side of the image.

Thank you