

4 May 2017

The Manager
Company Announcements
Australia Securities Exchange Limited
Level 4, Bridge Street
SYDNEY NSW 2000

Presentation to Macquarie Australia Conference – May 2017

Attached presentation delivered by nib at the Macquarie Australia Conference (4 May 2017).

Yours sincerely



Michelle McPherson
Company Secretary/Chief Financial Officer



Macquarie Australia Conference

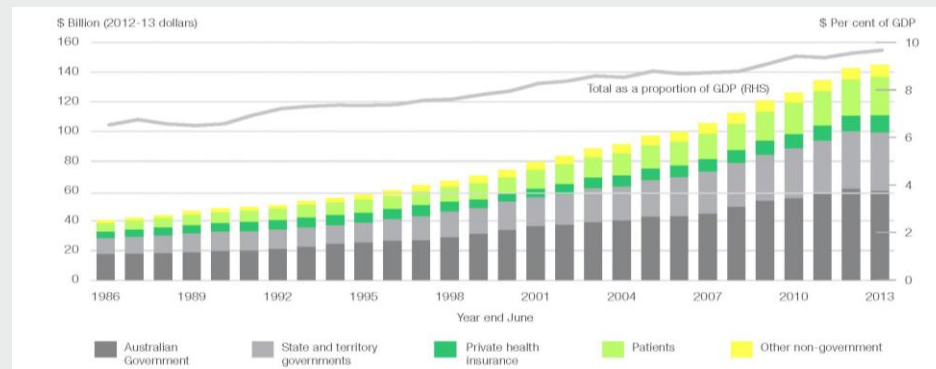
Mark Fitzgibbon

4 May 2017

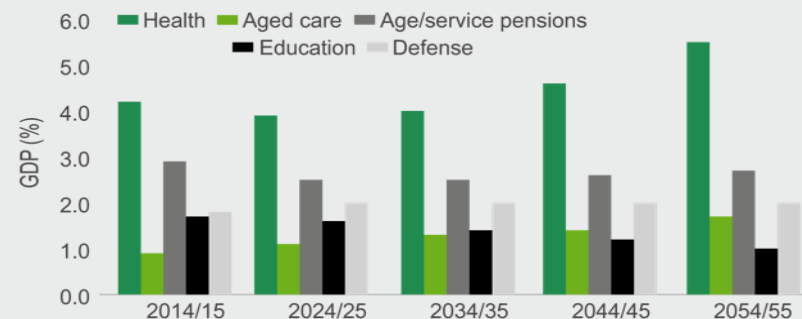
The Private Health Insurance Industry

- Australian healthcare spending has topped \$160 billion (2014/16)
- Growth in healthcare spending driven by; **wealth effect, ageing, rise of chronic disease, cost of new technology, supply induced demand and moral hazard.**
- Australian PHI growth drivers:
 - Increasing wealth and favourable economic conditions
 - Dissatisfaction with public system and rationing
 - Competition and investment in marketing and growth
 - Government “sticks and carrots”

Australia's health expenditure continues to grow



Government cannot sustain its relative share (Commonwealth spending)



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.**

Australian Residents Health Insurance (arhi)

We continue to outperform industry policyholder growth



Net Policyholder Growth (Cumulative)



- Our multi-channel distribution strategy has maintained our strong sales momentum with net policyholder growth of 2.1% (11,005 policies), comparing favourably to industry average of 0.3% in 1H17.
- We accounted for 50.1% of total industry growth for 1H17.
- Gross margin improvement a combination of systemic and tactical factors.

Multi-channel strategy

Continuing to expand our distribution reach



Claims inflation has slowed in recent times

- Recent trends indicate claims inflation may have “bottomed” with reversion to more normal trends and seasonality expected for 2H17.
- FY17 full year drawing rate inflation (nib) expected to be in the order of 2% – 4%.

Overall benefits (hospital & ancillary) per person inflation



Hospital benefits per person inflation (industry)



Ancillary benefits per person inflation (industry)



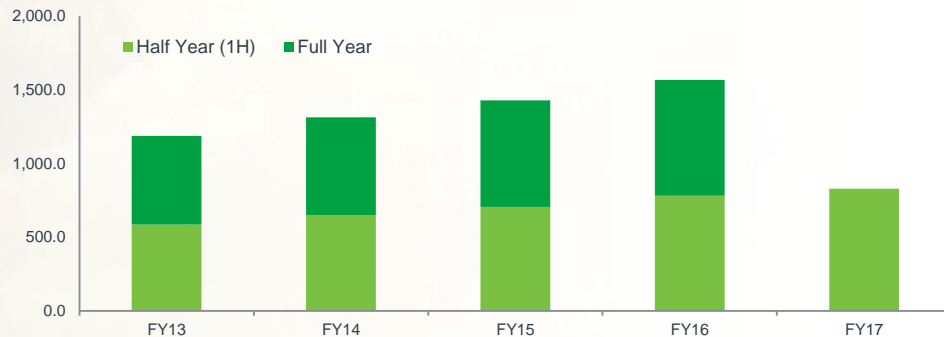
Australian Residents Health Insurance (arhi)

Results to date and outlook

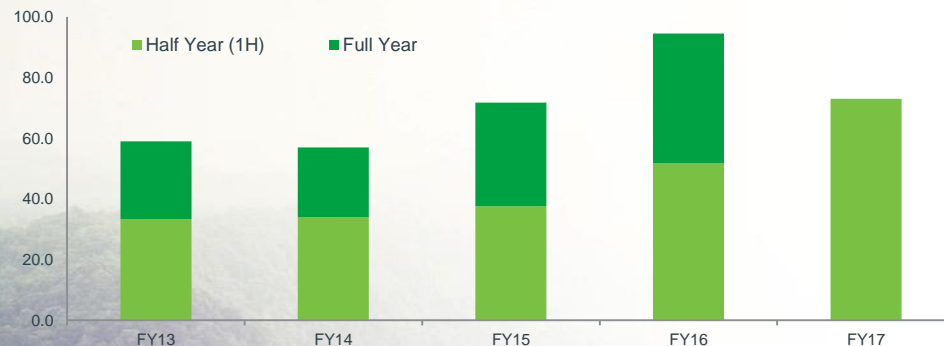
- arhi continues to deliver strong top line and earnings growth.
- 1H17 UOP result of \$73.0 (▲41.2%) due to:
 - Successful ongoing execution of multi-channel growth strategy.
 - Benign claims environment, resulting in improved 1H17 gross margin by 220bps to 17.3%.
 - Risk equalisation contribution of \$87.4m (▼7.2%).
- Some headwinds associated with:
 - Weak market conditions
 - Normalisation of claims experience.



arhi Premium Revenue (\$m)



arhi Underlying Operating Profit (\$m)

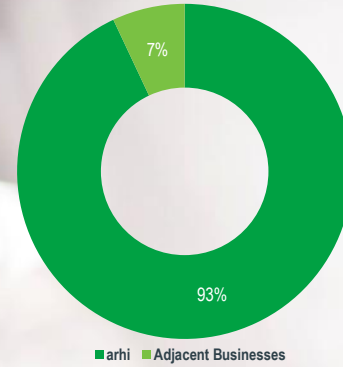


Non-arhi businesses

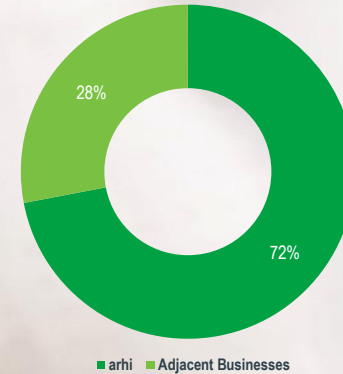
Contribution to Group UOP continues to grow



FY11 UOP



FY16 UOP



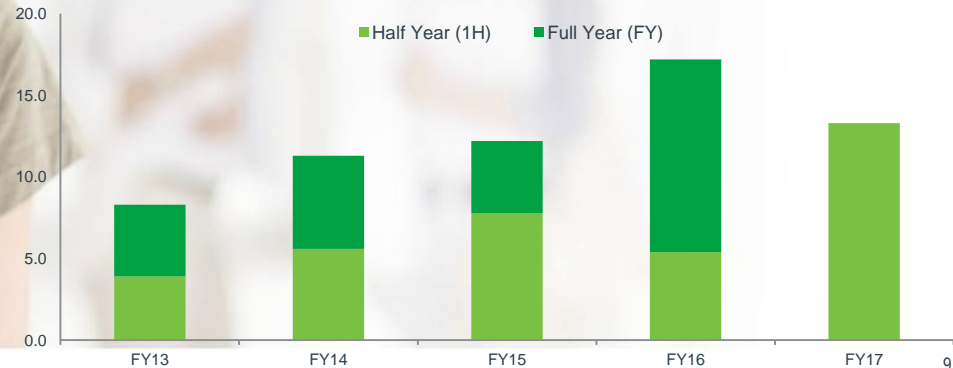
International (inbound) health insurance (iihi)

Results to date and outlook

International inbound health insurance (iihi)

- A large contributor to our non-arhi earnings has been our iihi segment (international students and workers), with UOP up 146.3% in 1H17.
- Significant increase in revenue and earnings within this segment underpinned by ongoing growth and improved scale.
- Proposed changes to 457 visas are unhelpful, but impact expected to be minimal.
- Outlook remains positive with strong customer growth (particularly within international students) and current market conditions supporting ongoing strong margins.

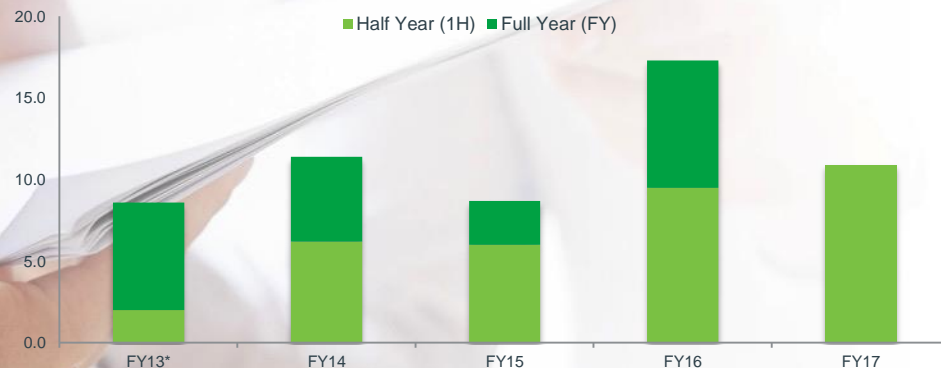
iihi Underlying Operating Profit (\$m)



nib New Zealand

- A meaningful contributor to our non-arhi earnings with UOP up 39.7% to \$10.9m in 1H17.
- Business continues to perform in line with expectations – investment in brand and growth paying off with DTC gaining traction with sales through this channel up 24.5% on 1H16.
- Ongoing effort and focus on revenue and cost synergies.

NZ Operating Profit (\$m)



* 1H13 a one month result with business acquired 30 November 2012

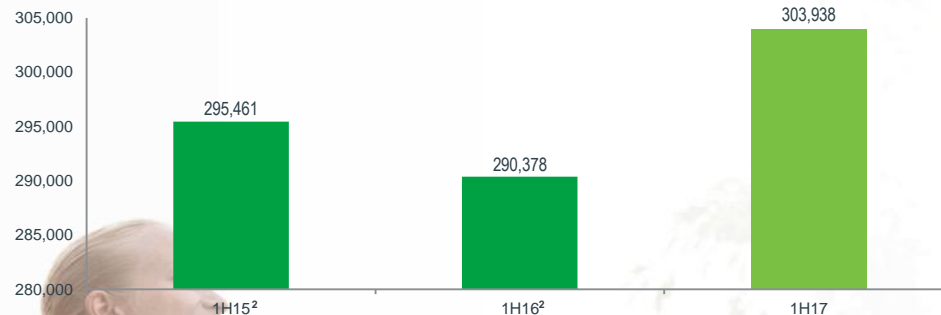
World Nomads Group

Results to date & outlook

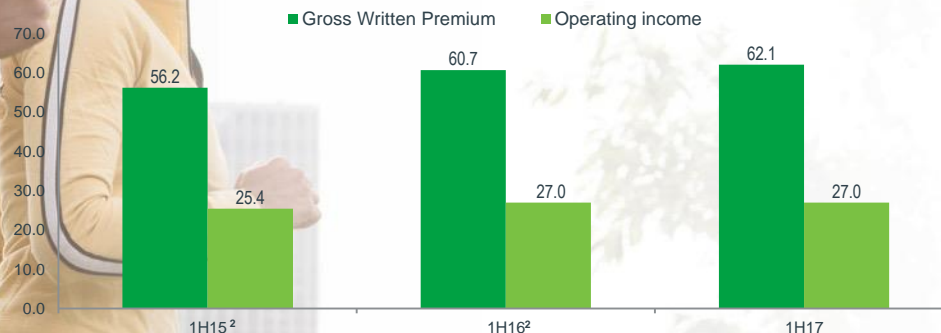


- Business performing soundly under nib ownership.
- 1H17 UOP of \$3.1m (▼ 26.2%) reflects
 - investment being made to expand operations in new markets,
 - negative impact of FX (impacting sales, particularly UK),
 - Soft domestic sales.
- International markets growing strongly, with both US and Canada stand outs. Domestic sales have improved in recent months with 2H17 forecast to be stronger.
- Effort to grow and expand business to continue, particularly targeting international markets, with level of investment to impact UOP in near term.

Policyholder sales (Policies)



GWP¹ and Operating Income (\$m)



1. WNG is a distributor of travel insurance and earns a commission for policies sold, however GWP is shown as it is a key performance metric of the business, noting GWP excludes other sources of income such as Emergency Travel Assistance and Managing General Agent fees.

2. 1H15 and 1H16 are 6 month results showing policyholder sales and GWP prior to acquisition on 31 July 2015.

Potential regulatory reform

Expect any PHI reforms and potential regulatory changes to be a net positive

- Redefinition of minimum cover and introduction of Gold/Silver/Bronze.
- Removal of second tier default benefits.
- Further reductions to prostheses prices.
- Private patients in public hospitals.
- Improved value for rural consumers.
- Deregulation of premium setting.

Push to cut costs of medical devices

EXCLUSIVE
SEAN PARNELL

Health Minister Greg Hunt has called for fresh data on the cost of medical prostheses in public hospitals, signalling that the federal government will consider additional measures to reduce the cost of similar devices in the private sector.

Mr Hunt said in a letter to the committee to recommend further reforms mid-year.

In a letter to authority chairman Shane Solomon, the minister said "there is more to be done in the area of medical devices" and asked for more information, including whether stakeholders in the private sector should be compelled to provide such data.

"The public system has no set price for medical devices and greater competition around purchasing private health insurance pay twice as much as those in the public system, which is then passed through to patients," Mr Hunt said.

committee to recommend further reforms mid-year.

In a letter to authority chairman Shane Solomon, the minister said "there is more to be done in the area of medical devices" and asked for more information, including whether stakeholders in the private sector should be compelled to provide such data.

"The public system has no set price for medical devices and greater competition around purchasing private health insurance pay twice as much as those in the public system, which is then passed through to patients," Mr Hunt said.

health insurance for Australian families."

The Senate committee has received submissions from key areas, including insurers lobby Private Healthcare Australia and prostheses industry body Medical Technology Association of Australia.

In its submission, Private Healthcare Australia, the major funder of devices used in private hospitals, argued the list played an important role in the past but had since become "a disaster for the Australian consumer". "It prevents new entrants into the field, minimises competition, stifles innovation and is the reason that Australians with private health insurance pay substantially more for a medical device than someone in the public system," it said.

Health funds' hit list to save members \$1.5bn

SARAH-JANE TASKER
HEALTHCARE

The private health insurance sector's peak body has outlined measures in its pre-budget submission that it says could save health fund members \$1.5 billion each year.

Private Healthcare Australia told the government that while it understood the climate was not right for sweeping or fundamental reform of the health system, there was a scope to address the sustainability of healthcare through a number of measures.

It said the industry had outlined some measures that would save some \$1.5 billion in premiums each year, including a range of reforms to reduce the cost of medical services, such as increasing competition and transparency, she submission states.

Rachel David, head of the industry body, said she was confident the government's ministerial advisory committee on private healthcare was already looking at some of the issues raised in the budget submission.

"I can't discuss it in detail but our position is being taken seriously and it's the first time it has been taken seriously in some time," she said.

Ms David said there was "not a quick fix" for the sector and while the industry had outlined some measures that would save some \$1.5 billion in premiums each year, it would take time to see the benefits of reforms.

increased competition and transparency," she submission states.

Rachel David, head of the industry body, said she was confident the government's ministerial advisory committee on private healthcare was already looking at some of the issues raised in the budget submission.

"I can't discuss it in detail but our position is being taken seriously and it's the first time it has been taken seriously in some time," she said.

Ms David said there was "not a quick fix" for the sector and while the industry had outlined some measures that would save some \$1.5 billion in premiums each year, it would take time to see the benefits of reforms.

Ms David said there was "not a quick fix" for the sector and while the industry had outlined some measures that would save some \$1.5 billion in premiums each year, it would take time to see the benefits of reforms.

Ms David said there was "not a quick fix" for the sector and while the industry had outlined some measures that would save some \$1.5 billion in premiums each year, it would take time to see the benefits of reforms.

Ms David said there was "not a quick fix" for the sector and while the industry had outlined some measures that would save some \$1.5 billion in premiums each year, it would take time to see the benefits of reforms.

million annually. This would potentially drive premiums up a further 2.5 per cent," the submission said.

Reforming the annual premium increase process was another key recommendation, with the submission calling for an independent statutory authority to monitor premium changes by assessing health funds' adherence to a set of guidelines.

"We would like to move to a system where funds can increase or decrease at different times of the year in response to different signals," Ms David said.

Private Healthcare Australia also raised concerns about legislation that prevented insurers from covering medical services that were provided out-of-hospital and covered by Medicare.

The body called on the government to repeal the legislation with new legislation with the aim of reducing the cost of medical services, such as increasing competition and transparency, she submission states.

Rachel David, head of the industry body, said she was confident the government's ministerial advisory committee on private healthcare was already looking at some of the issues raised in the budget submission.

"I can't discuss it in detail but our position is being taken seriously and it's the first time it has been taken seriously in some time," she said.

Whitecoat

Tackling information asymmetry



- Whitecoat currently reaches 250,000 providers (mostly allied) and 370,000 patient reviews.
- Rapidly expanding to include GPs and medical specialists.
- Entered agreement with BUPA and HBF to join platform. Appointment of Cameron Clyne (Former NAB CEO) as Chairman of Whitecoat.
- Allows insurer/payer to have deeper engagement and provide insurer/payer specific information such as preferred clinical providers and “no gap” arrangements.
- When fully developed will also include accredited clinical performance information including self-reported patient outcomes.
- Additional near term opportunities to automate patient/provider transactions such as fee payment and prescriptions.



Our focus

- 
- Above arhi system growth (target 4-5% pa) through distribution strategy, price competitiveness, improved retention and world class customer service.
 - Grow adjacent non-arhi businesses to create further enterprise value and diversify earnings.
 - Deeper insights across the Group into consumer behaviour, mitigating adverse selection and reducing lapse especially via big data and analytics.
 - Achieve more “bang for buck” for policyholders and ease premium pressures through more sophisticated contracting with providers and risk management of high cost policyholders.
 - Further develop and extend penetration of Whitecoat digital platform. Help consumers make better decisions around treatment and choice of provider and transact with providers. Thereby give consumers another reason to have PHI.

Thank you