

30 October 2019

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

nib holdings limited 2019 Annual General Meeting (AGM) Chairman's Script

nib's 2019 AGM Chairman's script is attached.

Yours sincerely,



Roslyn Toms
Company Secretary

For further information please contact:

Matthew Neat
Head of Corporate Affairs & Investor Relations
T: +61 (0)2 4914 1777
M: +61 (0)411 700 006
E: m.neat@nib.com.au

nib holdings limited (ASX: nhf)
2019 Annual General Meeting – Chairman’s Address
Wednesday 30 October 2019

Ladies and Gentlemen, good morning, my name is Steve Crane, Chairman of nib holdings limited, and on behalf of the nib Board, it gives me great pleasure to welcome you to The Amora Hotel here in Sydney for the 2019 Annual General Meeting.

As I shared in the annual report, 2019 was another year of strong Group financial performance, with earnings up and membership growth across all business segments.

It’s a performance that reflects our ongoing commitment to meeting the needs of our members and travellers.

You will hear from our Managing Director, Mark Fitzgibbon shortly, who will share with you the key performance metrics across our various business segments and our thinking about what lies ahead. Overall I think shareholders should be pleased with fiscal 2019 in what has been, and continues to be, quite tough market conditions.

In the year, total Group revenue rose an impressive 8.3% to \$2.4 billion, mirroring our Group underlying operating profit accretion of 9.2% to \$201.8 million.

Group net profit after tax was \$149.3 million, a gain of 11.8% on the previous year, while statutory earnings per share were up 11.9% to 32.9 cents per share. We were able to distribute seventy per cent of these earnings by way of total dividends to shareholders, of 23 cents per share fully franked, compared to 20 cents per share in fiscal 2018.

nib’s Dividend Reinvestment Plan was also available for the final dividend of 13 cents per share, which was paid on 30 September this year. We know the option of a DRP still remains one of the most frequent requests from our shareholders.

There’s little doubt our performance since nib demutualised and listed on the ASX in 2007 has delivered good returns for our 138,000 shareholders, many of whom are still nib members. As a Board, we take great pride that approximately 65% of our current shareholders are still nib health fund members today, after receiving shares in the company on our demutualisation.

And as we’ve always emphasised, continuing to deliver great value products and service to our members aligns totally with our obligations to shareholders. We don’t believe you can have one without the other.

Our total shareholder return since 2007 is over 1,700%, compared to 66% for the ASX200 as at 30 June 2019.

A shareholder who invested \$1,000 in nib shares at the time of our listing would now have a shareholding valued at approximately \$8,000, plus dividends.

Today our market capitalisation is approximately \$3.2 billion, compared to \$440 million when we listed. We are now included in the S&P ASX100 index, reflecting this growth, and nib’s place in the Australian market.

Not that we are for a moment resting upon our laurels. We know past performance is no guarantee of future success. We remain as focused as ever on our purpose of “your better health”.

Fulfilling our purpose has us delivering an increasing range of products and services. During FY19, nib helped fund almost 3.9 million ancillary visits such as a visit to the dentist or optometrist, more than 333,000 hospital admissions and processed almost 24,000 travel insurance claims. Our largest single health fund member claim for the year was just over \$310,000.

We also helped fund approximately 35,000 rehabilitation admissions, more than 3,300 births and in excess of 4,500 knee and hip replacements. In total, we had approximately 2,300 members with claims greater than \$50,000 for the year. All in all, we paid out a record \$1.8 billion in claims during the year.

And while we're there to help fund treatment when our members need it, we're also doing more to assist our members to make better healthcare decisions, and if they do need treatment, aiding them to recover as quickly as possible.

There's no better example of this than our Clinical Partners program in the Hunter Region, which provides our Australian resident health insurance members with a guarantee of 'no out-of-pocket expenses' for knee and hip replacement surgery. These members can also access home rehabilitation programs ensuring a speedy at home recovery. To date, over 280 members have either enrolled, are undergoing or have completed surgery as part of the program. And based on the success we hope to expand the program to other regions and include many other surgical procedures.

Similarly, in New Zealand we're tackling medical cost variation head on with our First Choice Network. Our First Choice Network takes away cost uncertainty for our members by offering a network of medical professionals that agree to provide services and treatment within a determined price range.

When a nib member visits a First Choice provider, it means 100% of their approved costs are covered, meaning no additional out of pocket costs. Based on this program's success, we announced plans during the year to expand the First Choice Network to include additional medical treatment for different specialties.

Mark will talk about this some more, but it's an exciting time within the healthcare sector generally and for private health insurance. As healthcare pivots towards a technologically-charged future, one that is more focused on prevention rather than just finding cures, expect nib to be at the vanguard. In the months and years ahead, you'll hear much more about how we see our place as fast moving leaders.

Still that's not to suggest there aren't many near term challenges. We're not immune to macro-economic factors in Australia and New Zealand and globally, particularly the question of affordability.

And as you're probably well aware there's been no shortage of political and media cynicism. Some unreasonable but some warranted. For example, the incidence of out of pocket costs for our members, and indeed the entire population.

The high level of out of pocket costs is especially a blight on our Australian healthcare system, and now accounts for about \$30 billion or 17% of Australia's total health spending. However, there are a number of factors that explain the predicament for those with private health insurance, high medical fee variation amongst doctors is an issue. For example, we know the fee for a prostatectomy

ranges from just over \$1,900 up to more than \$17,000 for the exact same treatment and from what we can discern the same clinical outcome.

This cost variation not only places pressure on individual members but the entire member population with premium increases.

We are working hard to redress this and other issues. Members are now able to call us, go online or check with their GP the fee practice of doctors. And as I mentioned earlier, our pilot in Newcastle is very deliberately guiding members to a no out of pocket experience, if that's what they want.

Another important development during fiscal 2019 was the Commonwealth Government's PHI Reforms. nib was quick off the mark to make changes, and has already seen about 54,000 members actually reduce their premiums through the age-based discount, plus another 15,000 policies elect a higher \$750 front end deductible.

More generally, we have worked hard to keep premium growth down notwithstanding Australia's ageing population. In Australia, the premium increase this year was the lowest in 16 years, and the fifth consecutive year we've delivered an increase that is lower than the previous year.

We're also cognisant that companies and some industries are being scrutinised for their various environmental, social, governance and ethical practices.

I can assure our shareholders the productive relationship we have with regulators and industry stakeholders is not limited to our Australian operations. Our broad geographic operating environment means we apply a Group-wide risk governance approach to meet all our obligations with global regulators.

For nib, our sense of community and being a good corporate citizen is part of our heritage, dating back to when nib was established more than 65 years ago as a sick and hospital fund for workers and their families at Newcastle's BHP Steelworks.

Pleasingly, the purpose and values the founders of our business used to establish nib back then are still very much part of our culture and DNA today. Through our success, we aspire to more prosperous and sustainable communities, not only the creation of enterprise value. Mark will share further detail on our sustainability progress during the year, which highlights our ongoing commitment to helping make the world a better place.

As shareholders may recall, at the 2017 Annual General Meeting, nib shareholders overwhelmingly approved amending our Constitution to allow dividends, which had been unclaimed for five years, to be donated to our charitable organisation, nib foundation. Prior to this change, unclaimed dividends had to be transferred to the NSW Office of State Revenue.

The change in our Constitution, which we still think is a first for corporate Australia, means unclaimed dividends are better utilised and put to work by directly funding charitable organisations or initiatives to support community-focused health and wellbeing initiatives.

Since this change was made, over \$1.3 million has been donated to the nib foundation. And today, I am very proud to announce to our shareholders, just how those funds will be put to work.

Over the next four years, nib foundation, using funds from unclaimed dividends, will contribute \$1 million in funding towards closing the health and life expectancy gap between Aboriginal and Torres Strait Islander peoples and non-indigenous Australians.

It's just not good enough that today the life expectancy gap between indigenous and non-indigenous Australians is more than 10 years difference.

What makes this funding announcement exciting is that our foundation will be joining forces with the collective support of the nib Group to work together to help drive real change amongst the communities in which we operate.

The money will be used to fund a suite of community partnerships and commissioned services, and with the expertise of the nib Group, we will develop and deliver targeted population health and wellness programs to tackle and help narrow this health gap.

Our foundation already has some experience in this field, successfully investing \$350,000 in recent years in seven Aboriginal youth mental health and wellbeing initiatives through our Community Grants.

However, we don't for a second pretend to have all the answers and will be looking to partner with Aboriginal Community Controlled Health Organisations and other experts in this field as we build our understanding of current community needs and best practice response.

We will then trial and deliver specific projects, as well as leverage our existing partnerships such as with the Richmond Football Club, who are leaders in terms of cultural awareness, holding elevate RAP status and hosting a suite of Indigenous-led initiatives designed to support and empower young Aboriginal and Torres Strait Islanders to lead and thrive.

This is an exciting funding initiative and we look forward to sharing our progress with shareholders as we progress.

I would like to recognise the great work of our foundation, including Chairman, Judi Geggie and Executive Officer, Amy Tribe who are here today as well as the entire volunteer Board of Trustees for their strong and unwavering sense of community.

In summing up, while our financial and operating results reflect solid commercial and strategic execution across all parts of the business, they have not been without challenge and subject to appropriate discussion and interrogation by your Board.

I would like to thank my fellow Directors, our Executive team and all of our wonderful employees across the nib Group for their ongoing commitment and sense of purpose to helping deliver another successful year.

I would like to now introduce Managing Director, Mark Fitzgibbon, who will provide his summary of the year and outlook for the period ahead.

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