

30 April 2019

ASX release

Presentation to the Macquarie Australia Conference – 30 April 2019

Medibank Private Limited CEO, Mr. Craig Drummond, will be delivering the attached presentation at the Macquarie Australia Conference on 30 April 2019.

For further information please contact:

Peter Kopanidis
Senior Executive, Corporate Finance
T: +61 3 8622 5451
Email: peter.kopanidis@medibank.com.au

Macquarie Australia Conference

Craig Drummond

Chief Executive Officer

Tuesday 30 April 2019

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Summary of 1H19 results

Solid performance delivering better outcomes for customers alongside sound returns for shareholders

Health Insurance
operating profit

\$281.5m

↑ 1.5%

Medibank Health¹
operating profit

\$12.6m

↑ 38.5%

Group NPAT

\$207.7m

↓ 15.4%

Interim dividend

5.7cps

↑ 3.6%

Health Insurance result reflects:

- Good momentum in policyholder growth with approximately 13,000 new resident policyholders since 30 June 2018 as at 31 March 2019
- Continued improvements in customer advocacy leading to strong recovery of the Medibank brand and improved retention
- Efficiencies from our productivity program
- Subdued hospital claims growth due to changing case mix, savings from Medibank at Home program and improved hospital contracting outcomes

Medibank Health result reflects:

- Strong growth in diversified insurance
- Four-month contribution from Home Support Services (HSS)

Net investment income \$4.1m, down from \$59.7m in 1H18 and in-line with relevant indices

- FY19 March YTD Investment Income of \$64.2m

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Milestone scorecard summary

Good progress with all milestones on track and a new Medibank Health milestone set beyond FY19¹

Customer advocacy



Objectives

Drive Service and Customer NPS for Medibank and ahm to be best in class²

By 2020 every Medibank customer³ has at least one health interaction⁴ through the year with our company

Medibank at Home



More than double the number of customers receiving Medibank at Home⁵ services in FY19

Medibank Health



More than double Medibank Health's segment share of operating profit from FY16 to FY19

Productivity



3 year target of \$60m

We expect to provide an update on additional productivity initiatives at the FY19 result

Highlights

Avg Service NPS:

	1H18	1H19
Medibank	+15.6	+23.6
ahm	+30.4	+35.5

PHIO complaints:

1H19: 21.0% share

Customer health interactions:^{3,4}

1H19: c. 670k, FY19 target: c. 1.5 million

Customers receiving Medibank at home:

FY18	1H19	FY19
936	1,004	target 2,000

Medibank Health's segment share of operating profit:

FY16	FY17	FY18	1H19
4.6%	6.7%	8.1%	9.3%

Revised milestone:

To organically replace the reported FY18 operating profit of Garrison by FY22

FY18:

\$20m productivity delivered

FY19 – FY20:

On track to deliver \$20m in productivity in FY19 and FY20

¹ Please refer to Medibank's 1H19 Results Presentation for details of all milestones including the milestone to grow market share in FY19

² Against major private health insurance peers (Bupa, HCF, nib) by the end of CY19

³ Based on number of policyholders that consent to contact for marketing purposes, some exclusions may apply. Excludes new joins and customer lapses over the period

⁴ Includes CareComplete, Medibank at Home, Health Concierge, Health Advice Line, and personalised health communications

⁵ Excludes Home Support Services (HSS) which was acquired by Medibank on 29 August 2018

Positioned to win in PHI

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Private Health Insurance

We have a clear strategy to deliver an exceptional customer experience through differentiated products and services

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Healthier, Supportive, Value



Simple, Easy, Affordable

Differentiation

Personalising the customer experience

- Strengthening of digital member services for both brands
- Automate platform to drive proactive, personalised contact and support

Recognition and reward through health and wellbeing program

- Rolled out Medibank's Priority program, recognising our most loyal customers
- Medibank Live Better – rewarding members for healthy choices

Health support and services

- Expanded Health Concierge and Hospital Assist tools to include additional services and channels
- Health promotions expanded to include new campaigns
- Roll-out of in-home care for Medibank customers

Value

Product value

- Lowest average premium increase in 18 years
- Reinforcing product differentiators through reform changes
- Segment focused Right Cover program continues

Better value networks

- Launched new Members Choice Advantage dental network in January 2019

Contracting with healthcare providers

- Continuing to progress value based purchasing to deliver the best customer outcomes
- Working with government and private providers to drive structural health system changes

Growth

Resident policyholder growth

- Maintaining momentum in turnaround within the Medibank brand
- Dual brand retention program continues

Non-resident customers

- Strategy to differentiate through service, product (health and wellbeing) and partnerships

Partnerships

- Continued investment in partnerships to broaden and strengthen relationships

Acquisitions

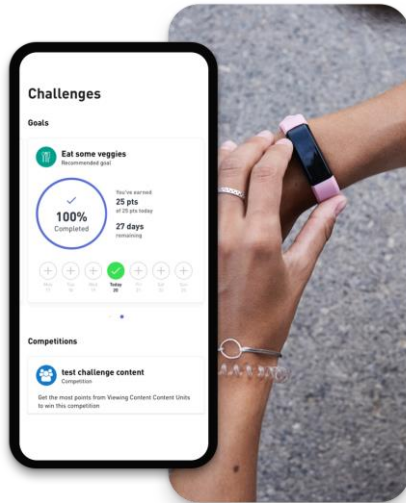
- We will consider acquiring a PHI business in a stressed operating environment

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Medibank Live Better

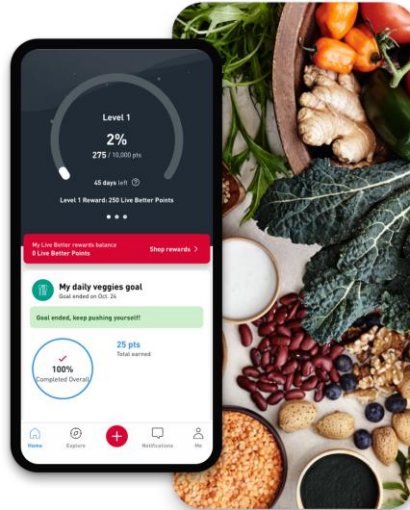
Rewarding members for healthy choices

01 Track



Track everyday healthy actions

02 Earn



Earn Live Better Points

03 Rewards



Redeem on a range of great rewards,
like savings on your health cover



Eat better



Move better



Feel better

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Medibank Live Better

Partnering with a range of leading health and wellbeing brands



Eat better



Move better



Feel better

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Health system reform

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2019 Reform

Reform is a real opportunity to improve the transparency, simplicity and affordability of PHI

Mandatory reform		Optional reforms	
gold / silver / bronze / basic product standardisation ¹	Young adult discounts	Higher excess	Rural and regional travel allowances
Outcomes			
<ul style="list-style-type: none"> Customers will have more informed choices and be more easily able to compare products across funds 	<ul style="list-style-type: none"> Improves affordability among younger customers Discount is expected to be largely offset by overall policyholder growth and customer retention 	<ul style="list-style-type: none"> Provides a lower price point improving affordability for customers Lower premiums will be partially offset by policyholder growth and improved customer retention 	<ul style="list-style-type: none"> Provides an additional benefit for customers with hospital cover who have to travel more than 200km for treatment
Implementation update			
<ul style="list-style-type: none"> To date, 54% of our policyholders have transitioned to new products 	<ul style="list-style-type: none"> c. 150,000 customers have been given a discount of up to 10% from 1 April 2019 	<ul style="list-style-type: none"> Lower take up than expected at this stage 	

- Our customers are still working through understanding the recent changes associated with reform and what they mean for them
- Combined with lower rate rises for 2019, since 1 April, we have seen higher than expected retention, but also lower levels of acquisition
- We expect no material ongoing financial impact of Gold / Silver / Bronze / Basic and our implementation approach has been designed to minimise disruption to customers

Private Health reform

To make the private health system more sustainable, more reform is needed

Positioned to win

- IT capability to deliver on a project of this scale
- Grown our business for the first time in a decade whilst being in a state of reform
- Management and frontline delivering for our customers

More reform is needed

- Australia's demography is changing and the demands on our health system will only increase
- New solutions are needed – especially to manage and prevent chronic disease
- Both major political parties recognise that more must be done
- To make the system sustainable, additional reform is required to:
 - Address out-of-pocket costs for consumers
 - Promote greater cost and quality transparency for patients
 - Tackle higher than necessary prostheses prices
 - Deliver alternative models of care, particularly for chronic disease
- We will continue to advocate on behalf of our customers, but private health insurers cannot solve these problems alone

Outlook

Outlook: unchanged

- Expect flat overall PHI market volumes to persist
- On the current policyholder trajectory we expect to see Medibank brand volumes stabilise by the end of FY20
- Hospital and extras utilisation growth is expected to remain subdued for the remainder of FY19
- Management expenses for FY19 are targeted to be modestly above those recorded in FY18. We expect to provide an update on additional productivity initiatives at the FY19 result
- Expect our dividend payout ratio to remain at the top end of our stated target range of 70-80%
- We will look to provide an update on our capital management settings at the FY19 result, subject to APRA's industry consultation process
- In the short to medium term we see the potential to make 1-2 more small acquisitions to build our health services capability
- We will consider acquiring a PHI business in a stressed operating environment
- While the operating environment in FY20 is likely to be challenging, we are confident with our plans leading into the likely lower rate rise environment and see future reform as critical to promoting industry sustainability. Our intention is to aspire for stronger growth in volumes at a reasonable margin, while retaining ongoing tight control of our MER

Questions