

ASX release

2 May 2023

Presentation to the Macquarie Australia Conference and FY23 outlook update

Medibank Chief Executive Officer David Koczkar will be delivering the attached presentation at the Macquarie Australia Conference which includes an update to Medibank's FY23 outlook.

This document has been authorised for release by the Board.

For further information please contact:

For media

Emily Ritchie
Senior Executive, External Affairs
M: +61 429 642 418
Email: Emily.Ritchie@medibank.com.au

For investors/analysts

Colette Campbell
Senior Executive, Investor Relations
T: +61 475 975 770
Email: investor.relations@medibank.com.au



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Macquarie Australia Conference

David Koczkar – Chief Executive Officer

2 – 3 May 2023

Important notice

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Abbreviations and acronyms used throughout the presentation may be found in the glossary.

Acknowledgment of Country

Medibank acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of this nation.

We proudly recognise Elders past, present and emerging as the Traditional Owners and Custodians of the lands on which we work and live.

We're committed to supporting self-determination and envision a future where all Australians embrace Aboriginal and Torres Strait Islander histories, cultures and rights as a central part of our national identity.

Stable resident policyholder growth

- Industry growth remains strong with a continuation of factors supporting participation
- Service NPS recovery in both brands
- FYTD policyholder growth of 0.4k policyholders or 0.02% (as at 31 Mar 23)
- Expect a strong 4Q, with positive momentum leading into FY24
- Expect to announce a further customer give back before 30 Jun 23

Strong growth in non-resident PHI with growing relevance to Medibank

- Strong rebound in student, worker and visitor visas
- Strong FYTD policy unit growth of 62k, to 258.5k policy units (as at 31 Mar 23)
- Differentiated offerings, investment and future partnerships will support further growth

Megatrends in health will continue to drive patient-centric outcomes

- Greater adoption and access to new care settings provides Australians with more choice, value and control of their health
- Medibank is evolving its relationship with partners

Our vision is to create the best health and wellbeing for Australia

- Our strategy continues to meet the changing needs of customers while generating value for shareholders and bringing about much needed change in the health system
- We continue to expand our reach in health in both the private and public system, building strong relationships with multiple health providers with new relationships including:
 - JV with Aurora Healthcare to deliver an innovative integrated mental health care model
 - GP-led initiative referring Myhealth patients to Medibank's Type 2 Diabetes Program
 - North Coast Health Connect, offering Coffs Harbour residents virtual healthcare

Cybercrime update

- Medibank has been provided with Deloitte's findings from their external incident review
- Deloitte made recommendations to enhance Medibank's IT processes and systems, a number of which have already been implemented
- At this stage we do not expect a material increase to recurring IT costs resulting from the cybercrime

Stable resident policyholder growth

We will maintain our disciplined approach to growth in a highly competitive and growing market

Industry growth remains resilient

Industry growth continues

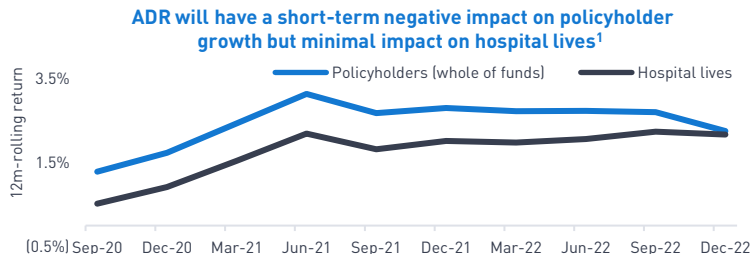
- Expect FY23 industry policyholder growth of c. 2% (FY22: 2.7%)
 - Estimate Adult Dependent Reform (ADR) will reduce FY23 industry policyholder growth by c. 0.4% (not in prior period) – ADR will not impact hospital lives insured
 - Impacted by Medibank performance in Q2
- Subdued switching continues
- Strong growth in hospital lives continues with some recent softness in extras-only

ADR expected to be positive for long-term industry growth and quality

- Increased retention for customers turning 25 who remain on their family's policy
- Expect impact to be fully realised in 5 years
- Increased continuity of cover when customers turn 31

Factors supporting continued participation

- **Environmental factors:** Population growth, strong wage growth and low unemployment
- **Industry factors:** Increasing consumer spending on health and public system still under strain
- **Affordability:** Low premium increases with continued COVID give-backs to help address cost of living challenges



¹ APRA quarterly private health insurance statistics. Updated February 2023

Medibank recovery tracking as expected

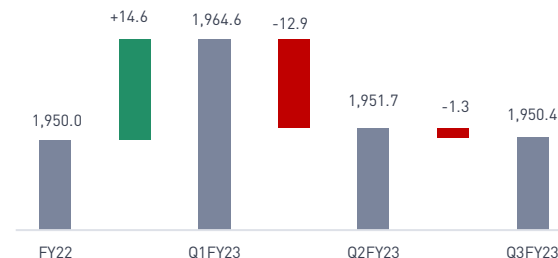
Policyholder growth stabilising

- FYTD policyholder growth of 0.4k policyholders or 0.02% (as at 31 Mar 23)
 - Similar ADR impact to industry - however retained an additional c. 18k adult dependents
- FY23 downgrading not expected to exceed 1H23 (70 bps)
- Expect a strong Q4 and on track to achieve FY23 policyholder growth outlook

Well positioned to grow beyond FY23

- Service NPS recovery in both brands, exceeding benchmark levels
- Lapse intent is at pre-cybercrime levels
- Expect to announce further customer give backs before 30 Jun 23
- Well-positioned to address cost of living concerns and health needs through continued investment in our dual brand proposition

Policyholder volumes ('000) have started to stabilise



Strong growth in non-resident PHI

Key future growth pillar

Non-resident market is recovering and growing

Strong growth in student, worker and visitor market segments

- Working visas exceed pre-COVID levels
- Strong rebound in student and visitor visas

Factors supporting continued growth

- Australia's continued immigration strategy
- Recovery in international student arrivals, particularly from China and India
- Visitor arrivals expected to surpass pre-COVID levels by 2025

Primary visa holder data¹ shows a recovery in international students and workers coming to Australia



¹ Workers segment includes key contestable visa categories eligible for Medibank's Overseas Workers Health Covers. Bridging visa holders in Australia excluded from all segments. Source Data.gov.au, accessed May 2023

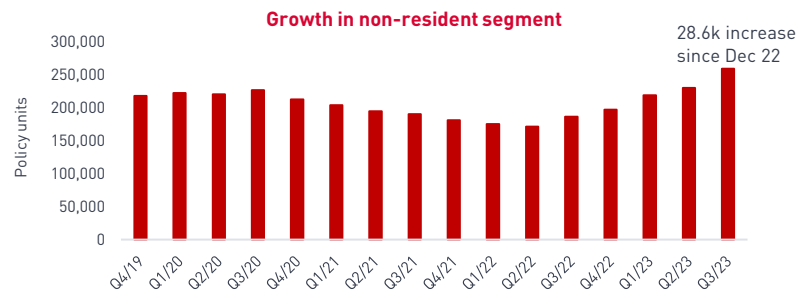
We will continue to invest for growth

Policy unit growth accelerating since June 2022

- FYTD policy unit growth of 62.0k to 258.5k (at 31 Mar 23)
 - 3-month growth of 28.6k policies vs. 1H23 growth of 33.4k
 - On track for FY23 to have the highest joins in 5 years
- Strong growth in international student policies
 - Underpinned by university account wins
 - Supports future growth as customers transition to other visa subclasses
- Uplift in workers and visitors segments with strong digital joins
- We now expect FY23 non-resident gross profit to approximately double from FY22, which will result in a similar benefit to PHI gross margin as the first half

Well positioned to grow beyond FY23

- Continue to differentiate our products and services and improve product value through integrated health offerings and additional investment
- Opportunity to win share in workers segment where under indexed



Short stay model of care will benefit the entire health system

Megatrends in health will continue to drive patient-centric outcomes

Consumerisation of health



The shift to prevention



The rise of new care settings



Outcome-based care



Short stay – joint replacement example

Customer needs

- Choice of care
- Transparency, reduction or elimination of out-of-pocket costs
- Reduction in hospital stays where clinically appropriate

How we respond

- Partnership with specialists and hospitals
- Integrated into a wide range of hospital covers
- No gap joint replacement program is locally available to 65% of Medibank customers¹
- c. 4% of Medibank's joint replacement procedures are now through short stay model (FY21: 2.2%)

Customers

- Value and choice where clinically appropriate
- Better customer experience through shorter hospital stays and no gap offering

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- Supports retention through better customer experiences
- Reduces benefit outlays
- Participation in this market segment through hospital investments

Health system

- Frees up resources for more acute needs
- More affordable care supports overall participation

Short stay model will bring positive impacts

Standard care pathway → Short stay model

Customer impacts

Patient satisfaction²

NPS 55.2

NPS 71

Out-of-pocket savings

c. \$1.4k per episode of care

Costs per episode of care

Hospital stay costs

Lower due to average length of stay reducing by 50%²

Medical specialists

Higher payment to specialists to eliminate customer out-of-pocket costs

Rehab costs

In-hospital (c. \$9,000)

At-home rehab (c. \$2,800)

Prosthesis costs

c. \$7.5k
(22%-25% of overall cost)

c. \$7.5k
(28%-31% of overall cost)

Overall costs

c. \$30k-\$33k

c. \$24k-\$27k

Long-term opportunities

- Gaining efficiencies with less need to invest in in-patient rehab facilities
- Capex can be directed to develop fit-for-purpose healthcare settings
- Opportunities to bring prosthesis costs down through reform

¹ Medibank customers live within 25km of a no gap site

² KPMG, Medibank facilitates a sustainable healthcare system. July 2022

Medibank is evolving its relationship with partners

Megatrends in health will continue to drive patient-centric outcomes

Consumerisation
of health



The shift to
prevention



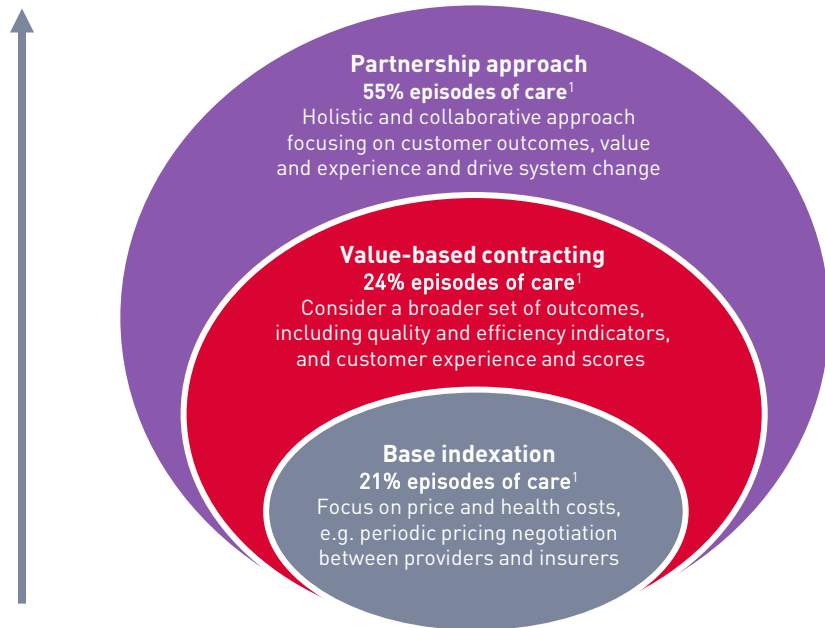
The rise of new
care settings



Outcome-based
care



The evolution of hospital contracting



The new framework of hospital contracting bringing multiple benefits with a focus on:

Improving customer outcomes

- e.g. improve transparency and reduce out of pocket costs when clinically appropriate through our no gap network

Alignment of commercial benefits between all parties

- e.g. certainty of funding, cash flows and returns and incentives to reduce waste

Sharing of benefits under the partnership approach

- Benefits may be shared, such as:
 - Rehab referral outside an acute setting
 - The move to same day procedures
 - Adoption of alternative care settings
 - Prosthesis reform

Driving health system benefits

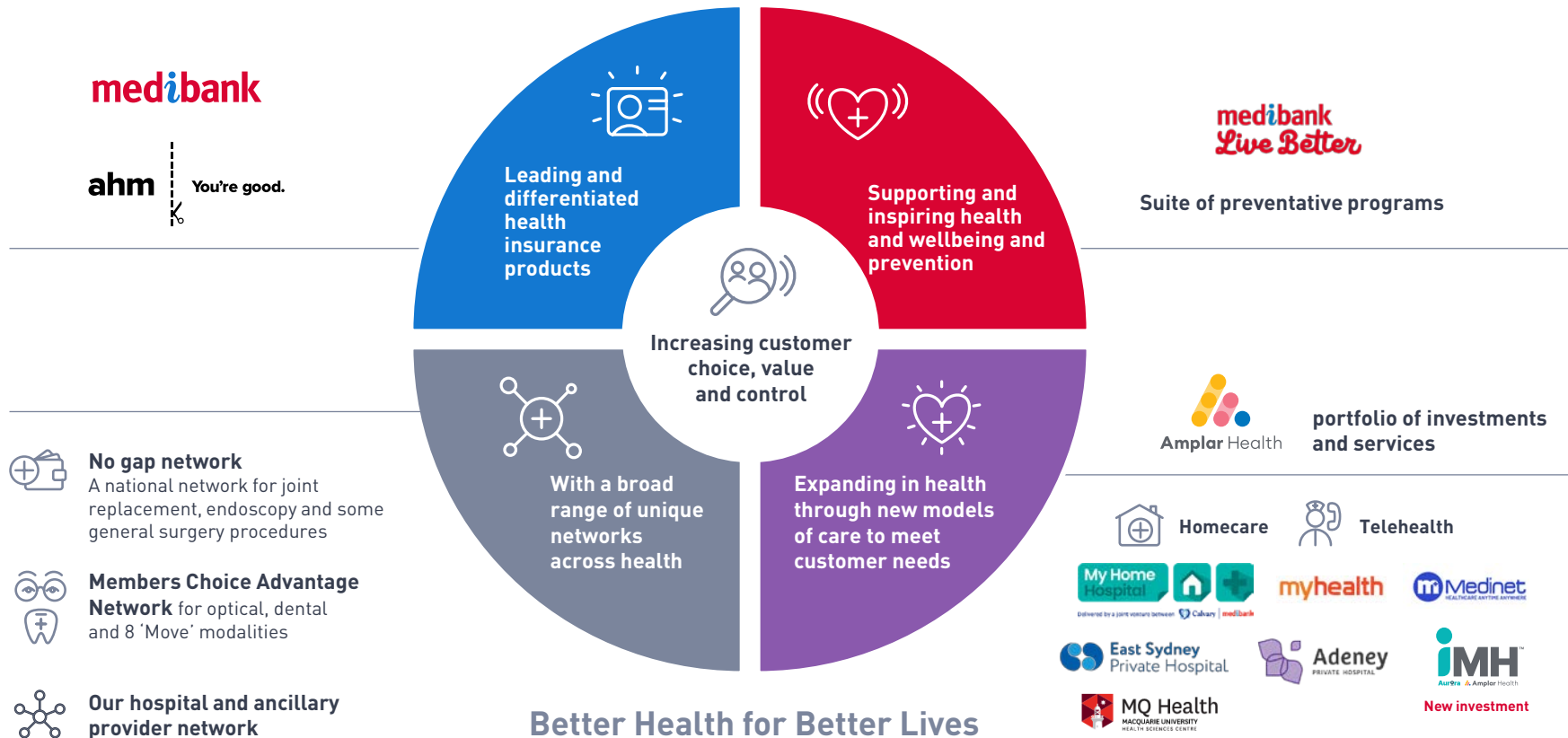
- e.g. accelerate and scale new care models, addressing health needs and driving system sustainability

The principles of this new approach can be applied to other health partnerships

Our vision is to create the best health and wellbeing for Australia

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We are uniquely positioned to support customers and grow with the collective strength of our products and offerings



FY23 outlook update

As presented at 1H23 Results

Updates

| | | | |
|--|-------------------------------------|--|--|
|  | Customer relief | We continue to assess claims activity and any permanent net claims savings due to COVID-19 will be given back to customers through additional support in the future | Expect to announce a further customer give back before 30 June 2023 |
|  | Resident policyholder growth | We expect resident policyholder growth of approximately 0.5%-0.75% assuming recent trends continue and a modest decline in industry growth rate in FY23 relative to FY22 | <ul style="list-style-type: none"> • No change • FYTD policyholder growth of 0.4k policyholders or 0.02% (as at 31 Mar 23) |
|  | Claims | Underlying claims per policy unit growth of 2.3% for FY23 among resident policyholders | <ul style="list-style-type: none"> • No change • Whilst there has been a modest uplift in cash claims paid since 31 Dec 22, they remain significantly below our underlying claims expectations |
|  | Non-resident growth | Non-resident gross profit in 2H23 expected to be higher than 1H23 | <ul style="list-style-type: none"> • FY23 non-resident gross profit expected to approximately double from FY22, which will result in a similar benefit to PHI gross margin as the first half • FYTD policy unit growth of 62.0k to 258.5k (at 31 Mar 23) |
|  | PHI management expenses | FY23 management expenses expected to be c. \$560m <ul style="list-style-type: none"> • FY23 underlying MER not expected to be above FY22 • Target \$30m productivity savings in FY23-FY25, including \$10m in FY23 | No change |
|  | Cybercrime costs | Non-recurring FY23 cybercrime costs expected to be \$40m-\$45m <ul style="list-style-type: none"> • Includes non-recurring investment in IT security • Excludes further potential customer and other remediation, regulatory or litigation related costs | <ul style="list-style-type: none"> • Non-recurring FY23 cybercrime costs expected to be at the top end of the \$40m-\$45m range • At this stage we do not expect a material increase to recurring IT costs resulting from the cybercrime |
|  | Growth | Targeted organic and inorganic growth for Medibank Health and Health Insurance remain areas of focus, supported by a strong capital position | No change |



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Appendix

Our health investments

| Target markets | Investments | Ownership interest (%) | Description | Benefits to Medibank |
|---------------------------------|---|------------------------|--|--|
| Primary care | Myhealth Medical Holdings Pty Ltd | 49% | <ul style="list-style-type: none"> Medibank acquired a non-controlling interest in Myhealth Medical Group for c. \$63m in 2021 | Support preventative health and GP-led proactive care management |
| | Medinet Australia Pty Ltd | 3.85% | <ul style="list-style-type: none"> Medibank invested \$10m in health tech company Medinet in 2022 and has 28.5% of the voting rights Medinet provides platform helping GPs to connect with their patients | Continue to grow our virtual care capabilities |
| Homecare | Calvary Medibank JV Pty Ltd | 50% | <ul style="list-style-type: none"> Since 2020, the JV has been providing My Home Hospital program for Wellbeing SA and COVID Care At Home in a number of states | Continue to grow our homecare capabilities |
| Hospitals, including short stay | East Sydney Day Hospital Pty Ltd | 49% | <ul style="list-style-type: none"> Medibank's initial investment of \$8.8m in 2020 to fund capital investment and operational costs required for the hospital to scale its short stay model of care | Expand our hospital investments |
| | Adeney Private Hospital Pty Ltd | 49% | <ul style="list-style-type: none"> The JV between a group of doctors and Medibank will establish a new short stay surgical facility in Kew Melbourne Medibank's contribution to date is \$6.2m, with a further commitment of \$2.8m, totalling \$9m Expected to open in mid 2024 | |
| | SydOrtho Holdings Pty Ltd (holding company) supporting MQ Health to establish a surgical facility | 50% | <ul style="list-style-type: none"> Medibank invested \$1.5m (with a total commitment of \$14.8m) in 2022 to establish a JV with orthopaedic surgeons to support the establishment of an orthopaedic surgical centre at Macquarie University Hospital MQ Health is contributing the floor space, with the centre to operate as an integrated part of the hospital | |
| | Integrated Mental Health Pty Ltd (iMH) | 50% | <ul style="list-style-type: none"> A JV with Aurora Healthcare to deliver an innovative integrated mental health model that extends hospital care to incorporate additional support services in home and community settings The JV will initially invest \$31m into three hospitals delivering a combined 153 new mental health beds and comprehensive out-of-hospital support | |

Glossary

| Term | Definition |
|--------------------------|---|
| 1H | Six months ended/ending 31 December of the relevant financial year |
| 2H | Six months ended/ending 30 June of the relevant financial year |
| Adult Dependent Reform | Reform that allows adult dependents to remain on their parents private health insurance policies until they turn 31 |
| APRA | Australian Prudential Regulation Authority |
| bps | Basis points (1.0% = 100 bps) |
| Downgrading | The difference between the average premium rate rise and revenue growth per policy unit |
| FY | Financial year ended/ending 30 June |
| Health Insurance | Includes both resident and non-resident |
| Hospital Lives | The number of people in Australia who are covered by resident private health insurance hospital product |
| Live Better | A Medibank program to inspire people to lead a healthier and happier lifestyle, with tools and rewards (for eligible members) to motivate people |
| Members Choice Advantage | An enhanced network of ancillary providers where customers can enjoy better value on eligible extras services. Includes dental and optical providers, physiotherapy, chiropractic, podiatry, acupuncture and remedial massage |
| MER | Management expense ratio |
| Non-resident PHI | Overseas visitor, working visa and student health covers |
| PHI | Private Health Insurance |

| Term | Definition |
|-----------------------|---|
| Policyholder | The primary person who is insured under a private health insurance policy (other than in relation to overseas students or visitors), who is not a dependent child, and who is responsible for paying the premium |
| PSEUs or policy units | Policy Single Equivalent Units are used by Medibank as a standard measure of income units. They take into account the number of adults on a policy, and whether they have Hospital Cover or Extras Cover or both. For example, a household with two parents and three children, all of which had both Hospital and Extras Cover, would represent four policy units (2 adults x 2 types of Cover = 4). This measure includes residents and non-resident policies and only adult insureds are typically counted in the calculation of PSEUs |
| Resident PHI | Hospital and/or extras cover for a compliant health insurance product |
| Service NPS | Service net promoter score. A measure of the likelihood of an existing customer to recommend the brand immediately following a service interaction |