

14 March 2016

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

Presentation to J.P. Morgan Investment Forums – March 2016

Attached presentation delivered by nib at the J.P. Morgan Investment Forums (14 and 15 March 2016).

Yours sincerely



Michelle McPherson
Company Secretary/Chief Financial Officer



IT'S GOOD TO BE
HUMAN

**J.P. MORGAN
INVESTMENT FORUMS**

MARCH 2016

nib

Agenda



Healthcare in Australia



About nib



Business Strategy



Key performance metrics and outlook





Healthcare in Australia

Growth in healthcare spending driven by; **wealth effect, ageing, rise of chronic disease, cost of new technology, supply induced demand and moral hazard.**

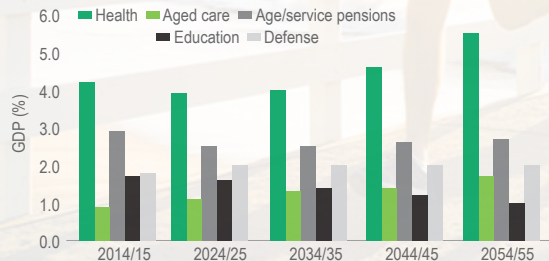


\$154.6b
2014 | Australian healthcare spending (\$b)

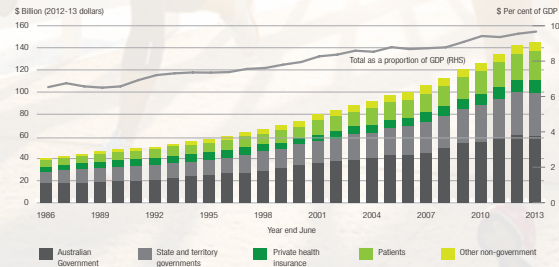
Components of healthcare spending



Australian treasury projection (Commonwealth spending)



Australia's health expenditure has been growing












Source: AIHW 2014 Health Expenditure Australia





The role of Private Health Insurance (PHI)

What PHI does and doesn't cover

		Covered	Not covered
	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	✓	

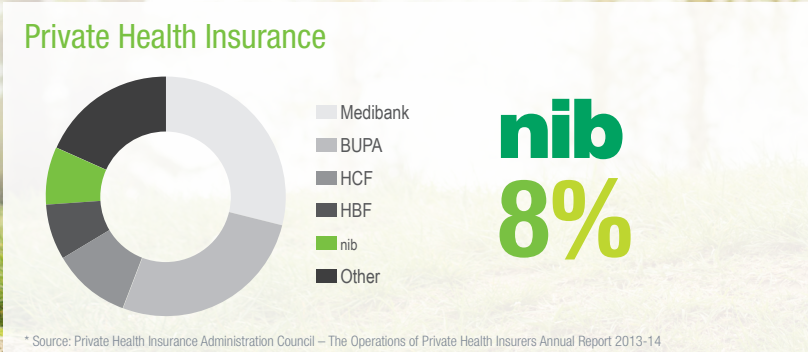
Australian PHI growth drivers:
 Increasing wealth and favourable economic circumstances
 Dissatisfaction with public system and rationing
 Competition and investment in marketing and growth
 Government “sticks and carrots”





PHI structure in Australia

- There are currently 34 private health insurers operating in Australia.
- Top five PHI players represent 83% of the polices nationally.
- For profit insurers make up around 68% of the industry.
- Direct to Consumer (DTC) accounts for ~85% sales.
- Policies are community rated (i.e. not risk rated).
- Approximately 56% of population have private health insurance.





About nib (ASX: NHF)

FY15 Group premium revenue of \$1.63b, operating profit of \$81.7m, net profit after tax of \$75.3m

More than 1,000 employees in Australia and New Zealand

Australia's 4th¹ largest private health insurer, New Zealand's 2nd largest private health insurer

Market capitalisation ~\$1.8b (439m shares on issue, 75% retail: 25% institution)

Approximately 1.3 million customers throughout Australia and New Zealand

PHI markets

- Australian residents
- New Zealand residents
- International workers
- International students

Other markets²

- Travel Insurance
- Life Insurance
- nib Options - Medical travel (launched in March 2014)

Recent M&A

TOWER Medical Insurance Limited acquired November 2012 for approximately \$73m (purchase price was \$81.3m, which included \$7.9m in surplus capital, which equates to approximately \$73m)

World Nomads Group acquired July 2015 for total consideration of \$95m (Australia's third largest distributor of travel insurance)

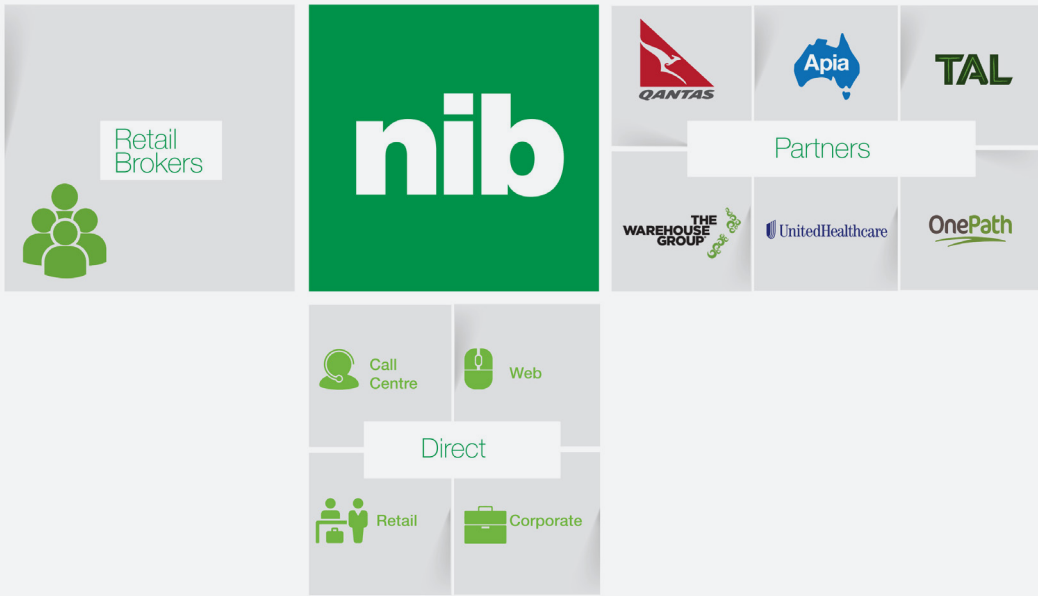
OnePath Life (NZ) policyholder book acquired December 2015 for approximately \$22.4 m.

1. Includes international students and workers.
2. Non-underwriting businesses





Multi channel strategy – Continuing to expand our distribution reach





Business Strategy



Achieve above 'system' growth in the Australian Insurance Resident Health (arhi) market.



Grow our International Workers (iwhi) and International Students (ishi) market share.



Position and build our business in New Zealand as a 'challenger' and grow the market and our share.



Leverage core business capabilities to pursue adjacent business opportunities.



Design product benefits and manage claims in accordance with our strategic and commercial objectives.



Develop 'Whitecoat' and our digital platform to create an unrivalled customer experience and support health and clinical decision making by customers.



Increase customer satisfaction, productivity and efficiency.

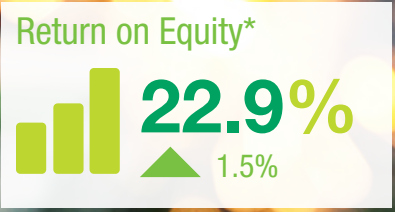
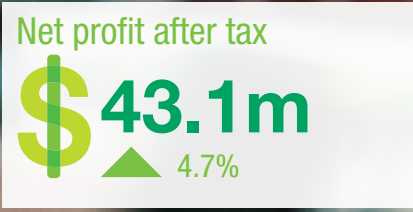
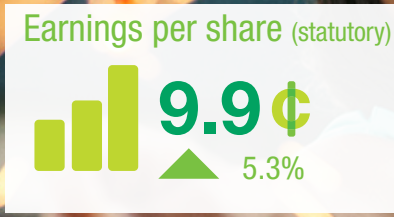
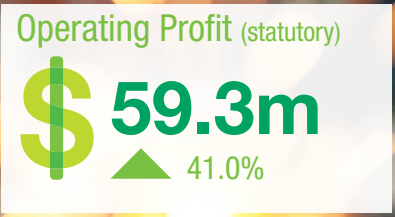
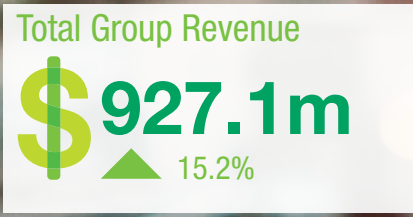


Have the 'right people on the bus', develop a high performance organisational culture and advance the engagement of our people.





1H16 nib Group performance metrics



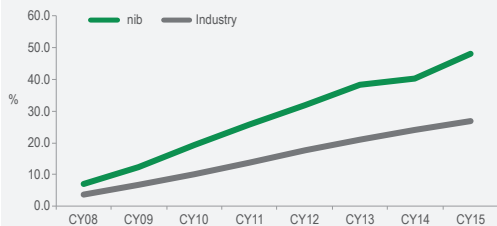
* Using average shareholders' equity and NPAT attributable to the owners of nib holdings limited for the previous 12 months over a 12 month rolling period



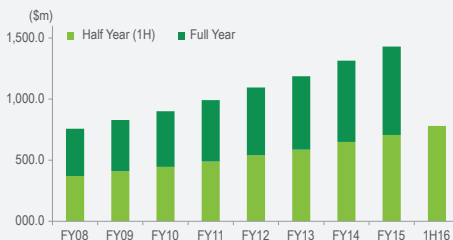


nib 1H16 key performance metrics and outlook

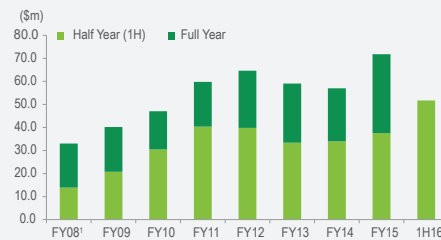
Policyholder growth (cumulative policyholder growth from CY07)



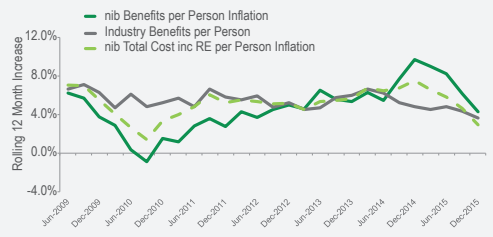
Premium revenue



Underlying Operating Profit¹



Claims inflation (Rolling 12 Month Total Benefits per Person Inflation)



Above system policyholder growth for nib with focus upon under 40s and over 55s. nib has achieved above industry annual policyholder growth for over a decade.

We expect the market to continue to grow and to increase our market share and earnings.

System growth will continue for a number of reasons, including inevitable funding shift from Government to private sector.

Net growth remains highly value accretive. nib's target net margin range is 5%-5.5%.

M&A prospects remain limited but logic of industry consolidation remains compelling.

Impending Government review of PHI will be a net positive.

New distribution partnership with Qantas to launch in 2H16.

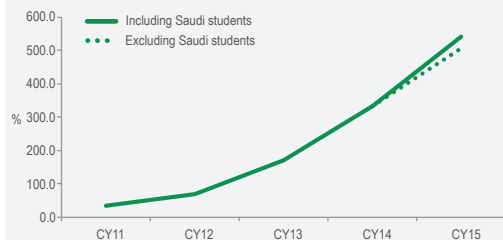
1. Excludes demutualisation and listing costs.



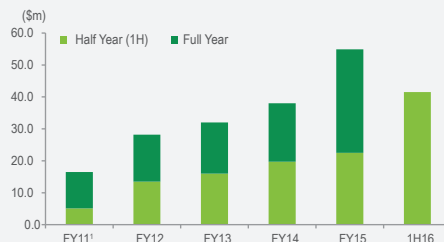
International inbound health insurance (iihi) 1H16 key performance metrics and outlook



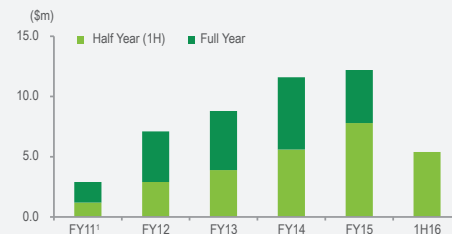
Policyholder growth (cumulative policyholder growth from CY10)



Premium revenue



Underlying Operating Profit



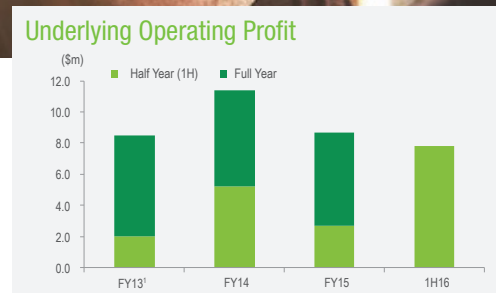
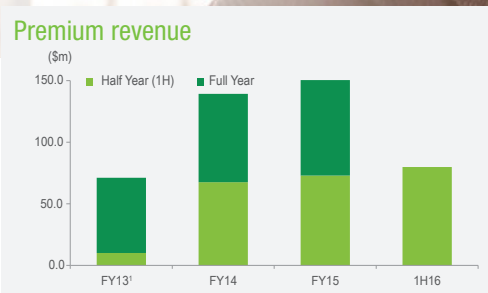
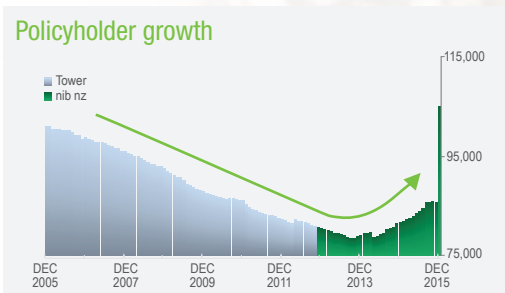
nib now provides cover to almost 100,000 international students and workers (persons covered).

Gross margin and profitability expected to rebound following Saudi contract being discontinued (from 1 March 2016).

1. FY11 was a 9 month result with IMAN business acquired October 2010.



nib 1H16 New Zealand key performance metrics and outlook



Improved result underpinned by leveraging scale and scope with 1H16 underlying operating profit result up almost 300%.

Efforts in 2H16 to focus on retention particularly in DTC channel, accelerating further digital and automation initiatives, further leveraging Group expertise and continued investment in policyholder growth (DTC, corporate/advisors and whitelabel).

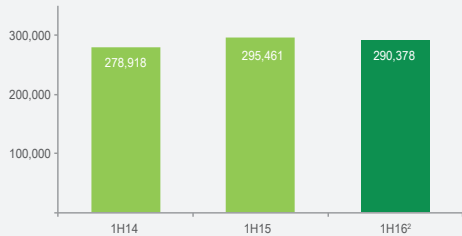
1. Business acquired November 2012 with FY13 a 7 month result.



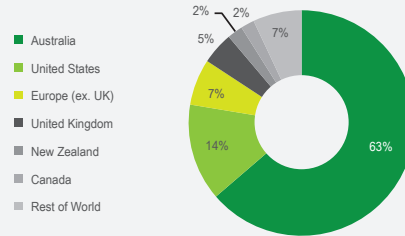
World Nomads Group (WNG) 1H16 performance metrics and outlook



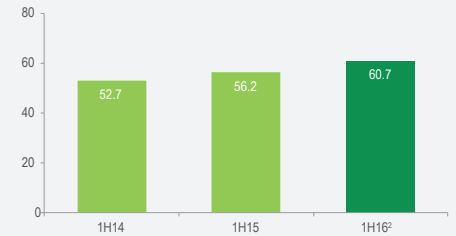
WNG Sales (Policies)



1H16² WNG Gross Written Premium by Region



WNG Gross Written Premium¹ (\$m)



World Nomads Group (WNG) underlying operating profit of \$4.2m in line with expectations, with 1H16 a 5 month result (business acquired 31 July 2015).

WNG transition and integration has gone smoothly.

Strong international growth is compensating for flat domestic market sales.

The business performed in line with expectations for the period and is on track to achieve a full year underlying operating profit result of at least \$10m.

World Nomads Group brands



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. Data shown for 1H16 is a 6 month result, noting WNG business acquired 31 July 2015, with 5 month result included in consolidated figures



whitecoat

Showcases the potential of the “digital era” to empower customers

Whitecoat's purpose is to help consumers:

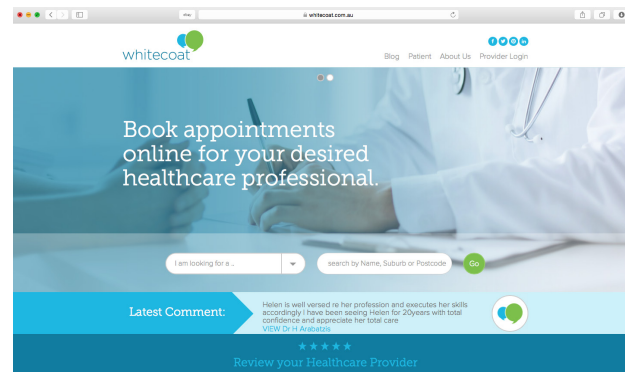
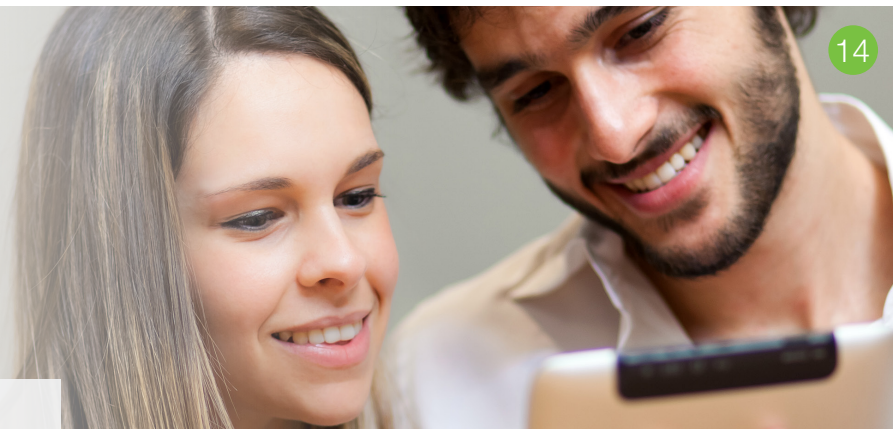
- | Make more informed decisions around their health.
- | Choose treatment options and healthcare providers.
- | Connect and transact with providers.
- | Improve engagement with providers and share experiences with other consumers.

Progress to date:

- | 200,000 patient reviews.
- | More than 30,000 providers registered.
- | Expecting 2 million visitors this year.

Progress to date:

- | Wide engagement by PHI and large provider groups (including in NZ).
- | Government engagement in Australia and NZ.
- | Expand provider registration.
- | Launch of Whitecoat app and increase transactions.
- | Provider transparency and consumer awareness of fees and out of pocket costs.



nib



Outlook FY16 outlook remains positive

Real healthcare spending will continue to grow circa GDP + 2%¹.

Expect PHI reforms will be a net positive:

- Prosthetic pricing
- Risk equalisation
- Primary care and MBS Review
- New funding devices (e.g. health savings accounts)
- Hospital contracting

Claims inflation may be taking a lower trajectory with opportunities to improve PHI affordability and stabilise margins.

Adjacent businesses will increase contribution to earnings including significant improvement in international (inbound) business from FY17.

Some building pressures on PHI industry consolidation.

Whitecoat digital platform will help reduce over servicing/cost variation and generally improve consumer sovereignty.



	Total Health Expenditure	GDP
	Average annual growth rate (%)	Growth rate (%)
2003-04 to 2008-09	5.78	3.08
2008-09 to 2013-14	4.23	2.60
2003-04 to 2013-14	5.00	2.84

1. Source: Australian Institute of Health and Welfare 2015. Health expenditure Australia 2013-14. Health and welfare expenditure series no. 54. Cat. No. HWE 63. Canberra: AIHW.



FY16 Guidance

Guidance maintained with result likely to be at upper end of range



(\$m)	FY16 (GUIDANCE)
Statutory operating profit	90–100
One-off transaction and M&A costs	4–5
One-off transaction and M&A costs (WNG)	3.5–4.5 ¹
One-off transaction and M&A costs (OnePath NZ)	0.3
Amortisation of acquired intangibles	8–9
Amortisation of acquired intangibles (IMAN)	1
Amortisation of acquired intangibles (nib NZ)	3
Amortisation of acquired intangibles (WNG)	3–4
Amortisation of acquired intangibles (OnePath NZ)	1
Underlying operating profit	102–114

FY16 consolidated underlying operating profit of \$102m – \$114m (statutory operating profit of \$90m – \$100m), with result likely to be at upper end of the range.

FY16 investment income forecast to be lower than FY15 in light of a lower return environment and a reduced capital base (as a result of capital management initiatives) and M&A. FY16 investment returns to be in line with relevant internal benchmarks².

Some building pressures on PHI industry consolidation.

Ordinary dividend payout ratio 60%–70% of full year NPAT.

1. Includes accrual of potential retention bonuses associated with WNG acquisition subject to satisfying service period.

2. Internal Investment benchmarks

– Australian Regulatory capital (75%/25% 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