

8 September 2016

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

**Presentation to Macquarie Australia and New Zealand Corporate Day –  
September 2016**

Attached presentation delivered by nib at the Macquarie Australia and New Zealand  
Corporate Day (8 & 9 September 2016).

Yours sincerely



Michelle McPherson  
Company Secretary/Chief Financial Officer

A smiling man and woman are shown from the chest up, standing on a beach. The man, in the background, is wearing sunglasses and a grey tank top. The woman, in the foreground, is wearing a colorful striped tank top and has her hair blowing in the wind. They are both looking towards the right side of the frame.

# MACQUARIE AUSTRALIA AND NEW ZEALAND CORPORATE DAY

SEPTEMBER 2016

**nib**

# Agenda



Healthcare in  
Australia



About nib



Business  
Strategy



Key performance  
metrics and outlook

The green 'nib' logo on a dark green background.



# Healthcare in Australia

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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

**40%**  
Hospitals

**18%**  
Medical services

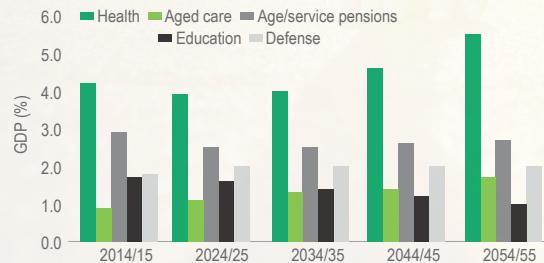
**14%**  
Medicines

**7%**  
Dental Services

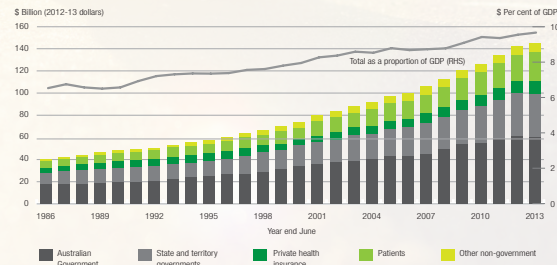
**5%**  
Community health

**16%**  
Other

### Australian treasury projection (Commonwealth spending)












### Australia's health expenditure has been growing





# The role of Private Health Insurance (PHI) in Australia and New Zealand

## What PHI does and doesn't cover

		Covered (Aust)	Not covered (Aust)	Covered (NZ)
	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”

## New Zealand PHI Growth Drivers:

Increasing wealth and favourable economic circumstances

Vast majority of population is not insured

Growing dissatisfaction with public system (elective surgery)

Ability to cover full spectrum of health care (unlike Australia) enhances value proposition





# PHI structure in Australia

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There are currently 33 private health insurers operating in Australia.

Top five PHI players represent 81% of the policies nationally.

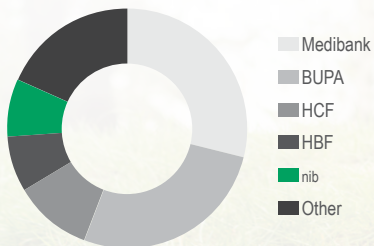
For profit insurers make up around 67% of the industry.

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.

## Private Health Insurance



**nib**  
**8%**

\* Source: Private Health Insurance Administration Council – The Operations of Private Health Insurers Annual Report 2014-15



**nib**



# PHI structure in New Zealand

Total industry premium revenue ~NZ\$1.3b.

There are currently 10 registered health funds in NZ.

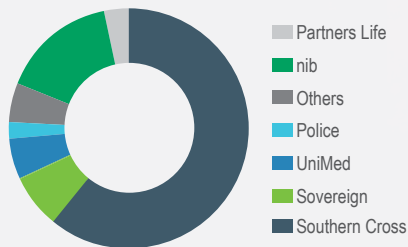
Top 3 PHI players represent 87% of the industry by premium revenue.

Majority of health insurance is sold through advisors or employer groups.

Policies are risk rated (unlike Australia).

PHI can cover full health care spectrum.

Market share (Lives covered)<sup>1</sup>



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**15.7%**

1. As at December 2015.



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# About nib (ASX: NHF)

**FY16 Group premium revenue of \$1.9b, underlying operating profit of \$132.0m, net profit after tax of \$91.8m**

**More than 1,000 employees in Australia and New Zealand**

**Australia's 4th<sup>1</sup> largest private health insurer, New Zealand's 2nd largest private health insurer**

**Market capitalisation ~\$2.0b (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 markets<sup>2</sup>**

- 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 (enterprise value basis), 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

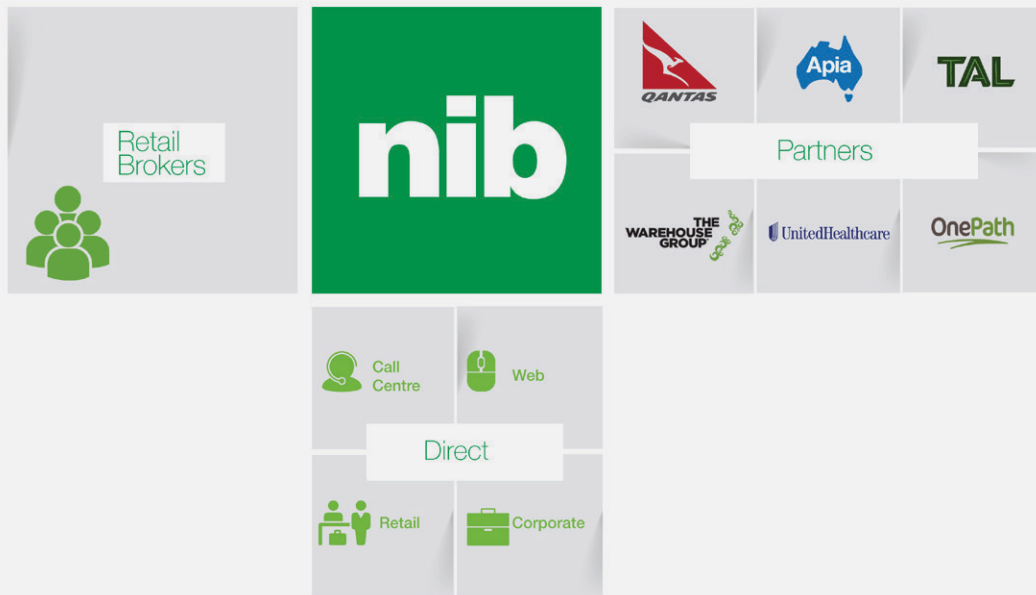






# Multi channel strategy – Continuing to expand our distribution reach

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# Key strategies

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1

Pursue above 'system' 4-5% net policyholder growth in the arhi<sup>1</sup> market.

2

Grow our international workers and international students market share.

3

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

4

Complete integration and pursue growth of World Nomads Group travel insurance business.

5

Escalate focus upon knowledge as a source of customer value, empowerment and competitive advantage.

6

Leverage core business capabilities to pursue adjacent business opportunities.

7

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

8

Increase customer satisfaction, productivity and efficiency.

9

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

10

Continue to build and develop overall key organisational capabilities and assets.



# FY16 nib Group performance metrics

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Total Group Revenue<sup>1</sup>

**\$1.9b**  
▲ 14.3%

Underlying  
Operating Profit<sup>2</sup> (UOP)

**\$132.0m**  
▲ 49.9%

Statutory  
Operating Profit<sup>3</sup>

**\$120.8m**  
▲ 47.9%

Earnings per share (statutory)

**21.2¢**  
▲ 25.1%

Net profit after tax

**\$91.8m**  
▲ 22.0%

Return on Equity

**25.8%**  
▲ 11.7%

Dividends per share

**14.75¢**  
▲ 28.3%

1. Excludes non-recurring profit from sale of Newcastle office building.

2. UOP is comprised of underwriting result, other income and expenses including non-underwriting businesses. It excludes amortisation of acquired intangibles, one-off transactions, M&A costs, finance costs, net investment income and income tax.

3. nib's statutory operating profit includes \$11.2m in amortisation of acquired intangibles and one-off transactions and M&A costs.

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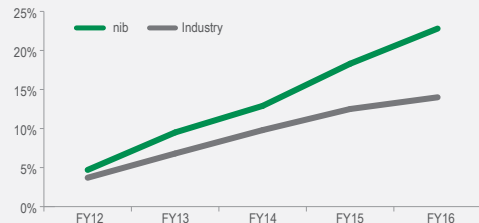




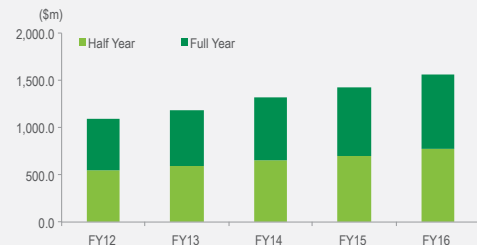
# arhi FY16 key performance metrics and outlook

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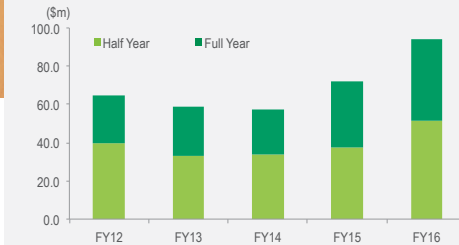
### Net policyholder growth (cumulative)



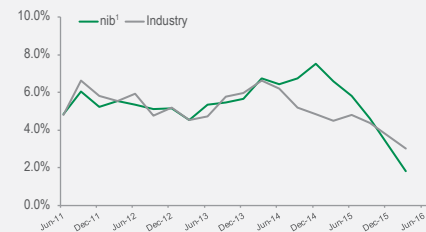
### Premium revenue



### Underlying Operating Profit (UOP)



### Annual drawing rate inflation nib versus industry (rolling 12 months)



Soft market conditions likely to continue into FY17, however nib expected to deliver volume growth within 4-5% target range.

Difficult to predict arhi claims inflation trajectory. Drawing rate inflation (per person) expected to be within range of 3-4% (FY16: 2.9%).

Focus on achieving net margin (arhi) within target range of 5.0 – 5.5%, noting competitive pressures on margins.

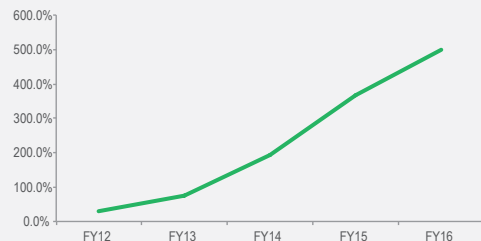
1. Includes risk equalisation  
Source: nib/APRA



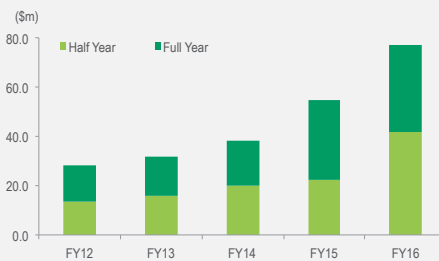
# International inbound health insurance (iihi) FY16 key performance metrics and outlook

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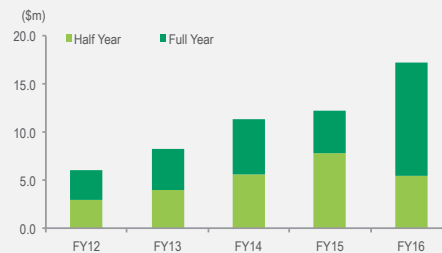
Cumulative policyholder growth



Premium revenue



UOP



Significant increase in revenue and earnings during FY16 underpinned by ongoing growth and improved scale.

Margins viewed as sustainable.

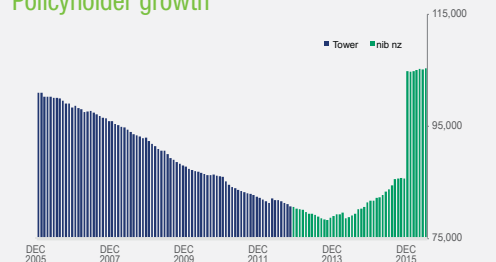
nib



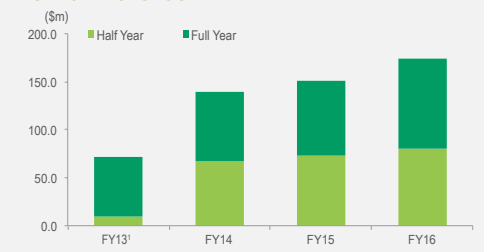
# nib FY16 New Zealand key performance metrics and outlook

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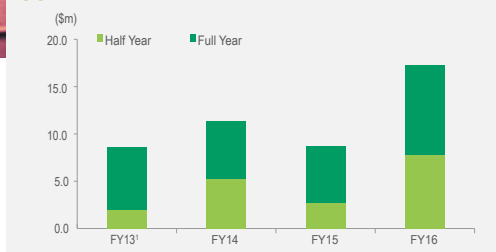
### Policyholder growth



### Premium revenue



### UOP



FY16 UOP doubled due to continued policyholder growth, success of Premium Payback settlement campaign, lower than forecast claims and OnePath acquisition (7 month result).

Trajectory of returns has NZ business on track to deliver on return objectives.

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

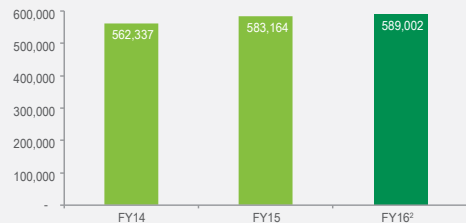




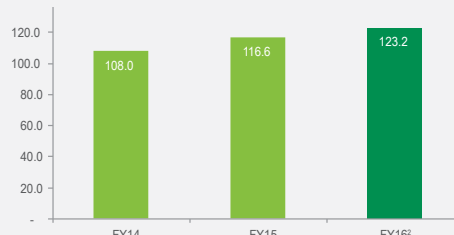
# World Nomads Group (WNG) FY16 performance metrics and outlook

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WNG Sales (Policies)<sup>1</sup>



WNG GWP(\$m)<sup>1</sup>



Inaugural contribution of \$9.7m (UOP) in line with expectations.

Successful transition of business to nib ownership with minimal disruption.

Growth plans being accelerated and supported to target international expansion and new business opportunities, with level of investment to impact FY17 UOP result.

World Nomads Group brands



**World  
Nomads**

**nib**

1. WNG was acquired and was only consolidated in the nib results from 31 July 2015 (FY16)

2. 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



whitecoat

## Tackling information asymmetry



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Whitecoat enables consumers to search, find and book a healthcare provider as well as review the experience. Currently hosts more than 40,000 providers (mostly allied) and 250,000 patient reviews.

Rapidly expanding to include GPs and medical specialists.

Recent announcement to form JV with BUPA and HBF will significantly expand reach and consumer engagement (~6 million people). Open invitation extended to other insurers and healthcare payers to participate.

Allows insurer/payer to host “customer only” portal for deeper engagement and insurer/payer specific information such as preferred clinical providers and “no gap” arrangements.

Significant increase in revenue and earnings underpinned by ongoing growth and improved scale.

When fully developed will also include accredited clinical performance information including self-reported patient outcomes. Significant increase in revenue and earnings underpinned by ongoing growth and improved scale.

Additional near term opportunities to automate patient/provider transactions such as payments and prescriptions.





# Regulatory reform

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

- | Market pricing for prostheses/medical devices.
- | Improved transparency to assist consumers choose/compare health insurance products.
- | Premium pricing deregulation.
- | Potential reform to risk equalisation.
- | Lifetime discounts.
- | Second tier hospital default benefits.
- | Public hospital cost shifting.
- | Healthcare homes an opportunity for better coordination and management.

## Ley targets \$800m medical devices waste

Health

Tim Binsted

Health Minister Sussan Ley has pledged to review claims of exorbitant medical device prices, with up to \$800 million a year wasted, to halt surprise hospital bills.

places on our members," Medibank managing director George Savvides said. "The current system benefits manufacturers and private hospitals at the expense of patients."

Medibank said prices for identical products could be 45 per cent lower in the public system.

The insurer said prices in France

In response, NIB managing director Mark Fitzgerald said Ms Ley had to tackle cost pressures driving up the cost of care and premiums. Mr Fitzgerald said on Friday this "is a welcome and timely move by the minister".

"Consumers stand to benefit by as much as \$800 million a year and there'll be no impact upon the high quality of care patients receive," he said.

## Bupa, nib, Medibank Private back Ley's Medicare review

Healthcare  
Tim Binsted

The nation's top health funds have dismissed the doctors' lobby's objections to a review of Medicare, saying the healthcare system is plagued by ineffective and unnecessary medical procedures and desperately needs reform.

Federal Health Minister Sussan Ley on Sunday launched the consultation process for the Medicare review.

ibank, Bupa and nib, rallied to support the under-fire minister.

Bupa private health insurance managing director Dr Dwayne Crombie said there is "a tremendous amount of waste" in the health system.

"If we look at the public health evidence, there is an argument for screening the bowel, for breast screening and cardiovascular screening. There is virtually no evidence that most of these

The MBS lists out-of-hospital services such as GP consultations, diagnostic and therapeutic services that are subsidised under the Medicare system.

The MBS review, launched in April, will assess the 5769 items listed on the schedule. Approximately 70 per cent of those items have not been changed since their introduction in 1984.

"The only way to ensure Australia can afford and sustain a high







# FY17 Guidance

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- Consolidated UOP of \$130.0m – \$140.0m (Statutory operating profit of \$122.0m – \$132.0m).
- Investment returns to be in line with relevant internal benchmarks<sup>1</sup>.

<sup>1</sup> 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