

22 October 2015

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

**Presentation to Citi Australian and New Zealand Investment Conference – 22 October 2015**

Attached is the presentation to be delivered by nib at the Citi Australian and New Zealand Investment Conference on 22 October 2015. All information contained within this presentation has been previously disclosed to the ASX.

Yours sincerely



Michelle McPherson  
Company Secretary/Chief Financial Officer



**nib**

**CITI AUSTRALIAN  
AND NEW ZEALAND  
INVESTMENT  
CONFERENCE**

IT'S GOOD TO BE  
**HUMAN**

# Agenda



Healthcare in  
Australia



About nib



Our performance



Business  
Strategy



Key performance  
metrics and outlook



Appendix





# 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.**

## \$147.4b

2013 | Australian healthcare spending (\$b)

### Components of healthcare spending

40%

Hospitals

18%

Medical services

14%

Medicines

7%

Dental Services

5%

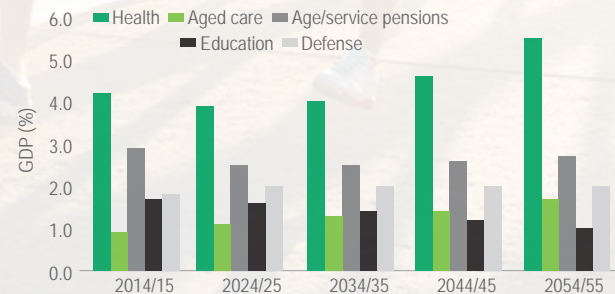
Community health

16%

Other

Source: AIHW 2013 Health Expenditure Australia

### Australian treasury projection



Source: Treasury Projections (2015 Intergenerational Report)



# The role of Private Health Insurance (PHI)

## 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”



## What PHI does and doesn't cover



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





## PHI structure in Australia

At 30 June 2014 there were 34 private health insurers operating in Australia.

Top five PHI players represent 83% of the policies nationally.

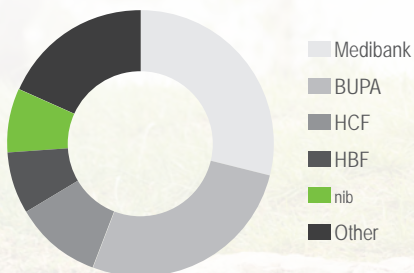
For profit insurers make up around 68% of the industry.

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.

### Private Health Insurance



**nib**  
**8%**

\* Source: Private Health Insurance Administration Council – The Operations of Private Health Insurers Annual Report 2013-14





## 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 4th largest private health insurer, New Zealand's 2nd largest private health insurer**

**Market capitalisation ~\$1.4b (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\***

Travel Insurance  
Life Insurance  
nib Options – domestic and international cosmetic treatment (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)

\* Non-underwriting





# 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.





# FY15 nib Group performance metrics

Premium Revenue

**\$1.6b**

Operating Profit

**\$81.7m**

Earnings per share

**17.3¢**

Net profit after tax

**\$75.3m**

Return on Equity

**23.1%**

Dividends per share

**11.5¢**



# arhi key performance metrics and outlook

FY15

Surpassed 1 million customers covered. Annual net policyholder growth of 4.7% versus 2.5% for the industry, with nib accounting for almost 15% of industry growth.

**i1m**

Net margin of 5.0%, within 5.0% to 5.5% target range

**5.0%**

Premium revenue up 8.8% to \$1.4 billion

**\$1.4b**

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%.

Lapse rate clearly indicates growth is not without headwinds. Downgrading while present, is not impacting top line growth and profitability.

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

Impending Government review of PHI.





## International and new business

FY15

International (Inbound)  
Health Insurance  
business Operating profit  
up 4.0% to  
\$11.8 million

**\$11.8m**

Insuring almost 88,000  
international students  
and overseas visitors  
(up 54.2%)



Acquisition of  
travel insurance  
provider World  
Nomads Group



“Complementary” business will continue to make a major contribution to pre-tax operating earnings and further opportunities are very real.

International (Inbound) Health Insurance business (students and workers) policyholder growth but profitability may be weaker. Need for more assertive care co-ordination evident.

World Nomads Group (WNG) underlying<sup>1</sup> FY16 operating profit of at least \$10m.

1. Excluding one-off transaction costs and amortisation of acquisition related identifiable intangibles.



## nib New Zealand key performance metrics and outlook

FY15

Direct-to-consumer account for approximately 50% of all sales



Policyholder growth of 5.9%



Premium revenue up 8.1% to \$150.4 million

**\$150.4m**



nib New Zealand profitability to improve in FY16 due to improved scale and growth. Further investment in DTC, a focus on advisor channel, a renewed effort on group/employer market, third party distribution and M&A.





## Digital

We will increase investment in our IT and digital strategy (including Whitecoat), especially recognising the potential of the “digital era” to disrupt the healthcare market and create opportunities.

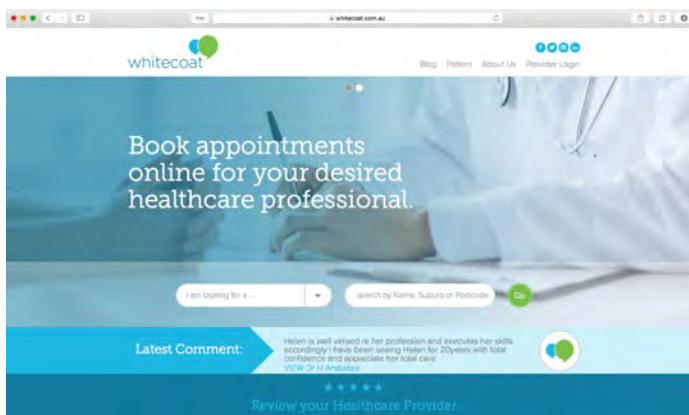


Will help customers make more informed decisions around their general health and manage their health.

Will help customers with choice of treatment and provider.

Will significantly improve the speed, reliability and cost efficiency of the transactions associated with healthcare delivery (e.g. online appointments).

Will improve engagement between customers and healthcare providers.





## FY16 guidance

Above system arhi policyholder growth with stable net profit margin.

International (inbound) health insurance policyholder growth but profitability may be weaker.

nib Options operating loss similar to FY15 (\$3.8m) with profitability in FY17.

nib NZ policyholder and profitability growth.

World Nomads Group (WNG) underlying<sup>1</sup> operating profit of at least \$10m.

FY16 consolidated statutory operating profit of \$85m–\$90m (underlying operating profit of \$96.3m–\$103.3m).

FY16 investment income forecast to be lower than FY15 but still in line with relevant internal benchmarks<sup>2</sup>.

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

(\$m)	FY15 (actual)	FY16 (forecast)
Statutory operating Profit	81.7	85–90
On-off transaction and M&A costs	2.1	2.3–3.3
Amortisation of acquired intangibles	3.6	9–10
<i>Amortisation of acquired intangibles (IMAN)</i>	<i>0.3</i>	<i>1</i>
<i>Amortisation of acquired intangibles (nib NZ)</i>	<i>3.3</i>	<i>3</i>
<i>Amortisation of acquired intangibles (WNG)<sup>3</sup></i>	<i>–</i>	<i>4–5</i>
<i>Amortisation of acquired intangibles (Project House)</i>	<i>–</i>	<i>1</i>
Underlying operation profit	87.4	96.3–103.3



1. Excluding one-off transaction costs and amortisation of acquisition related identifiable intangibles.

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

3. Preliminary estimate of non-cash amortisation of identifiable intangibles resulting from WNG acquisition of \$4m to \$5m, noting this is subject to detailed valuation work expected to be completed over the coming months.





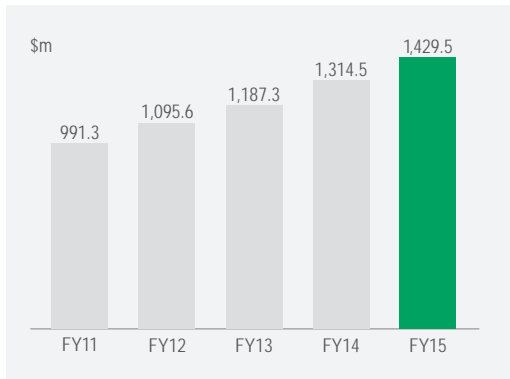
# Appendix



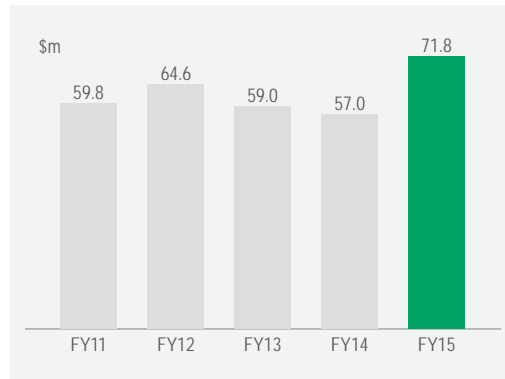


## Australian Residents Health Insurance (arhi)

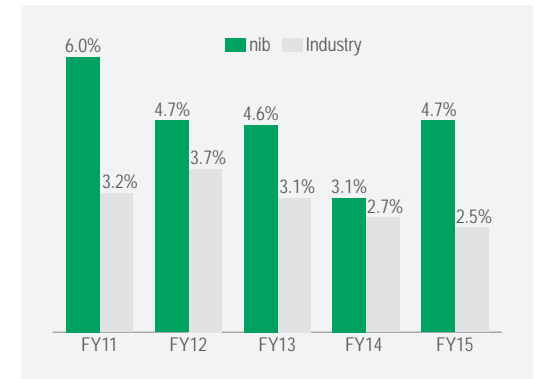
Premium Revenue



Operating profit



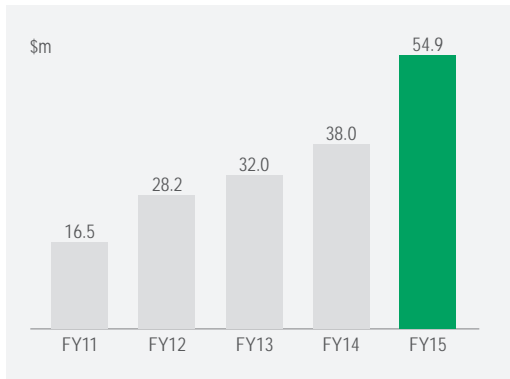
Policyholder growth



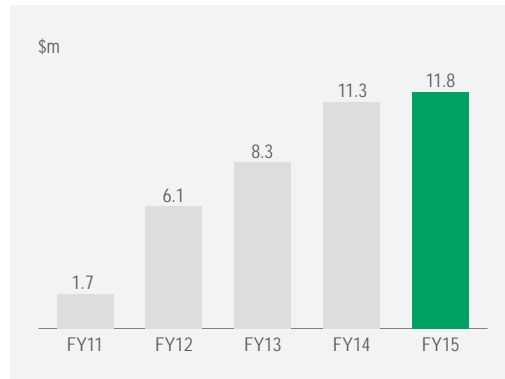


## International (Inbound) Insurance

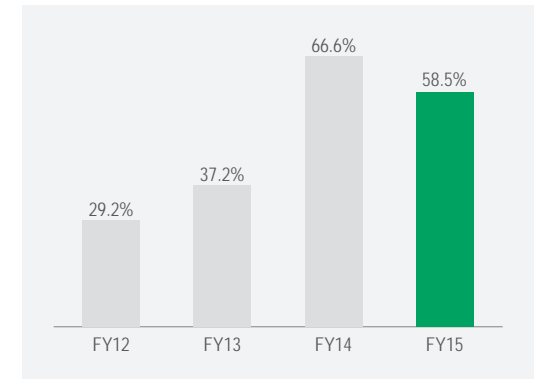
Premium Revenue



Operating profit



Policyholder growth\*



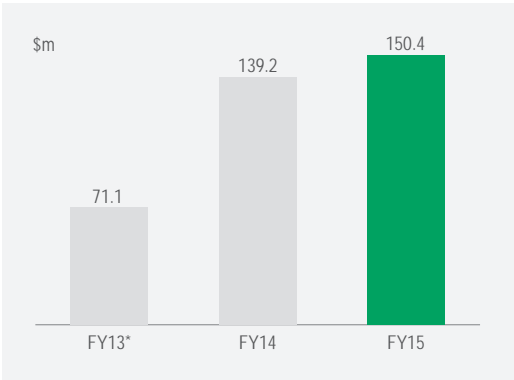
\* Full International (Inbound) Visitors Insurance policyholder growth of 195555.1% has been excluded from graph due to impact on scale.



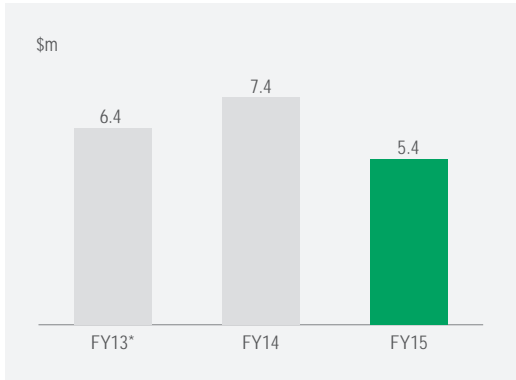


# nib New Zealand

## Premium Revenue

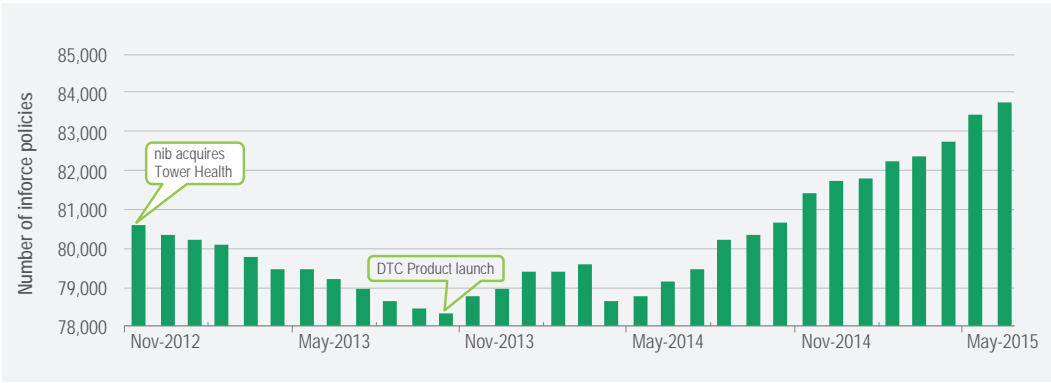


## Operating profit



\*nib New Zealand acquired November 2012, FY13 represents a 7 month result.

## Policyholder growth



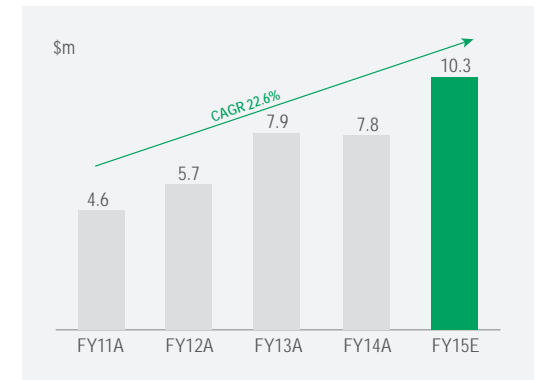


## World Nomads Group

### Summary

- Founded in 2000 and headquartered in Sydney
- Specialises in the marketing, sale and distribution of travel insurance policies globally, although Australia accounts for ~70% of GWP
- Provides ancillary insurance services such as claims management and emergency assistance for policies written in Australia and New Zealand
- Grown to become the third largest player in the travel insurance distribution market in Australia
- Does not underwrite the insurance policies it distributes or administers<sup>1</sup> and so does not bear claims risk
- Currently employs 167 FTE, 156 of which are located in Sydney

### Normalised EBITDA<sup>1</sup> (\$m)



1. Normalised EBITDA excludes non-recurring revenues and expenses and assumes the capitalisation of research and development costs which could be treated as capital expenditure under IAS 38 (Intangible Assets) but have historically been expensed as incurred. The capitalisation of these costs is consistent with the approach adopted by WNG's listed peers.