

29 October 2013

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

Subject: 2013 Annual General Meeting Presentation

Attached nib's 2013 Annual General Meeting Presentation.

Yours sincerely



Michelle McPherson
Company Secretary/Chief Financial Officer



nib

2013
Annual General
Meeting

Tuesday 29 October



STEVE CRANE
Chairman

INTRODUCTION

nib's BOARD & EXECUTIVE

- HAROLD BENTLEY – Independent Non-Executive Director
- DR ANNETTE CARRUTHERS – Independent Non-Executive Director
- PHILIP GARDNER – Independent Non-Executive Director
- CHRISTINE McLOUGHLIN – Independent Non-Executive Director
- MARK FITZGIBBON – Chief Executive Officer & Managing Director
- MICHELLE McPHERSON – Chief Financial Officer, Deputy CEO & Company Secretary

MEETING SCHEDULE

- **Chairman's address**
- **Managing Director's address**
- **Notice of Meeting**
 - **Consideration of Report for the financial year ended 30 June 2013**
 - **Remuneration Report**
 - **Re-election of Non-Executive Director, Mr Steve Crane**
 - **Re-election of Non-Executive Director, Dr Annette Carruthers**
 - **Consideration of the resolution approving Mr Fitzgibbon's participation in the Long-Term Incentive Plan**
 - **Approval to increase aggregate fee pool for Non-executive Directors**
- **Meeting Closes**

FY13 PRODUCED ANOTHER SOLID RESULT

- **Strong top line growth**
- **Disciplined cost control**
- **Improved earnings per share**
- **Stable return on equity**
- **Success in broadening our business operations into new markets through our acquisition of TOWER Medical in New Zealand**

AUSTRALIAN RESIDENTS HEALTH INSURANCE

- Remains our primary economic driver.
- Policyholder growth was 4.6%, against the industry growth rate of 3.1%.
- This is the 12th consecutive year nib grew faster than the industry rate.
- Premium revenue up 8.4%.
- Results impacted by high claims inflation and lower than required 2012 premium increase.
- Profit margin declined to 5.0% from 5.9%, but remained within target net margin range of 5.0-5.5%.
- Generally a much tougher year for the arhi business.
- arhi business will continue to grow premium revenue and with it underwriting earnings.

nib's REACH

- In FY13 non-arhi earnings accounted for 20% of total net underwriting profit.



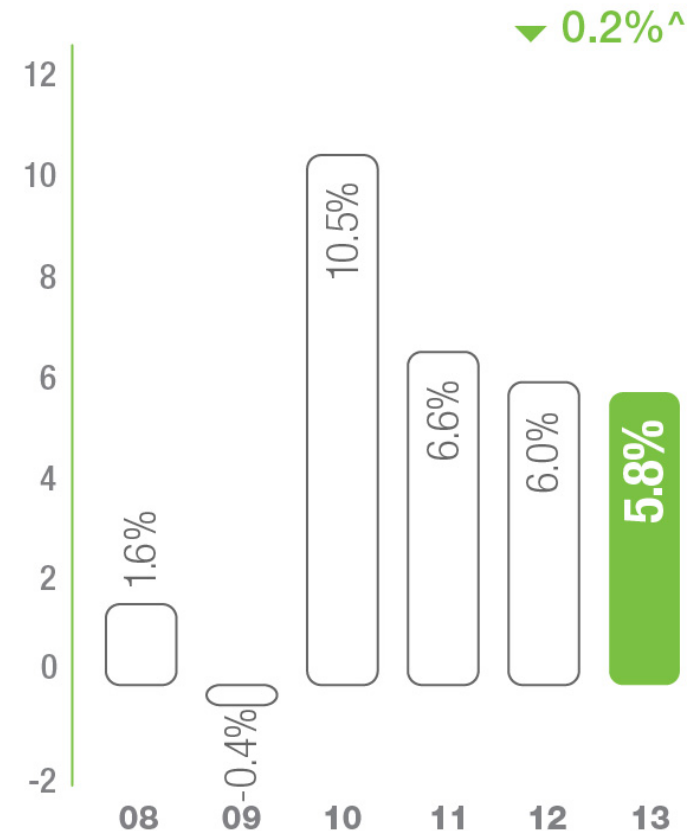
nib New Zealand

- nib acquired TOWER Medical Insurance Limited in November 2012.
- It is New Zealand's second largest health insurance business, with approximately 13% market share and provides health and medical insurance to around 160,000 New Zealanders.
- The business was recently rebranded nib.
- Represents an opportunity for nib to emulate the success nib has achieved in Australia since listing in 2007 through brand building, product design, distribution and outstanding customer service

INVESTMENT RETURNS

- Investment portfolio delivered returns above internal benchmarks, primarily on the back of strong equity market performance.
- Net investment return for FY13 was \$28.8 million or 5.8%
- As at 30 June 2013, total net assets were \$529.6 million.

Net Investment Return*

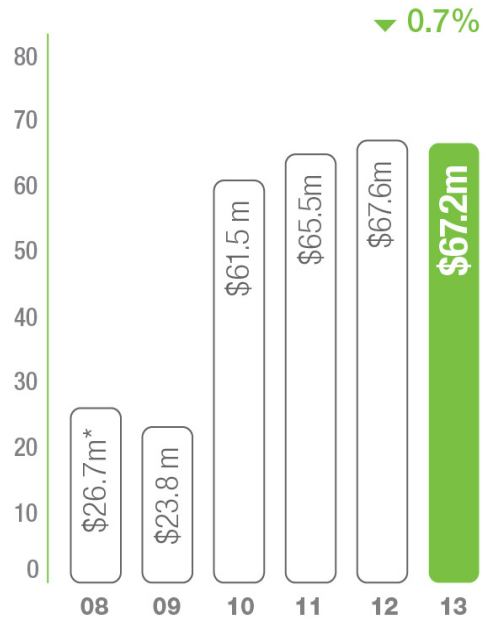


* Net of fees.

^ FY13 to FY12, where results are a percentage change, shown is difference between two results.

OTHER KEY PERFORMANCE METRICS

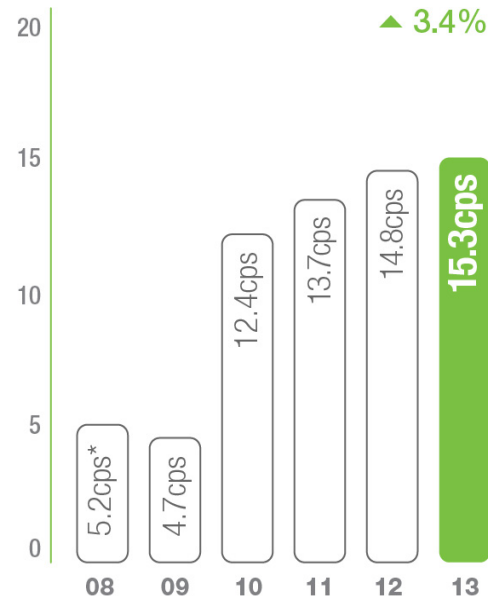
Net Profit After Tax



* FY08 result was normalised to remove the impact of costs associated with nib's demutualisation and listing, and "notional" tax.

- **NPAT: \$67.2 million**

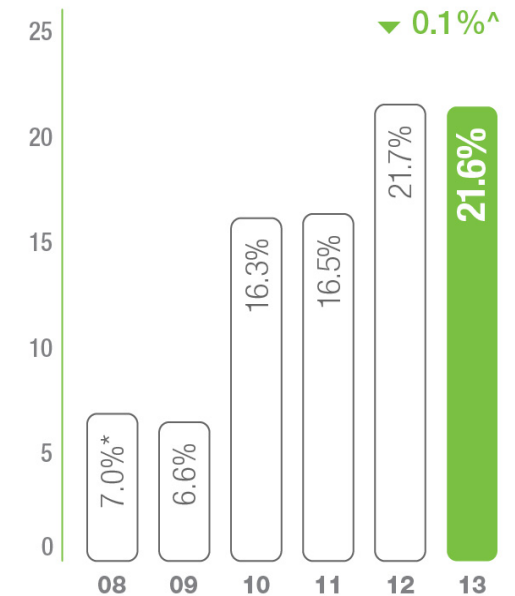
Earnings Per Share



* FY08 result was normalised.

- **EPS: 15.3 cents**

Return On Equity



* FY08 result was normalised to remove the impact of costs associated with nib's demutualisation and listing, and "notional" tax.

^ FY13 to FY12, where results are a percentage change, shown is difference between two results.

- **ROE: 21.6%**

TOTAL SHAREHOLDER RETURN



Source: IRESS (as at 9 August 2013)

Note: Assumes capital returns and dividends are re-invested at the payout date.

- **TSR for FY13 was 49.8%, which compared favourably to the ASX200 result of 22.8%**
- **Since listing in 2007, nib's TSR for the period is 275.3%.**

DIVIDENDS

- The Board declared FY13 full year dividends of 10.0 cents per share, fully franked. This compared with 9.25 cents per share, fully franked for FY12.
- Our FY13 final dividend of 5 cents per share, fully franked was paid to shareholders on 5 October 2013.
- The FY13 full year dividend represents a payout ratio of 65% of full year NPAT, and is consistent with our dividend policy of paying fully franked dividends representing 60% to 70% of full year NPAT.
- Since listing in 2007, our full year dividend has risen by an average of 36.6% per annum.

nib foundation

- nib foundation celebrates its fifth anniversary of grant making this year.
- Has committed \$10 million in funding that has helped establish 50 unique partnerships with Australian charities.
- In FY13, the foundation announced 11 new community partnerships that are already bringing about real change at a local level.
- nib foundation's partnerships have helped improve the lives of more than 26,000 Australian carers and young people through their practical and engaging approach to tackling health outcomes.



FY14 & BEYOND

- **Strong and profitable growth remains a key focus for the board and management team.**
- **As part of this determination to diversify our business and leverage our core strengths, we are now investigating opportunities associated with medical travel and outbound international medical insurance.**
- **We remain confident of leveraging our people, systems and assets within the Group to help grow enterprise value.**
- **Look forward to working with the recently elected Federal Government to become part of the solution towards redressing the funding challenges our nation faces regarding our health care system.**
- **Private financing must play a much more significant role in helping Australians access and afford healthcare. Providing this funding solution is core to nib's strategy and as such, we are well placed to meet these needs.**

MARK FITZGIBBON
Managing Director

FY13 RESULT SUMMARY

- Solid overall with 14.8% top line growth (8.5% ex NZ), ROE of 21.6% and EPS of 15.3c (up 3.4%).
- Result damaged by weak arhi performance and associated factors (e.g. insufficient approved premium increase).
- arhi nevertheless grew ahead of system (4.6% versus 3.1%) with net margin of 5%.
- Strong progress in adjacent workers, students and other insurance lines businesses.
- Group Management Expense Ratio (MER) below 10% at 9.8%, notwithstanding investment in growth and expansion.
- Successful acquisition and transition of nib NZ (acquisition price of A\$80.6m, including approximately \$7.9m in surplus capital).
- Non-arhi earnings accounted for 20% of Group underwriting earnings.
- Full year dividend of 10 cps (up 8.1%).

FY14 & BEYOND - THEMATICS

- **Trends**

- 1. We will increasingly spend more on our healthcare.**
- 2. Unavoidably Governments will retreat their relative share of funding.**
- 3. Cross border healthcare consumption will accelerate driven by unmet local demand, price competition, quality expectations and increased mobility.**

FY14 & BEYOND

- **Australian Residents Health Insurance**
 - Continued growth ahead of system and we remain a dominant force in the under 40s market.
 - We also achieve strong growth in the over 55s segment mainly courtesy of distribution partnerships.
 - Sustainable policyholder growth rate of 4-5%. M&A remains problematic.
 - Net underwriting margin is at least 5%.
 - Claims pressure/cost shifting and its absorption through pricing remain easily the most significant challenges.
 - Impact of changes to Government Rebate remain in place and while unhelpful do not slow system growth.
 - New Federal Government is favourable to PHI and private healthcare sector.

FY14 & BEYOND

- **nib New Zealand**
 - Increase market participation in NZ and our share of market largely through direct to consumer efforts and related investment.
 - Growth investment mutes profitability in the initial years.
 - Performance in financial advisor and group employee channels improves and we manufacture and underwrite “whitelabelling” products for other financial institutions. Possible acquisitions.
 - Claims pressure remains a very significant challenge.

FY14 & BEYOND

- **International workers health insurance (iwhi)**
 - Continued policyholder growth and earnings similar to FY13.
 - Our net underwriting margin is in range 25-30%.
 - Business benefits from strong brand appeal and online capability both within Australia and overseas as well as upstream relationships with foreign distributors (e.g. United Healthcare).
 - IPMI (international private medical insurance) for New Zealanders to Australia.
 - We have launched an outbound IPMI product for Australian and NZ residents with plans to sell in other countries. IPMI products allow us to offer “global cover”.
- **International students health insurance (ishi)**
 - Very strong policyholder growth and improved profitability consistent with FY13 improvement.
 - Strong brand and online appeal, price competitiveness and international partnerships drive sales and support the business.
 - Possible coverage of outbound students.

FY14 & BEYOND

- **nib Options**

- Seeks to capture opportunity in medical travel.
- Initial efforts focused upon cosmetic surgery. Value proposition centred around trustworthiness, safety and choice.
- Includes and encourages domestic surgery by plastic surgeons as an option.
- Strong emphasis on clinical governance and quality.
- Earnings made through costs of goods sold plus margin (ie not underwriting). Overseas option involves bundling of transport, medical, accommodation, etc.
- Business build and provider contracting will be completed by end of 2013 with launch in early 2014.
- FY14 net expenditure in the order of \$2 million.

FY14 GUIDANCE

- **FY14 consolidated operating profit in the range of \$73m to \$80m (includes forecast of \$3.1m in amortisation of acquired intangibles).**
- **FY14 investment income forecast to be line with relevant internal benchmarks.**



nib

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