

**Date** Monday 24 August 2015

**Subject** nib announces FY15 results with continued growth across all metrics

**Highlights**

- **Group operating profit up 13.0% to \$81.7 million (FY14: \$72.3 million)**
- **Group net premium revenue up 9.6% to \$1.6 billion (FY14: \$1.5 billion)**
- **Australian Residents Health Insurance (arhi) policyholder growth of 4.7% (industry 2.5%)**
- **arhi operating profit up 26.0% to \$71.8 million, net underwriting margin of 5.0% (FY14: 4.2%)**
- **Net profit after tax (NPAT) up 7.9% to \$75.3 million (FY14: \$69.8 million)**
- **Earnings per share up 8.8% to 17.3 cents (FY14: 15.9 cents)**
- **Full year ordinary dividend 11.5 cps fully franked (FY14: 11.0 cps)**

nib holdings limited (ASX: NHF) today announced a consolidated operating profit of \$81.7 million for the 12 months to 30 June 2015 (FY15), up 13.0% from \$72.3 million in FY14. Consolidated NPAT was \$75.3 million (FY14: \$69.8 million) with earnings per share of 17.3 cents (FY14: 15.9 cents).

nib's full year ordinary dividend is 11.5 cents per share fully franked (FY14: 11.0 cps fully franked) with the final FY15 dividend of 6.0 cents\* per share. The full year dividend represents a payout ratio of 67% of FY15 NPAT.

Managing Director, Mr Mark Fitzgibbon, said FY15 was a very pleasing result boosted by the strong performance of nib's core Australian Residents Health Insurance business (arhi).

"Group premium revenue grew almost 10% to \$1.6 billion for the year, and we achieved double-digit earnings growth with operating profit up 13.0% to \$81.7 million," Mr Fitzgibbon said.

"Our arhi business was the 'star' performer with net policyholder growth of 4.7% well ahead of the overall industry average of 2.5%. We accounted for almost 15% of total industry growth and also surpassed one million arhi customers which was a terrific milestone," he added.

arhi operating profit was up 26.0% to \$71.8 million, accounting for almost 90% of Group earnings. A net margin of 5.0% was within nib's stated target range of 5.0% to 5.5% and compared favourably with 4.2% last year and 4.4% for the industry in FY15.

"The Australian resident private health insurance market added another 158,000 policyholders in FY15 and we expect it will continue to grow given favourable macro-economic conditions, low consumer confidence in the public hospital system and ongoing Government policy support," Mr Fitzgibbon said.

"Also behind my confidence is the inevitable funding shift away from Government towards the private sector as the funding burden on the Government escalates. Against that backdrop, nib will keep chasing growth and greater market share," he added.

According to Mr Fitzgibbon underlying annual claims inflation is expected to continue in the order of 5% to 8% and that every effort has to be made to moderate inflation and with that, premium increases.

"There is a growing determination amongst health insurers to rein in over-servicing, avoidable hospital admissions and cost variation and we actually saw some moderation in claims inflation during FY15. All of us in private healthcare, both payers and providers, will do well into the future as the market grows and society spends more on healthcare. However, it can't be premised upon tolerating and simply pricing in market inefficiency," he said.

"Our goal of improving market efficiency is one of the reasons behind the investment we are making in our digital strategy, especially our TripAdvisor style 'Whitecoat' platform. Whitecoat is becoming Australia's largest directory for consumers to search, select and interact with healthcare professionals. It's at the vanguard of a consumer led 'demand side' approach to redressing the market inefficiencies in healthcare caused by consumers having too little information about their choices. It's also good for healthcare providers," Mr Fitzgibbon added.

Compared to FY14, nib's International (Inbound) Health Insurance grew policyholders by almost 60% and now insures almost 88,000 international students and workers. Operating profit was up 4.0% to \$11.8 million.

“We saw rapid policyholder growth in our international inbound business in FY15 but at the same time encountered some claims and margin pressure associated with this growth,” Mr Fitzgibbon said.

nib New Zealand turned around more than a decade of policyholder decline and industry headwinds with net policyholder growth for the year of 5.9%. Approximately half of this growth came from the new direct-to-consumer channel.

nib New Zealand's FY15 operating profit of \$5.4 million (FY14: \$7.4 million) was however hurt by a unique legacy product and some other 'one-off' costs. According to Mr Fitzgibbon profitability in New Zealand will improve in FY16 and nib remains very confident about the business's future prospects.

As anticipated nib's new medical travel business nib Options posted a net operating loss of \$3.8 million (FY14: -\$2.5 million) reflecting the ongoing investment being made in building the business and capability.

“It's still early days for nib Options and the truth is we're still largely in 'start-up' mode and learning. Being part of a very significant global trend still makes good sense to us,” Mr Fitzgibbon said.

Consistent with its business strategy of growth and business diversification, nib recently acquired World Nomads Group, Australia's third largest travel insurance provider.

“World Nomads is a very good strategic fit for us. Like health insurance it's a personal insurance line, the worldwide market is growing and we've been selling travel insurance for more than 20 years. And World Nomads is a terrific company,” Mr Fitzgibbon added.

nib is forecasting FY16 consolidated operating profit in the range of \$85 million to \$90 million. FY16 investment income forecast to be lower than FY15 but still in line with relevant internal benchmarks<sup>1</sup>.

## MEDIA AND INVESTOR RELATIONS

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*\* nib's final fully franked dividend of 6.0 cents per share will be paid to shareholders on 9 October 2015. The ex-dividend and record date for the final dividend are 9 September 2015 and 11 September 2015 respectively.*

<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