

nib announces 1H24 result with strong membership and revenue growth

- Total Group revenue¹ \$1.7 billion, up 12.4%
- Group underlying operating profit \$144.4m, up 21.7%
- Net profit after tax² \$104.0 million, up 19.4%
- Statutory earnings per share² 22.0 cents, up 15.8%
- Interim fully franked dividend of 15.0 cents per share fully franked (1H23: 13.0 cps)

nib holdings limited (nib) (ASX: NHF) today reported Group underlying operating profit (UOP) of \$144.4 million for the six months to 31 December 2023, up 21.7% from \$118.7 million in the previous corresponding period. Group net profit after tax (NPAT) for the period grew 19.4% to \$104.0 million. Based upon statutory earnings per share of 22.0 cents, nib will pay an interim fully franked dividend of 15.0 cents per share (1H23: 13.0 cps).

nib Group CEO, Mark Fitzgibbon said the result was pleasing, although several COVID-19 factors are still playing out.

"The membership and revenue growth across all of our private health insurance businesses are testimony to the competitiveness of nib's products and pricing, especially at a time of growing cost-of-living pressures. At a Group level, revenue grew 12.4% to \$1.7 billion. A few COVID-19 related factors continued to have some influence on profitability, but the underlying business is in great shape," Mr Fitzgibbon said.

"The good half year result from our Australian Residents Health Insurance (arhi) business was materially assisted by the favourable release of the liability for incurred but not yet paid claims at the end of FY23. Still, even allowing for that and the deferral of the 2023 price increase, the net profit margin was strong. On the other hand, and although the trend is positive, profitability is not recovering as quickly as we'd like in our international students and travel businesses."

Mr Fitzgibbon highlighted that arhi's above system organic growth, all of nib's businesses having an underlying trend line of growth and increasing profitability was clear evidence of innovation across the Group and progress with its 'Payer to Partner' (P2P) strategy.

"P2P is just so important to our future and our quest to become as much a health management company as we are a private health insurance company," Mr Fitzgibbon said.

"Today, you can consult a GP, fill a prescription, connect with one of our 'No Gap' surgeons, check a symptom with the help of advanced AI and access a wide range of evidence-based health programs, including weight loss. These are just a few services we offer beyond health insurance. Today, you can even become a nib member without buying insurance. It's all part of our attempt to make nib membership all the more valuable and differentiate ourselves in the market."

"We are naturally conscious of cost-of-living pressures and, in addition to doing our best to restrain premium inflation, see adding value for members as crucial. Affordability and value for money are about what benefit you receive not just what you pay," he said.

Mr Fitzgibbon noted although arhi had relatively weak sales growth in the second quarter, sales had bounced back in the early part of 2024 with net growth for the 12 months to 16 February of 3.6%.

"nib is confident that arhi's target for policyholder growth of 3% to 4% will be met for FY24 and beyond and net margin will gradually gravitate towards our target range of 6% to 7%. We still can't be sure about how soon, but when we get there, it will become about stabilising net margins and going even harder on growth," he said.

nib's new National Disability Insurance Scheme (NDIS) business, nib Thrive, now supports ~39,000 participants after acquiring six plan management businesses. nib Thrive contributed \$6.4 million to first half

¹ Total Group revenue includes insurance revenue net of reinsurance, other underwriting revenue and other income.

² NPAT and statutory earnings per share includes loss from discontinued operation. Statutory earnings per share is calculated over a 6-month period.

earnings. Priorities now centre upon consolidating the plan management businesses, assembling relevant technologies and digital assets and reshaping the business to align with the NDIS Review's vision for 'navigators'.

"It's such a meaningful and exciting new venture for us. Our vision for nib Thrive aligns with that of the NDIS Review and the logic for more seamless, integrated and technologically enabled supports for participants. Done well, this will also better serve the many recipients of disability services as well as providers," Mr Fitzgibbon said.

Mr Fitzgibbon said nib continued to invest in technology platforms and ventures to drive its P2P strategy.

"Our joint venture Honeysuckle Health, with Cigna Corporation, has continued to see strong growth in the number of participants in its health and injury management programs, and is reducing hospital admissions and improving members' health.

"The nib majority-owned digital health start-up Midnight Health saw a 189.5% increase in revenue compared to the previous corresponding half. We're happy with the progress to date. We're not yet profitable in either business but we're laying the foundations of what we believe will become a very big enterprise given the consumer emphasis upon what we call 'everyday health' products and services. Plus, over 22,000 nib members have accessed Midnight Health products, so the symbiosis is obvious," he said.

Australian Residents Health Insurance (arhi)

arhi's underlying operating profit was up 27.8% to \$128.6 million, with insurance revenue growing 10.3% to \$1,308.7 million. This growth was driven by a 3.7% increase in policyholders for the 12 months to 31 December 2023 and the impact of a giveback in 1H23.

Incurred claims increased 9.1% due to policyholder growth and inflation. arhi's 9.7% net margin was inflated by the impact of the liability for incurred claims adjustment; excluding this and the impact of the 2023 price increase deferral, net margin would have been 7.7%.

International Inbound Health Insurance (iihi)

iihi policyholders surpassed 200,000 for the first time with strong sales in both the international workers' and international students' businesses. iihi reported an underlying operating profit of \$11.6 million, up 58.9% from \$7.3 million in 1H23.

Incurred claims rose 24.8% due to the increase in policyholders and a small number of high-cost claims with the pandemic impacts on tenure and the risk pool continuing to unwind. Gross margin remained strong at 38.4%.

nib New Zealand (nib NZ)

nib NZ delivered an underlying operating profit of \$11.3 million for 1H24 compared to \$16.9 million in 1H23. The comparative period was inflated by a one-off deferred acquisition costs (DAC) adjustment of \$4.7 million. Excluding this DAC adjustment, the 1H24 UOP result would have been just 7.4% lower than 1H23, with the reduction driven by claims inflation.

Insurance revenue increased 11.8% to \$182.4 million (1H23: \$163.1m) due to policyholder growth and price adjustments. Net policyholders grew 2.3% across the business, with resident private health insurance policyholders growing 3.7% for the 12 months to 31 December 2023.

Incurred claims were up 17.4% to \$117.0 million due to policyholder growth and inflation.

nib Travel

nib Travel's underlying operating profit was \$4.1 million compared to \$6.4 million in 1H23. The end of a partnership agreement in July 2023 reduced gross written premium and operating income, however, the impact on UOP was minimal due to lower commissions expense. Gross profit after commissions increased 15.9% due to growth in more profitable direct to consumer (DTC) sales channels.

Acquisition costs increased to support DTC sales, and in response to post-pandemic market recovery, operating expenses increased with an uplift of resourcing in service teams in 2H23 and 1H24.

nib Thrive

nib Thrive contributed \$6.4 million to Group UOP in 1H24. nib completed the acquisition of its fifth and sixth plan management businesses during 1H24, as well as a purpose-built digital marketplace that enables participants, carers and support coordinators who use the NDIS to search, compare and book a range of support services.

nib Thrive has achieved organic growth of almost 4,000 participants to date, and its group of plan management businesses now support around 39,000 NDIS participants.

Adjacent businesses

Digital health start-up Midnight Health has continued to grow its customer base and revenue through investment in new products and technology. Midnight Health now offers 28 products across its brands Youly, Stagger and hub.health, and reported revenue growth of 189.5% to \$11.0 million for 1H24.

Honeysuckle Health achieved revenue growth of 17.9% for 1H24 and reported almost 8,000 enrolments in its health management programs. nib's result includes a share of net loss for Honeysuckle Health of \$2.3 million for 1H24 (1H23: \$2.4m).

Both Midnight Health and Honeysuckle Health have key roles to play in the delivery of weight loss products.

Outlook

nib has maintained its guidance for FY24, which forecasts arhi net policyholder growth of between 3% to 4%.

"We are cautious given ongoing uncertainty around broad economic conditions as well as claims inflation but remain optimistic. Difficulties in the public health system combined with our ever-evolving P2P value proposition should underwrite continued growth," Mr Fitzgibbon said.

nib Travel launched a new whitelabel partnership with Woolworths Group in December 2023, which we expect will partially offset the drop in revenue from the ending of a previous partnership in July 2023.

In December 2023, the final report of the Independent Review of the National Disability Insurance Scheme - *Working together to deliver the NDIS* - was released. Although the Commonwealth is yet to formally respond, nib looks forward to working with a broad range of stakeholders to further consult and implement the ultimate reforms.

Dividend

The Board declared a fully franked interim dividend of 15.0 cents per share (1H23: 13.0 cps). The interim dividend has an ex-dividend and record date of 7 March and 8 March 2024 respectively. Payment will be made to shareholders on 10 April 2024. The dividend reinvestment plan is available.

Investor briefing

nib will conduct an investor briefing at 9.00am (AEDT) today via webcast and teleconference. The webcast is accessible via the shareholder website nib.com.au/shareholders

Register for the teleconference via this link:

<https://register.vevent.com/register/B17430bd918cde413bba9613ba8c160f43>

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This announcement has been authorised for release by Roslyn Toms, nib Company Secretary.