

2025 half year results

Strong result demonstrates customer focus and strength as a health company



CEO
commentary

Customers



\$3.3b

total claims paid

+18.5k +0.9%

net resident
policyholder growth

+38.9k +12.6%

net non-resident
policy unit growth

Medibank Journey NPS

13.9

average

ahm Service NPS

50.6 +1.7

average

strong customer advocacy in both brands

\$160m

further COVID-19 cash give back announced today brings our total COVID-19 financial support package to a record \$1.62b to date

Financial



\$298.7m +13.8%

underlying net profit after tax

10.8c +13.8%

underlying EPS

7.8cps

interim ordinary dividend fully franked

c. \$59m

inorganic investment to support future growth and Australia's health transition over the past 18 months

Investor briefing



The investor briefing will be held today at 9.30am AEDT. The investor presentation and webcast will be accessible on Medibank's [investor centre](#).

A video featuring CEO David Koczkar is available on our [newsroom](#).

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“Our focus on our customers and our disciplined approach has delivered this strong result. We have momentum and we are growing as a health company.”

“The community is calling for healthcare to be done differently as concern grows around the cost of living, health system capacity and mental health. And we are investing to help with all three.

“Being a strong business gives us the capacity to provide more value to our customers, to support health providers and to invest in the health transition that Australia needs.

“It’s been a tough few years for many Australians and we know every dollar counts. Our latest cash give back of \$160 million to eligible customers announced today brings some welcome relief and takes our total COVID support to a record \$1.62 billion – the largest of any health insurer in Australia.

“In this half we have launched a virtual psychology clinic for customers, saved customers \$14 million through our Members’ Choice Advantage network and delivered around \$15 million of value through Live Better rewards.

“We are playing a bigger role in our customers’ health, with 9.3% growth in the support provided by our Amplar Health team and their partners.

“The health insurance market remains strong and we are growing in both our resident and non-resident businesses.

“Net resident policyholders are up 18,500 for the past 12 months. Our growth over this half was more than double what it was this time last year.

“We continue to see the benefits of our disciplined approach to growth amid ongoing competitive intensity in the insurance sector.

“Despite some recent reductions in visa approvals, the non-resident market remains solid, with our policy units up 38,900 in the last year. This growth of 12.6% was largely driven by the student segment.

“We know that some private hospitals are facing challenges, driven by rising costs and an over-supply of acute beds as patients choose short stay and day surgery options.

“We have provided more than \$67 million in one-off financial support to private hospitals over the past 2 years, including \$5 million this half.

“But we must look beyond short-term circuit breakers and invest in the health transition. Alongside taking pressure off the health system, for us this will continue to drive growth in the Medibank Health business and further differentiate the experience we can offer to our customers.

“Our inorganic investment of around \$59 million over the past 18 months is supporting both our growth and the health transition that Australia needs.

“And we have paid a further \$30.5 million to hospitals over the past 2 years to fund strategic initiatives as part of our partnership approach to contracting to support them through this shift.

“We are giving patients access to personalised care models. This month we joined a group of doctors to open a brand-new short stay surgical centre in the Melbourne suburb of Kew, the first private hospital in Australia to offer no gap on all treatments for eligible customers.

“And we are taking our responsibility to be a leader in mental health seriously, a health concern that touches every family and every community. Our commitment is to do more for our customers and for all people in Australia.

“We are a resilient business with a long track record of navigating competitive and economic challenges.

“As the health system continues to evolve, so are we.

“The next phase of the health transition is upon us and we need to continue to drive the change that is needed for the community to keep Australia’s health system one of the best in the world.”

David Koczkar
Chief Executive Officer

Performance in detail

Group

\$360.1m +12.7%
Group operating profit

\$114.5m +37.0%
net investment income

\$340.3m -0.8%
NPAT attributable to
Medibank shareholders

Group operating profit, which excludes the impacts of COVID-19, reflects a 10.2% increase in Health Insurance operating profit and 40.8% growth in Medibank Health segment profit including the benefit of our increased investment in Myhealth.

Non-recurring cybercrime costs of \$17.2m includes further IT security uplift and legal and other costs related to regulatory investigations and litigation associated with the 2022 cybercrime event.

Underlying NPAT, which adjusts for movement in the COVID-19 equity reserve and normalisation of investment returns, up 13.8% to \$298.7m.

Dividend



The Board has determined a fully franked interim ordinary dividend of 7.8 cents per share, up 8.3% from the previous year.

This dividend represents a 71.9% payout ratio of underlying NPAT, normalising for investment market returns and any movement in the COVID-19 equity reserve. There is no change to our annual target payout range of 75%-85% of underlying NPAT.

Dividend dates

Ex-dividend Date  **Thursday March 2025**

Record Date  **Friday March 2025**

Payment Date  **Wednesday March 2025**

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Health Insurance

-1.8k -0.1%
net resident policyholders
(Medibank)

+20.3k +3.8%
net resident policyholders
(ahm)

347.6k +12.6%
non-resident policy units

\$4,085.7m +4.1%
premium revenue

\$3,326.6m +3.1%
net resident claims expense
(includes 60 bps risk equalisation
benefit)

2.3% +30bps
resident claims growth
per policy unit

\$312.4m +4.5%
management expenses

7.6% no change
MER

c. \$4m
productivity savings

\$661.6m +7.4%
gross profit

16.2% +50bps
gross margin

Resident customer growth

Industry growth has remained buoyant with policyholder growth in the 12 months to 31 December 2024 expected to be only modestly below the 2.3% growth in the 12 months to 30 September 2024. Strong growth continued for customers aged 25 to 30 years.

Cost of living pressure resulted in a modest increase in the number of customers across the industry lapsing and switching funds.

Total net resident policyholder growth up 0.9% (+18.5k) over 12 months, including

a 7.5k increase in 1H25 – double the growth in the prior 6-month period to 31 December 2023.

Acquisition rate down 10 bps to 5.2% in 1H25, with the Medibank brand down 20 bps to 4.1% and ahm remaining stable at 8.5%.

Lapse rate down 30 bps to 4.8% with improvement across both brands.

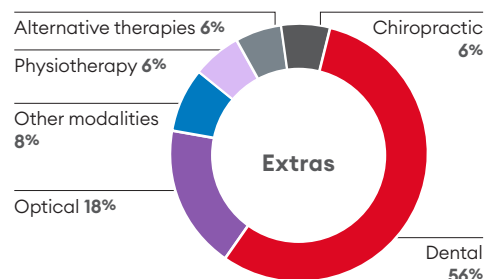
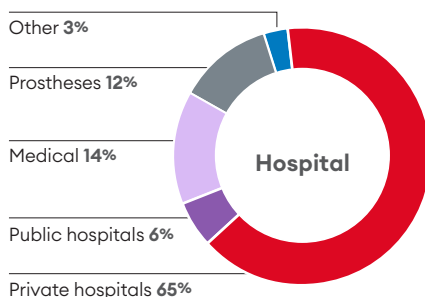
Non-resident customer growth

Momentum continued with policy units up 12.6% to 347.6k, driven largely by the student segment.

Resident hospital claims growth per policy unit up 100 bps to 3.0% reflects higher private hospital indexation and MBS and public hospital price increases linked to the 2024 CPI. This was partially offset by an improved risk equalisation outcome.

Resident extras claims growth per policy unit down 170 bps to 0.6% reflects \$16.5m of prior period claims favourability due to COVID-19 impacts and economic conditions impacting consumer spending across most services.

Indicative composition of resident customer claims



Management expenses up 4.5%, reflecting an increase in depreciation and amortisation in line with increased investment in our digital assets and higher operating expenses. This was partially offset by a \$4.2m reduction in sales commissions.

Operating expenses up 6.8%, driven by cost inflation of approximately 4.5%, modest volume impacts and a \$6.0m uplift in digital and other technology delivery capability. This was partially offset by approximately \$4.0m of productivity savings during the period.

Resident gross margin up 40 bps, reflecting improved risk equalisation and downgrading consistent with our disciplined approach to growth. It remains below FY19 pre-COVID-19 margin of 16.4%.

Non-resident gross margin up 50 bps, with claims growth modestly lower than the prior period and an improved visitor margin, partially offset by modest tenure impacts on student margin.

Operating profit up 10.2% to \$349.2m and **operating margin** up 40 bps to 8.5%.

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Medibank Health

\$37.6m +40.8%
segment profit

\$131.1m +79.3%
gross profit

Medibank Health segment profit increased with organic operating profit up 13.9% and a higher contribution from Myhealth following our increased shareholding to 90.1% in January 2024.

Myhealth operating profit of \$9.0m, with business tracking well with increasing consultation numbers, improved billing mix and better operating efficiency.

Revenue (excluding Myhealth) up 12.3% to \$158.8m with strong growth in health and wellbeing and diversified insurances, and improving growth in health services.

Gross margin (excluding Myhealth) up 140 bps to 53.1% with strong growth in higher margin businesses and improved margin in health services.

Operating margin (excluding Myhealth) up 20 bps to 19.6% despite increase in MER, reflecting business mix, inflation and investment for future growth.

Investment income

\$114.5m +37.0%
net investment income

Growth portfolio income up \$16.5m, reflecting higher returns in all asset classes other than Australian equities, with particularly strong international equities performance (including benefit of weakening AUD vs. USD).

Defensive portfolio income up \$13.1m includes \$1.8m benefit from the higher RBA cash rate and higher asset balances, improved return on international fixed interest holdings and \$1.9m benefit from tighter credit spreads.

Capital

\$1,182.9m
Health Insurance
required capital
(at 31 December 2024)

Our business continues to be well capitalised.

Health Insurance capital Fund prescribed capital amount (PCA) coverage ratio maintained at 1.9x.

Health Insurance required capital ratio of 14.1%, above 10%-12% target range with additional capital held to offset

\$250m temporary APRA supervisory adjustment.

Unallocated capital up \$40.8m to \$266.3m.

Other capital employed up \$65.8m to \$451.1m includes increased investment in Myhealth and \$26.0m asset risk charge on new Melbourne office fixtures.

Outlook

Customer value



Customer promise: any permanent net claims savings due to COVID-19 will be returned to customers

Customer give back program: expect our customer give back program to be finalised in FY25 **UPDATED**

Resident health insurance



Industry growth: we anticipate moderating industry growth in FY25 relative to FY24

Customer growth: we will remain disciplined as we aim to grow in line with market during 2H25 (including volume growth in the Medibank brand in FY25), and aim to grow market share in FY26 **UPDATED**

Claims: expected claims per policy unit growth of 2.4%-2.6% for FY25 (previously c. 2.7%) **UPDATED**

Management expenses¹: expect FY25 management expenses of c. \$650m including \$10m of productivity savings **UPDATED**

Non-resident health insurance

Customer growth: expect policy unit and solid gross profit growth to continue in 2H25 **UPDATED**

Medibank Health



Organic growth: targeting average organic profit growth ≥15% per annum between FY24 and FY26 plus a 12-month contribution from Myhealth in FY25

Inorganic growth: aim to invest between \$150m to \$250m through further M&A between FY24 and FY26

1. Resident and non-resident PHI management expenses. Does not include non-recurring cybercrime event costs.

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Summary of financial results

Six months ended 31 December (\$m)	2023	2024	Change
Group revenue from external customers	4,024.0	4,270.7	6.1%
Health Insurance operating profit ¹	317.0	349.2	10.2%
Medibank Health segment profit	26.7	37.6	40.8%
Segment operating profit	343.7	386.8	12.5%
Corporate overheads	(24.3)	(26.7)	9.9%
Group operating profit	319.4	360.1	12.7%
Net investment income	83.6	114.5	37.0%
Other income/(expenses)	(8.8)	(8.0)	(9.1%)
Cybercrime costs	(17.6)	(17.2)	(2.3%)
Profit before tax, before movement in COVID-19 reserve	376.6	449.4	19.3%
Movement in COVID-19 reserve (excl. tax)	115.3	43.6	(62.2%)
Profit before tax	491.9	493.0	0.2%
Income tax expense	(148.7)	(148.9)	0.1%
Non-controlling interests	-	(3.8)	n.m.
NPAT attributable to Medibank shareholders	343.2	340.3	(0.8%)
Effective tax rate	30.2%	30.2%	-
Earnings per share (EPS) (cents)	12.5	12.4	(0.8%)
Normalisation for investment returns	-	(11.1)	n.m.
Normalisation for COVID-19 reserve movements	(80.7)	(30.5)	(62.2%)
Underlying NPAT²	262.5	298.7	13.8%
Underlying EPS (cents) ²	9.5	10.8	13.8%
Dividend per share (cents)	7.2	7.8	8.3%
Dividend payout ratio ³	75.5%	71.9%	(360 bps)

1. Health Insurance operating profit excludes the impacts of COVID-19.

2. Underlying NPAT and Underlying EPS are adjusted for any movement in the COVID-19 equity reserve as well as the normalisation of investment returns.

3. Dividend payout ratio is based on Underlying NPAT.

Further enquiries



For media

Emily Ritchie – Hub Lead, External Affairs
+61 429 642 418 emily.ritchie@medibank.com.au

For investors/analysts

Colette Campbell – Hub Lead, Investor Relations
+61 475 975 770 investor.relations@medibank.com.au

All figures are in Australian dollars unless stated otherwise. Some figures, amounts, percentages, estimates, calculations of value and fractions are subject to rounding. Accordingly, the actual calculations of these figures may differ from figures set out in this document. Further, some balances subject to rounding, may not add consistently throughout the document.