



# shareholder review

## 2021



**\$2.6b**  
Group revenue



**24.0cps**  
full year dividend



**\$60m**  
COVID-19 support package



**\$160.5m**  
net profit after tax

## chairman's report

**I was honoured to be elected Chairman of the company in July this year. nib is a wonderful organisation with a long and proud history of innovation, growth and achievement since its inception in 1952. Together with my fellow directors, our Executive Management team and everyone at nib, I'm excited to be part of the company's continued progress and expansion. There is a "buzz" across the company that augers well for the future.**

Financial year 2021 (FY21) will of course be remembered as a year in which we all felt the full impact of the COVID-19 pandemic. Absent the kind of devastating armed conflicts of the first half of last century, for most of us it is easily the most significant global event in our lifetimes. While its implications for the nib Group and businesses generally are too vast to cover here, I will attempt to provide some insight into what the Group has had to deal with and how.

I should highlight that, from the pandemic's outset, our focus has been, and continues to be, on the health and wellbeing of our members, travellers, communities and employees. To date nib has provided \$45 million in COVID-19 support in the form of deferred premium increases, waived or suspended premiums, additional COVID-19 related coverage and multiple community donations. In addition, as announced with our FY21 results, we will return \$15 million of claims savings to eligible members as part of our ongoing member and community support package. We anticipate further support while ever the pandemic persists.

Importantly, the dire conditions didn't prevent us from meeting the healthcare needs of our members. In FY21, we funded 378,900 hospital claims and over 3.9 million dental, optical, and other ancillary claims across the Group with a total value of \$2.0 billion compared to \$1.9 billion in FY20. The pandemic certainly didn't slow the momentum we're building towards making the value proposition for members as much about their good health and wellbeing as it is their financial protection. Indeed, FY21 marked a milestone in the transformation of nib into a good health focussed business. Mark covers this in a little more detail in his Managing Director's report.

Group commercial and financial performance was strong despite some parts of the business taking strain under the pressures of the pandemic and restrictions on international travel. Mark makes mention of the headline financial numbers and the Annual Report has further details. Shareholders, I believe, can take confidence from the resilience shown across the Group and our expectation of a positive outlook for private health insurance, and that as the pandemic passes, those affected businesses will recover quickly.

In the fullness of time, I think FY21 will also mark a point when our social and environmental responsibilities to the communities we serve became all the more poignant. Already we are very committed to the well established principles of sustainability, and have much to show for our efforts including our Reconciliation Action Plan (RAP), our Diversity and Inclusion Plan and over \$2.7 million in funding for numerous community health initiatives, including through our hard working nib foundation.

Yet the potential for us having the greatest impact on the health of our society lies ahead in the form of more deliberate and precise population health management. We intend to play a more active role in improving community health outcomes and redressing terrible gaps in care, especially between indigenous and non-indigenous people, whilst always maintaining the primacy of our members' choice of healthcare provider.

Overall, the nib Group is in very good shape. We continue to grow with increased profitability, we are well capitalised and there is no shortage of opportunity ahead. Your Board declared a final dividend of 14.0 cents per share, fully franked, bringing the full year dividend to 24.0 cents per share.

I want to acknowledge and farewell our long-serving Chairman, Steve Crane, who retired from the Board in July 2021. Steve made an extraordinary contribution to the company over the past decade and will be very much missed. I also welcome Peter Harmer as a new independent Non-Executive Director. Peter brings over 40 years' experience in the Australian and international insurance and financial sectors.

Finally, my sincere thanks and gratitude to our people, from our employees on the frontline, our team leaders, to our Executive Management team and my fellow Board colleagues for all their hard work and persistence in such an extraordinary year. nib is built on its people and we are fortunate to have a truly great team.

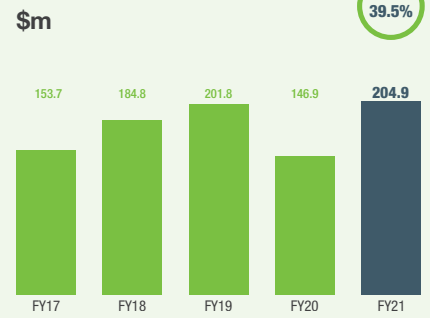
**David Gordon**  
Chairman

# group performance highlights

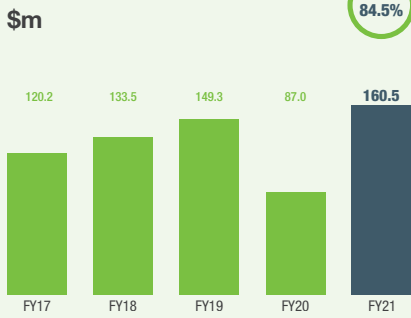
## Total underlying revenue



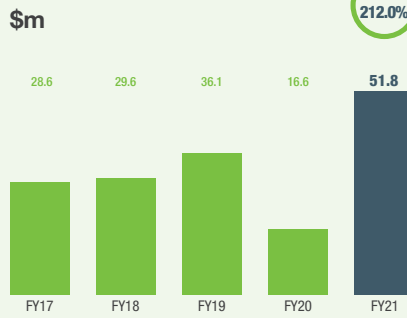
## Underlying operating profit



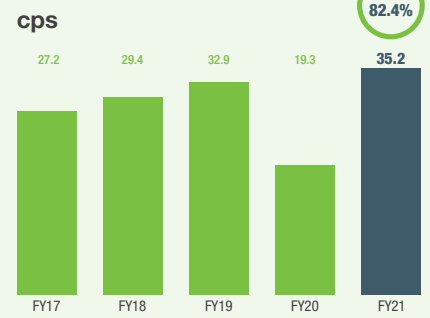
## Net profit after tax



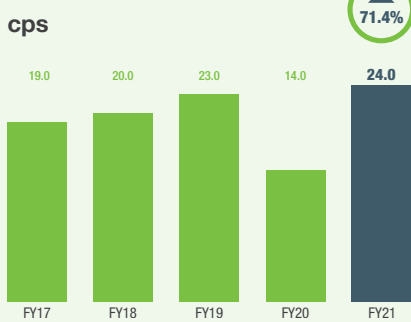
## Net investment income



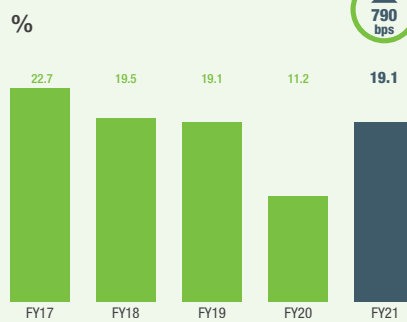
## Statutory EPS



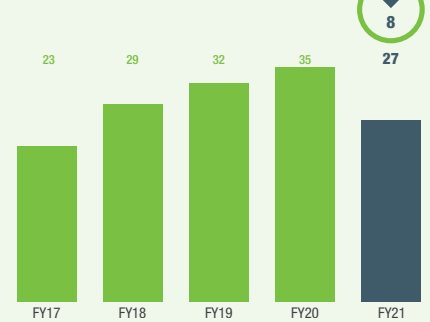
## Dividends



## Return on invested capital



## Group NPS



### arhi

Our core earnings driver arhi delivered a strong result, with underlying growth in policyholders and favourable total claims expense. The 62.4% increase in UOP to \$211.8 million includes a \$55.9 million partial release of last year's COVID-19 claims provision, offset by a 12.5% increase in nib member claims expense.

Heightened community awareness of health risk and financial protection as a result of the pandemic, and our diversified and multi-channel distribution strategy, helped deliver net policyholder growth of 4.2%, above industry growth of 3.1%.



### new zealand

nib New Zealand delivered another good result, reporting a 3.0% increase in UOP to \$24.1 million. The result includes the full release of the \$8.4 million COVID-19 claims provision.

Net policyholders grew by 1.6% due to the decrease in international students entering New Zealand. Excluding students, policyholders grew by 5.0%, supported by the performance of channels such as whitelabel partner, the New Zealand Automobile Association.



### iihi

Our iihi business, comprising international students and workers, continues to be impacted by COVID-19, reporting a UOP loss of \$5.9 million. Ongoing border closures and travel restrictions have limited new sales growth, resulting in a 6.5% decline in net policyholders and contributing to a step-up in claims expense of 38.8%.

We continue to support our members while addressing the current claims experience and improving service quality and efficiency. As borders re-open we anticipate a return to previous growth and earnings performance.



### nib travel

Our travel insurance business experienced a sharp drop in gross written premium of 86.9% to \$17.0 million due to the continued significant COVID-19 impacts on global travel. It reported a UOP loss of \$13.6 million, an improvement on last year's loss due to lower operational expenses.

Preparations for the return to travel are underway, including upgrading products with additional COVID-19 cover and operating efficiency improvements through digitisation.



## managing director's report

**The extraordinary disruption and tragedy for so many brought on by the pandemic didn't stop us posting another strong result in FY21. Group underlying revenue grew 2.9% to \$2.6 billion, underlying operating profit by 39.5% to \$204.9 million and earnings per share by 82.4% to 35.2 cents. Return on invested capital (ROIC), my favoured measure, was an impressive 19.1%.**

In relation to earnings and year on year comparisons, it's worth me highlighting the impact of the pandemic on business activity and accounting. Neither FY21 nor FY20 can be considered "normal" given the "see sawing" of healthcare treatment and claims experience as well as extraordinary initiatives taken to support members which David has already described.

Nevertheless, accounting principles have done their job well and the commercial results reliably reflect good progress in our preeminent aim of "your better health". In our flagship Australian Residents Health insurance (arhi) we added over 26,000 policyholders at a growth rate of 4.2% and in New Zealand over 5,500 policyholders (excluding international students) at a growth rate of 5.0%. While it wasn't as positive for our international students and workers and travel businesses, we're very confident they will bounce back post-pandemic. Pre-pandemic these two businesses combined contributed \$41.5 million UOP in FY19. In FY21, they incurred losses of \$19.5 million. It speaks of opportunity ahead.

FY21 will come to be known as the foundation year for transforming our business and becoming as much about good health and preventing the risk of disease, as it is about supporting people once they're already sick or injured. Our "Payer to Partner" (P2P) strategy saw developments on many fronts across the Group, none more evident than the escalating effort and investment in Honeysuckle Health. Honeysuckle Health is a joint venture with global healthcare company, Cigna. It is deploying advanced data science (big data, machine learning, digital engagement) to predict risk at an individual and population level and then develop programs to more precisely prevent, manage or treat the risk. Honeysuckle Health's potential to change the way we think about healthcare and the place of "prevention over cure" cannot be overstated.

Nobody celebrates the havoc and misery of the pandemic. If there is any silver lining it is the heightened community awareness of disease risk and the need to better manage that risk, as well as its influence in accelerating investment in data-led insight, improved practice and the technology of the kind we're embracing. Importantly, we have the will and capacity to invest in P2P and relevant technology.

Through our joint venture with Chinese pharmaceutical company, Tasly, we now have a licence to sell health insurance in China and made our first sales in July. It's a small but crucial step, and while the business won't be profitable for another year or two, the medium to long term opportunity is considerable.

Another significant development related to the pandemic has been our shift to our distributed working strategy "Life at nib". Essentially, our 1,200 people now work wherever they choose and are only required to attend a workplace "hub" when necessary, such as induction, training, business planning, project collaboration, and celebration. I deliberately say pandemic "related" because underneath the change is the power of modern technology to automate activity and connect people.

Our members, travellers, shareholders, and other key constituents, such as doctors, should all look forward to further progress in bringing P2P to life and nib supporting a better healthcare system and outcomes for people and communities. As David observes, there is no better opportunity for us to contribute to society. Done well, this will all translate into further commercial success and increased enterprise value.

**Mark Fitzgibbon**  
Managing Director

## COVID-19 member and community support package

As the pandemic has continued to evolve, so has the support we've provided to our members, employees and the general community, which to date totals \$45 million.

As announced with our FY21 results, we will also return an additional \$15 million of claims savings to members. The member and community support package includes expanded coverage for COVID-19 related treatment for all members, financial relief in the form of premium credits, delayed premium increases, waivers or suspensions; and access to telehealth services on an ongoing basis so members can continue to look after their health from the comfort of home.

Together with nib foundation, we also provided \$1.5 million in funding to community and clinical initiatives dedicated to supporting the mental health and wellbeing of Australians and Kiwis.

In addition, nib Group employees were given up to two weeks special paid leave, an ergonomics package to support their work from home set up as well as access to a number of health and wellbeing initiatives to help keep them connected and healthy while working from home.

Learn more at [nib.com.au/covid19](http://nib.com.au/covid19)

## sustainability at nib

We recognise that how we go about our business, including the examples we set, directly and indirectly impact the communities in which we operate and their sustainability.

FY21 highlights include:

- Transitioning to renewable energy at all nib-controlled locations and commitment to be carbon neutral by the end of FY22.
- Supporting Ngāti Whātua Ōrākei iwi members through health management programs and introduction of Kaiārahi (iwi health navigators).
- Introducing our first-ever Diversity and Inclusion Action Plan to foster a sense of community where everyone is welcome, contributes and belongs.
- Development of nib's Responsible Investment Policy which has enhanced our SRI screening of our investment portfolio.
- Launching our Reflect Reconciliation Action Plan (RAP).
- Rethinking how our people work through *Life at nib* – our new distributed work policy which focuses on hybrid working.
- Publishing our inaugural Modern Slavery Statement and undertaking supplier questionnaire assessments using a risk-based approach.
- Over \$2.7 million in total community funding including \$1.1 million nib foundation investment towards chronic disease prevention.
- Kicking off our Payer to Partner (P2P) journey as we seek to become a true health partner for our members.

Learn more in our 2021 Sustainability Report available at [nib.com.au/sustainability](http://nib.com.au/sustainability)

## nib in the community



**\$2.7m**  
in community  
funding



**\$1.1m**  
nib foundation  
investment in  
prevention of  
chronic disease



**\$54k**  
in traveller  
donations



**\$78k**  
in employee  
fundraising and  
volunteering time

Learn more in our 2021 Community Report available from [nib.com.au/foundation/community-report](https://nib.com.au/foundation/community-report).



### Employee giving

Our new Group-wide online employee giving platform introduced this year will enhance our ongoing efforts to foster a spirit of giving back to the communities in which we live, work, and operate. Although COVID-19 restricted some activities, our employees raised more than \$41,000 in donations to support 13 charities and provided \$37,000 worth of volunteering time to our community partners.



### Promoting prevention

With over \$23 million funded to date by our charitable arm, nib foundation continues its long-term focus on supporting innovative community programs designed to address our chronic disease epidemic. Almost \$1.1 million has been invested in prevention programs in FY21, helping over 600,000 people access programs designed to build health literacy and empower healthier lifestyle choices such as improving diet and exercise, or reducing smoking and risky drinking. Reducing these health risks plays a big role in protecting our health and wellbeing into the future.



### Enabling equality

Working alongside our Reflect RAP, nib foundation's Aboriginal Health Partnerships program continues to support community-led organisations to deliver culturally safe initiatives to help improve Aboriginal and Torres Strait Islander health. The program has supported four partnerships this financial year working to support youth emotional and social wellbeing through building strong connections to family, country, and culture.

Our partnership with Awabakal saw Ian Eggins and sons (pictured) awarded a Community Sponsorships grant to help purchase wetsuits to support their success and participation in surfing competitions. With grants of up to \$1,000 on offer, this program is supporting greater participation of Aboriginal and Torres Strait Islander peoples in sporting, educational, cultural and leadership events, while celebrating local good news stories and achievements.

## Five-year performance summary

\$m		2021	2020	2019	2018	2017
Net premium revenue		2,548.8	2,439.6	2,340.8	2,162.6	1,943.1
Underlying operating profit		204.9	146.9	201.8	184.8	153.7
Statutory operating profit <sup>1</sup>		186.0	114.9	184.6	169.0	150.6
Profit before tax		231.0	121.8	213.0	192.3	174.4
Net profit after tax		160.5	87.0	149.3	133.5	120.2
<b>Balance sheet</b>						
Total assets		1,702.8	1,677.8	1,554.1	1,447.5	1,136.1
Equity		706.2	603.1	632.2	557.8	427.6
Debt		232.3	232.9	233.9	230.6	153.2
<b>Share performance</b>						
Number of shares on issue	m	457.7	456.8	455.6	454.8	439.0
Earnings per share (statutory)	cps	35.2	19.3	32.9	29.4	27.2
Dividend per share	cps	24.0	14.0	23.0	20.0	19.0
Dividend payout ratio	%	68.2	71.0	70.0	68.5	70.0
Share price at year end	\$	6.51	4.61	7.67	5.73	5.75
Total shareholder return <sup>2</sup>	%	45.0	(37.7)	38.1	15.2	30.0
<b>Other financial data</b>						
MD/CEO total actual remuneration <sup>3</sup>	\$m	2.0	4.4	3.8	3.6	2.6
Return on invested capital	%	19.1	11.2	19.1	19.5	22.7
Operating cash flow	\$m	108.7	207.6	184.5	179.9	171.7

The above reflects the operations of the Group and should be read in conjunction with the 2021 financial statements, together with the accompanying notes which is available on our shareholder website, [nib.com.au/shareholders](https://nib.com.au/shareholders).

- Statutory operating profit includes \$18.9m in amortisation of acquired intangibles, impairment of intangibles, one-off transactions, business implementation costs, and merger and acquisition costs.
- Source: Bloomberg. 12 month TSR. Total shareholder return represents the simple return over the holding period due to the change in the share price plus dividends re-invested on the ex-dividend date.
- Total actual remuneration includes fixed pay and other benefits, the value of STI awards (cash and shares in escrow) received, and the value of prior years' deferred LTI awards that vested, in the financial year.

### 2021 Annual General Meeting

The Annual General Meeting (AGM) of nib holdings limited will be held as a virtual meeting on Thursday, 4 November 2021.

Full details of the AGM, including the Notice of Meeting and how to participate in the virtual meeting, will be available at [nib.com.au/shareholders](https://nib.com.au/shareholders)

### Corporate governance

nib's Corporate Governance Statement and further information about nib's Governance, including company policies, Board and Committee charters, are available from the Corporate Governance section of the shareholder website [nib.com.au/shareholders](https://nib.com.au/shareholders)

### Investor relations

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