

23 August 2021

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## NIB Holdings Limited

### Financials

#### HOLD

#### NHF A\$7.20 TARGET PRICE A\$7.42

NHF's Principal Activity is the private health insurer in Australia and New Zealand, whereby it underwrites and distributes private health insurance to Australian and New Zealand residents as well as international students and visitors to Australia.

#### Company Data

Number of shares	457.7 M
Market Capitalisation	\$3611.6 M
Free float (%)	98.4
12-month high/low	\$7.89/\$4.08
Average Daily Turnover (\$m)	2.9341
% S&P/ASX200	0.17%
DDM Ranking	105
% All Ordinaries	0.15%
GICS Industry Group	Insurance

Source: FactSet, Barclay Pearce Capital

#### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	1,118.7	2,279.4	2,406.9	2,520.8
Reported NPAT (\$M)	160.5	148.3	130.2	134.9
Adjusted NPAT (\$M)	142.4	129.4	113.7	117.8
Reported EPS (c)	35.2	32.9	27.3	28.3
Adjusted EPS (c - FD)	37.1	34.8	30.0	30.8
Adjusted EPS growth (%)	4.8	-1.7	-15.4	-12.9
Adjusted P/E (x)	21.3	22.7	26.3	25.6
Dividend (c/sh)	24.0	22.5	19.5	20.0
Gross yield (%)	4.3	4.1	3.5	3.6
Net yield (%)	3.0	2.9	2.5	2.5
ROIC (%)	19.1	25.7	22.3	22.4

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## FY21 Financial Results

On 23<sup>rd</sup> August, NIB Holdings Limited (NHF) announced their results for the full year ended 30 June 2021 with the following highlights:

(\$m)	FY21	FY20
Net premium revenue	2,548.8	2,439.6
Net claims incurred <sup>1</sup>	(2,004.9)	(1,955.3)
Other underwriting revenue	3.8	3.5
Underwriting expenses	(318.0)	(310.3) <sup>2</sup>
<b>Underlying underwriting result</b>	<b>229.7</b>	<b>177.5<sup>2</sup></b>
Other income	24.1	60.1
Other expenses	(44.1)	(86.7)
Share of net profit/(loss) of associates and joint ventures	(4.8)	(4.0)
<b>Underlying operating profit</b>	<b>204.9</b>	<b>146.9<sup>2</sup></b>
Amortisation of acquired intangibles	(8.0)	(10.4)
Impairment of intangibles	(8.8)	(8.0)
One-off transactions, M&A and business implementation costs	(2.1)	(13.6)
<b>Statutory operating profit</b>	<b>186.0</b>	<b>114.9<sup>2</sup></b>
Net finance costs	(6.8)	(9.7)
Net investment income	51.8	16.6
<b>Profit before tax</b>	<b>231.0</b>	<b>121.8<sup>2</sup></b>
Tax	(70.5)	(34.8) <sup>2</sup>
<b>Net profit after tax</b>	<b>160.5</b>	<b>87.0<sup>2</sup></b>

- o Full year dividend of 24.0 cps

#### Performance Highlights

##### Australian Residents Health Insurance (arhi)

- o Market sentiment is positive for sales and retention but COVID-19 economic conditions potentially have a countervailing factor. FY22 net policyholder growth expected in the range of 2-3%, driven by multi-channel distribution strategy.

##### International Inbound Health Insurance (iihi)

- o Ongoing impacts of COVID-19 likely to restrict arrival of international students for remainder of CY21.
- o Industry demand for foreign labour a positive.

#### Guidance

- o NHF has not provided earnings guidance due to the unpredictable nature of COVID-19, claiming that "it is impossible to predict with any precision the implications for claims expense".
- o NHF will consider reinitiating earnings guidance as circumstances become clearer but it expects market conditions for FY22 to remain similar to the past 12 months.

## Earnings changes

For FY21, NHF reported NPAT of \$142.2 million which was significantly lower than market expectations of \$176.1M. NHF expects market conditions for FY22 to remain similar to the past 12 months. Hence, we expect negative earnings revision of the order of 10% for future periods.

## Valuation

We are updating our target price from \$6.19 to \$7.42 and revising our BUY recommendation to HOLD. The price target is underpinned by our Valuation

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Speculative Buy	0.4%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	( 0.0% of stocks with recommendations are Barclay Pearce clients)