



INFRASTRUCTURE INTEGRATION AND ECONOMIC DEVELOPMENT
IN THE HUNTER REGION

Hunter Region success story – from local identity to
Australia's fifth largest health insurance provider

PRESENTATION BY

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nib

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Infrastructure Integration
and **Economic Development**
in the **Hunter Region**



CEDA Regional Forum

17 September 2008

Overview

- ◆ About nib and its future.
- ◆ Pros and cons of regional location.
- ◆ Implications for local industry and economy.
- ◆ Q&A.



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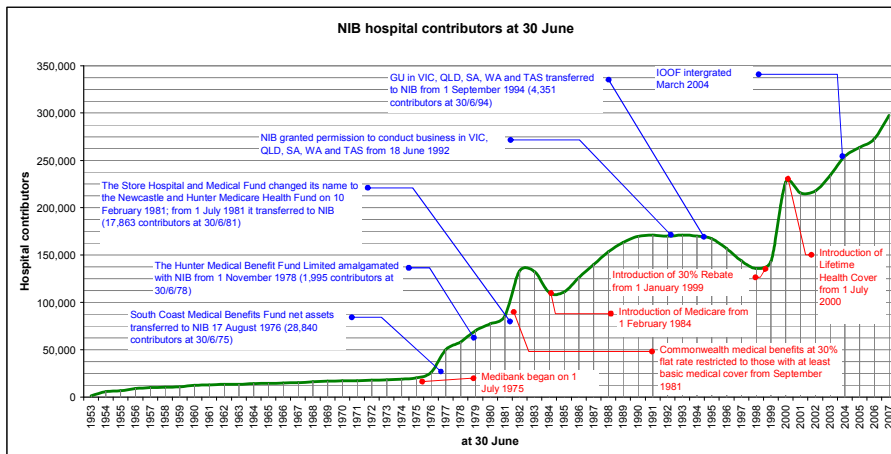
About nib...

- ◆ Created in 1955 within BHP.
- ◆ We help people afford healthcare.
- ◆ 6th largest health fund – 735k people covered nationally.
- ◆ FY 2008 revenue of \$758.2 million.
- ◆ 550 employees.
- ◆ Demutualisation and IPO November 2007.



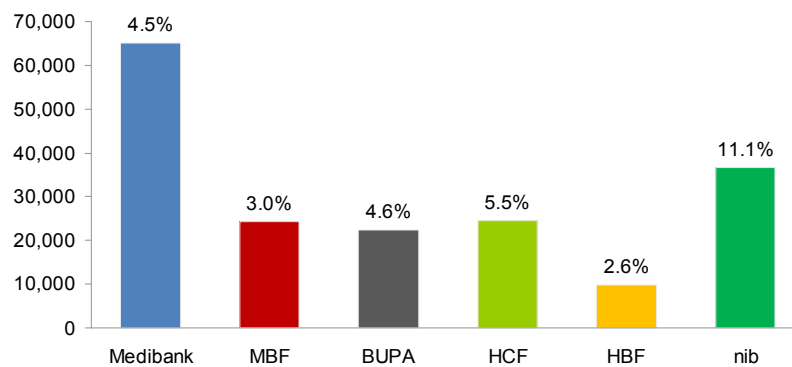
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Nib has a history of growth



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Especially more recently



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Business Strategy

- ◆ Organic growth with <40 and “new to category” skew.
- ◆ Build a national brand and footprint.
- ◆ Shift distribution to new economy.
- ◆ Pursue M&A.
- ◆ Explore adjacent and complementary new product opportunities.



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Brand power



Geelong Cats

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Demutualisation and IPO motives

- ◆ Access to capital to grow and shape/ participate in industry consolidation.
- ◆ Unlocking of trapped member wealth.
- ◆ More contemporary corporate/ governance structure.
- ◆ Natural evolution.



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FY08 Results Highlights



Overview

- ◆ Net policyholder growth of 36,605 (11.1%) vs industry growth of 4.2%.
- ◆ Normalised net underwriting margin 4.4% v 3.6% (FY07).
- ◆ Normalised net underwriting profit up 39.2% to \$33.0m.
- ◆ Consolidated profit impacted by volatile investment markets.
- ◆ Small FY08 statutory accounting profit of \$0.4m due to one-off costs associated with demutualisation and listing.



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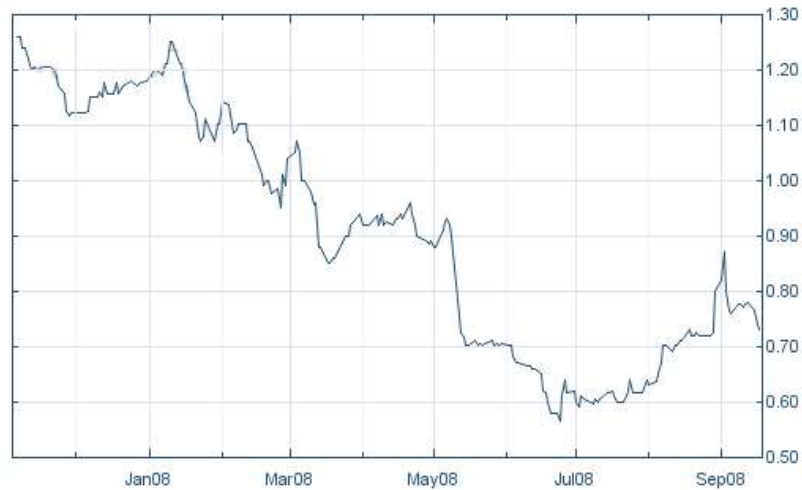
Hitting the right marks...

	FY05	FY06	FY07	FY08	FY08 Prospectus Forecast
Annualised growth in net membership	4.2%	3.9%	8.8%	11.1%	9.7%
% of new sales new to category	68.7%	70.8%	74.4%	73.2%	n/a
% of new sales "under 40"	71.7%	73.6%	78.5%	78.8%	n/a
% of new sales online	4.2%	13.6%	32.5%	35.1%	35.8%
% of new sales outside NSW/ACT	19.1%	23.4%	32.3%	37.5%	41.1%



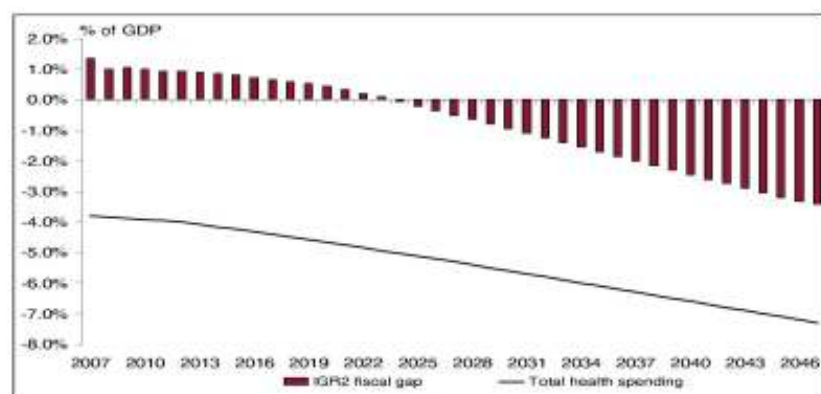
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At least the share market liked it



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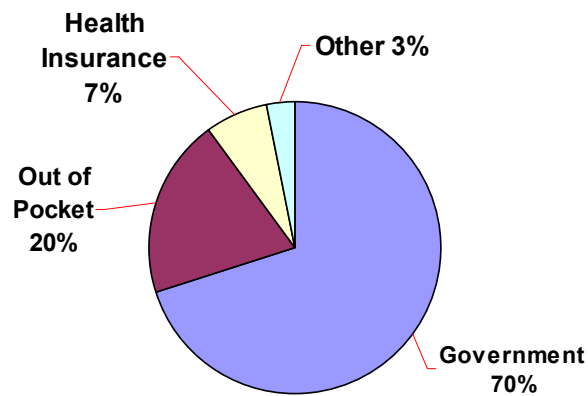
The graph that best underwrites nib's future



Source: Australian Government (2007)

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And the chart that best explains the long term prospects



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Pros and cons of a regional location

Pros

- Access to skills base
- Lower labour costs
- Lower commercial rent
- Lifestyle

Cons

- Dislocation from major stakeholders
- Recruitment of executive/ specialist people

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Implications for local industry and economy

- ◆ Growth is good – access to capital.
- ◆ Capital efficiency and ROE.
- ◆ Strategy as a portfolio of experiments.
- ◆ Markets innovate not Governments.
- ◆ Regionalisation of commerce:
 - ◆ Exemplars.
 - ◆ Transport and communication.
 - ◆ Lifestyle and social capital.
 - ◆ Marketing of advantages.



“Successful exploitation of ones niche in the current environment is a necessary condition of survival...but we also know that the shelf life of strategy in evolutionary systems can be quite short so one must continuously explore new strategies or risk finding oneself stuck in a poor position when the environment inevitably changes. “

- Eric Beinhocker “The origins of wealth”





Thank you

