

## MEDIBANK PRIVATE LTD (MPL)

24 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Revenue (\$m)	6,906.4	6,797.0	+1.6%
Health Insurance Operating Profit (\$m)	535.6	497.5	+7.7%
Medibank Health Operating Profit (\$m)	47.3	35.7	+32.5%
Operating Profit (\$m)	582.9	533.2	+9.3%
Net Profit (\$m)	445.1	449.5	-1%
Bloomberg Consensus (\$m)	453.8		
Final Dividend (\$)	0.072	0.0675	+6.7%

### Medibank (MPL) market share grows for first time in a decade while profits ease

- Medibank (MPL)** posted an annual profit of \$445.1m which was below Bloomberg consensus (seven analysts surveyed) and 1% lower than in FY17. The result was held back by lower returns on its investments and was boosted most by its core Health Insurance division.
- MPL has over \$2.6bn in investments** and while this was a 6% lift on last year, total returns on those assets fell by 210bps (3.7% return vs 5.8% in FY17). This was blamed on softer market returns and a more conservative asset allocation.
- Its core **Health Insurance** unit posted a 7.7% lift in its operating profit to \$535.6m (via its Medibank and AHM brands). While group revenue only rose by 1.6% over the year, management expenses and net claims posted even smaller gains which helped boost earnings. Expenses fell back partly thanks to its productivity program, hospital claims paid on behalf of customers were largely flat and growth in hospital utilisation rates were benign. Extras Claims rose 3.9% but only account for around a quarter of MPL's total net claims expenses. For the first time in a decade, it experienced some growth in market share (a modest 0.05% lift) over the second half and improved customer retention rates.
- Medibank Health** posted a 32.5% lift in earnings to \$47.3m. This includes its pet, travel and life insurance products and was formed to help diversify its business. A 12 month contribution from HealthStrong - which provides care to residents in aged care, retirement homes and to individuals within their homes - helped boost the result. The division's margins improved by 110 bps over the year.
- MPL has declared a fully franked \$0.072 per share **final dividend** which will be payable on 27 September 2018 and will trade ex-dividend 5 September 2018.
- Looking forward**, it expects growth in hospital utilisation to remain subdued and aims at increasing its productivity target by \$10m to \$60m between FY18-20. MPL expects only a small increase in management expenses in FY19.

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