

NIB Raises Its Dividend Again



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Yesterday, health insurer **NIB Holdings (ASX:NHF)** released its annual results for FY23. The key highlights are below.

- Revenue of \$3.1 billion, up 10.9% year on year, notwithstanding COVID-19 compensation
- Net profit after tax (NPAT) of \$191 million, up 42.8% from FY22
- Group claims expense increased 6.6% year on year to \$2.2 billion
- Final dividend of 15 cents per share fully franked, up from 11 cents per share in FY22

Other noteworthy financial metrics impacting the NIB share price yesterday include the 11.1% year-on-year boost in underlying operating profit, which came in at \$263 million.

The ASX 200 insurer reported that its Australian Residents Health Insurance (arhi) membership increased by 4.7% over the 12 months. Management noted this is more than twice the expected industry growth rate and the strongest growth since FY15.

There was also a positive turnaround in NIB's net investment income. FY23 saw this add \$57 million to the company's pre-tax earnings compared to the \$30 million loss posted in FY22.

With the 15 cents per share final dividend, NIB's full-year dividend comes to 28 cents per share, up from 22 cents per share in FY22. Its dividend yield — inclusive of the final dividend that will be paid on 3 October — the fully franked yield sits at 3.5%.

Commenting on the results sending the NIB share price sharply higher today, managing director Mark Fitzgibbon said:

arhi continued its long track record of above system growth, and those businesses that were troubled by COVID-19 – international students and travel – are experiencing good recovery.

Looking at what might impact the NIB share price in the year ahead, management said that despite some potential macroeconomic headwinds, the outlook for the ASX 200 insurer is positive.

On the positive side of the ledger, Fitzgibbon said:

COVID-19 made people more aware of risks to their health and the need for protection; public healthcare delivery and financing are under extreme pressure, immigration is adding to populations; foreign students are returning, foreign workers are in high demand; people have rediscovered travel.

What we took from the announcement

Not only are revenues and profits up, but so is profitability. Return on invested capital (ROIC) – based on average investments made and average returns earned – fell over a 100% to 100% increase from 14.7% to 14.8%. Return on equity (ROE) came in at 14.8% (vs 14.7% in FY22). Both of these metrics are measures of how well management is at finding value within the business and, in this regard, were more than happy with the FY23 results.

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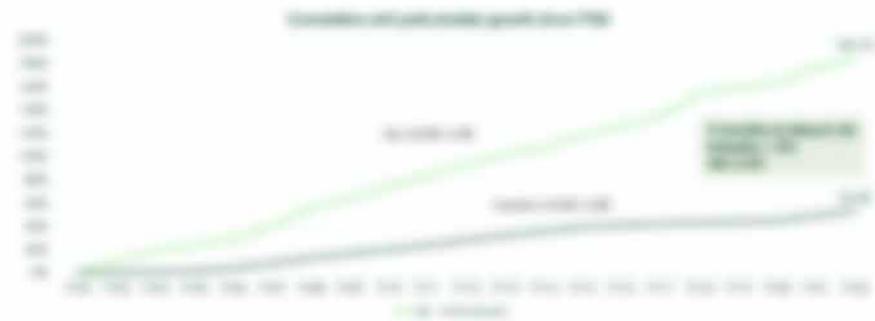
...with marketing costs in the latter effective and in Australia the use of an open market
...market increasing but there are limited marketing of justice. This is particularly
...to a high effective investment which is using pressure being placed on family
...budgets and, as such, provides with evidence that the value is often in the services that

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...strong health care and other services for different regions of countries including their
...to market. Examples include the Three 60% 60% business and responsible health
...which is a health service and operates also across companies that aim to offer solutions
...or better pathways to health.

The National Disability Insurance Scheme -- from 60% point of view -- is clearly a growth
...opportunity and, with government health businesses like responsible health, the cost
...policy has an obvious social impact in government health services that can, ultimately,
...help to keep costs under check.

Investments and initiatives for three -- now, and in the past -- have helped 60% achieve
...above industry rates of growth.



Source: 60% Holdings FY19 Annual Presentation

Growth in combination with participation over the last twenty years has compounded at
...more than twice the rate for the industry average. The company is well managed and the
...above chart goes a long way to explaining the good returns enjoyed by shareholders over
...the period. Responsible numbers -- across all, New Zealand and international
...health insurance -- property of 60% is just over 1.6B value in FY19.

The 60% also operates that growth can continue across each of its service segments.
...Responsible growth for all is expected to continue in the 20% long-term international
...health insurance policies continue to see strong take-up and profitability as people catch
...up on their cover after the increased movements of the Covid period.

At 60%, this is a strong result.

The *Dividend Investor* Team's View

We recommended 60% back in February 2017 because of the good quality of business
...operations, strong track record of performance and its stable history as a result of
...its focus on long-term value creation. The company's strong performance over the last
...few years is a testament to its focus on long-term value creation and its commitment to
...shareholder returns.

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The company, while the past few years might roughly at the same level in the last 10
...months or so, this is in the context of very low profit and a growing market. We remain
...positive on 60% long-term competitive advantages and, ultimately, its valuation. It's not
...log 7% of shares. Its returns, in a broadly consistent with its multiple over the last few
...years.

We can conclude that the share price of 60% is a fair price to pay for what is a company
...with a very good long-term track record. As such, 60% remains a buy on the
...market.

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