

ASX release

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2024 AGM Chair and CEO Address

In accordance with the ASX Listing Rules, Medibank Private Limited (Medibank) (ASX: MPL) releases to the market the addresses to securityholders to be delivered by the Chair, Mike Wilkins AO and the Chief Executive Officer, David Koczkar, at Medibank's 2024 Annual General Meeting to be held at 10.30am today.

The Chief Executive Officer's address includes insights into the private health insurance industry and Medibank's recent performance on page 10.

This document has been authorised for release by Mei Ramsay, Company Secretary.

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CHAIR

Good morning everyone.

My name is Mike Wilkins. On behalf of Medibank's board of directors I am pleased to welcome you to our 2024 annual general meeting here in Melbourne.

I will now invite Wurundjeri elder Uncle Dave to join us to open today's proceedings with a welcome to country.

Thank you, Uncle Dave, for that very warm welcome to country and I would also like to thank you and the Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation for all that you do with us.

Over the last two years we have worked together on the development of our new Melbourne office that stands on Wurundjeri Woi Wurrung Land. We are grateful for the knowledge and generosity you've shared to ensure our new place integrates a deep and respectful connection to Country.

In this way, I respectfully acknowledge the Wurundjeri peoples of the Kulin nation on whose lands we meet this morning, and I pay my respects to Elders past and present.

I'd like to extend that respect to all Aboriginal and Torres Strait Islander peoples joining us today.

Today's meeting is being held in a hybrid format – so I'd like to thank all shareholders for joining us today, both those joining us virtually through our livestream and those who are here with us in the room.

A quorum of members is present and I now formally declare the meeting open. The Notice of Meeting has been sent to members and I will take it as read.

Joining me on stage is the Medibank Board of directors and I'd like to introduce them to you.

On your far left, my far right, is Linda Nicholls who is Chair of the Investment and Capital Committee, followed by Jay Weatherill, who is standing for election today. Jay is sitting next to Dr Tracey Batten who is Chair of the Board's People and Remuneration Committee, and of course, sitting next to Tracey is our Chief Executive Officer, David Koczkar.

On your far right, my far left, is Peter Everingham, and he is sitting next to David Fagan, who is Chair of the Risk Management Committee. Sitting next to David is Kathryn Fagg, followed by Gerard Dalbosco, who is Chair of the Audit Committee and who is also standing for re-election today. Finally, to your immediate right of me, is our Company Secretary Mei Ramsay.

I will now make some comments on our 2024 financial performance and then hand over to David for his comments.

This is a milestone year for Medibank. Ten years ago the federal parliament transferred the Australian government's health insurer into private hands through a public float on the Australian Securities Exchange at \$2 a share for individual investors.

I am pleased to report that 10 years on, your company is in robust health.

We have paid \$3.4 billion in dividends to you – our shareholders – many of whom are also our customers.

While Medibank shares have outperformed the ASX100 index over that period, we use more than financial metrics to measure success.

Through our Medibank and ahm brands, we've grown our number of customers to 4.2 million, and now support them through multiple channels.

Over the decade we expanded the scope of the care and support we provided.

In the process we have transformed into one of Australia's leading health companies.

Almost a quarter of our employees now are health professionals, delivering innovative homecare, virtual health, hospital and primary care, at scale, across the nation.

In partnership with clinicians and providers, we have invested in prevention, homecare and short-stay hospitals and have now established one of Australia's largest multi-disciplinary primary health care networks by bringing together our investment in Myhealth with our other Amplar Health services.

Services that didn't exist or were in their infancy a decade ago are now in heavy demand – such as the 1 million virtual health interactions our Amplar Health team supported in the 2024 financial year.

And this year 132,000 customers signed up to our clinician-led prevention and Live Better digital prevention programs, which represent our long-term commitment to better health outcomes for our customers.

We believe Medibank is a role model for the successful transition from public to private ownership.

We're creating greater healthcare access, choice and control for Australians while creating long-term, sustainable growth for shareholders.

Health insurance is a necessity, not a luxury, for most Australians.

Throughout 2024 we kept up our focus on customers, many of whom continued to experience cost of living pressures as international and domestic factors drove up prices right across the economy.

While we weren't immune to these pressures, we understand our responsibilities to deliver greater value to our customers.

We kept premium increases below inflation, helped by our careful approach to costs.

We are very aware of the choices that our customers make each year, and that they continue to prioritise their health within the household budget. And we know that by doing this, they are also creating greater capacity in the public system through paying both their taxes and their private health insurance premiums.

So as some in the broader sector seek to shore up budget gaps, expecting our customers to be able to cover costs that are borne of outside pressures is just not fair, and we will always advocate on their behalf.

With this responsibility in mind, this year we further expanded our products and services, delivering better service for millions and deepened our relationship with our customers.

As a result of this customer focus and discipline we delivered a solid financial result reflecting the continued resilience of our resident Health Insurance business, the important contribution of our non-resident business and strong growth in Medibank Health.

Group underlying net profit after tax rose 14.1% to \$570.4 million. Net investment income increased 31.5% to \$182.2 million, reflecting strong international equities markets.

We continue to remain well capitalised and the Board authorised a 13.7% increase in the dividend to 16.6 cents per share, fully franked.

At the start of the pandemic, we promised we would not profit from COVID, which reduced claims across the industry.

We've stuck by that promise.

To date, we have provided \$1.46 billion in support to our customers, including \$305 million last financial year.

It is the largest financial support package provided by any health insurer in Australia to date.

We expect the finalisation of our customer give-back program to be announced later this financial year.

Healthcare is undergoing a generational transition.

Health systems are under pressure.

Delays securing consultations with GPs and specialists are common. Hospitals have been hit by high costs and labour shortages. Public hospital waiting lists are getting longer.

It isn't just Australia. This shift is occurring around the world, the consequence of ageing populations, the prevalence of chronic disease and the COVID pandemic.

Resources are moving to preventative healthcare, although not fast enough.

Australia spends more than \$38 billion a year on care for people with chronic health conditions, yet more than a third of this chronic disease burden is preventable.

Technology is delivering life-changing healthcare opportunities and innovation.

And when treatment is needed, patients' expectations are driving change too.

People want greater choice and control over their healthcare. They want greater value.

When a patient speaks to a GP, a nurse, or a psychologist, they want the option of having that conversation at home, or in the office, or on the farm.

They're asking for shorter hospital stays and access to treatment in the community so they can be cared for in their own beds, and undergo rehabilitation therapy in their loungerooms.

They want to be able to access accurate, immediate advice from trusted sources about how to get healthy, and stay healthy.

They want to know that help is available 24/7, without having to call an ambulance or drive to the nearest city centre.

This is Australia's health transition which Medibank is at the forefront of, and which we continue to accelerate.

Which is why we're working together with doctors, hospitals and governments, creating strong partnerships to enable better health experiences, greater access and improved affordability.

From large-scale digital preventative health programs to home hospital care to mental health treatment delivered virtually, we're helping build the future of healthcare.

In the process, not only are we improving care across Australia, we're creating a new future for our company. We're turning this challenge into an opportunity.

A few months ago the Board saw an example of the transition firsthand when we visited My Home Hospital in Adelaide.

A fully accredited virtual hospital we operate through a joint venture with Calvary Health Care for SA Health, patients sleep in their own beds, eat in their own kitchens and are constantly monitored from a central operating centre, receive regular visits from nurses and allied health professionals.

Patients often say that being treated in a familiar surrounding is good for their physical and mental health. As well, hospital-acquired complication rates at My Home Hospital are significantly lower than a traditional bricks and mortar hospital.

My Home Hospital is a huge step forward in hospital care and a vital part of the solution to our overstretched health system. We need to move away from the traditional approach of relying on expensive acute care hospitals for most treatment and instead incorporate contemporary models of care that align with international best practice – such as virtual hospitals like My Home Hospital or short stay options.

Hospitals and their partners must evolve if we want healthcare to remain affordable and accessible for all.

To better enable our people to lead through this health transition, we have been changing the way we work so employees can focus on what matters most to our customers, to our patients and to the community.

At last year's AGM we described a trial of the 4-day work week involving 250 employees, in which they maintain 100% of their pay, reduce their working hours to 80%, and maintain 100% productivity.

I can report to you that the trial has been successful with independent monitoring by the Health and Wellbeing Research unit at Macquarie University's Business School showing significant improvements in employee engagement, job satisfaction and their health and wellbeing, while maintaining business performance and customer outcomes. As a result we are expanding the trial to a further 250 team members.

Our 2030 vision to deliver the best health and wellbeing for Australia is at the heart of our commitment to sustainability as we work to make a positive impact within the community.

We have made a 10-year commitment to help address loneliness, which is affecting more than half of our population. This year we produced our 3rd series of We Are Lonely – a podcast that highlights how common loneliness is and provides ideas and strategies to manage it. We Are Lonely has just been recognised as one of the world's best podcasts, at the international Signal Awards winning two Bronze Awards.

We remain committed to improving diversity and inclusion and were proud to be recognised as a Top 5 Performer in the Australian Disability Network's Access and Inclusion Index in 2024. Our commitment to reconciliation has not changed, and we remain focused on supporting the health and wellbeing of First Nations people and the wider Australian community – such as our work developing a pilot workshop to teach cultural safety in health to clinical leaders in Amplar Health in conjunction with the Australian Indigenous Doctors' Association.

We progressed our commitment to Net Zero, shifting our mobile Amplar Health team from petrol to hybrid cars, procuring 64% of our electricity from renewable sources, putting us on track to reach 100% from renewable sources by 2025. We have also set an annual target to be certified carbon neutral for our business operations.

As technology keeps advancing, cyber-related risk continues to increase and is among the biggest global threats facing countries worldwide. In response, we continue to strengthen our security environment, maturing our cybersecurity approach and evolving our approach to data management.

More information on our sustainability policies and achievements can be found in the Sustainability Report 2024.

During the year the Board approved changes to executive remuneration, introducing additional performance hurdles and increasing incentive deferral times in the short-term incentive plan.

Later this morning you will be asked to vote on proposed changes to the Medibank Constitution to enable an increase in the maximum number of directors permitted on the Board. We believe this is a prudent decision to allow for the management of succession planning and to ensure the right balance of skills, knowledge and experience.

Today, Medibank is in a stronger position than when we met a year ago.

We are more resilient and even more determined to deliver on the reason Medibank exists, which is to deliver Better Health for Better Lives.

The year's success was due to the hard work and dedication of all our people – whom I thank on behalf of the Board and you, our shareholders.

I also want to acknowledge the leadership of David Koczkar and the executive group during this last 12 months and my fellow Board directors for their wise counsel and support.

Supporting the health and wellbeing of our customers and community has been our priority for almost 50 years and remains our focus today.

Thank you to you, our shareholders, for sharing this vision and enabling what we do.

I will now ask David to provide an update on the company's strategy, direction and insights into our current performance.

CHIEF EXECUTIVE OFFICER

Thank you Mike – and good morning to everyone joining us in Melbourne and on the webcast.

I'll begin by acknowledging the Traditional Owners and Custodians of country throughout Australia and their connections to land, sea and community and pay my respects to their Elders past, present and emerging.

As Mike said, this is a landmark year for Medibank – 10 years as a listed company.

We have achieved so much in that decade. We have grown our traditional health insurance business and transformed into a health company.

However, the expectations of our customers and the community are vastly different to those a decade ago. And while Australia's mixed public and private health system is still rated as one of the best in the world, the demands on our health system have changed significantly.

The challenges in healthcare are well known – waiting lists, ambulance ramping, delays to see a GP or specialist and a stretched workforce.

Inaction has led to some of these problems – problems that are testing both access and affordability, and problems that are exacerbated by current cost of living and inflationary pressures.

Without significant change, these challenges will only grow.

Healthcare is a system which by its nature requires constant transformation.

To continue to support the health of our community, all in the system need to think differently and embrace the changes we need.

As Mike mentioned, while Australia is in the midst of its health transition, the impetus is on each of us to lead through this – to chart a course that sustains all that is great about the health system we have today, while adapting to ensure it is match-fit for the future.

Medibank is at the forefront of this transition, and we take our responsibility as a market leader seriously.

To accelerate this change, we continue to invest in the health transition, remaining focused on delivering for our customers and growing our health insurance business.

Despite cost-of-living pressures, people continue to choose private health insurance in record numbers, particularly as confidence in the public hospital system declines.

The number of Australians who see private health insurance as essential is the highest it's been in 7 years.

Interest is particularly strong among younger customers, which is vital for the industry's longer-term health. Last year, the increase in people under 30 with hospital cover was the highest in 12 years.

In FY24 we grew net resident policyholders by more than 14,000.

While this was less than what we set out to achieve, given the heightened competitive intensity in the market, we remained disciplined about the best way to grow for the long term.

As I've said before, to remain strong and resilient, we continue to think about volume and margin, and not just volume alone.

We want customers to stick with us for the long term, and that helps us grow sustainably.

And that comes from investing in them.

By doing this, retention rates in the Medibank brand remained well above the industry average in FY24. It's why we have seen the largest growth in family policies in over 6 years. And it's why we continue to grow in the corporate market.

This focus also helped us grow our non-resident business, with a 69,000 increase in net policy units for the year. A standout was the student market, with Medibank the preferred provider of overseas student health cover for nearly half of universities in Australia.

But we also know many people are doing it tough. Pressure on household budgets continues and some are cutting back spending elsewhere to hold onto their cover.

This is why we've worked hard to keep average premium increases below both inflation and wage growth.

But this is at risk in NSW. Unfortunately, due to the NSW government looking to find ways to fill a budget gap, NSW private health insurance customers may now pay more for their cover in 2025 because of their decision to introduce a new health insurance tax. We have advocated strongly on behalf of our NSW customers that they should not be burdened by this extra cost. This is an unfair tax on them, and one that we expect could put even further pressure on NSW public hospitals.

We will continue to advocate on behalf of our customers, that's our job, and they should expect nothing less.

But we know value for our customers extends beyond keeping premium increases as low as possible. Our Live Better program rewards customers for taking healthy actions. In FY24, our customers were able to redeem more than \$25 million in rewards within the program.

And our customers saved more than \$23 million using our Members' Choice Advantage network.

And we're also empowering our teams to seek out new ways to support our customers.

One of these ways is connecting customers calling or messaging us to a team member in their local area.

You can't beat local knowledge, from where the best parking at a nearby health service is, to not having to spell the name of the local private hospital in Bunbury – because the person you're speaking to drives past it every day.

What started as an experiment with a single team in Geelong, has been rolled out to all our Medibank customer-service teams across the country.

Our customers are also asking us to play a greater role in their health. And they want more value, choice and control.

This is a mandate we continue to invest in, with almost half of Medibank policyholders now engaging with one of our health and wellbeing programs.

I'm currently taking part in Live Better's sleep challenge. If you haven't already, check out the program on the My Medibank app.

And just last month, we kicked off a trial of a new personalised online lifestyle management program for customers who have risk factors for conditions such as diabetes, heart disease and cancer.

But we know it's not just physical health that matters.

With 2 in 5 Australians experiencing a mental health condition over their life, we are helping to connect our customers to the support they need.

We began offering a virtual psychology clinic to all Medibank customers last year. We also opened up our 24/7 flagship health support phone services to all Medibank health insurance customers. This gives an extra 700,000 people access to 'round the clock support from a mental health professional.

We know that treatment of people with chronic conditions is one of the health system's biggest challenges, with half of adults living with at least one chronic condition.

So in addition to our suite of prevention programs, our increased interest in primary care group Myhealth is an opportunity for us to support more proactive and more preventative health services across the community. We know that as part of the health transition there is enormous opportunity to shift more care away from traditional 'bricks and mortar' hospitals – and move from a hospital system to a health system.

That's why we commissioned KPMG to look at the economic benefits of expanding hospital care in the home.

This report found that up to 30% of conditions can potentially be treated at home. And by 2030, this could see around 350,000 patients receive hospital care in their home instead of a traditional hospital and save up to \$1 billion in healthcare costs in 2030. In the public system alone, it could also save \$6.4 billion in capital expenditure between now and then.

These sorts of changes will not be easy. But as one of the largest funders of healthcare in Australia, we are supporting this transition.

For some time we have been partnering with doctors to offer patients the choice, where clinically appropriate, for shorter hospital stays with their recovery supported at home.

We have also invested in a number of short stay hospitals, to provide our customers and other patients choice to access high quality care at a much more affordable cost.

These hospitals are part of our no-gap program, which last year saved customers an average of \$1,900 when undergoing a hip or knee replacement.

We are also seeing enrolments for our rehab in the home program grow, surpassing 30,000 to date.

I caught up with one of these patients in Tasmania.

She had one big health goal after a knee replacement: to get back to daily walks with her two dogs.

After being discharged from hospital, and instead of repeated trips in the car for physical therapy, she chose to have one of our physios, Ameer, visit her instead in the comfort of her home.

When we met, she was improving, loving being home and on track for dog walking again.

The sustainability of private hospitals has been under the spotlight, and we know the past few years have been challenging for them.

This is why over the past 2 years we have provided around \$63 million in one-off financial support for them, in addition to increased indexation in hospital agreements.

It's also why we're partnering with them and investing in financial incentives to support them through the health transition.

These partnership agreements now make up three-quarters of the private hospital episodes experienced by our customers.

We need a strong and sustainable private hospital sector.

But to ensure access now and into the future, we must balance our support with the need to keep our customers' premiums affordable. That can only occur through innovative solutions, which the Federal Health Minister emphasised this month as part of the government's financial health check of the sector.

I will now share some insights into the market and our recent performance.

Despite the macro-economic challenges affecting all businesses, and the current pressures in the health system, the underlying dynamics of health insurance remain positive.

In the resident market, pleasingly industry growth in the 12 months to 30 June 2024 of 2.2% was 30 bps above the 12 months to 30 June 2023 and importantly biased towards younger customers. We continue to anticipate moderating industry growth in FY25 relative to FY24.

The competitive intensity has remained, and we continue to be selective on where and how we grow.

We have seen improving momentum, with stronger net resident policyholder growth in the first 3 months of FY25 compared to the same period last year.

Retention in both brands has remained strong in the first quarter of FY25, reflecting an ongoing focus and our disciplined approach to growth.

In FY24 Medibank Group lapse growth was approximately half that of the rest of the industry, with further improvement in Medibank brand lapse compared to the rest of the industry in the fourth quarter.

As we saw in the second half of last year, hospital claims and particularly surgical claims have continued to increase, however we have also continued to see softness in extras.

We continue to see the benefits of our disciplined approach to growth on claims and the partnership approach we are taking to hospital contracting which further supports hospitals that are embracing care models of the future.

Given the economic environment our aim is to keep premium increases as low as we can for customers. However, we also need premiums to reflect the reality of the claims trends in the industry.

In our non-resident insurance business, we have continued to see solid customer growth in the first 3 months of FY25.

The education sector remains very important to the Australian economy, however we do expect some short-term impacts to industry growth resulting from the Australian Government's decision to cap the number of student visas in 2025.

And finally, Medibank Health is targeting average organic profit growth in excess of 15% per annum between FY24 and FY26 plus a 12-month contribution from Myhealth. These services are positioned in growing segments with opportunities to meet the needs of more of our existing health insurance customers.

Looking ahead now.

In the coming years there will no doubt be more challenges to overcome.

However, we remain a resilient company with a record of successfully navigating competitive and economic challenges.

We remain focused on supporting our customers and delivering sustainable, long-term growth as we expand as a health company.

And we are excited about the opportunity to play our role in driving the health transition to keep Australia's health system one of the best in the world.

Before I hand back to Mike, I want to take this opportunity to thank the entire Medibank team for their contribution over the year.

And of course, I would like to thank you, our shareholders, for your support.

Our passion to serve our customers is unwavering. Our commitment to the Medibank 2030 vision – to create the best health and wellbeing for Australia – continues to drive our people and the business forward.

I'll now hand back to Mike.