

# Company Profile

Ord Minnett Research

18 May 2024

## Medibank Private Limited (MPL.AX)

Medibank Private Limited's (MPL) core business is the underwriting and distribution of PHI policies through its two brands, Medibank and AHM. It offers Hospital coverage and extra coverage to customers in Australia as well as health insurance to overseas visitors and students. It also participates in the broader healthcare industry through the provision of integrated healthcare services to Policyholders, government, corporate and other customers.

**Health Insurance:** In this segment company offers private health insurance products including hospital cover and ancillary cover, as standalone products or packaged products that combine the two. Hospital cover provides members with health cover for hospital treatments, whereas ancillary cover provides members with health cover for healthcare services such as dental, optical and physiotherapy. The segment also offers health insurance products to overseas visitors and overseas students.

**Medibank Health:** In this segment company derives its revenue from a range of activities including contracting with government and corporate customers to provide health management services, as well as providing a range of telehealth services in Australia. In addition, the Group distributes travel, life and pet insurance products on behalf of other insurers as part of a broader strategy to retain members and leverage its distribution network.

### Snapshot

Last Price	\$3.63
Market Cap.	\$9,997 million
52 Week High/Low	\$3.94 - \$3.33
Shares on issue	2,754 million
GICS Industry	Insurance

### Key Dates

Accounts Close	30 June
AGM	22 Nov 2023
Listing Date	25 Nov 2014

### Investment Fundamentals

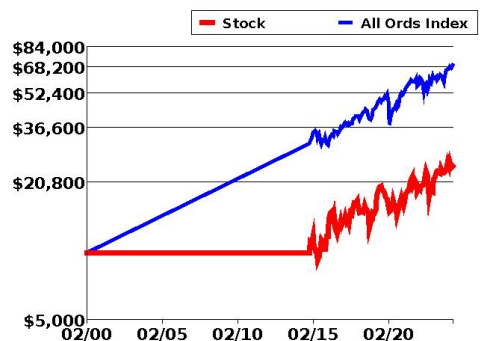
		2023A	2024E	2025E	2026E
Sales Rev.	\$m	--	--	--	--
Rep Profit	\$m	511.1	575.4	596.1	621.2
Norm Profit	\$m	511.1	575.4	596.1	621.2
Rep EPS	¢	20.3	20.9	21.6	--
Norm EPS	¢	18.6	20.9	21.6	22.6
Rep PE	x	19.0	17.6	17.0	16.3
Norm PE	x	19.8	17.6	17.0	16.3
DPS	¢	14.6	17.0	17.5	18.5
Yield	%	4.1	4.6	4.8	5.0
Franking	%	100	100	100	100
ROE	%	25.4	26.9	26.5	26.3

Source: Ord Minnett

### Share Price Chart



### Total Return on \$10,000 Investment



Ratios and Substantial Shareholders						
		2019A	2020A	2021A	2022A	2023A
<b>Profitability Ratios</b>						
Claims Ratio	%	82.35	83.70	83.06	82.54	81.59
Expense Ratio	%	8.83	8.39	8.08	7.78	7.94
Combined Ratio	%	91.18	92.10	91.14	90.32	89.53
Return on Equity	%	22.62	17.40	23.15	20.25	26.81
<b>Safety Ratios</b>						
Solvency Ratio	%	29.94	27.67	28.49	28.27	29.02
<b>Top 5 Substantial Shareholders</b>						
BlackRock Group						7.0%
State Street Corporation and subsidiaries						6.3%
The Vanguard Group,Inc						5.0%

Source: Morningstar

Principals & Directors	
<b>Principals</b>	
Company Secretary	Ms Mei Ramsay
<b>Directors</b>	
Mr Michael (Mike) John Wilkins ( Non-Executive Director,Non-Executive Chairman )	
Mrs Linda Bardo Nicholls ( Non-Executive Director )	
Ms Kathryn Joy Fagg ( Non-Executive Director )	
Mr David Fagan ( Non-Executive Director )	
Mr David Koczkar ( Chief Executive Officer,Managing Director )	
Mr Peter Dobie Everingham ( Non-Executive Director )	
Dr Tracey Leigh Batten ( Non-Executive Director )	
Mr Gerard Dalbosco ( Non-Executive Director )	
Mr Jay Wilson Weatherill ( Non-Executive Director )	

Source: Morningstar

## Recent Operational History

**22 February 2024** - Medibank provided HY2024 Results Investor Presentation. Health Insurance resident business remained resilient, with continued momentum in non-resident. Strong growth in Medibank Health. Increase in corporate overheads reflects inflation and additional community and sustainability costs. Benefit from higher RBA cash rate and higher asset balance and Maintained fund asset allocation (20% Growth; 80% Defensive). Private surgical admissions modestly above expectations- claims paid continue to be favourably impacted by a higher proportion of same day or short stay admissions.

**22 February 2024** - Medibank provided Media Release for HY2024 Results. Group operating profit increased 4.2% to \$319.4m, with Health Insurance operating profit up 4.3% and Medibank Health segment profit up 8.5%. Investment income increased by \$27.7m, partly offset by \$17.6m of non-recurring costs associated with the 2022 cybercrime event. The Company expects non-recurring cybercrime costs to be between \$30m and \$35m in FY2024 for further IT security uplift and legal and other costs related to regulatory investigations and litigation. This does not include the impacts of any potential findings or outcomes from regulatory investigations or litigation.

**06 December 2023** - Medibank Private reported NPAT up 29.75% to \$511.1m for the year ended 30 June 2023. Revenue from ordinary activities were \$7,355.3m, up 3.2% from last year. Basic and Diluted EPS were 18.6 cents compared to 14.3 cents last year. Net operating cash flow was \$184.5m compared to \$948.5m last year. The final dividend declared was 8.3 cents, taking the full year dividend to 14.6 cents compared with 13.4 cents last year.

Peer Analysis			Market Cap	Price	PE (x)		EPS Growth		Dividend Yield		Franking	
Company Name	Code	Recommendation	(\$m)	(\$)	2024	2025	2024	% 2025	2024	% 2025	2024	% 2025
QBE	QBE	Lighten	26,337	17.53	10.2	11.8	25.8	-13.2	4.5	4.8	10	10
Suncorp Group	SUN	Lighten	20,751	16.31	14.3	14.3	14.1	0.3	4.9	5.1	100	100
Insurance Aust. Grp.	IAG	Hold	15,051	6.35	15.9	15.1	122.1	5.2	4.2	4.6	40	40
<b>Medibank Private</b>	<b>MPL</b>	<b>Hold</b>	<b>9,997</b>	<b>3.63</b>	<b>17.6</b>	<b>17.0</b>	<b>12.6</b>	<b>3.6</b>	<b>4.6</b>	<b>4.8</b>	<b>100</b>	<b>100</b>
Steadfast Group	SDF	Hold	6,295	5.69	20.9	18.6	13.1	12.1	2.9	3.1	100	100
NIB Holdings	NHF	Hold	3,463	7.14	14.9	14.3	21.1	4.5	4.4	4.7	100	100

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## Guide to Ord Minnett recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

<b>SPECULATIVE BUY</b>	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
<b>BUY</b>	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
<b>ACCUMULATE</b>	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
<b>HOLD</b>	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
<b>LIGHTEN</b>	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
<b>SELL</b>	We expect the total return to lose 15% or more.
<b>RISK ASSESSMENT</b>	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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