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Medibank

Information current as at 1 August 2023

What are the main business activities?

Medibank is the largest health insurer in Australia. Its two brands, Medibank Private and ahm, cover nearly 5 million customers¹. Prior to publicly listing on the ASX in 2014, Medibank was owned by the Australian Government.

Medibank’s core business is health insurance, whereby they underwrite and distribute health insurance policies under the Medibank and ahm brands. Medibank also provides and coordinates health-related services, such as telehealth, hospital in the home and wellbeing programs, through an adjacent business, Amplar Health. Medibank’s customers include individuals, corporates, and governments.

Why is this firm attractive to its customers?

Medibank’s key customer proposition is the delivery of high-quality health insurance and health services. Medibank aims to help improve the health and wellbeing of their customers by providing access to preventative healthcare, affordable and flexible treatment options, and health management services. Medibank operates a dual brand strategy which provides customers with the choice of a premium, full-service offering (Medibank) or a simple, value-driven offering (ahm).

Medibank has invested in technologies to simplify, personalise, and digitise the customer experience, providing tools and information to help customers make better-informed decisions about healthcare.

ESG observations

(E) – Medibank has committed to net zero carbon emissions by 2050. Medibank has also completed climate scenario analysis and has forecast financial impact in low and high emissions scenarios. Medibank has set science based short, medium and long term emissions reduction targets and is working towards improving data capture to improve reporting and identify further opportunities to reduce emissions.

¹ As at December 31, 2022.



Why does the portfolio hold this stock?

Medibank is a high-quality company and is the market leader in health insurance in Australia. Medibank's scale allows them to realise operating cost efficiencies and maintain margins during periods of revenue or claims cost pressure. Through their continued investment in Ampliar Health, Medibank is becoming more vertically integrated in the healthcare system, which offers both an adjacent earnings stream and an ability to better control claims costs in their core health insurance business.

Medibank has a stable and growing earnings profile. In recent years, Medibank has successfully executed on initiatives that have improved customer service, which has increased customer retention and grown their market share. This has provided earnings resilience, even during periods of overall market decline in private health insurance. The COVID-19 pandemic saw participation in private hospital insurance inflect and start to increase for the first time in five years and as the market leader, Medibank continues to be a key beneficiary of this trend.

Medibank has a strong balance sheet with excess provisions and capital to support shareholder returns.

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