



NOBLEOAK

The smarter way to insure your life

APPENDIX 4D

For the half-year ended 31 December 2021

NobleOak Life Limited

ACN 087 648 708



APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated	31 December 2021	31 December 2020	Movement	Movement
	\$'000	\$'000	\$'000	%
In force premiums (ex Genus) at period end	226,472	142,389	84,083	59%
New business Sales (annualised premium)	40,177	31,645	8,532	27%
Net insurance premium revenue	30,845	21,306	9,539	45%
Net profit after tax	1,978	2,673	(695)	(26%)
Underlying net profit after tax	4,580	3,107	1,473	47%

Earnings Per Share

	Consolidated		Movement
	31 December 2021	31 December 2020	%
Basic earnings per share (cents)	2.62	4.49	(42%)
Diluted earnings per share (cents)	2.56	4.38	(42%)
Underlying Basic earnings per share (cents)	6.07	5.22	16%
Underlying Diluted earnings per share (cents)	5.92	5.09	16%

Dividends

	Amount per ordinary share	Franked amount per ordinary share
Dividend paid	\$0.12	\$0.12

During FY21, the Directors resolved to determine the payment of a dividend of \$0.12 per share franked to 100%. The dividend was paid out of the Company's pre-existing cash reserves (prior to the IPO) on 20 July 2021. The aggregate dividend amount of \$8.2 million was paid to holders of ordinary shares in the Company as at the Record Date of 9 June 2021. (HY21: Nil)

No interim dividend has been declared.

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Net Tangible Assets Per Share

Consolidated	31 December 2021	31 December 2020
Net tangible assets per share:	\$1.37	\$1.36

Further detailed information is provided in the sections that follow and in the Directors' Report and Operating and Financial Review in the accompanying Condensed Consolidated Financial Report for the half-year ended 31 December 2021.

RESULTS OF OPERATIONS

NobleOak's strong growth continued over the last six months. As at 31 December 2021, NobleOak had over 94,000 (30 June 2021: 77,000) active Life Insurance policies (excluding Genus), representing over \$226 million (30 June 2021: \$182 million) of annual in force premiums.

NobleOak has developed a trusted brand in the Australian life risk insurance market, combining contemporary Life Insurance products with a digital technology platform and service-driven business model. During the half year Noble Oak announced new direct distribution partner arrangements which will see its products marketed and distributed to more than 2.2 million potential customers Australia-wide. The new partners are:

- Royal Automobile Club of Western Australia (RAC WA), which was launched ahead of schedule in October 2021,
- Budget Direct, which was launched in February 2022, and
- Qudos Bank, launched in December 2021.

Across the business, underwriting performance remains strong with no material claims deterioration, and while expenditure was elevated in the first half of the year due to investment in new Individual Disability Income Insurance (IDII) product development and onboarding new partnerships, this is not expected to continue beyond the short-term. The half year results also included IPO related expenses which have been excluded from the underlying results, this allows the users of financial information to better assess the underlying performance of the business.

Following its successful Initial Public Offering (IPO) in July 2021, NobleOak has strengthened its balance sheet and capital adequacy levels significantly, and is strongly positioned to continue its growth trajectory as well as meet its obligations to its policyholders and other stakeholders.

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NobleOak achieved the following results for the half year ended 31 December 2021:

\$'000	31 December 2021	31 December 2020	Variance \$	Variance %
Insurance premium revenue	114,485	73,652	40,833	55%
Reinsurance expenses	(83,640)	(52,346)	(31,294)	60%
Net insurance premium revenue	30,845	21,306	9,539	45%
Investment income	94	140	(46)	(33%)
Net commissions	7,173	6,358	815	13%
Fees and other income	2,128	1,913	215	11%
Claims expense (net of reinsurance recoveries)	(3,982)	(2,399)	(1,583)	66%
Policy acquisition costs	(21,793)	(17,577)	(4,216)	24%
Change in net policy liabilities (before discount rate movement)	3,193	3,505	(312)	(9%)
Change in net policy liabilities (discount rate movement)	(910)	(619)	(291)	47%
Administration expenses	(10,954)	(8,759)	(2,195)	25%
IPO expenses	(2,807)	-	(2,807)	n/a
Operating profit	2,987	3,868	(881)	(23%)
Lease interest expense	(29)	(49)	20	(41%)
Profit before tax	2,958	3,819	(861)	(23%)
Income tax expense	(980)	(1,146)	166	(14%)
NPAT	1,978	2,673	(695)	(26%)
Impact of policy liability discount rate changes (post tax)	637	434	203	47%
Impact of IPO expenses (post tax)	1,965	-	1,965	n/a
Underlying NPAT¹	4,580	3,107	1,473	47%

¹ Underlying NPAT is a non-IFRS financial measure, defined as net profit after tax excluding the impact of changes in policy liability discount rates and IPO expenses. Movements in the discount rate are driven by external economic market conditions and can generate volatility in statutory profits, disclosing an underlying measure of profits, which excludes the impact of changes in discount rates and non-recurring costs such as those pertaining to the IPO, allows the users of financial information to better assess the underlying performance of the business (as is contemplated by ASIC RG 230 *Disclosing non-IFRS financial information*).

Underlying net profit after tax grew to \$4.6 million (HY21: \$3.1 million) an increase of 47% on the prior corresponding period and 12% ahead of the HY22 Pro-forma (Underlying) Prospectus forecast of \$4.1 million.

After allowing for the impact of changing interest rates on the valuation of policy liabilities and non-recurring costs pertaining to the IPO, NobleOak's Reported NPAT increased by 0.4% to \$2.7 million (HY21: \$2.7 million).

The Company is pleased with the performance of all business segments, each of which has contributed positively during the period and exceeded its respective HY22 Pro-forma (Underlying) Prospectus forecasts.

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After Tax Results by Segment \$'000	Consolidated HY22	Consolidated HY21	Variance \$	Variance %
Direct	2,576	1,693	883	52%
Strategic Partners	1,449	730	719	98%
Genus	555	684	(129)	(19%)
Group Underlying NPAT	4,580	3,107	1,473	47%

KEY METRICS

\$'000 / %	Consolidated	
	31 Dec 21	31 Dec 20
In-force premiums (ex Genus) at period end	226,472	142,389
New business Sales (annualised premium)	40,177	31,645
Net insurance premium revenue	30,845	21,306
Net insurance premium revenue growth	45%	28%
Underlying gross insurance margin	15%	18%
Underlying Administration expense ratio	10%	12%
Investment return	0.1%	0.2%
Underlying NPAT	4,580	3,107
<i>Underlying NPAT growth</i>	<i>47%</i>	

IN-FORCE PREMIUM AND NEW BUSINESS

In-force premiums are the key value driver of NobleOak's business, and the Company was pleased to deliver strong in-force premium growth of 59% on the prior corresponding period to \$226.5 million, which is 12% ahead of the Prospectus forecast. This growth was driven by a good sales performance, particularly in the Strategic Partner Segment and continued low lapse rates across both the Direct and Strategic Partner Segment.

New business sales for the six months were \$40.2 million, up 27% on the prior corresponding period, as NobleOak continued to achieve strong market share gains in both the direct and intermediated channels. In HY22, sales also benefited from heightened customer activity in the lead up to the 1 October 2021 deadline by which all insurers were required to launch new IDII products in accordance with new regulatory standards. This effectively brought insurance sales forward.

Customer insurance purchasing activity has decreased across the industry since the introduction of the new IDII products. For NobleOak, this has resulted in a reduction in new business sales, which has been offset by a continuation of lower lapse rates. While the outcome for the IDII market is not yet clear, NobleOak anticipates sales in the second half of FY22 to be lower than its Prospectus forecasts which will likely offset the above prospectus forecast sales in the first half of FY22. Importantly, however, the Company expects in-force premiums to be above its Prospectus forecast due to a continuation of lower than expected lapse rates. The Company will remain nimble in its approach until market activity normalises, ensuring it is competitive while managing within its risk appetite.

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NET INSURANCE PREMIUM REVENUE

Total net insurance premium revenue increased by 45% to \$30.8 million in HY22 (HY21: \$21.3 million), benefiting from the strong growth in annual in-force premiums and low lapse rates across the Direct and Strategic Partner Channels.

UNDERLYING GROSS INSURANCE MARGIN (BEFORE ADMIN EXPENSES)

Total Underlying Gross Insurance Margin reduced from 18% in HY21 to 15% in HY22 in line with Prospectus forecast.

Both the Direct and Strategic Partner segments reported slightly improved Underlying Gross Insurance Margins, driven primarily by favourable claims experience in HY22. The reduction in the total Group Underlying Gross Insurance Margin was driven largely by a change in mix of the Group portfolio, with the Strategic Partner segment growing faster than the Direct segment, as expected.

UNDERLYING ADMINISTRATION EXPENSE RATIO

NobleOak continues to grow its expense base as it invests in building capability in line with the growth in business volumes. This disciplined approach has seen the underlying administration expense ratio fall by 2% in HY22 to 10% (HY21: 12%) despite total expenses increasing by 24% in absolute terms.

In HY22, significant one-off investments were made towards the development of new IDII product across all channels for launch on 1 October 2021, the establishment of new processes to support the launch of the new distribution arrangements with RAC WA and Budget Direct, and the migration of data and systems development to support the administration of the recently acquired A&G run-off portfolio. \$1.5 million of these costs were capitalised during the period.

Administration expense in HY22 included depreciation and amortisation expense of \$0.6 million (HY21: \$0.4 million).

INVESTMENT RETURNS

Investment returns remained low in line with the current low interest rate environment. Whilst NobleOak's investment strategy is not expected to generate material profits in the near-term, in December 2021 the Board approved amendments to the investment strategy including an asset allocation to short-duration fixed interest asset classes, which are projected to enhance returns while retaining the portfolio's overall low risk profile.

OPERATING SEGMENT REVIEW

Direct	\$'000 / %	31 Dec 21	31 Dec 20
	In-force premiums at period end	63,696	51,444
	New business Sales (annualised premium)	5,603	5,342
	Lapse rate	8.2%	7.5%
	Net insurance premium revenue	16,623	12,891
	Net insurance premium revenue growth	29%	58%
	Underlying gross insurance margin	31%	30%
	Administration expense ratio	19%	21%
	Underlying NPAT	2,576	1,693
	<i>Underlying NPAT growth</i>	<i>52%</i>	

NobleOak's Direct strategy continues to deliver strong results, with ongoing investment in the direct market, particularly in digital marketing, driving market share gains at a time when many larger competitors have contracted. In HY22, NobleOak's policy count increased by 23%, with gross in-force premiums in the Direct Channel growing by 24% to \$63.7 million (HY21: \$51.4 million).

Lapse rates have remained low since the onset of COVID-19, and while they did increase slightly during the period to 8.2%, they remain well below the industry average.

Since the 1 October 2021 launch of new IDII products across the industry, fewer customers are switching insurers, which continues to support a lower lapse experience for the industry but also limits sales opportunities. For NobleOak, the launch of new distribution agreements is expected to partially offset this impact, with the RAC WA distribution channel launched in October showing positive early signs and the Budget Direct distribution channel launched in February 2022 anticipated to contribute immediate additional revenue.

Normalised profit generated from Direct activities rose to \$2.6 million in HY22, a 52% increase from the prior corresponding period and exceeding Prospectus forecast.

The Underlying Insurance Margin remains strong with a slightly improved performance over the prior year driven by a favourable claims experience.

The Administration Expense ratio fell by 2% to 19%, with economies of scale more than offsetting an increase in expenses associated with building resource capability, IDII product development and ongoing investment in digital.

Delivery on NobleOak's core values of nobility, simplicity, adaptability and delivery has seen:

- 95% of existing clients rate customer service as 'good' or 'excellent';
- 4.7/5 Feefo customer rating as at 31 December 2021, with a second Platinum Trusted Service award for maintaining a Gold Trusted Service Award standard for three consecutive years in 2020;
- 4.5/5 Google customer satisfaction rating as at 31 December 2021; and
- NobleOak being the most awarded direct Life insurer again in 2021, having won numerous awards from Canstar, Plan for Life, Experts Choice and Finder over multiple years for the quality of our Life Insurance and Income Protection products.

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NobleOak continues to grow its network of distribution partners in the Direct Channel and has recently signed distribution agreements with the Illawarra Credit Union and BlueRock Private Wealth, while the FlexiCover product continues to be well received by financial institutions. The Company is in advanced commercial discussions with a number of other potential distribution partners and expects to provide an update in the second half.

Strategic Partners	\$'000 / %	31 Dec 21	31 Dec 20
In force premiums at period end		162,776	90,945
New business Sales (annualised premium)		34,574	26,302
Lapse rate		4.0%	4.0%
Net insurance premium revenue		12,317	5,557
Net insurance premium revenue growth		122%	46%
Underlying gross insurance margin		6%	5%
Administration expense ratio		3%	2%
Underlying NPAT		1,449	730
<i>Underlying NPAT growth</i>		<i>98%</i>	

The Strategic Partner Channel continues to deliver strong growth. This channel comprises three key Strategic Partners: Neos, PPS Mutual, and Avant Mutual.

In-force Annual Premiums grew by 79% to \$162.8 million in HY22 to be 15% ahead of the Prospectus forecast, driven by both strong sales and continuing low lapse rates.

New Business Sales were up 31% on the prior corresponding period to \$34.6 million and exceeded the Prospectus forecast by 30%. HY22 Sales also benefited from heightened customer activity in the lead up to the 1 October 2021 deadline by which all insurers were required to launch new IDII products in accordance with new regulatory standards. This effectively brought insurance sales forward.

Customer insurance purchasing activity has decreased across the industry since the introduction of the new IDII products. For NobleOak, this has resulted in a reduction in new business sales, which has been offset by a continuation of lower lapse rates. While the outcome for the IDII market is not yet clear, NobleOak anticipates sales in the second half of FY22 to be lower than its Prospectus forecasts which will likely offset the above prospectus forecast sales in the first half of FY22. Importantly however, the Company expects in-force premium to be above its Prospectus forecast due to a continued lower lapse experience.

The Strategic Partner Channel delivered Underlying NPAT of \$1.4 million for HY22, an increase of 98% on the prior corresponding period and 30% ahead of the Prospectus forecast. The Underlying Insurance Margin improved in HY22, driven by a favourable claims experience. The Administration Expense ratio remains low, with one-off expenditure relating to the new IDII product pushing it slightly higher.

With the market being reshaped following the introduction of the new IDII products, and with two contracts past or nearing the end of their initial term, NobleOak is currently reviewing the commercial arrangements with each of its Strategic Partners to ensure the balance of return and risk continues to meet our requirements:

Avant – The existing product closed to new business from 1 October 2021. A re-insurer has expressed interest in launching a new product and NobleOak is currently working with Avant to assess its options going forward.

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PPS – A New IDII Product was launched on 1 October 2021. NobleOak continues to work with PPS to ensure the product features and market positioning meets its risk appetite. While the original five-year term of the partnership agreement ended in FY21, NobleOak's partnership with PPS remains strong with both companies' objectives closely aligned. NobleOak continues to work with PPS to review the commercial terms to ensure they meet its requirements going forward.

Neos – A new IDII product was launched on 1 October 2021 and NobleOak continues to work with Neos to ensure the product features and market positioning meets its risk appetite. With the original five-year term of this partnership agreement due to end in FY23, NobleOak has commenced a review of the commercial terms and operational arrangements with Neos to ensure alignment. This review is expected to be complete by the end of FY22.

Genus	\$'000/%	HY22	HY21
In-force premiums under management		30,771	33,317
Administration Expenses		3,186	2,975
Amortisation of Portfolio Acquisition Cost Included in Administration Expenses		112	-
Underlying NPAT		555	684
Underlying NPAT growth		(19%)	

In-force premiums under management by Genus decreased materially in HY22, driven by the conduct remediation program on the Freedom portfolio which commenced during the period. The remediation program is scheduled to complete in April 2022. The decline in the In-force premium under management was partially offset by the acquisition of the A&G administration run-off portfolio, which added \$4.1 million to the in-force premium under management.

Genus generated \$0.6 million Underlying NPAT in HY22, exceeding the Prospectus forecast by 18%, primarily driven by the acquisition of the A&G portfolio.

Whilst the transition of the administration of the A&G portfolio will not be complete until April 2022, both revenues and expenses for Genus exceed the Prospectus forecast due to the introduction of this portfolio ahead of schedule in late August 2021.

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SUBSEQUENT EVENTS

There has been no matter or circumstance that has arisen since the reporting date that has significantly affected, or may significantly affect, the operations of the Group, or the state of affairs of the Company in future years.

COVID-19

The potential impact of COVID-19 on the business continues to be monitored. There has been nothing observed since balance date that is anticipated to have significant impact on the business.

Compliance Statement

The information provided in this report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements or other standards acceptable to ASX.

The NobleOak Life Limited Condensed Consolidated Financial Report for the half-year ended 31 December 2021 has been subject to review by our external auditors. A copy of the independent review report to the members of NobleOak Life Limited is included in the Half-Year Condensed Consolidated Financial Report.

Signed:



Anthony R Brown
Director

Sydney, 28 February 2022



Stephen Harrison
Chair

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