Helia

ASX Announcement

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2024 Full Year Results

25 February 2025: Helia Group Limited (Helia or the Company) (ASX:HLI) today reported its financial results for the year ended 31 December 2024 (FY24).[1]

The Company reported a Statutory net profit after tax (NPAT) of $231.5 million and Underlying NPAT of $220.9 million. Statutory NPAT was higher than Underlying NPAT mainly as a result of pre-tax mark to market unrealised gains on infrastructure and equities.

The Helia Board has declared a fully franked final ordinary dividend of 16.0 cents per share and a fully franked special dividend of 53.0 cents per share, both payable on 3 April 2025 to shareholders registered as at 20 March 2025.

FY24 highlights	FY23	FY24	FY24 v FY23 (%)
Statutory net profit after tax (NPAT) ($m)	275.1	231.5	(16)
Statutory diluted earnings per share (cps)	84.7	79.7	(6)
Underlying net profit after tax ($m)[2]	247.7	220.9	(11)
Underlying diluted earnings per share (cps)	76.3	76.1	(0)
Ordinary dividend per share (cps)	29.0	31.0	7
Special dividend per share (cps)	30.0	53.0	77
Net tangible assets per share ($)	3.76	3.93	5
Underlying return on equity (ROE) (%)	21.1	19.9	(120bps)

Helia Chief Executive Officer and Managing Director, Ms. Pauline Blight-Johnston, said "I am pleased that our strong financial performance and capital position continue to provide us with the flexibility to support our customers, invest in strategic initiatives and undertake disciplined capital management.

"Underlying NPAT was strong, albeit lower than the prior corresponding period (pcp), primarily due to a lower benefit from negative Total incurred claims, with claims experience being unusually low in both FY23 and FY24.

[1] The financial result of Helia and its subsidiary companies (the Group) is prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB), consistent with International Financial Reporting Standards (IFRS).

[2] Underlying NPAT excludes the after-tax impacts of impairments of equity-accounted investees, unrealised gains/(losses) on shareholder funds, and foreign exchange rates on Helia's investment portfolio. The bulk of the foreign exchange exposures are hedged.

“We have intensified our strategic focus on growing the market for LMI and successfully grown and defended our LMI market share by delivering a differentiated service proposition. We remain focused on our core purpose of accelerating financial wellbeing through home ownership, now and for the future.”

Operating environment

The Australian economic environment provided a positive backdrop in FY24. The ABS unemployment rate ended 2024 unchanged from the prior year at 4.0% and the participation rate remained around all-time highs. Hours worked increased and positive real wage growth assisted loan serviceability.

CoreLogic’s Home Value Index reported a change in national dwelling values of 4.9% with growth stabilising in 4Q24. Strong annual dwelling value increases in Western Australia and Queensland contributed to a fall in portfolio negative equity, which remains very low compared to historical levels.

The RBA cash rate target was stable during the year at 4.35%, but the steep rise in mortgage interest rates in 2023 and cost-of-living pressures contributed to a modest increase in delinquencies. The Company remains well positioned to manage any impacts from a more difficult economic environment should that arise.

Strategic progress

Helia has a differentiated LMI offering that is resonating with customers. The Company continued its 100% success rate with 2024 contract renewals and helped more than 31,000 Australians to achieve home ownership in FY24, continuing the crucial role Helia has played for first home buyers, upgraders and property investors since 1965.

The Company commenced a new multi-year program incorporating the theme “LMI Lets Me In”, repositioning LMI with home buyers, mortgage brokers, and lenders to improve awareness and increase understanding of LMI’s benefits. The proportion of first home buyers likely to use LMI increased to 77% in Helia’s Home Buyers Sentiment Report, and there was a modest increase in Helia’s new LMI Broker Sentiment Index.

The Federal Government Home Guarantee Scheme (HGS) is having a material impact on the LMI industry and now represents 38% of total lending that is either insured or government guaranteed. Helia continues to engage with government to highlight both the impact of existing policy and the opportunity to improve policy targeting.

The Company remains focused on strengthening its operational efficiency and data governance, completing six new customer API integrations and a new digital onboarding system. Helia’s employee engagement score of 78% again placed Helia in the top 25% of financial services companies in Australia compared to the Culture Amp Finance Australia July 2024 benchmark.

There is no update in relation to the Commonwealth Bank contract or RFP advised in an ASX Announcement dated 19 June 2024.

Capital management initiatives

In recognition of the strong FY24 profitability and capital position of the Company, the Board today approved an increased fully franked final ordinary dividend of 16.0 cents per share and a fully franked special dividend of 53.0 cents per share.

Helia is committed to deploying capital at attractive returns for shareholders and it is the Board's objective to return to and then operate within the target coverage ratio range of 1.40 to 1.60 times APRA's Prescribed Capital Amount (PCA).

The Company completed $113.4 million of on-market share buy-backs in FY24, reducing the share count by 9.4%. Today, Helia announced an increase in the current $100 million on-market share buy-back to $200 million, $121 million of which remains outstanding. The Company reserves the right to vary, suspend or terminate the buy-back at any time.

FY24 Overview

FY24 key financial measures	FY23	FY24	FY24 v FY23 (%)
Gross written premium (GWP) ($m)	185.2	195.6	6
Insurance revenue ($m)	427.3	389.2	(9)
Total incurred claims ratio (%)[3]	(15.7)	(9.5)	N.M. [4]
Closing delinquencies (number)	4,532	5,083	12
Insurance service result ($m)	358.4	291.9	(19)
Net financial result ($m)	81.5	75.6	(7)
Contractual service margin balance (CSM) ($m)	669.2	642.7	(4)
PCA coverage ratio (times) [5]	1.86	2.10[6]	24bps

Gross written premium

GWP was up 6% on pcp and 2H24 was the best half since 2H22, driven by increased levels of industry new housing loans written above an 80% LVR as well as an increase in Helia's LMI market share. New business volumes remain subdued relative to historical levels, reflecting the impact of the HGS and higher levels of lender self-insurance.

Insurance revenue

Insurance revenue was down 9% on pcp, reflecting the lower levels of GWP in recent years and less favourable premium experience variations on top-up premium credits.

[3] Calculated as Total incurred claims divided by Total insurance revenue.

[4] N.M. Not Meaningful (increases / decreases > 100%).

[5] Based on APRA prudential standards applicable from 1 July 2023.

[6] Pro-forma PCA coverage ratio of 1.73 times (allowing for payment of FY24 dividends and completion of the $200 million on-market share buy-back of which $120.8 million is outstanding).

Total incurred claims and delinquencies

Total incurred claims were negative $37.2 million[7], reflecting a substantial benefit from changes to liabilities for prior incurred claims of $90.0 million.

This benefit was caused by a reduction in the Liability for Incurred Claims (LIC), arising from good delinquency cure rates, dwelling value appreciation, high levels of cancellations and property sales with no claim. There were also some changes to the reserving basis which contributed a benefit of $32.9 million.

New delinquencies rose 17% on pcp due to the impact of higher mortgage rates and cost of living pressures. Closing delinquencies rose 12% on pcp due to higher new delinquencies which were partly offset by stable cure rates.

Insurance service result

The insurance service result of $291.9 million comprised an expected insurance service result of $165.3 million, benefitting from a lower net expense from reinsurance contracts and positive experience variations of $126.6 million mainly relating to positive claims experience.

Net financial result

The net financial result was down 7% on pcp, due to a slightly lower net investment return of 4.9% per annum which included lower realised and unrealised investment gains. Interest and dividend/distribution revenue was higher than pcp and the closing net running yield on the investment portfolio at FY24 was 4.3% per annum.

The impact of changing interest rates on the value of the insurance liabilities in FY24 was small.

Cash and investments

Total cash and investments of $2.8 billion were down 4% on pcp, reflecting the payment of dividends and the on-market share buy-backs. Asset allocation and average duration were largely unchanged.

Insurance and reinsurance contract liabilities

Insurance and reinsurance contract liabilities were down 11% on pcp, mainly due to a lower Liability for Remaining Coverage (LRC) as a result of smaller in-force volume as the run-off of the back book exceeded new business.

The LRC includes a Contractual Service Margin (CSM), which represents $642.7 million of expected profit from the existing in-force business that will be recognised in the Income Statement in future periods if experience is in line with reserving assumptions. The CSM was down 4% on pcp, as the CSM recognised in the FY24 Income Statement exceeded the CSM added by new business, offset to some extent by an increase in CSM due to favourable changes in estimates.

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[7] Total incurred claims for FY24 were negative, driven by a release of reserves.

Regulatory capital

The Company's PCA coverage ratio was up 24 basis points on pcp to 2.10 times on a Group (Level 2) basis. Returns of capital to shareholders in FY24 exceeded Statutory NPAT, but this was more than offset by capital released from in-force seasoning and run-off, which significantly exceeded capital required for new business.

Helia targets a stable fully franked ordinary dividend and will explore options to return excess capital in an efficient and effective manner through a combination of special dividends and share buy-backs. The payment of the final ordinary and special dividends and completion of the remaining on-market share buy-back of $121 million would reduce the pro forma PCA coverage ratio to 1.73 times.

Outlook and FY25 guidance

FY25 Insurance revenue is expected to be within a range of $310 million to $390 million.

The FY25 total incurred claims ratio is expected to remain well below Helia's expectations of a through the cycle ratio of approximately 30%.

For more information, analysts, investors and other interested parties should contact:

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Briefing details

A conference call and webcast will commence at 10:30am (Sydney time) on Tuesday, 25 February 2025 to discuss these results.

Registration

Analysts, investors, and media are encouraged to pre-register using one of the options below. Participants using the webcast will be in listen only mode.

Conference call: https://register.vevent.com/register/BI91b363e521ff420bb7e2c2f5f233ac74

Webcast: https://edge.media-server.com/mmc/p/3gfvsvsp

Replay

A replay of the webcast will be available on the Helia website within 24 hours.

https://investor.helia.com.au/Investor-Centre/?page=overview

The release of this announcement was authorised by the Board.