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Tower Reports Growth and Efficiency in a Challenging Year

Tower Limited (NZX/ASX: TWR) has today announced its full year results reporting improved revenue growth and expense control, with profits impacted by catastrophic weather events. For the year to 30 September 2023, the insurer recorded an underlying profit including large events of \$7.6m versus \$27.3m in the 2022 financial year, and a reported loss of \$1.2m versus an \$18.9m reported profit in FY22.

Summary of FY23:

- Gross written premium (GWP) \$527m, up 17% on FY22
- Customer growth of 4% to 321,000
- Business as usual (BAU) claims ratio 55.5% vs 48.9% in FY22
- Management expense ratio (MER) improved to 32.2% vs 36% in FY22
- Large event costs \$55.6m vs \$19m in FY22
- Combined operating ratio including large events (COR) 101% vs 90.1% in FY22
- Underlying profit including large events costs \$7.6m vs \$27.3m in FY22
- Reported loss \$1.2m vs \$18.9m in FY22, includes strengthening of the residual Canterbury earthquake and remediation provisions, partially offset by the sale of Tower's Papua New Guinea subsidiary and its building in Suva.
- Tower will not pay a full year dividend for FY23.

Tower CEO, Blair Turnbull says, "In the financial year Tower has navigated catastrophic weather events, widespread inflation and increasing crime. At the same time, we are continuing to grow and manage expenses while executing on our strategy."

Large events claims mostly completed

Tower's focus on efficient claims settlement has seen approximately 84% of claims for the Auckland and Upper North Island weather event and Cyclone Gabrielle, and 88% of claims for Cyclones Judy and Kevin in Vanuatu completed as of 20 November.

Targeted growth and efficiency

Strong rating actions combined with organic growth have seen GWP in New Zealand rise 19% year-on-year.

Sales via Tower's digital channels continue to strengthen, contributing 65% towards overall GWP growth in FY23. The My Tower customer-facing digital sales and service platform is now operational across all Tower markets.

Disciplined cost control and improved efficiencies through increasing scale saw overall MER further improve to 32.2% versus 36% in FY22 as Tower's simplification and digitisation strategy is realised.

Investments in digital technology are increasingly enabling Tower to move workflows to its operational hub in Suva where its team of 250 staff are delivering lower telephony and service costs.

Increasing inflation and a higher frequency of motor claims have contributed to an increase in the BAU claims ratio to 55.5% compared to 48.9% in FY22. Tower is continuing to apply targeted rating and underwriting actions to address these challenges.

Looking forward

The successful renewal of Tower's reinsurance programme with \$750m of catastrophe cover and the purchase of a prepaid third event cover up to \$75m will provide important protection from the volatility of large events in FY24.

"In the year ahead, Tower will continue its focus on delivering targeted customer and premium growth while further improving efficiencies and continuing to streamline the business.

"We will also build on our leading risk-based pricing by expanding our model to include landslide and coastal hazards.

"While we have certainly faced significant challenges this financial year, our underlying result demonstrates resilience and strategic delivery which positions Tower well for long-term sustainable growth and performance," says Turnbull.

FY24 guidance

Tower's FY24 full year guidance is for underlying NPAT to be between \$22m and \$27m. This assumes full utilisation of a large events allowance which has conservatively been set at \$45m.

GWP growth in FY24 is expected to be between 10% and 15% reflecting continued strong rating actions and organic growth. Digitisation and efficiency initiatives are expected to improve MER to between 30% and 32%.

Tower is forecasting a combined operating ratio of 95% to 97% in FY24.

Consideration will be given to restarting dividends in FY24 if it is prudent to do so.

ENDS

This announcement has been authorised by Blair Turnbull, Chief Executive Officer, Tower Limited.

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