

28 May, 2024

Strong Half Year Result With Ongoing Operating Improvements

Kiwi insurer, Tower Limited (NZX/ASX: TWR) today reported its results for the half year to 31 March 2024, recording an underlying net profit after tax (underlying NPAT) of \$36.6m and a reported profit of \$36m.

The strong results were attributed to improvements in business-as-usual (BAU) claims performance, premium growth and operational and digital efficiencies, and compared favourably with the \$5.1m reported loss in the HY23 result which was impacted by catastrophe events.

Summary of HY24:

- Gross written premium (GWP) \$291m, up 20% on HY23
- Business as usual (BAU) claims ratio 49.7% vs 51.1% in HY23
- Management expense ratio (MER) improved to 31.3% vs 35.0% in HY23
- Large event costs -\$1.9m vs \$37.3m in HY23, due to a favourable revision to the most recent estimate for Vanuatu cyclone claims incurred in the prior year
- Customer numbers declined 1% to 309,000 vs 312,000 in HY23 partly due to tightened risk appetite for high-theft motor vehicle models
- Combined operating ratio (COR) including large events 80.2% vs 104.5% in HY23
- Underlying profit \$36.6m vs \$3.7m loss in HY23
- Reported profit \$36m vs \$5.1m loss in HY23
- Interim dividend 3 cents per share.

The BAU claims ratio has reduced to 49.7% compared to 51.1% in HY23 and 55.1% at FY23. This was due to enhanced processes, a reduction in motor theft claims following targeted underwriting actions and calmer weather which reduced the frequency of house claims in the half.

As at 27 May 2024, Tower had closed 97% of Auckland Anniversary and Cyclone Gabrielle FY23 catastrophe event claims.

Strong business performance

Premium growth continued in HY24 with GWP increasing 20% year on year to \$291m. This was predominantly driven by prior period rating increases designed to mitigate the impacts of inflation, crime and increased reinsurance costs following the 2023 catastrophe events.

Tower's GWP growth, combined with disciplined cost control has seen MER improve again, reducing to 31% from 35% in HY23. Tower is continuing to drive business efficiencies from investments in digitisation and streamlining the business. Tower's Suva hub is now answering half of all New Zealand customer sales and service calls.

Tower recently won the Canstar 2024 Home & Contents Insurer of the Year Award, recognising the insurer for providing outstanding value through its products and services.

No large events recorded in HY24

Tower has set a conservative large events allowance of \$45m for FY24 which currently remains unused. Any unused portion of the large events allowance at year end will increase underlying NPAT, and consequently improve the full year result. For example, if there were no large events in FY24 underlying NPAT would be increased by an additional \$32m (\$45m less tax).



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As a result of there being no large events in the half, Tower's combined operating ratio (COR) is now 80.2%, well below the COR of 104.5% in HY23.

Tower is well positioned looking forward

"Tower has delivered a strong result this half, driven by improved claims, digitisation and operational performance and positive customer experiences. The business is well positioned to deliver sustained premium growth through innovating our products and services and improved efficiencies, and ultimately attractive long-term shareholder returns," Mr Turnbull says.

Tower's FY24 full year guidance is for underlying NPAT to be greater than \$35m which assumes full utilisation of the large events allowance. GWP growth in FY24 is expected to be between 10% and 15% and MER is expected to be between 30% and 32%. For the full year FY24, Tower now assumes COR will be less than 93%, improved from a range of between 95% and 97%.

ENDS

This announcement has been authorised by Blair Turnbull, CEO, Tower Limited.

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