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TOWER delivers strong full-year result as focused general insurer

TOWER has reported a net profit after tax (NPAT) of \$23.6 million for the year ended 30 September 2014.

Underlying general insurance NPAT, which reflects the continuing business, increased 32.3% to \$25.1 million.

Highlights from FY2014 include:

- Gross Written Premium \$297.6m, up 6.6%
- General Insurance Underlying Net Profit After Tax \$25.1m, up 32.3%
- Strong performance from the Pacific – 79.1% growth in underlying NPAT
- Sale of TOWER Life (N.Z.) Limited for \$36 million
- Industry leading Canterbury progress at 88% settled or completed
- Full year dividend 14.5 cps unimputed, up 31.8%
- Capital return through buybacks of \$56.7 million during the year
- Intention to undertake on-market buy-back of up to \$34 million

Reported NPAT was down from \$34.4 million for FY2013, as the prior year included abnormal items as well as earnings from divested businesses. TOWER is now a focused general insurer after divesting its health, life and investments businesses.

TOWER Chairman Michael Stiasny said the underlying result was pleasing and reflected the improving industry backdrop and solid progress in TOWER's strategy to be a leading light in New Zealand and Pacific general insurance.

"Stronger underlying profit, progress on the Canterbury rebuild, further asset sales and prudent capital management have supported shareholder returns," he said.

"Capital management remains a priority for the board. We intend to implement an on-market buy back to return up to \$34 million, or up to 10% of TOWER's issued capital."

In line with TOWER's 90-100% NPAT payout policy, the Board is pleased to announce a final dividend of 8.0 cents per share unimputed. This brings the full year dividend to 14.5 cents per share, an increase of 31.8%.

Chief Executive Officer David Hancock said TOWER has an attractive platform for growth in general insurance. The company continued to focus on growth through three strategic pillars of financial performance, customer satisfaction and staff engagement.

"We are pleased with the improvement in our underlying general insurance profit in FY2014. Customer retention, brand recognition, net promoter score and staff engagement measures have also improved significantly in the last 12 months. Along with a continued focus on cost management this is expected to help us unlock the potential of our general insurance brand in New Zealand and the Pacific," he said.



“Strong responses to our SmartDriver app and Full replacement for fire benefit highlight the potential for further innovation by leveraging technological change and our risk management capabilities.”

Mr Hancock said the solid growth in general insurance was particularly encouraging given the significant adverse weather events that continued to impact claims across the industry.

Large claim weather events had a major financial impact in FY2014, costing \$14.4 million, up from \$9.6 million in the previous year.

New reinsurance cover in place from 1 October 2014, which covers multiple large events (excluding New Zealand earthquakes) from \$1 million and up to \$5 million per event, is expected to reduce future earnings volatility.

The Pacific business enjoyed a strong rebound in earnings following the devastation of Cyclone Evan in the previous year and now represents almost a third of group net profit.

“We are exploring opportunities to further expand our presence in the Pacific, which represents exciting growth opportunities aligned to core competencies,” he said. “TOWER has been looking out for Kiwis for more than 140 years. We want to use our deep experience in New Zealand and the Pacific to grow shareholder value.”

TOWER made further progress on the Canterbury rebuild, reaching 88% of all claims settled and closed. As part of the Reserve Bank of New Zealand’s annual review, the required solvency margin was reduced by \$30 million.

TOWER completed the sale of its remaining life insurance business in August for \$36 million, following a multi-year corporate restructure to create a pure general insurer.

Capital management remains a key component of TOWER’s approach to shareholder value. In addition to increased dividends, TOWER returned \$56.7 million to shareholders in 2014 via share buy backs and repaid \$81.8 million in bonds to become debt free.

Mr Hancock said TOWER remained a very well capitalised business and was carrying \$141 million in capital above solvency requirements.

The focus to grow shareholder value in FY2015 would be:

- Drive growth and efficiency through staff engagement
- Unlock brand potential through customer service
- Maintain a leading position in attractive Pacific markets
- Capitalise on the opportunities presented by industry consolidation
- Deliver financial performance
- Efficiently manage risk and capital for better returns

It is currently intended that the on-market buy-back of up to \$34 million will commence in the first quarter of calendar year 2015. Details of the buyback will be announced on NZX and ASX in the required form, and a disclosure document sent to all shareholders, once final advice on an appropriate timetable for the buy-back is considered, and Board approval is given to proceed.

The final dividend will be paid on 3 February 2015 to shareholders on the register on 22 January 2015.

ENDS



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