

22 April 2025

Tower updates FY25 guidance

Kiwi insurer Tower (NZX/ASX: TWR) has today updated its earnings guidance on underlying net profit after tax (underlying NPAT) for the year ending 30 September 2025.

Full year underlying NPAT is revised upwards to a range of between \$70m and \$80m, from the previously advised range of between \$60m and \$70m. This assumes full utilisation of the \$50m large events allowance. So far in FY25, Tower has recorded one large event - the Dunedin flooding event in October, with an estimated cost of around \$3m. Tower is supporting customers affected by the storms that impacted New Zealand over Easter weekend, and has so far received almost 250 Claims. This means this storm may exceed the \$2m threshold for a large event for Tower.

The upward revision of underlying NPAT guidance reflects continued better-than-expected business-as-usual (BAU) claims performance. This is due to an unusually prolonged period of favourable weather, a lower inflationary environment, fewer total loss house claims, and enhanced risk selection.

Guidance for gross written premiums (GWP) is revised to mid-single digit, from the previous range of 7% and 12%. While Tower continues to see growth in customer numbers in the home insurance portfolio, a reduction in average premiums has contributed to lower-than-expected GWP growth. This reduction is due to a higher proportion of lower risk new house insurance and motor policies, as well as more competitive pricing in the New Zealand market, which benefits consumers.

Guidance for the management expense ratio (MER) is revised to <31% from the previously advised guidance of <29%. While MER continues to trend downwards, it is currently tracking above target. This results from the reduced GWP flowing through to the ratio and the strategic acceleration of investments aimed at enhancing growth, improving efficiencies and strengthening the business. Tower expects MER to continue to reduce in the medium term as benefits from strategic initiatives are realised.

Guidance for the combined operating ratio is now expected to be within a range of 82-84%.

Reported profit will be impacted by additional non-underlying costs, including ongoing customer remediation costs and an increase in the Canterbury earthquake provision. This increase is due to an unexpected rise in new over-cap claims received from the Natural Hazards Commission (NHC). Canterbury earthquake costs continue to challenge the insurance industry some 15 years after the events due to the ability to reopen historic claims after an extended period. This situation is compounded by external factors including the significant volume of reopened claims from undiscovered damage and inadequate repairs, and inflation since 2010-2011.

Tower will provide further details on its performance at its half-year results announcement on 20 May 2025.

ENDS

This announcement has been authorised by:

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