

ASX ANNOUNCEMENT

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nib holdings limited (asx: nhf)

20 September 2017

nib to acquire specialist corporate private health insurer GU Health

Transaction summary

- nib to acquire 100% of GU Health for \$155.5 million¹
- GU Health is Australia's only established specialist corporate group private health insurer
- Acquisition meets nib's return on investment criteria with the transaction expected to be immediately EPS accretive²
- Transaction will be funded by a fully underwritten institutional equity placement of \$60 million, a non-underwritten Share Purchase Plan of \$15 million³ and a new debt facility for the balance
- Completion expected to occur in the final quarter of the 2017 calendar year, subject to conditions precedent

nib holdings limited (ASX: NHF) today announced that it has entered into an agreement to acquire specialist corporate private health insurer GU Health for a total consideration of \$155.5 million¹.

GU Health is Australia's only established specialist corporate group health insurer, servicing over 34,000 policyholders across more than 260 corporate clients. The business has operated as a wholly owned subsidiary of Australian Unity Limited since 2005.

GU Health generated premium revenue of \$193.5 million in the 12 months ended 30 June 2017. The \$155.5 million¹ purchase price implies an acquisition multiple of approximately 15.0x FY18E adjusted pro forma NPAT pre-synergies. The acquisition multiple should reduce as a result of expected benefits from future capital efficiencies.

The acquisition is expected to be immediately EPS accretive². EPS accretion is expected to be over 3% in the first full year of ownership excluding any future capital release and before fully phased long-run synergies. Annual synergies are expected to be in excess of \$3 million once fully integrated.

Acquisition delivers on nib's strategic ambition

nib's Managing Director, Mark Fitzgibbon, said GU Health represents a compelling strategic fit for nib.

"GU Health has carved out an attractive niche market specialising in health insurance plans to corporate groups."

"We've been impressed with the calibre of their people, strong business-to-business relationships and purpose built technology. All have helped deliver a market leading capability in the corporate group market. What's been achieved by the business is also a real credit to the ingenuity of its parent company Australian Unity."

"Overall the acquisition supports our plans to increase our presence in the corporate group market. It adds materially to both our Australian residents and international health insurance businesses and hopefully, will help grow our nascent outbound business. We have a strong view at nib about how globalisation increasingly demands that health insurers are able to seamlessly offer customers global cover," Mr Fitzgibbon said.

Australian Unity's Group Managing Director, Rohan Mead, said the proposed sale represents the Group's desire to constantly review and optimise its portfolio mix.

"Australian Unity's strategic focus for its human services activities involves delivering greater levels of direct healthcare as well as aged care, home care and disability services. The proposed sale of GU Health to nib will release capital for investment in strategic initiatives that align with our goal of continuing to develop direct to consumer products and services that create community value," he said.

"We have worked collaboratively with nib to develop an agreed transition plan to deliver business as usual service to our customers, providers and employees over the coming months."

¹ The final purchase price will be adjusted for movements in net asset value based on completion accounts

² Excludes one-off transaction costs and amortisation of acquired intangibles. Transaction metrics assume a total of \$75 million equity is raised

³ The nib Board retains discretion on the final amount of SPP proceeds to be accepted based on take up

Acquisition funding

nib intends to fund the transaction through a combination of a fully underwritten institutional equity placement of \$60 million, a non-underwritten Share Purchase Plan (**SPP**) of \$15 million³ and a new debt facility for the balance. nib expects its post transaction gearing (debt / (debt + equity)) to be approximately 31.7%. nib's long term target gearing ratio is 30%, noting that for a significant transaction gearing may be above the 30% target for a short time if necessary to effect the transaction.

The acquisition is expected to complete in the final quarter of the 2017 calendar year, subject to satisfaction of conditions precedent. The final purchase price will be adjusted for movements in net asset value based on completion accounts.

nib has updated its FY18 underlying operating profit guidance to at least \$155 million² as a result of the acquisition. Statutory operating profit in FY18 is expected to be approximately \$143 million and be impacted by one-off transaction and integration costs estimated to be \$3.1 million⁴ and \$0.6 million relating to FY18 amortisation of acquired intangibles of GU Health.

Placement

nib has launched a fully underwritten equity placement of ordinary shares to existing and new institutional investors to raise \$60 million (**Placement**). The issue price for the Placement will be determined through a variable price bookbuild to be completed today with reference to an underwritten floor price of \$5.48 per share, representing a discount of 5.0% to the last close of \$5.77 on 19 September 2017.

It is expected that nib shares will remain in a trading halt while the Placement is conducted until 21 September 2017, or such other time that it is announced to ASX. Settlement of new shares issued under the Placement will occur on 25 September 2017, with allotment scheduled for 26 September 2017.

J.P. Morgan Australia Limited is acting as sole lead manager, bookrunner and underwriter to the Placement.

Share Purchase Plan

In addition to the Placement, nib will offer all eligible shareholders⁵ (including retail shareholders) the opportunity to apply for new nib shares through a SPP without brokerage fees or stamp duty costs. nib intends to raise \$15 million, with the Board to retain discretion on the final amount of SPP proceeds based on take up.⁶

The application for new shares under the SPP will be capped at a maximum of \$5,000 per shareholder. The offer price per new share under the SPP will be the same price as under the Placement.

Further details of the SPP will be despatched to nib shareholders by their preferred method of contact as well as a separate announcement to ASX on or about 27 September 2017.

Indicative timetable*

Trading halt	Wednesday 20 September 2017
Placement completed and trading halt lifted	Thursday 21 September 2017
Settlement of new Placement shares	Monday 25 September 2017
Allotment and trading of new Placement shares	Tuesday 26 September 2017
SPP opens	Wednesday 27 September 2017

* Dates are indicative and subject to change

nib is advised by J.P. Morgan Australia Limited and Ashurst.

Media and Investor Enquiries

Matthew Neat

Head of Corporate Affairs & Investor Relations

Tel: +61 (0)2 4914 1777 or 0411 700 006 (+61 411 700 006)

Email: m.neat@nib.com.au

⁴ Does not include approximately \$1.8 million in one-off transaction costs associated with the Placement and SPP which are offset against contributed equity in the consolidated balance sheet

⁵ Eligible shareholders are holders of existing NHF shares as at 7.00pm (Sydney time) on Tuesday 19 September 2017 (Record Date) with a registered address in Australia or New Zealand

⁶ At the floor price of \$5.48, the Placement and the SPP will comprise an issue of approximately 13.7 million new fully paid ordinary shares in nib, which will rank equally with nib's existing ordinary shares on issue. Shareholder approvals are not required in respect of the Placement and the SPP