



MARKET ANNOUNCEMENT

Orion Health Finalises Investment Deal with Hg, Prepares for Share Buyback

Rhapsody acquisition completed, Orion Health secures investment in Population Health and prepares for Share Buyback

Auckland, 31 October 2018 – Orion Health (NZX:OHE/ASX:OHE) today announced the completion of its transaction with Hg for the acquisition of Rhapsody and a 24.9% stake in Orion Health's Population Health Management business. Following the transaction, Orion Health retains a 24.9% investment in the Rhapsody business and remains the majority owner of its Population Health business at 75.1%.

This is a significant milestone for Orion Health, signalling the next chapter for the company, in its goal to become a global technology leader in Population Health, while laying the foundations for precision medicine, which the company believes will transform the healthcare sector.

Orion Health's partnership with Hg, a specialist technology investor with deep healthcare expertise, delivers a combination of investment and a global network to Orion Health. It also provides a stronger platform for Orion Health to continue to deliver long-term value to customers, enabling the company to focus on its core business of Population Health and build on its global growth.

"We have achieved a significant milestone today with Hg's acquisition of Rhapsody and investment in Population Health. Hg is a deeply knowledgeable and globally connected investor in healthcare technology, which gives Orion Health enormous leverage in the healthcare technology market," Ian McCrae, Founder and CEO of Orion Health said.

"We are immensely proud of the Rhapsody technology our engineers have built and supported over the years and couldn't be more excited for the team globally and the opportunity they will have to accelerate the growth of the business. We remain committed to the Rhapsody business, not only as an ongoing shareholder but also as a partner and reseller, working closely together with Hg in the transition and its future growth. Orion Health has spent the past year reconfiguring the company for

success and now turns its attention to the next chapter of stabilising and growing the Population Health and Hospitals businesses.

“Interoperability and data liquidity are major issues in healthcare technology worldwide,” David Issott, Partner at Hg said. “Rhapsody has been built over the last 20 years to provide a solution. It is a world class product, used by over 460 clients in almost every major healthcare market in the world. By partnering with the Rhapsody team, we will accelerate its growth by investing in its products, capabilities and service levels.”

In addition, we are delighted to be co-investing in Population Health, whose innovative products help health economies deliver high quality and targeted care within tight fiscal constraints,” Issott said.

Structured for growth

The Hg Transaction has been structured to inject capital into Orion Health and increase its connectedness with global expertise, whilst keeping the vast majority of its technology talent and jobs in New Zealand.

“Evolving Orion Health, we now have an opportunity to harness the significant global digital health market with the company’s primary focus on Population Health. I believe that this focus on Population Health and laying foundations for precision medicine will see Orion Health through its next chapter as one of New Zealand’s top export technology companies,” McCrae said.

Summary of Share Buyback

- Orion Health will now move forward to undertake a share buyback at an estimated price range of \$1.16-\$1.26 per Share, with the final offer price to be determined by the Board, taking into account transaction costs and working capital adjustments in relation to the Rhapsody Sale.
- The bottom of the estimated buyback price range represents a premium of 36% to the closing price per Orion Health Share of \$0.85 on 2 July 2018, immediately prior to the date of the announcement of the Hg Transaction and Share Buyback, and a 48% premium to the volume weighted average trading price over the 20 trading days before that date.
- Orion Health anticipates that the final buyback price will be finalised, and materials sent to Shareholders, in late November 2018. Payments to accepting shareholders are expected to commence in December 2018.
- The Board believes that providing the option to all shareholders to cash-out some or all of their shares at a substantial premium, as well as the opportunity to elect to maintain an ongoing investment in Orion Health, is in the best interests of the company and shareholders. This represents an opportunity for

Shareholders to realise a premium, in cash, to Orion Health's pre-announcement share price for all or a portion of their shareholdings, or to continue as a Shareholder to benefit from any potential future value creation.

- McCrae Limited has confirmed that it will accept the Share Buyback in respect of 20% of its shareholding. Shareholders approved the Share Buyback at the Annual Shareholders' Meeting last month.

Summary of Hg Transaction

- Orion Health will operate as three separate businesses.
- Hg will acquire Orion Health's Rhapsody business for \$205 million, with Orion Health applying approximately \$28 million of the proceeds to retain a 24.9% stake in the Rhapsody business.
- Hg will also take a 24.9% stake in Orion Health's Population Health Management business by investing approximately \$20 million of equity.
- Orion Health will invest around \$12 million of the Rhapsody Sale proceeds in Population Health Management, based on an agreed pre-cash enterprise value of \$50 million, with an additional \$30 million of net cash to fund ongoing operations.
- The Hg Transaction implies an enterprise value of \$255 million for Orion Health. Following completion, Orion Health will own 75.1% of Population Health Management and 24.9% of Rhapsody. Hg will own the inverse proportions in each business. Orion Health will continue to own 100% of its Hospitals business.
- The balance of the net proceeds from the Hg Transaction will be used by Orion Health to fund the Share Buyback, pay transaction costs, and fund the Hospitals business and any future capital requirements of Population Health Management.
- The Hg Transaction was approved by Shareholders at the Annual Shareholders' Meeting last month.

About Orion Health

Orion Health (NZX:OHE/ASX:OHE) is a global health technology company that provides solutions which enable healthcare to more than 100 million patients globally. Built on an open platform, Orion Health is a leading provider of interoperability, population health management and precision medicine solutions. The company employs more than 800 people around the world and is committed to continual innovation, investing substantially in research and development to cement its position at the forefront of precision medicine. For more information visit www.orionhealth.com

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