

**Date** 8 July 2015**Subject** nib acquires travel insurance provider World Nomads Group**Transaction summary**

- nib to acquire 100% of World Nomads Group Pty Limited (“WNG”) for \$95.0 million on an enterprise value basis
- WNG is the third-largest distributor of travel insurance in Australia, and specialises in the marketing, sale and distribution of travel insurance policies globally
- Transaction underpinned by sound strategic rationale, leveraging economies of scope and diversifying nib’s exposure outside the highly regulated Australia Residents Health Insurance (“arhi”) business
- Completion expected to occur by the end of August 2015, subject to satisfaction of customary conditions precedent
- Meets nib’s strict return on investment criteria and is expected to be EPS and ROE accretive immediately<sup>1</sup>

nib holdings limited (ASX: NHF) today announced that it has entered into an agreement to acquire World Nomads Group Pty Limited (“WNG”), Australia’s third largest travel insurance provider, for total consideration of \$95.0 million on an enterprise value basis.

Founded in 2000, WNG is a specialist provider of travel insurance in Australia, with a growing foothold in a number of key international markets including New Zealand, the United States, Canada and the United Kingdom. The Australian market accounted for 72% of WNG’s GWP in the 12 months ended 30 June 2015.

WNG operates a scalable insurance services platform which allows it to engage in product development, pricing, claims management, online screening for pre-existing medical conditions and the provision of emergency assistance for policies written in Australia and New Zealand. WNG does not underwrite any insurance policies, but distributes and, in the case of policies written in Australia and New Zealand, administers them on behalf of general insurers.

WNG generated GWP of approximately \$117 million for the 12 months ending 30 June 2015 and is expected to generate normalised EBITDA<sup>2</sup> of more than \$10 million during the period.

**Compelling acquisition that delivers on nib’s strategy**

Commenting on the transaction, nib’s Managing Director, Mr Mark Fitzgibbon, noted that the acquisition was a good strategic fit for nib and consistent with its philosophy of making well researched and relatively modest investments to expand its offering of complementary products in markets with attractive growth prospects. Earnings from businesses other than nib’s traditional arhi business in FY14 accounted for 25.4% of total operating profit.

“WNG is an excellent business with significant expertise, experience and capabilities in the fast growing and fast moving travel insurance market. It has a portfolio of high quality brands including World Nomads, Travel Insurance Direct and SureSave, as well as an extensive range of domestic and international partners such as Lonely Planet. Its focus on direct-to-consumer distribution gives it the flexibility to adapt to evolving market conditions,” Mr Fitzgibbon said.

“We’ve been very impressed with the calibre of people within WNG and importantly, their culture is very much aligned with our own. The investment they’ve made in technology and digital strategy is outstanding and gives us a lot of confidence in our ability to develop the market and win share,” he added.

Mr Fitzgibbon observed that, similar to private health insurance, the travel insurance product is a personal insurance line and approximately 60% of WNG’s travel insurance claims are medical-related.

<sup>1</sup> Excluding one-off transaction costs and amortisation of acquisition related identifiable intangibles.

<sup>2</sup> Normalised EBITDA excludes non-recurring revenues and expenses and assumes the capitalisation of research and development costs which could be treated as capital expenditure under IAS 38 (Intangible Assets) but have historically been expensed as incurred. The capitalisation of these costs is consistent with the approach adopted by WNG’s listed peers.

"It's a market and business we have been eyeing for some time and of course we've been selling travel insurance in Australia since 1990 and launched in New Zealand earlier this year. WNG recently became our product partner across both markets and we've certainly had increased traction among our customers," Mr Fitzgibbon said.

While nib already distributes its own branded travel insurance product "white labelled" by WNG, Mr Fitzgibbon said ownership creates a business case for escalating the effort.

"The combination of our two businesses makes it much easier for us to cross-sell to customers in both health and travel insurance. Additionally, travel insurance complements our long-term strategy to provide our customers with health insurance cover wherever they are in the world," he added.

### **The travel insurance industry is underpinned by attractive fundamentals**

According to the most recent comprehensive industry analysis by Finaccord in 2013, the Australian travel insurance industry grew at a compound average growth rate ("CAGR") of approximately 9% between 2008 and 2012 and is forecast to continue growing at a 6% CAGR from 2012 to 2016. Similar to the Australian private health insurance market, the two largest industry incumbents account for more than half the total market in Australian travel insurance.

The industry's strong growth is underpinned by attractive fundamentals such as the increasing affordability of air travel and demand for tourism, rising household disposable incomes, increasing business travel and higher travel insurance product penetration driven by online marketing and distribution.

In addition to the Australian travel insurance market, the fifth-largest in the world, WNG has also experienced growth in demand from the three largest global travel insurance markets (the United States, Canada and the United Kingdom), which collectively accounted for approximately 15% of WNG's total GWP in the 12 months ended 30 June 2015.

### **Acquisition funding**

nib intends to fund the transaction through surplus capital and debt. nib expects its post transaction gearing (debt/debt + equity) to be approximately 32%, consistent with nib's long-term target gearing ratio of 30%, noting that nib's target gearing policy allows for gearing to go above 30% for a short time if necessary as part of funding a significant transaction.

Completion is expected to occur by the end of August 2015 subject to satisfaction of customary conditions precedent. The final purchase price will be subject to movements in WNG's net assets based on completion accounts.

### **Investor briefing**

nib will host an investor/analyst teleconference briefing at 11.30am (Sydney time) on Wednesday 8 July 2015.

To participate please quote conference ID 5856637:

- From within Australia, dial 1800 801 825
- From within New Zealand, dial 0800 452 905
- From anywhere else outside Australia, dial +61 (0) 2 8524 5042

nib was advised by J.P. Morgan Australia Limited and King & Wood Mallesons.

nib will announce its FY15 full year results on 24 August 2015.

### **MEDIA AND INVESTOR RELATIONS**

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