



Acquisition of World Nomads Group

8 July 2015

Transaction overview	<ul style="list-style-type: none"> • nib has agreed to acquire 100% of World Nomads Group (“WNG”) for \$95.0 million on an enterprise value basis <ul style="list-style-type: none"> ○ Final price is subject to movements in net asset value based on completion accounts • Completion expected to occur in 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 immediately¹
Business summary	<ul style="list-style-type: none"> • Third-largest distributor of travel insurance in Australia • Specialises in the marketing, sale and distribution of travel insurance policies globally, although Australia accounts for ~70% of GWP² • Provides ancillary insurance services such as claims management and emergency assistance for policies written in Australia and New Zealand • Distribution occurs direct-to-consumer online and via a diverse and extensive network of travel agents, referral partners and white-label intermediaries • Does not bear any claims risk but acts as distributor or managing general agent on behalf of insurance underwriters
Strategic rationale	<ul style="list-style-type: none"> • Leverages nib’s brand, distribution and capabilities to grow earnings in "complementary" markets • Further diversifies nib’s exposure outside of the highly regulated Australian Residents Health Insurance business • Product familiarity & complementarity • Organic growth opportunities • Cultural fit • Synergies
Funding	<ul style="list-style-type: none"> • Transaction intended to be funded through surplus capital and corporate debt facilities <ul style="list-style-type: none"> ○ nib expects its post transaction gearing ratio³ to be approximately 32% ○ Consistent with nib’s long-term target gearing ratio of 30%, noting that for a significant transaction, gearing may be above 30% for a short time if necessary

¹ Excluding one-off transaction costs and amortisation of acquisition-related identifiable intangibles

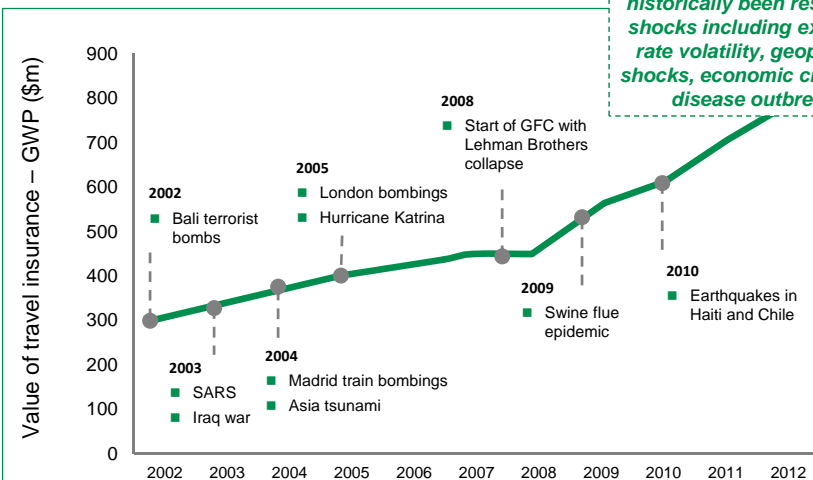
² For the year ended 30 June 2015

³ Gearing ratio calculated as debt / debt plus equity

Summary

- Australia is the fifth-largest travel insurance market globally
 - GWP of ~US\$720m in 2012 and ~9% CAGR over 2008-2012
 - Forecast to reach US\$926m GWP by 2016 (~6% p.a. CAGR)
- Demand underpinned by growing outbound travel volumes
 - Increased tourism demand (and supply)
 - Increased affordability of air travel
 - Higher household disposable income
 - Digital disruption supporting the growth of direct-to-consumer offering
- Key international markets include:
 - US – largest global market (US\$2.1bn GWP)
 - Canada – second largest global market (US\$1.5bn GWP)
 - UK – third largest global market (US\$1.2bn GWP)

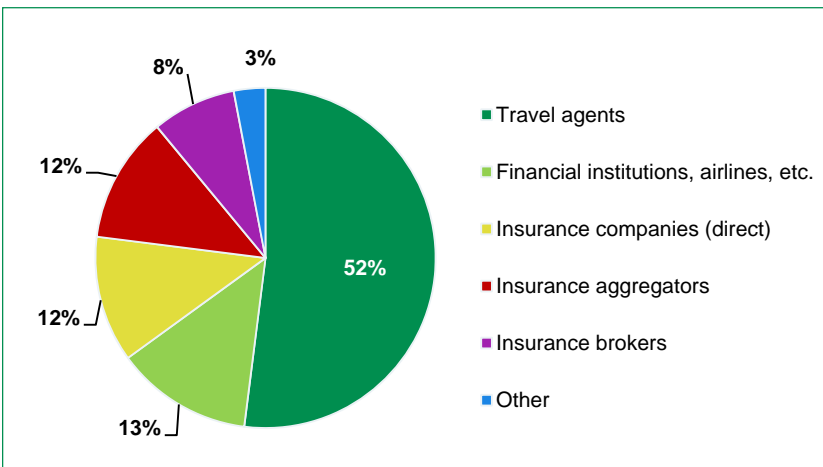
Australian travel insurance market



Outbound travel has historically been resilient to shocks including exchange rate volatility, geopolitical shocks, economic crises and disease outbreaks

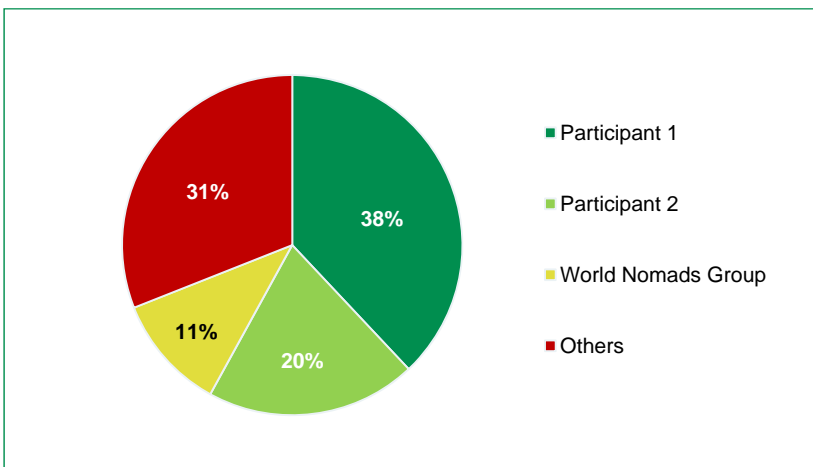
Source: Euromonitor

Sales by distribution channel in Australia



Source: Finaccord

Australian travel insurance market share

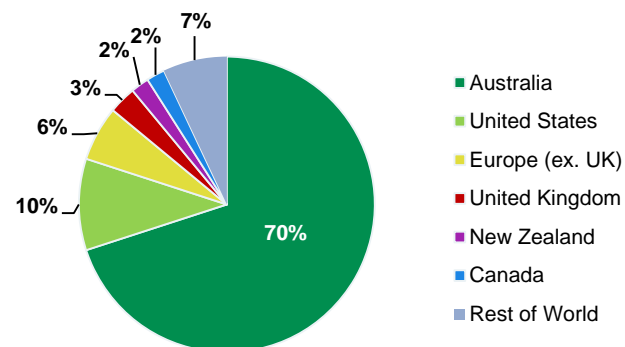


Source: WNG management estimates based on Finaccord data

Summary

- Founded in 2000 and headquartered in Sydney
- Specialises in the marketing, sale and distribution of travel insurance policies globally, although Australia accounts for ~70% of GWP
- Provides ancillary insurance services such as claims management and emergency assistance for policies written in Australia and New Zealand
- Grown to become the third largest player in the travel insurance distribution market in Australia
- Does not underwrite the insurance policies it distributes or administers¹ and so does not bear claims risk
- Currently employs 167 FTE, 156 of which are located in Sydney

GWP (FY15A) by geography



WNG's operations are integrated across the travel insurance value chain

	Marketing, distribution & customer service	Insurance services	Underwriting
Australia & NZ	✓	✓	✗
Rest of World	✓	✗	✗
Overview	<ul style="list-style-type: none"> • Strong reliance on “affinity” marketing through WorldNomads.com channel, with GWP mostly derived from international sales (and accounting for WNG’s international content) • Distribution of policies is principally online and via extensive domestic and international partnership networks including: <ul style="list-style-type: none"> ○ Over 500 referral partners ○ A diverse network of travel agents ○ White-label partners with significant membership bases • Customer enquiries handled through an in-house customer service centre in Sydney, with customer service enhanced by strong online and mobile app functionality 	<ul style="list-style-type: none"> • WNG responsible for product development, pricing, providing emergency assistance services, managing claims and conducting pre-existing medical condition screening for policies written in Australia and New Zealand • Insurance services are provided by WNG’s insurance partners for policies written internationally 	<ul style="list-style-type: none"> • WNG partners with a range of insurers who underwrite its travel insurance policies including XL Catlin, AIG, Allianz, Nationwide Insurance and BUPA

¹ WNG acts as a managing general agent in relation to policies written in Australia and New Zealand

WorldNomads.com

- Unique B2C brand and global travel community targeting the passionate traveller
- Broad international reach with growing footprints in a number of key markets including the US, Canada and the UK
- Multi-channel and relatively low cost marketing platform premised on content marketing (database of travel-related content), community engagement and a network of over 500 international referral partners (e.g. Lonely Planet)



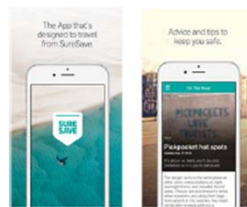
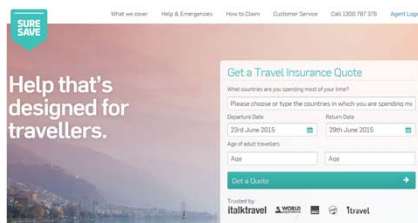
Travel Insurance Direct

- Mass-market B2C brand and leading provider of online, direct-to-consumer travel insurance in Australia, with a smaller presence in New Zealand
- Tailored to the mass-market through a simple and intuitive end-to-end purchasing / claims experience and “value-for-money” product
- Strong SEO footprint, holding #1 organic search engine ranking for the phrase “travel insurance” on Google in Australia



SureSave

- B2B travel agency brand, providing travel insurance products to the mass leisure traveller market in Australia
- Distribution occurs primarily through a diverse network of agency partners (which collectively have ~1,000 active distribution points), supported by a direct-to-consumer online presence

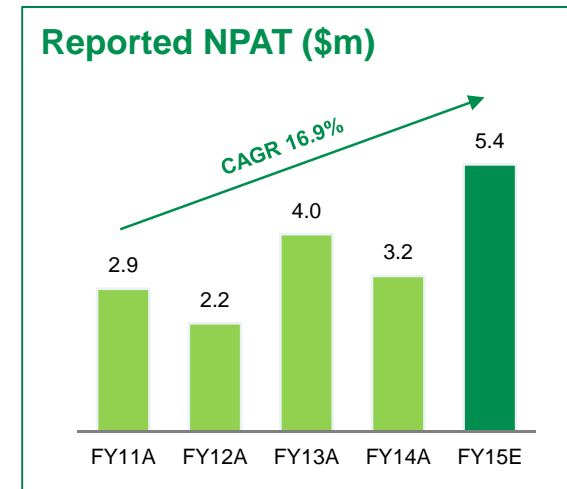
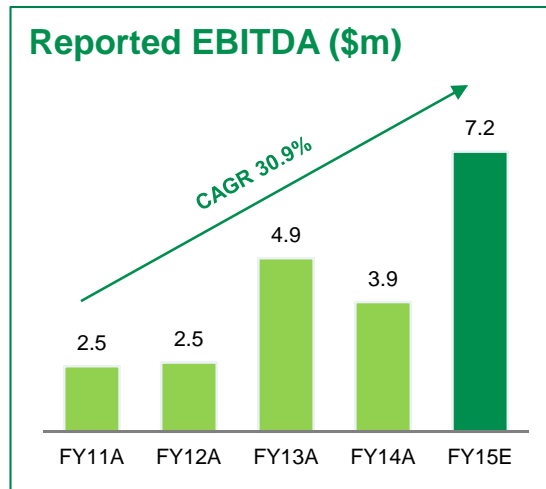
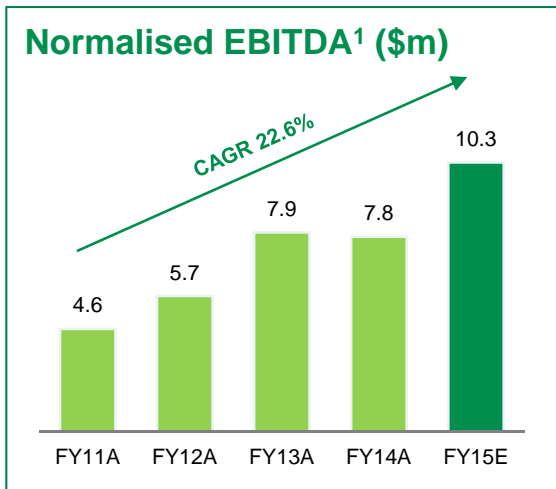
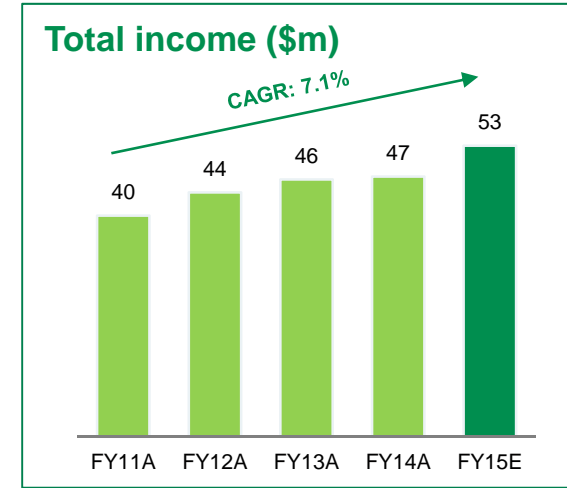
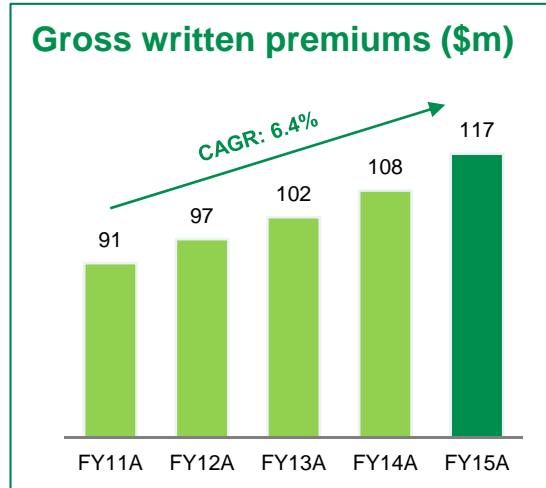
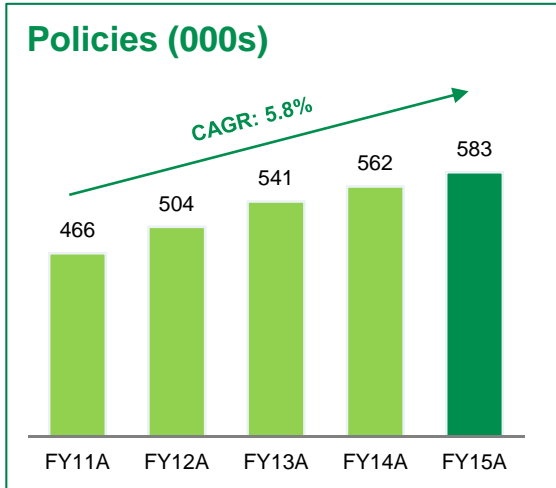


White label business

- B2B white label distribution channel in Australia and New Zealand
- Partnerships with intermediaries to allow them to distribute tailored and bespoke travel insurance policies to their membership bases
- Offers partners the ability to leverage WNG's digital expertise (e.g. online self-serve pre-existing screening process, ‘smart’ online claims processing and mobile apps)
- WNG currently has four intermediary partners – nib, COTA, National Seniors Australia and CCUSA



Financial summary



Note: FY15 policies and gross written premiums represent actual result, however total income, normalised EBITDA, reported EBITDA and reported NPAT are forecasts as emergency assistance fees and certain expenses for the year ended 30 June 2015 are yet to be finalised.

¹ 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.

Economies of scope	<ul style="list-style-type: none"> nib seeks to leverage its brand, distribution and capabilities to grow earnings in "complementary" markets, especially those with strong growth prospects Acquisition provides opportunity to cross-pollinate expertise in direct-to-consumer distribution and digital capabilities across both travel insurance and private health insurance
Diversification	<ul style="list-style-type: none"> Provides increased exposure to the attractive fundamentals of an industry outside of nib's core health insurance business Diversifies revenues from both a product and geographical perspective Adjacent non-arhi businesses accounted for 25.4% of Group operating profit in FY14A
Product familiarity & complementarity	<ul style="list-style-type: none"> Like health insurance, travel insurance is a personal insurance line Over 60% of WNG's claims are medical-related nib has sold travel insurance products into its customer base since 1990 Travel insurance penetration has increased since the inception of the WNG relationship and we continue to see strong demand from our customers for travel insurance
Organic growth opportunities	<ul style="list-style-type: none"> nib has the capital and expertise to create value by investing more aggressively in WNG's organic growth For example, nib's scale and reputation has the potential to accelerate growth in the white label business by overcoming some of the barriers faced by WNG
Cultural fit	<ul style="list-style-type: none"> WNG is a strong cultural fit, sharing nib's sense of being an innovator and "challenger" brand
Synergies	<ul style="list-style-type: none"> Potential revenue synergies <ul style="list-style-type: none"> Cross-sell of health insurance into WNG's customer base Escalate sales of travel insurance across nib's customer base (including planned expat cover segment) Potential cost synergies <ul style="list-style-type: none"> Some back office and shared services Access to nib international healthcare provider networks

- Retain key personnel and bed down new leadership arrangements
- Smooth transition and minimise distraction to day to day operations
- Begin extracting revenue and cost synergies
- Undertake additional research and strategic review to further grow and expand business