

**Date** Monday 5 July 2010

**Subject** nib announces the acquisition of IMAN

nib holdings limited (nib) is pleased to announce that it has agreed to acquire the business and assets of IMAN International Pty Ltd (otherwise known as International Medical Assistance Network) (IMAN), a specialist provider of health cover for temporary migrant workers in Australia for approximately \$25 million (including estimated completion adjustments in respect of the assumption of certain liabilities).

nib's Managing Director, Mark Fitzgibbon, said the acquisition would broaden nib's health insurance business into an attractive, high growth, higher margin market segment.

#### **Acquisition highlights**

- Acquisition of IMAN is consistent with nib's business strategy of growing through acquisition in attractive complementary segments
- Provides nib with a platform to significantly grow market share in the temporary migrant workers market
- Market likely to undergo significant growth due to recent legislative changes
- Potential to generate significant revenue and cost synergies given the complementary nature of the businesses
- Expected to be EPS and ROE accretive immediately (excluding one off transaction costs)

#### **Compelling acquisition that delivers on nib's growth strategy**

nib's Managing Director, Mark Fitzgibbon said the acquisition provides nib with a platform for additional growth and will meaningfully contribute towards its goal of future double digit earnings growth in its underlying health insurance business.

"The acquisition of IMAN provides nib with an ideal platform to enter the temporary migrant workers market. IMAN is the fourth largest provider of the non-general insurers in this market and the largest specialist provider, with more than 11,000 policyholders. It has an estimated 13% share by revenue of the 457 visas market, as well as a recognised brand, competitive product portfolio, and proven distribution network," Mr Fitzgibbon said.

"Since listing in 2007, we have consistently focused upon achieving double digit earnings growth and a return on equity of at least 15%. With underlying earnings growth on a normalised basis of 39% in FY08, 22% in FY09 and what should be at least 12% in FY10, we have met our objectives," Mr Fitzgibbon added.

"Nevertheless, we've been conscious for some time that beyond FY10 margins would tighten and that growing underlying earnings would be tougher.

"The temporary migrant worker sector is a new market for us but it is aligned with our business and we expect to do well. We believe the market for overseas workers has outstanding growth potential given the national skill shortage. IMAN already has a great business and we'll further leverage this with the increased scale and capability within the nib business.

"nib continues to have a strong balance sheet and surplus capital, which places us in a good position to continue pursuing acquisition and consolidation opportunities that create shareholder value," Mr Fitzgibbon added.

#### **The temporary migrant worker industry has attractive fundamentals**

At 31 May 2010, it is estimated there were 310,000 primary visa holders with work rights in Australia, of which approximately 70,000 were 457 primary visa holders. This estimate excludes overseas students. nib estimates premium revenue in FY10 for the temporary migrant worker industry will be approximately \$215 million, with the 457 visa market forecast to write approximately \$120 million in premium revenue.

In September 2009, new Federal legislation for temporary migrant worker 457 visa holders came into force. Responsibility for health expenses is now with the visa holder, where previously it was the responsibility of the sponsor (employer).

This change has resulted in the 457 visa holder being responsible for making “adequate arrangements” with respect to taking out insurance coverage before the visa is granted. Prior to this change, private health insurance penetration in the 457 visa market was estimated to be approximately 50%.

### **Acquisition overview**

Under the Asset Purchase Agreement, nib has agreed to pay approximately \$25 million (including estimated completion adjustments in respect of the assumption of certain liabilities) for the business and assets of IMAN. The acquisition will be funded from existing surplus capital resources.

Mr Fitzgibbon said “the acquisition represents good value and meets nib’s strict investment criteria in terms of strategic rationale and return on investment”.

Completion of the acquisition is expected by 1 October 2010 and is conditional on various conditions precedent, including the novation of at least 11,000 IMAN customer contracts, no material adverse effect and the finalisation of service and transitional arrangements to facilitate the transfer of the IMAN business.

### **EPS accretive from year one**

According to Mark Fitzgibbon, the acquisition of IMAN will lift nib’s earnings and keep it on track to maintain double digit underlying earnings growth.

“This transaction is expected to be immediately earnings per share and ROE accretive, excluding one off transaction costs, with significant opportunities to grow IMAN organically as well as generate synergies. Synergies will not be driven by cost cutting but rather through other regulatory and reinsurance synergies due to the complementary nature of the businesses. nib also expects to achieve some revenue synergies from selling nib private health insurance products to IMAN customers and temporary migrant worker health cover products to nib’s corporate customers.”

IMAN’s gross written premium in FY10 is expected to be approximately \$19 million, with NPAT of approximately \$2.8 million. Since 2006, IMAN has had premium revenue CAGR of more than 30%.

nib expects to retain the current IMAN employees and premises and has entered into a consultancy agreement with IMAN’s founder, John Braithwaite.

### **About IMAN**

IMAN was founded in 1981 by its current Managing Director and shareholder, John Braithwaite. IMAN is a leading long term provider of health plans for temporary migrants working in Australia on 457 and other visas. IMAN’s products provide 100% in hospital benefits and varying levels of out of hospital benefits.

Located in Crows Nest, Sydney, IMAN has approximately 45 employees and provides health cover to more than 11,000 policyholders and has an estimated 13% share by revenue of the 457 visas market.

nib was advised by J.P. Morgan and Mallesons Stephen Jacques.

### **MEDIA AND INVESTOR RELATIONS**

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