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ASX announcement

Acquisition of Travelex Insurance Services Inc. by Cover-More Group and Entitlement Offer

Sydney, 27 September 2016: Cover-More Group Limited (ASX:CVO), a specialist, integrated travel insurance provider, has entered into a binding agreement to acquire 100% of Travelex Insurance Services Inc. ("**Travelex Insurance Services**") for cash consideration of US\$105 million, approximately A\$138 million¹ ("**Acquisition**").

Travelex Insurance Services is the third largest retail travel insurance specialist in the USA. Travelex Insurance Services is an excellent strategic fit for Cover-More, providing accelerated entry into North America and a platform for further expansion.

On a pro forma basis, Travelex Insurance Services generated approximately US\$124 million and US\$9.5 million in Gross Written Premium and EBITDA respectively for the 12 months ended 30 June 2016.²

Excluding cost synergies, the transaction is expected to be low single digit EPS accretive based on FY16 pro forma financials calculated as though Travelex Insurance Services had been owned for the full FY16 financial year.³ In addition, cost synergies of A\$0.5 to A\$1.5 million per annum are expected to be generated in future years with full run-rate benefits achieved in FY18. Cover-More also expects significant new revenue sources as a result of the acquisition.

The Acquisition will be funded through a fully underwritten, pro-rata, accelerated non-renounceable entitlement offer to raise approximately A\$73.3 million ("**Entitlement Offer**") with the balance funded through the drawdown of a corporate bank debt facility. The Acquisition is subject to closing conditions and is expected to complete in late 2016.

New Underwriting Arrangement – Final Stages

Following the update provided to the market at the release of Cover-More's FY16 Financial Results announcement on 19 August 2016, Cover-More intends to enter a new long term underwriting arrangement in the near-term.

Cover-More is in the final stages of negotiating heads of agreement with two international insurers with the intention of creating a two-party underwriter panel. If implemented, Cover-More expects that the key elements of the arrangement will be as follows:

- It will enable Cover-More to distribute in all global markets (with the exception of the USA which will be covered by other arrangements described below)
- In the USA Travelex Insurance Services will provide underwriting through Transamerica (also Cover-More's current underwriter for Flight Centre in the USA). Berkshire Hathaway would continue to provide underwriting for Cover-More Direct in the USA

¹ Based on a A\$/US\$ exchange rate of 0.76.

² Based on TIS management accounts for the 12 months ended 30 June 2016. Pro-forma revenue and EBITDA should be read in conjunction with the Risk Factors described in the Investor Presentation.

³ EPS accretion calculation has been performed at the NPATA level based on pro forma financial information for Cover-More and TIS (including Cover-More estimates of additional standalone costs) for the financial year ended 30 June 2016, excluding expected synergies, transaction related and other one-off costs, as well as the impact of amortisation of identifiable intangibles arising from the acquisition. It has also been adjusted for the theoretical ex-rights price (TERP) resulting from the Entitlement Offer.

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- The new arrangement would include the replacement of Cover-More's current underwriting agreement with Munich Re's Great Lakes Australia
- Commercial terms would be consistent with the existing arrangement with Great Lakes Australia (including the use of Generalised Linear Modeling to determine risk premiums)
- Cover-More would benefit from a smaller, limited and capped participation in any increase in claims costs as compared with the current Great Lakes Australia agreement. There will however also be a reduced opportunity for profit share if claims costs reduce
- Cover-More will continue to keep shareholders informed in accordance with continuous disclosure requirements and further announcements will be made if and when either of the binding Heads of Agreement is signed. In the event that negotiations with either of these parties are unsuccessful then we will continue with the selection process with a corporate broker.

Trading Update – In Line

Given trading for the first two months of the current financial year, our current forecast for the full year EBITDA result is in line with market consensus, which is in the range of A\$48.1 – A\$52.9 million.

Group revenue is growing year-on-year supported by the benefit of price increases and new revenue sources in Australia and New Zealand Travel Insurance segments. Current indications are that September will be positive.

Revenues in India continue to grow strongly and, having commenced operations in Q4 FY16, our USA business is making an increasing contribution.

As noted in our FY16 financial result announcement, we are also changing our operating model to improve our sales focus along global industry lines. As a consequence, we have removed senior staff from operations in certain offshore markets as well as restructured back office functions. This will reduce costs and better align relevant functions with the new operating model. These changes should start to make a positive impact on financial performance from the second half of FY17. There are also further initiatives underway to improve margins and reduce operating costs.

A further trading update will be provided at the Annual General Meeting on 10th November 2016.

Acquisition of Travelex Insurance Services

Cover-More will acquire 100% of Travelex Insurance Services for a cash consideration of US\$105 million, approximately A\$138 million.⁴

Travelex Insurance Services is the third largest retail travel insurance specialist provider in the USA, accelerating Cover-More's entry into North America and providing a platform for further North American expansion. Travelex Insurance Services:

- Develops and distributes a comprehensive suite of travel protection products for travel suppliers, tour operators, cruise lines, vacation clubs and timeshare operators
- Has over 3,400 distribution partners, 70 specialty risk clients and 85 insurance programs
- Insured 1.3 million travelers in 2015 and has licences in all 50 USA states.

The Acquisition provides strong strategic benefits to Cover-More. Following the Acquisition, Cover-More expects to unlock substantial incremental value by combining Travelex Insurance Services and Cover-More's operations and capabilities:

- Significant cost synergy opportunities include:
 - the removal of duplicated costs in Cover-More's existing USA start-up
 - reduced operating costs to support existing Cover-More customers in North America

⁴ Based on a A\$/US\$ exchange rate of 0.76.

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- leveraging Cover-More’s medical assistance and operations capabilities in other geographies
- leveraging ‘follow-the-sun’ cost efficiencies in medical assistance and operations arising from a presence in Australia, India and the USA
- Substantial additional revenue sources from:
 - strengthened conversion of current pipeline opportunities for both organisations
 - opportunities to build new partnerships with travel, aviation and financial institutions
 - increased on-line and direct distribution opportunities leveraging the Travelex Insurance Services name and market profile
 - increased insurance attachment rates in Travelex Insurance Services by deploying IMPULSE technology
 - build-out of medical assistance customers in USA resulting from Travelex Insurance Services name and reputation
 - providing a platform to expand across North America including in Canada and Mexico
- Cover-More management believes the Acquisition will result in annual cost synergies of A\$0.5-A\$1.5 million per annum and significant new revenue sources.

Excluding cost synergies, the transaction is expected to be low single digit EPS accretive based on FY16 pro forma financials calculated as though Travelex Insurance Services had been owned for the full FY16 financial year. In addition, cost synergies of A\$0.5 to A\$1.5 million per annum are expected to be generated in future years with full run-rate benefits achieved in FY18.

The Acquisition is subject to closing conditions, including:

- Change in control consent from the underwriter, Transamerica;
- Anti-trust approval being given by US regulators pursuant to the Hart-Scott-Rodino Antitrust Improvements Act.

Funding of the Acquisition

The Acquisition is being funded through a combination of proceeds of approximately A\$73.3 million raised from the Entitlement Offer, with the balance funded through the drawdown of a corporate bank debt facility of approximately A\$72.7 million.

The funding structure results in a pro-forma net debt / EBITDA ratio of 2.0x, expected to decline as Travelex Insurance Services is integrated with Cover-More.

Sources (A\$m)		Uses (A\$m) ⁵	
Entitlement Offer	73.3	Transaction Consideration	138.2
Debt facility	72.7	Transaction Costs	7.8
Total Sources	146.0	Total Uses	146.0

Entitlement Offer

Cover-More is undertaking a fully underwritten Entitlement Offer to raise approximately A\$73.3 million through the issue of new Cover-More shares (“**New Shares**”).

The pro-rata, accelerated non-renounceable Entitlement Offer is comprised of:

- An accelerated institutional component to be conducted today and tomorrow (“**Institutional Entitlement Offer**”); and

⁵ Assumes A\$/US\$ exchange rate of 0.76.

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- A retail component which is anticipated to open on Tuesday, 4 October 2016 and close on Monday, 17 October 2016 (“**Retail Entitlement Offer**”).

The Entitlement Offer is fully underwritten by Macquarie Capital (Australia) Limited.

The Offer Price and number of New Shares to be issued will be determined and announced following the results of the Institutional Entitlement Offer. The New Shares will rank equally with existing Cover-More shares on issue at the time of this announcement.

Institutional Entitlement Offer

Under the Institutional Entitlement Offer, eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Entitlements not taken up under the Institutional Entitlement Offer will be offered to eligible institutional investors at the Offer Price through a bookbuild process.

New Shares under the Institutional Entitlement Offer will be issued on Tuesday, 11 October 2016. Cover-More will, upon issue of the New Shares under the Institutional Entitlement Offer, seek quotation of the New Shares on ASX.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia or New Zealand as at the Record Date of 7.00pm (Sydney time), Thursday, 29 September 2016 (“**Eligible Retail Shareholders**”), have the opportunity to take up their entitlement of New Shares at the Offer Price, on the terms and conditions outlined in the Retail Offer Booklet to be sent to Eligible Retail Shareholders on or around Tuesday, 4 October 2016. The Retail Entitlement Offer is anticipated to close on Monday, 17 October 2016. New Shares issued under the Retail Entitlement Offer will be offered at the same price as that determined by the Institutional Entitlement Offer.

New Shares under the Retail Entitlement Offer will be issued on Monday, 24 October 2016. Cover-More will, upon issue of the New Shares under the Retail Entitlement Offer, seek quotation of the New Shares on ASX.

Please note that Shareholders with a registered address outside Australia or New Zealand on the Record Date are ineligible to participate in the Retail Entitlement Offer.

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Key Dates of the Entitlement Offer

Event	Date
Trading Halt commences	Monday, 26 September 2016
Announcement of the Acquisition and Entitlement Offer	Tuesday, 27 September 2016
Institutional Entitlement Offer conducted	Tuesday, 27 September 2016 to Wednesday, 28 September 2016
Announcement of Completion of the Institutional Entitlement Offer, Entitlement Offer Ratio and Offer Price	Thursday, 29 September 2016
Shares recommence trading on ASX on an "ex-entitlement" basis	Thursday, 29 September 2016
Record Date for determining entitlement to subscribe for New Shares	7.00pm (Sydney time) on Thursday, 29 September 2016
Retail Entitlement Offer opens	Tuesday, 4 October 2016
Retail Offer Booklet despatched	Tuesday, 4 October 2016
Settlement of New Shares issued under the Institutional Entitlement Offer	Monday, 10 October 2016
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	Tuesday, 11 October 2016
Retail Entitlement Offer closes	5.00pm (Sydney time) on Monday, 17 October 2016
Allotment of remaining New Shares issued under the Retail Entitlement Offer	Monday, 24 October 2016
Commencement of trading of New Shares issued under the Retail Entitlement Offer on a normal basis	Tuesday, 25 October 2016
Despatch of holding statements for New Shares	

All dates and times referred to are based on Sydney time and are subject to change. Cover-More and the Lead Manager reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

Retail Investor Enquiries

For further information in regard to the Retail Entitlement Offer, please do not hesitate to contact the Offer Information Line on 1300 554 474 (local call cost within Australia) or +61 1300 554 474 (from outside Australia) at any time between 8.30am and 5.30pm (Sydney time), Monday to Friday.

Nothing contained in this announcement constitutes investment, legal tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

Further Information

Grant Samuel is acting as financial adviser to Cover-More. Macquarie Capital (Australia) Limited is acting as sole lead manager and bookrunner to the Entitlement Offer.

Further details about the Acquisition and Entitlement Offer are contained in a separate investor presentation lodged with the ASX today.

ENDS

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Nothing in this announcement constitutes an offer of securities for sale or an offer to purchase any securities, or an invitation to any person to make such an offer in any jurisdiction.

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer of securities for sale in the United States or any other jurisdiction. Any securities described in this announcement may not be offered or sold in the United States absent registration under the US Securities Act of 1933 or an exemption from registration. This announcement contains "forward-looking statements" and "forward-looking information", including statements and forecasts which include without limitation, expectations regarding future performance, costs, production levels or rates, mineral reserves and resources, the financial position of Cover-More, industry growth and other trend projections. Such "forward-looking statements" and "forward-looking information" includes statements regarding the proposed Equity Raising, including the amount to be raised and timing and the use of the funds raised. Often but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "is expecting", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Such information is based on assumptions and judgements of management regarding future events and results. The purpose of forward-looking information is to provide the audience with information about management's expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Cover-More and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, changes in market conditions, future prices of gold and silver, the actual results of current production, development and/or exploration activities, changes in project parameters as plans continue to be refined, variations in grade or recovery rates, plant and/or equipment failure and the possibility of cost overruns. Forward-looking information and statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date such statements are made, but which may prove to be incorrect. Cover-More believes that the assumptions and expectations reflected in such forward-looking statements and information are reasonable. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Cover-More does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.

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