

5 February 2021

Medibank announces investment in Myhealth Medical Group

Medibank is strengthening its focus on preventative health and doctor-led partnerships through the acquisition of a non-controlling 33.4% economic interest in the Myhealth Medical Group (Myhealth), a leading operator of primary care clinics.

Myhealth was founded in 2007 and delivers more than 2.5 million patient consultations a year. The fast-growing group has tripled its number of clinics over the last 5 years and has a network of 86 clinics in prime locations in New South Wales, Victoria and Queensland.

There are more than 1,300 health professionals practising within Myhealth clinics including doctors, nurses and allied health practitioners, which complements Medibank's team of 1,500 health professionals.

Medibank Chief Executive Officer Craig Drummond said Medibank's investment in Myhealth recognises the vital role of GPs in providing primary care to patients in their local communities and the positive impact this has on the entire health system.

"GPs are the very heart of Australia's health system and the first point of contact when we have a health issue or concern. The role of a local GP in prevention, early detection and ongoing care and support is fundamental to the health of the community, including people living with complex and chronic conditions," Mr Drummond said.

"Our investment in Myhealth will support GPs to enhance the health and quality of life of their patients, which helps reduce high-cost hospital admissions and in turn alleviate pressure on the health system.

"Medibank's investment in Myhealth also reflects our ongoing transformation into a broader healthcare company and complements our existing partnerships with doctors across the Australian health system.

"We will continue to work within the healthcare system to contribute to a healthier community with a focus on preventative care, which will have a positive impact on avoidable hospitalisation, and contribute to a more sustainable health system that benefits all Australians. The announcement today is a further signal of our commitment to doctor-led and patient-centred partnerships that meet these objectives," Mr Drummond said.

GPs and Myhealth's management will own the majority of the Myhealth group and continue to manage the day-to-day operations of the clinics. GPs will retain full clinical autonomy at all times and each clinic sets its fees independently.

Importantly, patients will continue to be treated equitably with no clinical priority given to Medibank or any other private health insurance customer.

Myhealth founder Dr James Liang welcomed Medibank's investment, which he says will support Myhealth to meet a future vision of general practice that better addresses the needs of Australia in 2021 and beyond.

“There’s a real opportunity to harness new evidence-based tools and resources to support more proactive and preventative care in the community. This approach will have enormous benefits for patients and GPs alike,” Dr Liang said.

“Importantly, all of our current doctor and management shareholders are retaining their shares in the Myhealth group and remain 100% committed to the company and their patients.

“I look forward to continuing to lead the Myhealth team as we continue to grow and support more patients.”

Medibank Group Executive Healthcare & Strategy Dr Andrew Wilson said Medibank believes the Myhealth model of GP ownership and clinical leadership offers significant advantages for GPs and patients, and that Medibank is committed to continuing this model.

“Medibank’s investment in Myhealth will also give Myhealth GPs access to additional capabilities to improve data analytics and information management and enable Myhealth to continue its rapid growth, with further expansion of its clinical footprint expected,” Dr Wilson said.

“Myhealth aligns to Medibank’s purpose - Better Health for Better Lives - and it is this alignment with the values of the GPs that will be fundamental to the future success of the partnership.”

Medibank will acquire the 33.4% economic interest in Myhealth Medical Group for a total expected consideration of \$63 million. The transaction will be funded entirely from existing cash resources and is expected to be completed by 31 March 2021.

The Myhealth group is expected to deliver EBITDA of approximately \$21 million in FY21. The transaction is expected to be immediately EPS accretive.

Both Medibank’s Chief Financial Officer Mark Rogers and Group Executive Healthcare & Strategy Dr Andrew Wilson will join the Myhealth Medical Holdings Pty Ltd board.

This announcement has been authorised for release by Craig Drummond, Chief Executive Officer.

For further information please contact:

For media

Emily Ritchie

Senior Executive, External Affairs

M: +61 429 642 418

Email: Emily.Ritchie@medibank.com.au

For investors/analysts

Colette Campbell

Senior Executive, Investor Relations

T: +61 475 975 770

Email: investor.relations@medibank.com.au

Myhealth fact sheet

Key statistics

- 86 clinics across New South Wales (41), Victoria (19) and Queensland (26)
- Three new Myhealth clinics are due to open in the coming months
- Delivers more than 2.5 million patient consultations per year
- More than 1,300 health professionals practising within Myhealth clinics including doctors, nurses and allied health practitioners

Investment

- Medibank is acquiring a non-controlling 33.4% economic interest in the Myhealth Medical Group
- Medibank is acquiring 49% of the ordinary shares of Myhealth Medical Holdings Pty Ltd, which represents a 33.4% economic interest in the Myhealth Medical Group when taking into account the interests of management and the local GP shareholders in Myhealth Medical Holdings Pty Ltd and its subsidiaries
- Under the terms of the share purchase agreement, if certain conditions are not met, Medibank may be required to acquire additional shares in Myhealth Medical Holdings Pty Ltd and pay additional consideration. However, even if this occurs Medibank will not have any financial and operational decision-making control over the Myhealth Medical Group or its board of directors
- Other investors across the Myhealth Medical Group include more than 100 investors including management/original investors and local GP shareholders at a clinic level
- Total expected consideration of \$63 million will be funded entirely from existing cash resources

Financials

- Medibank will account for this investment as an associate and equity account for its share in Myhealth Medical Holdings Pty Ltd. Post-tax profit will form part of the Medibank Health operating segment
- Myhealth Medical Group has been growing by on average more than 10 clinics per annum and that growth rate is expected to continue

	FY18 actual	FY19 actual	FY20 actual	FY21 budget
Clinics (at period end)	54	75	82	95
EBITDA incl. rent (100%)	\$7.4m	\$11.1m	\$17.0m	c. \$21m
D&A	(\$2.2m)	(\$3.1m)	(\$5.6m)	c. (\$6m)

*Information supplied by Myhealth

Completion

- The transaction is not conditional on further regulatory approvals
- Completion expected by 31 March 2021

Governance

- Both Medibank's Chief Financial Officer Mark Rogers and Group Executive Healthcare & Strategy Dr Andrew Wilson will join the 5-member Myhealth Medical Holdings Pty Ltd board