

Strategic Review Update

3 JULY 2018

Agenda

Strategic Review

Andrew Ferrier | Chairman

Share Buyback

Summary of Agreement

The Offer

Board Recommendation

Investors, Customers & Employees

Ian McCrae | CEO

Q&A

Andrew Ferrier | Chairman

Ian McCrae | CEO

Mark Tisdell | CFO



Andrew Ferrier
Chairman

Strategic review highlights

- Over 14 months a comprehensive review of options to evaluate the best form of partnerships and investments
- Recognised that each of the three businesses – Rhapsody, Population Health, Hospitals – needed individual consideration
- Orion Health Board and executive have worked with Hg to conclude an agreement
- Hg is a specialist technology investor with expertise in helping build global businesses
 - Funds of c.£10 billion under management

Summary of the agreement

- Agreement is for Hg to acquire majority ownership in Orion Health's Rhapsody business and to invest in Orion Health's Population Health business
- Hg Transaction implies a \$255 million enterprise value of Orion Health
- Following completion of the Hg Transaction, Orion Health will undertake a share buyback offer at an estimated price range of \$1.24-\$1.29 per share
 - Final offer price to shareholders dependent on Orion Health's available cash following completion
 - Shareholders will have the option to accept the share buyback offer in respect of all or a certain portion of their Orion Health shares
- The bottom of the estimated buy back price range represents a premium of 46% to the closing price per Orion Health share of \$0.85 on 2 July 2018 and 55% to the volume weighted average trading price over the last 20 trading days
- The Hg Transaction is subject to a number of conditions, including:
 - Approval of the Hg Transaction and share buyback offer by Orion Health's shareholders
 - Approval of Overseas Investment Office
 - Receipt of third party consents



The offer

- Hg will acquire Rhapsody for \$205 million
 - Orion Health will utilise circa \$28 million transaction proceeds to acquire an ongoing 24.9% shareholding in the Rhapsody business
- Hg will also acquire a 24.9% stake in Population Health by investing circa \$20 million
 - Orion Health will invest around \$12 million of the Rhapsody transaction proceeds in Population Health
 - Population Health based on an agreed enterprise value of \$50 million
- Orion Health will continue to own 100% of its Hospitals business
- The balance of net proceeds from the Hg Transaction will be used to:
 - a. fund the share buyback offer;
 - b. pay transaction costs; and
 - c. fund the Hospitals business and any future capital requirements of Population Health

Share buyback

- Shareholders will have the option to elect 100%, 50%, 20% and 0% participation in the share buyback offer
- The share buyback is intended to be a share cancellation with the intent that it should not be a dividend for tax purposes, and therefore not taxable to capital account shareholders
- McCrae Limited has undertaken to elect to participate in the share buyback offer with respect to 20% of McCrae Limited's shares, and will remain as Orion Health's largest shareholder

Board of Directors recommendation

“ The Hg Transaction enables the Group to benefit from Hg’s funding and technology expertise while allowing each of Orion Health’s three businesses to capitalise on their full potential. This represents an opportunity for shareholders to realise a premium, in cash, to the Group’s current valuation for all or a portion of their shareholdings or continue as a shareholder to benefit in any potential future value creation. ”

- The Board unanimously recommends the Hg Transaction and the share buyback offer to shareholders for approval, subject to their review of the independent report from KordaMentha
 - A shareholders’ meeting is expected to be called late September
- Preclosing conditions including:
 - Approval of Orion Health’s shareholder
 - Hg obtaining approval under the New Zealand Overseas Investment Act
 - Receipt of third party consents to transfer certain Rhapsody customer contracts
- Certain shareholders and Directors of Orion Health have provided to Hg an irrevocable undertaking to vote their shares in favour of the Hg Transaction and the share buyback offer, representing total of 15.5% of Orion Health shares
 - Orion Health’s largest shareholder, McCrae Limited is restricted by the Takeovers Code from providing an equivalent undertaking; however it has also given to Hg confirmation of its intention to vote its circa 50% of Orion Health shares in favour of the Hg Transaction and the share buyback offer.

A close-up portrait of Ian McCrae, a middle-aged man with thinning grey hair, smiling warmly. He is wearing a light purple and white checkered button-down shirt. The background is softly blurred, showing green foliage and a bright light source, possibly a window.

Ian McCrae
Chief Executive Officer & Founder

What does this mean for:

OUR INVESTORS

- Shareholders will have the choice to sell or remain
- The bottom of the estimated buy back price range represents a premium of 46% to the closing price per Orion Health share of \$0.85 on 2 July 2018 and 55% to the volume weighted average trading price over the last 20 trading days

OUR CUSTOMERS

- With Hg, we have ambitious plans for Rhapsody
- Our Population Health and Hospitals customers will benefit from these companies having far greater resources

OUR PEOPLE

- Better able to deliver our product roadmap and Orion Health's vision
- Spearheading the next chapter of Orion Health's delivery of technology and innovation for healthcare organisations globally
- This investment and partnership will help global teams plan for the long term

OUR COMPANY

- This Hg investment will enable Orion Health to reach its full potential

Q&A



Mark Tisdel
Chief Financial Officer

Appendix



Valuation of Orion Health implied by Hg Proposal

The proposal values Orion Health at \$1.24 - \$1.29 per share - a 55% premium to the volume weighted average trading price (at time of writing)

Hg's proposal values Orion Health at an enterprise value of NZ\$255m, consisting of:

- \$205m for Rhapsody
- \$50m for Population Health

This implies a price per share of NZ\$1.24 - \$1.29 (subject to closing adjustments) on a fully diluted basis

The transaction raises \$219m from debt and Hg's contribution

Transaction Structure (NZ\$m)

	Hg Offer Value (NZ\$m)
Rhapsody	205
Population Health	50
Hospitals	-
Cash	8
Other Assets / Liabilities	-
Enterprise value of Orion Health	263
Transaction Costs of Orion	(8)
Share buyback price (after fees)	\$1.28
<p>Assumes 200m share on issue including 2.3m of restricted shares</p>	
Orion Health Value	
24.9% of Rhapsody	28
75.1% of Population Health	62
Cash left in Orion Health	12
Total	102
Total value (per share)	\$1.28
<p>Value received by shareholders rolling over is the same as those exiting. Assumes 100% of minority shareholders plus 20% of McCrae Limited accept the share buy back</p>	

Hg Invests in Orion Health Rhapsody and Population Health Businesses

All figures in NZD

AUCKLAND, New Zealand - 3 July 2018 - Orion Health Group Limited (NZX:OHE/ASX:OHE, “Orion Health” or the “Group”) today announces that it has reached agreement in relation to Orion Health’s Rhapsody and Population Health businesses with private equity technology investor Hg (“the Hg Transaction”).

In April 2017, the Group announced a strategic review focused on long-term shareholder value, including the evaluation of any partnerships or minority investments to allow Orion Health to achieve its potential.

The conclusion of this lengthy and comprehensive review has recognised that the Group’s three businesses would each benefit from different funding, investment backing and partnerships and that it was in the best interests of the Group and its shareholders to consider options individual to each business. The Group has been working with Hg for a number of months and has now concluded an agreement which the Board is pleased to set out below.

Summary:

- The agreement is for entities managed by Hg to acquire majority ownership of Orion Health’s Rhapsody business (“Rhapsody”) and to invest in Orion Health’s Population Health business (“Population Health”).
- Hg is a specialist technology investor committed to helping build global businesses with funds of c.£10 billion under management.
- The Hg Transaction implies a \$255 million enterprise value of Orion Health.
- Following completion of the Hg Transaction, Orion Health will undertake a share buyback offer at an estimated price range of \$1.24-\$1.29 per share (the “share buyback offer”), with the final offer price dependent on Orion Health’s available cash immediately following completion taking into account transaction costs and working capital adjustments in relation to the Rhapsody transaction. Shareholders will have the option to accept the share buyback offer in respect of all or a specified proportion of their Orion Health shares.
- The bottom of the estimated buy back price range represents a premium of 46% to the closing price per Orion Health share of \$0.85 on 2 July 2018 and 55% to the volume weighted average trading price over the last 20 trading days.
- The Hg Transaction is subject to a number of conditions, including approval of the Hg Transaction and the share buyback offer by Orion Health’s shareholders. A notice of meeting describing the Hg Transaction and the share buyback offer will be circulated to shareholders. The independent directors have commissioned an independent report from KordaMentha in respect of the Hg Transaction and the share buyback offer, which will be provided to shareholders with the notice of meeting.

The Offer:

- Hg will acquire Rhapsody for \$205 million funded by debt and equity arranged by Hg. Orion Health will then utilise circa \$28 million of the transaction proceeds to acquire an ongoing 24.9% shareholding in the Rhapsody business.
- Hg will also acquire a 24.9% stake in Population Health by investing circa \$20 million in that business. Orion Health will invest around \$12 million of the Rhapsody transaction proceeds in Population Health based on an agreed enterprise value of \$50 million (on a cash free and debt free basis) together with \$30 million of net cash to fund ongoing operations.
- Orion Health will continue to own 100% of its Hospitals business.
- The balance of the net proceeds from the Hg Transaction will be used to:
 - a) fund the share buyback offer;
 - b) pay transaction costs; and
 - c) fund the Hospitals business and any future capital requirements of Population Health.

Share buyback offer:

- Shareholders will have the option to elect 100%, 50%, 20% and 0% participation in the share buyback offer.
- The share buyback is intended to be a share cancellation with the intent that it should not be a dividend for tax purposes, and therefore not taxable to capital account shareholders.
- McCrae Limited has undertaken to elect to participate in the share buyback offer with respect to 20% of McCrae Limited's shares, and will remain as Orion Health's largest shareholder.

Board recommendation:

- The Hg Transaction enables the Group to benefit from Hg's funding and technology expertise while allowing each of Orion Health's three businesses to capitalise on their full potential. This represents an opportunity for shareholders to realise a premium, in cash, to the Group's current valuation for all or a portion of their shareholdings or continue as a shareholder to benefit in any potential future value creation.
- The Board of Directors for Orion Health unanimously recommends the Hg Transaction and the share buyback offer to shareholders for approval, subject to their review of the independent report from KordaMentha. A shareholders' meeting to consider, amongst other matters, the Hg Transaction and the share buyback is expected to be called by late September.
- Certain shareholders and the Directors of Orion Health have provided to Hg an irrevocable undertaking to vote their shares in favour of the Hg Transaction and the share buyback offer, representing 15.5% of Orion Health shares in total. Orion Health's largest shareholder, McCrae Limited (which is associated with CEO Ian McCrae) is restricted by the Takeovers Code from providing an equivalent undertaking; however it has also given to Hg

confirmation of its intention to vote its circa 50% of Orion Health shares in favour of the Hg Transaction and the share buyback offer.

- The Hg Transaction is subject to certain pre-closing conditions, including the approval of Orion Health’s shareholders, Hg obtaining approval under the New Zealand Overseas Investment Act and the receipt of third party consents to transfer certain Rhapsody contracts.

Next Chapter for Orion Health

“This investment provides Orion Health with a tremendous opportunity to deliver on our vision for customers, our people and for the healthcare sector,” said Ian McCrae, Founder and CEO, Orion Health. “We received strong interest in Orion Health’s business throughout the strategic review process and the Board and I believe that Hg is the right partner to accelerate the expansion of Rhapsody and support our vision for Population Health.”

Healthcare technology is a core investment area for Hg, having recently completed a number of transactions across the sector. This investment will be made from Hg’s Mercury 2 Fund.

“Hg has been researching the theme of interoperability and population health management in healthcare IT over many years,” said David Issott, Partner, Hg. “We believe this is a key global growth theme backed by substantial market funding and resources. Rhapsody provides fantastic products and services for this market and we look forward to partnering with the team at Rhapsody to maximise its potential across the globe. We are also excited to work with Ian and the team to realise the full potential of the Population Health business.”

Orion Health built the first Rhapsody integration engine in the late-1990s quickly becoming one of the most recognised interoperability platforms for healthcare organisations today. The combination of Rhapsody’s global team and Hg’s resources will extend Rhapsody as a leader in the interoperability platform space, building on both Rhapsody’s world class technology and highly rated customer service.

Philippe Houssiau, an experienced global technology executive, will step in to lead the Rhapsody business and will join the new board of Population Health from closing. Philippe has broad experience in leading healthcare businesses, consulting and start-ups, and is formerly CEO of Agfa Healthcare, CEO of Alliance Medical and a Senior Partner with PwC.

“As the healthcare sector evolves, so too has Orion Health. We recently restructured our teams into three businesses focused on Rhapsody, Population Health and Hospitals, repositioning Orion Health around market potential and focusing dedicated teams to support customers, improve operating performance and drive growth,” said McCrae. “We remain committed to the ongoing success of Rhapsody and supporting customers across our entire Orion Health business.”

Orion Health believes the biggest advances in healthcare technology will come from advanced analytics and better dataflow to address critical issues within the sector. In the face of growing and aging populations and the rise of chronic diseases, health systems the world over are under enormous strain. The focus of Orion Health’s Population Health and Hospitals business is to help the sector optimise healthcare budgets and address the transformation necessary in the healthcare industry.

“This injection of capital will advance Orion Health’s businesses to reach their full potential over time. For our Population Health business, it will help strengthen our position as a market leader, and for our Hospitals business, it will further support its growth,” said McCrae.

Shareholder vote

A shareholder vote to approve the Hg Transaction and the share buyback offer is expected to take place by late September at the Orion Health annual shareholders’ meeting. It is expected that the Hg Transaction and the share buyback offer will together require approval by way of a special (75%) resolution on which all shareholders can vote and an ordinary (50%) resolution of shareholders other than McCrae Limited and associated parties.

“This transaction is an important stepping stone in Orion Health’s efforts to build a solid and competitive business and provides our shareholders with choice in relation to their investment,” said Andrew Ferrier, Chairman of the Board, Orion Health. “We believe that providing shareholders both the option to cash-out at a substantial premium to the current trading price and the opportunity to elect to maintain an ongoing investment in Orion Health, including its 24.9% stake in Rhapsody and 75.1% stake in Population Health, is in the best interests of shareholders. This transaction has strong support from Orion Health’s Board and major shareholders.”

KordaMentha has been commissioned to prepare an independent report for Orion Health shareholders that will accompany the Notice of Meeting materials. Subject to reviewing the conclusions contained in that report, the Board of Orion Health have determined to unanimously recommend approval of the Hg Transaction to shareholders

Hg was advised by Raymond James, and legal counsel was provided by Skadden, Arps, Slate, Meagher & Flom (UK) LLP and Chapman Tripp. Orion Health was advised by Leerink Partners, and legal counsel was provided by Bell Gully.

Orion Health Announcement Conference Call

Orion Health will host an investor conference call at 11.00am NZST on Tuesday 3rd July, 2018 to present the Hg Transaction. The call can be accessed in the following ways:

Live via webcast: click [here](#) for the link to the webcast

Live via telephone: (for “listen-only” participants and those who would like to ask a question). You will be asked to provide the confirmation code, speaker name or the title of your conference.

Conference Code: 1063756

New Zealand – Toll Free	0800 423 970
New Zealand – Local	+64 (0) 9 9133 622
Australia – Toll Free	1 800 573 793
Australia – Local	+61 (0)2 9193 3706
United Kingdom	0800 358 6377
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About Orion Health

Orion Health (NZX:OHE/ASX:OHE) is a health technology company that provides solutions which enable healthcare to over 110 million patients globally. Its open technology platform, Orion Health Amadeus, seamlessly integrates all forms of relevant data to enable population and personalised healthcare around the world. The company is committed to continual innovation to cement its position at the forefront of precision medicine. For more information visit www.orionhealth.com.

About Hg

Hg is a sector expert investor, committed to helping build ambitious businesses across the technology, services and industrial technology space, primarily in Europe. Deeply resourced sector teams focus on specific sub-sectors and investment themes to identify companies occupying an established position within a niche, and which have the potential to grow faster than their market, create employment and become the leader in their industry. Hg's dedicated operations innovation team provides practical support to management teams to help them realise their growth ambitions. Based in London and Munich, Hg has funds under management of c. £10 billion serving some of the world's leading institutional and private investors. For further details, please see www.hgcapital.com

SUMMARY OF KEY TRANSACTION TERMS

1. Sale of Rhapsody business

Orion Health's Rhapsody business comprising Orion Health's Rhapsody and Symphonia software products designed to integrate systems through the acquisition and exchange of data. The purchaser is a U.S. vehicle established and managed by Hg which will have a 75.1% stake.

2. Consideration for Rhapsody sale

\$205 million, subject to a post completion working capital adjustment.

3. Investment by OHE in Rhapsody

OHE will immediately apply circa \$28 million of the \$205 million of sale proceeds to subscribe for a 24.9% interest in the purchaser, giving it a continued investment in Rhapsody.

4. Key conditions

The Hg Transaction is subject to the satisfaction or waiver of certain conditions, including –

- the passing of Orion Health shareholder resolutions approving the Rhapsody sale and the share buyback;
- the receipt by Hg of Overseas Investment Office approval for the Rhapsody sale and the investment by Hg in Population Health; and
- the receipt of third party consents in relation to the transfer of certain Rhapsody contracts.

5. Investment in Population Health

Contemporaneous with completion of the Rhapsody sale:

- (a) a separate vehicle established and managed by Hg will subscribe ~\$20 million in cash on completion to acquire a 24.9% interest; and
 - (b) Orion Health will subscribe circa \$12 million in cash on completion such that it will hold a 75.1% interest,
- in each case, in the Orion Health subsidiary owning Population Health.

6. Potential payments on termination

Orion Health is required to pay a termination fee of \$3 million to Hg in certain circumstances if the Hg Transaction does not complete.

7. Representations and warranties

The Asset Sale Agreement contains representations and warranties concerning Rhapsody. Any warranty claims must be brought by 30 June 2019.

8. Governance arrangements

Orion Health and Hg have agreed broadly equivalent governance arrangements applying to:

- (a) Rhapsody – owned as to 75.1% by Hg and management and 24.9% by Orion Health; and
- (b) Population Health – owned as to 75.1% by Orion Health and 24.9% by Hg.

In each case, the majority shareholder has the ability to appoint a majority of directors to, and exercise the majority of votes at, the board of the relevant entity. There are limited matters for which the approval of the minority shareholder is required.

9. Restraint commitments

Rhapsody, on the one hand, and Population Health and the Hospitals business, on the other, have agreed that for a period of five years following completion they will not:

- (a) develop or re-sell any end product for sale to third parties which has substantially similar functionality to the other business' existing products; or
- (b) solicit employees from the other business; or
- (c) use confidential information of the other business.