

ASX release

Monday, 12 November 2018

Not for distribution or release in the United States

AUB Group Limited announces a fully underwritten A\$116 million capital raising

AUB Group Limited (“AUB”) today announces it is undertaking a fully underwritten 4 for 27 accelerated pro-rata non-renounceable entitlement offer to raise approximately A\$116 million in order to repay part of AUB’s current debt facility to provide additional financial flexibility for potential near-term growth initiatives, to fund the acquisition of an additional 44% interest in Adroit Holdings Pty Ltd (“Adroit”, the “acquisition”) and for the transaction and offer costs. Completion of the offer will result in a pro forma funding capacity as at 30 June 2018 of approximately A\$142 million and pro forma gearing of 7%¹.

AUB today also reconfirms the FY19 Adjusted NPAT outlook as stated in the FY18 results². In relation to financial misconduct identified and announced by AUB to the market on 18 October 2018, AUB’s investigation continues and its current assessment is that the impact of the matter is unlikely to be material. Nothing has come to the attention of the Group to indicate that this misconduct extends beyond the identified entity.

AUB strategy

Acquisitions across Australia and New Zealand continue to be a key element of AUB’s strategy, complementing organic growth. Execution of AUB’s strategy has resulted in a strong organic growth platform supplemented by acquisition activity.

Completion of 31 acquisitions for a consideration of A\$168 million³ over the past 5 years has provided AUB with ownership of a robust network of diversified risk management enterprises while continuing the success of the ‘owner-driver’ model.

AUB’s CEO and Managing Director, Mark Searles, said, “We remain focused on continuing to supplement organic growth through relevant acquisitions and start-up opportunities in Australia and New Zealand. We have a strong pipeline of future acquisition opportunities which we will actively pursue in order to enhance returns for shareholders”.

Acquisition of additional 44% interest in Adroit

AUB has signed an agreement to acquire an additional 44% interest in Adroit, which will take total effective ownership to 94% upon completion. Completion of the acquisition is expected in early December 2018 for a total consideration of A\$21.7 million in cash.

AUB’s partnership with Adroit was first established in the late 1980’s and the acquisition will provide AUB with an increased shareholding in the key Victorian broking group.

Capital raising

AUB is undertaking a fully underwritten 4 for 27 accelerated pro-rata non-renounceable entitlement offer to raise approximately A\$116 million (“Entitlement Offer”).

Approximately 9.5 million new fully paid ordinary shares in AUB (“New Shares”) are expected to be issued under the Entitlement Offer at a price of \$12.30 per New Share (“Offer Price”).⁴

1 Represents 30 June 2018 balances adjusted to reflect the repayment of A\$91.7 million of drawn debt, representing proceeds of A\$116.3 million less the Adroit acquisition consideration of A\$21.7 million and transaction and offer costs of A\$2.9 million.

2 See Appendix 1 of AUB’s Full Year Results announcement dated 27 August 2018 for a reconciliation of Adjusted NPAT to Reported NPAT.

3 Based on acquisitions by AUB and AUB’s share of partner bolt-on acquisitions to 30 June 2018.

4 In addition, 196,714 shares will be issued to executives during the offer period as a result of the expected exercise of vested options under the 2015 grant under AUB’s Senior Executive Option Program (SEOP) and a further 81,312 options to be issued to executives pursuant to the 2018 grant. Any shares issued will not participate in the Entitlement Offer.

Eligible shareholders will be entitled to subscribe for 4 New Shares for every 27 existing ordinary shares held as at 7:00pm Sydney time on Wednesday, 14 November 2018.

The Offer Price represents a:

- 9.9% discount to the last traded price of \$13.65 on Friday, 9 November 2018; and
- 8.7% discount to the theoretical ex-rights price⁵ (“**TERP**”) of A\$13.48

New Shares will rank equally with existing fully paid ordinary shares from their time of issue.

The Entitlement Offer consists of:

- an accelerated institutional component of the Entitlement Offer (“**Institutional Entitlement Offer**”) which will be conducted from Monday, 12 November 2018 to Tuesday, 13 November 2018; and
- a retail component which will open on Monday, 19 November 2018 and close at 5:00pm on Thursday, 29 November 2018 (“**Retail Entitlement Offer**”)

Institutional Entitlement Offer

Eligible institutional shareholders in certain jurisdictions will be invited to participate in the Institutional Entitlement Offer which is expected to close tomorrow, Tuesday, 13 November 2018.

Eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Institutional Entitlements cannot be traded on market or transferred.

Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and Institutional Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to new and existing institutional investors concurrently with the Institutional Entitlement Offer.

AUB shares will remain in a trading halt pending completion of the Institutional Entitlement Offer.

Retail Entitlement Offer

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same offer price and offer ratio as the Institutional Entitlement Offer.

The Retail Entitlement Offer will open on Monday, 19 November 2018 and close at 5:00pm on Thursday, 29 November 2018. Eligible retail shareholders may also apply for New Shares in excess of their Entitlement up to a maximum of 50% of their Entitlement.

Further details about the Retail Entitlement Offer will be set out in the retail offer booklet, which AUB expects to lodge with the ASX and dispatch on Monday, 19 November 2018.

Entitlements cannot be traded on the ASX or transferred. Eligible retail shareholders who do not take up their Entitlement under the Retail Entitlement Offer in full or in part, will not receive any value in respect to those Entitlements not taken up.

For further information in regard to the Retail Entitlement Offer, please do not hesitate to contact the Offer Information Line on +61 1300 330 255 at any time between 8:30am and 5:30pm (AEDT), Monday to Friday.

⁵ TERP means the theoretical ex-rights price at which AUB shares should trade immediately after the ex-date of the Offer. TERP is a theoretical calculation only and the actual price at which AUB's shares trade at that time will depend on many factors and may not be equal to TERP.

Key dates

A timetable of key dates in relation to the Entitlement Offer is set out below. The timetable is indicative only and dates and times are subject to change without notice.

Event	Date ⁶
Trading halt and announcement of the acquisition of Adroit; Institutional Entitlement Offer opens	Monday, 12 November 2018
Institutional Entitlement Offer closes	Tuesday, 13 November 2018
Trading halt lifted – shares recommence trading on ASX	Wednesday, 14 November 2018
Record date for determining entitlement to subscribe for New Shares	7:00pm Wednesday, 14 November 2018
Retail Entitlement Offer opens	Monday, 19 November 2018
Retail Offer Booklet and Application and Entitlement Forms dispatched	Monday, 19 November 2018
Settlement of New Shares issued under the Institutional Entitlement Offer	Wednesday, 21 November 2018
Allotment and trading of New Shares issued under the Institutional Entitlement Offer	Thursday, 22 November 2018
Retail Entitlement Offer closes	5:00pm Thursday, 29 November 2018
Settlement of New Shares issued under the Retail Entitlement Offer	Thursday, 6 December 2018
Allotment of New Shares issued under the Retail Entitlement Offer	Friday, 7 December 2018
Quotation and trading of New Shares issued under the Retail Offer	Monday, 10 December 2018
Expected dispatch of holding statement	Tuesday, 11 December 2018

For further information, contact:

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⁶ All dates and times are indicative and subject to change without notice. Times refer to Sydney time. AUB reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer without prior notice, including extending the Entitlement Offer or accepting late applications, either generally or in particular cases, or to withdraw the Entitlement Offer without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX.

– Ends –

This release has been prepared for release in Australia and may not be released or distributed in the United States. This release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States, or in any other jurisdiction in which such an offer would be illegal. Neither the entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933 (“Securities Act”), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by, and the New Shares may not be offered or sold, directly or indirectly, to, any person in the United States or to any person acting for the account or benefit of a person in the United States (to the extent such person is acting for the account or benefit of a person in the United States), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

This release contains “forward-looking” statements, including statements regarding the completion and effects of the acquisition, the outcome of the capital raising and the implementation of AUB’s acquisition strategy. These statements relate to expectations, beliefs, intentions or strategies regarding the future. Forward looking statements may be identified by the use of words like ‘anticipate’, ‘believe’, ‘aim’, ‘estimate’, ‘expect’, ‘intend’, ‘may’, ‘plan’, ‘project’, ‘will’, ‘should’, ‘seek’ and similar expression.

The forward looking statements reflect views and assumptions with respect to future events as of the date of this announcement. However, they are not guarantees of future performance. They involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of AUB Group and its directors and management, and may involve significant elements of subjective judgement and assumptions as to future events that may or may not be correct. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. Readers are cautioned not to place undue reliance on the forward looking statements, which are based only on information currently available to AUB Group. To the fullest extent permitted by law, AUB Group and its directors, officers, employees, advisers, agents and intermediaries do not warrant that these forward looking statements relating to future matters will occur and disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.