

# FINANCIAL REVIEW

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HD **Medibank Private's \$4b listing before Christmas**  
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Retail investors are expected to lap up shares in the \$4 **billion** float of Medibank Private, which will proceed before Christmas.

The timeline for Medibank's listing on the Australian Securities Exchange, which will be the biggest since the \$4.6 **billion** privatisation of rail freight business QR National in 2010, was outlined by Finance Minister Mathias Cormann on Friday.

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After previously allowing a window that extended until the end of the 2015 financial year, the Coalition government said Medibank will list in December. The early flick of the switch was flagged this month by Street Talk, which noted bankers working on the deal had recently stepped up the pace to allow for a float before year's end.

Australian retail investors will be able to pre-register for a prospectus towards the end of September. The prospectus will be lodged with the corporate regulator in late October. Fund managers said mum-and-dad shareholders usually support government sales, especially when the asset being sold is a well-known brand.

Medibank Private is the country's largest health insurance fund; 50 per cent of people have some form of hospitals or extras coverage.

Daniel Moore, an equities analyst at fund manager Investors Mutual, said although investors may not have a complete understanding of the sector and its risks, they are familiar with the service. "Medibank Private obviously is a very well known brand. They're on TV all the time," he said. "People understand the product, what it costs and the benefits of it."

There is also an assumption that government floats are often priced cheaply, to avoid disappointing shareholders who are also voters. "Generally governments tend to be a little bit kinder on pricing than, say, private **equity**," Mr Moore said. "They [would not] like to rip off the mum-and-dad investor just before Christmas."

The managing director of fund manager Argo Investment, Jason Beddow, said there was strong appetite for healthcare stocks, as shown by the \$3.6 **billion** listing of private hospital operator Healthscope in July.

Increasing demand for private healthcare, underpinned by an ageing population and governments seeking to decrease the costs of public care, are "good thematic", Mr Beddow said.

"They're not dollar-dependent, they're not **China**-dependent, so I guess they resonate with retail investors."

Mr Moore said whether Medibank will be a good investment will depend on the price. The level of capital the insurer will have on hand after the listing, as well as what opportunity there will be to take out costs, will also influence his view. QR National, now Aurizon, this week said it had identified almost

\$300 **million** in cost savings since listing, he said. The **company** also listed with plenty of capital. "If Medibank is very lowly geared and has excess capital to invest or do [share] buybacks down the track that may be attractive," he said.

Investment banks working on the float as joint **lead** managers include Macquarie Capital, Deutsche Bank and Goldman Sachs.

Senator Cormann announced the final spots in Medibank's sell-side deal team earlier this month. He appointed Bell Potter Securities, Commonwealth Bank of Australia, Morgans Financial and UBS Wealth Management as co-**lead** managers, while Evans & Partners and Ord Minnett were co-managers alongside syndicate brokers Macquarie Equities, JBWere and Wilson HTM Investment Group.

Labor said the decision to privatise Medibank was driven by ideology. Shadow Health Minister Catherine King said the Coalition had already spent \$2 **million** on focus groups and advertising to "spin" the **sale** of Medibank. "The Abbott government is unable to demonstrate how the privatisation of Medibank Private benefits either the health system or health insurance policyholders," she said.

Key points Mum and dad expected to dive into health insurance **company** listing. Labor says privatising not shown to benefit health system or policyholders.

**CO** qrntnl : Aurizon Holdings Limited | medpv : Medibank Private Ltd

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