

## ASX Announcement

7 October 2019

## Strategic Acquisition of Prometheus to Expand into the Health Insurance Sector

Veriluma Limited (ASX: VRI) (Veriluma or Company), one of Australia's leading Artificial Intelligence companies providing prescriptive analytics software solutions, is pleased to announce it has entered into a conditional heads of agreement for the strategic acquisition of Prometheus Information Pty Limited (**Prometheus**) for \$0.6m upfront cash and share consideration plus a performance cash payment of up to circa \$0.075m (**Acquisition**). The proposed Acquisition is anticipated to complete by 31 October 2019.

- **Veriluma to acquire 100% of Prometheus, subject to satisfaction of conditions precedent including due diligence.**
- **Prometheus provides professional services and software to the health insurance sector. Its clients include 17 of the 37 registered health insurance funds in Australia plus the health insurance technology provider HAMBS (Hospital and Medical Benefits System).**
- **Healthcare is undergoing a transformation and IT is at the forefront of key strategic initiatives. The Acquisition integrates and extends Veriluma's AI software capability into health.**
- **The Acquisition adds 21 clients and \$670,000 revenue to Veriluma with many opportunities to increase the revenue within the current client base.**
- **A highly strategic and attractive acquisition for Veriluma's shareholders. Veriluma is purchasing a substantial increase in revenue at an attractive price-to-revenue ratio of approximately 1:1.**
- **Prometheus is a highly complementary, accretive and synergetic business.**

Prometheus ([www.prometheus.com.au](http://www.prometheus.com.au)) is a pre-eminent, Canberra-based, business intelligence, data warehousing, analytical solution and professional services business, with deep expertise in the health insurance sector particularly in relation to the identification of fraud, waste and claim abuse by providers and members. With twenty-one clients and annual revenues of approximately

**VERILUMA LIMITED**

ABN 48 142 901 353

Level 3, 33-35 Atchison Street, St Leonards NSW 2065

Phone +61 2 9146 4742 ● Email [investor@veriluma.com](mailto:investor@veriluma.com) ● Web [www.veriluma.com](http://www.veriluma.com)

\$670,000, Prometheus has an impressive portfolio of intellectual property (IP) products and tools which can be used to serve government and corporate clients in Australia.

The Acquisition represents a growth opportunity for Veriluma to use the Veriluma AI software to solve problems within complex environments particularly in the insurance industry. As such, the Prometheus software and professional services mirror that of the Veriluma ideals of predictive analysis to mitigate commercial risks including risks associated with fraud.

“Deloitte research shows insurer spending on cognitive/artificial intelligence is expected to reach \$1.4 billion globally by 2021. Combining Veriluma’s AI with the Prometheus analytical platform, will create compelling benefits and insights not only for health insurers but also for clients and prospects facing similar challenges in other industries”, stated Elizabeth Whitelock, Veriluma CEO.

## **Strategic Rationale**

The Board believes the Acquisition provides Veriluma with diversification and scale for potential growth, with strong strategic and financial rationale:

- Prometheus’ core competencies are natural precursors to extend the Veriluma AI process and enhance the overall offering by integrating platforms;
- extends Veriluma AI core approach of identifying risk to marry with Prometheus’ fraud detection and identification products;
- potential to extend fraud detection to other industry sectors and geographically into the Veriluma markets of the UK and USA;
- strengthening capability and growth of the newly amalgamated data science team marrying data analysis, machine learning and AI;
- enhance collective professional services delivery capability;
- opportunity for further software development given the skills and experience of the Prometheus founders partnered with Veriluma team to explore and progress global market opportunities; and
- substantial revenue increase (pre-synergies).

“We see the Prometheus acquisition as a complementary partner to the Veriluma offering. Our combined team will work together on the same problems to help deliver better solutions to our clients and partners”, said Whitelock.

“The insurance industry is transforming at pace. Competitive advantage is no longer determined by the products an insurer offers”, said Whitelock, “it must come by providing customers a personalised and outstanding experience at a fair price particularly after a claim has been made.

The customer experience should be consistent, unbiased and anticipate the client needs. To ensure top line growth and bottom line profitability, insurers will turn to technology to do more with less, drive their differentiation and deliver increased customer satisfaction.”

For more information, please contact

[investor@veriluma.com](mailto:investor@veriluma.com)

## **About Veriluma**

Veriluma has developed and patented an advanced algorithmic approach to deliver decisive insight to decision makers. Veriluma's software, Intelfuze, augments the available data and human knowledge with speed and unbiased accuracy. Intelfuze is a form of advanced, forward-looking analytics, which provides assessments about future outcomes and a preferred course of action. Originally developed for the Australian Defence Intelligence Organisation, Veriluma's software provides a rapid and accurate assessment about situations of national interest.

In complex decision making situations, the ability to comprehensively manage incomplete or uncertain inputs is highly valuable for businesses, governments and individuals. Orbis Research estimates that the Artificial Intelligence/Prescriptive Analytics market is currently worth US\$4.6b, and will grow at a CAGR of 22%, to reach an estimated US\$20b by 2020. Currently, 10% of organisations have some form of prescriptive analytics and this is expected to grow to 35% by 2020. <sup>1</sup>Source: Gartner Forecast Snapshot: Prescriptive Analytics, Worldwide, 2016; 5 February 2016.

Veriluma's software has wide application across multiple industries including banking and financial services, insurance, defence and national security, legal and health.

[www.veriluma.com](http://www.veriluma.com)

## Schedule – Acquisition Details

### Parties

- Target: Prometheus Information Pty Limited (<http://prometheus.com.au/>)
- Parties: Veriluma and the vendor shareholders of Prometheus. The vendors are Messrs George Preston, Daryl Akerlind and Bill Beedie, none of whom are related parties or ASX Listing Rule 10.1 parties of Veriluma.
- The parties will negotiate a formal, definitive and binding share purchase agreement to implement the Acquisition based on the terms of the heads of agreement.

### Consideration

- Upfront Payment: \$500,000 cash (sourced from the proceeds of Veriluma's recent \$5,400,000 capital raising) and Veriluma shares equal in value to \$100,000 (issue price calculated as the greater of the 30 day trailing average of Veriluma's share price on the completion date and \$0.025). The upfront payment is to be paid on the completion date, with shares voluntarily escrowed until 31 January 2020 (Veriluma will issue a cleansing prospectus at the expiry of escrow).
- Final Payment: \$73,099 cash to be paid on 30 June 2020 subject to client retention milestone and Messrs Preston and Akerlind having continued their employment with Prometheus.

### Conditions Precedent

- Completion of due diligence by Veriluma to its satisfaction, in its absolute discretion.
- Approval of the Acquisition by the Veriluma Board of Directors.
- Written confirmation from ASX Limited that it will not apply ASX Listing Rules 11.1.2 or 11.1.3 to the Acquisition.

### Other

- Exclusive due diligence period ending 21 October 2019, with completion of the Acquisition on 31 October 2019.
- Messrs Preston and Akerlind entering into employment agreements on standard industry and statutory terms with 1,000,000 unquoted options (vesting 9 months after completion and exercisable at \$0.04 within 5 years of issue) issued to each of Messrs Preston and Akerlind.
- Includes customary terms and conditions, including completion conditions.
- There will be no changes to Veriluma's Board of Directors or senior management as a result of the Acquisition.

### Approvals

- ASX has confirmed to Veriluma that it will not apply ASX Listing Rules 11.1.2 and 11.1.3 to the proposed Acquisition.
- The share consideration and employee options will be issued within Veriluma's existing placement capacity of 38,195,105 equity securities under ASX Listing Rule 7.1.
- Veriluma does not intend to seek shareholder approval for the Acquisition.