



## ASX Announcement

1 September 2017

### Acquiring Five Greenfield Clinics and Three Franchise Clinics

Traditional Therapy Clinics Limited (ASX: TTC) (**TTC** or the **Company**) is pleased to advise that the Company is making significant progress on building its first series of greenfield clinics. There are five greenfield clinics being established whereby three of them are located in Guizhou, one in Hanan and one in Inner Mongolia. Locations of these new clinics were selected with careful analytics based on demographic, social economy and consumer behavior profiles. The total estimated budget for establishing the greenfield clinics is RMB 27.22 million which equates to AUS 5.2 million at an exchange rate of 5.238 (AUD:RMB). The average cost of establishing a greenfield clinic is lower than the average acquisition cost of a typical franchised clinic. Therefore it makes sense for the Company to organically grow its owned clinics portfolio.

The Company also wishes to advise that through its wholly owned subsidiary, Fuqiao (Chongqing) Holdings Co. Limited, TTC has entered into agreements to acquire three franchise clinics located in the Inner Mongolia, Jiangsu Province, and Henan Province. These new acquisitions, together with six other clinics acquired in year 2017, are in line with a key element of the business strategy which is to grow its owned clinic network and increase revenues and profit.

The combined purchase price for these new clinics will be paid in cash by TTC and totals RMB 25.05 million which equates to AUD 4.78 million at an exchange rate of 5.238 (AUD:RMB). The total purchase price represents an average EBITDA multiple of 3.31 times based on the clinics' earnings in the 2016 financial year. Operational functions of these new clinics will be transferred to TTC in September 2017.

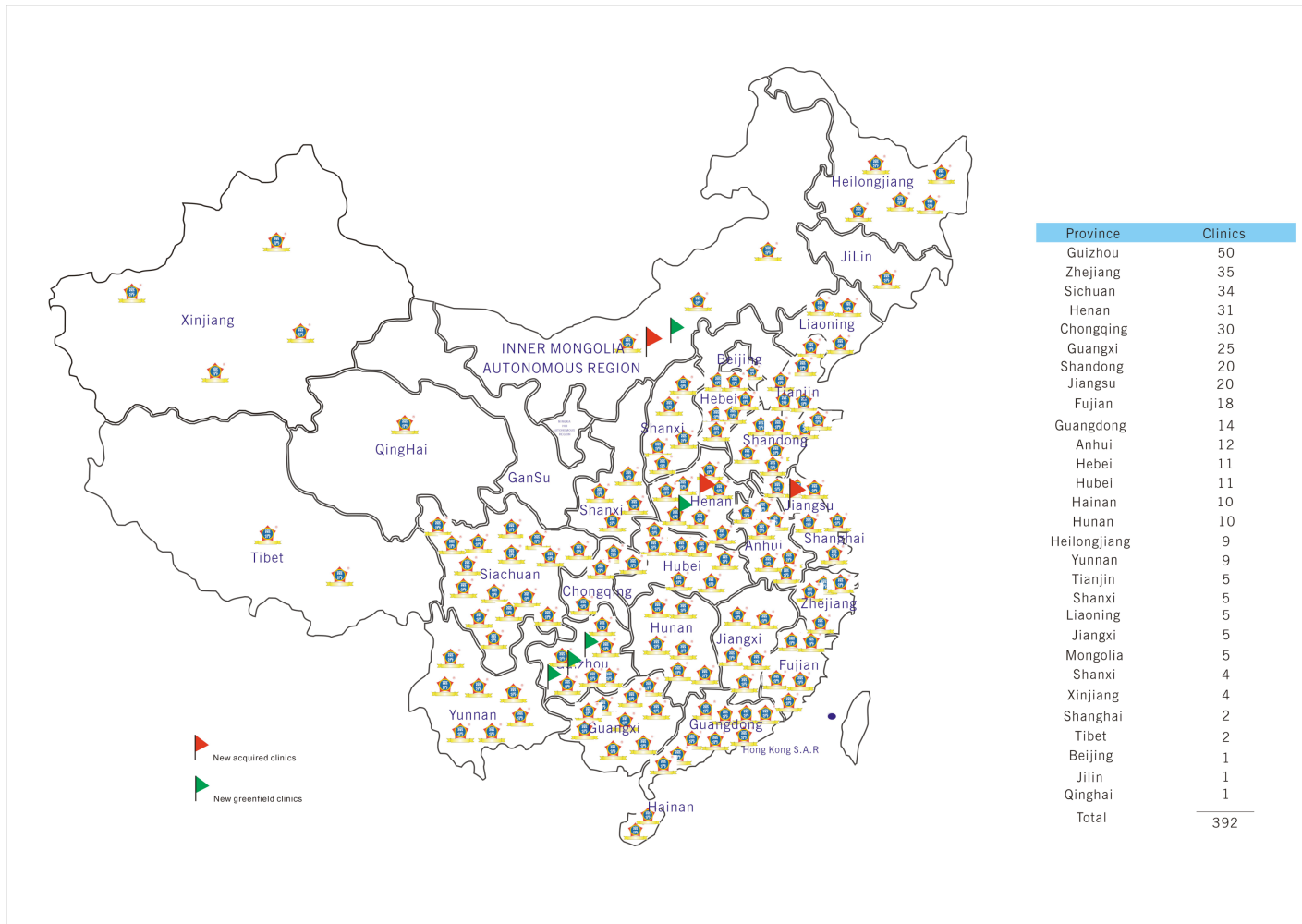
Signing of these contracts takes the number of clinics acquired by TTC since listing on the ASX in September 2015, to 24 and the total number of owned clinics to 35. The total number of franchised and owned clinics and new franchise licenses granted and clinics acquired by TTC during the 2015 to 2017 calendar years are shown below:

TTC Clinics	Franchised Clinics	Owned Clinics	Greenfield Clinics
Total number of franchised / owned clinics at 31 December 2014	286	11	-
Newly franchised / acquired in CY2015	36	8	-
Newly franchised / acquired in CY2016	38	7	-
Newly franchised / acquired in CY2017 (at 1 <sup>st</sup> Sept 2017)	15	9	5
Acquired from the franchised clinics from CY2015 to CY 2017 (at 1 <sup>st</sup> Sept 2017)	(23)	-	-
Total	<b>352</b>	<b>35</b>	<b>5</b>



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Figure 1: Location of TTC's new clinics



### TTC's Growth Strategy

TTC's multi-pronged growth strategy includes focusing on:

- Growing its number of franchised clinics; and
- Expanding its owned clinic network through the acquisition of existing clinics (from third parties or franchisees) or developing Greenfield owned clinics in suitable locations.

The "owned clinic" model is one key focus of the company given the ability to generate a greater return on investment and its added advantage of assisting with projecting TTC's brand and further demonstrating the high standards of quality and service within the TTC network.

Traditional Therapy Clinics Limited  
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Traditional Therapy Clinics Limited is a franchisor and the owner of one of the largest chains (by number of clinics) of traditional therapeutic health and wellness clinics in China. It currently has 352 franchised clinics, 35 owned clinics and 5 greenfield clinics in operation. It is a well established business with a strong growth profile, employing a repeatable and scalable business model. TTC has a highly recognised and respected brand, having received the prestigious Chinese Well-Known Trademark designation from the State Administration for Industry and Commerce. It operates within a strongly regulated industry sector of significant scale, which offers opportunity for further growth.

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TTC is an ASX listed company employing around 1,000 staff across 27 of the 33 administrative divisions in China. More information is available at [www.ttc-ltd.com](http://www.ttc-ltd.com)