

ASX ANNOUNCEMENT

18 December 2017

**CAPITOL ANNOUNCES ACQUISITION OF
I-RAD RADIOLOGY SUNSHINE AND NEW CLINIC OPENINGS
CAPITOL NOTES MEDIA SPECULATION REGARDING
POTENTIAL ACQUISITION OF RADIOLOGY TASMANIA**

- **Capitol Health to acquire I-Rad Radiology Sunshine**
- **I-Rad expected to contribute \$0.8 million EBITDA and \$3.7 million revenue pa**
- **Complementary fit into existing network and management**
- **Acquisition in line with Capitol Health's existing growth strategy in local markets**
- **New Vermont Private Hospital & Altona Clinics complete January 2018 openings**
- **Confirmation of discussions with Radiology Tasmania**

Capitol Health Limited (**Capitol** or the **Company**) (ASX: CAJ) is pleased to announce it has agreed to acquire I-Rad Radiology for an upfront consideration of \$3 million (including assumption of employee entitlements plus the assumption of some equipment finance) with up to an additional \$0.5 million payable under earnout over 2 years (based on revenue growth).

The single clinic in Sunshine, Victoria, is expected to contribute \$3.7 million in annual revenue and \$0.8 million in EBITDA. This represents an EBITDA multiple range of 3.75x to 4.3x on FY17 results. The transaction is expected to be completed during January 2018 and is subject to formal documentation and customary conditions.

The clinic has operated for more than 10 years and its founder, Dr Nghia Tran, is well respected with a strong local patient and referrer base. He has agreed to sign on to continue working at the practice for at least 3 years.

Managing Director, Andrew Harrison commented, "Given the complementary fit of the I-Rad business into Capitol's existing network and management, the Board believes this transaction represents value for shareholders and underlines our strategy of smaller, well-structured and disciplined acquisitions with respected vendors."

"We are continuing to execute our growth strategy in local markets with substantially accretive deployment of our cash reserves, in line with our previously stated plans and in addition to our current proposed takeover of Integral Diagnostics."

The Board is also pleased to announce that 2 of the 3 planned new clinic openings for FY18 are substantially complete and are expected to open early in January 2018.

The new clinics at Vermont Private Hospital and Altona (both in Metropolitan Melbourne) represent expansion of Capitol's footprint in areas of known demand drawing on our strong referrer base.

The earnings generated from the acquisition of I-Rad Radiology Sunshine have not been included in the earnings guidance presented at the Company's AGM.

The Board intends to reinstate dividends in respect of the 2018 financial year, consistent with the restrictions imposed by the Unsecured Notes and subject to corporate, legal and regulatory considerations. In this context, Capitol notes that it currently has a franking account balance of approximately \$7.3 million.

Capitol also notes speculation in today's media regarding the potential acquisition of Radiology Tasmania.

Capitol confirms that it is engaged in discussions with Radiology Tasmania and has been nominated as the preferred bidder. Capitol expects key acquisition metrics to be consistent with guidance provided at the time of the AGM around Capitol's acquisition strategy.

At this time, there is no certainty as to whether any transaction will eventuate and a further announcement will be made by Capitol if and when appropriate.

For further information, please contact:

Media

Melissa Patch
Cato&Clegg
+61 412 124 195
melissa@catoandclegg.com

Company

Andrew Harrison
CEO
(03)9348 3333
investors@capitolhealth.com.au

About Capitol Health

Capitol Health is a leading provider of diagnostic imaging and related services to the Australian healthcare market. Headquartered in Melbourne, Victoria, the Company owns and operates clinics throughout Victoria. The Company's operational focus is on delivering a community-based infrastructure for radiologists and related medical practitioners to deliver optimal, efficient, accurate healthcare service outcomes for patients.

Capitol also has an investment in diagnostic imaging artificial intelligence through Enlitic Inc in the US and a collaboration agreement with Enlitic regarding revenue share from the sale of Enlitic's Deep Learning Services in the radiology field in China.

Capitol also recently entered the Chinese diagnostic imaging market through a Joint Venture with CITIC Pharmaceutical (Shenzhen) Co., Ltd ("CITIC Pharmaceutical") and Xiamen Zhouxin Medical Image Co., Ltd (Zhouxin) to provide consulting and clinic management services to a network of independent imaging clinics to be created by CITIC and Zhouxin across mainland China.