# Capitol investor update

Acquisition of Radiology Tasmania



21 December 2017



# Transaction snapshot

### Radiology Tasmania

### **Overview**

- Capitol is pleased to announce the acquisition of Radiology Tasmania Pty Ltd
- Represents a further and major step forward in Capitol's strategic and disciplined growth agenda
- Acquisition will be funded from existing cash reserves
- The transaction is expected to complete early in 2018 (subject to satisfaction of standard conditions)

### Value

- Total consideration of up to A\$25.2 million on a cash free, debt free basis
- Represents an EBITDA multiple range of 7.3x to 7.6x<sup>1</sup> pre synergies
- Includes earn out consideration of up to A\$1.0 million payable over 2 years (based on revenue performance)

**Highlights** 

- ✓ Unique opportunity to enter the Tasmanian market and acquire a network of well-established clinics
- ✓ Deliver on Capitol's growth strategy communicated during the AGM
- √ Attractive geographic expansion opportunity
- ✓ Clinics are located in strategic locations in major population catchments (Greater Hobart and Launceston)
- ✓ Highly regarded team of radiologists who generate significant referral business
- ✓ Diversified revenue streams with modern equipment and technology (incl. 1 full Medicare MRI License)
- ✓ Expected to contribute A\$14.4 million in annual revenue and A\$3.3 million in EBITDA (based on FY18 forecasts) pre synergies

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#### Notes:

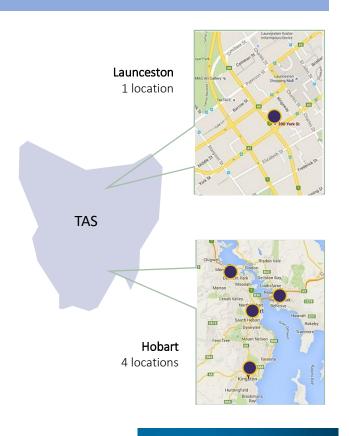
1. Based on FY18 EBITDA of A\$3.3 million

# Overview of Radiology Tasmania

### Radiology Tasmania

### **Radiology Tasmania**

- Radiology Tasmania has grown strategically and organically to become a leading radiology provider in Tasmania
  - Operates 5 diagnostic imaging practices
  - Services the major population catchments in the Greater Hobart and Launceston regions
- Operates across the full range of modalities, including:
  - X-ray, dental imaging, MRI, ultrasound and CT
  - Strong reputation in oncology, body imaging, obstetrics and ENT
- 74 staff, including 9 radiologists
  - Founding radiologist to remain with the business for at least 3 years
  - Highly regarded referring doctors with a broad range of referrers





# Strategic rationale and benefits

### Radiology Tasmania

- Unique opportunity to enter the Tasmanian market and acquire a network of well-established clinics
- Clinics are located in strategic locations in major population catchments (Greater Hobart and Launceston)
- Highly regarded team of radiologists that generate significant referral business
- Diversified revenue streams from x-ray, dental imaging, MRI, ultrasound and CT
- Expected to contribute A\$14.4 million in annual revenue and A\$3.3 million in EBITDA pre synergies (based on FY18 forecasts)
- Modern equipment and technology, with two MRI units, including a full Medicare licensed MRI unit
- Expertise in MSK, oncology, body imaging, obstetrics and ENT



# Integration strategy

### Radiology Tasmania

Capitol has developed a plan to integrate Radiology Tasmania into the Capitol group with minimal disruption to both businesses

### Capitol integration experience

- Radiology Tasmania is comprised of a community based clinic network, substantially similar to those Capitol already operates
- Dr Taplin will continue in a leadership and clinical role for at least 3 years
- Capitol intends to operate Tasmania as a separate region and engage the current operations manager to continue

#### Key personnel

- Capitol recognises the importance of Radiology Tasmania's healthcare professionals and extensive consultation will be held with all key personnel throughout the integration process
- Radiology Tasmania's founder, Dr Pip Taplin, a well respected Radiologist with a strong referrer base, has agreed to sign on to continue working for the group for at least three years
- Capitol will continue to invest in Radiology Tasmania's healthcare professionals through ongoing training and development, attracting and retaining personnel, as well as developing broader sub-specialties

#### Potential for synergies

Capitol will seek to leverage revenue and cost synergies available to the combined group such as new referral opportunities and sourcing benefits



) Transaction snapshot (2) Radiology Tasmania (3) Strategic rationale (4) Integration (5) Integral bid

# Update on bid for Integral

### **Overview** • On 29 November 2017 Capitol announced its intention to launch an off-market takeover offer for Integral Diagnostics • Consideration of 6.9 fully paid ordinary shares in Capitol and \$0.36 cash for each ordinary voting share on issue in Integral • Integral Shareholders have indicated their support for the Offer by entering into pre-bid acceptance agreements with Offer Capitol, pursuant to which they have collectively agreed to accept or procure the acceptance of 19.55%<sup>1</sup> summary • The combined business would create one of Australia's leading providers of diagnostic imaging services through its combined network of highly complementary clinics and hospital sites Capitol looks forward to engaging with Integral Shareholders and Doctors in due course Bidder's Statement to be lodged shortly **Timetable** Dispatch of Bidder's Statement to Integral Shareholders expected in early January 2018 • The recent acquisitions represent business as usual for Capitol and deliver on Capitol's growth strategy as communicated during the AGM Impact of • The acquisitions are expected to enhance benefits to the combined group by broadening Capitol's clinical network acquisitions and capabilities • Further details on the financial impact will be provided in the Bidder's Statement

#### Notes:

1. Regal Funds Management, in relation to 5.13% of Integral shares, together with an obligation to procure the acceptance of an additional 4.91% of Integral shares into the Offer. In addition to Adam Smith Asset Management (3.25%), Microequities Asset Management (2.00%), Wilson Asset Management (4.26%)

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