

# Capitol investor update

## Acquisition of Radiology Tasmania



21 December 2017

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# Transaction snapshot

## Radiology Tasmania

Overview	<ul style="list-style-type: none"> <li>Capitol is pleased to announce the acquisition of Radiology Tasmania Pty Ltd</li> <li>Represents a further and major step forward in Capitol's strategic and disciplined growth agenda</li> <li>Acquisition will be funded from existing cash reserves</li> <li>The transaction is expected to complete early in 2018 (subject to satisfaction of standard conditions)</li> </ul>
Value	<ul style="list-style-type: none"> <li>Total consideration of up to A\$25.2 million on a cash free, debt free basis</li> <li>Represents an EBITDA multiple range of 7.3x to 7.6x<sup>1</sup> pre synergies</li> <li>Includes earn out consideration of up to A\$1.0 million payable over 2 years (based on revenue performance)</li> </ul>
Highlights	<ul style="list-style-type: none"> <li>✓ Unique opportunity to enter the Tasmanian market and acquire a network of well-established clinics</li> <li>✓ Deliver on Capitol's growth strategy communicated during the AGM</li> <li>✓ Attractive geographic expansion opportunity</li> <li>✓ Clinics are located in strategic locations in major population catchments (Greater Hobart and Launceston)</li> <li>✓ Highly regarded team of radiologists who generate significant referral business</li> <li>✓ Diversified revenue streams with modern equipment and technology (incl. 1 full Medicare MRI License)</li> <li>✓ Expected to contribute A\$14.4 million in annual revenue and A\$3.3 million in EBITDA (based on FY18 forecasts) pre synergies</li> </ul>

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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



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# 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

# Update on bid for Integral

Overview	
Offer summary	<ul style="list-style-type: none"> <li>On 29 November 2017 Capitol announced its intention to launch an off-market takeover offer for Integral Diagnostics</li> <li>Consideration of 6.9 fully paid ordinary shares in Capitol and \$0.36 cash for each ordinary voting share on issue in Integral</li> <li>Integral Shareholders have indicated their support for the Offer by entering into pre-bid acceptance agreements with Capitol, pursuant to which they have collectively agreed to accept or procure the acceptance of 19.55%<sup>1</sup></li> <li>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</li> <li>Capitol looks forward to engaging with Integral Shareholders and Doctors in due course</li> </ul>
Timetable	<ul style="list-style-type: none"> <li>Bidder's Statement to be lodged shortly</li> <li>Dispatch of Bidder's Statement to Integral Shareholders expected in early January 2018</li> </ul>
Impact of acquisitions	<ul style="list-style-type: none"> <li>The recent acquisitions represent business as usual for Capitol and deliver on Capitol's growth strategy as communicated during the AGM</li> <li>The acquisitions are expected to enhance benefits to the combined group by broadening Capitol's clinical network and capabilities</li> <li>Further details on the financial impact will be provided in the Bidder's Statement</li> </ul>

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**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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