

## ASX ANNOUNCEMENT

23 January 2018

### CAPITOL COMPLETES ACQUISITION OF I-RAD RADIOLOGY, OPENS NEW CLINICS

- Capitol Health acquisition of I-Rad Radiology Sunshine completed
- New Vermont Private Hospital & Altona Clinics open
- Capitol Health delivering on existing growth strategy in local markets

Capitol Health Limited (**Capitol** or the **Company**) (ASX: CAJ) continues to deliver on its growth strategy with the acquisition of I-Rad Radiology now complete and 2 of 3 planned new clinics for FY18 open and fully operational.

I-Rad is expected to contribute \$3.7 million in annual revenue and \$0.8 million in EBITDA, while the new clinics at Vermont Private Hospital and Altona (both in Metropolitan Melbourne) expand Capitol's presence in high demand areas and build on Capitol's strong referrer base.

Capitol Health Managing Director Andrew Harrison said the business was delivering on its existing growth strategy with smaller, well-structured and disciplined acquisitions with respected vendors.

"I-Rad is an example of Capitol deploying our cash reserves to build our network and deliver value for our shareholders," he said.

"Our balance sheet is strong, and this acquisition, as well as that of Radiology Tasmania, speak to our commitment to deliver on our existing growth strategy through our reserves as well as pursue our proposed takeover of Integral Diagnostics."

"We believe in the merits of our growth strategy as well as the merits of our offer to Integral shareholders, and are hopeful we will see constructive engagement from Integral's Board."

I-Rad was acquired 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). Its founder, Dr Nghia Tran, will continue with the practice for at least 3 years.

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.

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### **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.