

Integral Diagnostics Acquires The X-Ray Group

30 September 2021, Melbourne

Integral Diagnostics Limited (ASX:IDX) is pleased to announce the acquisition of The X-Ray Group which is located in Albury/Wodonga on the Victorian/New South Wales Border.

The X-Ray Group is complementary to IDX's existing regional footprint and:

- Comprises leading radiology clinics in Albury and Wodonga, as well as three smaller community clinics in Wangaratta, Yarrawonga and Lavington.
- Employs three Radiologists under long term employment arrangements including Dr James Mullins, a highly experienced radiologist who has worked in the Albury-Wodonga and Northeast region for 25 years.
- Has a projected FY22 EBITDA¹ contribution, of between \$5.0m and \$5.5m, which is before any COVID-19 impacts.
- Has one full MRI licence.
- Is EPS accretive in year one.
- Has strong growth opportunities and potential operational synergies.

The key terms of the deal include:

- An upfront purchase consideration of \$37.5m on a cash and debt free basis, comprising \$25.95m in cash and \$11.55m in new ordinary IDX shares to be issued at completion of the acquisition (**Scrip Consideration**).^{2,3}
- 100% of the Scrip Consideration will be subject to escrow arrangements.⁴
- A FY22 earn-out of up to \$4.0m and FY23 earn-out of up to \$2.5m, subject to EBITDA performance hurdles.
- Deferred consideration of up to \$1.0m payable on the third anniversary of completion of the transaction.

The acquisition is expected to be completed in November 2021, subject to satisfaction of customary conditions and will be funded by existing debt facilities.

¹ EBITDA is before the implementation of AASB 16 *Leases* (AASB 16). This is more reflective of the underlying cashflows of the business and the impacts of the implementation of AASB 16 are uncertain until leases have received change of control approvals.

² Shares to be issued at \$4.68 per share.

³ Two non-vendor doctors have also been offered up to \$375,000 in shares each (\$300,00 in aggregate to be funded by the vendors), which will be issued at the same issue price and will be subject to the same escrow arrangements as the vendors.

⁴ Subject to certain limited exceptions, the release of escrowed shares occurs in equal tranches on the third, fourth and fifth anniversaries of the share issuance date.

The X-Ray Group is a regional leader in providing complex modalities including MRI, CT and nuclear medicine, which are services positioned to experience growth. The clinics are fitted with a modern modality fleet.

Dr Ian Kadish, MD and CEO of Integral Diagnostics said *“We are pleased to partner with Dr James Mullins and the X-Ray Group to enhance IDX’s presence in regional Victoria and our entry into Southern NSW. The X-Ray Group is a leading regional radiology business that strongly complements our existing businesses. The Group’s radiologists, specialists and staff represent a strong strategic and cultural fit with IDX’s doctor led operating model. The five clinics have a demonstrated track record of achieving strong margins and earnings growth and will add value to the IDX group. We extend a warm welcome to The X-Ray Group doctors and staff and look forward to partnering with them to further grow our combined business.”*

Dr James Mullins, The X-Ray Group Director, said *“The X-Ray Group shareholders are delighted to be joining the Integral Diagnostics group with its DNA firmly rooted in Regional Australia. This sale builds on the 14-year success of the business and will enable support in realising long term future growth within the region. The Integral Diagnostics business has extensive expertise and clinical services to support the growth of The X-Ray Group.”*

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About IDX:

Integral Diagnostics (IDX) is a leading provider of medical imaging services across Australia and New Zealand. The Company provides state of the art diagnostic services to patients and their referrers at 67 radiology clinics, including 27 comprehensive sites. IDX employs some of Australasia’s leading radiologists and nuclear medicine specialists in a unique medical leadership model that ensures quality patient care, service and access. Good medicine is good business. For more information, please visit www.integraldiagnostics.com.au/.

Authorised for lodgement by the Integral Diagnostics Board of Directors