

15 November 2021

ACQUISITION OF MEDLAB PATHOLOGY BY AUSTRALIAN CLINICAL LABS TO FURTHER STRENGTHEN NATIONAL SCALE

- Australian Clinical Labs (**ACL or Company**) has entered into a binding agreement to acquire Medlab Pathology (**Medlab**); a leading Australian private pathology provider, with two laboratories and 288 collection centres across NSW and QLD
- The Medlab acquisition forms part of a well-defined strategic growth plan and has a complementary geographic footprint to deliver a doubling of market share in NSW to 20.4% and a strong entry platform in QLD with 6.5% market share¹
- In FY21, Medlab generated \$92.6m in revenue (ex-JobKeeper) and \$10.5m in normalised EBITDA (pre AASB-16 and ex-JobKeeper)²
- ACL will acquire the key business assets for \$70m, with upfront consideration of \$60m paid at completion³ and deferred consideration of \$5m on completion of CY22 and a further \$5m subject to the achievement of non-COVID revenue retention hurdles
- Price represents 6.7x FY21 normalised EBITDA pre AASB-16, or 2.6x normalised EBITDA post AASB-16
- ACL expects to generate synergy benefits of more than \$10m which will take 18 to 24 months to be fully achieved on a run rate basis
- On a post synergy basis inclusive of one-off transaction and integration costs, the acquisition multiple is expected to be 3.9x FY21 normalised EBITDA (pre AASB-16) or 2.2x EBITDA (post AASB-16)
- The transaction will be funded by cash on balance sheet and existing debt facilities and is expected to complete in December 2021

ACL today announced that it had entered into a binding agreement to purchase Medlab Pathology (**Medlab**), a leading Australian privately-owned independent pathology provider, based in NSW and QLD.

The acquisition is subject to regulatory approval and completion of customary conditions precedent.

The acquisition will be funded by an upfront payment of \$60m plus a deferred consideration of \$5m on completion of CY22 and a further \$5m subject to the achievement of non-COVID revenue retention hurdles. The transaction will be funded by cash and existing debt facilities and no new capital will be required to fund the transaction.

Since ACL was founded in 2015, the Company has demonstrated a proven track record in expansion via acquisitions and successful integration of those businesses to create shareholder value via a unified national pathology platform which creates material operating leverage of the combined business.

As well as adding scale, the acquisition of the Medlab business represents a complementary geographic footprint providing a significant expansion in the largest pathology market in Australia (New South Wales) and the third largest (Queensland). The acquisition will enhance ACL's market positions in NSW and QLD, relative to its more established positions in Victoria, Western Australia, South Australia, ACT and Northern Territory.

In NSW Medlab operates a laboratory in Auburn, Sydney and 205 collection centres. On completion of the acquisition, ACL's share of collection centres will nearly double in NSW with the number of collection centres increasing from 222 to 427. As important as the incremental scale, there is limited geographic collection centre

¹ Based on number of collection centres

² Based on PWC Quality of Earnings review

³ There are various completion adjustments with the effective economic completion expected to be 1 November 2021. The ACCC has confirmed that it does not intend to conduct a public review of the transaction. The acquisition is subject to approval by FIRB and other customary conditions precedent. Actual cash paid will be adjusted for profits and other agreed matters.

overlap in Sydney and the acquisition gives ACL a more comprehensive coverage of the whole Sydney market including growth corridors in western and south western Sydney.

In Queensland, Medlab operates a laboratory in Wilston, Brisbane and 83 Collection Centres and will provide ACL an entry into the Queensland Medicare Community funded market which complements ACL's existing Queensland strategy which includes the recent acquisition of the SunDoctors skin cancer clinics and a purpose built clinical and Commercial (Clinical Trials) testing laboratory.

Post the Medlab acquisition, ACL will have specialist histology laboratories in each State in which it operates and four across NSW and QLD. The Medlab acquisition will also strategically assist ACL in targeting the emerging private COVID-19 traveller market.

Chief Executive Officer, Melinda McGrath, said:

"The Medlab acquisition aligns to our well-defined strategy to grow our position in the New South Wales and Queensland markets, and will deliver both significant growth opportunities and shareholder value."

"The significant prior investment we have made in the national unified pathology system and single laboratory information system will ensure the Medlab integration is efficient and delivers material synergies, with the additional volume expected to underpin further operating leverage for ACL."

About The Acquisition

- Medlab normalised revenue (ex-Job Keeper) was \$92.6m in FY21 and normalised EBITDA (pre AASB-16 and Job Keeper) was \$10.5m in FY21
- The purchase price of \$70m includes upfront consideration of \$60m paid at completion, and deferred consideration of \$5m on completion of CY22 and a further \$5m subject to the achievement of non-COVID revenue retention hurdles
- The initial payment will be funded through cash on the balance sheet and existing debt facilities with deferred consideration payments at the end of CY22 to be paid from operating cashflow
- The key Medlab vendors have agreed to work for ACL for two years and the key pathologists have agreed to work on an ongoing basis
- The acquisition is subject to approval by FIRB and other customary conditions precedent

About Mediab Pathology

Medlab Pathology is a leading Australian privately-owned independent pathology practice. Established in 2001, Medlab provides a comprehensive range of pathology services to General Practitioners, Specialists, Medical Centres and Nursing Homes in NSW and QLD. Medlab operates two laboratories and 288 collection centres.

Investor and Analyst Briefing

ACL Chief Executive Officer and Executive Director, Melinda McGrath, and Chief Financial Officer, James Davison, will host a webcast for investors and analysts today at 11.00am (Melbourne time).

Participants can register for the webcast by accessing this link:

https://us02web.zoom.us/webinar/register/WN_pIVy9STQSo6H_v6sR6uecw

An archive of the briefing will be available afterwards at: <https://investors.clinicallabs.com.au/>

– ENDS –

This announcement was authorised for release to ASX by the Board of Directors of ACL.

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About Australian Clinical Labs

ACL is a leading Australian private provider of pathology services. Our 86 NATA accredited laboratories perform a diverse range of pathology tests each year for a range of clients including doctors, specialists, patients, hospitals and corporate clients. ACL is one of the largest private hospital pathology businesses nationally. ACL is focused on its mission of combining talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives.

Forward looking-statements

This announcement may contain forward-looking statements which are statements that may be identified by words such as "may", "will", "would", "should", "could", "believes", "estimates", "expects", "intends", "plans", "anticipates", "predicts", "outlook", "forecasts", "guidance" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this announcement, are expected to take place. No person who has made any forward-looking statements in this announcement (including the Company) has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, other than to the extent required by law. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management of the Company. We recommend that shareholders read in conjunction with this announcement, Section 4 and Section 5, and other information in, the Prospectus. The Company cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.