

15 November 2021

ACQUISITION OF MEDLAB PATHOLOGY – INVESTOR PRESENTATION

Australian Clinical Labs (**ACL or Company**) provides to the market a copy of an investor presentation in respect of its binding agreement to acquire Medlab Pathology (**Medlab**), a leading Australian private pathology provider, with two laboratories and 288 collection centres across NSW and QLD.

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.clinicalabs.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.

Acquisition of Medlab Pathology

Melinda McGrath CEO and Executive Director

James Davison CFO

November 2021

Acquisition of Medlab Pathology¹ will further strengthen ACL's national scale and deliver significant growth opportunities

- ACL has entered into a binding agreement to acquire Medlab Pathology; a leading Australian private pathology provider, with two laboratories and 288 approved collection centres (ACCs) 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 share (by ACCs)
- In FY21, Medlab generated \$92.6m in revenue and \$10.5m in normalised EBITDA (pre AASB-16 and JobKeeper)²
- ACL will acquire the key business assets for \$70m, with 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 price represents 6.7 x FY21 normalised EBITDA pre AASB-16, or 2.6x normalised EBITDA post AASB-16
- ACL expects to obtain synergy benefits of more than \$10m which will take 18 to 24 months to be fully achieved on a run rate basis
- Costs to obtain synergies and integrate the businesses will lead to transaction and one-off costs of approximately \$10m which will be expensed over the same period
- On a post synergy basis inclusive of one-off costs in bringing the businesses together the acquisition multiple is expected to be 3.9x FY21 normalised EBITDA (pre AASB-16) or 2.2x normalised 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

(1) 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 precedents. Actual cash paid will be adjusted for profits and other agreed matters

Medlab Pathology: a leading Australian privately-owned independent pathology provider with a focus on Sydney and South-East Queensland



\$92.6m

FY21 Normalised¹
Revenue



\$10.5m

FY21 Normalised²
EBITDA



2

NATA accredited
laboratories



288

Approved Collection
Centres

Medlab Background

- Founded in 2001, provides a comprehensive range of pathology services to General Practitioners, Specialists, Medical Centres and Nursing Homes
- Medlab's focus is community pathology, with >95% of its revenue generated through its network of ACCs
- The business has grown through organic Approved Collection Centres (ACC) expansion in NSW, and three acquisitions

ACC Network

- Medlab operates a network of 288 ACCs
 - 205 in NSW: Medlab's footprint is highly complementary to ACL's: Medlab has a very strong presence in Western Sydney, where ACL is comparatively underweight. By comparison, ACL has a stronger position in the Eastern suburbs, the Northern Beaches and the Hills Shire region. Outside Metro Sydney, Medlab's ACCs are mostly located in Wollongong and the South Coast
 - 83 in QLD: The acquisition will provide ACL with an entry platform to Queensland. Medlab's 83 ACCs in QLD equates to 6.5% of ACC's in Queensland spread across South East Queensland with a presence across Brisbane, the Gold Coast and the Sunshine Coast

Laboratories

- Medlab operates two laboratories:
 - Auburn in Sydney
 - Wilston in Brisbane

(1) Ex-JobKeeper

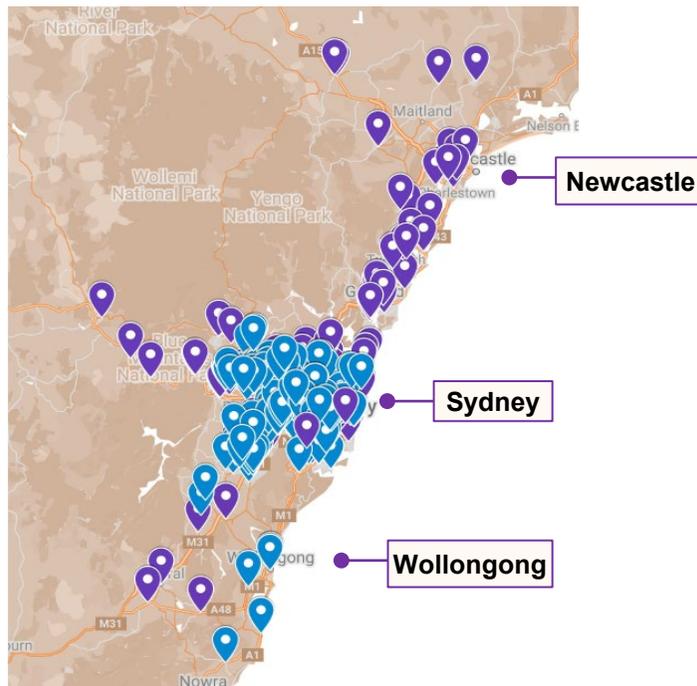
(2) Pre AASB-16 and JobKeeper, based on PWC Quality of Earnings review

Medlab's complementary ACC network to double ACL's ACCs in NSW and accelerate growth in Queensland

NSW

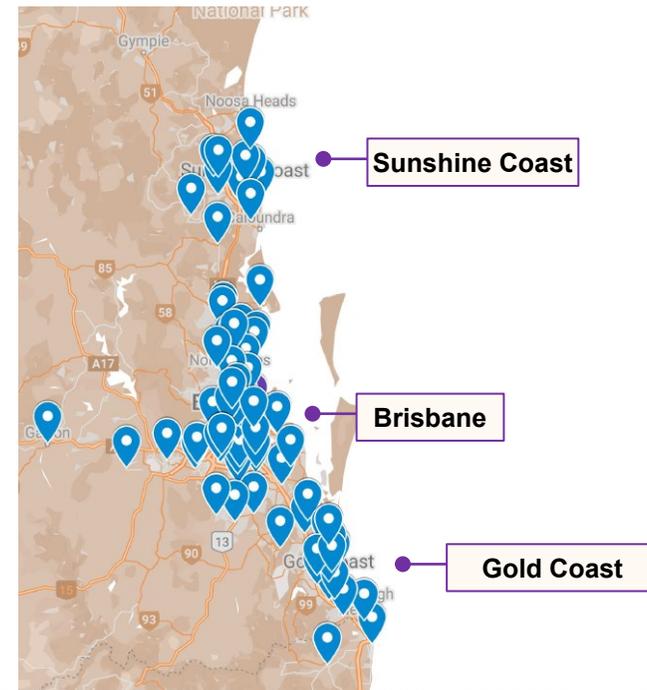
Medlab	ACL	Combined
205	222	427

Key  ACL  Medlab



QLD

Medlab	ACL	Combined
83	1	84



- Medlab's footprint is highly complementary to ACL in NSW: Medlab's ACCs are concentrated in Western Sydney, where ACL is comparatively underweight.
- ACL has a stronger position in the Eastern suburbs, the Northern Beaches and the Hills Shire region
- Outside Metro Sydney, Medlab's ACCs are mostly located in Wollongong and the South Coast. ACL's clinics are concentrated in the North

- The acquisition will provide ACL with an entry platform to Queensland.
- Medlab's 83 ACCs in QLD equating to 6.5% of ACCs in Queensland spread across South East Queensland with a presence across Brisbane, the Gold Coast and the Sunshine Coast

Strategic Benefits: The acquisition has several key strategic benefits

Scale

- Expected to bring additional scale in two significant target markets of NSW and QLD
- NSW is the largest market in Australia and QLD is number three
- Leverage from existing scale and excellent geographic bolt on

Customer Service

- ACL has a number of national customers that it hasn't been able to service in QLD and across NSW
- ACL / Medlab combined will enable a full service offering in mainland states
- ACL will be able to compete more effectively for national tenders

Key Subspecialty benefits

- ACL has significant strength in skin histopathology through its acquisition of Sun Doctors and its specialists in each State
- ACL has gastroenterology leadership through its gastro specialists and inpatient coverage
- Medlab has leading skin and gastroenterology pathology specialists to enhance ACL strengths in QLD and NSW

QLD Entry

- ACL has a QLD molecular laboratory (COVID testing for symptomatic patients and travellers) – this will facilitate Medlab's COVID offering
- Medlab has an established clinical and histopathology lab in Brisbane, Sun Doctors a histopathology lab at the Gold Coast
- Medlab Brisbane will enable enhanced service for the ACL purpose built Clinical Trials laboratory

Transaction Rationale: Strategically fills gaps for ACL and will generate more than \$10m of operational efficiencies

Scale in NSW



- Medlab: 205 ACCs in NSW (9.8% of NSW ACCs)
- Combined ACL/Medlab doubles in scale to 20.4% of NSW ACCs
- Provides scale to invest in further efficiencies via larger consolidated laboratory
- Complementary footprint
- Increased drive through sites (COVID-19 traveller opportunity)

Broader offerings



- ACL can insource majority of Medlab's testing being sent away to other providers
- Increased ability to invest in digital histopathology
- Medlab is AS4308 accredited: provides ACL with the ability to compete in NSW and nationally for commercial drug and alcohol testing tenders

Excellent Entry platform in Qld



- Medlab: 83 ACCs in Queensland (6.5% of ACCs in Qld)
- Allows full laboratory with scale
- Accelerated growth and scale for investment
- Histology lab opportunities

Improved laboratory platform



- Business will be integrated to enable scale benefits to be achieved
- Opportunity to combine labs into one highly automated central lab in NSW – location TBD
- The Queensland lab comprises 1,000m² of space and is on substantial land holding (~6,500m²) allowing for future expansion
- Future-proof the business in both NSW and Queensland and provide strong growth platforms in both States

Operational Synergies and Integration Track Record

- Operational synergies estimated to be >\$10m that can be realised over next 18 to 24 months
- Track record of integration success onto unified national pathology platform

Overview of Medlab financial metrics
James Davison, CFO

Key terms: The acquisition has a total expected purchase price of \$70m and has normal conditions associated with pathology acquisitions

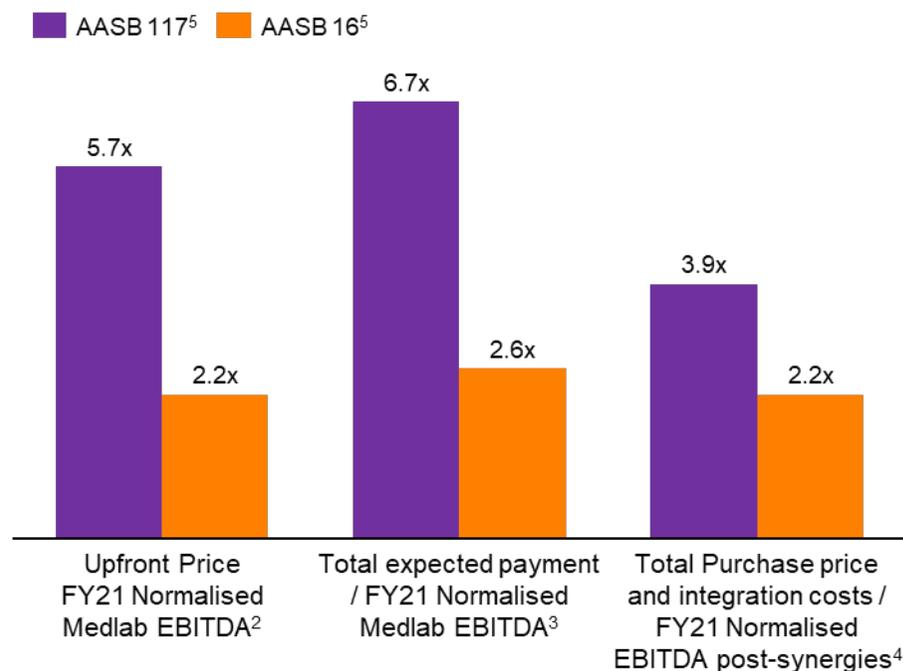
Purchase price	<ul style="list-style-type: none">• ACL has entered into a binding agreement to acquire the key business assets of Medlab Pathology for \$70m, with \$60m paid at completion and deferred consideration of \$5m on completion of CY22 and a further \$5m subject to the achievement of non-COVID revenue retention hurdles• Price represents 6.7x FY21 normalised EBITDA pre AASB-16 and ex-JobKeeper, or 2.6x normalised EBITDA post AASB-16
Implementation Costs and Synergies	<ul style="list-style-type: none">• Costs to obtain synergies and integrate the businesses will lead to transaction and one-off costs of approximately \$10m which will be expensed over 18-24 months• Expect synergy benefits of more than \$10m which will take 18-24 months to be fully achieved on a run rate basis• Synergies to be generated across several areas including:<ul style="list-style-type: none">• Duplicated systems and laboratories• Efficiencies• Consumable savings• ACL has track record of generating operating leverage through its unified laboratory system
Conditions and timing considerations	<ul style="list-style-type: none">• ACCC has confirmed that it does not intend to conduct a public review of the transaction• Acquisition is subject to approval by FIRB and other customary conditions precedent• Expected completion in December 2021
Deal funding	<ul style="list-style-type: none">• The transaction will be funded by cash on balance sheet and existing debt facilities

Financial impact and multiples

Financials

\$m	Medlab, FY21 Normalised ¹	ACL, Pro Forma FY21	Combined
COVID-19 Revenue	15.5	137.9	153.4
Non COVID-19 Revenue	77.0	536.5	613.5
Total Revenue	92.5	674.4	766.9
EBITDA AASB 16 (pre-synergies)⁵	27.0	230.6	257.7
Margin, %	29.2%	34.2%	33.6%
EBITDA AASB 117 (pre-synergies)	10.5	143.6	154.1
Margin, %	11.3%	21.3%	20.1%
Expected synergies			>10
Post-synergies FY21 EBITDA AASB 117			>164.1
Margin, %			21.3%

EV/EBITDA multiples



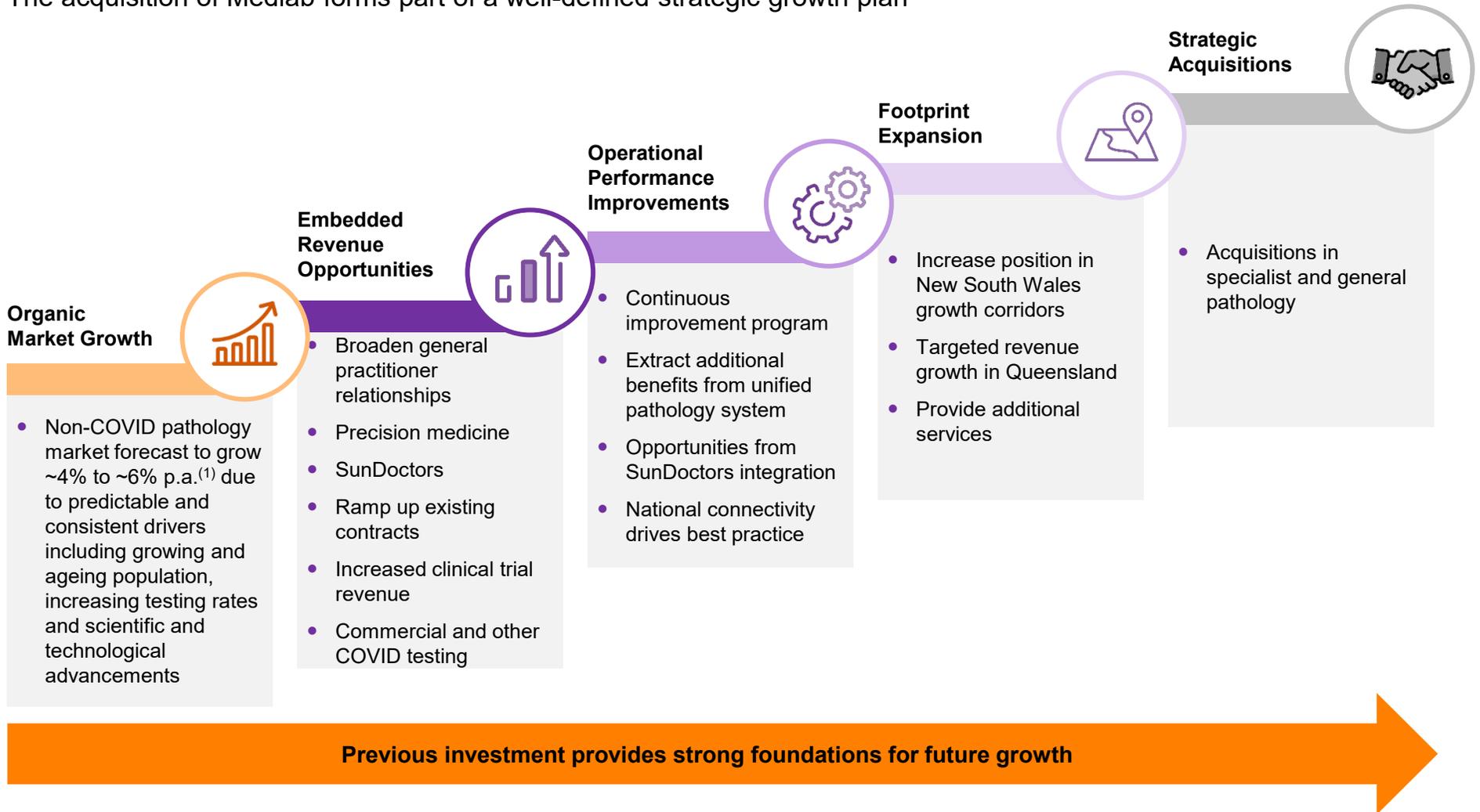
Note: (1) Based on PWC Quality of Earnings review. Normalisation from PWC removed Job Keeper but does not otherwise normalise for COVID-19 impact (2) Based on \$60M upfront price against \$10.5M Medlab FY21 Normalised EBITDA, (3) Based on \$70M total price against \$10.5M Medlab FY21 Normalised EBITDA (4) Based on \$70M purchase price plus \$10M integration costs, against \$10.5M in FY21 Normalised EBITDA with \$10M further synergies (5) Calculated using estimates for AASB-16 lease adjustments

ACL Growth Strategy

Melinda McGrath, CEO, Executive Director

Well-defined growth strategy

The acquisition of Medlab forms part of a well-defined strategic growth plan



(1) Partners in Performance estimates.

In Summary

- 1 Medlab acquisition forms part of well-defined strategic growth plan and has complementary geographic footprint
- 2 Acquisition will further strengthen ACL's national scale
- 3 Will deliver both significant growth opportunities and shareholder value
- 4 Additional scale to underpin further operating leverage
- 5 ACL has demonstrated a proven track record in integrating acquisitions to deliver shareholder value
- 6 Post acquisition, ACL will have histology labs in each State in which it operates, including leading skin and gastroenterology specialist to further support ACL's strength in these areas
- 7 ACL Travel Testing Portal now live to support travellers as international borders open up
- 8 Medlab acquisition to strategically assist ACL in targeting emerging private COVID traveller market

Q&A

Important notice and disclaimer

Summary information

This Presentation contains summary information about Australian Clinical Labs Limited (ACN 645 711 128) (ACL) and its activities which is current only as at the date of this Presentation (unless specified otherwise). The material in this Presentation is general background information and does not purport to be complete. It does not purport to summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with ACL's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au.

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