

**ASX ANNOUNCEMENT**

**16 November 2020**

**DIRECT RADIOLOGY ACQUISITION**

Capitol Health Limited (**Capitol** or the **Company**) (ASX: CAJ) is pleased to announce it has entered into a binding agreement to acquire 100% of Direct Radiology in Melbourne, Victoria (the "**Acquisition**").

**Highlights**

- Direct Radiology is a general imaging provider with a full suite of imaging modalities and a specialist focus on women's health
- Three vendor Radiologists to join Capitol's network for a minimum of three years
- Existing organic growth plan to expand in Melbourne
- Initial cash purchase price pre-transaction costs of \$12m, comprising:
  - \$9m for the two existing sites at Fairfield and Monbulk
  - \$3m for a greenfield comprehensive South Melbourne clinic opened in August 2020
- Cash purchase price funded from existing cash reserves and bank debt
- Earn out payable in FY24 as scrip to be issued on completion and held in escrow, subject to achieving FY23 revenue of \$10.6m
- Direct Radiology achieved FY20 maintainable revenue of \$6.1m and EBITDA of \$1.4m; representing an acquisition multiple of 6.4x for the established Fairfield and Monbulk clinics
- Locations complement expansion of the existing Capitol network

**Direct Radiology overview**

Three state of the art clinics offering comprehensive diagnostic imaging services, based in Fairfield, Monbulk and the recently opened South Melbourne clinic. Founded by three radiologists who will all continue with CAJ for a minimum of three years.

- Direct Radiology has proven clinical expertise in women's health and will partner with CAJ management to establish a national expert panel for women's health imaging
- Five highly respected radiologists will join the CAJ network
- Future revenue and cost synergy opportunities following integration of the business

This acquisition is aligned to the Company's strategic plan for long term organic growth and expanding its network of high-quality community imaging centres. The transaction is expected to be completed in Q3 FY21 subject to satisfaction of customary conditions.

Managing Director, Mr Justin Walter, stated "We are delighted to be welcoming the Direct Radiology team into the Capitol Health community. All five Radiologists have exceptional reputations and standing in the community. We look forward to continuing to grow our partnership further with the new South Melbourne clinic, which provides an organic growth lever for Capitol in a precinct of inner Melbourne where we currently do not operate."

## Trading Update

The Company performed to management expectations for the first quarter of FY21. As of the 1st of October 2020, the Company no longer qualified for JobKeeper.

Justin Walter further stated *"Lockdown 2.0 in Victoria has been less severe on demand for our services than what we experienced in the first lockdown. The clinics have seen a strong rebound in activity for the September and October months, which gives us confidence that the worst is behind us"*.

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For further information, please contact:

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This announcement is authorised for release to the market by the Board of Directors of Capitol Health Limited.

### 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, Tasmania, South Australia, and Western Australia. 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.