

26 July 2021

ASX ANNOUNCEMENT

Acquisition of radiology service provider RIMAB SAS

IMEXHS Limited (ASX: IME) ("IMEXHS" or "the Company") today announces that it has entered into an agreement for the acquisition of Colombia-based radiology services provider RIMAB SAS ("RIMAB") ("Acquisition").

Highlights

- Acquisition of RIMAB SAS, a radiology services provider, for COP24.3 billion or approximately A\$8.5 million,¹ (assuming satisfaction of the earn-out conditions) in a combination of cash and IMEXHS ordinary shares
- Purchase price of A\$8.5 million less debt and working capital of AUD\$0.7m² comprises cash of ~A\$1.4 million and 3,649,064 shares at A\$1.76 (~A\$6.4m) being the 10-day VWAP to 3 days prior to this announcement
- RIMAB strengthens IMEXHS's customer offering with imaging and teleradiology services and provides a test bed for artificial intelligence (AI) development
- For the year to 31 December 2020, RIMAB had revenue of A\$9.0m and EBITDA of A\$1.5m³ (on a consolidated basis revenue of A\$3.2m⁴ and EBITDA of ~A\$1.5m)
- Acquisition expected to be earnings accretive; price equates to 6.6x⁵ 2020 EBITDA

RIMAB is associated with IMEXHS through management ownership and joint agreements. The Acquisition will remove related party transactions and increase transparency for shareholders. As RIMAB is substantially owned by CEO and Director Dr German Arango and Chief Medical Officer (CMO) Dr Jorge Marin, the Board has sought an expert opinion on the transaction and the

¹Based on the COP:AUD exchange rate used under the Share Purchase Deed of 2,840: 1.

² After the estimated purchase price adjustments which will be finalised at completion, the consideration is expected to be COP22.3 billion.

³ Audited Financial Statements. Converted at 2020 Average COP:AUD exchange rate of 2,536: 1.

⁴ There are significant transactions that occur between IMEXHS and RIMAB that will be eliminated from revenue in the consolidated results going forward. RIMAB revenue of A\$9.0 less revenue recognised in IME from RIMAB of \$4.4m less revenue recognised in RIMAB from IME of \$1.2m less exchange rate differences \$0.2m (refer page 33 of IME 2020 Annual Report).

⁵ Calculated in base currency: Purchase price COP24.3 billion / RIMAB EBITDA COP3.7 billion.



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Acquisition is subject to shareholder approval at an Extraordinary General Meeting to be held in mid-September 2021.

RIMAB SAS, using IMEXHS Aquila software, provides radiology diagnostic and interpreting services to major medical institutions in Colombia and Spain. The acquisition will provide IMEXHS with significant opportunities for growth through the provision of radiology services using IMEXHS software in Colombia, Latin America, Spain and the USA. Key drivers of growth in these markets include an aging population, increased demand for diagnostic imaging and more accurate and technologically advanced imagery (MRI, CT scans etc), and the rising demand to outsource radiology services.

IMEXHS Chairman Doug Flynn said: “The Board of IMEXHS has undertaken extensive due diligence on RIMAB SAS and on the radiology services sector in Latin America. RIMAB has shown strong growth in recent years and continues to do so in 2021. The business has a reputation for the delivery of high-quality services and has proven to be a valued partner.”

Mr Flynn added: “The radiology services sector is benefiting from several growth drivers including increasing demand for studies, the outsourcing of radiology services by major hospital groups and the growth in teleradiology. The acquisition of RIMAB will enhance our competitive position, simplify our management structure, improve profitability and provide greater transparency to shareholders by removing any perceived related party conflicts. It also allows IMEXHS to continue its focus as a developer and provider of state-of-the-art cloud-based medical imaging technology throughout Latin America and the USA.”

Details of the transaction

- IMEXHS and its Colombian subsidiary, Imaging Experts and Healthcare Services SAS has agreed to acquire the entire issued capital of RIMAB.
- The acquisition is on a cash free, debt free basis with a normal level of working capital.
- The acquisition is subject to customary conditions precedent as well as shareholder approval as described below.
- The consideration is COP24.3 billion (approximately A\$8.5m) subject to customary net debt and working capital adjustments at completion.
- The consideration will comprise COP4.0 billion in cash (approx. A\$1.4 m) payable at completion with the balance (less the estimated purchase price adjustments) being satisfied by the issue of 3,649,064 fully paid ordinary shares in IMEXHS (Shares) (~A\$6.4 m).
- Debt of COP1.8 billion (approx. A\$0.6m) will be assumed on completion.
- The number of Shares to be issued is 3,649,064 at A\$1.76 per Share and was determined based on the 10-day VWAP to 3 days prior to this announcement and the AUD:COP exchange rate at that date.



- Of the total number of Shares determined, 2,635,887 (72%) will be issued on completion and 1,013,177 (28%) shall be issued in April 2023 subject to the achievement of certain earn-out performance hurdles for the combined RIMAB and IMEXHS radiology services businesses for the year to 31 December 2022. The consideration Shares will be escrowed for a period of 12 months from the date of issue.
- RIMAB is currently majority owned by IMEXHS CEO and director, Dr German Arango, a related party of the Company. As a result, the acquisition will be subject to shareholder approval under Listing Rule 10.1 (as RIMAB will be considered a substantial asset) and Listing Rule 10.11 (for the issue of the consideration shares to a related party). The Board (excluding German Arango) will also obtain an independent expert's report on the Acquisition, which will accompany the Notice of Meeting.

About RIMAB SAS

RIMAB was founded in 2012 by Dr German Arango, IMEXHS CEO and Co-founder, to provide radiological diagnostic services. RIMAB has contracts with several major hospital groups in Colombia and provides teleradiology services in Spain. IMEXHS supplies software for all of RIMAB's activities.

RIMAB has also provided IMEXHS with an excellent testing centre for its new software releases and in machine learning for new algorithms.

In 2020, RIMAB generated COP22.8 billion (approx. A\$9.0m) in revenue from the provision of outsourced radiology services. Revenue is mainly contracted with most contracts one to three years in duration.

Radiologists provide the services and work under contracted rates for services delivered. This plus software licence fees paid to IMEXHS represent the majority of RIMAB's cost base.

RIMAB has three existing revenue sharing agreements with IMEXHS:

- *Colsubsidio* – RIMAB is the invoicing party with IMEXHS paid 98% of the revenue after the deduction of taxes
- *National Police Hospital* – joint venture arrangement whereby RIMAB receives 70% of the revenue and pays for 70% of the overheads
- *Clinica Nueva* – RIMAB invoices the customer and pays a 95% revenue share to IMEXHS

In 2020 RIMAB reported EBITDA of COP3.7 billion (approx. A\$1.5m). On a constant currency basis, EBITDA in 2020 was up 191% year on year (yoy) and revenue was up 60% yoy.

There are significant transactions that occur between IMEXHS and RIMAB that will be eliminated from revenue in the consolidated results going forward. As a result, the acquisition will add net revenue of ~A\$3.2m and EBITDA of ~A\$1.5m based on 2020 results.



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RIMAB will operate as a separate division within IMEXHS with its own management team and will include IMEXHS's existing radiology managed services. In its 2021 results, the Company expects to provide proforma information for the merged Radiology Managed Services division.

Indicative timetable and next steps

As noted above, as RIMAB is substantially owned by CEO Dr German Arango and Chief Medical Officer Dr Jorge Marin, an independent expert has been appointed to prepare a report on whether, in the independent expert's opinion, the acquisition is fair and reasonable to unassociated IMEXHS shareholders.

An Extraordinary General Meeting will be held in mid-September 2021 to seek shareholder approval under ASX Listing Rules 10.1 and 10.11.

Event	Expected Date
Notice of Meeting dispatched	~Mid-August 2021
Extraordinary General Meeting	~Mid-September 2021
Completion	~October 2021

These dates are indicative and subject to change.

Investor conference call

An investor conference call will be hosted by IMEXHS's Chairman Doug Flynn, CEO & Co-founder Dr German Arango, and CFO & Company Secretary Reena Minhas at 11am AEST tomorrow, 27 July 2021.

Those wishing to join the call are encouraged to pre-register via:

<https://s1.c-conf.com/diamondpass/10015470-dsgb3.html>

Advisers

Nexia are acting as financial adviser to IMEXHS and Maddocks are acting as legal adviser. Commercial due diligence was conducted by Advancy.

Authorised for release by the Board of IMEXHS Limited.

-ENDS-



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About IMEXHS

IMEXHS Limited (ASX: IME) is a leading imaging Software-as-a-Service (SaaS) and ancillary solutions provider with over 120 customers on recurring contracts in over 250 sites, and distributors in 15 countries. Founded in 2012, IMEXHS is known for its innovation in the imaging services market, offering flexible and scalable imaging solutions via its HIRUKO branded suite of solutions for next generation Picture Archiving and Communications System (PACS) and integrated medical imaging systems (including a Radiology Information System (RIS), a Cardiology Information System (CIS) and an Anatomical Pathology Laboratory Information System (APLIS)). The HIRUKO™ system is completely cloud-based, vendor neutral and zero footprint with no need for installed software. The IMEXHS products are designed to increase productivity and save money for end users, with a scalable platform that is configured for the future and enhances patient outcomes. For more information, visit

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