

## Integral Diagnostics Acquires Ascot Radiology (NZ)

**10 June 2020, Melbourne**

Integral Diagnostics Limited (ASX:IDX) is pleased to announce the acquisition of Ascot Radiology which is located in Auckland, New Zealand.

Ascot Radiology is highly complementary to IDX's existing New Zealand business and:

- Contracts 22 of Auckland's leading diagnostic imaging specialists in oncology, gynaecology, obstetrics, paediatrics, breast, chest and musculoskeletal imaging;
- Has a projected FY21 EBITDA<sup>1</sup> contribution, normalised for one-off impacts of COVID-19, of NZ\$5.6m to NZ\$6.4m (A\$5.3m to A\$6.1m<sup>2</sup>);
- Is EPS accretive in year one;
- Has high growth opportunities and strong margins; and
- Will generate cost and revenue synergy benefits.

The key terms of the deal include:

- A purchase consideration of NZ\$50m (A\$47.7m<sup>2</sup>) on a cash and debt free basis, comprising NZ\$40m (A\$38.2m<sup>2</sup>) in cash and NZ\$10m (A\$9.5m<sup>2</sup>) in new ordinary IDX shares to be issued to 17 vendor doctors at completion of the acquisition (**Scrip Consideration**)<sup>3,4</sup>
- 100% of the Scrip Consideration will be subject to escrow arrangements<sup>5</sup>
- A CY21 earn-out of up to NZ\$2.8m (A\$2.7m<sup>2</sup>), subject to EBITDA performance hurdles linked to the performance of the combined IDX business in New Zealand.

The acquisition is expected to be completed in September 2020, subject to satisfaction of customary conditions and will be funded by existing debt facilities.

This strategic acquisition comprises nine diagnostic imaging clinics, including key sites at Ascot Private Hospital, and contracts with 22 doctors who work in both the public and private sector.

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<sup>1</sup> 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.

<sup>2</sup> Based on the average exchange rate of NZ\$1:A\$0.95 for the last 90 days prior to the date of this announcement.

<sup>3</sup> Shares to be issued at \$3.48 per share (which is the volume weighted average price of IDX's shares for the 30 trading days ending at the closing of the trading day prior to the announcement of the acquisition).

<sup>4</sup> Two non-vendor doctors have also been offered up to NZ\$0.8m in shares (NZ\$0.32m to be funded by the doctors), which will be issued at the same issue price and will be subject to the same escrow arrangements as the vendor doctors.

<sup>5</sup> 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 clinics are market leaders in providing complex modalities including MRI, CT, PET and nuclear medicine, which are services positioned to experience significant growth. The clinics are fitted with a modern modality fleet.

Dr Ian Kadish, MD and CEO of Integral Diagnostics said *“We are pleased to have extended our footprint in New Zealand with premier radiology partners who strongly complement our existing New Zealand business. The group’s radiologists, specialists and staff represent a strong strategic and cultural fit with IDX’s doctor led operating model. The clinics have a demonstrated track record of achieving strong earnings growth and will add significant value to the IDX group. We extend a warm welcome to the Ascot doctors and staff and look forward to partnering with them to further grow our combined business.”*

Dr Emma Parry, Ascot Radiology Chair, said *“The Board and Shareholders of Ascot Radiology are delighted to be joining the Integral Diagnostics group. This sale will build on the 20-year success of Ascot Radiology and enable long term future growth. The resulting Integral Diagnostics New Zealand Radiology group will have an enviable depth and range of imaging expertise and clinical services.”*

IDX has cash reserves of approximately \$55m, and committed cash advance facilities, of which \$75m remain undrawn and will be partially utilised to fund the acquisition of Ascot Radiology. The Company’s debt facilities are not due to mature until December 2021 and the Company is in compliance with all of the covenants under its debt facilities.

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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 64 radiology clinics, including 20 hospital 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.***

Authorised for lodgement by the Integral Diagnostics Board of Directors

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