

**ASX ANNOUNCEMENT**

**27<sup>th</sup> June 2018**

**CAPITOL ACQUIRES STRATEGIC RADIOLOGY NETWORK IN PERTH  
AND ADDITIONAL MELBOURNE CLINICS**

- **Capitol Health Limited has acquired 6 clinics in Perth & 3 clinics in Melbourne**
- **Clinics acquired from 4 independent vendors**
- **Well respected clinicians and leadership**
- **Network represents strategic geographic expansion into attractive Perth market**

Capitol Health Limited (Capitol or the Company) (ASX: CAJ) is pleased to announce the acquisition of 9 independent clinics from 4 different vendors in WA. These acquisitions provide Capitol with a strategic platform for geographic expansion into the Perth market. It also expands Capitol's Victorian network into the Mornington Peninsula region.

The Perth network comprises clinics covering a substantial part of the metropolitan area and includes, Imaging Central (Claremont), Integrated Radiology (East Fremantle), Quinns Medical Imaging (Quinns Rock), Booragoon Radiology, Forrestfield Radiology, and Ellenbrook Radiology.

The clinic service offerings include sub specialty intervention and pain management, Cardiac CT, and general radiology and will bring well respected doctors into the Capitol group.

Aggregate acquisition consideration is \$17.0 million upfront on a cash and debt free basis and up to an additional \$3.3 million payable under earn-out to the vendors over the first year of ownership (based on performance).

The new clinics are expected to contribute \$16.5 million in revenue and \$3.1 million in EBITDA on an annual basis (based on FY19 forecast). This represents an EBITDA multiple of 5.5 rising to 6.5 if all earn-out conditions are met. The transactions are expected to complete early in Q1FY19 (subject to satisfaction of standard conditions) and contribute strongly to the full year FY19 result.

These acquisitions are Capitol's entry into the attractive Perth market. The initial 6 clinics will provide a critical mass to grow the business through additional capital investment, targeted recruitment and growth in the doctor group, and further acquisitions with several smaller bolt on opportunities in the pipeline. Whilst acquired from different vendors, Capitol expects to derive network benefits from the clinics as well as strengthening key areas of sub specialty and further improving Capitol's clinical standing.

The 3 Victorian clinics acquired will extend the Capitol network in metropolitan Melbourne, 2 of which are in high value growth corridors.

Managing Director, Andrew Harrison stated, "These acquisitions represent an exciting entry into a new geographic market and will be substantially accretive to earnings. The natural growth trajectory of these clinics and Capitol's ability to add value make them very attractive. In addition, we are delighted to welcome a high calibre team of clinical staff into the Capitol network.

"These acquisitions are another major step forward for the company's strategic and disciplined growth agenda. We continue to see a number of outstanding opportunities to acquire and integrate clinically and commercially strong businesses."

The acquisitions will be funded from existing cash reserves and facilities.

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For further information, please contact:

**Company**

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**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 and Tasmania. 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 and a collaboration agreement with Enlitic regarding revenue share from the sale of Enlitic's Deep Learning Services in the radiology field in China.

Capitol also recently entered the Chinese diagnostic imaging market through a Joint Venture with CITIC Pharmaceutical (Shenzhen) Co., Ltd ("CITIC Pharmaceutical") to provide consulting and clinic management services to a network of independent imaging clinics to be created by CITIC and Zhouxin across mainland China.