



26 October 2020

Infratil announces offer to acquire stake in Australian diagnostic imaging business, Qscan

Infratil Limited (“**Infratil**”) announces that it has executed a conditional offer to acquire up to 60% of Qscan Group Holdings Pty Ltd (“**Qscan**”), a comprehensive diagnostic imaging practice throughout Australia, from Quadrant Private Equity (“**QPE**”) and existing doctor and management shareholders, for total cash equity consideration of up to A\$330 million. Infratil has made the offer in conjunction with the Morrison & Co Growth Infrastructure Fund (“**MGIF**”), which has conditionally offered to acquire up to ~15% of Qscan.

If the acquisition proceeds, the existing doctor and management shareholders will retain ownership of at least ~25% of Qscan. As the majority investor, Infratil will have strong governance rights consistent with its shareholding and, together with MGIF and the doctor and management shareholders, will be able to drive the continued development and growth of the business.

The acquisition Enterprise Value of A\$735 million implies an EV/EBITDA multiple of 12.7-14.1x¹ and is subject to usual completion adjustments for net debt, net working capital and capital expenditure.

The acquisition process involves two steps:

- Infratil and MGIF have executed a Binding Offer Deed, under which they have made a conditional offer to acquire up to 75% of Qscan. The offer is conditional on doctor and management shareholders holding the equivalent of ~25% to 32.5% of the business post-close as a result of electing to reinvest some of their proceeds into the new holding vehicle. That election process will occur over the next ~2 weeks. If this condition is not satisfied by 10 November 2020, the acquisition will not complete and both Infratil and MGIF will be entitled to recover their transaction costs.
- If the condition is satisfied, QPE and the other existing shareholders are required to accept the offer. Completion of the acquisition is also conditional on obtaining FIRB² approval and, subject to obtaining that approval, would be expected to settle in December 2020 or early 2021.

In June 2020, Infratil raised additional equity of NZ\$300 million to pursue its growth agenda and take advantage of any other investment opportunities that may arise. The proceeds of the equity raise were initially used to reduce drawn bank facilities, which can now be applied to fund the Qscan acquisition.

“Qscan provides a high-quality entry point into a sector with structural long-term growth and potential to scale into a leading healthcare infrastructure platform,” said Marko Bogoevski, CEO of Infratil. “The Diagnostic Imaging sector benefits from long-term demographic tailwinds and technological advances that will allow it to play a growing role in the early detection of diseases such as cancer. Ultimately, increased investment in Diagnostic Imaging will reduce overall healthcare system costs while improving patient outcomes.”

¹ EV/EBITDA multiple is based on forecast EBITDA of A\$52-58 million for the year to 30 June 2021

² Foreign Investment Review Board of Australia

“Qscan is a market leader in a growth industry. It has a secure revenue base backed by strong referral networks and a track record of strong, profitable growth, with significant further growth potential,” said Paul Newfield, Head of Australia & NZ for Morrison & Co. “Qscan is also known for the quality of its Doctors and the strength of their sub-specialty expertise”.

Qscan was established in 2006 and has grown from a single clinic and hospital contract to a group operating a comprehensive portfolio of 70+ clinics across Australia, including a network of 10 clinics offering PET (Oncology).

The Qscan investment will be managed by Morrison & Co on behalf of Infratil and MGIF. Qscan is currently owned by funds associated with Quadrant Private Equity, doctors and management.

Further details of the acquisition process and terms are set out in the Investor Presentation also provided to the NZX and ASX today.

Any enquiries should be directed to:

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Acquisition of Qscan Group

Investor Presentation

26 October 2020



Infratil



Qscan
RADIOLOGY CLINICS

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Financial data

This presentation contains certain financial information relating to Qscan Group Holdings Pty Limited (Qscan), which has been derived from both audited and unaudited financial information relating to Qscan.

This presentation contains pro forma historical financial information. In particular, Infratil has prepared a pro forma Net Debt and gearing position of Infratil as 30 September 2020 as if the Acquisition had taken place on that date. The pro forma historical financial information provided in this presentation is for illustrative purposes only and should not be relied upon as, and is not represented as, being indicative of Infratil's future financial condition.

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EBITDA refers to net earnings before interest, tax, depreciation, amortisation, foreign exchange and financial derivative movements, revaluations, impairment, and gains or losses on the sales of investments.

Infratil has a 31 March financial year end.

Currency

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Transaction Summary

Infratil to acquire up to 60% of diagnostic imaging business Qscan Group for up to A\$330 million

Transaction summary

- Infratil has executed a conditional offer to acquire up to 60% of Qscan Group Holdings ('Qscan'), a comprehensive diagnostic imaging practice throughout Australia, from Quadrant Private Equity ('QPE') and existing doctor and management shareholders, for total cash equity consideration of up to A\$330 million
- Infratil will be investing alongside the Morrison & Co Growth Infrastructure Fund ('MGIF') (~15%) and existing Doctor shareholders (~25%)
- The acquisition Enterprise Value ('EV') of A\$735 million¹ implies an EV/EBITDA multiple of 12.7-14.1x²
- The acquisition is strategically and financially compelling for Infratil shareholders:
 - ✓ The diagnostic imaging sector is an essential services industry, offering a combination of defensive characteristics and structural long-term growth
 - ✓ Qscan is a market leader with a secure revenue base backed by established referral networks and a track record of strong, profitable growth with significant organic and inorganic growth options
 - ✓ Qscan's partnership model establishes it as the infrastructure and services provider, with radiologists the providers of patient care
 - ✓ Qscan is a highly cash generative business, that also offers reinvestment options which give Infratil a clear path to build a scale healthcare infrastructure platform
- As the majority investor, Infratil will have strong governance rights consistent with its shareholding and, together with MGIF and the doctor and management shareholders, will be able to drive the continued development and growth of the business

Funding

- A\$735 million acquisition enterprise value is funded via up to A\$550 million of equity with the balance funded from debt facilities at the operating company level
- Infratil's investment will be funded from existing bank facilities and available capital
- As at 30 September 2020, Infratil had total available liquidity of NZ\$609 million, comprising undrawn bank debt facilities of NZ\$593 million and cash of NZ\$16 million. This incorporates the NZ\$300 million proceeds from the June equity raise and NZ\$180 million proceeds from the Tilt Capital Return

¹ The purchase price is subject to post completion adjustments for net debt, net working capital and capital expenditure as at completion of the acquisition

² EV/EBITDA multiple is based on forecast EBITDA of A\$52-58 million for the year to 30 June 2021



Transaction Process

Infratil to acquire up to 60% of diagnostic imaging business Qscan Group for up to A\$330 million

Transaction process

The transaction process involves two steps:

- On 24 October, Infratil and MGIF executed a Binding Offer Deed, under which Infratil and MGIF made a conditional offer to enter into an agreed form Share Sale Agreement to acquire up to 75% of Qscan
- The offer is conditional on doctor and management shareholders holding the equivalent of ~25% to 32.5% of the business post-close as a result of the elections process described below
- If the condition is not satisfied by 10 November 2020, the acquisition will not proceed and Infratil and MGIF will be entitled to recovery of their transaction costs
- Over the next two weeks, QPE will consult with the existing doctor and management shareholders (who, in aggregate, own 50% of Qscan) in relation to the percentage of their consideration they wish to reinvest in the new holding vehicle. Through our engagement pre-signing and given our long-term investment alignment, it is anticipated that doctors and management will elect to reinvest such that the ownership condition is satisfied
- If the condition is satisfied, QPE and the other existing shareholders are required to accept the offer and the Share Sale Agreement will come into effect automatically
- Completion of the acquisition would be conditional on obtaining Foreign Investment Review Board of Australia ('FIRB') approval by 31 December 2020, which can be extended by either party to 26 February 2021

NZX Waiver

- Infratil has made the offer and would make the acquisition in reliance on a waiver from NZX Main Board Listing Rule 5.2.1 dated 22 May 2020. Reliance on the waiver was required to permit Infratil to invest alongside MGIF without obtaining shareholder approval (such approval only being required because Infratil and MGIF are both managed by related entities of H.R.L. Morrison & Co Group LP, making them related parties for the purposes of the NZX Main Board Listing Rules)

Investment Thesis

High quality entry point to build a scale healthcare infrastructure platform

This is an idea that matters



- Strong healthcare systems are essential to a well-functioning society
- Growing social need driven by an ageing population with increasing prevalence of chronic disease
- A value-based shift towards early diagnosis and preventative care can reduce system costs and improve patient outcomes

Diagnostic imaging meets a growing, critical social need



- Diagnostic imaging is increasingly viewed as a critical part of preventative health, unlocking efficiency gains from high-cost acute care
- >85% of the industry is funded by Australian's universal health insurance scheme Medicare, with strong bi-partisan support and recommencement of indexation from July 2020
- PET¹/CT Scan² modalities offer above-system growth, underpinned by oncology demand

Potential to become a growth platform for Infratil



- Clear path for Infratil to build a scale healthcare infrastructure platform
 - Strong organic growth
 - Exposure to fast growing catchments and modalities
 - Clinic expansions and greenfield network growth
 - Industry consolidation
 - Strategic adjacencies

¹ Positron emission tomography (widely used in clinical oncology)

² Computed tomography (a computerised x-ray imaging procedure)

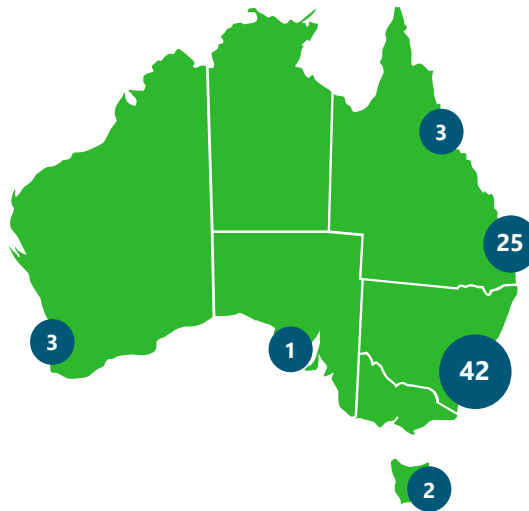
Qscan Snapshot

One of Australia's leading radiology platforms

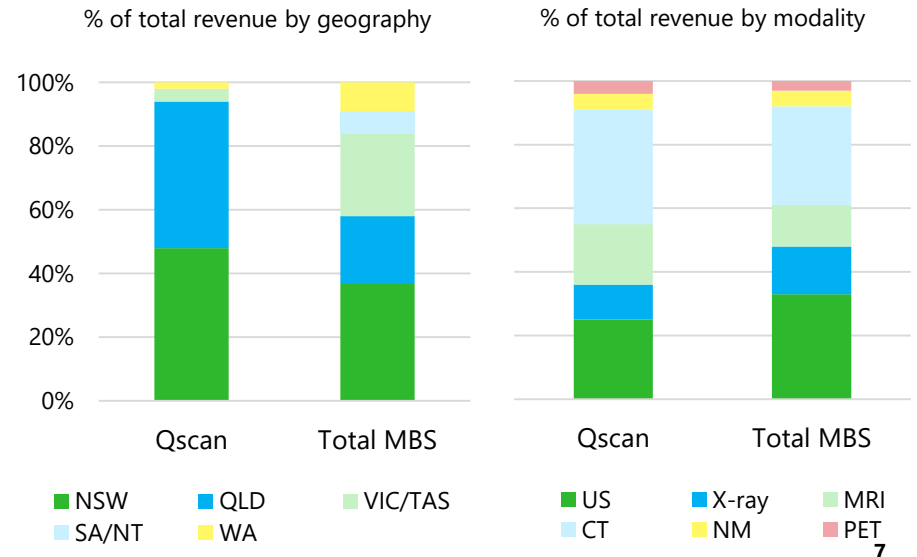
Overview

- Qscan is a comprehensive diagnostic imaging business operating predominantly on the eastern seaboard of Australia. Qscan is one of Australia's largest radiology providers, operating over 70 clinics across Australia, including a network of 10 clinics offering PET (Oncology)
- Diversified cohort of doctors with a reputation for operational excellence and deep subspecialty expertise
- Over 300 machines are currently owned with typical useful life of 10-15 years. There has been a significant recent investment in fleet with the average age of highest value equipment (MRI¹, CT and PET) less than 5 years
- Qscan utilises sophisticated teleradiology capability and a single reporting platform, supported by a comprehensive back-office and support function which is positioned for future growth

Qscan clinic network



Revenue split



¹ Magnetic resonance imaging

Diagnostic Imaging

An essential, growing industry offering attractive rewards for sector consolidation

Defensive Revenues

- Healthcare is an essential service globally of which radiology is a key pillar in disease identification, prevention and monitoring
- Demand for diagnostic imaging services is non-discretionary and therefore largely dictated by the level of incidence amongst various population cohort, ensuring volumes are stable, defensive and insulated against exogenous shocks
- The Australian Government funds over 85% of industry revenue, with low risk of major policy changes that could materially affect Medicare funding given strong bipartisan and electoral support

Strong Market Growth Outlook

- Diagnostic imaging is increasingly viewed as a critical part of preventative health; despite sustained growth in volumes, Australia still lags other OECD countries with regards to volumes per capita
- Volume demand growth has been underpinned by an increasing and aging population, specifically the 65+ age cohort where per capita utilisation of diagnostic imaging services is the highest
- Continued population and utilisation growth, ongoing shifts to advanced/higher price modalities and the re-introduction of Medicare indexation (~1.5% p.a. from July 2020) will drive future growth in the value of the diagnostic imaging market

Clear drivers for industry consolidation

- Corporatised diagnostic imaging is supported by strong tailwinds as scale economies drive further consolidation. Qscan is a top 5 player in Australia where the top 5 players make up ~50% of the market
 - Group synergies are becoming more relevant: Rise of teleradiology allows groups to pool volume across sites
 - Artificial Intelligence investment: Scale groups can invest more aggressively in Artificial Intelligence development
 - Radiologist compensation and value proposition: Large groups can invest in better equipment and conditions for radiologists, as well as offering more attractive compensation models
 - Access to funding: Higher equipment finance rates make investment more expensive for smaller players

A High Quality Entry Point

Qscan is a market leader in a growth industry, with a secure revenue base and a track record of strong, profitable growth



Employer of Choice

- Differentiated employee proposition
- Strong track-record of radiologist attraction, having added over 20 radiologists in the last 2 years
- High radiologist advocacy – broader radiologist community perceives Qscan as best in class across a number of key factors

Modern, Premium Equipment

- Well invested in new equipment, with little replacement capex needed in the short term
- Market leader in PET & CT, early movers in deployment of PET outside hospitals; successful partnership with Icon for new PET sites
- Skew towards high-value modalities, driving above-market growth and profitability





Continuous Improvement Mindset

- Strong M&A integration capabilities, having successfully acquired and integrated 6 companies in 3 years
- Profitability improvement over last two years has mainly been driven by scale, with potential for further margin improvement through sharing of best practices across network
- Further productivity gains available through automation of manual tasks in short term and use of Artificial Intelligence in medium term

Strategically Advantaged Partnership Model

Qscan is the infrastructure and services provider, enabling radiologists to focus on patient care

Qscan provides a complete infrastructure and services platform for doctors

Clinic Network	Equipment	Systems Infrastructure	Corporate Services
70+ clinics Radiographers Sonographers Support staff	High quality, hospital-grade equipment	Sophisticated teleradiology capability through single worklist and centralised reporting hubs	Integrated and comprehensive corporate functions
			

Aligned partnership model

- Qscan owns all the equipment, systems, contracts, and licences, and provides corporate support services
- Radiologists are independent medical practitioners, responsible for patient care
- Qscan collects billings and retains its service fee before remitting an agreed revenue share to radiologists
- Remuneration primarily based on revenue sharing, with limited fixed components, providing alignment
- Alignment reinforced through doctor equity ownership

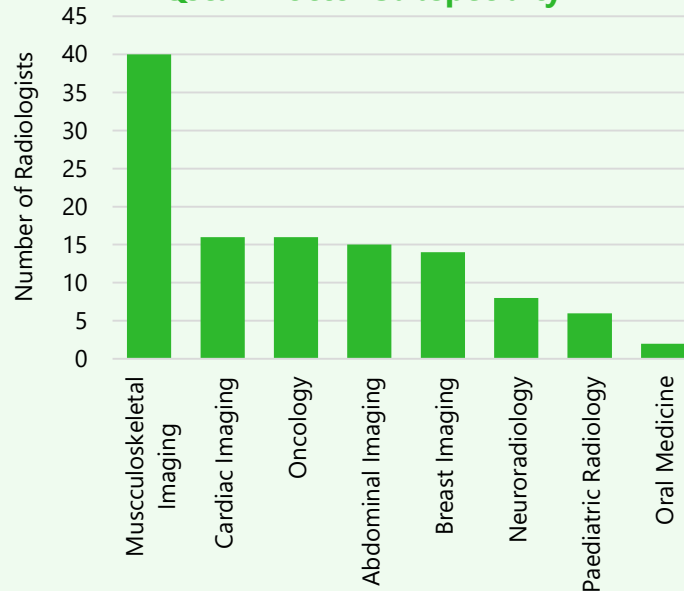
Highly Qualified Team

Leading medical professionals and a high quality executive team

Clinical Leadership

- Diversified cohort of doctors with a reputation for operational excellence and deep subspecialty expertise
- Representation on both the Professional Practice Committee and Credentialing Framework Subcommittee for the Royal Australian and New Zealand college of Radiologists

Qscan Doctor Subspecialty Mix



High Quality Executive Team



Chris Munday - CEO

- Joined Qscan in 2017
- Over 25 years of senior management experience, including as Partner at EY, CFO for publicly listed companies and Chair of a large childcare group

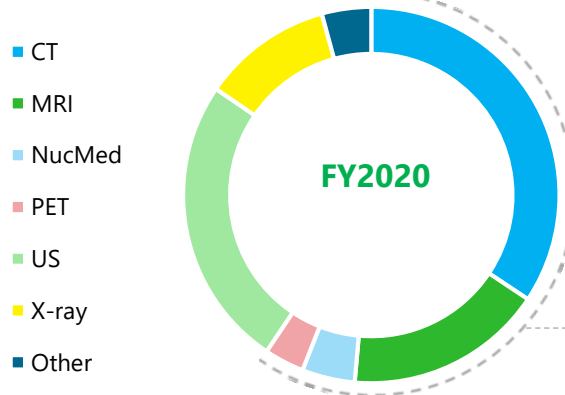
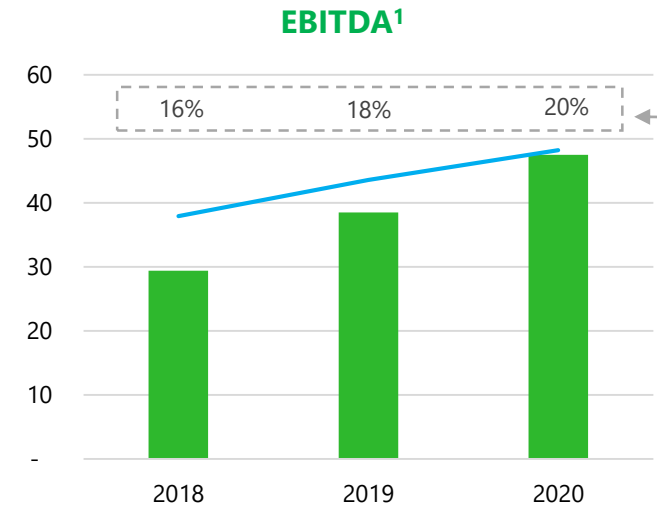
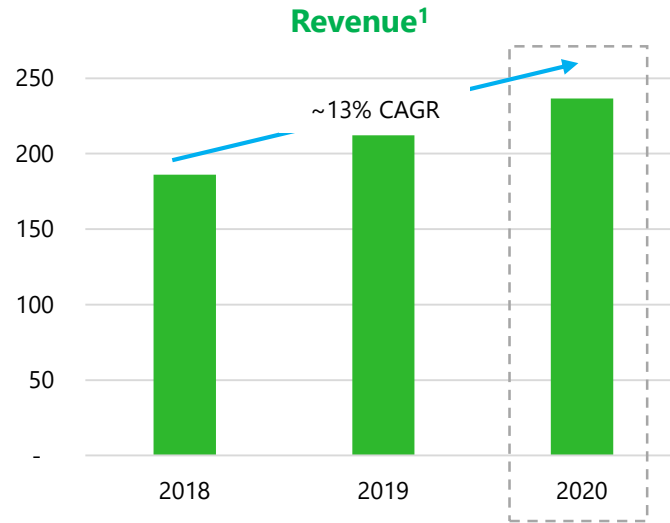


Stephen Berry - CFO

- Joined Qscan in 2017
- Over 15 years within publicly listed, international, and private equity-backed groups, following an early career in external audit and advisory

Historical Financial Profile

A focus on high value modalities, clinic rollout and expansions has delivered annual revenue growth

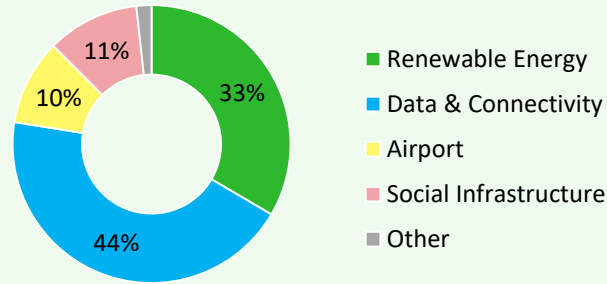


- Strong growth driven by new clinic rollout and clinic expansions
- Margin expansion achieved through operating leverage and benefits of scale, despite material investment in overheads
- 60% of revenue from high value modalities

Portfolio Strategy

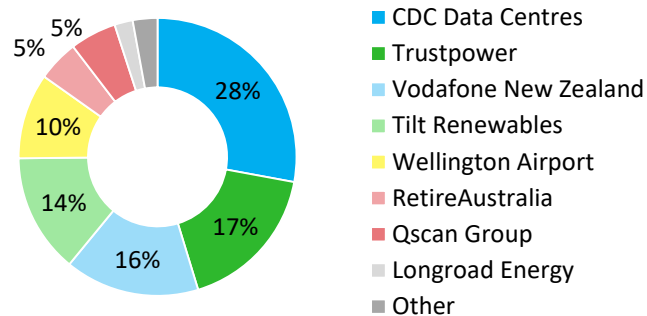
Infratil is well positioned in scalable high growth sectors, with diversified cash flows generating reliable non-correlated returns across several jurisdictions

Sector



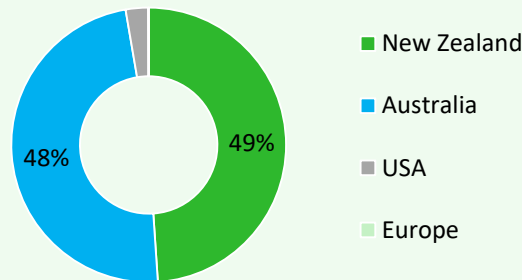
Infratil's diversified portfolio has demonstrated its resilience and is positioned to perform during a sustained slowdown and subsequent recovery

Investments



Substantial investments combining core and growth initiatives which should deliver income and capital growth

Geography



Natural home market advantage with scalable offshore options

Funding and Liquidity

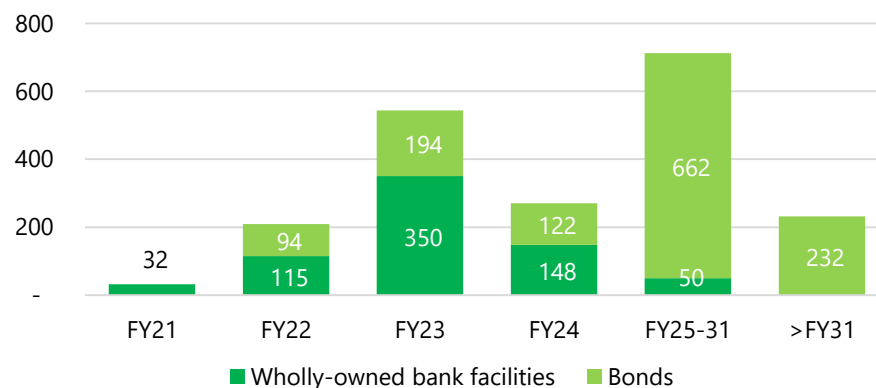
Following the transaction Infratil will have available liquidity of NZ\$256 million

Pro-forma Capitalisation

(NZ\$ Million)	As at 31 March 2020	As at 30 Sept 2020	As at 30 Sept 2020	Pro Forma 30 Sept 2020 ¹
Net bank debt	471	86		439
Infratil Infrastructure bonds	1,072	1,072		1,072
Infratil Perpetual bonds	232	232		232
Total net debt	1,775	1,390		1,743
Market value of equity	2,579	4,052		4,052
Total capital	4,354	5,442		5,795
Gearing²	40.8%	25.5%		30.1%
Infratil undrawn bank facilities ³	268	593		240
100% subsidiaries cash	9	16		16
Liquidity available	277	609		256

- Infratil raised additional equity of NZ\$300 million in June 2020
- The equity raise proceeds were initially applied to reduce drawn bank facilities, with available liquidity of NZ\$609 million at 30 September 2020
- Infratil's A\$330 million investment in Qscan will be funded from existing bank facilities and no additional funding is required
- Wholly owned group gearing to increase from 25.5% to 30.1%^{1,2}

Debt Maturity Profile as at 30 September 2020 (NZ\$ million)



- As at 30 September 2020, drawn bank debt was NZ\$102 million with NZ\$593 million of undrawn bank facilities
- Infratil's next bank maturity is NZ\$32 million in February 2021
- Infratil's next two bond maturities are NZ\$93.9 million of IFT220 bonds which mature in June 2021 and NZ\$93.7 million of IFT190 bonds which mature in June 2022

¹ Impact of the acquisition on Infratil's 30 September 2020 balance sheet based on Infratil's investment of A\$330 million

² Gearing at 30 September 2020 (Actual and Pro Forma) calculated as total net debt / total capital based on share price of NZ\$5.605 as at 23 October 2020

³ Excludes Trustpower, Tilt Renewables, Wellington Airport, CDC Data Centres, RetireAustralia, Longroad Energy, Galileo Green Energy and Vodafone

Summary

Qscan provides a high-quality entry point into a sector with a structural long-term growth outlook and potential to scale into a leading healthcare infrastructure platform



Infratil Acquisition of Qscan Group

- Infratil has executed a conditional offer to acquire up to 60% of diagnostic imaging business Qscan Group Holdings from Quadrant Private Equity and existing Doctor and Management shareholders for total cash equity consideration of up to A\$330 million
- Infratil will be investing alongside the Morrison & Co Growth Infrastructure Fund, and existing Doctor and Management shareholders who elect to reinvest
- As the majority investor, Infratil will have strong governance rights consistent with its shareholding
- The diagnostic imaging sector is an essential services industry, offering a combination of defensive characteristics and structural long-term growth
- The partnership model establishes Qscan as the infrastructure and services provider, with radiologists the providers of patient care
- Qscan is a highly cash generative business, that also offers reinvestment options which give Infratil a clear path to building a scale healthcare infrastructure platform
- Infratil continues to be willing to invest ahead of the mainstream infrastructure market and take on more complex operating businesses to position our shareholders in next generation infrastructure



Glossary



AI	Artificial intelligence
CT	Computed tomography (a computerized x-ray imaging procedure)
DR	Diagnostic radiology
MBS	Medicare Benefits Schedule
MRI	Magnetic resonance imaging, a medical imaging technique used in radiology to form pictures of the anatomy and the physiological processes of the body
NucMed	Nuclear medicine, is a specialized area of radiology that uses very small amounts of radioactive materials, or radiopharmaceuticals, to examine organ function and structure
Oncology	Branch of medicine that deals with the prevention, diagnosis, and treatment of cancer
PET	Positron emission tomography, widely used in clinical oncology
PF	Pro-forma
PMA	Practice Management Agreement
Qscan	Qscan Group
Teleradiology	Teleradiology is the transmission of radiological patient images, such as X-rays, CTs, and MRIs, from one location to another for the purposes of sharing with other radiologists and physicians
UTS	Ultrasound