

29 May 2023

Austco Healthcare Ltd enters conditional term sheet to acquire Healthcare and Security Communications Business, Teknocorp

Highlights

- Conditional term sheet to acquire 100% of the business and assets of Teknocorp, a communications hardware and software solutions provider and Certified Austco Nurse Call reseller (**Acquisition**).
- The Acquisition will fast-track Austco's plan to build a direct sales capability in Australia, replicating the proven model Austco uses in the United States, Canada and Singapore.
- The Acquisition will enable Austco to also expand its offering to Australian hospitals and aged care providers to include other low-voltage systems.
- Teknocorp is forecast to achieve approximately \$9 million in revenue and \$1.1 million in earnings before interest depreciation amortisation and tax (**EBITDA**) in FY2023.
- The Acquisition is expected to be immediately earnings per share accretive, not including any revenue synergy benefits.

Austco Healthcare Limited ("**Austco**" or "**the Company**") (ASX:AHC) is pleased to announce that it has entered into a conditional binding term sheet to purchase the business and assets of Victorian-based Teknocorp Australia Pty Ltd and its related business Victorian Monitoring Services ("**Teknocorp**" or "**the Business**").

Teknocorp is a privately-owned security and healthcare solutions provider and a certified Austco Nurse Call reseller for more than 20 years. Teknocorp specialise in Integrated Nurse Call, Security, Access Control and complementary systems in health and various other sectors. Its client base consists of small and medium-scale enterprises in public and private sectors, predominantly operating in healthcare, aged-care, maintenance and construction sectors domiciled in Melbourne, Victoria.

The acquisition of Teknocorp aligns with Austco's strategy to build its direct sales capability, accelerate growth and enhance its range of solutions to better meet the needs of the Australian healthcare market. All regions in the Group, other than Australia, operate with a direct sales capability, in addition to resellers. Resellers are often geographically based, which for Australia has meant they operate on a state by state basis.

In our other regions, a direct sales capability has enabled us to:

- a) pursue and win larger opportunities that may be beyond the financial capacity of resellers;
- b) engage national corporate clients who operate beyond a single reseller's geographic jurisdiction;
- c) focus on high-value solution selling, including clinical workflow, RTLS and mobile solutions;
- d) present to the market a solution that is from the manufacturer;
- e) establish reference sites, which can be critical in proposal assessments, from a wider pool;
- f) provide a comprehensive and fully integrated low-voltage solution for our customers; and
- g) better position the value of our software and software maintenance agreements.

The Acquisition signifies Austco's commitment to increase its Australian market share and as a result expect the remaining Austco reseller network to also benefit from this increased market capability.

Austco plans to integrate Teknocorp's business, which includes more than 300 customers, into its existing operations and retain key personnel to ensure a smooth transition for customers and employees. The Acquisition is expected to provide significant revenue synergies, including the ability to cross-sell products and services and streamline operations.

The Business will be acquired on a cash-free, debt-free basis for a total purchase price of \$3,850,000 (**Purchase Price**) based on 3.5 times financial year (**FY**) 2023 EBITDA subject to customary completion adjustments for working capital, any net debt assumed and an earnout.

The Purchase Price will be satisfied through:

- a) an upfront cash payment (subject to adjustments) of \$1,900,000 (**Upfront Cash**);
- b) the issue of \$700,000 of Austco shares at issue price based on the 30-day volume weighted average share price of Austco determined two business days before completion (**Share Consideration**) (Upfront Cash and Share consideration collectively **Upfront Payment**); and
- c) an earnout amount calculated on the annualised EBITDA of Teknocorp for the period from completion to 31 December 2024 multiplied by 3.5 times less the Upfront Payment (**Earnout**), which is anticipated to be \$1,250,000.

The Acquisition is also subject to the following key terms:

- a) the Share Consideration being subject to voluntary escrow for the period of the Earnout (18 months);
- b) entry into executive services agreements of key employees;
- c) assignment of key customer and supplier contracts;
- d) regulatory consents and approvals;
- e) Austco finalising its financial and legal due diligence; and
- f) agreeing on final form transaction documents.

The Acquisition is subject to due diligence and agreement of final transaction documents. The Acquisition is expected to complete early in Q1 of FY24.

"We are delighted to announce our intention to acquire Teknocorp's business and assets, a move that represents an important step in Austco's growth and expansion strategy in Australia. We are confident that Teknocorp's expertise and reputation in the healthcare and security communications sectors, along with its strong customer relationships, will enhance our competitive position and create new opportunities for Austco Healthcare. We look forward to completing the acquisition and working closely with Teknocorp's team to deliver the best outcomes for our customers, employees, and shareholders", said Austco Healthcare CEO Clayton Astles.

Commenting on the acquisition, Teknocorp's Managing Director Robert Portelli said, "We are thrilled to embark on this new chapter as part of Austco Healthcare. This merger opens doors to exciting opportunities and synergies that will benefit our valued customers and stakeholders. By joining forces, we are poised to deliver enhanced solutions, drive innovation, and make a significant impact in the industry. Our team is energised and committed to ensuring a seamless transition while continuing to prioritise the highest level of service and excellence."

For more information, please see Austco's most recent results on the ASX website (link provided below).

This announcement was approved by the Board of Austco Healthcare Limited.

~ENDS~

Further Information

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About Austco Healthcare Limited (ASXCode – AHC)

Austco Healthcare Limited is an international provider of healthcare communication and clinical workflow management solutions. Headquartered in Australia, the company has subsidiaries in six countries and supports healthcare facilities through its global reseller network which includes growing markets in health, aged care and acute care. Austco Healthcare services markets including Australia, New Zealand, Canada, UK, USA, Asia and the Middle East. For further information please refer to the Company's website www.austcohealthcare.com