

Centric Health Closes Sale of Physiotherapy, Rehabilitation and Assessments Operations for Gross Proceeds of Up to CAD\$250 Million in Cash

– Company Intends to Use Substantial Portion of Net Proceeds from Divestiture to Repay Debt –

– Significantly Lower Leverage and Future Focus on Specialty Pharmacy and Surgical Centres Will Position Company to Generate Long-Term Sustainable Shareholder Value –

TORONTO, Jan. 4, 2016 /CNW/ - Centric Health Corporation ("Centric Health" or "the Company") (TSX: CHH) today announced it has completed its previously announced sale of substantially all of the businesses within its Physiotherapy, Rehabilitation and Medical Assessments segment¹ (the "Sale Transaction") to Audax Private Equity ("Audax") for cash consideration on closing of \$245 million, subject to working capital adjustments, plus up to \$5 million in contingent consideration². (All figures are in Canadian dollars.)

The Company intends to use a substantial portion of the net proceeds of the Sale Transaction of approximately \$232 million³ to repay debt in accordance with the terms of the various debt instruments currently in place. This will substantially reduce the Company's debt and will improve leverage ratios and simplify and improve the Company's balance sheet. The Company had total debt of \$307.9 million as of September 30, 2015.

The impact of the net proceeds, illustratively setting off same against total debt on closing, would improve the Company's total debt to Adjusted EBITDA ratio to 5.2 times from 9.5 times and improve its interest coverage ratio to 2.6 times from 1.2 times⁴. The actual ratios will be dependent upon the eventual debt settlements as well as the impact of the proceeds of the Sale Transaction not used for debt repayment being used for accretive general corporate purposes and other growth initiatives, all of which will meaningfully progress the Company towards its debt to Adjusted EBITDA target of less than four times in the medium term.

As the first step in the deployment of the net proceeds of the Sale Transaction to reduce debt, the Company intends to make an offer to purchase all the outstanding 8.625% Second Lien Senior Secured Notes, of which \$190 million principal (plus accrued and unpaid interest) is outstanding, within the next thirty (30) days.

"In 2012 we committed to a plan to reposition the Company for the generation of long-term, sustainable shareholder value with three objectives: Assembling the right senior leadership team, optimizing our operations and improving utilization to drive organic growth, and significantly deleveraging our balance sheet," said David Cutler, President and Chief Executive Officer, Centric Health Corporation. "The close of this transaction marks the successful implementation of that plan and the beginning of the next chapter in the Centric Health story as we pursue the strong growth and margin improvement opportunities in each of our businesses."

"The unprecedented challenge of an aging population, spiralling healthcare costs and growing wait lists will require innovative, cost-efficient solutions that support trusted, quality care and timely access. With established national networks and a community of healthcare experts, a track record of innovation and an overriding commitment to the highest quality care and best patient outcomes, Centric Health is uniquely positioned to complement the public healthcare system to help address this challenge."

The Centric Health Opportunity Post-Transaction

Following closing of the transaction, Centric Health will be composed of two core businesses, each with national networks and leading market positions, with significant growth opportunities that generate strong margins and cash flows, while having low working capital and long-term capital expenditure requirements.

Pro forma the divestitures, as well as the acquisition of Pharmacare in March of this year, Centric Health generated revenue and adjusted EBITDA of \$168.4 million and \$14.6 million⁴, respectively, for the trailing twelve-month period ended September 30, 2015.

Specialty Pharmacy Business

Centric Health's Specialty Pharmacy division offers a growing national network of fulfilment centres which offer high volume solutions for the cost effective supply of chronic medication and other specialty clinical services.

With the acquisition of Alberta based Pharmacare in March of 2015, Centric now provides medication to more than 25,000 residents in over 300 seniors communities (long term care (LTC) facilities, retirement homes and assisted living facilities) on an increasingly national basis and dispenses more than 30,000 prescription drugs on a daily basis. The Specialty Pharmacy business also provides pharmaceutical dispensing services for employees insured by corporate health plans.

Centric Health's Specialty Pharmacy business is well positioned to continue to generate strong organic growth as it expands its service offering to corporate health plans, potentially, banner pharmacies, and can offer senior community operators an increasingly national solution. With Pharmacare's experience and expertise in clinical interventions and pharmaco-vigilance of complex chronic disease states, Centric is well positioned to work with Governments as they look at strategies to reduce hospital admissions related to adverse drug reactions and improve outcomes.

Surgical and Medical Centre Business

Centric Health operates six fully accredited surgical and medical centres in four provinces (primarily in major centres), with a total of 25 operating and procedure rooms and 76 beds, the majority of which have been upgraded over the last two years. Revenues are

primarily derived from private paid non-insured surgeries and diagnostics, Government outsourcing of insured surgeries and diagnostics and other procedures funded by third party payors (including Workers Compensation).

Centric Health's Surgical and Medical Centres business continues to generate strong organic revenue growth based on its strategic positioning as a partner to physicians, hospitals and health authorities. The business has expanded capacity utilization to approximately 38% in the third quarter of 2015 from approximately 30% at the beginning of 2014 and it is expected to attain 50% capacity utilization in the medium term, which should drive both revenue growth and EBITDA margin expansion.

Advisors

Centric Health received financial advice from National Bank Financial Inc. and Canaccord Genuity Corp., and legal advice from Stikeman Elliott LLP. Audax received legal advice from Blake, Cassels & Graydon LLP.

About Audax Group

Audax Group is an alternative asset management firm specializing in investments in middle market companies. With offices in Boston, New York, and Menlo Park, Audax has over USD \$9 billion in assets under management across its Private Equity, Mezzanine, and Senior Debt businesses. For more information visit the Audax Group website www.audaxgroup.com.

About Centric Health

Centric Health provides expert solutions and trusted care through a national community of experts who can be accessed quickly and have a track record of achieving superior patient outcomes and providing outstanding client satisfaction. Centric Health's vision is to be Canada's most respected brand in the independent healthcare sector and world renowned for quality, innovation and for delivering sustainable value to patients, clients and stakeholders. With national networks of facilities in each of its core businesses of Specialty Pharmacy and Surgical Centres, deep knowledge and experience of healthcare delivery and extensive, trusted relationships with payers, physicians, and government agencies, the Company is uniquely positioned to address current and future healthcare needs in growing markets as the Canadian healthcare industry continues to evolve over the long term.

This press release contains statements that may constitute "forward-looking statements" within the meaning of applicable Canadian securities legislation. These forward-looking statements include, among others, statements regarding business strategy, plans and other expectations, beliefs, goals, objectives, information and statements about possible future events. Readers are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements are based on current expectations, estimates and assumptions that involve a number of risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by Centric Health and described in the forward-looking statements contained in this press release. No assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do so, what benefits Centric Health will derive there-from.

Footnotes

1. The businesses divested are composed of the Company's Physiotherapy, Rehabilitation (including Seniors Wellness and Homecare) and Medical Assessments operations which are comprised of brands including LifeMark Health, Community Advantage Rehabilitation, Centric Health Seniors Wellness, Centric Health Medical Assessments and Viewpoint Medical Assessment Services. The divestiture of the Physiotherapy, Rehabilitation and Assessments operations does not include Performance Medical Group, which offers state-of-the-art custom orthotics, off-the-shelf orthotics, custom bracing, and laser and shockwave therapy at 50 locations across Canada.
2. Contingent consideration is based on the divested businesses achieving certain performance thresholds in 2016 and/or other criteria being met during the first half of 2017.
3. Excludes the contingent consideration referred to in Footnote 2 above, the indemnity holdback of \$3m and estimated customary transaction costs.
4. Based on trailing 12-month (as at September 30, 2015) revenue and adjusted EBITDA of \$168.4 million and \$14.6 million, respectively, pro forma the divestiture of Physiotherapy, Rehabilitation and Assessments operations, as well as the acquisition of Pharmacare in March of 2015 and assuming corporate costs of approximately 4% of revenue, which is the Company's target for the end of 2016.

SOURCE Centric Health Corporation

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