

29 August 2024

Enlitic signs binding conditional agreement to acquire US Medical Imaging Data Migration Company, Laitek

Highlights

- Enlitic signs binding conditional documentation for the transformational acquisition of Laitek, one of the major providers of tech-enabled healthcare medical imaging data migration and routing services in the US.
- The combined businesses are expected to deliver pro forma recognised revenue of US\$8.3–9.6M for CY24.
- Upon completion¹, the acquisition of Laitek is expected to bring significant access to new clients and compelling potential revenue synergies and cost savings.
- Cash and scrip acquisition consideration, totalling US\$4.95M (c.A\$7.3M^{2,3}) consisting of:
 - cash payment of US\$4M (c.A\$5.9M²); and
 - common stock of the Company to the value of US\$950,000 (c.A\$1.4M³) subject to obtaining securityholder approval for the purposes of ASX Listing Rule 7.1.⁴
- The acquisition is conditional on Enlitic successfully conducting a capital raising to finance the cash acquisition consideration, and obtaining the approval of Enlitic securityholders under ASX Listing Rule 7.1 in respect of that capital raising.⁴ As a company incorporated in Delaware, securityholder approval will also be required to amend Enlitic's constituent documents to facilitate the capital raising, and the acquisition is also conditional on obtaining this securityholder approval.⁴

Enlitic, Inc. (ASX: ENL) ("the Company") is pleased to announce that it has entered into conditional binding documentation ("SPA") to acquire 100% of the shares in Laitek, Inc. ("Laitek") for total consideration of US\$4.95M (A\$7.3M^{2,3}) ("Proposed Acquisition").

¹ Assuming requisite securityholder approvals obtained.

² US\$4.0M converted based on a USD:AUD exchange rate of 0.677 as at Wednesday, 28 August 2024.

³ CDIs issued under the Scrip Consideration of US\$0.95M are fixed at the USD:AUD exchange rate of 0.661, as stipulated in the stock purchase agreement.

⁴ Extraordinary general meeting of securityholders expected to be held in early October 2024.

Laitek, founded in the 1980s, is one of the major providers of tech-enabled healthcare medical imaging data migration and routing services in the United States. It offers contract-based medical imaging data migration services to customers on a re-occurring basis as well as ongoing software licensing. Laitek reported US\$6.8M in revenue in FY23 derived from its direct and OEM customers and has 55 employees, based in the US and Romania.

The Proposed Acquisition is subject to certain conditions, including Enlitic successfully conducting a capital raising to finance the cash acquisition consideration, and obtaining the approval of Enlitic securityholders under ASX Listing Rule 7.1 in respect of that capital raising.³ As a company incorporated in Delaware, securityholder approval will also be required to amend Enlitic's constituent documents to facilitate the capital raising, and the acquisition is also conditional on obtaining this securityholder approval.³ Shareholder approval for the purposes of ASX Listing Rule 7.1 will also be sought in respect of the issuance of the Scrip Consideration under the Proposed Acquisition.⁴ A summary of the key terms of the Proposed Acquisition is set out in Annexure A to this announcement.

Upon completion¹, the Proposed Acquisition is expected to be earnings accretive in CY24 and will be a significant milestone marking a new phase of growth for the Company.

There will be no changes to the board or senior management of Enlitic as part of, or in connection with, the Proposed Acquisition.

Michael Sistenich, CEO of Enlitic, said "Our proposed acquisition of Laitek will be transformational for Enlitic from a capability and financial perspective. Laitek and Enlitic are a strong strategic fit, allowing the provision of a differentiated and synergistic service offering for our clients. Our combined capabilities should allow us to accelerate our market penetration through delivering greater value to our clients and addressing multiple long standing operational challenges such as data migrations and storage, data standardization and the transition to cloud solutions."

"From a financial perspective, we expect annualised cost savings of ~US\$1M p.a. by the first full year of ownership and expect revenue synergies of ~US\$5M from the third year of ownership onwards. The Proposed Acquisition represents an inflection point for Enlitic and a springboard for our future growth."

Strong Strategic Rationale

Laitek is a strong strategic fit for Enlitic, as the Proposed Acquisition is expected to:

Increase the value of Enlitic's Use Cases through the immediate opportunity to apply Enlitic's technology to historical data

- Combined capabilities and service offering provides clients the opportunity to standardize historical data via access to Ensign 2.0
- Increasing the volume of standardized data creates greater value opportunities for clients from Ensign 2.0

Move critical technology in house

- Laitek's proprietary capabilities provide additional benefits to Ensign 2.0, establishing a more seamless implementation for our clients

- Ability to more efficiently access historical data for standardization when coupled with Ensign 2.0

Identify potential high value sales leads

- Adding Enlitic's Ensign 2.0 during the migration process creates a low friction sales opportunity to provide additional value to our clients
- Laitek's steady flow of new migration projects provides an additional pipeline of highly convertible opportunities for Enlitic
- The combined businesses are strategically positioned for the ongoing industry transition towards cloud-based solutions

Significant value creation for Enlitic's securityholders

- Compelling commercial synergies evident given comparable customer base
- Alignment exists in many aspects of the team structure and infrastructure

Superior financial profile

- The combined business is expected to offer a superior financial profile, with a combined potential pipeline opportunity of up to US\$108.4M⁵ and significant potential revenue synergies and cost efficiencies

Proposed Acquisition Consideration

The consideration payable to the current shareholders in Laitek ("Sellers") for the shares in Laitek comprises:

- **Cash of US\$4M** (c.A\$5.9M²) ("Cash Consideration") proposed to be funded by the part of funds raised from the Company's proposed capital raising; and
- **Scrip to the of US\$950,000** (c.A\$1.4M²) payable via the issuance of new common stock in the Company (the number of common stock being determined by reference to the issue price under the proposed capital raising) ("Common Stock") to the Sellers, subject to obtaining securityholder approval for the purposes of ASX Listing Rule 7.1 ("Scrip Consideration").³ The Common Stock issued will be escrowed for 9 months from issue.

⁵ As at 28 August 2024. The proposed pipeline includes (1) Enlitic's pipeline of contracts in the 'Pending Progression' and 'Open Opportunity' stages, for which Enlitic has estimated an aggregate total contract value (TCV) of US\$98.8m. Enlitic's TCV represents the total contracted minimum license revenue to be charged over the remaining term (generally 3 years of contracts entered into with customers) of the contract plus ancillary revenue (as applicable) and (2) Laitek's pipeline of contracts in the 'Proposal / Price Quote', 'Scope of Work' and 'Contract Negotiation' stages, for which Laitek has estimated an aggregate TCV of US\$9.6m. Laitek's TCV represents the total revenue remaining under currently contracted data migrations. Pending Progression: Customers that have shown an initial interest in Enlitic's products but have placed the sales process on a temporary hold due to their own internal factors, such as, IT capacity or budget constraints. Open Opportunity: Customers actively engaged with Enlitic in the sales process. Proposal / Price Quote: Customers that have committed to a tech enabled data migration and are active discussions with Laitek regarding pricing. Scope of Work: Customers have accepted the initial quote and are now drafting the SOW (Scope of work). Contract Negotiation: Final stage of contract negotiation with a view to progress in the short term. There is no guarantee that these opportunities will progress to formal agreements or generate any revenue. Certain opportunities for the Enlitic business and Laitek business involving the same client are counted separately.

– ENDS –

This announcement was authorised for release by the Board of Enlitic, Inc.

Enquiries

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About Enlitic

Enlitic is a software company that uses artificial intelligence to develop software products that manage medical imaging data in radiology (such as MRI, CT scans, X-ray and ultrasound images) and licences such products to healthcare providers. Enlitic's products (including its current product offering and product suite under development) seek to standardise, protect, integrate, and analyse data to create the foundation of a real-world evidence platform that can improve clinical workflows, increase efficiencies, and expand capacity. Read more at enlitic.com.

Enlitic's CDIs are traded on ASX in reliance on the safe harbour provisions of Regulation S under the US Securities Act of 1933 as amended, and in accordance with the procedures established pursuant to the provisions of a no action letter dated 7 January 2000 given to ASX by the staff at the US Securities and Exchange Commission. The relief was given subject to certain procedures and conditions described in the no action letter. One of the conditions is that the issuer provides notification of the Regulation S status of its securities in communications such as this announcement.

Forward-looking statements

This announcement may contain certain forward-looking statements, forecasts, estimates, projections and comments about future events, including the Company's beliefs, assumptions and expectations about the performance of its businesses and certain strategic transactions and the recovery of domestic and global airline booking levels. Forward looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "goals", "aims", "target" and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward-looking statements will not be achieved. A number of important factors, both known and unknown, could cause the Company's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, and many of these factors are beyond the Company's control, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. As such, there can be no assurance that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material.

Not a prospectus or an offer

Nothing in this announcement should be construed as either an offer or a solicitation of an offer to buy or sell securities in the Company in any jurisdiction or be treated or relied upon as a recommendation or advice by the Company to buy or subscribe for securities. The announcement is for informational purposes only and is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law, U.S. law, or the law of any other jurisdiction. Accordingly, it does not contain all the information required to be included in an offer document prepared in accordance with the requirement of the Corporations Act and has not been lodged with the Australian Securities and Investments Commission or any other financial services or securities regulator, including the U.S. Securities and Exchange Commission.

Annexure A – Key terms of the Proposed Acquisition

Overview	The Company has entered into a binding SPA pursuant to which it proposes to acquire 100% of the shares in Laitek, Inc. from its existing shareholders (being 4 private entities or persons), subject to certain conditions being satisfied or waived (as applicable). Laitek is one of the major providers of tech-enabled healthcare medical imaging tech-enabled data migration and routing services in the United States. Laitek offers contract-based medical imaging data migration services to customers on a re-occurring basis as well as ongoing software licensing. Laitek reported US\$6.8M in revenue in FY23 derived from its direct and OEM customers and has 55 employees, based in the US and Romania.
Key assets	The key assets of Laitek, which are proposed to be acquired pursuant to the acquisition of shares in Laitek under the Proposed Acquisition, include its proprietary capabilities, its historical data, trade secrets and its existing customer relationships.
Consideration	The total consideration payable for the Proposed Acquisition is US\$4.95M (c.A\$7.3M^{2,3}), which comprises: • Cash Consideration: US\$4M (c.A\$5.9M²). Proposed to be funded by the partial funds raised from the Company's proposed equity raising. • Scrip Consideration: US\$950,000 (c.A\$1.4M²) worth of Common Stock (with the number of common stock being determined by reference to the issue price under the proposed capital raising). The issue of Common Stock under the Scrip Consideration is conditional on the Company obtaining securityholder approval for the purposes of ASX Listing Rule 7.1.³ If such securityholder approval is not obtained, the Company may (at its election) do either of the following, or a combination of both: • issue such number of Common Stock (being determined by reference to the issue price under the proposed capital raising) under its available ASX Listing Rule 7.1 capacity; or • make a cash payment to the Sellers for the balance of the value of scrip consideration (US\$950,000 (c.A\$1.4M²)) not satisfied by the issue of Common Stock.

	To the extent any Common Stock is issued under the Scrip Consideration, it will be escrowed for 9 months from issue.
Conditions precedent	Completion of the Proposed Acquisition is subject to a set of standard conditions to completion, as well as the following: - the Company raising not less than US\$4M under a fundraising, and that fundraising being approved by securityholders³; and - an amendment to the Company's certificate of incorporation increasing the amount of authorized stock available for issuance in connection with the fundraising being approved by securityholders³.
Termination events	There are a limited number of termination rights under the SPA. Either Enlitic or Laitek may terminate the SPA prior to completion (1) by mutual written consent; (2) if a court has issued a final and non-appealable order prohibiting the transactions contemplated by the SPA or (3) if the other party has materially breached its representations and warranties and such breach is not cured within 30 days. Enlitic or Sellers' representative may terminate the SPA prior to completion if the transactions contemplated by the SPA have not been consummated by November 30, 2024. The Sellers' representative may also terminate the SPA by giving written notice to Enlitic if the transactions contemplated by the SPA have not been consummated by November 30, 2024 because Enlitic has not secured its financing. In the event that the SPA was so validly terminated, then Enlitic shall pay or cause to be paid to the Sellers a termination fee of US\$250,000.
Holdback amount	US\$500,000. These funds are held back to ensure Laitek meets certain conditions, including having provided accurate representations and warranties in the SPA. These funds will be held back for a period of 12 months from completion.
Representations and warranties	Standard representations and warranties are given subject to customary limitations on liability.
Completion timing	Subject to the conditions noted above being met, completion is expected to occur by the end of October 2024.