



ASX Announcement

13 May 2016

TTC Acquires a Further Three Clinics

Traditional Therapy Clinics Limited (ASX: TTC) through its wholly owned subsidiary, Fuqiao (Chongqing) Holdings Co. Limited, has entered into contracts to acquire a further three (3) clinics from its franchised clinic base in line with its business strategy to grow its owned clinic network and diversify its revenue stream. The signing of these contracts to acquire a further 3 clinics takes the number of clinics acquired by TTC, since listing on the ASX in September 2015, to 11 and the total number of owned clinics to 22. In addition, TTC has signed 15 new franchise agreements for the period from 1 January 2016 to 11 May 2016.

The purchase price for the 3 clinics will be paid in cash by TTC and totals RMB 19.2 million which equates to AUD 4 million at an exchange rate of 4.78 (AUD:RMB). The total purchase price represents an average EBITDA multiple of 2.3 based on the clinics' earnings in the 2015 financial year.

The 3 clinics to be acquired are located in Chongqing, the largest municipality in south-west China and home to the company's flagship clinic and head office. Settlement of the acquisitions is expected to be complete during June 2016. The total number of franchised and owned clinics and new franchise licences granted and clinics acquired by TTC during 2015 and 2016 calendar years is shown below:

TTC Clinics	Franchised Clinics	Owned Clinics
Total number of franchised / owned clinics at 31 December 2014	286	11
Newly franchised / acquired in CY2015	36	8
Newly franchised / acquired in CY2016 (at 12 May 2016)	15	3
Acquired from the franchised clinics in CY2015 and CY2016 (at 12 May 2016)	(11)	-
Total	326	22



Figure 1: Location of TTC's three new clinics

www.ttc-ltd.com

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TTC's Growth Strategy

TTC's multi-pronged growth strategy is focused on:

- Growing its number of franchised clinics; and
- Expanding its owned clinic network through the acquisition of existing clinics (from third parties or franchisees) or developing greenfield owned clinics in suitable locations.

The "owned clinic" model has become a key focus given the ability to generate a greater return on investment and its added advantage of assisting with projecting TTC's brand and further demonstrating the high standards of quality and service within the TTC network.

Refund of Purchase Money for Head Office

On 31 March 2016, TTC advised that it has decided not to go forward with the purchase of its new head office building and had successfully negotiated a mutual termination of the property purchase agreement. Under that termination, the developer agreed to refund TTC, in full, the purchase money paid (RMB 128 million which equates to AUD 27.3 million using an exchange rate of 4.681), in four instalments by 31 December 2016. By way of update, TTC advises it has received the first of those four instalments equating to RMB 12.8 million (AUD 2.73 million). The developer is currently on schedule to meet the remainder of the agreed payments.