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Allegro partners with leading doctor-led Australian radiology practice

Australian private equity fund manager Allegro Funds has agreed terms to make a significant investment in Western Australia's largest diagnostic imaging provider, Perth Radiological Clinic (PRC), in partnership with the existing doctors.

The partnership was established in 1948 and PRC is Australia's largest private partner radiology business with more than 80 doctors (partners and employed associates). The business will continue to operate via the partnership and service entity that services hospitals (public and private), specialist centres and suburban clinics and will retain majority ownership by the doctors.

PRC offers a complete and integrated range of radiology services including MRI, CT, US, plain films, interventional procedures and nuclear imaging. The PRC doctors are supported by excellent and dedicated staff operating at twenty sites in Perth.

This investment has been designed to maintain the best elements of the doctor and patient centric service model blended with business expertise delivered through Allegro's operating framework to enable the business to continue to attract and retain the best and most talented radiologists into the partnership. The vision is that the doctors will build their careers in both the public and private comprehensive sites, underpinned by a sound model that delivers short term competitive market payment for services delivered through the partnership structure coupled with a market valued long term equity ownership for the doctors. Together Allegro and PRC are looking to build a long term sustainable and renewable investment model that could reshape not only investment into other doctor partnerships but other professional service businesses as well.

This is Allegro's fourth investment from Fund III and follows the firm's recent investment in industrial firm Questas. For this transaction, Allegro has taken on a significant stake and assembled a consortium of existing LP's comprising of major Australian and New Zealand institutional investors who are large scale superannuation investors.

Allegro has more than \$1 billion of funds under management with a mandate to invest in mid-market businesses within Australia and New Zealand. Allegro's investment methodology involves partnering with company owners and management teams to drive business transformation and operational improvement. Its current fund, Allegro Fund III, has approximately \$400 million of committed capital. Other Fund III investments include New Zealand footwear retailer Ngahua Group, which comprises Hannahs and Number One Shoes, and higher education provider Endeavour Learning Group.

Allegro Managing Director Chester Moynihan said the firm had an existing relationship with PRC through its prior ownership of I-MED Network (an Allegro investment from 2011 to 2014), of which PRC was a subsidiary. “This previous involvement armed us with an understanding of the strength of the business and the growth potential of the sector. And probably more importantly, we had existing relationships with many of the doctor partners and a strong level of trust existed, which is always critical in any transaction,” Mr Moynihan said.

“Our focus will be to support PRC to continue to operate the business successfully, and to apply our transformation expertise to improve operational matters, invest in new equipment and capitalise on potential M&A and organic growth opportunities.”

PRC Chairman, Dr Martin Blake, said, “The existing Allegro relationship combined with a unique doctor ownership model and the calibre of the major institutional co-investors were the factors that resulted in us selecting Allegro as our partner for the next stage of growth and transformation. We are excited to be working with the Allegro team to drive the next phase of transformation with a partner who understands our business and the opportunities available and where there is complete alignment of interest. We are privileged to provide services in Perth and we look forward to extending our service offerings.”

Allegro was advised on the transaction by Minter Ellison, Greenmount, EY and Rothschild. PRC was advised by PwC and KWM.

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About Allegro Funds Pty Ltd

Allegro is an independently owned Australian fund manager investing primarily in mid-market businesses within Australia and New Zealand. Allegro specialises in transformational capital, applying capital, expertise and a distinctly hands-on approach to investing in businesses requiring transformation. Allegro has managed more than A\$1 billion FUM since 2008 and is currently investing from Allegro Fund III, which has ~\$400 million in committed capital from local and international investors including large Australian and New Zealand superannuation funds, institutions and family offices.