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FY2014 Full Year Results Presentation

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CAPITOLHEALTH
LIMITED

ASX: CAJ

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Agenda

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4. A Clear and Focused Strategy
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1. Company Snapshot

- **First and only** specialised diagnostic imaging company listed on the ASX (ASX: CAJ)
- **Largest diagnostic imaging network in Victoria**, with 52 clinics
- **Full service offering** – X rays through to MRI
- **Profitable business model**
- **Track record of outstanding growth** – expected to continue through both organic & acquisitive measures

Key Information	Taken at market close 11/8/14
Share price	\$0.540
Shares on issue	431.2m
Market capitalisation	\$232.8m
52 week range	\$0.280 – \$0.695
Dividend per share	Interim FY14: 0.40 cents Final FY14: 0.50 cents
EPS	1.68 cents



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2a. Results FY2014

KPI	FY2014	FY2013	% change
Revenue	\$90.3m	\$62.5m	↑ + 45 %
NPBT Margin	11.3%	8.5%	↑ +280 bps
NPBT	\$10.2m	\$5.3m	↑ + 92%
NPAT	\$7.2m	\$3.6m	↑ + 99%
EPS (basic = diluted)	1.68c	0.94c	↑ + 79%
DPS (fully franked)	0.90c	0.55c	↑ + 82%

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2b. Results Commentary

Revenue up 45% to \$90.3m

Driven by:

- Market share gains
- Organic industry growth
- Full year of MDI trading
- Govt regulatory changes to MRI referral rights – effective Nov-13



NPAT up 99% to \$7.2m

Underpinned by:

- Scalability of the business model
- Ongoing improvements in cost and operational efficiencies
- Higher MRI margins



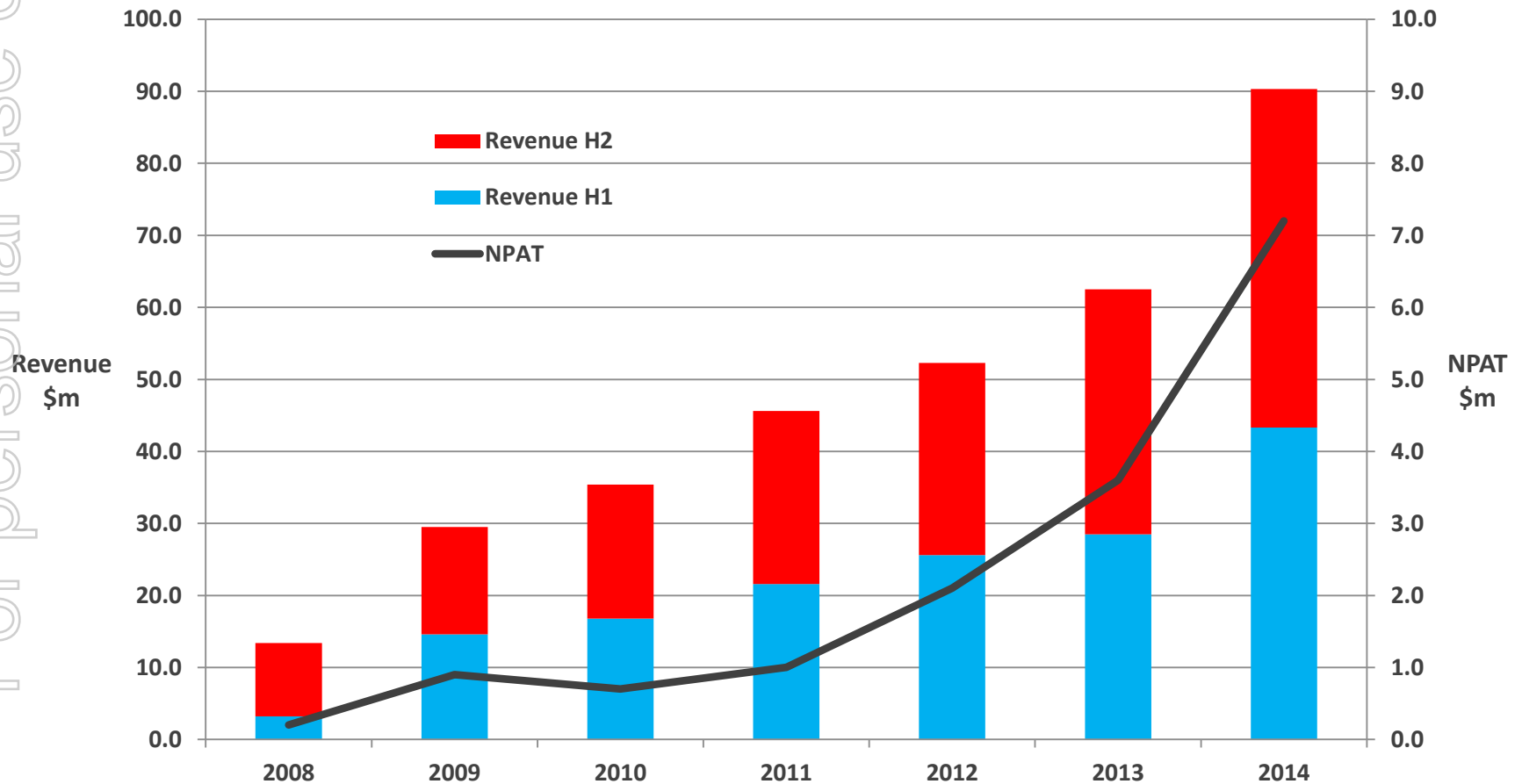
82% Dividend uplift

Key details:

- 0.9cps (Interim plus Final)
- Fully Franked
- Reflects strong financial performance, solid funding position and positive operational outlook

2c. Track Record Continues...

Consistently delivering revenue and profit growth

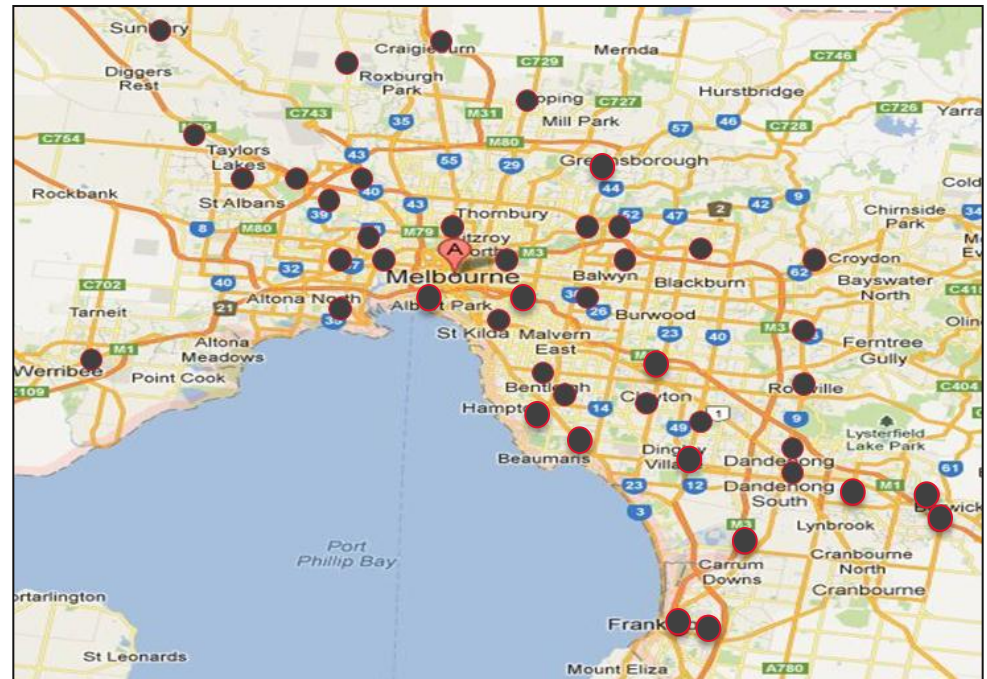


3. DI - A Changing Landscape

- MRI growth driven by Government reforms – now a reality
- Government fiscal pressure
- Uncertainty around proposed Federal Budget measures
- Consolidation - when, not if
- Emergence of Private Health Insurance as payers across primary and secondary health
- “Big Data” – an enabler to better utilise our knowledge to better service our patients
- Disruptive technology – improving patient outcomes at the expense of competitors

4. A Clear and Focused Strategy

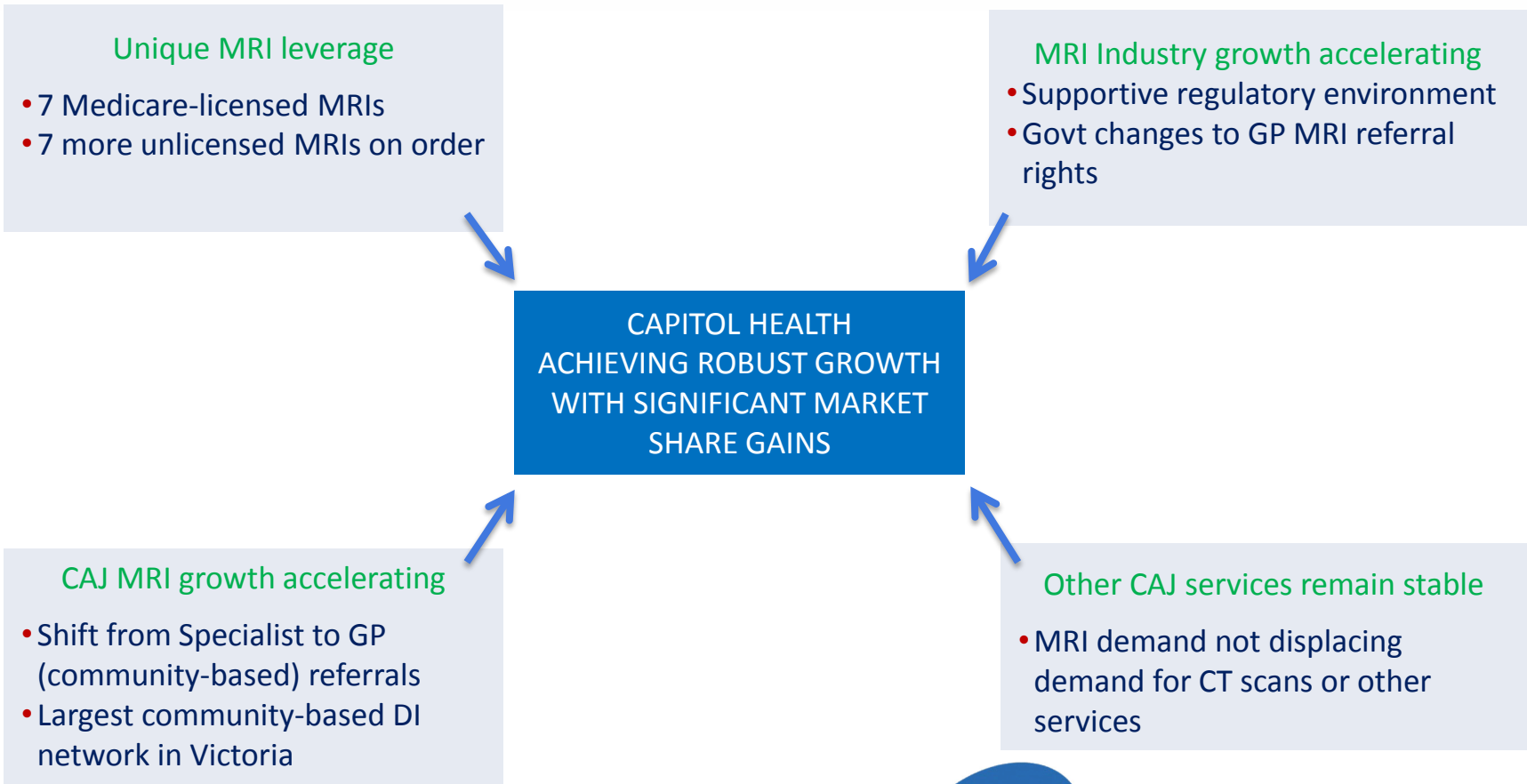
- Strong focus on MRI services
- Superior customer offering – full range of affordable DI services
- Dominant market positioning
- Pursue further growth opportunities
 - › (Victorian and interstate)
- Equip all clinics with the latest IT infrastructure and medical equipment
- Market leading focus on data capture and management to improve workflow and service offering



Footprint of Capitol Health clinics in metropolitan Melbourne

5. Capitol's Growth Dynamics

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6. MRI Strategy Gaining Traction

Signs that regulatory changes to GP MRI referral rights (effective 1 Nov-13) are positively impacting Capitol's MRI and overall group revenues:

- Total annual increase in Medicare benefits paid for all DI in FY2014 (8.8%*) in line with long-term average YoY rate
- Effectively no growth in specialist referred MRI's for the period Jan-Jun 2014 when compared to Jan-Jun 2013 (1.7%* against long-term average of 10.8%*) – significant when compared to 38.7%* growth in total MRI benefits paid for the same period
- Real growth in the GP referred sector - 28.6%* of total MRI referrals for Jan-Jun 2014 when compared to 2.7%* for the same period in 2013 (or 36.9%* of the period to period increase)
- Average “organic” MRI revenue within Capitol up 100% for Jan-Jun 2014 when compared to the same period for 2013, excluding the added positive impact of MRI's from the MDI acquisition
- **No apparent internal substitution of other modalities by MRI within Capitol network, therefore additional MRI's performed by CAJ likely at the “expense” of other DI Providers and/or their modalities or replacement of Specialist MRI referrals by direct GP referrals**

* Based on published Medicare statistics on MRI and total benefits paid for the stated periods

7. Acquisitions - Strategic Rationale

Acquisitions will play an increasing role in driving growth; Capitol has and will continue to be selective to ensure any transaction adds shareholder value

- Must align with Capitol's corporate strategy
- Community-based DI providers
- Locations in population growth areas – no overlap with existing Capitol facilities
- MRI capability - licensed or unlicensed
- Enhances geographical footprint
- Emphasis on technology
- Introduction of higher margin businesses – Gap charging models
- Vendor Radiologists retained on contracts
- **Capitol has significant debt headroom to acquire the right organisation(s)**

8. Outlook for Capitol Health

Strong performance expected to continue into FY2015

Organic and acquisitive growth:

- Government initiatives & Capitol's appealing customer offering expected to drive further organic growth
- The Board remains responsive to opportunities for expansion both in and outside of VIC

Continued uplift in revenue and profits:

- Leveraged to ongoing market share gains – achieved through footprint expansion, customer offering & favourable Government legislation
- Ongoing financial benefits from higher margin 'Gap-charging' businesses into network
- Highly scalable business model
- Operational efficiencies

Interim and Final Dividend payments expected to continue (based on current outlook)

9. Summary and Outlook

Capitol Health's aim is to deliver sustainable growth and profitability for our shareholders

- Another **record financial performance** – NPAT up 99%, revenue up 45%
- **Attractive Dividend yield and growth** – Final Dividend 0.5cps, up 67% on Final Dividend for FY2013
- **Anticipating a strong FY2015** – Full year contribution from fully rebated MRI studies , and 7 new (unlicensed) MRI's coming on stream in 1H15 – 14 units in fleet expected by October 2014
- Positioned as the **largest community-based DI network in Victoria**, with further growth opportunity
- **Clear and focused business strategy** – MRI focused
- **Highly scalable** commercial model
- **Attractive offering** for customers, Radiologists and referrers
- **Supportive regulatory environment**



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