

HY 2021 RESULTS

Half-Year Ended 31 December 2020

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23 February 2021

CAPITOLHEALTH
LIMITED

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01 HIGHLIGHTS

HY21 Highlights

Key Achievements and Highlights:

- Revenue increase of \$4.7m (5.9%) to \$85.3m
- COVID-19 impacts in Victoria successfully managed
- Operating EBITDA increased by 50.1% to \$26.6m
- Statutory NPAT up 131.6% to \$6.2m
- Management focus on sustained market share growth gaining traction
- Strategic plan implementation driving operating margin expansion
- Operating Margin of 31.1% up from 22.0% (ex JobKeeper 24.3%)
- All clinical roles maintained through the pandemic lockdown with Jobkeeper assistance, providing essential services to referrers and patients
- Announced acquisition of Direct Radiology
- Fowler Simmons Acquisition integrated and delivering on expectations
- Interim dividend for FY21 declared at 0.5 cents per share fully franked
- New Camberwell site opened

Strategic plan milestones:

- Patient experience now continually measured via net promoter scores and surveys
- E-referral implemented nationally
- Head of Growth appointed
- Annual staff survey and employee value proposition in place
- Branding and digital marketing plan defined and underway
- National Clinical Governance Framework implemented
- Chief Medical Officer appointed
- New national telephony system rollout underway to improve incoming call management and patient / referrer experience

HY21 RESULTS SUMMARY

REVENUE

\$85.3m

Up 5.9% pcp

OPERATING EBITDA

\$26.6m

Up 50.1% pcp

OPERATING EBITDA MARGIN

31.1%

Up from 22.0% pcp

FREE CASH FLOW

\$16.7m

Up 148.4% pcp

NET DEBT / OPERATING EBITDA*

0.1 x

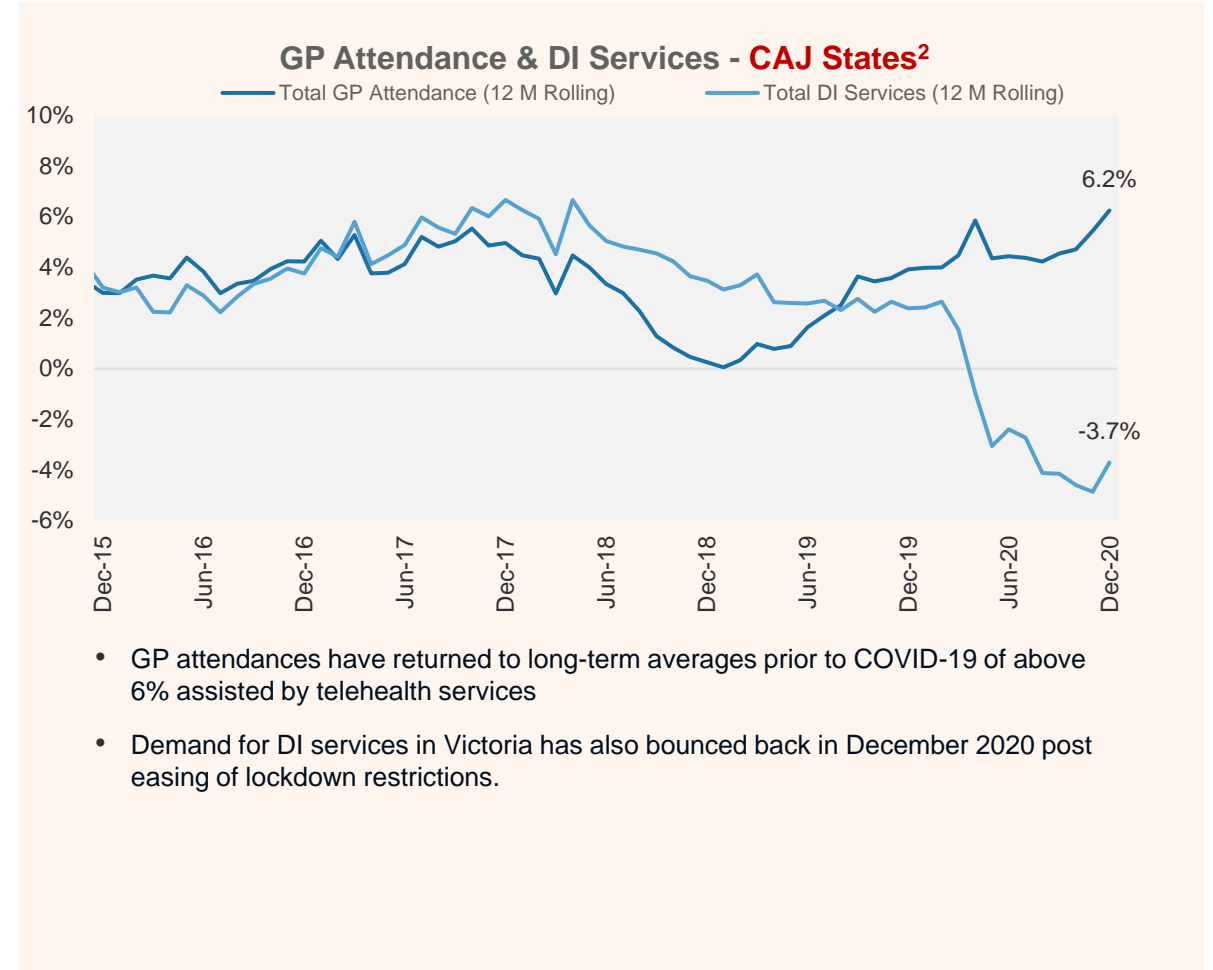
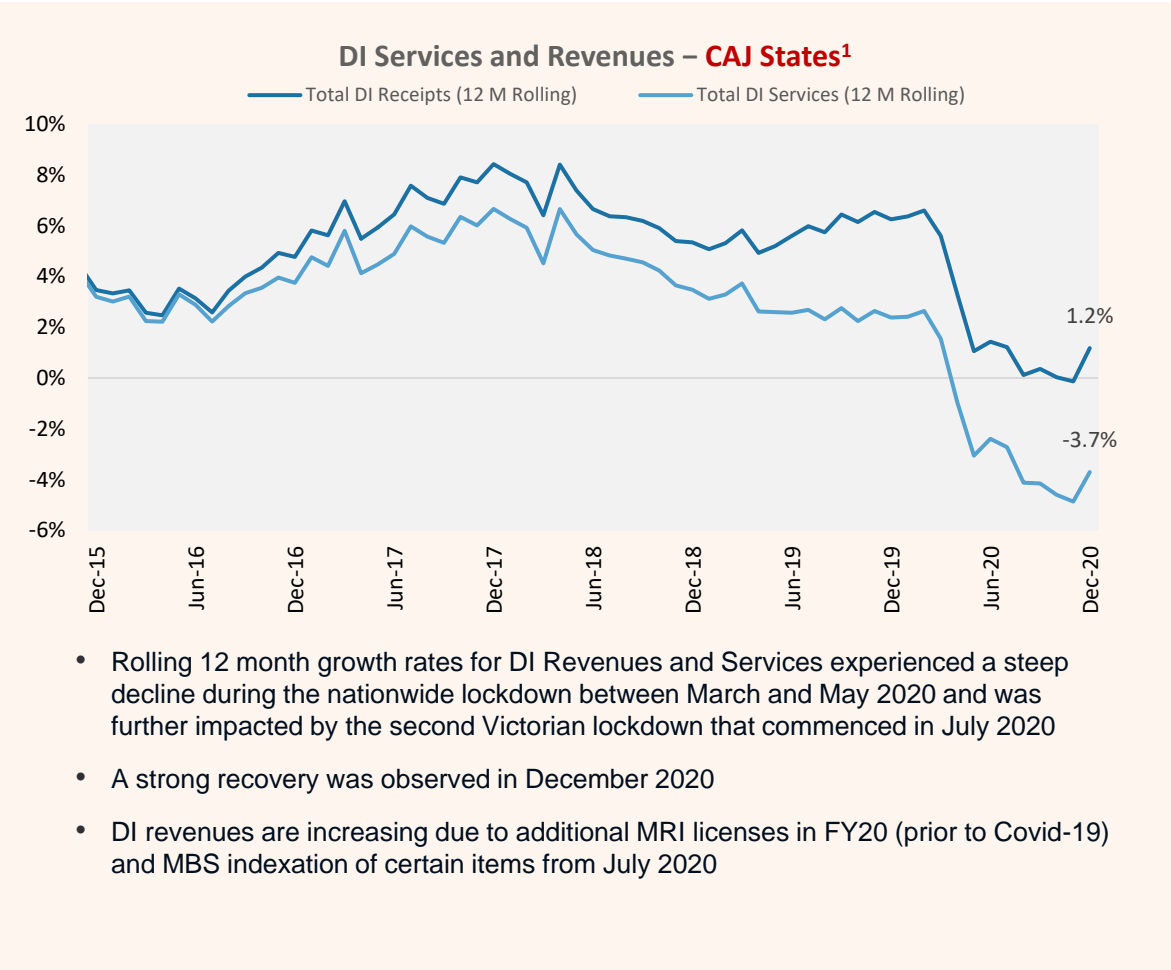
*calculated excluding adoption of AASB 16 Lease adjustments

INTERIM DPS

0.5 cps

Fully franked

INDUSTRY GROWTH BELOW LONG TERM TREND

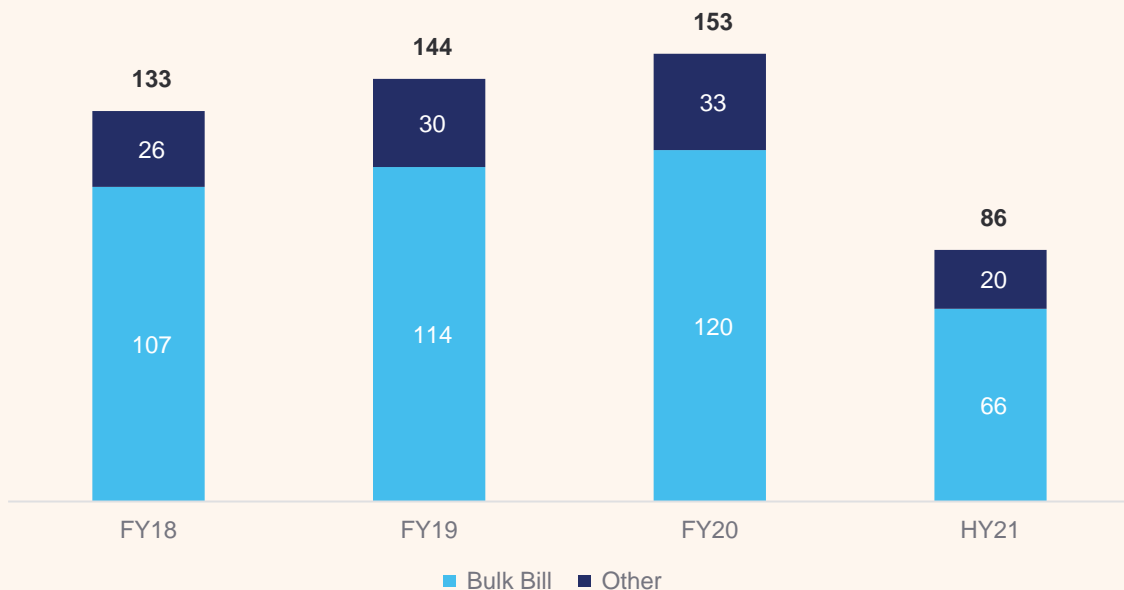


¹ – Data included in each graph is inclusive of only the states in which Capitol Health operates in (VIC, TAS, WA, SA)

Source: Medicare Australia Statistics - http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp

A STRONG AND DEFENSIVE SOURCE OF REVENUE

Total Revenue Mix (\$m)



Rev Mix %	FY18	FY19	FY20	HY21
Bulk Bill	81%	79%	78%	77%
Other	19%	21%	22%	23%

- Capitol's community clinic sites and bulk billing revenue stream remains a robust and defensive income source
- Out of pocket revenue increasing at a higher rate due to subtle changes in the service mix
- Fowler Simmons acquired in March 2020, has a higher ratio of out of pocket (OOP) revenue due to specialist diagnostic services



02 FINANCIALS

HY21 – OPERATING RESULTS

Operating EBITDA reconciliation				
\$000	HY21	HY20	Change	% Change
Revenue	85,305	80,554	4,751	5.9%
Wages, Contractor Costs, Salaries	(45,685)	(49,796)	4,111	8.3%
Other Operating Costs	(13,067)	(13,065)	(2)	0.0%
Operating EBITDA	26,554	17,693	8,861	50.1%
<i>Operating EBITDA Margin</i>	<i>31.1%</i>	<i>22.0%</i>	<i>9.2%</i>	<i>41.7%</i>
Revaluation/(impairment) of financial assets	(2,416)	-	(2,416)	n/m
Transaction and restructure costs	(1,490)	(1,676)	186	11.1%
Profit before Finance Costs, Depreciation and Amortisation and Income Tax	22,648	16,017	6,631	41.4%

- Revenue of \$85.3m is up \$4.7m or 5.9% over pcp
- Wages, Contractor Costs and Salaries reduced by \$4.1m or 8.3% on pcp
- Operating margin expansion due to systematic cost and operational review
- Other Operating Costs held flat to pcp
- Operating EBITDA of \$26.6m, an increase of \$8.9m or 50.1% on pcp
- Operating EBITDA margin increases to 31.1% (ex JobKeeper 24.3%), up from 22.0% pcp
- Impairment adjustment relates to the impact of the foreign exchange rate movement to the fair value of Enlitic investment over the six month period (AUD:USD)

HY21 – CASH FLOW

Cash Flow Summary			
\$000	HY21	HY20	% Change
Cash receipts	85,470	81,575	
Cash payments	(56,031)	(65,337)	
Net Interest	(1,676)	(1,780)	
Income tax paid	(3,620)	59	
Net Cash from operations	24,143	14,517	66.3%
Cash flows from Investing Activities			
Payments of Capex	(3,782)	(5,330)	
Payments for Business Acquisitions	(1,579)	(8,008)	
Net Cash from Investing Activities	(5,361)	(13,338)	(59.8%)
Cash flows from Financing Activities			
Proceeds from Conversion of Share Options	197	-	
Payment of Dividends	(8,997)	(3,842)	
Payments of dividends to non-controlling interests	(92)		
Net proceeds on Issue/(Buy Back) Share Capital	-	(10)	
Proceeds of Borrowings	-	5,000	
Payments for leasing arrangements	(4,605)	(4,176)	
Net Cash from Financing Activities	(13,497)	(3,028)	345.7%
Net increase/(decrease) in Cash and equivalents	5,285	(1,849)	
Cash at Beginning	13,763	7,330	
Cash at End	19,048	5,481	247.5%

Other Key Cash Measures			
\$000	HY21	HY20	% Change
Net Cash from Operations	24,143	14,517	66.3%
Maintenance CAPEX	(2,863)	(3,629)	(21.1%)
Lease payments	(4,605)	(4,176)	10.3%
Free Cash Flow	16,675	6,712	148.4%
FCF/Operating EBITDA	62.8%	37.9%	

- Generated free cash flow of \$16.7m – up 148.4% pcp
- Improved free cash flow conversion on operating EBITDA of 62.8% – up from 37.9% in pcp
- Maintenance CAPEX investment down slightly due to COVID-19 constraints and improved asset allocation methodologies

CAPITAL MANAGEMENT



Funding for Growth

- Strong balance sheet
- \$132.5m of unused Facilities
- Net debt \$2.9m (excl. AASB 16 Leases)
- Gearing at 0.1 times operating EBITDA (prior to AASB16) provides significant headroom for growth, particularly acquisitions



Data Driven Approach

- Making considered capital management decisions based on the best use of capital and shareholder returns, with reference to:
 - Company strategy
 - Market outlook
 - Opportunity cost of a range of growth alternatives
 - Return on investment
 - Positive EPS Impact



Share Buy Back

- No share buy-back in HY21 as the business identifies greater returns for capital
- The company refreshed its buy-back capacity in August 2019, allowing a further 76.8m shares to be acquired
- The company continues its commitment to buying back shares when the share price is not reflective of value



Dividends

- Declared an interim dividend for HY21 of 0.5 cents per share
- The company continues its commitment to a sustainable fully franked dividend

HY21 – CAPEX INVESTMENT

- Maintenance CAPEX investment approach has been reviewed to ensure that Capitol is optimising asset utilisation, reflecting revenue growth and required replacement levels to avoid capital sensitivity impacts
- Expansion/growth CAPEX slightly lower than anticipated due to COVID -19 constraints with key projects due in 2HFY21
- Camberwell site opened October 20
- Depreciation & Amortisation consistent with prior period

CAPEX		
\$000	HY21	HY20
Maintenance	2,863	3,629
Growth	919	1,701
Total	3,782	5,330
Depreciation & Amortisation	(10,070)	(9,970)





03 GROWTH

4 ENGINES OF GROWTH



Organic

- During FY20 we undertook a review of the cost base and where we could improve efficiencies. This approach continued to deliver in HY21
- We successfully matched patient demand to our resourcing during lockdown 1.0 & Vic 2.0
- In FY21 we are focused on market share and the 'go to' market strategy for organic growth



Clinic Expansion and Upgrades

We continue to review and optimise our network of clinics.

There are three prongs to this approach:

1. Open Greenfield Clinics
2. Brownfield redevelopment and upgrading of modalities
3. Clinic portfolio review of profitability



Acquisitions

1. Location that complements our network
2. Alignment with our Company Vision, Values and Strategy
3. Where clinic investment will drive organic growth
4. To obtain access to people and systems
5. Where synergies have been identified
6. Pricing makes sense and will deliver value to shareholders.












Technology Investment

- New employee engagement software
- Communications and data centre strategy
- Datawarehouse created with new BI Tool
- Referrer interface software and telehealth functionality
- Unlisted investment in Enlitic a leading AI software developer in Radiology

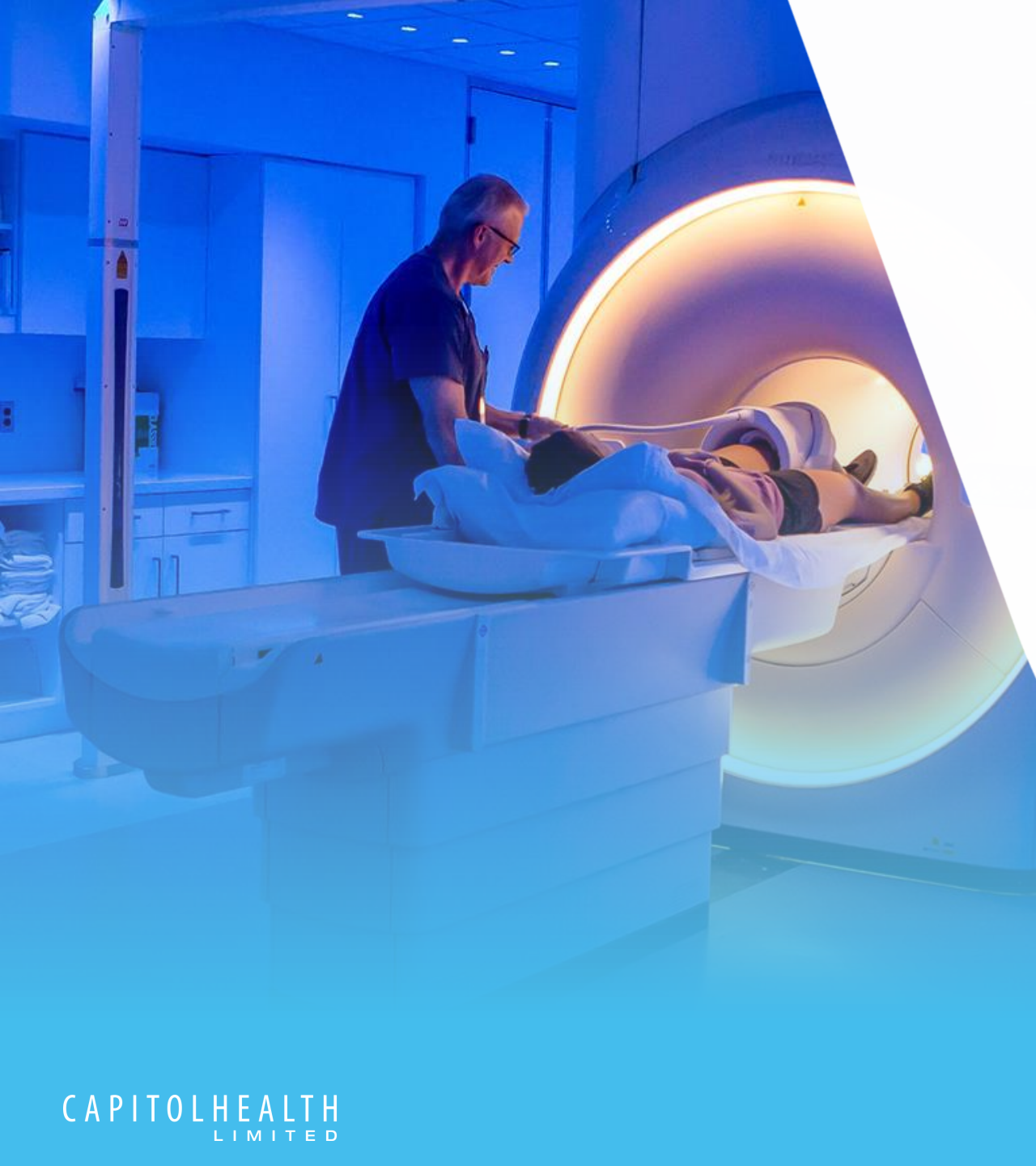
MAKING PROGRESS FOR FUTURE ORGANIC GROWTH

Key Growth Drivers

-  Market demand for services recovering strongly in December, driven by fundamentals of macro drivers
-  Strong bounce back following Victorian second wave, demonstrates the resilience of demand
-  Focus continues on the existing business and the development of a rolling bolt on acquisition and Greenfield/Brownfield pipeline to continue momentum and growth
-  Building on our commitment to patients, staff activity will more closely align with patient demand – measured in real-time through investment in new systems
-  Regular ‘cost-to-serve’ reviews improving efficiencies at a day-to-day level
-  Our portfolio approach to clinic review will ensure appropriate community coverage and diagnostic modalities
-  Continue to build the BDM function and go to market approach with a customer value proposition
-  Data driven decision making with BI, pulling together data from 10 operational sources
-  Medicare DI indexation introduced in July 2020 – approx 1.5% average across 60% of CAJ item codes

Outlook

- Focus on continuing to deliver both revenue and operating EBITDA organic growth
- Investment in the front end of our business in operations systems and communications optimization
- Standard operating model implementation to catalyse scalability
- Continuing to improve the ‘cost-to-serve’ of the business
- Carry a strong balance sheet during the period of uncertainty due to the Covid-19 pandemic while investing in well defined growth opportunities
- Well positioned to continue to pursue value-creative acquisitions



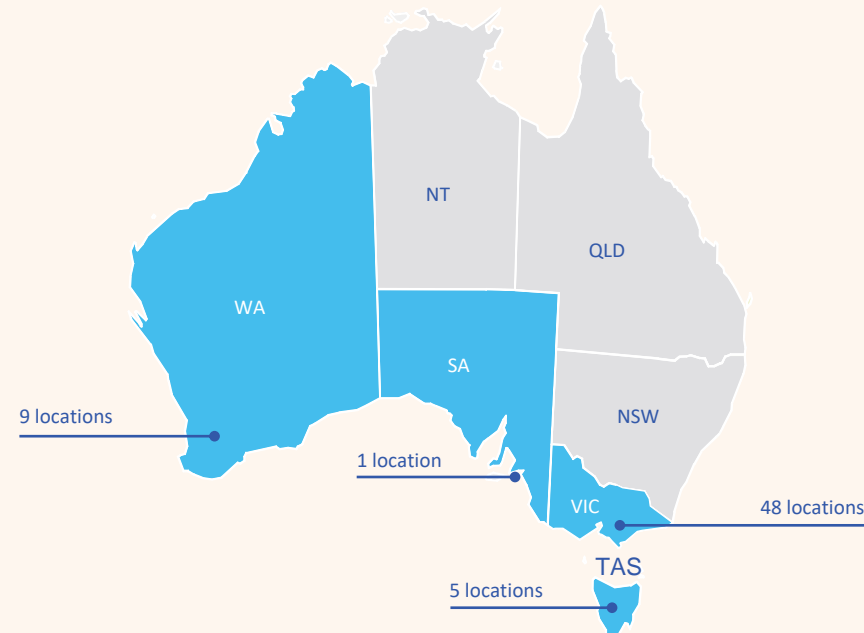
04 APPENDIX

THE CAPITOL BUSINESS

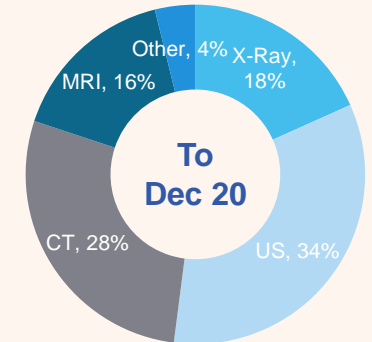
Overview

- Capitol is an ASX-listed provider of diagnostic imaging and related services to the Australian healthcare market. We are a talented team of experts motivated by our patients' needs
- We own and operate 63 clinics throughout VIC, SA, TAS and WA, with a growth focus aided by our scalable operating model
- As a community focused company, our facilities are predominantly suburban rather than hospital-based, with priority given to service and minimisation of administrative burdens for healthcare professionals
- We meet a growing consumer demand and conduct more than 1.2 million procedures every year, employing ~800 staff and ~100 radiologists
- Our significant market position means we can adapt to changing industry dynamics and make strategic investments

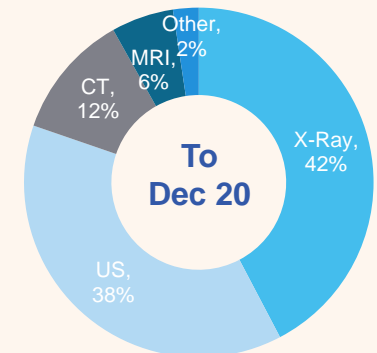
Locations and Brands



12-month Revenue by Modality



12-month Services by Modality



Our Vision:

To be the diagnostic imaging specialists of choice, serving our communities with compassion, integrity and precision

Our Aspirations:



No. 1 in patient satisfaction



Top repeat-referral rate



Leading team satisfaction & retention rate



Sustained market-share growth



Industry-leading shareholder returns

Our Values:

Patient centred

We create positive patient experiences. We listen with respect, inform with empathy and involve patients in their care

One Team

Our people are our best asset. Our outcomes are better when we work together. We treat each other with respect and nurture a culture of recognition, empathy and inclusion

Integrity

We are open and honest. We take pride in the way we work. Our patients and partners trust us because we are accountable and reliable

Excellence

Together we pursue excellence – in outcomes and experience for our patients, referrers and community. We utilise the best technology to deliver timely, precise results

Community focused

We are more than a network, we are a community. We create meaningful connections with our patients, referrers and colleagues built on trust, support and shared goals

The Pillars of our Business:

Operational Excellence	Destination Employer	Next-generation Technology	First-choice Provider	Values-based Communications
<ul style="list-style-type: none"> Standardised operating model as platform for organic growth Value creation through post-acquisition integration Performance management through business intelligence and analytics 	<ul style="list-style-type: none"> Employee Value Proposition Clear performance & reward mechanisms Focus on professional development Values driven people processes 	<ul style="list-style-type: none"> Highly secure and effective technology model Holistic approach to technology encompassing clinical outcomes, operational efficiency and patient experience 	<ul style="list-style-type: none"> Differentiated customer and marketing plan Focus on and resourcing referrer relationship management including CRM implementation Patient experience management 	<ul style="list-style-type: none"> Coherent stakeholder communications strategy Focus on developing industry and government relationships Industry thought leadership program

CAPITOL STRATEGIC PILLARS



First Choice Provider

- We aim to be the first choice for community-based diagnostic imaging
- Our strategies are based on qualitative and quantitative research into patient and referrer behaviour and preferences. The insights we gather inform our approach, and constant optimisation of the patient / referrer experience
- We build strong relationships with our referrers, providing them with precise and timely diagnostic imaging



Destination Employer

- We recruit, develop and retain the best clinical, technical and corporate staff; we recognise staff for their service and values
- We're implementing a feedback and coaching framework, and clearly defined remuneration strategy, to increase staff satisfaction / competency and reduce costs
- We're focused on our people and building a strong culture supported by our values. We seek feedback from staff on a regular basis and respond to insights accordingly



Next-generation Technology

- We're committed to the strategic implementation of next-generation technology to enhance service, quality and engagement
- We will deploy unified RIS platforms to improve service quality, load sharing and efficiency in existing and growth business units
- We will implement optimal online booking, eReferral, eForms and Pt Kiosk platform
- To support radiologists and deliver efficient reporting we will implement smart worklists
- We embrace AI in our business through strategic partnerships such as Enlitic



Operational Excellence

- Optimising operational efficiencies and clinical outcomes (e.g. timeliness, quality, standard processes) at a reduced cost-to-serve, through:
 - Evidence-based standard operating model (SOM)
 - Focused workflow management to maximise efficiency and quality
 - Benchmark human resource allocation and asset utilisation



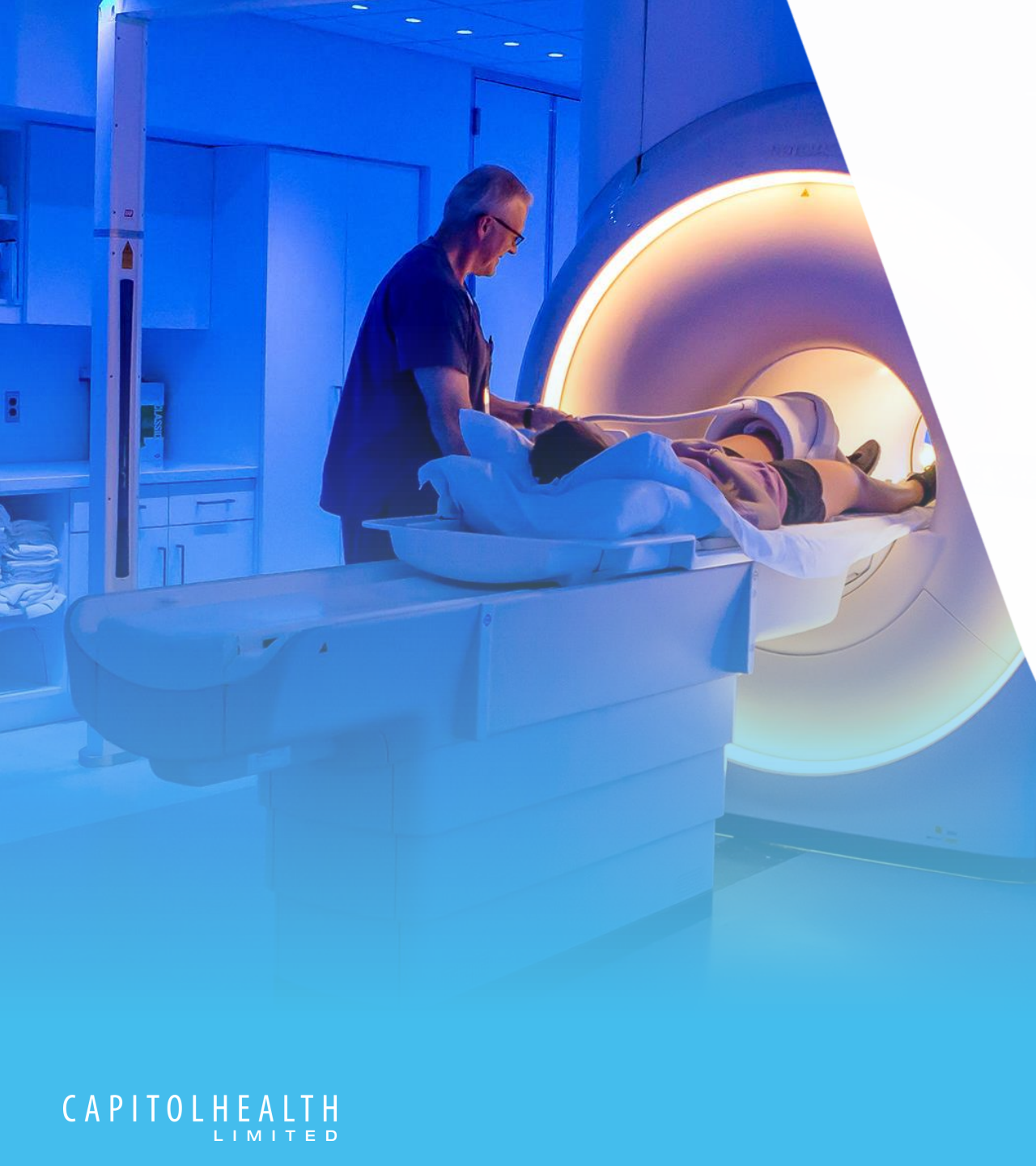
Values-based Communications

- We're strengthening our brand, and building our reputation through strategic, values-centric communications, by:
 - Clearly and consistently communicating our business vision, purpose and CVPs
 - Identifying and nurturing strategic experience relationships
 - Demonstrating community-centred values and experiences
 - Communicating the 'why' to key stakeholders with clear, accurate messaging
 - Demonstrating good corporate citizenship

HY21 – STRONG BALANCE SHEET

\$000	31 Dec 2020	30 Jun 2020
Current Assets		
Cash and Cash Equivalents	19,048	13,763
Trade and Other Receivables	4,606	5,493
Other Financial Assets	262	277
Other Assets	1,540	767
Total Current Assets	25,456	20,300
Non-Current Assets		
Plant & Equipment	40,159	40,820
Right-of-Use Asset	57,656	54,729
Intangible Assets	117,358	117,949
Other Financial Assets	19,722	22,138
Other Receivables	362	630
Deferred Tax Asset	5,510	5,741
Total Non-Current Assets	240,767	242,007
Total Assets	266,223	262,307
Current Liabilities		
Trade and Other Payables	14,666	16,967
Loans and Borrowings	-	-
Lease Liabilities	9,406	9,640
Employee Benefit Liabilities	11,729	10,828
Income Tax Liability	3,922	2,751
Total Current Liabilities	39,723	40,186
Non-Current Liabilities		
Borrowings	17,000	17,000
Lease Liabilities	55,796	52,702
Other Financial Liabilities	4,884	3,698
Provisions	1,340	1,340
Employee Benefit	817	852
Deferred Tax Liabilities	2,030	2,490
Total Non-Current Liabilities	81,867	78,082
Total Liabilities	121,590	118,268
Net Assets	144,633	144,039

- Strong balance sheet highly supportive of growth and acquisition opportunities



QUESTIONS

A photograph of two male doctors in white lab coats. The doctor in the foreground is looking intently at a tablet held by the second doctor. The tablet displays several medical scans, including what appears to be a CT scan of a head and some anatomical diagrams. The scene is dimly lit, with the primary light source being the screen of the tablet. The image is partially obscured by a large white circular graphic on the right side of the page.

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