

CAPITOL HEALTH  
LIMITED

## 2021 RESULTS Year Ended 30 June 2021

Justin Walter – Chief Executive Officer & Managing Director  
Craig Bremner – Chief Financial Officer



# TABLE OF CONTENTS

---

01. Highlights

02. Financials

03. Growth

04. Appendix

For further information please contact Craig Bremner | CFO | +61 (0) 438 820 112 | [c.bremner@capitolhealth.com.au](mailto:c.bremner@capitolhealth.com.au)

CAPITOLHEALTH  
LIMITED

# 01. HIGHLIGHTS

CAPITOLHEALTH  
LIMITED



# FY21 RESULTS SUMMARY

REVENUE

\$178.0m

Up 15.7% pcp

OPERATING EBITDA

\$48.0m

Up 32.1% pcp

OPERATING EBITDA MARGIN

27.0%

Up from 23.6% pcp

FREE CASH FLOW

\$25.9 m

Up 25.7% pcp

NET DEBT / OPERATING EBITDA

0.2 x

\*calculated on last twelve months operating EBITDA

FINAL DPS

0.5 cps

Fully franked



# 2021 HIGHLIGHTS

## Key Achievements and Highlights

- Revenue from operations up 15.7% on pcp to \$178.0m
- Operating costs\* up 10.7% on pcp to \$130.0m
- Operating EBITDA\* increased by 32.1% on pcp to \$48.0m
- Statutory NPAT up 1,005.6% on pcp to \$12.0m
- Strategic plan implementation driving operating margin expansion
- Operating Margin of 27.0% up from 23.6% pcp
- Operating Margin ex JobKeeper 23.7% up from 20.7% pcp
- Management focus on sustained market share growth gaining traction
- COVID-19 impacts successfully managed to date while continuing to provide essential services to referrers and patients
- All clinical roles maintained through the pandemic lockdowns whilst experiencing reduced demand for services
- Direct Radiology acquisition integrated and delivering on expectations
- New Camberwell, Morley and Mile End sites opened
- Final dividend for FY21 declared at 0.5 cents per share fully franked



\* Operating excludes Transaction & Restructure Costs, Unrealised Foreign Exchange Gain/(Loss), Impairment of Financial Asset and Financial Liabilities movement in fair value.

# 2021 HIGHLIGHTS

---

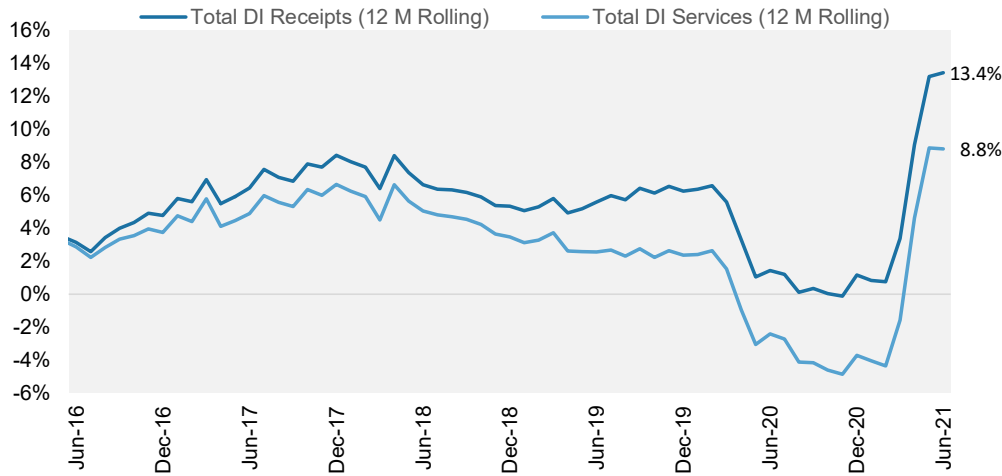
## Delivered on Strategic plan:

- Organic growth initiatives driving results
- Margin expanded and consolidated
- Referrer relationships enhanced with CRM implemented
- Patient experience now continually measured via net promoter scores and surveys
- E-referral implemented nationally
- Annual staff survey and employee value proposition in place
- Optimised staffing to clinic demand
- New national telephony system rollout underway to improve patient / referrer experience
- Consolidated multiple data centres to a single outsourced solution
- Enhanced cyber-security protections across network
- Efficiently managed asset utilisation and allocations across network
- Further consolidation of clinics into larger nearby sites
- Corporate risk framework overhauled.



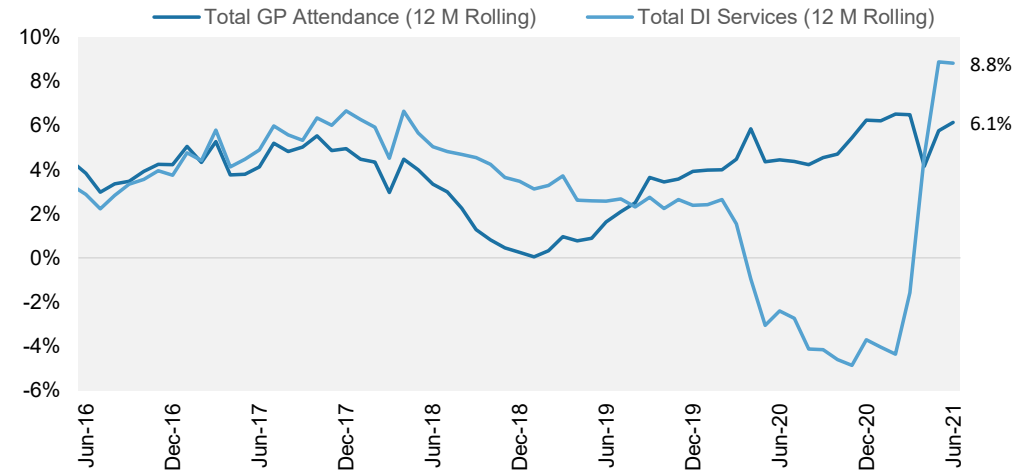
# INDUSTRY GROWTH RETURNING

DI Services and Revenues – CAJ States<sup>1</sup>



- High rolling growth rates between March to June 2021 are due to the most COVID impacted months (March – April 2020) falling into previous corresponding period
- Rolling 12 month growth rates for DI Revenues and Services experienced a steep decline during the nationwide lockdown between March and May 2020 and was further impacted by the second Victorian lockdown that commenced in July 2020
- DI revenues are increasing due to additional MRI licenses in FY20 (prior to Covid-19) and MBS indexation of certain items from July 2020

GP Attendance & DI Services - CAJ States<sup>1</sup>

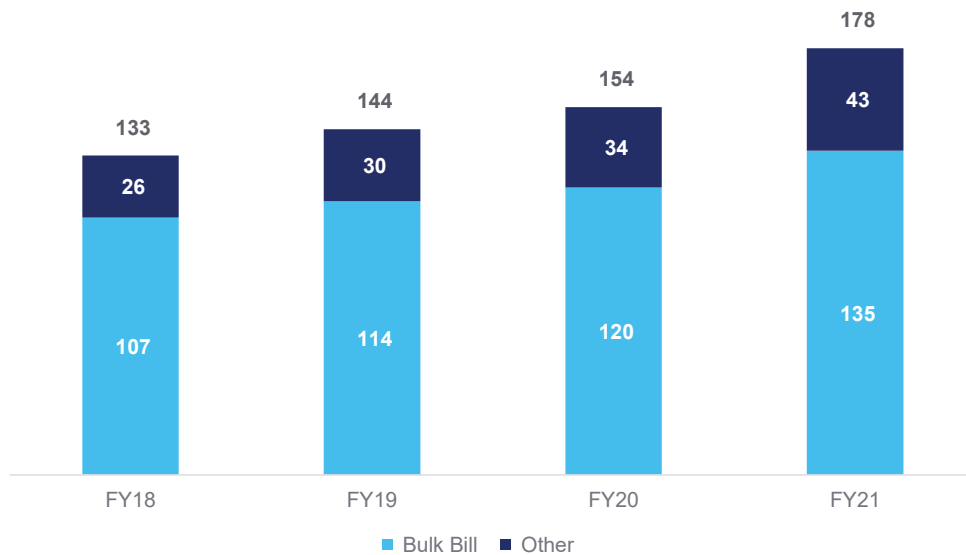


- GP attendances have returned to long-term averages prior to COVID-19 of above 6% assisted by telehealth services
- Demand for DI services in Victoria has also bounced back but true growth rate is affected by the most COVID impacted months (March – April 2020) falling into previous corresponding period calculations

<sup>1</sup> – 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](http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp)

# ROBUST & RELIABLE SOURCE OF REVENUE

**Total Revenue Mix (\$m)**



- Capitol’s community clinic sites and bulk billing revenue stream remains a robust and reliable income source
- Out of pocket revenue increasing at a higher rate due to subtle changes in the service mix
- Full year of Fowler Simmons (acquired in March 2020) and the acquisition of Direct Radiology in February 2021 has further increased the ratio of out of pocket (OOP) revenue due to specialist diagnostic services

Rev Mix %	FY18	FY19	FY20	FY21
Bulk Bill	81%	79%	78%	76%
Other	19%	21%	22%	24%



# 02. FINANCIALS

CAPITOLHEALTH  
LIMITED



# FY 2021 – OPERATING RESULTS

Operating EBITDA reconciliation	\$000	FY21	FY20	Change	% Change
Revenue		177,996	153,791	24,205	15.7%
Wages, Contractor Costs, Salaries		(102,009)	(91,729)	(10,280)	(11.2%)
Other Operating Costs		(27,964)	(25,704)	(2,260)	(8.8%)
<b>Operating EBITDA</b>		<b>48,023</b>	<b>36,358</b>	<b>11,665</b>	<b>32.1%</b>
<i>Operating EBITDA Margin</i>		<i>27.0%</i>	<i>23.6%</i>	<i>3.3%</i>	<i>14.1%</i>
Revaluation/(impairment) of financial assets		(734)	(1,619)	885	54.7%
Unrealised Foreign Exchange Gain/(loss)		(1,882)	343	(2,225)	(648.5%)
Transaction and restructure costs		(1,266)	(3,053)	1,786	58.5%
Movement of other financial liabilities		74	-	74	n/m
<b>Profit before Finance Costs, Income Tax, Depreciation and Amortisation</b>		<b>44,215</b>	<b>32,029</b>	<b>12,186</b>	<b>38.1%</b>

- Revenue of \$178.0m is up \$24.2m or 15.7% over pcp
- Wages, Contractor Costs and Salaries increased by \$10.3m or 11.2% on pcp
- Other Operating Costs increased by \$2.3m or 8.8% on pcp
- Operating margin expansion due to utilisation of higher end modalities, systematic cost out and operational reviews
- Operating EBITDA of \$48.0m, an increase of \$11.7m or 32.1% on pcp
- Operating EBITDA margin increases to 27.0% (ex JobKeeper 23.7%), up from 23.6% pcp
- Unrealised Foreign Exchange Loss relates to the FX rate movement of Enlitic investment (AUD:USD)
- Revaluation/Impairment to the fair value movement of the Enlitic investment



# FY 2021 – CASH FLOW

Key Cash Measures	\$000	FY21	FY20	% Change
Net Cash from Operations		40,891	35,009	16.8%
Maintenance CAPEX		(5,330)	(6,151)	(13.4%)
Lease payments		(9,701)	(8,283)	17.1%
<b>Free Cash Flow</b>		<b>25,861</b>	<b>20,575</b>	<b>25.7%</b>
<b>FCF/Operating EBITDA</b>		<b>53.9%</b>	<b>56.6%</b>	

- Generated free cash flow of \$25.9m – up 25.7% on pcp
- Free cash flow conversion on operating EBITDA of 53.9% down slightly on pcp of 56.6%
- Maintenance CAPEX investment down slightly due to COVID-19 constraints and improved asset allocation methodologies



# CAPITAL MANAGEMENT



## Funding for Growth

- \$110.8m of unused Facilities
- Net debt \$11.1m (excl. AASB 16 Leases)
- Gearing at 0.2 times operating EBITDA 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 FY21 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 a final dividend for FY21 of 0.5 cents per share
- The company continues its commitment to a sustainable fully franked dividend



# FY 2021- CAPEX INVESTMENT

Capital Expenditure	\$000	FY21	FY20
Maintenance		5,330	6,151
Growth		2,312	6,014
<b>Total</b>		<b>7,642</b>	<b>12,165</b>

<b>Depreciation &amp; Amortisation</b>		<b>(21,396)</b>	<b>(26,025)</b>
--	--	-----------------	-----------------

- Maintenance CAPEX investment approach has been reviewed to ensure that Capitol is optimising current asset utilisation, reflecting revenue growth and required replacement levels to avoid capital sensitivity impacts and unnecessary capex spend
- Expansion/growth CAPEX slightly lower than anticipated due to COVID -19 constraints
- Camberwell site opened October 20
- Morley and Mile End sites opened in February 21 and March 21 respectively
- Depreciation & Amortisation was at a higher level in FY20 due to accelerated depreciation and revaluation of older machines and leasehold assets



# 03. GROWTH

CAPITOL HEALTH  
LIMITED



# 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 FY21
- We successfully matched patient demand to our resourcing
- In FY21 we focused on market share and the 'go to' market strategy for organic growth



## Clinic Expansions and Upgrades

- We continue to review and optimise our network of clinics. There are three prongs to this approach:
- Open Greenfield Clinics
  - Brownfield redevelopment and upgrading of modalities
  - Clinic portfolio review of profitability



## Acquisitions

- Location that complements our network
- Alignment with our Company Vision, Values and Strategy
- Where clinic investment will drive organic growth
- To obtain access to people and systems
- Where synergies have been identified
- 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



# PROGRESS FOR FUTURE ORGANIC GROWTH

## Key Growth Drivers

- Market demand for services recovering, driven by fundamentals of macro drivers, although Covid-19 risks remain
- Strong bounce back following lockdowns, demonstrates the resilience of demand for our diagnostic imaging services
- 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
- Progressing new services within network eg. Cardiac Imaging, Womens Health.
- Medicare DI indexation July 2021 – approx 0.9% average across 60% of CAJ item codes
- Data driven decision making with BI, CRM, operational analysis





# PROGRESS FOR FUTURE ORGANIC GROWTH

---

## Outlook

- Standard operating model implementation to catalyse scalability
- Focus on continuing to deliver both revenue and operating EBITDA organic growth
- Brand rationalization and refresh
- Investment in the front end of our business in operations systems and communications optimization
- 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
- Position to continue to pursue value-creative acquisitions



# QUESTIONS?

CAPITOLHEALTH  
LIMITED



# 04. APPENDIX

CAPITOLHEALTH  
LIMITED

SIEMENS  
Healthineers



# THE CAPITOL HEALTH BUSINESS

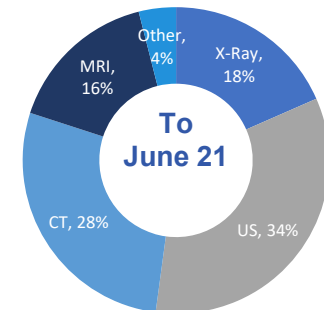
## Overview

- 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 market position means we can adapt to changing industry dynamics and make strategic investments.

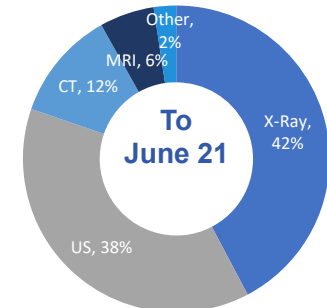
## Location and Brands



## 12-month Revenue by Modality



## 12-month Services by Modality





# FY 2021 – CASH FLOW

<b>Cash Flow Summary</b>	<b>\$000</b>	<b>FY21</b>	<b>FY20</b>	<b>% Change</b>
Cash receipts		178,092	155,044	
Cash payments		(126,380)	(117,456)	
Net Interest		(3,377)	(3,837)	
Income tax paid		(7,444)	1,258	
<b>Net Cash from operations</b>		<b>40,891</b>	<b>35,009</b>	<b>16.8%</b>
<b>Cash flows from Investing Activities</b>				
Payments of Capex		(7,642)	(12,165)	
Payments for Business Acquisitions		(13,702)	(20,680)	
Payments for Investments				
<b>Net Cash from Investing Activities</b>		<b>(21,344)</b>	<b>(32,845)</b>	<b>35.0%</b>
<b>Cash flows from Financing Activities</b>				
Proceeds from Conversion of Share Options		393	-	
Payment of Dividends		(14,135)	(3,842)	
Payments of dividends to non-controlling interests		(118)	-	
Net proceeds on Issue/(Buy Back) Share Capital		-	38,144	
Proceeds of Borrowings		12,000	(21,750)	
Payments for leasing arrangements		(9,701)	(8,283)	
<b>Net Cash from Financing Activities</b>		<b>(11,561)</b>	<b>4,269</b>	<b>(370.8%)</b>
<b>Net increase/(decrease) in Cash and equivalents</b>		<b>7,986</b>	<b>6,433</b>	
<b>Cash at Beginning</b>		<b>13,763</b>	<b>7,330</b>	
<b>Cash at End</b>		<b>21,749</b>	<b>13,763</b>	<b>58.0%</b>



# FY 2021 – STRONG BALANCE SHEET

Balance Sheet Summary	\$'000	30 June 2021	30 June 2020
<b>Current Assets</b>			
Cash and Cash Equivalents		21,749	13,763
Trade and Other Receivables		5,582	5,493
Other Financial Assets		169	277
Other Assets		787	767
<b>Total Current Assets</b>		<b>28,287</b>	<b>20,300</b>
<b>Non-Current Assets</b>			
Plant & Equipment		41,075	40,820
Right-of-Use Asset		59,011	54,729
Intangible Assets		126,035	117,949
Other Financial Assets NC		19,522	22,138
Other Receivables		180	630
Deferred Tax Assets		5,650	5,741
<b>Total Non-Current Assets</b>		<b>251,473</b>	<b>242,007</b>
<b>Total Assets</b>		<b>279,760</b>	<b>262,307</b>
<b>Current Liabilities</b>			
Trade and Other Payables		13,606	16,967
Lease Liability		9,782	9,640
Employee Benefit Liability		12,239	10,828
Income Tax Liability		1,973	2,751
<b>Total Current Liabilities</b>		<b>37,600</b>	<b>40,186</b>
<b>Non-Current Liabilities</b>			
Loans and Borrowings NC		29,000	17,000
Lease Liability		55,284	52,702
Other financial liability		5,081	3,698
Provisions		2,455	1,340
Employee Benefit Liability NC		781	852
Deferred Tax Liabilities		3,531	2,490
<b>Total Non-Current Liabilities</b>		<b>96,132</b>	<b>78,082</b>
<b>Total Liabilities</b>		<b>133,732</b>	<b>118,268</b>
<b>Net Assets</b>		<b>146,028</b>	<b>144,039</b>



# CAPITOL HEALTH VISION

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

CAPITOLHEALTH  
LIMITED



# OUR VALUES



## Patient Centered

## One Team

## Integrity

## Excellence

## Community Focused

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

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

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

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

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



# CAPITOL HEALTH 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

# DISCLAIMER

---

This presentation is the property of Capitol Health Limited (Capitol). This presentation is not and does not constitute an offer, invitation or recommendation to subscribe for, or purchase any security and neither this presentation nor anything contained in it shall form the basis of any contract or commitment.

This presentation does not constitute an offer or invitation in any jurisdiction anywhere, or to any person to whom, such an offer would be unlawful. This presentation is not intended as an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any security in the United States or to any person to whom it is unlawful to make such an offer or solicitation. The securities that may be included in any offering have not been, and will not be registered under the US Securities Act.

Reliance should not be placed on the information or opinions contained in this presentation. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Any decision to purchase or subscribe for securities in Capitol must be made solely on the basis of the information contained in the in the public domain and if necessary, after seeking appropriate financial advice.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, Capitol and its affiliates and related bodies corporate, and their respective officers, directors, employees and agents disclaim any liability (including, without limitation, any liability arising from fault or negligence) for any loss arising from any use of this presentation (or its content) or otherwise arising in connection with it.

Capitol's forward-looking statements, intentions, forecasts, prospects, returns, expectations, statements in relation to future matters or other forward-looking statement contained in this presentation may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. They are based on a number of estimates, assumptions that are subject to business, scientific, economic and competitive uncertainties and contingencies, with respect to future business decisions, which are subject to change and, in many cases, are outside the control of Capitol and its directors. Neither Capitol nor its directors give any assurance that the forecast performance in the forecasts or any forward-looking statement contained in this presentation will be achieved.