

HY FY23 RESULTS

Half Year Ended 31 December 2022

Justin Walter – Chief Executive Officer & Managing Director
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CAPITOLHEALTH
LIMITED

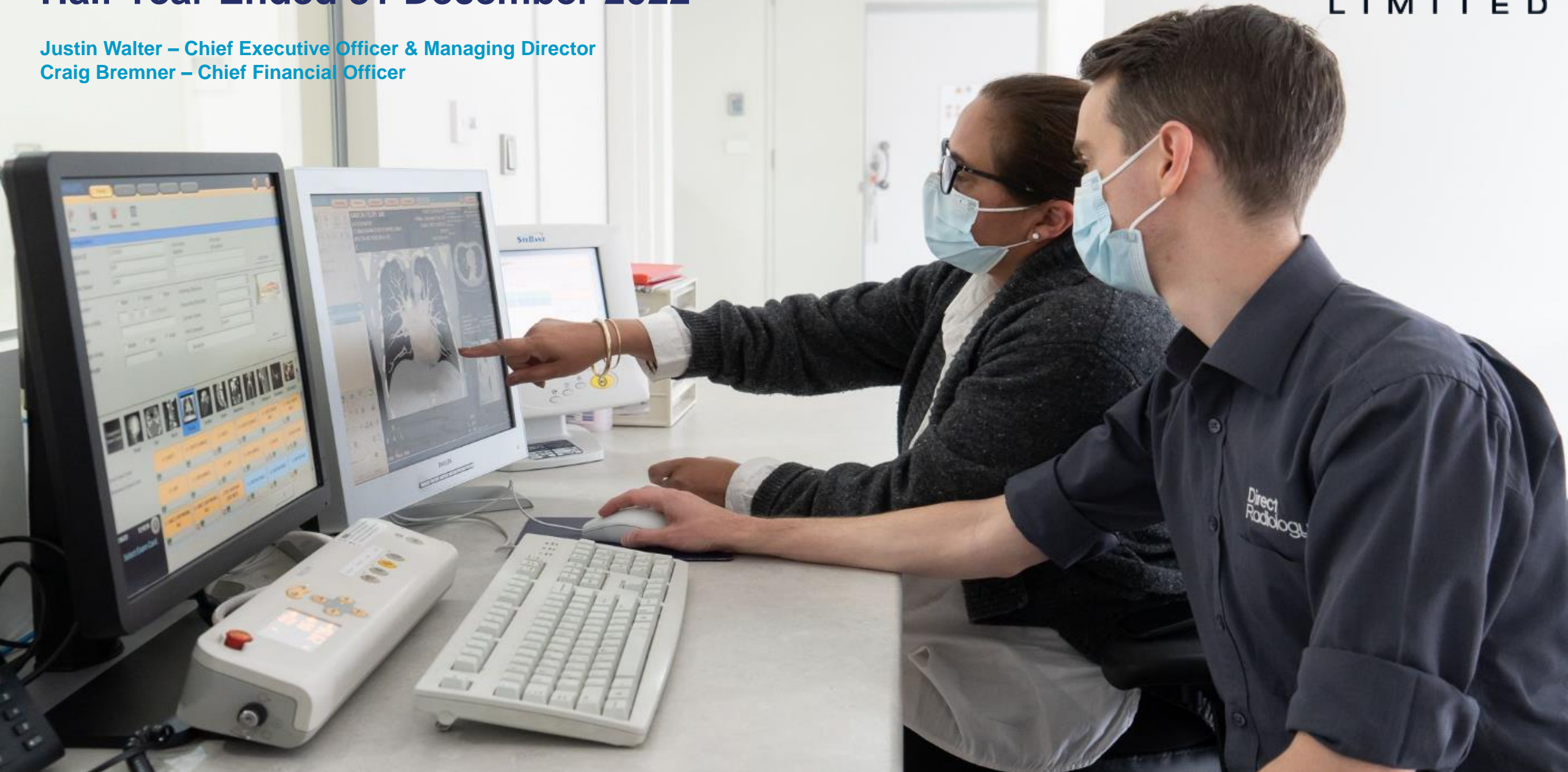


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01. HIGHLIGHTS

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HY FY23 RESULTS SUMMARY

REVENUE

\$98.1m

Up 3.4% pcp

OPERATING EBITDA *

\$19.7m

Down 11.3% pcp

OPERATING EBITDA MARGIN *

20.1%

Down from 23.4% pcp

FREE CASH FLOW

\$8.1m

Down 37.0% pcp

NET DEBT / LTM OPERATING EBITDA

1.3x

calculated on last 12 months operating EBITDA* including full 12 month effect from FMIG

INTERIM DPS

0.5 cps

Fully franked

* Operating EBITDA is Profit before Depreciation and Amortisation, Finance Costs, and Income Tax and prior to non-operating items including Investments movement in fair value, Impairment of non-current assets, Transaction and restructure costs, Unrealised foreign exchange gain, and Financial liabilities movement in fair value

HY FY23 HIGHLIGHTS

Financial Highlights

- Revenue from operations of \$98.1m up \$3.2m or 3.4% over pcp
- Revenue from operations excluding FMIG declined 0.4% over pcp
- Total Operating Costs up 7.9% on pcp to \$78.4m
- Operating EBITDA decreased by 11.3% on pcp from \$22.2m to \$19.7m
- Operating Margin of 20.1% is down from 23.4% pcp
- Non-cash pre-tax fair value adjustment of \$18.2m booked to decrease the carrying value of the Enlitic investment as a result of Enlitic's series C equity raise
- Impacted by non-operating adjustments of \$19.6m Statutory NPAT is negative \$15.1m
- Net Debt is 1.3x LTM Operating EBITDA (includes FMIG LTM operating EBITDA)
- Interim dividend FY23 maintained at 0.5 cents per share fully franked



HY FY23 HIGHLIGHTS

Delivered on Strategic plan:

- Acquisition of FMIG completed on November 4, 2022 demonstrating a disciplined approach to capital allocation and creation of shareholder value.

Enterprise-wide integration of clinics:

- Contact Centre now fully operationalised
- Further integration of ITC to enhance patient and referrer experience.
- Patient information system deferred by 6 months as we navigate recent pandemic induced challenges, and completed FMIG transaction
- FMIG integration well advanced

Destination employer:

- Implementation of centralised talent acquisition framework through recruitment software and additional talent acquisition roles
- Clinic workforce stable with low clinician attrition rates, while non-clinical staff attrition trending back towards historical levels
- Radiologist recruitment strengthening with
 - 8 new radiologists commencing by end of FY23
 - FMIG Radiologists now onboarded
 - 2 year pipeline of potential recruits established



FMIG - MELBOURNE EXPANSION

FMIG Acquisition

FMIG acquisition completed November 2022, integration well advanced and business performing to expectations.

FMIG have a strategic presence in Melbourne across six clinics covering the high growth corridor west of the city. FMIG is a scale provider of diagnostic imaging services and at the forefront of several specialised services including cardiac, neurological and women's imaging.

- FMIG is a compelling strategic, clinical and cultural fit for Capitol;
- Ten highly regarded radiologists with four vendor radiologists signing long term engagement agreements
- Three partially licenced MRIs across 6 comprehensive clinics
- Organic growth plans via a current brownfield development and expansion of specialised services
- Total consideration of \$55.8m pre transaction costs, inclusive of \$6.0m paid in scrip
- FY22 EBITDA of \$6.6m (pre AASB16)
- Funded from existing cash reserves and debt facilities

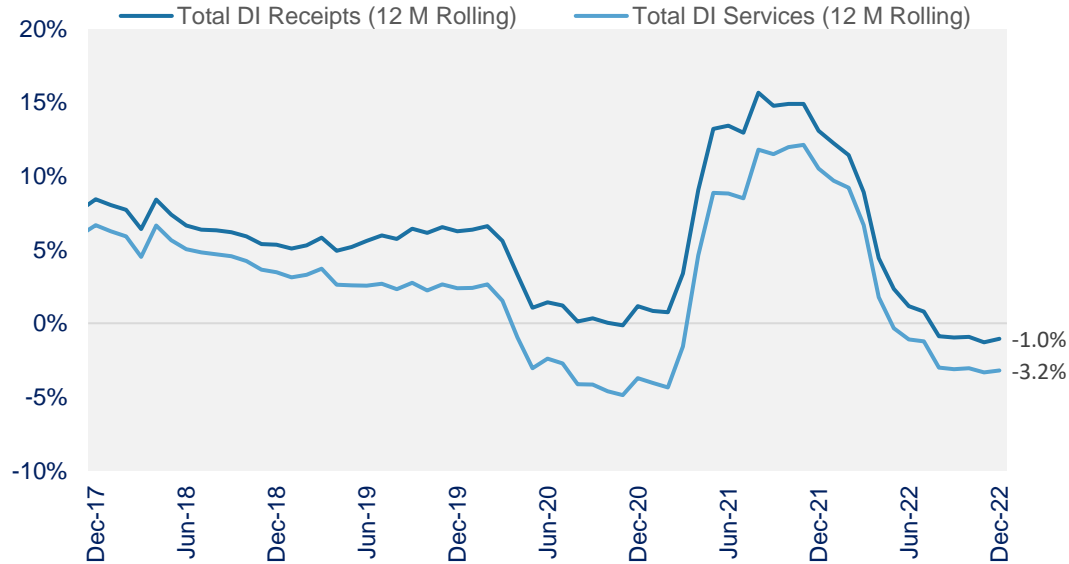
Acquisition Strategy

- ✓ Alignment with our company vision, values and strategy
- ✓ Obtain access to people and systems
- ✓ Locations that complement our network
- ✓ Where clinic investment will drive ongoing growth
- ✓ Pricing makes sense and delivers value to shareholders

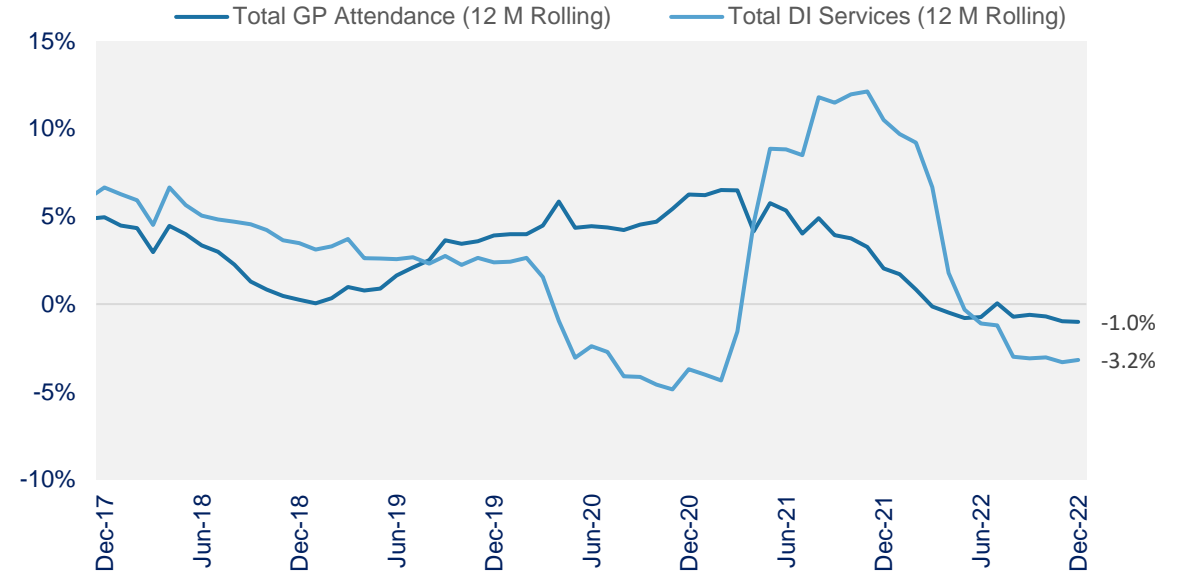


HISTORICAL INDUSTRY PROFILE

DI Services and Revenues – CAJ States¹



GP Attendance & DI Services - CAJ States¹



- Demand for DI services severely impacted and deferred, with temporary elective surgery suspensions, public hospital Code Brown, and GP access constrained.
- DI Receipts (revenues) increasing due to shift to higher value modalities and annual MBS indexation of certain items.

- GP attendances, including telehealth visits, remain below historical trend of 4-6%.
- Rolling 12 month growth rate in GP attendances constrained and negative since March 2022

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

02. FINANCIALS



HY FY23 – OPERATING RESULTS

Operating EBITDA reconciliation (expressed in \$000)	HY23	HY22	Change	% Change
Revenue	98,068	94,831	3,237	3.4%
Wages, Contractor Costs, Salaries	(62,242)	(58,103)	(4,139)	7.1%
Other Operating Costs	(16,099)	(14,532)	(1,567)	10.8%
Operating EBITDA	19,727	22,196	(2,469)	-11.1%
<i>Operating EBITDA Margin</i>	<i>20.1%</i>	<i>23.4%</i>	<i>-3.3%</i>	<i>-14.1%</i>
Unrealised Foreign Exchange Gain/(loss)	323	705	(382)	-54.2%
Transaction and restructure costs	(1,291)	(342)	(949)	277.5%
Investments' movement in fair value	(18,236)	0	(18,236)	-
Impairment of non-current assets	(789)	0	(789)	-
Movement of other financial liabilities	348	202	146	72.0%
Profit before Finance Costs, Income Tax, Depreciation and Amortisation	82	22,761	(22,679)	-99.6%



- Revenue of \$98.1m is up \$3.2m or 3.4% over pcp.
 - FMIG revenue \$3.6m
 - Pandemic disruption to clinics / referrers
 - Two less trading days
 - Closure of small non profitable sites / modalities
- Bulk billing revenue mix at 77%
- Wages, Contractor Costs and Salaries increased by \$4.1m or 7.1% over pcp.
 - Increased Staff Absenteeism \$0.5m
 - Payroll Tax (mental health levy) and Superannuation increases \$0.7m
 - Increased head office fixed term project staff in delivery of group strategy \$1.0m
- Other Operating Costs increased \$1.6m or 10.8% over pcp.
 - Occupancy costs (electricity, outgoings) \$0.5m
 - Service costs (recruitment costs, insurance) \$1.0m
- Operating EBITDA of \$19.7m, a decrease of \$2.5m or 11.1% on pcp
- Operating EBITDA margin of 20.1%, down from 23.4% pcp
- Transaction and restructure costs in relation to the acquisition of FMIG
- Non-cash pre-tax fair value adjustment to decrease the carrying value of the Enlitic investment by \$18.2 million as a result of Enlitic's series C equity raise.

HY FY23 – CAPEX INVESTMENT

Capital Expenditure (expressed in \$000)	HY23	FY22
Maintenance	4,205	5,057
Growth	565	1,472
Total	4,770	6,529
Depreciation & Amortisation	(11,662)	(10,061)

- Maintenance CAPEX reduced slightly on previous comparative period due to timing.
- Growth CAPEX primarily driven by investment in Sunshine Private Hospital site and additional expansion of minor machines/service offerings.
- In 2HFY23 we will replace 26 ultrasound machines, complete construction of Sunshine Private Hospital and install two additional MRI machines
- Depreciation and Amortisation increasing with CAPEX investment program and FMIG acquisition



HY FY23 – CASH FLOW

Key Cash Measures (expressed in \$000)	HY23	HY22	Change	% Change
Operating EBITDA	19,727	22,196	(2,469)	-11.1%
Net Cash from Operating activities (excluding interest and tax)	18,525	23,762	(5,237)	-22.0%
Capital expenditure - Maintenance	(4,205)	(5,057)	852	-16.8%
Lease cash payments	(6,218)	(5,846)	(372)	6.4%
Free Cash Flow	8,102	12,859	(4,757)	-37.0%
Free Cash Flow / Operating EBITDA	41.1%	57.9%		

- Net cash from operating activities declined due to increases across receivables, GST receivable and other assets
- Lease cash payments increased due to the acquisition of FMIG and benefited from the closure of two small clinics.
- Free cash flow conversion to operating EBITDA of 41.1% down on pcp of 57.9%



03. GROWTH



STATE OF PLAY – FEBRUARY 2023

Covid Pandemic:

- All sites remain open, pandemic management now BAU
- All staff fully vaccinated
- Clinic workforce intact:
 - Radiologist attrition rate lowest in 5 years
 - Non-clinical staff attrition and vacancy rates trending down to historical levels
 - Unplanned absenteeism high due to two Vic covid waves (July / Dec), returning to historical levels
 - GP referrer clinic workforce disruptions in same period



FY23 YTD – Performance and Strategy:

- FMIG acquisition announced demonstrating a disciplined approach to capital allocation and creating shareholder value. Integration ahead of plan.
- Dec22 Rolling 12mth Medicare DI services (CAJ states) growth rate -ve 3.2%
- Dec22 Rolling 12mth Medicare GP attendances (CAJ states) growth rate -ve since March 22
- FY23 FebYTD organic revenue growth 3.1% (ex FMIG). Impacted by;
 - closure of unprofitable small sites and modalities
 - pandemic disruption to clinics and referrers, particularly July and December
 - Two less trading days - Queen's funeral public holiday
 - Strengthening January and February revenue in line with expectations
- Successful Radiologist recruitment and pipeline, with 8 new radiologists commencing by end FY23.
- Implementation underway of key strategic initiative – clinic operating system

OUTLOOK

FY23

- Our February YTD revenue position ex FMIG has the company organically growing at **3.1%** compared to pcp
- FMIG performing strongly, integration proceeding well, to realise revenue opportunities and synergies.
- Continue to support and invest in our workforce and model of care, to navigate current national workforce shortages
- Unified national clinic operating system and standard operating model implementation
- Open a new MRI comprehensive clinic at Sunshine Private Hospital in Q4
- Deliver further brownfield and additional modality opportunities, including additional MRIs
- Continuing to improve the 'cost-to-serve' of the business
- Carry a strong balance sheet in current economic climate, while only investing in well defined accretive growth opportunities
- Continued focus on organic revenue growth, and sustainable long term strategic goal of an operating margin of 23-24%



QUESTIONS?

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04. APPENDIX

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THE CAPITOL HEALTH BUSINESS

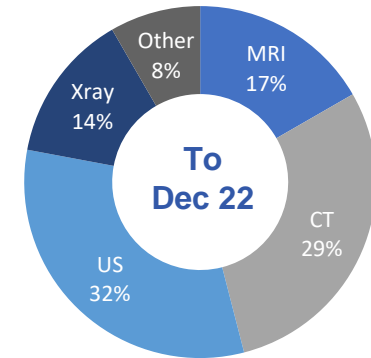
Overview

- 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 67 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 1.5 million procedures every year, employing ~900 staff and ~100 radiologists
- Our market position means we can adapt to changing industry dynamics and make strategic investments.

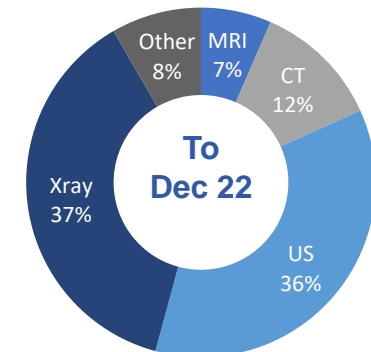
Location and Brands



12-month Revenue by Modality



12-month Services by Modality



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

- Standardised operating model as platform for organic growth
- Value creation through post-acquisition integration
- Performance management through business intelligence and analytics

Destination Employer

- Employee Value Proposition
- Clear performance & reward mechanisms
- Focus on professional development
- Values driven people processes

Next-generation Technology

- Highly secure and effective technology model
- Holistic approach to technology encompassing clinical outcomes, operational efficiency and patient experience

First-choice Provider

- Differentiated customer and marketing plan
- Focus on and resourcing referrer relationship management including CRM implementation
- Patient experience management

Values-based Communications

- Coherent stakeholder communications strategy
- Focus on developing industry and government relationships
- Industry thought leadership program

4 ENGINES OF GROWTH



Organic

- Focus on 'go to' market strategy to drive market share.
- Match our resourcing to patient demand
- Implementation of recruitment and retention strategy to increase sonographers and radiologists



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

- Continued focus on acquisitions which represent strategic geographic expansion
- Acquisitions accretive to Capitol, attractive multiples
- Significantly uplift brownfield where market supports stepped growth
- Proactive portfolio management



Technology Investment

- Referrer interface software and telehealth functionality
- Explore latest technology for telecommunications and better patient experience (RIS)
- Consider artificial intelligence software to drive quality assurance and workflow efficiencies

HY FY23 – BALANCE SHEET

	HY23	FY22
Current Assets		
Cash and Cash Equivalents	14,846	13,384
Trade and Other Receivables	5,003	3,637
Other Financial Assets	105	113
Other Assets	2,329	736
GST Receivable	1,383	1,061
Income tax receivable	0	1,176
Total Current Assets	23,666	20,107
Non-Current Assets		
Plant & Equipment	45,867	44,464
Right-of-Use Asset	60,821	56,701
Intangible Assets	175,560	125,111
Other Financial Assets NC	1,268	19,181
Other Receivables	255	294
Deferred Tax Assets	5,473	5,328
Total Non-Current Assets	289,244	251,079
Total Assets	312,910	271,186
Current Liabilities		
Trade and Other Payables	12,338	11,507
Lease Liability	11,703	10,346
Employee Benefit Liability	12,531	11,685
Income Tax Liability	1,408	-
Total Current Liabilities	37,980	33,538
Non-Current Liabilities		
Loans and Borrowings NC	68,800	19,000
Lease Liability	54,984	51,860
Other financial liability	3,423	3,771
Provisions	2,597	2,611
Employee Benefit Liability NC	467	437
Deferred Tax Liabilities	5,245	5,926
Total Non-Current Liabilities	135,516	83,605
Total Liabilities	173,496	117,143
Net Assets	139,414	154,043



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