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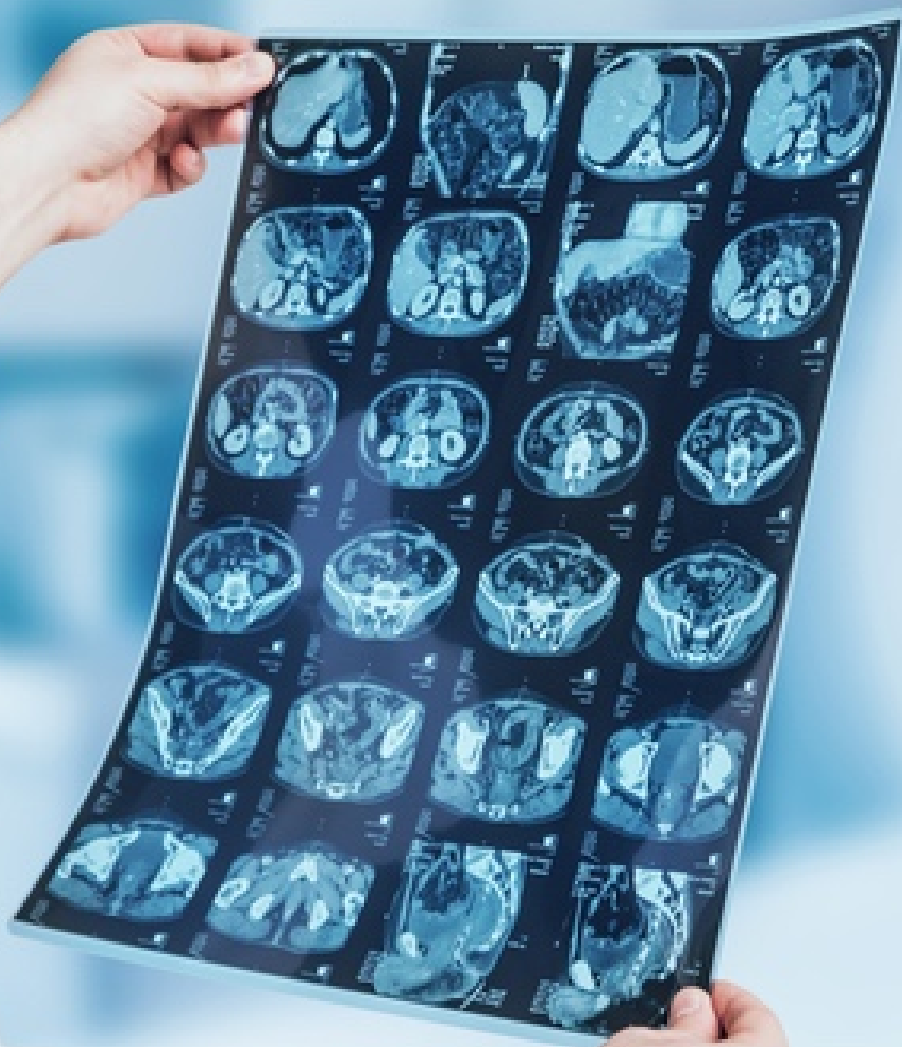
FY 2019 Results

Period ending 30th June 2019



Justin Walter – Managing Director
Marcell Judkins – Chief Financial Officer

28th August 2019



1. Executive Summary

2. FY19 Highlights

3. FY19 Financials

4. Strategy and Vision

5. Growth

Agenda

01.

Executive Summary

Executive Summary

Key Achievements and Highlights:

- Full Year results in line with February Market Guidance for FY19
- Successful completion of 7 acquisitions, adding 16 clinics and entry into the WA market for Capitol Network
- Fully Licensed MRI's for Mildura and Olympic Park clinics
- \$30.2m of additional Revenue representing 25% growth YOY in FY19
- Low level of Net Debt of \$33.5m - 1.3x Underlying EBITDA ¹
- Significant EPS growth, delivering 3.50 cents per share (cps) compared to -1.38 cps in FY18
- Final Dividend of 0.5 cents per share fully franked taking the full year dividend to 1 cents per share

Strategy :

- Review of Operations has been initiated to drive performance in FY20
- Implementation of scalable systems and business processes
- Building team for the next stage of growth, with MD transition and appointment of new CFO and HR Lead.
- Multi-pronged strategy includes development of Customer Value Proposition (CVP) to win market share and Employee Value Proposition (EVP) to retain and attract best talent in the market

FY20 Outlook and Guidance :

- Modest growth in underlying EBITDA expected for FY20

1. Where Underlying EBITDA is equal to Operating Profit before Finance costs, Income Tax Depreciation and Amortisation adjusted for revaluation/ impairment of assets and Transaction costs

02.

FY19 Highlights

FY19 Results Summary

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Revenue

\$149.2 m

Up 25% pcp

Underlying EBITDA

\$26.0 m

Up 21% pcp

Underlying EBITDA Margin

17.4%

NPAT ¹.

\$27.5 m

Up 386% pcp

Net Debt / Underlying EBITDA

1.3 times

EPS

3.5 cps

Up from
-1.38cps pcp

Final DPS

0.5 cps

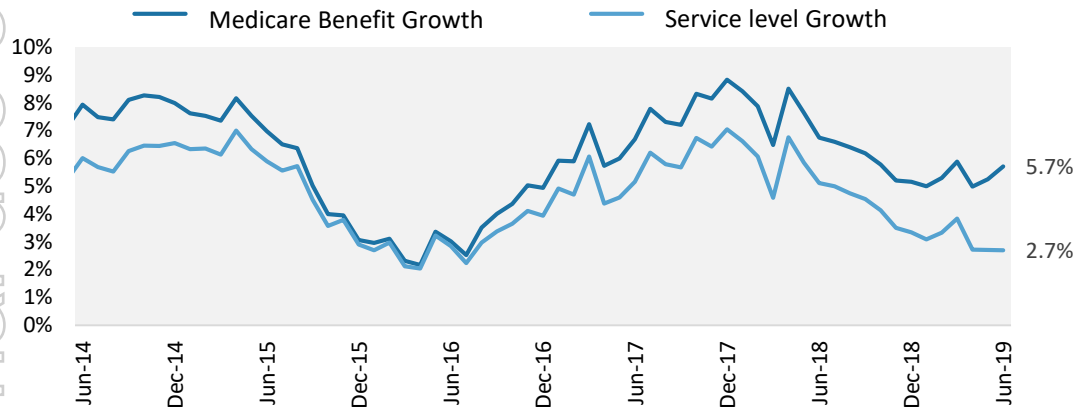
1.0 cps
FY19

1. FY19 included \$22m of revaluation related to Enlitic

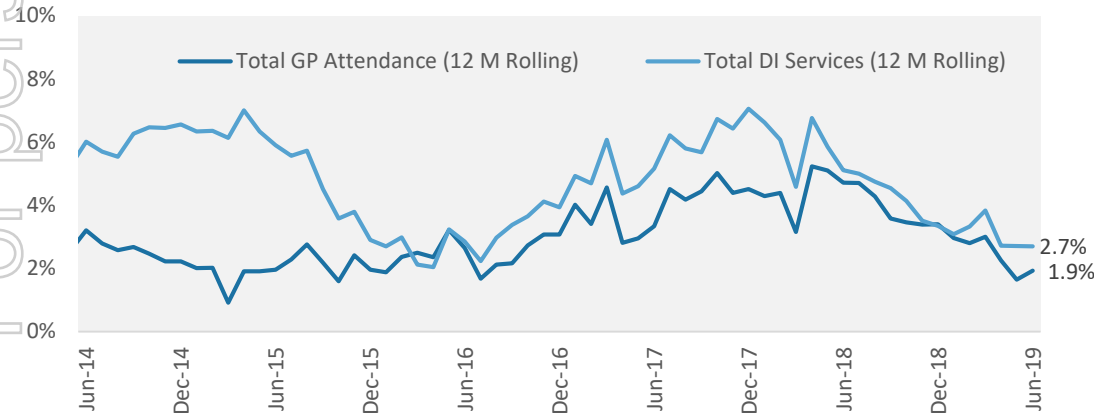
Industry Growth Subdued in FY19

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Diagnostic Imaging (DI) Service levels and Medicare Benefit Payments 12 months Rolling – CAJ States¹



GP Attendance & DI Services - CAJ States¹



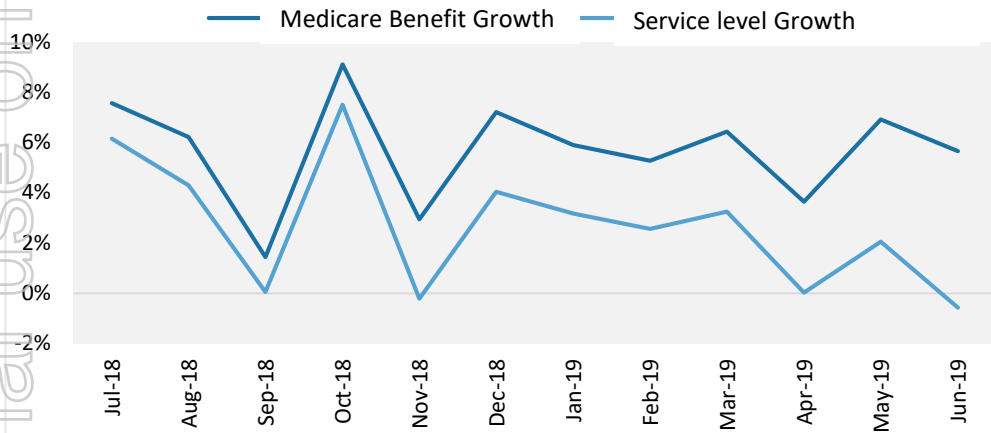
- FY19 saw a strong decline in Medicare Diagnostic Imaging service growth levels from prior year - more consistent with the declines seen in 2015- 2016 to an average of 3%
- This was particularly evident in the second half (3.7% H1 v 2% H2)
- Capitol demand is strongly correlated with GP attendance
- >80% of Capitol referrals come from GP's referrals and >75% of services are bulk billed ²
- GP attendance was particularly weak in FY19 and trended down in the second half
- Given the extent of bulk billing at Capitol and number of licensed MRI's, we aim to better GP Attendance and DI services Growth

¹ Medicare http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp includes performance for hospital and private radiologists

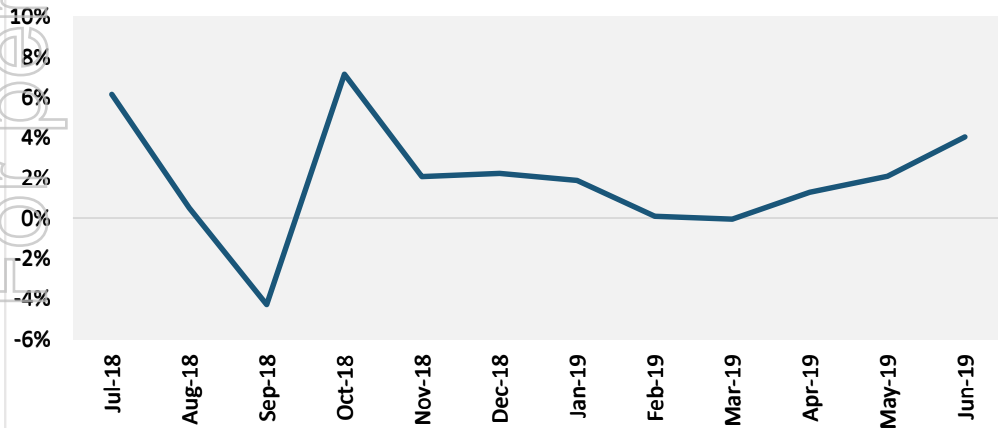
², Based on Capitol Health Victorian Billings

Industry Demand Patchy Throughout FY19

12 months Growth in DI – CAJ States¹



12 months Growth in GP visits CAJ states



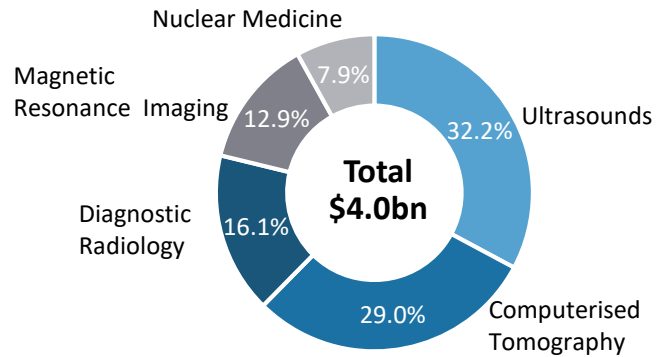
- During FY19 we saw strong declines in demand and weaker growth around the festive period into the second half
- With several months of low and negative growth across the market
- This trend was also reflected more generally across the Capitol network resulting in lower organic growth than prior year in FY19
- The Gap between Medicare benefit growth and services widens on the back of the growth of MRI and shift in demand to higher value modalities
- GP Visits, a lead indicator of demand for Capitol, were depressed and experienced several negative months

¹ Medicare http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp

Strong Industry Drivers Continue

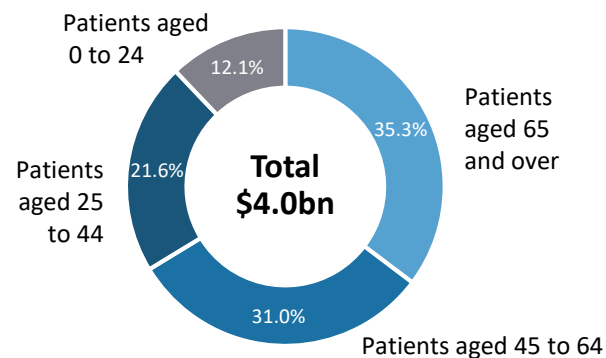
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Product and services segmentation (2018-19)¹



- The Market is currently seeing an increase in divergence between service and value driven by the move to higher value modalities such as MRI from X-Ray
- This is reflected in the growth in Capitol's MRI business by service (12.4%) and value (10.9%)

Major Market Segmentation (2018-19)¹



- Growth continues to be supported by the aging population and the increase in demand for radiology services as we age.
- Patients over 45 account for over 66% of industry revenues

¹ Ibisworld: Diagnostic Imaging Services in Australia 2018

Operational Highlights – FY19

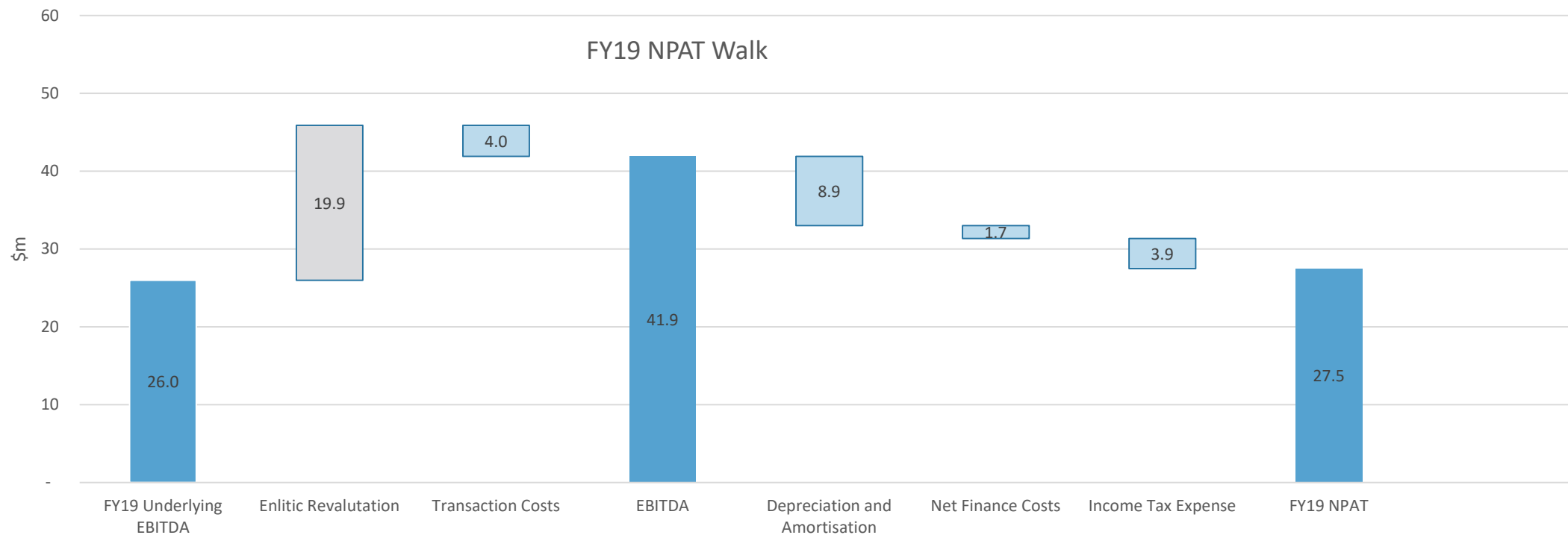
- ✓ Organic growth improved in the second half to deliver 2.8% for FY19
- ✓ 1.2 million of patient visits
- ✓ Strengthened Management Team
 - ✓ New CFO January 2019
 - ✓ Review of operational structures and cost to serve
 - ✓ Review of systems with a view to further automate in FY20
- ✓ Strengthening of Radiologist Capacity in key growth areas
 - ✓ Increased the number of Radiologists in Western Australia
 - ✓ Radiologist network is circa 100 members
- ✓ Introduction of new speciality revenue opportunities
 - ✓ E.g. Cardiac Imaging
- ✓ Continued development of I.T Infrastructure
 - ✓ Improvement in cyber security
 - ✓ Integration of acquisitions onto the standard CAJ IT stack
- ✓ Establishing the baseline for the Capitol Employee, Patient and Referrer Value proposition
- ✓ Re-design of sales team and business development approach



FY19-Net Profit Walk

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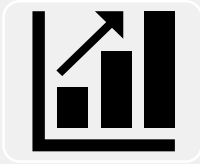
EBITDA growth for FY19 is improved with the revaluation of Enlitic



¹ Where NPAT equals Comprehensive Income

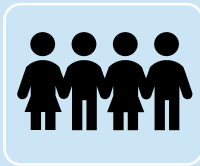
Strategic Framework

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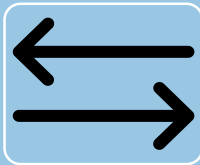
Organic Growth

- Leverage existing referrer base to lift the number of patient visits
- Revenue Optimisation and Re-design sales team to win market share.
- Continue to open 2 x Greenfield sites p.a. and significantly uplift Brownfield where market supports stepped growth



People

- Completion of the inaugural staff, patient and referring Doctor surveys
- Establish the Capitol Health culture and develop Corporate Values, EVP
- Employer of Choice - Further develop inhouse development program for Dr's and Techs
- Investment in People & Culture function with new HR Lead



Systems & Processes

- Investment in technology – IT, Enlitic, Electronic access to records & images, Teleradiology to deliver efficiencies
- Implement CRM system to leverage referrer base
- Update to market leading employee engagement platform



Integration

- Centralisation and automation of corporate functions
- Automation of accounts payable and introduction of new purchasing processes to reduce unit costs
- Focus on WA to enhance acquisition synergies and expand EBITDA margins



Communication

- Consolidate acquisitions into central communication systems
- Transition acquisitions to single operating systems for workflow and report sharing
- Launch intranet and Re-design company website








Acquisition Summary

Capitol acquired 16 clinics during FY19 and successfully expanded into Western Australia

Delays in IT integration has slowed the acquisition synergies contribution to the group

- Capitol health Branding project in WA is expected to lift the brand presence and market share in WA in FY20
- Growth opportunities remain strong in WA for the outlook period
- A review of current acquisition approach underway to ensure the following:
 - Establish a healthy pipeline
 - The acquisition criteria framework appropriately informs evaluation and access of value

Announced Acquisitions \$m:

Target	% Acquired	Sites	ASX Announcement Date	Integration Level	Proforma Revenue	Proforma EBITDA	Acquisition Consideration
Spectrum Imaging	100%	6	18- Sep-18		\$16.5m	\$3.1m	\$17.0m
Integrated Radiology	100%	1	18- Sep-18				
Imaging Central	100%	1	18- Sep-18				
Quinns Medical Imaging	100%	1	14- Jan -19				
West Coast Radiology	100%	2	12- Oct -18		\$4.2m	\$0.9m	\$5m
Uniradiology (Carlton)	100%	4	14- Jan -19		\$6.3m	\$1.2m	\$8.1m
Specialist Vein Care	100%	1	12 – July 19				

MRI licensing



Federal Government allocated 53 new MRI licenses across Australia. Largely to public and private hospital facilities, particularly in Victoria (8/12)



Capitol received 1 new full licence at Imaging Olympic Park taking its fleet to; 3 full licences, 7 partial licenses and 8 unlicensed



The MRI modality continues to expand as it now represents 14.2% of total DI Medicare spend (0.5% up from 13.7% in FY18) and has become a mainstream modality.

Capitol's MRI business reflects this growth despite only 1 new full license being issued in the process and the issue of 3 new competitive licenses in Victoria. Growth in demand is such that Capitol's MRI business continues to grow

Capitol's referrer base is 85% GP driven who continue to refer to partial and unlicensed locations



¹With an estimated population of 600 hundred MRI machines across the country there is a strong argument for deregulation and treating MRI like other modalities.

¹Internal Company estimates

Capital Management

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On market share buy back

- The Share buyback is continuing when share price not reflective of value.
- During FY19 30.9m shares were purchased for \$9.6m (average price 24.5 cps)
- The Company refreshed its buyback capacity in August 2019 which allows a further 76.8 m shares to be acquired
- The company continues its commitment to buying back shares when its share price not reflective of value

Dividend & DRP

- Declared dividend 0.5 cps (along with interim 0.5 cps) represents 1.0 cps for the FY19 year
- The Company has suspended the Dividend Reinvestment Plan (DRP) pending capital management activities
- The company continues its commitment to a steadily growing and sustainable fully franked dividend

03.

FY19 Financials

FY19-Profitability

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Profit and Loss summary				
\$m	FY2018	FY2019	Growth	% Growth
Revenue	119.0	149.2	30.2	25%
Underlying EBITDA	21.6	26.0	4.5	21%
<i>Underlying EBITDA Margin</i>	<i>18.1%</i>	<i>17.4%</i>		
Impairment writeback (writeup)	15.2	(19.9)		
Transactions costs	4.5	4.0		
EBITDA	1.9	42.0	40.0	2080%
Depreciation & Amortisation	6.5	8.9		
Borrowing Costs	4.5	1.7	2.9	63%
Tax	1.9	3.9		
Discontinued operations	(0.1)	-		
Exchange rate	(1.3)	0.0		
Total Comprehensive Income	(9.6)	27.5	37.1	386%
Remove Enlitic impact	15.2	(19.9)		
Underlying NPAT	5.6	7.6	2.0	37%

- High level of growth across key financial metrics
- Small EBITDA margin reduction driven by increase in Radiologist capacity / subdued demand
- Enlitic Investment further revalued reflecting their success over last 6 months
- Debt restructuring in FY18 reducing on going finance costs
- underlying NPAT improvement

FY19 – Cash Flow

CASH FLOW SUMMARY

\$m	FY2018	FY2019	% Growth
Cash Receipts and Payments	18.4	24.5	33%
Net Interest	-5.3	-1.8	
Income tax paid	-2.0	-4.4	
Net Cash from operations	11.1	18.3	65%
Proceeds from Assets/ Investment	84.3	0.0	
Purchases of PP&E	-6.8	-14.7	116%
Acquisition purchase and costs	-31.1	-35.6	
Net cash from Investing activities	46.4	-50.3	
Payment of Dividends	-2.5	-6.6	165%
Payment relating to Share Buy Back / Capital	-4.9	-7.9	61%
Proceeds (Repay) Borrowings and Leasing arrangements	-56.2	41.7	
Net change in Cash and equivalents	-63.6	27.2	
Net Increase in cash for period	-6.1	-4.8	
Opening balance	18.2	12.1	
Cash and cash equivalents at End of Period	12.1	7.3	

- Net Cash from Operations increased by 65%
- Capex Investment doubles pcg
- Returns to shareholders significantly increased by 2.6x dividends payments and increased share buy back activity

Other Key Cash Measures

\$m	FY2018	FY2019	Growth %
Net Cash From Operations	11.1	18.3	65%
Maintenance Capex	5.0	5.9	18%
Free Cash Flow	6.1	12.4	103%
FCF/ Underlying EBITDA (Cashflow conversion)	28%	48%	68%

- Generated free cashflow of \$12.4m more than double up on pcg
- Free cashflow conversion on Underlying EBITDA up to 48% up from 28% in pcg
- Debtor Days reflect the bulk billing and average at 4 days

FY19 – Balance Sheet

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Balance Sheet		
\$m	FY2018	FY2019
Cash	14.8	12.2
PP&E	30.2	42.5
Intangibles	77.1	107.3
Financial assets		20.5
Other	6.8	5.6
Total Assets	128.9	188.1
Loans & Borrowings	4.0	45.7
Other	23.0	26.8
Total Liabilities	27.0	72.5
Net Assets / Equity	101.9	115.6
Net Debt	-10.8	33.5
Gearing		1.3

- PP&E continues to grow due to investment in current clinics and the addition of acquisition assets
- Intangibles increase largely due to Goodwill on acquisition
- Financial assets reflect the revaluation of the Enlitic Investment
- Net Debt increases due to acquisitions over the year
- Low gearing - Net Debt/ Underlying EBITDA ~ 1.3x
- Substantial available facility undrawn providing strong remaining balance sheet capacity of \$100m
- Net Debt/ Underlying EBITDA expectation of 2x maintained

Capex Investment

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Capex		
\$m	FY2018	FY2019
Maintenance	5.0	5.9
Growth	1.2	7.3
Total	6.2	13.2
Depreciation and Amortisation	6.5	8.9

- Significant increase in growth CAPEX- investing in pipeline assets
- Maintenance spend at replacement levels
- \$2m Greenfield development delayed in FY19 and rolls over to FY20
- Capex Investment in FY20 is expected to be consistent with this trend

04.

Strategy and Vision

Vision and Business model

How do we serve our community?

Capital Radiology commits to the provision of affordable and high quality diagnostic imaging. We aim to treat our patients with empathy and understanding and our referrers with respect and professional courtesy.



Capitol acknowledges the acceptance and growth of MRI and CT technologies in achieving adequate health outcomes for the community; hence we have focused intensively on these modalities as part of our next phase of growth.



At the core of our business is a team of professional radiologists, supported by a range of other health professionals providing high quality care.

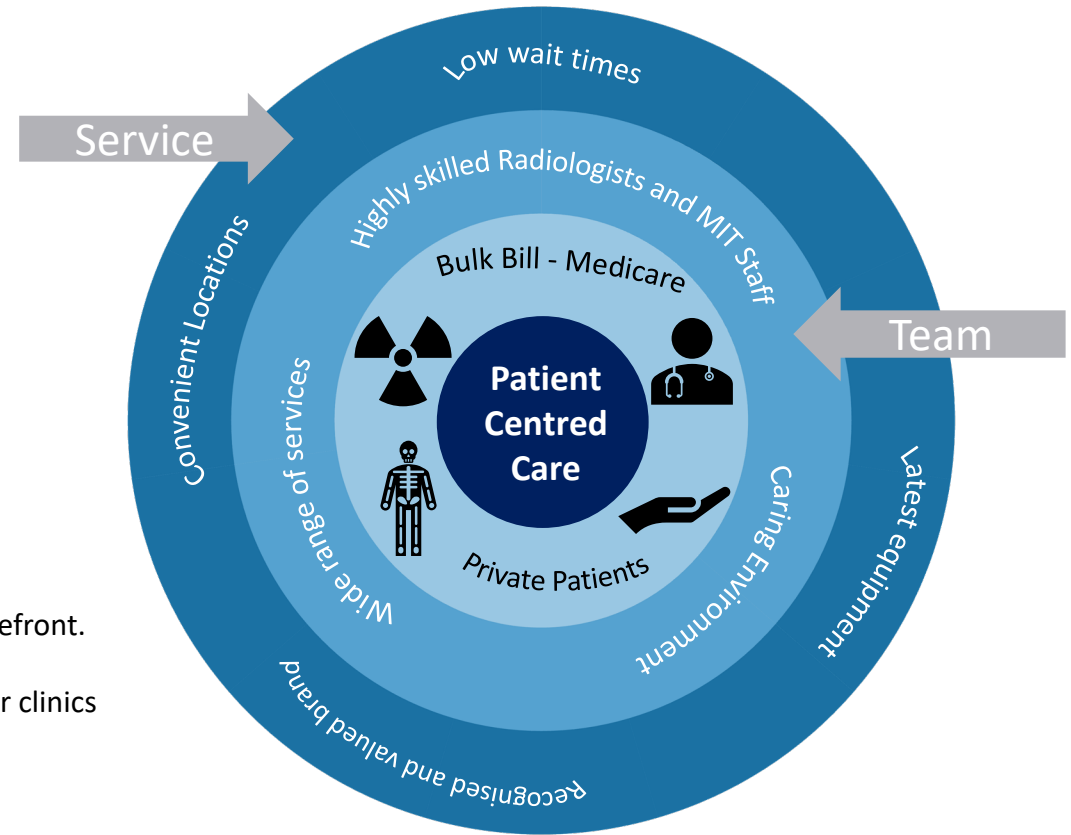


Technology plays a key role in our business and Capitol strives to be at the forefront. Our Investment and support for Enlitic is expected to:

- drive value for our shareholders through the utilisation of technology in our clinics
- improve the quality of outcomes for patients and
- differentiate our service from the competition

Capitol's Vision

To be the leading provider of community based Imaging in Australia

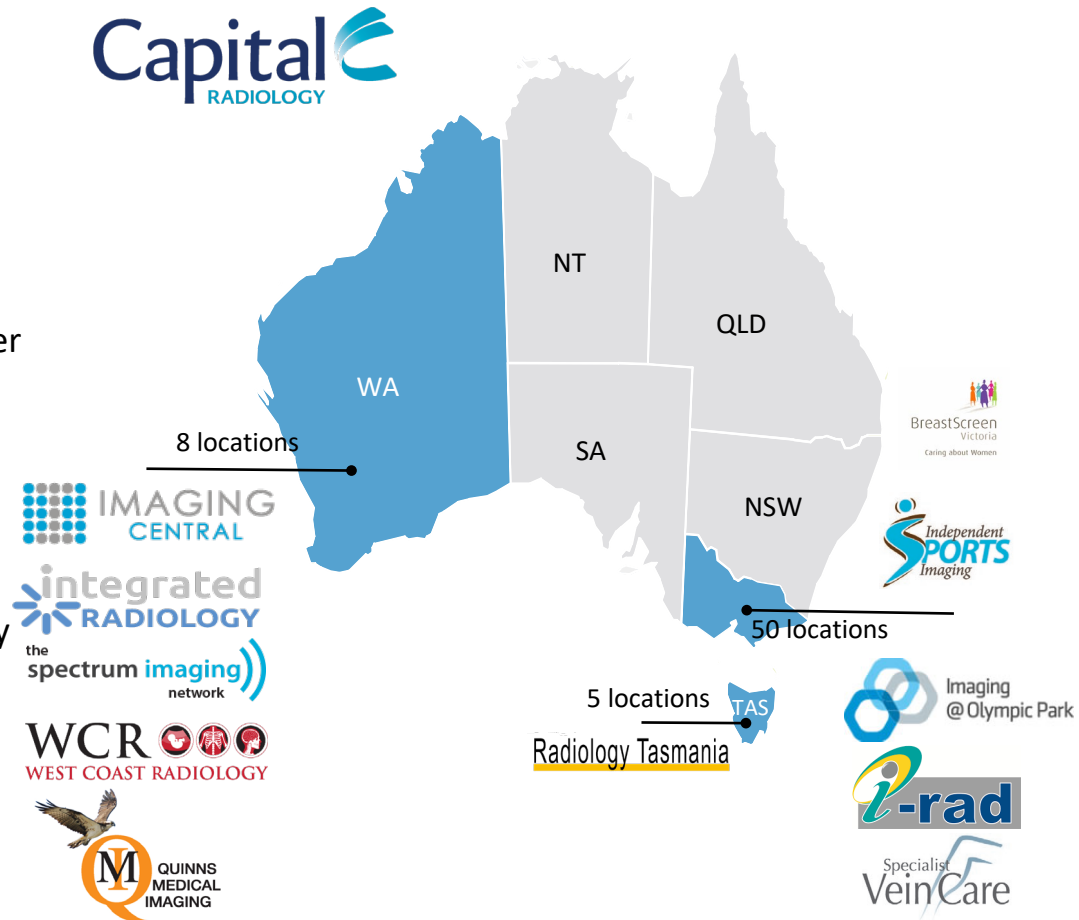


The Capitol Business

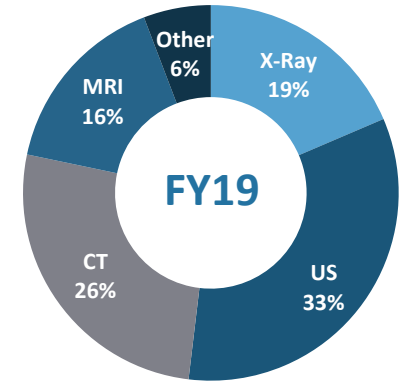
Overview

- Capitol is an ASX listed leading provider of diagnostic imaging and related services to the Australian healthcare market
- Owns and operates 66 clinics throughout Victoria, Tasmania and Western Australia
- Facilities are predominantly community-based rather than hospital-based, with priority given to service and minimisation of administrative burdens for healthcare professionals
- Conducts more than 1.1 million procedures annually and employs c.800 staff and c. 100 radiologists
- Strategic investment in diagnostic imaging artificial intelligence through Enlitic Inc in the US

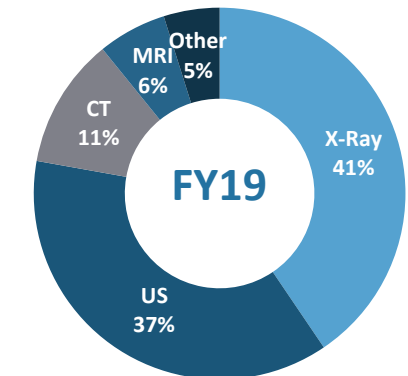
Locations and Brands



Revenue by Modality



Services by Modality



CAPITOLHEALTH
LIMITED

05.

Growth

Well Positioned for the next level of Organic Growth

Key Growth Drivers

- Market growth expected to return to longer term average driven by fundamentals of demand (Population growth and aging demographic)
- Priority will be given to the development of a rolling acquisition and Greenfield/Brownfield pipeline to build momentum over the next three years
- Radiologist and Staff activity will be more closely aligned to the patient demand – measured in real time through the investment in new systems
- WA Branding project to leverage the Capital Radiology branding in WA and provide strength to the clinic network.
- Cost to serve reviews to remove unprofitable revenues and improve efficiencies at the clinic level
- Portfolio approach to Clinic review – to ensure appropriate community coverage and utilisation of investment equipment
- Restructure BDM team and approach to win market-share

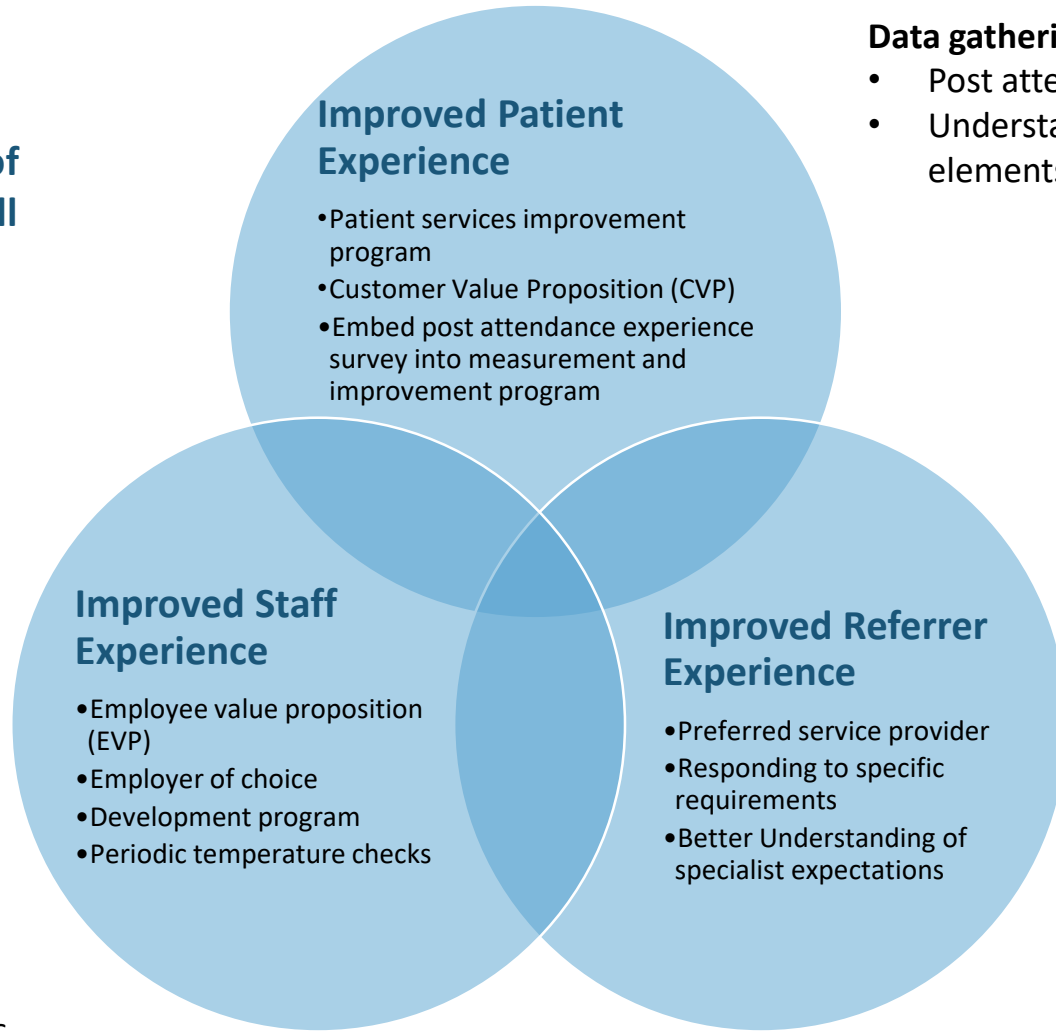
Outlook

- Focus on delivering underlying EBITDA organic growth in FY20
- Investment in systems, process, and capacity to set the Company up for stronger growth into FY21
- Medicare DI indexation introduced July 2020 – expected to be CPI for 80% of outlays
- Review of costs to serve by clinic may result in closure and/or consolidation of underperforming clinics – resulting in higher quality revenue

Better Understanding Staff, Referrer & Patient Experience

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By improving the experience of each of our key influencers will differentiate Capitol Health services in the market



Data gathering techniques:

- Post attendance survey
- Understand patient experience and key elements of service

Bulk billing service a competitive alternative to gap paying services

Data gathering techniques:

- In depth interviews and surveys
- Relative market positions v competitors
- Key drivers of referral

Data gathering techniques:

- In-depth staff interview
- Staff survey
- Detailed findings and ideas

Future Growth – Through Acquisition

Why we acquire?

- To build the community radiology network and leverage the technology and generate economies of scale required in a largely bulk billing business
- Increase geographic coverage and footprint
- Build momentum for year on year organic growth
- Expand EBITDA through acquisition synergies
- Acquire talent and industry know how
- Obtain specialist Radiologists

Our target acquisitions?

- Location that compliment our network
- Where synergies can be delivered
- Where clinic Investment will drive organic growth
- Pricing makes sense and will deliver value to shareholders.
- To obtain access to people and systems
- Alignment of vision and Values and customer experience

Acquisition Pipeline

- Competition for radiology networks are becoming more appealing as the markets seek returns
- Capitol Health expertise in acquisitions and industry knowledge allows acquisitions that may not be suitable to passive investors
- Pipeline will be further developed in FY20
- Headroom in funding facilities will provide opportunities for FY20

Emerging Acquisition Pipeline for FY20

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- Potential acquisition's refer to total pipeline of acquisitions currently in discussion. Not yet committed.
- Total acquisition price ~\$35m-\$45m generating EBITDA ~ \$6.6m at a Multiple range between 5.5 and 7.5x
- Includes a number of smaller acquisitions

Acquisition Pipeline (next 18 months)

Name	Geography	Revenue Est.	Probability
Target 1	Vic	\$10m	Medium
Target 2	New	\$8m	High
Target 3	New	\$3-\$5m	Low
Target 4	New	\$15m	Medium

Bridging Human and Artificial Intelligence to Advance Medical Diagnostics

Enlitic has transformed over the past year, building a world-class team and platform around a unified vision

- Completed US\$15mn Series B financing
- Signed first commercial agreement with Marubeni and Konica Minolta for market entry in Japan
- Launched proprietary data center, enabling a 10x increase in model development speed
- Launched new research platform with Capitol Health, starting with Quality Assessment of Chest XR
- Hired key leadership in operations, finance, regulatory, quality, business development, design, and communications
- Doubled the size of the engineering and modeling teams and opened a NY office



Enlitic is moving rapidly into 2020

Focused on mass commercialisation and scaling technical development

- Research platform to support AI-assisted interpretation of 95% of standard XR views by December 2019 and 95% of CTs by December 2020
- First US FDA clearances and international certifications expected this calendar year with several more from FDA/TGA/PMDA/CE throughout 2020
- Early US revenue expected by December 2019 with wide-scale commercialization in US, Japan, Canada, Australia, and the Middle East in FY21
- Multiple partnerships with data and commercial support in oncology, pathology, and genomics expecting to close throughout 2019 and 2020



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