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CAPITOLHEALTH
LIMITED
ASX:CAJ

FY 2015 Full Year Results Presentation
AUG2015

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1. About Capitol Health

- Capitol Health Limited (ASX:CAJ) is an Australian public company providing medical diagnostic imaging (DI) services
- It is the largest community based (non-hospital) DI provider within Victoria and is the only ASX-listed company operating exclusively in DI
- The Company employs approximately 700 staff and contractors across 66 facilities Victoria and NSW
- The Company's objective is to build a leading primary healthcare business generating sustainable growth and profitability for shareholders whilst delivering a superior patient experience

Key Information	Taken at market close 10/08/15
Share price	\$0.72
Shares on issue	522,567,973
Market capitalisation	\$376,248,941
52 week range	\$0.535 - \$1.10

2. Full Year Results FY2015

KPI	FY2015	FY2014	% change
Revenue	\$111.2	\$90.3m	+ 23%
NPBT Margin *	14.5%	11.3%	+ 325bps
NPBT *	\$16.2m	\$10.2m	+ 59%
NPAT (reported)	\$3.9m	\$7.2m	- 46%
EPS (underlying) #	2.49c	1.68c	+ 48%
DPS (fully franked)	1.25c	0.90c	+ 39%

- * Underlying number, excludes \$8.4m in one-off transaction and restructuring costs associated with acquisitions, of which \$5.7m is non-recurring, non-deductible cost (ie stamp duty); ~\$0.4m of tax benefit

- # Includes issue of ~26m shares as part of SPP in February 2015

3. Results Commentary

Revenue up 23% to \$111.2m

Driven by:

- Market share gains
- Organic industry growth
- Acquisition of SR and IOP (part year)
- Govt regulatory changes to MRI referral rights



Underlying NPBT up 59% to \$16.2m

Underpinned by:

- Scalability of the business model
- Ongoing improvements in cost and operational efficiencies
- Higher relative gap-charging clinics in the network
- Underlying NPAT of \$11.8m and reported NPAT of \$3.9m reflecting higher effective tax rate due to non-deductible and partially deductible one-offs; deferred tax asset in future years
- Underlying EBITDA of \$22.6m

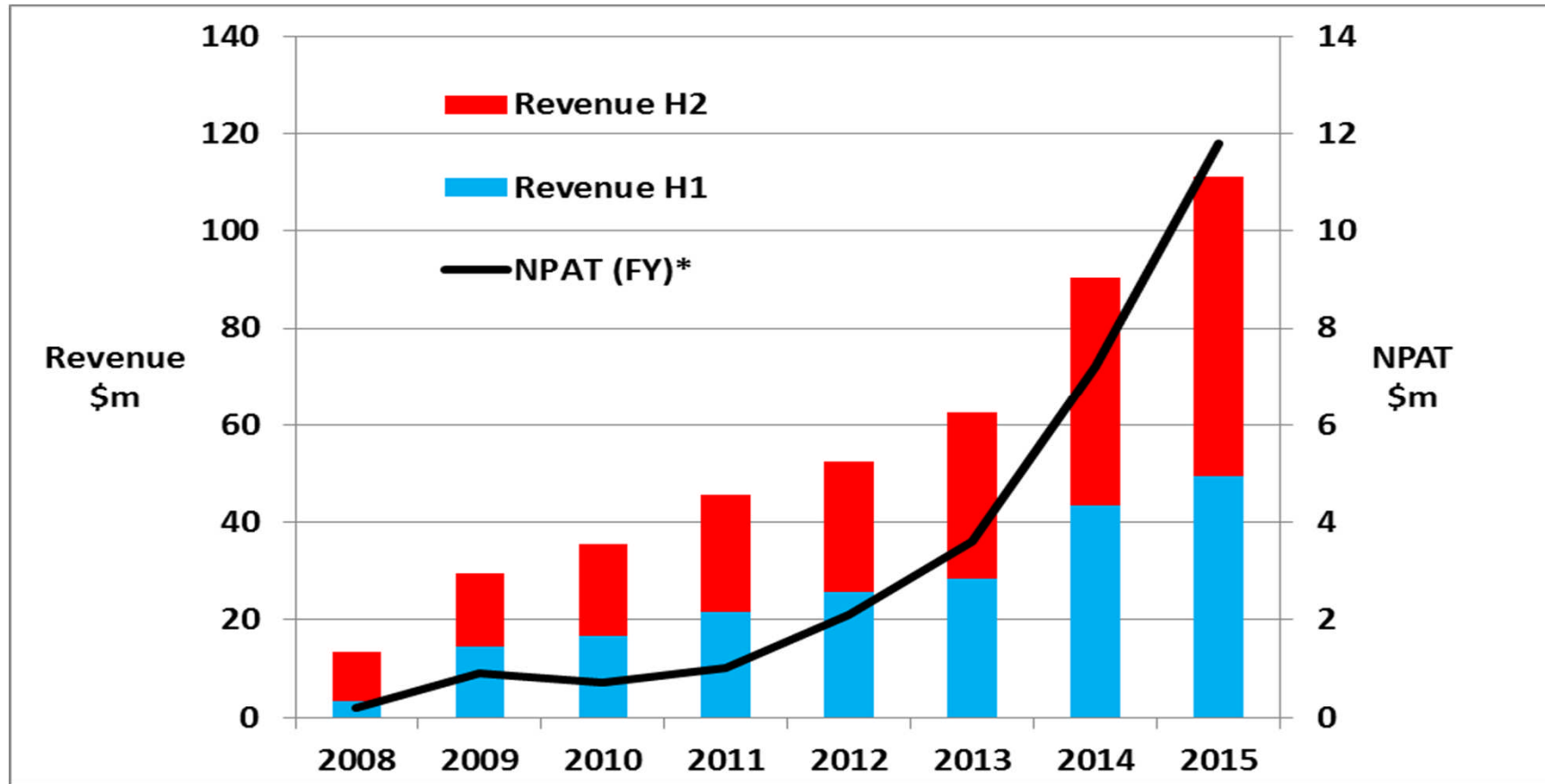


39% Dividend Uplift

Key details:

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

4. Track record continues



- Organic, year-on-year revenue growth (pre acquisitions) of 8%
- Split between 1st and 2nd half in line with previous years
- * FY15 NPAT normalised to remove impact of one-off acquisition costs

5. DI – A changing landscape

- Ageing population and focus on sub-specialty radiology to drive growth
- Government Policy
 - In April the Government established a Medicare Benefits Schedule (MBS) Review Taskforce
 - Its purpose is to review more than 5,500 services listed on the MBS Schedule across all medical disciplines
 - The MBS Review Taskforce will consider how services can be aligned with contemporary clinical evidence and improve health outcomes for patients; the outcomes of this review are expected some time in 2016
 - No change expected for FY16
- Consolidation a growing factor in industry landscape
- Data analytics and significant investment in cyber security will bolster and enhance our service offering and minimise business disruption
- Technology creating an interface between stakeholders driving productivity and improving patient outcomes through personalised medicine

6. Acquisitions

- The following acquisitions have been completed:
 - Imaging @ Olympic Park (VIC) (02 February 2015)
 - Southern Radiology (NSW) (01 April 2015)
 - Sydney Radiology (NSW) (11 June 2015)
 - Eastern Radiology (NSW) (01 July 2015)
- Acquisitions have contributed broadly in line with expectations with Capitol investing heavily in initiatives to drive financial performance and synergies in FY16 and beyond
- Capitol in the final stages of executing another NSW purchase; adding ~\$7m in revenue and purchased at less than 5x EBITDA
- The acquisition of Eastern and key radiologist hires will exploit opportunities through the NSW network
 - Further acquisitions pending funded from cashflow and existing debt headroom
 - Restructure of Southern hospital relationships
 - Moving MRI licenses to unlock fee potential

7. FY 2016 Industry outlook

- Outlook for FY 2016 continues the themes developed over the last few years
- Industry growth driven by:
 - Expanding and ageing population
 - Emphasis on early detection and prevention
 - First time sub specialty radiology
 - Critical service to Australian healthcare industry
 - Improved accuracy and capability of imaging techniques attracts greater usage for preferred providers
 - Government initiatives favouring those participants who have invested through shift towards MRI
 - Technology disruption driving client outcomes and company productivity
 - Personalization of medicine driven IT systems, networks and mobile devices

8. FY 2016 Capitol Health outlook

- Strong performance expected to be maintained in FY 2016
- Significant investment in IT to deliver a standard workflow environment, best of breed data and network security and investment in functional networking systems that improve the communication between referrers, patients & Capitol
- Focus on integrating acquisitions and driving synergies and network benefits
- Further organic and acquisitive growth:
 - Government initiatives and Capitol's superior customer offering are expected to drive further organic growth
 - The Board remains responsive to further opportunities for expansion via acquisition and through contract wins
 - Radiologist recruitment initiatives
- Continued uplift in revenue and profits:
 - Network expansion & customer offering expected to deliver further market share gains
 - Highly scalable and low-cost business model firmly in place
 - Investment in technology to improve workflow
 - Debt headroom for future acquisitions
 - Board remains committed to a Progressive Dividend Policy supported by strong future cashflows

9. Summary

Capitol is positioned to deliver sustainable growth and profitability through:

- Strong financial performance – record Interim and Annual results
- Clear and focused strategy – still the only ASX company exclusively in DI
- Highly scalable business and adaptive model with low-cost base
- Attractive offering for customers, Radiologists and referrers
- Supportive regulatory environment
- Attractive Dividend yield and growth
- Positioned to benefit from future industry consolidation



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