

ASX ANNOUNCEMENT

25 August 2017

Final Results for Period 1 July 2016 to 30 June 2017

- Operating revenue of \$162.5m (up 2.6% or \$4.1m on FY16)
- Core radiology EBITDA of \$22.2m before one-off restructuring costs, ahead of guidance range of \$19.5m to \$21.5m
- FY18 full year results guidance: group operating revenue of \$118m to \$122m and core radiology EBITDA of \$19m to \$21m
- \$81.5m NSW asset sale on track for completion on or around 31 August 2017

Capitol Health Limited (**Capitol** or the **Company**) (ASX:CAJ) provides final full year results for the period 1 July 2016 through 30 June 2017, along with revenue and earnings guidance for the full year to 30 June 2018.

Capitol generated operating revenue of \$162.5m for the year ended 30th June 2017. This was in line with guidance and up 2.6% or \$4.1m on the previous corresponding period of FY16 (with 1 less working day). Underlying core radiology EBITDA was \$22.2m (ahead of guidance of \$21.5 mill) before restructuring and one-off costs. EBITDA after largely non-cash ISI's was \$12m.

Core Radiology EBITDA	\$22.2m
Add back (non-recurring) Individually Significant Items:	(\$10.2m)
Total group EBITDA (after ISI)	\$12.0m
Borrowing Costs	(\$7.0m)
Depreciation & Amortisation	(\$8.4m)
NPBT	(\$3.4m)
Tax	(\$0.7m)
NPAT	(\$4.1m)

The Company reaffirms its previous guidance for the FY18 financial year assuming completion of the sale transaction on or around 31 August 2017.

*Range of Total Group Operating Revenue	\$118m to \$122m
*Range of Core Radiology EBITDA	\$19m to \$21m

**FY18 includes approx. \$8.6m of revenue & \$1.3m of EBITDA from 2 months of NSW operations and the expected reduction in overheads.*

As previously advised, the Company continues to review opportunities for potential diagnostic imaging acquisitions that, if achieved will be accretive to earnings.

Capital Management

Capitol recently announced an on market share buyback of up to 52.3 million shares in the Company, upon receipt of the Sale proceeds of the NSW Assets. The Company also confirms that it intends reinstating dividends in the FY18 year (subject to corporate, legal and regulatory considerations), along with its plan to redeem the \$50m in unsecured notes in May 2018.

Cost Reductions

The cost reduction and restructuring program is now materially complete, with total annualized overhead cost savings totaling almost \$6m pa. Around \$2m of the cost benefit impacted FY17 earnings, with the balance reflected in the 2018 year.

Outlook

The return of stronger Medicare growth rates in the 5%-6% range provide a platform for revenue growth in the FY18 period. Revenue from Victorian operations slightly outpaced Medicare growth rates during the FY17 period, and this has continued early in the FY18 year. This growth provides a upside opportunity for FY18 earnings, as guidance was based on more moderate 3.5% revenue growth. Similarly, new acquisitions were not included in the FY18 guidance.

Sale of NSW Assets

The sale of the NSW assets is expected to complete on 31 August 2017.

Change to Employment Terms of Managing Director

Following consideration of a benchmarked remuneration market data report, achievements in the financial period and the importance of retention, the Board has made the following changes to the employment terms of the Managing Director:

- In respect of the 2017 financial year, the Board approved an additional \$125,000 Short Term Incentive payment;
- The fixed remuneration of the Managing Director was increased to \$650,000 per annum, effective 25 August 2017;
- The Managing Director's Short Term Incentive was amended to a target incentive of 50% of his fixed remuneration and a potential incentive of up to 75% of his fixed remuneration;
- An additional long term equity incentive of 75% of fixed remuneration with appropriate performance hurdles, the specific terms to be agreed and subject to shareholder approval.
- The Managing Director's Notice Period was amended to 12 months from either party.

For further information, please contact:

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About Capitol Health

Capitol Health is a leading provider of diagnostic imaging and related services to the Australian healthcare market. Headquartered in Melbourne, Victoria, the Company owns and operates clinics throughout Victoria. The Company's operational focus is on delivering a community-based infrastructure for radiologists and related medical practitioners to deliver optimal, efficient, accurate healthcare service outcomes for patients.

Capitol also has an investment in diagnostic imaging artificial intelligence through Enlitic Inc in the US and a collaboration agreement with Enlitic regarding revenue share from the sale of Enlitic's Deep Learning Services in the radiology field in China.

Capitol also recently entered the Chinese diagnostic imaging market through a Joint Venture with CITIC Pharmaceutical (Shenzhen) Co., Ltd ("CITIC Pharmaceutical") and Xiamen Zhouxin Medical Image Co., Ltd (Zhouxin) to provide consulting and clinic management services to a network of independent imaging clinics to be created by CITIC and Zhouxin across mainland China.