

# Annual General Meeting

22<sup>nd</sup> November 2017



CAPITOLHEALTH  
LIMITED

# Managing Director's Presentation

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# Financial Performance – FY17

- Operating revenue of \$162.5 mill (up 2.6% or \$4.1 mill on FY16)
- Core radiology EBITDA of \$22.2 mill before one-off restructuring costs
- Transformational year commenced rebuilding shareholder value

PROFIT & LOSS SUMMARY <sup>1, 2</sup>		
	FY17 (\$m) <sup>3</sup>	FY16 (\$m)
Operating Revenue	162.5	158.3
<b>EBITDA prior to ISI</b>	<b>22.2</b>	<b>23.0</b>
Net ISI	(10.2)	(14.0) <sup>4</sup>
<b>EBITDA after ISI</b>	<b>12.0</b>	<b>9.0</b>
Borrowing Costs	(7.0)	(5.2)
Depreciation & Amortisation	(8.4)	(7.0)
<b>NPBT</b>	<b>(3.4)</b>	<b>(3.2)</b>
Tax	(0.7)	(1.5)
<b>NPAT</b>	<b>(4.1)</b>	<b>(4.7)</b>

1 Abridged summary prepared for comparative purposes; refer to Annual Report for statutory detail

2 Figures rounded to nearest \$100k; sums subject to rounding differences

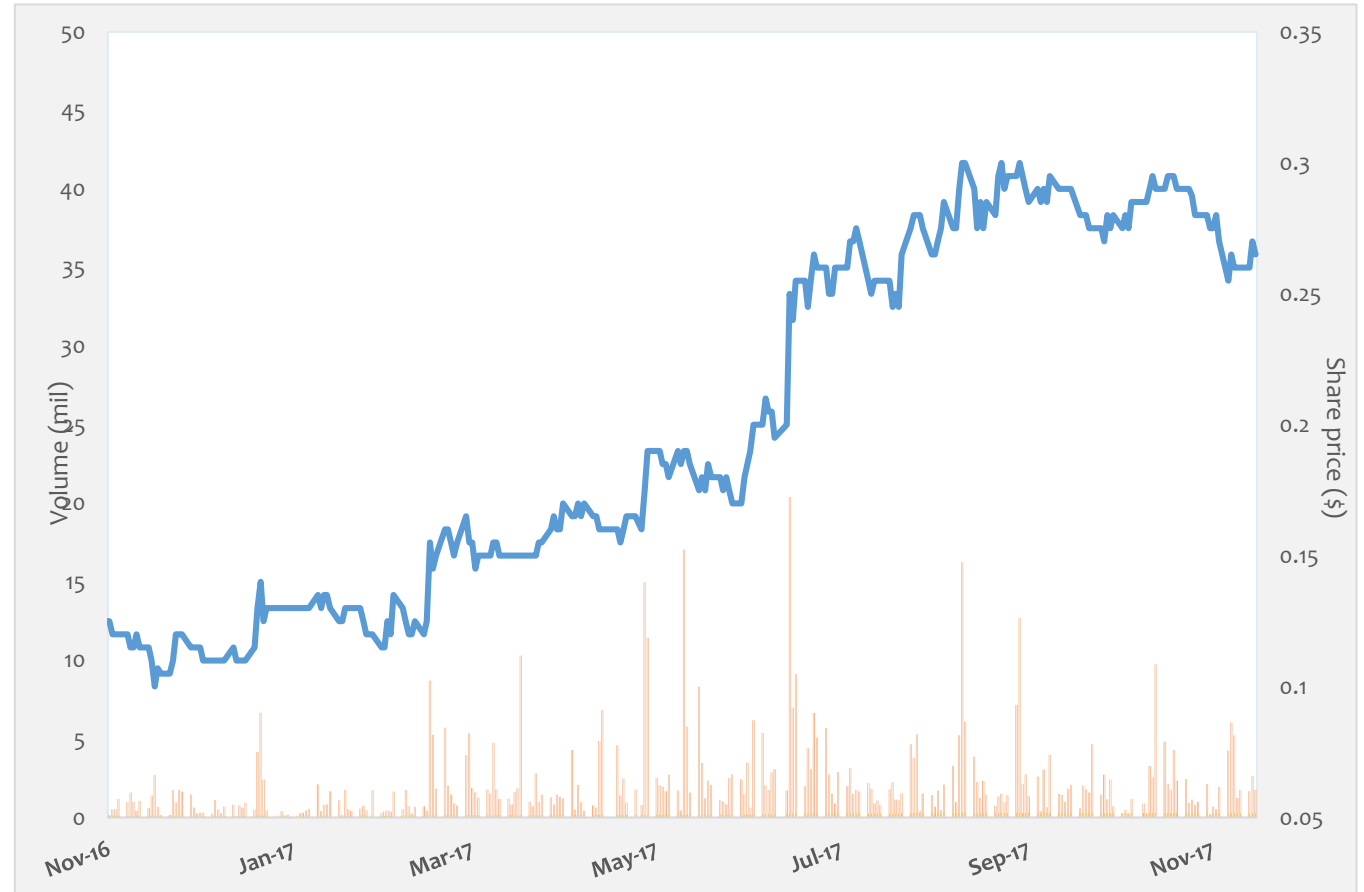
3 Sum of continuing and discontinued operations

4 Includes (\$0.8) of FY16 china Business Development Expenses

# Last 12 months

- Restructuring complete, one-off restructuring costs contained in FY17
- Balance sheet repair complete
- NSW Asset sale proceeds of \$81.5m
- Balance sheet net \$45m cash
- Substantially rebuilt share register
- Renewed focus on Radiology and Clinicians
- Right sized costs base - Strong operating margins
- Appointed new independent director – Richard Loveridge

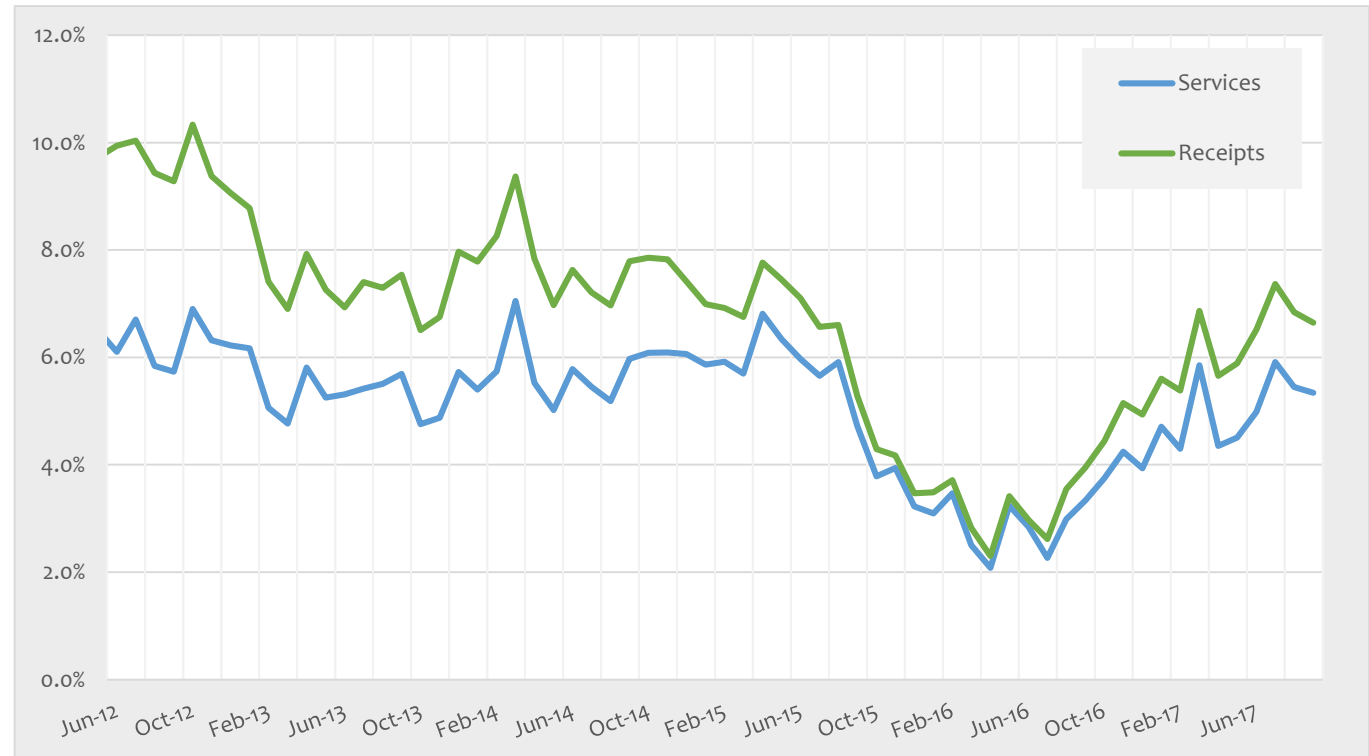
ASX.CAJ Last 12 months Price and Volume



# Strong Outlook

- Strong underlying growth returning to market - 5-6% RTM
- Vic expected to continue to grow at 5-6% during FY18
- More stable regulatory environment
- Return to net profitability in FY18
- Strong organic and acquisitive growth opportunities
- Robust balance sheet to support growth
- Intention to return to dividend payments in 1HFY18 (subject to corporate and regulatory considerations)
- Reduced interest costs through note refinancing / repayment

## DI Services and Revenues - Victoria 12M Rolling Growth Rates



Source: Medicare

# Renewed Clinical Focus

- Focus on retaining and developing Doctor and clinical resources
- Fellowship programs in MSK and Body & Comprehensive Cardiac Imaging
- Sonographer training program
- Development of sub specialty focussed businesses
  - MSK / Sports Imaging – Imaging at Olympic Park
  - Body Imaging / Comprehensive Cardiac Imaging Services – Vermont
- Medical Advisory Committee (MAC) reporting directly to Board of Directors
- Strong focus on training, education, and professional development through modality committees
- Large internal and external tele-radiology business
- Research participation (eg Enlitic R&D programs)

# Strategic Investments

## JV with CITIC & Zhouxin

- Consulting & clinic management
  - Option of participating in clinic ownership
  - CITIC well placed due to large existing hospital network in China
  - Provides platform to leverage growth in Chinese healthcare and emerging private DI market
- Capitol to contribute RMB 3mill (~AUD\$600,000) for 30% stake in JV, CITIC will hold 60% & Zhouxin 10%
  - No further cash contribution expected unless clinic ownership option exercised
  - Provides low risk option to growing market not reliant on Australian Government regulation
  - Domestic regulatory delays have deferred commencement of operations. Expected to commence Q3 Fy18.

### About CITIC Group

- >750,000 employees
- Annual revenue AUD\$737B
- Market Cap AUD\$55.5B
- 160 in global Fortune 500 (2014)

### About Zhouxin Group

- High end health centre owner
- Cardiac MRI specialists
- CITIC has ownership stake



- Ownership 25% undiluted, 1 board seat
- Collaboration agreement in China
- Australian rights to use Enlitic as part of clinical partnership
- > 12 months of cash runway

## Enlitic

- ENLITIC continue to make major breakthroughs in applying Deep Learning to DI
  - Chest X-ray Triage - CT Lung Cancer detection – Natural Language Processing (NLP) – Mammography
- Chest X-ray Data Testing, Calibration and Trials with major companies in China & Japan
- Collaboration on CT lung cancer with a major research institution and commercial customers in US
- Leading medical data inventory from international sources
- Several patent opportunities and incremental regulatory approval strategy
- Won 1 mill euro prize for best start-up awarded by Apple founder Steve Wozniak
- Planning Australia TGA registration for post hoc quality assurance use
- Currently considering opportunities to crystallise value for Capitol

# FY18 Guidance Upgrade

- FY18 full year guidance upgraded

	FY 18 (mill \$) (Aug Guidance)	FY 18 (mill \$) (Nov Guidance)
Revenue Range	\$118 - \$122	\$121 - \$126
EBITDA Range	\$19 - \$21	\$21.5 - \$23.5

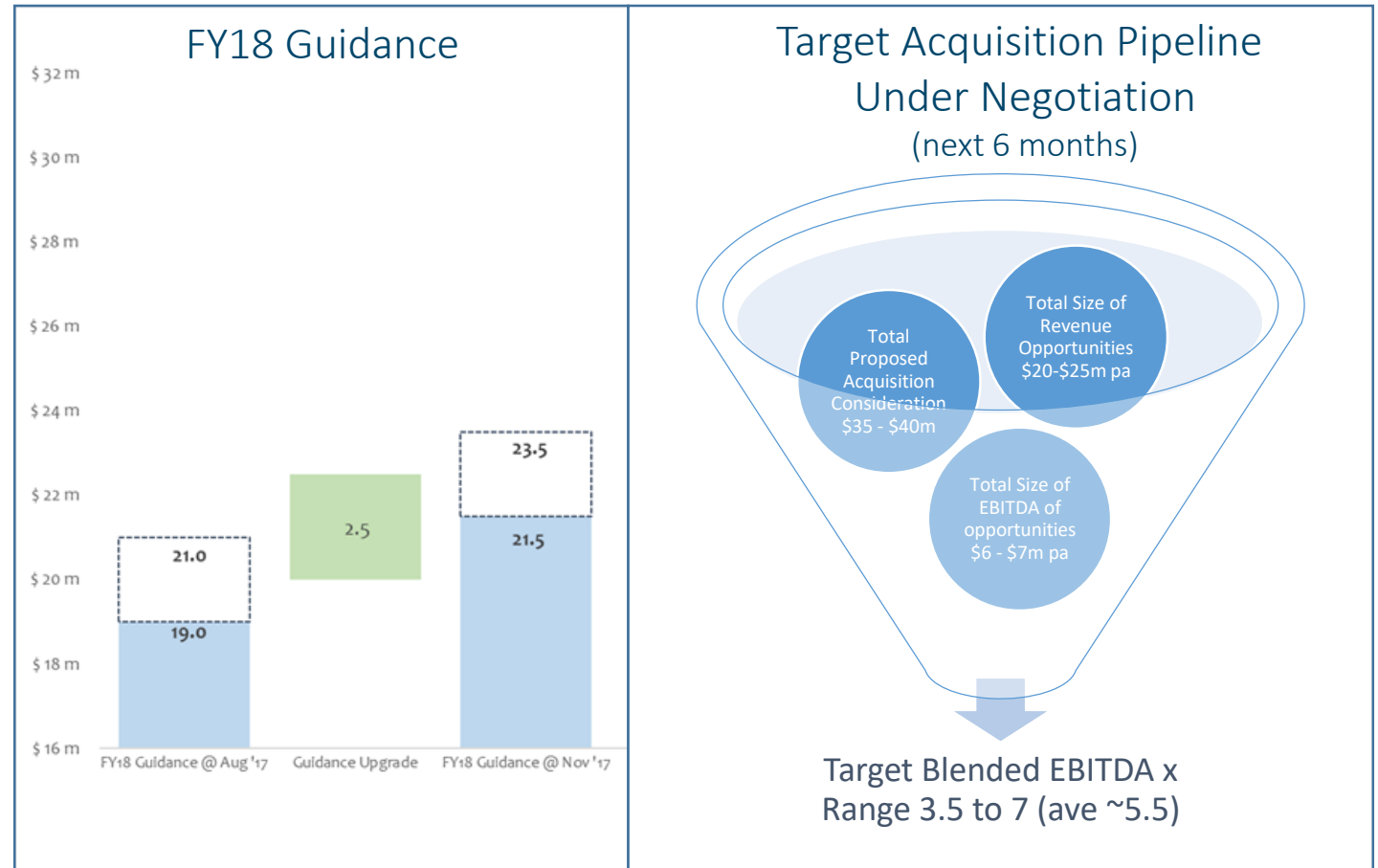


- High operational leverage and cost reductions drive EBITDA margin growth from FY16/17 ~ 13% to FY18~ 18%+
- More robust market growth than expected. Revenue growth in first 4 months ~ 5% year on year.
- Assumptions:
  - Incl. Revenue \$8.6m & EBITDA \$1.3m from 2 months' contribution from NSW operations
  - Incl. 3 new clinic openings – benefit realised through FY19
  - Acquisition pipeline not included in guidance
- FY18 Interim dividend expected, share buyback on hold to take advantage of acquisition opportunities



# Bridge from FY17 to Future Growth

- Upgrade in FY18 guidance
- Assumes continued revenue growth ~ 5% - recent months market growth has exceeded 5% – upside potential
- Target acquisition pipeline refers to acquisitions currently under negotiation. Not yet committed.
- Includes a range of single clinic and larger multi clinic vendors reflecting a wide range of purchase multiples.





Questions

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