



Investor presentation



6 February 2018

1. Integral Diagnostics has attractive prospects as a standalone business



Integral Diagnostics comprises three “core” brands



Total IDX

State of operation	Victoria	Queensland	Western Australia	
Core markets	Ballarat, Geelong, Warrnambool and outer western areas of Melbourne	Gold Coast area Toowoomba and Mackay	South West Western Australia	
Sites (includes hospital sites)	25	13	9	47
Hospital sites	7	2	4	13
MRI machines	7	7	2	16
MRI Licences	4 full 0 partial	3 full 3 partial	2 full 0 partial	9 full 3 partial
Employed Radiologists ⁽¹⁾	25	31	8	64
Employees	351	348	155	854

Source: Integral Diagnostics' management.

Note: Reflects current data as at December 2017.

(1) Relates to employed radiologists only. In addition IDX has a number of contractor radiologists (~39 currently).

These “core” brands are clear leaders in their regional markets

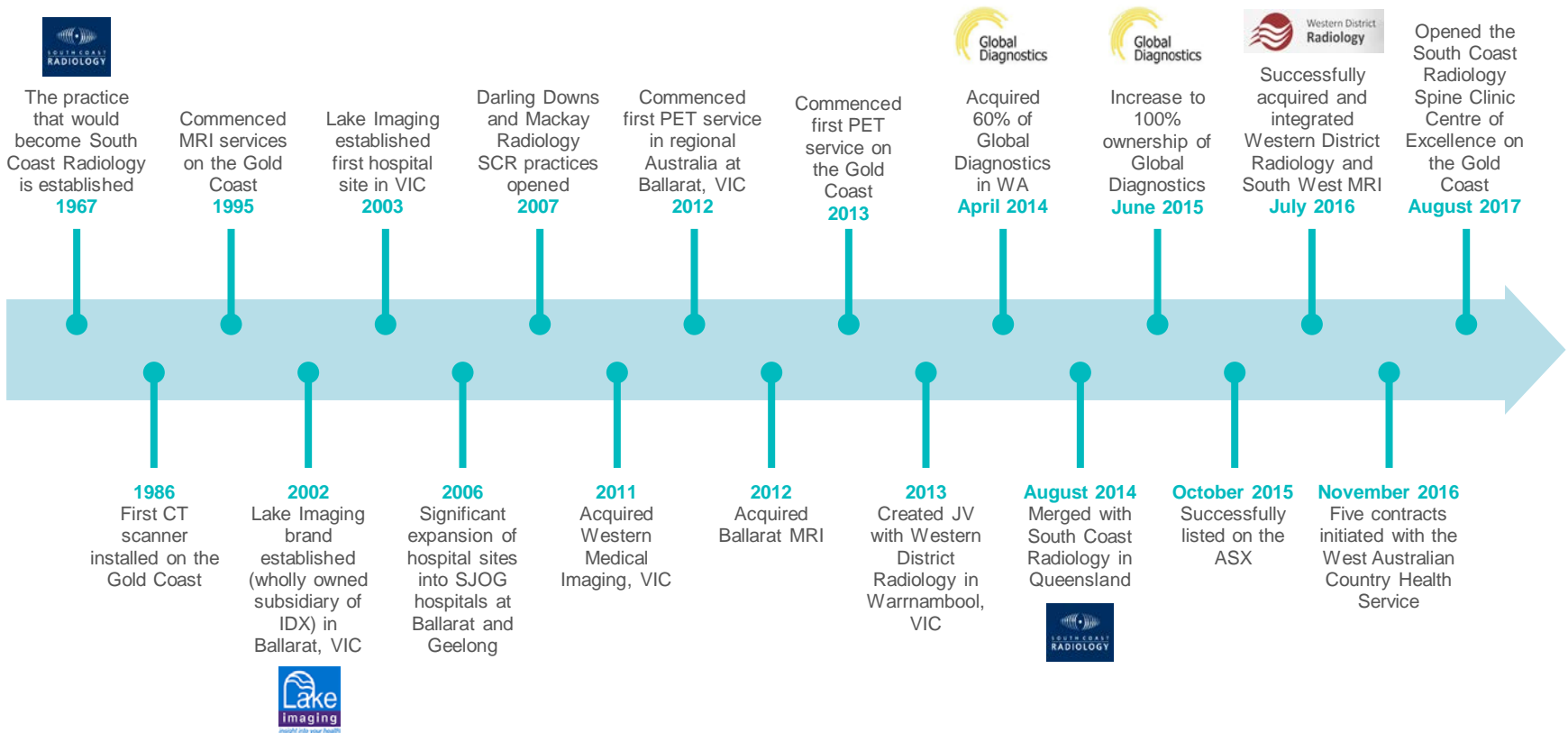
Integral Diagnostics captures a significant share of organic growth in Diagnostic Imaging Services as a result of its strong competitive position and capacity within its business



Source: Integral Diagnostics' management.
Note: Reflects current data as at December 2017.

Integral Diagnostics has a proven track record of combining and integrating businesses, and delivering sustainable organic growth

Integral Diagnostics has grown from a single clinic to 47 clinics via mergers, acquisitions, hospital contracts, service expansion and greenfield developments



Source: Integral Diagnostics' management.

Integral Diagnostics is well positioned to continue to sustainably grow its business

Initiative

How Integral Diagnostics will deliver value to shareholders

- | | |
|--|---|
| 1 Driving industry-leading margins | <ul style="list-style-type: none"> Delivering increasing margins under current management team since July 2017 1H18 EBITDA margin above 20% Further improvements to come – additional savings targeted in 2H18 in labour, consumable & equipment costs |
| 2 Solid pipeline of organic growth and margin enhancing brownfield and greenfield opportunities | <ul style="list-style-type: none"> Organic Growth (Q218 growth of 7.6% vs pcg) <ul style="list-style-type: none"> Restructured call centres Reorganised marketing teams and strategy Radiologist-driven business development Brownfield initiatives <ul style="list-style-type: none"> Opening New PET CT at St John of God Hospital in Geelong Installing a new wide-bore fully licensed MRI in Mackay Greenfield initiatives <ul style="list-style-type: none"> Opened new site on Torquay Road in Grovedale Opened new Spine Centre of Excellence in Southport Developing a Prostate Centre of Excellence in North Melbourne Ordered next generation Cardiac CT in North Melbourne Opening new site at Miami Beach in QLD |
| 3 M&A | <ul style="list-style-type: none"> Strong balance sheet (1.2x levered at 1H18⁽¹⁾), highly cash generative (cash conversion of 93% in 1H18⁽²⁾) Successfully integrated Western District Radiology and South West MRI, earnings accretive in FY18 Negotiating further bolt-on acquisitions Pursuing larger strategic acquisitions at sensible multiples |

Case study: Spine Centre of Excellence



Source: Integral Diagnostics' management, Integral Diagnostics 1H18 half yearly accounts.

Note:

(1) Based on net debt at 31 December 2017 of \$42.3m and LTM EBITDA prior to one off transactions of \$35.6m.

(2) Represents Free Cash Flow / Underlying EBITDA for 1H18. Free Cash Flow defined as Underlying EBITDA less non-cash items in EBITDA, changes in working capital, and replacement capital expenditure.


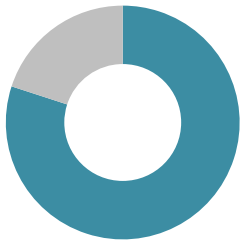
2. Capitol operates a fundamentally different business model to Integral Diagnostics



Integral Diagnostics is a substantially larger business with higher quality revenue and margins



CAPITOL HEALTH
LIMITED
excl. divested NSW assets

Size (FY17 revenue) ⁽¹⁾		\$180m	\$108m
Revenue mix ⁽²⁾		 <p>Bulk billed, 55%</p>	 <p>Bulk billed, >80%</p>
CAGR (FY15A – FY18F) ⁽¹⁾	Revenue	5.8%	4.2%
	EBITDA	3.7%	0.6%
	EBIT	4.0%	(2.9%)
	NPAT	5.5%	(5.8%)
Average margin (FY15A – FY18F) ⁽¹⁾	EBITDA	20.4%	16.3%
	EBIT	14.9%	11.4%
	NPAT	9.5%	6.6%

Source: Company filings, supplementary bidder's statement, broker research.

(1) Integral Diagnostics' historical financials based on annual reports and full year results investor presentations, representing underlying earnings prior to one off transactions. Integral Diagnostics' forecast financials based on mid-point of broker forecast range provided in Capitol's supplementary bidder's statement lodged 31 January 2018.

Capitol historical financials based on pro forma results sourced from supplementary bidder's statement lodged 31 January 2018. Capitol forecast financials based on mid-point of forecast range provided in Capitol's supplementary bidder's statement lodged 31 January 2018 and excludes contribution from I-Rad and Radiology Tasmania in forecasts for like-for-like comparison to pro forma historicals.

(2) Integral Diagnostics revenue mix reflects fee type split on patient fees for the December 2017 quarter. Estimate of Capitol revenue mix as per Ord Minnett and Credit Suisse broker research dated 10 November 2017 and 10 August 2017 respectively.



Integral Diagnostics' business model is more clinically diversified and complex than Capitol's



CAPITOL HEALTH
LIMITED
excl. Radiology Tasmania

Number of clinics		47	43
Number of other sites		-	4 ⁽¹⁾
Geographical presence / market share ⁽²⁾		VIC, QLD and WA (#2 in WA, #4 in VIC and QLD)	VIC (#2)
Hospital Sites	Day surgery	0	1 ⁽³⁾
	Overnight	13	2 ⁽³⁾
	With Emergency Departments	9	0
Number of government reporting contracts		5	0
Number of radiologists		64 ⁽⁴⁾	55
Number of full MRI licences ⁽⁵⁾		9	1
Number of partial MRI licences ⁽⁵⁾		3	8
PET scans		3 + 1 on order	0
Doctor equity model ⁽⁶⁾		Yes; currently ~23% shareholders, acquisitions typically include scrip	None; acquisitions typically cash only

Source: Integral Diagnostics' management, Capitol's supplementary bidder's statement, company websites, hospital websites.

Note: Reflects current data as at December 2017 for Integral Diagnostics.

(1) Reflects sites where Capitol has an arrangement in respect of clinics at four locations whereby Capitol provides certain services and a brand licence to those clinics in return for a fee.

(2) Market share based on number of clinics.

(3) Capitol day hospital site refers to Vermont Private Hospital. Overnight hospitals refer to Western Private Hospital and Kilmore & District Hospital.

(4) Relates to employed radiologists only. In addition IDX has a number of contractor radiologists (~39 currently).

(5) An MRI machine with a Full Licence is eligible for a Medicare rebate for procedures referred by a medical specialist and certain procedures referred by a General Practitioner (GP). Under a Partial MRI Licence, a Medicare rebate is only available for certain procedures referred by a GP.

(6) Integral Diagnostics is currently undertaking a review of radiologist recruitment, retention, incentive and escrow structures to strengthen the business.



Integral Diagnostics' governance framework is medically driven and supported by a highly qualified management team



CAPITOLHEALTH
LIMITED

Size of Board	7	4 ⁽²⁾
Number of practising radiologists on the Board	2	0
Number of executive directors on the Board who are doctors	3	0
Number of directors with other healthcare Board experience	5 ⁽¹⁾	0 ⁽²⁾
CFO in business	Anne Lockwood	Three different CFO's since FY15. Most recent CFO left business on 14 July 2017 and has not been replaced ⁽³⁾
Clinical governance	<ul style="list-style-type: none"> Clinical governance core to business model and culture at every level since inception Embedded in individual practice history, with focus on quality care and medical leadership Board members (Dr. Chien Ho and Dr. Sally Sojan) are representatives on the National and State Clinical Leadership Committees which the CEO, Dr. Ian Kadish, also attends National and State Clinical Leadership Committees in operation driving strategic and operational collaboration 	<ul style="list-style-type: none"> Indicated at 22 November 2017 AGM that a Medical Advisory Committee (MAC) that reports directly to Board of Directors will be established

Source: Integral Diagnostics' management, Capitol's supplementary bidder's statement, company filings, company websites.

(1) Includes Dr Ian Kadish, Helen Kurincic, Dr Chien Ho, Dr Sally Sojan and Rupert Harrington.

(2) Capitol has committed to elect a non-executive director who is a medical professional to the Board if the transaction is successful. As such, this will not be a radiologist employed in the business.

(3) Ken Birchall has fulfilled the role as Head of Finance at Capitol since his appointment on 5 October 2015.

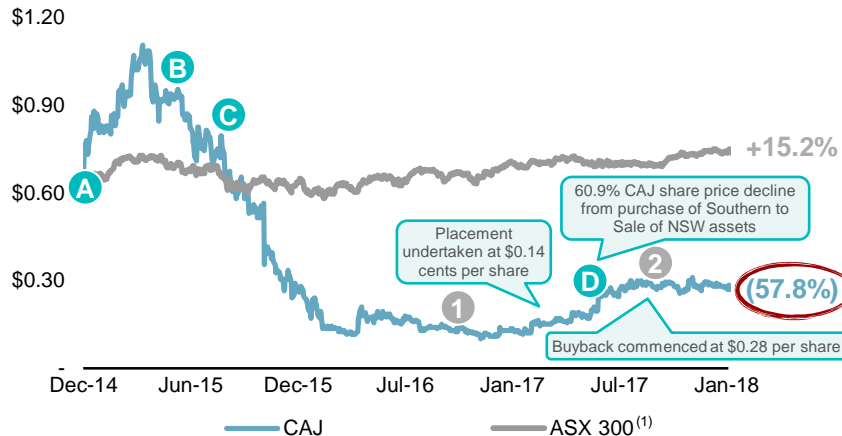


3. Capitol cannot integrate and effectively manage a business that is substantially larger and more complex

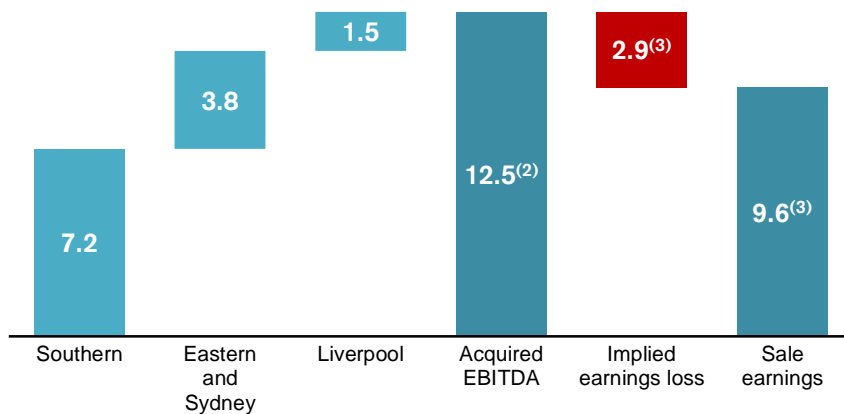


Capitol's Southern Radiology acquisition and divestment was value destructive to its shareholders

CAJ share price (since Southern announcement)



Implied CAJ NSW acquisitions EBITDA evolution



Source: IRESS, company filings.

Note: Market data as at 5 February 2018.

(1) ASX 300 rebased to CAJ share price since Southern announcement (10 December 2014).

(2) Acquired EBITDA represents summation of EBITDA recorded by each NSW asset in the financial year prior to being acquired by Capitol as per Southern Radiology acquisition announcement (10 December 2014), Eastern Radiology and Sydney Radiology acquisition announcement (27 April 2015) and Liverpool Diagnostics acquisition announcement (31 August 2015).

(3) Sale earnings calculated as sale price of NSW assets (\$81.5m) divided by sale multiple (8.5x) as per Capitol's announcement of sale of NSW assets dated 14 June 2017. Implied earnings loss represents acquired EBITDA less sale earnings.

(4) EBITDA multiple represents \$4.5m Enterprise Value plus \$1.5m earn-out divided by FY14 EBITDA of \$1.5m.

Event

A CAJ announces acquisition of Southern Radiology for 9.0x EBITDA

B CAJ announces acquisition of Eastern Radiology and Sydney Radiology in NSW for 8.0x EBITDA

C CAJ announces acquisition of Liverpool Diagnostics for 4.0x⁽⁴⁾ EBITDA

D CAJ announces sale of NSW assets for ~8.5x EBITDA

Commentary from Capitol

At the time of acquisition, Capitol said:

“Key transaction highlights include:

- Launch into largest DI market (NSW) in Australia...
- Further diversifies revenue stream...
- Reduced integration risks; Capitol Health has a successful track record of integration...
- Broadens Capitol Health's MRI footprint...
- Radiologists with subspecialties [enabling] better margins and lower reliance on rebates...
- Culture aligns with Capitol Health's values...
- EPS accretive on a pro forma basis in FY2015 ”

Acquisition of Southern Radiology, 10-Dec-14

At the time of divestment, Capitol said:

“There are a number of key factors underpinning the Board's decision to sell these assets:

- The poor performance of the assets since acquisition...
- The difficulties experienced in integrating the different business models... including bulk billing, hospitals, research and private billing ”

Announcement of sale of NSW assets, 14-Jun-17

- The underperformance of Capitol's NSW assets forced impairments of:

- ① \$7.1m in FY16 and
- ② \$6.2m in FY17 (\$13.3m total)

4. Update on status of Capitol takeover bid



Background to Capitol's takeover bid

- Capitol announced its bid on 29 November 2017, two days before a change to the ASX listing rules that would have required it to seek approval from its own shareholders to make the bid and one day before final bids were due for the Radiology Tasmania sale process. Capitol's announced bid conditions restricted acquisitions above \$25m – the acquisition price paid for Radiology Tasmania by Capitol was \$25.1m
- Capitol's original bidder's statement was sent to Integral Diagnostics and lodged with ASX on Friday, 22 December
- Integral Diagnostics raised matters of material concern regarding the original bidder's statement and subsequent draft documents submitted by Capitol
- Integral Diagnostics' shareholders were not provided with a bidder's statement that was complete, accurate or met legal requirements, to enable an appropriately informed assessment of Capitol Health's predominantly scrip offer
- Integral Diagnostics reviewed subsequent draft documents submitted by Capitol to the Company, and each time, the Company responded to Capitol within a matter of days
- Capitol acknowledged numerous defects in its documents evident by the extensive revisions in the replacement bidder's statement released to the ASX on 31 January 2018 (including the incorporation of an investigating accountant's report)
- The extent of the revisions are highlighted in the marked-up supplementary bidder's statement released on that same date
- Capitol has:
 - Failed to comply with the 2 month rule for dispatching offers under the Corporations Act and were unsuccessful in seeking an extension for that period from ASIC
 - Required various other modifications to the legislation from ASIC
 - Failed to seek quotation approval from the ASX within the time required by law, requiring an order from the Supreme Court of Victoria to overcome its failure

Source: Capitol Replacement bidder's statement, Capitol supplementary bidder's statement, company filings.

Examples of changes to bidder's statement

The extent of changes required following lodgement of the original bidder's statement is highlighted in the marked-up supplementary bidder's statement, with examples of material corrections or additional disclosures, including:

Example changes	Section
<ul style="list-style-type: none"> Revision to the combined group balance sheet, given the balance sheet did not balance by \$15m 	6.7
<ul style="list-style-type: none"> Inclusion of a risk in regards to financial disclosure noting that different approaches in the application of Australian Accounting Standards between Capitol and Integral Diagnostics and that the historical financial information for Radiology Tasmania and I-rad are not prepared in accordance with Australian Accounting Standards could have a material impact on the Combined Group financial information. The impacts have not been quantified 	9.2
<ul style="list-style-type: none"> Restatement of Capitol's FY16 pro forma profit to \$3.9m, previously stated at \$12.9m, a 230% overstatement in pro forma profit 	6.7
<ul style="list-style-type: none"> Inclusion of footnote (i) to provide clarification that Capitol's announcement to the market on 25 August 2017 disclosing underlying core EBITDA of \$22.2m for FY17 included \$7.6m of EBITDA contributions from discontinued operations and that the actual underlying core EBITDA for FY17 was \$14.5m, a 53% overstatement in underlying EBITDA 	6.7
<ul style="list-style-type: none"> Inclusion of a reconciliation of cash flows between the Bidder's statement and the FY17 and FY16 Statutory accounts due to significant difference 	6.8
<ul style="list-style-type: none"> Inclusion of a reconciliation of pro forma FY18 forecast to actual expected FY18 Statutory results of the Combined Group, highlighting a Consolidated statutory loss/profit range of loss (\$1.1m) to profit \$1.1m against a pro forma range of profit \$32.6m to \$34.4m 	6.9

Source: Supplementary bidder's statement, company filings.

Examples of changes to bidder's statement (cont'd)

The extent of changes required following lodgement of the original bidder's statement is highlighted in the marked-up supplementary bidder's statement, with examples of material corrections or additional disclosures, including:

Example changes	Section
<ul style="list-style-type: none"> Clarification that the Other Financial Asset of \$14.6m in the Balance Sheet relates to the substantial to date investment in Enlitic as well as acknowledgement that Capitol have applied a judgement to not apply equity accounting to this investment and instead carry it as an available for sale financial asset at cost. Additional disclosure has been added to demonstrate that had equity accounting been applied there would have been write downs required to the investment. Integral Diagnostics note that the write downs would have been more significant if the receipt of EUR1M one-off prize money had not been included in the results (based on Capitol's 25.12% interest this would equate to an additional EUR\$251k write down) and also that there is no detail provided over an assessment on impairment of the investment given that it has recurring losses 	1.7 / 2.2 / 2.6
<ul style="list-style-type: none"> Further disclosure on the qualifications and experience of Capitol's senior management, including Andrew Demetriou's, Nicole Sheffield's and Ken Birchall's involvement with Acquire Learning and Andrew Harrison's extensive history with Capitol 	2.3 / 2.5
<ul style="list-style-type: none"> Inclusion of financial data for a 50.1% Relevant Interest Scenario 	6.7 / 6.8 / 6.9
<ul style="list-style-type: none"> Inclusion of Capitol's proposed dividend policy 	1.1 / 5.3 / 5.4 / 7.2
<ul style="list-style-type: none"> Inclusion of clarification on Capitol's ability to fund the offer, including the need for Capitol to draw down on \$26.3m of a \$35m debt facility with NAB 	7.2
<ul style="list-style-type: none"> Inclusion of an Investigating Accountant's Report, not contained in the original bidder's statement despite the predominantly scrip offer 	6.14 / Annexure B

Source: Supplementary bidder's statement, company filings.

Relevant matters for consideration by shareholders

Integral Diagnostics considers the replacement bidder's statement still fails to address certain matters which are relevant for Integral Diagnostics shareholders consideration of Capitol's offer

Key matters	Comment
Basis of the FY18 standalone forecast	<ul style="list-style-type: none"> Capitol's FY18 underlying EBITDA forecast of \$20.2m (low) or \$22.2m (high) in FY18 is a substantial increase from FY17 actual of \$14.5m (forecast underlying EBITDA growth of 39%-53%) Page 75 of the supplementary bidder's statement includes a "bridge" showing that revenue will increase in a range of between \$4.2m-\$9.2m (3.9%- 8.5%) and costs will decline (not inclusive of any estimated synergies) \$1.5m or increase \$1.5m Capitol has provided no substantiation to the achievability of the forecast EBITDA growth rates of 39%-53%
Compliance with the Accounting Standards in Capitol's financial disclosures	<p>The differences between Integral Diagnostics' and Capitol's policies in the application of Australian Accounting Standards (AASB's), which Capitol has acknowledged may be material, has not been quantified, making it difficult to compare the performance of the two companies. Specific differences include, but are not limited to:</p> <p>Make good and straight line lease accounting:</p> <ul style="list-style-type: none"> Capitol has not recognised a provision for make good costs on leased equipment and property as required by AASB's and despite having a stated accounting policy that it applies AASB's in relation to straight line lease accounting they have not recognised any provision in relation to straight line accounting <ul style="list-style-type: none"> To illustrate the difference, Integral Diagnostics has 47 sites with provisions totalling \$6.6m for make good costs and straight line leases (as at 31 December 2017) with a historical annual profit and loss impact of approximately \$500k. Capitol has 43 sites with no corresponding provision or profit and loss impact <p>Equity Accounting of Enlitic:</p> <ul style="list-style-type: none"> Capitol promotes Enlitic as a key reason to accept its offer, but transparency around the actual performance of Enlitic and accounting treatment raise serious concerns Capitol does not apply equity accounting to its investment in Enlitic despite a number of factors indicating that it should do so in accordance with AASB's (including its ~25% equity interest, nominee director, exclusive commercial arrangements with Enlitic, and the fact that two thirds of Enlitic's funding has been provided by Capitol⁽¹⁾) Despite Integral Diagnostics' request Capitol has declined to provide any disclosure on the current Balance Sheet of Enlitic. A balance sheet would provide investors with detail on the level of capitalised costs in relation to R&D as well as any other assets/liabilities and the level of equity that has been invested. In our view this would provide far more useful information around the current performance of Enlitic as well as shareholders being able to assess the current level of exposure of Capitol and subsequent risk of impairment of the \$14.6m investment

Source: Supplementary bidder's statement, company filings.

Note: (1) The limited enquiries Integral Diagnostics has undertaken given Enlitic's private company status indicates Capitol contributed US\$10m of total US\$15m funding raised by Enlitic to date.

Relevant matters for consideration by shareholders (cont'd)

Integral Diagnostics considers the replacement bidder's statement still fails to address certain matters which are relevant for Integral Diagnostics shareholders consideration of Capitol's offer

Key matters	Comment
Capitol's business model includes undisclosed Capitol branded sites	<ul style="list-style-type: none">• In response to concerns raised by Integral Diagnostics, Capitol has stated that it has an arrangement in respect of clinics at four locations (Woodend, Gisborne, Sunbury and Glenroy), in which Capitol provides certain services and a brand licence to those clinics in return for a fee. As far as Integral Diagnostics is aware, these arrangements have never been publicly disclosed and the method of accounting for these arrangements is not apparent
CITIC JV has not yet commenced operations	<ul style="list-style-type: none">• Given that Capitol heavily promotes access to Asian markets through this joint venture as a key reason to accept its offer, the fact that the CITIC JV has not yet commenced operations should be considered by Integral Diagnostics shareholders• There are further concerns regarding China regulatory delays which has deferred commencement of operations⁽¹⁾• There remains a lack of detail as to when operations will commence and any quantitative benefits arising from the joint venture will be realised
Top Shareholder Disclosure of the Combined Group	<ul style="list-style-type: none">• We draw attention to page 52 of the marked-up supplementary bidder's statement which outlines changes made by Capitol amending disclosure of the top 10 Combined Group Shareholders to the top 6. In our view the top 10 shareholders is useful information

Source: Supplementary bidder's statement, company filings.

Note: (1) Capitol Health 2017 AGM Presentation, 22 November 2017.

90% minimum acceptance condition and escrow arrangements

- Investors Mutual, Adam Smith Asset Management, Perennial Value Management and Viburnum Funds who hold or control 29.91% of Integral Diagnostics shares in aggregate¹, have informed Integral Diagnostics they do not intend to accept the Offer in respect of the shares that they each hold or control. This means that the 90% minimum acceptance condition is not capable of being satisfied.
- The 29.91% held or controlled by Integral Diagnostics' four largest institutional investors above, combined with the 2.97% of shares held or controlled by Integral Diagnostics' Directors, results in shareholders representing 32.88% of Integral Diagnostics shares intending not to accept the Offer
- Capitol has reserved its right to waive this condition (though that risks Capitol not being able to acquire 100% of Integral Diagnostic shares necessary to capture potential synergies, and create escalating disruption risk to the business). If, despite that risk, Capitol waives the 90% condition and does not acquire all Integral Diagnostics shares, shareholders who do not accept Capitol's offer may continue to hold restricted shares in Integral Diagnostics, but those shares will remain subject to restriction under the escrow arrangements² entered into by certain current and former employees in connection with the IPO and acquisition of Western District Radiology. Integral Diagnostics has 41,659,880 shares on issue that are currently held in escrow being 28.72% of total issued capital
- The Integral Diagnostics Board considers that there will be inequality between current and former employee shareholders who accept the offer (and who will therefore be able to freely trade the Capitol shares they receive as consideration), and current and former employee shareholders who reject the offer and retain their Integral Diagnostics shares (and will therefore not have the ability to freely trade those shares). The Board believes that this inequality could be detrimental to the Integral Diagnostics business
- To address this issue, the Board has exercised its discretion under the escrow arrangements to remove the restrictions on dealing in shares if the takeover offer becomes unconditional and holders of at least 50% of Integral Diagnostics shares that are not subject to restriction accept the takeover offer

Note:

- (1) 14,530,000 Integral Diagnostics shares (10.02%), 10,279,000 Integral Diagnostics shares (7.09%), 10,070,000 Integral Diagnostics shares (6.94%) and 8,500,000 Integral Diagnostics shares (5.86%) respectively
- (2) The previously announced review of radiologist recruitment, retention, incentive and escrow structures is progressing well and is expected to be completed by the end of February 2018.

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