

Annual General Meeting FY 2020

Justin Walter – Managing Director

17th November 2020

CAPITOLHEALTH
LIMITED

Agenda

01. Executive Summary

02. FY20 Financials

03. Moving Forward



01 Executive Summary

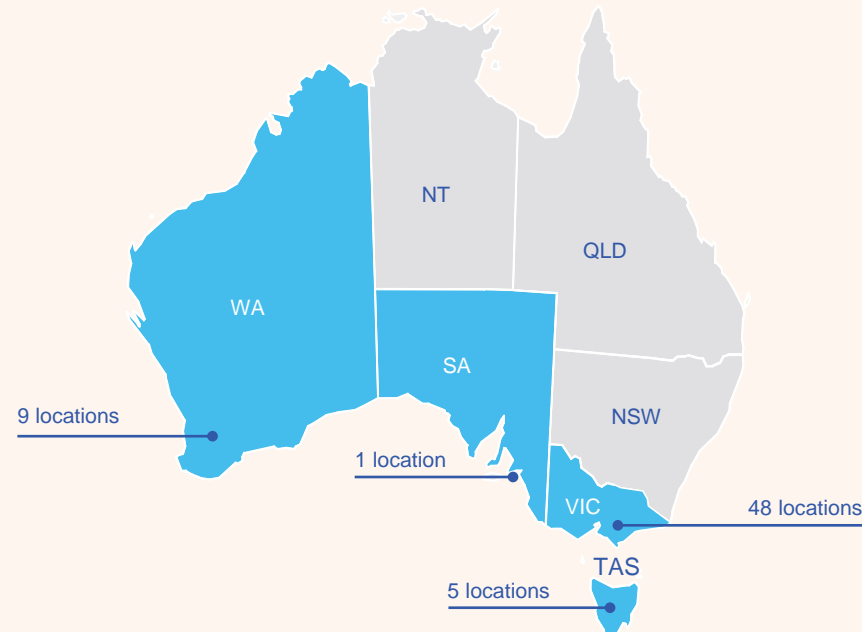
THE CAPITOL BUSINESS

Overview

- Capitol is an ASX-listed provider of diagnostic imaging and related services to the Australian healthcare market. We are a talented team of experts motivated by our patients' needs.
- We own and operate 63 clinics throughout VIC, SA, TAS and WA, with a growth focus aided by our scalable operating model.
- As a community focused company, our facilities are predominantly suburban rather than hospital-based, with priority given to service and minimisation of administrative burdens for healthcare professionals.
- We meet a growing consumer demand and conduct more than 1.2 million procedures every year, employing ~800 staff and ~100 radiologists.
- Our significant market position means we can adapt to changing industry dynamics and make strategic investments, such as our recent further investment in US-based diagnostic imaging AI provider Enlitic, Inc.

Locations and Brands

FY20



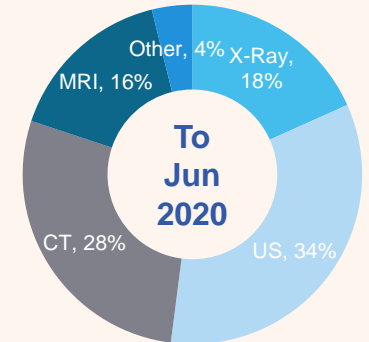
Capital
RADIOLOGY

Fowler
Simmons
RADIOLOGY

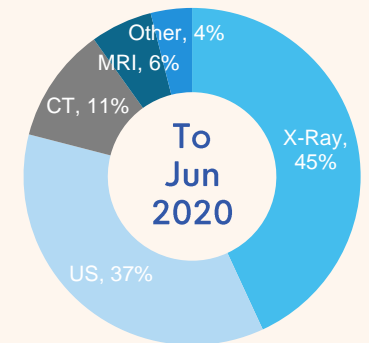
Radiology Tasmania

Imaging
@ Olympic Park

12-month Revenue by Modality



12-month Services by Modality



Our Vision:

To be the diagnostic imaging specialists of choice, serving our communities with compassion, integrity and precision

Our Aspirations:



No. 1 in patient satisfaction



Top repeat-referral rate



Leading team satisfaction & retention rate



Sustained market-share growth



Industry-leading shareholder returns

Our Values:

Patient centred

We create positive patient experiences. We listen with respect, inform with empathy and involve patients in their care

One Team

Our people are our best asset. Our outcomes are better when we work together. We treat each other with respect and nurture a culture of recognition, empathy and inclusion

Integrity

We are open and honest. We take pride in the way we work. Our patients and partners trust us because we are accountable and reliable

Excellence

Together we pursue excellence – in outcomes and experience for our patients, referrers and community. We utilise the best technology to deliver timely, precise results

Community focused

We are more than a network, we are a community. We create meaningful connections with our patients, referrers and colleagues built on trust, support and shared goals

The Pillars of our Business:

Operational Excellence

- Standardised operating model as platform for organic growth
- Value creation through post-acquisition integration
- Performance management through business intelligence and analytics

Destination Employer

- Employee Value Proposition
- Clear performance & reward mechanisms
- Focus on professional development
- Values driven people processes

Next-generation Technology

- Highly secure and effective technology model
- Holistic approach to technology encompassing clinical outcomes, operational efficiency and patient experience

First-choice Provider

- Differentiated customer and marketing plan
- Focus on and resourcing referrer relationship management including CRM implementation
- Patient experience management

Values-based Communications

- Coherent stakeholder communications strategy
- Focus on developing industry and government relationships
- Industry thought leadership program

EXECUTIVE SUMMARY

(Excluding impact of AASB 16 *)

Key Achievements and Highlights:

- YOY revenue increase of \$4.6m or 3.1% despite COVID-19 impacts.
- Operating expenses lower than FY19 on higher revenue, resulting in margin expansion from 15.3% to 18.1%.
- Operating EBITDA increased by \$5m or 21.8% to \$27.8m.
- Final dividend for FY21 declared at 0.5 cents per share fully franked.
- Fowler Simmons Radiology acquisition completed in March 2020 and integration now completed, and exceeding expectations.

COVID – 19 Management:

- Management moved swiftly to minimise and defer expenses, matching service demand to staffing. This approach mitigated profit risk on variable costs.
- Qualified for Jobkeeper scheme which contributed \$5.4m support.
- All employed clinic staff and infrastructure have been maintained through the pandemic.
- \$40m Capital raise in April 2020 reduced net debt to \$9.2m providing balance sheet strength, and headroom for further growth and expansion.

Strategy:

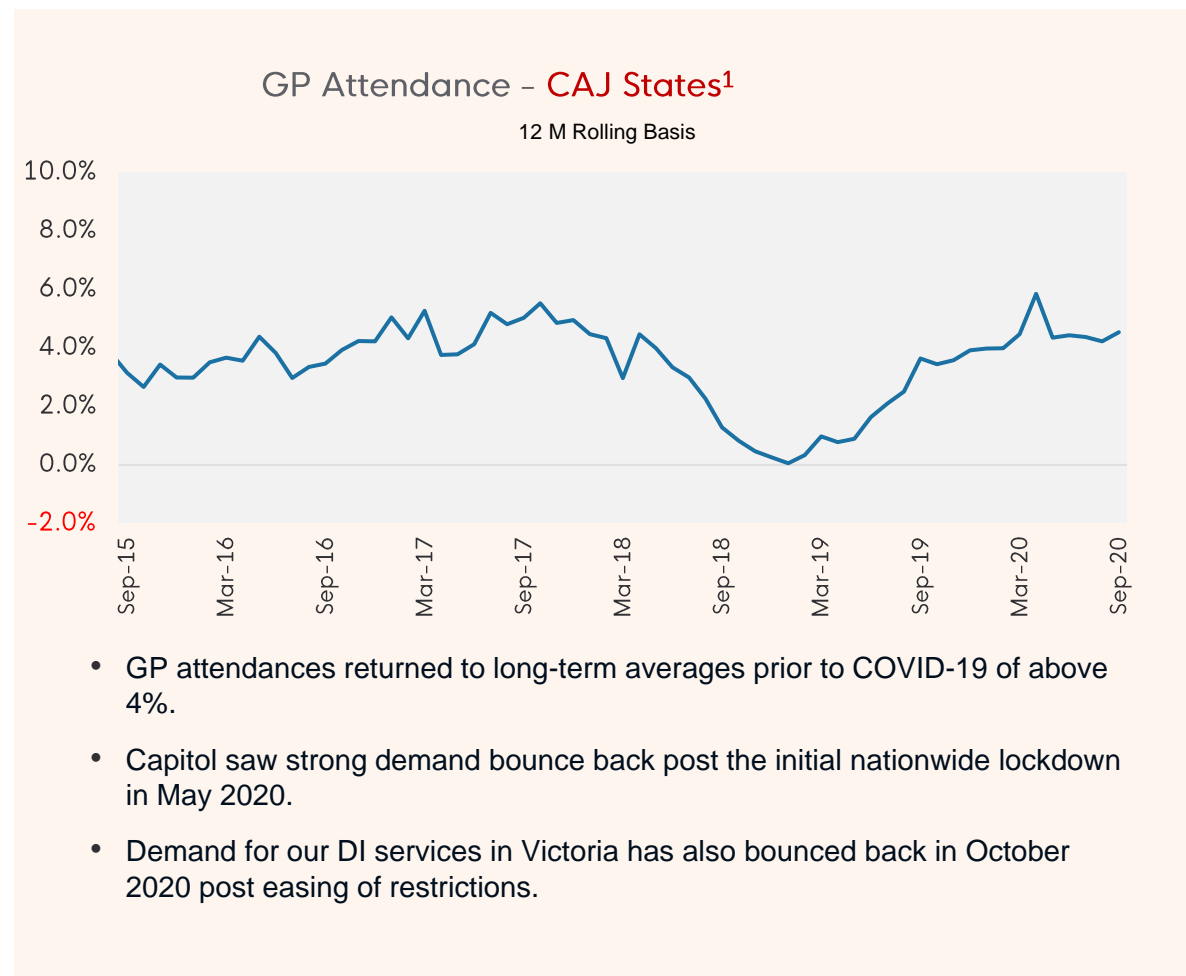
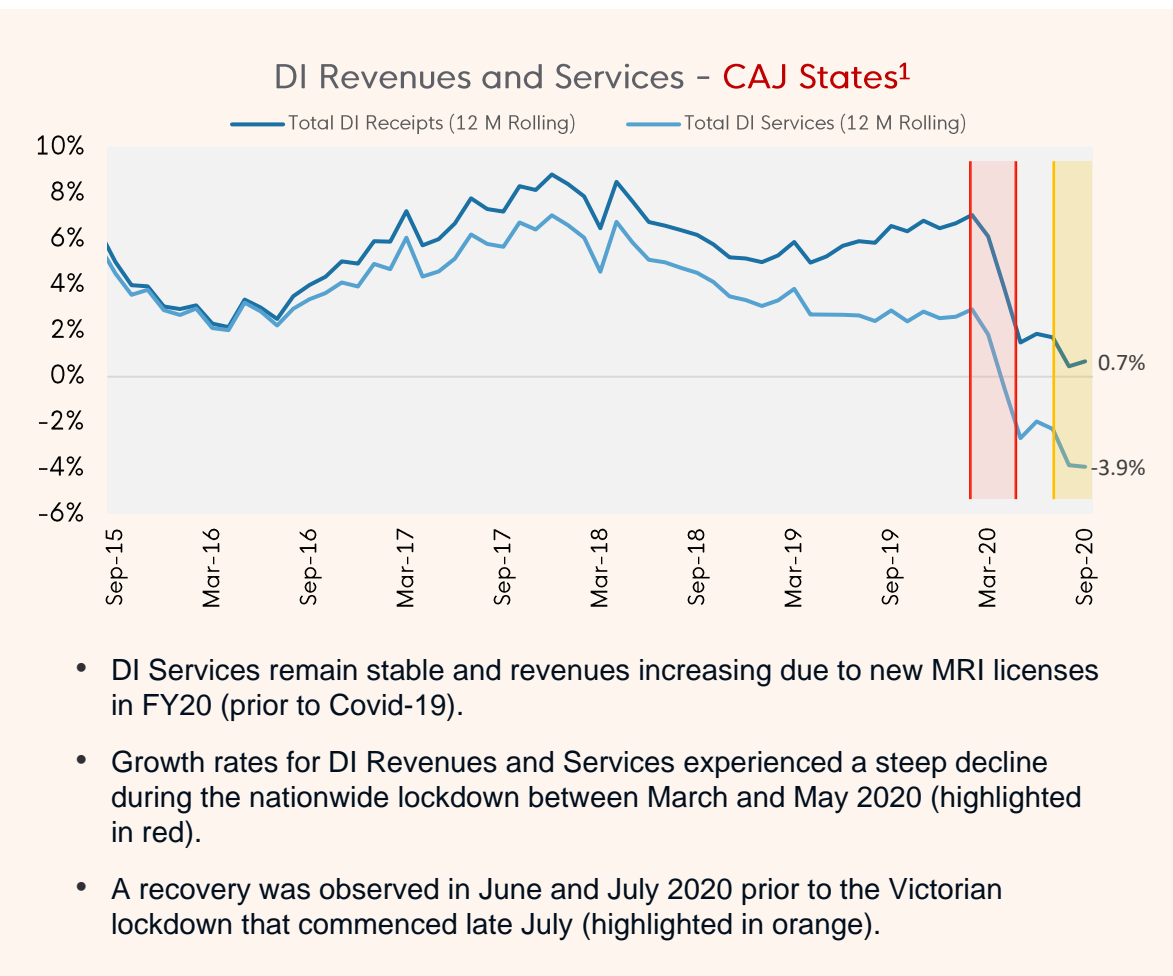
- Organisation redesign complete with team focusing on organic growth.
- COO and Head of Growth appointments FY21.
- Enhanced patient experience initiatives underway.
- Renewed market value proposition and referrer engagement plan.
- Destination employer strategy defined and progressing to plan.
- Branding and digital profile review, beginning with website revamps.
- New Clinical Governance Framework and Chief Medical Officer appointment in FY21.
- Technology Enablement:
 - Centralised data from seven sources.
 - Business Intelligence platform implemented (powerBI) delivering timely information to inform management teams and benchmark clinics.
- Delivering on strategy with results in Year 1 and clear path for further EBITDA growth.

* Where AASB 16 (Australian Accounting Standards 16) relates to the new lease standard adopted as at 1st July 2019

** Where Operating EBITDA is equal to operating profit before finance costs, income tax depreciation and amortisation adjusted for revaluation/impairment of assets and transaction costs

*** Where all references to FY19 reflect the restated results

INDUSTRY GROWTH REBOUNDS BEFORE COVID-19



Source: Medicare Statistics – Medicare Item Reports (http://medicarestatistics.humanservices.gov.au/statistics/mbs_item.jsp)



02 FY20 Financials

FY20 RESULTS SUMMARY

REVENUE

\$153.8 m

Up 3% pcp

OPERATING EBITDA

\$27.8 m

Up 22% pcp

OPERATING EBITDA MARGIN

18.1%

Up from 15.3% pcp

FREE CASH FLOW

\$22.5 m

Up 82% pcp

NET DEBT / OPERATING EBITDA

0.3 x

FINAL DPS

0.5 cps

1.0 cps for FY20



03 Moving Forward

CAPITOL STRATEGIC PILLARS



First Choice Provider

- We aim to be the first choice for community-based diagnostic imaging.
- Our strategies are based on qualitative and quantitative research into patient and referrer behaviour and preferences. The insights we gather inform our approach, and constant optimisation of the patient / referrer experience.
- We build strong relationships with our referrers, providing them with precise and timely diagnostic imaging.



Destination Employer

- We recruit, develop and retain the best clinical, technical and corporate staff; we recognise staff for their service and values.
- We're implementing a feedback and coaching framework, and clearly defined remuneration strategy, to increase staff satisfaction / competency and reduce costs.
- We're focused on our people and building a strong culture supported by our values. We seek feedback from staff on a regular basis and respond to insights accordingly.



Next-generation Technology

- We're committed to the strategic implementation of next-generation technology to enhance service, quality and engagement.
- We will deploy unified RIS platforms to improve service quality, load sharing and efficiency in existing and growth business units.
- We will implement optimal online booking, eReferral, eForms and Pt Kiosk platform.
- To support radiologists and deliver efficient reporting we will implement smart worklists.
- We embrace AI in our business through strategic partnerships such as Enlitic.



Operational Excellence

- Optimising operational efficiencies and clinical outcomes (e.g. timeliness, quality, standard processes) at a reduced cost-to-serve, through:
 - Evidence-based standard operating model (SOM).
 - Focused workflow management to maximise efficiency and quality.
 - Benchmark human resource allocation and asset utilisation.



Values-based Communications

- We're strengthening our brand, and building our reputation through strategic, values-centric communications, by:
 - Clearly and consistently communicating our business vision, purpose and CVPs.
 - Identifying and nurturing strategic experience relationships.
 - Demonstrating community-centred values and experiences.
 - Communicating the 'why' to key stakeholders with clear, accurate messaging.
 - Demonstrating good corporate citizenship.

4 ENGINES OF GROWTH



Organic

- During HY20 we undertook a review of the cost base and where we could improve efficiencies. This approach delivered in the first half and built momentum through to June FY20.
- We successfully matched patient demand to our resourcing during lockdown 1.0.
- In FY21 we will focus on market share and the 'go to' market strategy for organic growth.



Clinic Expansion and Upgrades

We continue to review and optimise our network of clinics.

There are three prongs to this approach:

1. Open Greenfield Clinics.
2. Brownfield redevelopment and upgrading of modalities.
3. Clinic portfolio review of profitability.



Acquisitions

1. Location that complements our network.
2. Where synergies have been identified.
3. Where clinic investment will drive organic growth.
4. Pricing makes sense and will deliver value to shareholders.
5. To obtain access to people and systems.
6. Alignment with our Company Vision, Values and Strategy.











Technology Investment

- New employee engagement software including Time and Attendance.
- Datawarehouse created with new BI Tool rolled out.
- Referrer interface software and telehealth functionality.
- Unlisted investment in Enlitic a leading AI software developer in Radiology.
- BETA Enlitic software operating in a key CAJ clinic.

MAKING PROGRESS FOR FUTURE ORGANIC GROWTH

Key Growth Drivers

-  Prior to COVID-19 market growth returned to longer-term average of 4-6% CAGR, driven by fundamentals of demand (e.g. population growth and ageing demographic).
-  Strong bounce back of demand following first wave, demonstrates resilience.
-  Focus continues on organic growth of the existing business and the development of a rolling bolt on acquisition and Greenfield/Brownfield pipeline to build momentum.
-  Building on our commitment to patients, staff activity will more closely align with patient demand – measured in real-time through investment in new systems.
-  Regular ‘cost-to-serve’ reviews improving efficiencies at a day-to-day level.
-  Our portfolio approach to clinic review will ensure appropriate community coverage and diagnostic modalities.
-  Continue to build the BDM function and go to market approach with a customer value proposition.
-  Data driven decision making with the implementation of BI, pulling together data from 10 operational data sources.

Outlook

- Company remains on track to deliver its’ three year strategy.
- Medicare DI indexation introduced in July 2020 – at 1.5% average across 60% approx. of item codes.
- Focus on delivering further operating EBITDA organic growth in FY21.
- Investment in the front end of our business in staff development, operational systems and IT/comms optimization, e.g. e-referral.
- Continuing to improve the ‘cost-to-serve’ of the business.
- 4 greenfield sites to open by end FY21 across WA, SA and Vic.

A Special Acknowledgement

2020 has been a year like no other.

On behalf of the Board and management, we acknowledge the professional and personal hardship endured by our Radiologists and clinic staff. Through their tireless efforts, the Company remained strong and has a bright future ahead.

We also thank our referrers and our shareholders, who supported us through this pandemic, as we continue to grow and deliver value for all.



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