

ASX ANNOUNCEMENT

24 August 2022

Results for the Year Ended 30 June 2022 and Acquisition of Future Medical Imaging Group

Capitol Health Limited (**Capitol** or the **Company**) (ASX: CAJ) announces its results for the financial year ended 30 June 2022 and acquisition of Future Medical Imaging Group (FMIG) (the Acquisition).

Highlights

- Revenue of \$184.2m up 3.5% pcp (\$6.2m increase) driven by organic growth, acquisition of Women's imaging and opening of 3 greenfield sites
- Effective management of costs despite Covid-19 challenges delivering operating margin of 22.3% (23.7% pcp*) and Operating EBITDA of \$41.1m
- Strong balance sheet with Net Debt 0.1x last 12months operating EBITDA with \$111.0m additional funds available through banking facilities
- Final dividend at 0.5cps fully franked, consistent with prior years
- Announcing today the strategic acquisition of FMIG, including 6 comprehensive clinics in Victoria with incremental EBITDA (pre AASB16) of ~\$6.6m expected for Capitol Health. FMIG total consideration of \$56.1m including \$6.3m in scrip

* Operating pcp calculations exclude net \$5.8m of government Jobkeeper funding received in FY21.

Mr. Justin Walter, Managing Director, commented *"Despite the many Covid-19 related challenges we have faced, we are delivering our strategic plan and creating value. The transformation initiatives implemented over the last three years positioned Capitol to navigate these challenges with resilience. Our FY22 result demonstrates this resilience and the outstanding efforts of our valued Radiologists and clinic staff."*

During the 2022 financial year, Capitol Health has delivered revenue of \$184.2m, up 3.5% from \$178.0m in the previous corresponding period (pcp). The revenue was impacted by Victoria's various lockdowns, elective surgery suspensions and the omicron variant impacts from late December 2021, however also supported by:

- the opening of three greenfield clinics in Pakenham, Knox and Melton, with all performing to the Company's expectations
- acquired Womens' Imaging, a business based in Hobart, Tasmania, specialising in diagnostic ultrasound for pregnancy, gynaecology, and breast related referrals in November 2021

The operating EBITDA is \$41.1m (down \$1.1m or 2.6% compared to pcp*) which represents an operating margin of 22.3%. The Group focussed on cost control with the matching of staff levels and clinic operating hours to patient demand however, Capitol experienced higher wages and salary costs in the form of personal leave and

temporary staff. In addition, the Group continued to invest in its corporate services through implementation of Transformation and Growth teams for scalability.

The fully franked final dividend of 0.5 cents per share has been maintained, and the dividends paid for 2022 total 1.0c per share fully franked.

Covid-19 pandemic impact on result

The Covid-19 pandemic and resulting lockdowns and suspension of elective surgery impacted the Company's activity levels. These impacts included:

- Temporary closure of 18 clinics during the period due to being Covid-19 exposure sites, resulting in 119 lost revenue days
- 1384 staff days lost to either furlough or isolation due to Covid-19 or other influenza type illnesses
- Challenges recruiting clinicians as a result of jurisdictional travel restrictions
- Challenges retaining reception and front office staff during lockdown periods

The Company recognises the impact that Covid-19 has on all its stakeholders, particularly on its staff. The Company remains determined to provide a safe environment for all staff and patients.

Mr. Justin Walter said *"We sincerely thank our staff for their dedication to patient care and the business. Despite the hardships resulting from Covid-19, their professionalism and resilience has been outstanding, and this contributed significantly to the Company's stability during FY22."*

Strategic Acquisition of FMIG

As part of the continued execution of Capitol's strategic plan, it has agreed to acquire FMIG (the Acquisition) a scale provider of diagnostic imaging services and at the forefront of several specialised services including cardiac, neurological and women's imaging.

FMIG have a strategic presence in Melbourne across six clinics covering the high growth corridor west of the city. When combined with Capitol Health clinics in this corridor, Capitol enhances scale with a total of 20 clinics in this region.

- FMIG is a compelling strategic, clinical and cultural fit for Capitol;
- Ten highly regarded radiologists with four vendor radiologists signing long term engagement agreements
- Three partially licenced MRIs across 6 comprehensive clinics
- Organic growth plans via a current brownfield development and expansion of specialised services
- Total consideration of \$56.1m pre transaction costs, inclusive of \$6.3m paid in scrip
- FY22 EBITDA of \$6.6m (pre AASB16)
- Funded from existing cash reserves and debt facilities
- High single digit EPS accretion
- Completion is subject to finalisation of customary closing conditions, expected by end of Q2 FY23

Mr Justin Walter further stated *"the FMIG acquisition is a compelling opportunity for both Capitol and FMIG to realise growth opportunities in Australia's second largest city, and extend our services via a highly regarded workforce of 10 radiologists and approximately 100 clinic staff. We warmly welcome the FMIG team to the Company and look forward to growing together"*.

Dr Andrew Dobrotwir, co-founder of FMIG, said *"Capitol is a logical clinical and cultural fit for the whole FMIG team. We look forward to contributing to their network of over 100 radiologists and their current vision to continue building a high quality and accessible imaging service for referrers and patients of Melbourne"*.

Outlook for FY23

With the announcement of the acquisition of FMIG, management's focus in FY23 will be on full integration of this asset into the Capitol network. This acquisition, aligned with our stated strategy, provides a significant opportunity for the Company to achieve further organic growth and create shareholder value. Capitol is on track to deliver its strategic plan by end FY24.

In addition to this integration work, management will continue to implement the final key strategic initiatives, namely the Standard Operating Model and unified Patient Information System.

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This announcement is authorised for release to the market by the Board of Directors of Capitol Health Limited.

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, Tasmania, South Australia and Western Australia. 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.

Forward-Looking Statements

Certain statements in this announcement are forward looking statements. Forward looking statements can generally be identified by the use of words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "target", "may", "assume" and words of similar import. These forward-looking statements speak only as at the date of this announcement. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performances and achievements to differ materially from any expected future results, performance or achievements expressed or implied by such forward looking statements.

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