

ASX ANNOUNCEMENT

15 November 2022

AGM - Chair's Address and Managing Director / CEO's Presentation

Capitol Health Limited (**Capitol** or the **Company**) (ASX: CAJ) will be holding its Annual General Meeting on 15 November 2022 at 11.30am (AEDT).

The Chair's address and the Managing Director / CEO's presentation for the Annual General Meeting are attached.

For further information, please contact:

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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.

Capitol Health Limited - 2022 Annual General Meeting – Chair’s Address

Ladies and gentlemen, I would now like to make some brief remarks to you as Chair of the Company.

The Company has been able to increase its revenue from \$178.0 million in 2021 to \$184.2 million in 2022 despite challenges faced. Highlights for the year ended 30 June 2022 included:

- Revenue up 3.5% to \$184.2 million
- Operating EBITDA of \$41.1 million
- Profit after tax of \$11.0 million
- Earnings per share of 1.04 cents
- The Group’s balance sheet remains sound with cash of \$13.4 million and unused funding facilities of \$116.2 million
- Fully franked dividends declared in FY22 totalling 1.0 cent per share

The COVID-19 pandemic continues to present very challenging conditions for the Company, and we are very proud that we were able to maintain the highest quality of care and safety for our patients, and that of our staff during this time. Despite the uncertainty of these unprecedented health and economic impacts that we are still experiencing, the Company has performed solidly during this period.

We are also pleased to see that everyone’s effort in building, reinforcing, and implementing procedures and measures, via our strategic plan, has enabled the Company to navigate these short-term challenges. As outlined in our previous reports, the Company continues to give priority to the safety and wellbeing of our valued staff and patients.

During the 2022 financial year and as part of its strategic expansion plan of high-quality community imaging centres, the Group has acquired Womens’ Imaging, a dedicated diagnostic imaging clinic with a specialist focus on women’s health in Hobart - Tasmania. This acquisition also further strengthens our expertise nationally.

We have further extended the capabilities of our Board through the appointment of Dr Kevin Shaw, a Radiologist with strong insights into the future challenges and opportunities within our industry and the broader health care environment.

On behalf of the Board, I would like to thank our radiologists and staff for their continued efforts and commitment to outstanding patient care particularly in these ongoing challenging times; our patients who used our services and the large group of referrers who continue to support our clinics. I would also like to thank my fellow Board members for their contribution to the Company.

I would particularly like to recognise the outstanding contribution of our Managing Director and CEO, Justin Walter and his Executive team for their unwavering commitment and effort throughout the past year. Their capacity to face unprecedented challenges has been incredible and we are very grateful to them for all they do for Capital Health.

We are entering a period of uncertainty. Rising inflation, rising interest rates, staff shortages, geopolitical issues beyond our control, and the burden of rising cost of living. Capital Health is well positioned to meet these challenges head on. We will work diligently and with the utmost care to further enhance the performance of our Company. We will continue to support our radiologists and our staff and provide them with the tools and development to be the best they can be. And finally, we will continue to serve you, our shareholders, to the best of our ability, and continue to strive for excellence across all parts of our business.

Finally, I would like to sincerely thank the shareholders of Capitol Health for your continued support of the Company.

Annual General Meeting

15 November 2022

MANAGING DIRECTOR / CEO'S ADDRESS



AGENDA

1. CEO FY22 Summary
2. CEO FY23 Business Update

1. CEO FY22 Summary

CAPITOLHEALTH
LIMITED



AGFA
HealthCare

THE CAPITOL HEALTH BUSINESS

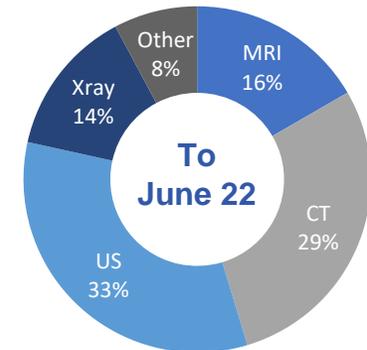
Overview

- 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 1.3 million procedures every year, employing ~800 staff and ~100 radiologists
- Our market position means we can adapt to changing industry dynamics and make strategic investments.

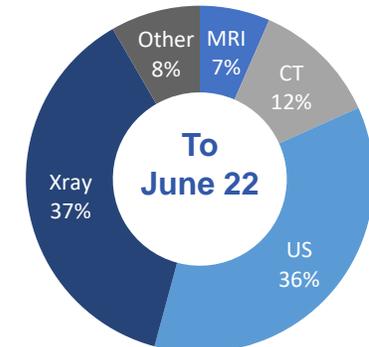
Location and Brands



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:

 <p>No. 1 in patient satisfaction</p>	 <p>Top repeat-referral rate</p>	 <p>Leading team satisfaction & retention rate</p>	 <p>Sustained market-share growth</p>	 <p>Industry-leading shareholder returns</p>
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Our Values:

<p>Patient centred</p> <p>We create positive patient experiences. We listen with respect, inform with empathy and involve patients in their care</p>	<p>One Team</p> <p>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</p>	<p>Integrity</p> <p>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</p>	<p>Excellence</p> <p>Together we pursue excellence – in outcomes and experience for our patients, referrers and community. We utilise the best technology to deliver timely, precise results</p>	<p>Community focused</p> <p>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</p>
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The Pillars of our Business:

Operational Excellence	Destination Employer	Next-generation Technology	First-choice Provider	Values-based Communications
<ul style="list-style-type: none"> Standardised operating model as platform for organic growth Value creation through post-acquisition integration Performance management through business intelligence and analytics 	<ul style="list-style-type: none"> Employee Value Proposition Clear performance & reward mechanisms Focus on professional development Values driven people processes 	<ul style="list-style-type: none"> Highly secure and effective technology model Holistic approach to technology encompassing clinical outcomes, operational efficiency and patient experience 	<ul style="list-style-type: none"> Differentiated customer and marketing plan Focus on and resourcing referrer relationship management including CRM implementation Patient experience management 	<ul style="list-style-type: none"> Coherent stakeholder communications strategy Focus on developing industry and government relationships Industry thought leadership program

FY22 HIGHLIGHTS

Delivered on Strategic plan:

- Womens' Imaging in Hobart acquired in Dec21 and delivering on expectations
- Greenfield clinics opened during the year include Pakenham in H1 and Knox and Melton in H2
- Continued focus on sustained market share growth

Enterprise-wide integration of clinics:

- Standard Operating Model defined and project roll-out underway
- Contact Centre pilot underway
- Unified patient information system scoped and approved for implementation in FY23
- Enhanced ITC and patient / referrer experience with new telephony and data capabilities for our clinics nationally
- Implemented enhanced cybersecurity platform

Destination employer:

- Annual employee survey and ongoing feedback opportunities
- Improved employee engagement in last 12 months
- Annual Remuneration and Professional Development framework in place
- Enhanced leadership capability for further growth with the appointment of the Chief of Clinics and Chief Commercial Officer roles
- Inhouse training program underway for our future sonographers



FY22 RESULTS SUMMARY

REVENUE

\$184.2m

Up 3.5% pcp

OPERATING EBITDA

\$41.1m

Down 2.6% pcp *

OPERATING EBITDA MARGIN

22.3%

Down from 23.7% pcp *

FREE CASH FLOW

\$19.5m

47.4% of Operating EBITDA

NET DEBT / OPERATING EBITDA

0.1x

*calculated on last twelve months operating EBITDA

FINAL DPS

0.5 cps

Fully franked

* The government funded Jobkeeper of \$5.8m (\$6.6m net of wage top-ups) recognised as an offset to employee expenses in FY21 prior to tax, has been excluded from previous corresponding period calculations.

3. CEO FY23 Business Update

CAPITOLHEALTH
LIMITED



EPS ACCRETIVE ACQUISITION AND MELBOURNE EXPANSION– FMIG

FMIG Acquisition

FMIG have a strategic presence in Melbourne across six clinics covering the high growth corridor west of the city. FMIG is a scale provider of diagnostic imaging services and at the forefront of several specialised services including cardiac, neurological and women's imaging.

- 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
- Completed in November ahead of schedule

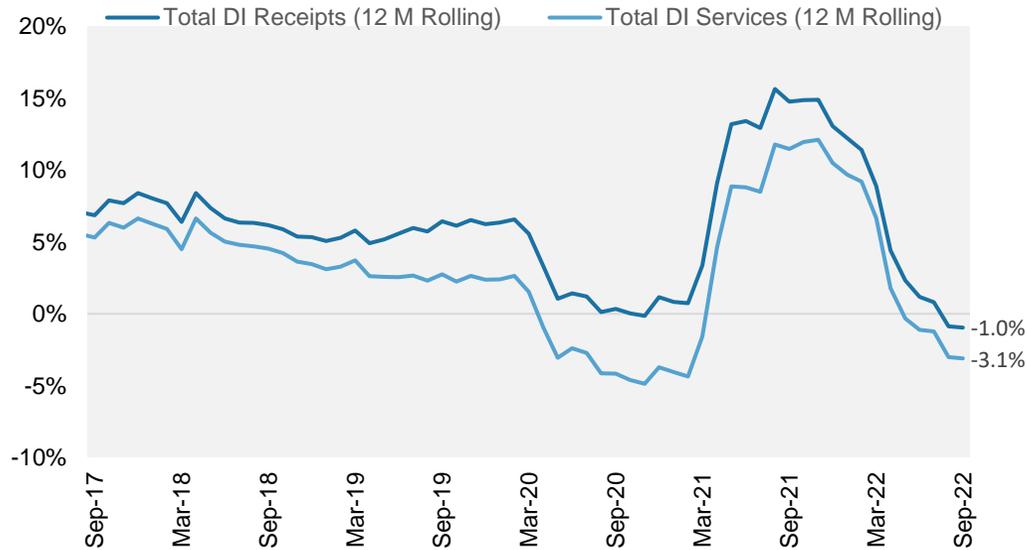
Acquisition Strategy

- ✓ Alignment with our company vision, values and strategy
- ✓ Obtain access to people and systems
- ✓ Locations that complement our network
- ✓ Where clinic investment will drive ongoing growth
- ✓ Pricing makes sense and delivers value to shareholders

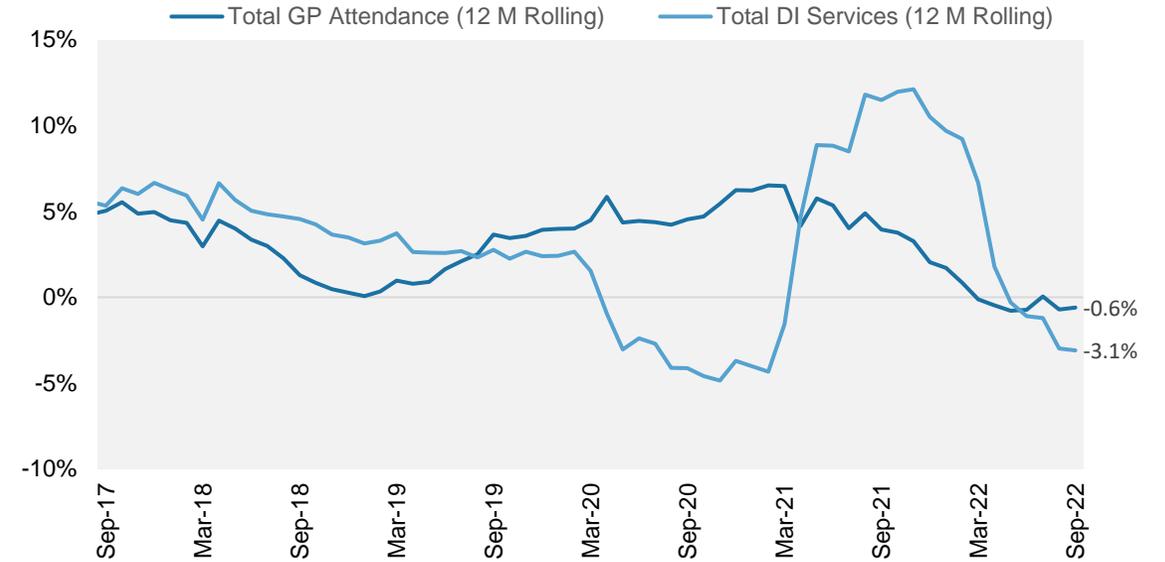


INDUSTRY GROWTH PROFILE – SEPT 22

DI Services and Revenues – CAJ States¹



GP Attendance & DI Services - CAJ States¹



- Demand for DI services in Victoria impacted and deferred, with temporary elective surgery suspension, and public hospital Code Brown enacted during FY22.
- DI Receipts (revenues) increasing due to shift to higher value modalities and annual MBS indexation of certain items since July 2020

- GP attendance remains below historical trends of 4-6%

¹ – Data included in each graph is inclusive of only the states in which Capitol Health operates in (VIC, TAS, WA, SA)
 Source: Medicare Australia Statistics - http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp

STATE OF PLAY

Covid Pandemic:

- CAJ defined as a “permissible service” so allowed to continue services across all four jurisdictions
- All sites remain open except for 3 small sites – permanently closed to consolidate services, protect / rationalize staff and comply with DoH guidelines
- Mandatory vaccination policy and Government compliance fully implemented
- Clinic workforce intact:
 - Clinician attrition rate stable
 - Non-clinical staff attrition and vacancy rates remain high
 - Unplanned absenteeism remained high until end Sept
 - GP referrer clinics also navigating pandemic disruptions



FY23 YTD – Performance and Strategy:

- FMIG acquisition announced demonstrating a disciplined approach to capital allocation and creating shareholder value. Completed 4th November.
- Sept22 Rolling 12mth Medicare DI services (CAJ states) growth rate -ve 3.1%
- Sept22 Rolling 12mth Medicare GP attendances (CAJ states) growth rate -ve since March 22
- FY23 YTD revenue compared to PCP –ve 1.8% impacted by;
 - closure of unprofitable small sites and modalities
 - pandemic disruption to clinics and referrers, particularly the month of July
 - One less trading day - Queen’s funeral public holiday
- Radiologist recruitment strengthening, with 8 new radiologists commencing by end Q3. In addition to the FMIG Radiologists now onboarded
- Implementation of strategic plan – roll out of patient information system delayed by 6 months as we navigate recent pandemic induced challenges

OUTLOOK

FY23

- Full integration of FMIG prioritised to realise revenue opportunities and synergies.
- Continue to support and invest in our workforce and model of care, to navigate current national workforce shortages
- Unified patient information system and standard operating model implementation
- Radiologist Clinical Leadership role (Chief Medical Officer) expanded, together with a professional development program
- Open our new flagship site at Sunshine Private Hospital in Q4
- Continuing to improve the 'cost-to-serve' of the business, removing revenue with no margin or opportunity to grow
- Carry a strong balance sheet in current economic climate, while only investing in well defined growth opportunities
- Deliver further brownfield and additional modality opportunities, including two additional MRIs in Q4
- Continued focus on organic revenue growth and sustainable long term operating margin of 23-24% in line with stated strategy



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