



**CAPITOLHEALTH**  
LIMITED  
ASX:CAJ

**FY 2015 Full Year Results Presentation**  
AUG2015

**JOHN CONIDI MANAGING DIRECTOR**



# Disclaimer

This presentation is the property of Capitol Health Limited (Capitol). This presentation is not and does not constitute an offer, invitation or recommendation to subscribe for, or purchase any security and neither this presentation nor anything contained in it shall form the basis of any contract or commitment.

This presentation does not constitute an offer or invitation in any jurisdiction anywhere, or to any person to whom, such an offer would be unlawful. This presentation is not intended as an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any security in the United States or to any person to whom it is unlawful to make such an offer or solicitation. The securities that may be included in any offering have not been, and will not be registered under the US Securities Act.

Reliance should not be placed on the information or opinions contained in this presentation. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Any decision to purchase or subscribe for securities in Capitol must be made solely on the basis of the information contained in the in the public domain and if necessary, after seeking appropriate financial advice.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, Capitol and its affiliates and related bodies corporate, and their respective officers, directors, employees and agents disclaim any liability (including, without limitation, any liability arising from fault or negligence) for any loss arising from any use of this presentation (or its content) or otherwise arising in connection with it.

Capitol's forward-looking statements, intentions, forecasts, prospects, returns, expectations, statements in relation to future matters or other forward looking statement contained in this presentation may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. They are based on a number of estimates, assumptions that are subject to business, scientific, economic and competitive uncertainties and contingencies, with respect to future business decisions, which are subject to change and, in many cases, are outside the control of Capitol and its directors. Neither Capitol nor its directors give any assurance that the forecast performance in the forecasts or any forward-looking statement contained in this presentation will be achieved.

# Agenda

1. About Capitol Health
2. Full Year Results FY2015
3. Results Commentary
4. Track Record Continues
5. DI – A Changing Landscape
6. Acquisitions
7. FY 2016 Industry outlook
8. FY 2016 Capitol Health outlook
9. Summary

# 1. About Capitol Health

- Capitol Health Limited (ASX:CAJ) is an Australian public company providing medical diagnostic imaging (DI) services
- It is the largest community based (non-hospital) DI provider within Victoria and is the only ASX-listed company operating exclusively in DI
- The Company employs approximately 700 staff and contractors across 66 facilities Victoria and NSW
- The Company's objective is to build a leading primary healthcare business generating sustainable growth and profitability for shareholders whilst delivering a superior patient experience

Key Information	Taken at market close 10/08/15
Share price	\$0.72
Shares on issue	522,567,973
Market capitalisation	\$376,248,941
52 week range	\$0.535 - \$1.10

## 2. Full Year Results FY2015

KPI	FY2015	FY2014	% change
Revenue	\$111.2	\$90.3m	+ 23%
NPBT Margin *	14.5%	11.3%	+ 325bps
NPBT *	\$16.2m	\$10.2m	+ 59%
NPAT (reported)	\$3.9m	\$7.2m	- 46%
EPS (underlying) #	2.49c	1.68c	+ 48%
DPS (fully franked)	1.25c	0.90c	+ 39%

- \* Underlying number, excludes \$8.4m in one-off transaction and restructuring costs associated with acquisitions, of which \$5.7m is non-recurring, non-deductible cost (ie stamp duty); ~\$0.4m of tax benefit

- # Includes issue of ~26m shares as part of SPP in February 2015

# 3. Results Commentary

## Revenue up 23% to \$111.2m

Driven by:

- Market share gains
- Organic industry growth
- Acquisition of SR and IOP (part year)
- Govt regulatory changes to MRI referral rights



## Underlying NPBT up 59% to \$16.2m

Underpinned by:

- Scalability of the business model
- Ongoing improvements in cost and operational efficiencies
- Higher relative gap-charging clinics in the network
- Underlying NPAT of \$11.8m and reported NPAT of \$3.9m reflecting higher effective tax rate due to non-deductible and partially deductible one-offs; deferred tax asset in future years
- Underlying EBITDA of \$22.6m

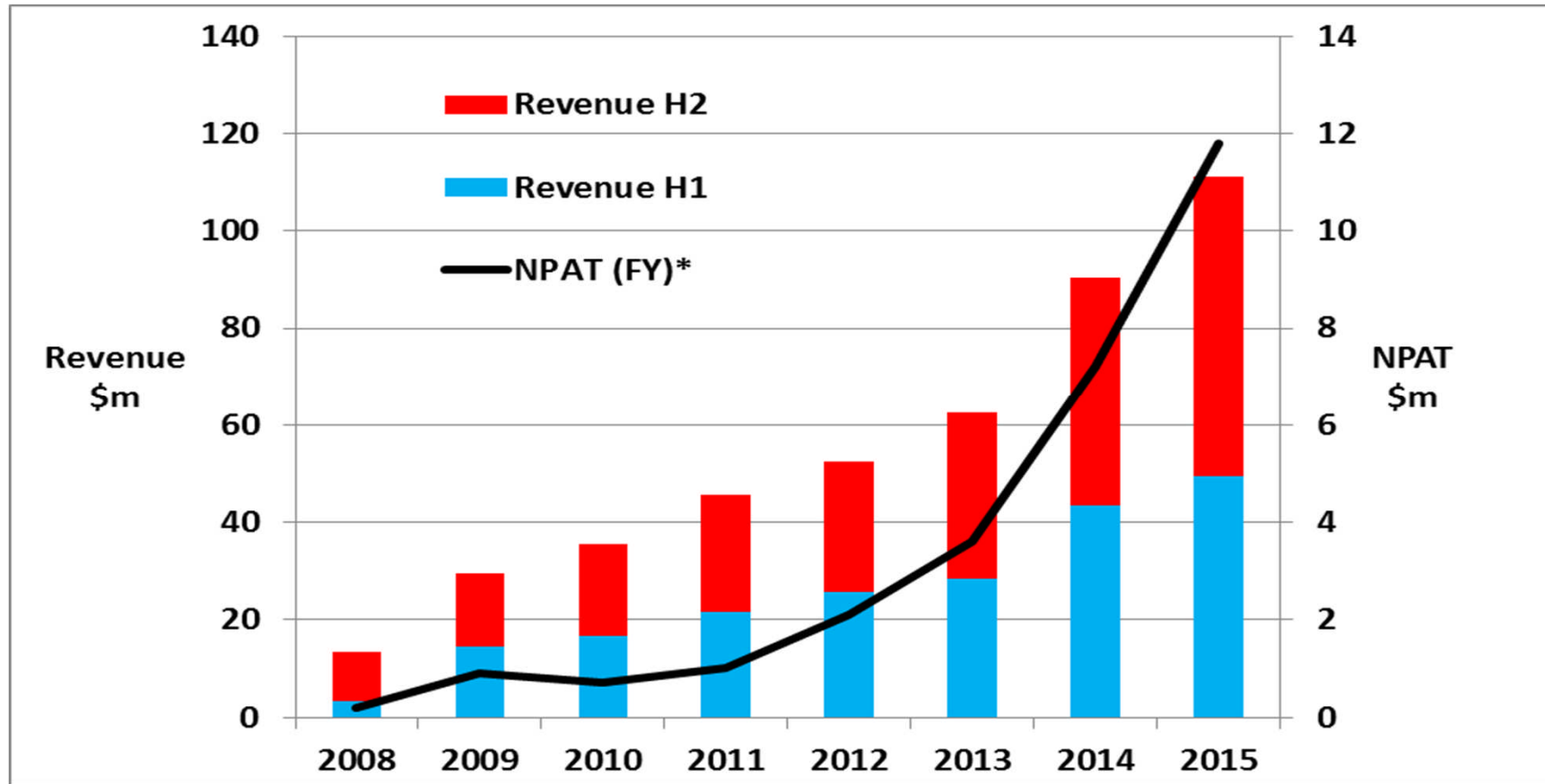


## 39% Dividend Uplift

Key details:

- 1.25 cps (Interim plus Final)
- Fully Franked
- Reflects strong financial performance, solid funding position and positive operational outlook

## 4. Track record continues



- Organic, year-on-year revenue growth (pre acquisitions) of 8%
- Split between 1<sup>st</sup> and 2<sup>nd</sup> half in line with previous years
- \* FY15 NPAT normalised to remove impact of one-off acquisition costs

# 5. DI – A changing landscape

- Ageing population and focus on sub-specialty radiology to drive growth
- Government Policy
  - In April the Government established a Medicare Benefits Schedule (MBS) Review Taskforce
  - Its purpose is to review more than 5,500 services listed on the MBS Schedule across all medical disciplines
  - The MBS Review Taskforce will consider how services can be aligned with contemporary clinical evidence and improve health outcomes for patients; the outcomes of this review are expected some time in 2016
  - No change expected for FY16
- Consolidation a growing factor in industry landscape
- Data analytics and significant investment in cyber security will bolster and enhance our service offering and minimise business disruption
- Technology creating an interface between stakeholders driving productivity and improving patient outcomes through personalised medicine



# 6. Acquisitions

- The following acquisitions have been completed:
  - Imaging @ Olympic Park (VIC) (02 February 2015)
  - Southern Radiology (NSW) (01 April 2015)
  - Sydney Radiology (NSW) (11 June 2015)
  - Eastern Radiology (NSW) (01 July 2015)
- Acquisitions have contributed broadly in line with expectations with Capitol investing heavily in initiatives to drive financial performance and synergies in FY16 and beyond
- Capitol in the final stages of executing another NSW purchase; adding ~\$7m in revenue and purchased at less than 5x EBITDA
- The acquisition of Eastern and key radiologist hires will exploit opportunities through the NSW network
  - Further acquisitions pending funded from cashflow and existing debt headroom
  - Restructure of Southern hospital relationships
  - Moving MRI licenses to unlock fee potential

# 7. FY 2016 Industry outlook

- Outlook for FY 2016 continues the themes developed over the last few years
- Industry growth driven by:
  - Expanding and ageing population
  - Emphasis on early detection and prevention
  - First time sub specialty radiology
  - Critical service to Australian healthcare industry
  - Improved accuracy and capability of imaging techniques attracts greater usage for preferred providers
  - Government initiatives favouring those participants who have invested through shift towards MRI
  - Technology disruption driving client outcomes and company productivity
  - Personalization of medicine driven IT systems, networks and mobile devices

## 8. FY 2016 Capitol Health outlook

- Strong performance expected to be maintained in FY 2016
- Significant investment in IT to deliver a standard workflow environment, best of breed data and network security and investment in functional networking systems that improve the communication between referrers, patients & Capitol
- Focus on integrating acquisitions and driving synergies and network benefits
- Further organic and acquisitive growth:
  - Government initiatives and Capitol's superior customer offering are expected to drive further organic growth
  - The Board remains responsive to further opportunities for expansion via acquisition and through contract wins
  - Radiologist recruitment initiatives
- Continued uplift in revenue and profits:
  - Network expansion & customer offering expected to deliver further market share gains
  - Highly scalable and low-cost business model firmly in place
  - Investment in technology to improve workflow
  - Debt headroom for future acquisitions
  - Board remains committed to a Progressive Dividend Policy supported by strong future cashflows

# 9. Summary

*Capitol is positioned to deliver sustainable growth and profitability through:*

- Strong financial performance – record Interim and Annual results
- Clear and focused strategy – still the only ASX company exclusively in DI
- Highly scalable business and adaptive model with low-cost base
- Attractive offering for customers, Radiologists and referrers
- Supportive regulatory environment
- Attractive Dividend yield and growth
- Positioned to benefit from future industry consolidation



**CAPITOLHEALTH**  
LIMITED  
ASX:CAJ

**JOHN CONIDI MANAGING DIRECTOR**

**LEVEL 3, 81 LORIMER ST DOCKLANDS VIC 3008**

**P: +61 (0) 3 9348 3333 F: +61 (0) 3 9646 2260**

**E: [investors@capitolhealth.com.au](mailto:investors@capitolhealth.com.au)**

**W: [www.capitolhealth.com.au](http://www.capitolhealth.com.au)**