

# 2022 RESULTS

Year Ended 30 June 2022

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# 01. HIGHLIGHTS

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# 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.



# 2022 HIGHLIGHTS

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## Financial Highlights

- Revenue from operations of \$184.2m up \$6.2m or 3.5% over pcp
- Total Operating Costs up 5.4% on pcp (ex Jobkeeper) to \$143.0m
- Operating EBITDA decreased by 2.6% on pcp (ex Jobkeeper) from \$42.2m to \$41.1m
- Operating Margin of 22.3% is down from 23.7% pcp (ex Jobkeeper)
- Statutory NPAT is down 9.2% to \$11.0m
- Net Debt 0.1x annualised Operating EBITDA
- Final dividend FY22 maintained at 0.5 cents per share fully franked



\* Operating excludes Transaction & Restructure Costs, Unrealised Foreign Exchange Gain/(Loss), Impairment of Financial Asset and Financial Liabilities movement in fair value.

# 2022 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

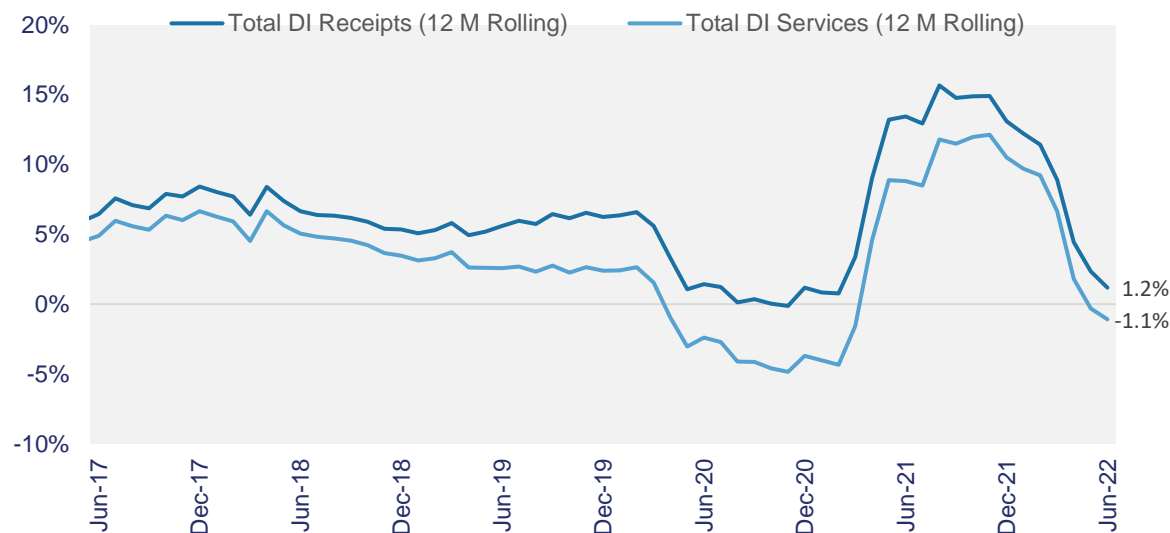
## Destination employer:

- 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



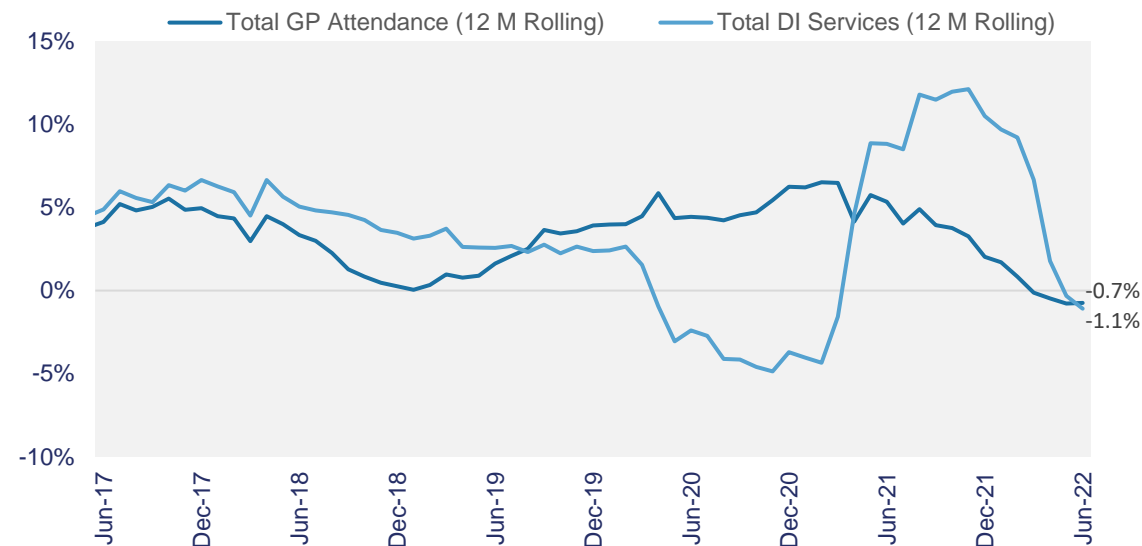
# INDUSTRY GROWTH PROFILE

DI Services and Revenues – CAJ States<sup>1</sup>



- Demand for DI services in Victoria impacted and deferred, with temporary elective surgery suspension, and public hospital Code Brown enacted during FY22.
- Rolling 12 month growth rates will not settle to the long term average until Covid effected months and associated recovery have rolled out of the 24 month comparison
- DI Receipts (revenues) increasing due to shift to higher value modalities and annual MBS indexation of certain items since July 2020

GP Attendance & DI Services – CAJ States<sup>1</sup>



- GP attendances and DI services growth rates continue to fluctuate due to disruption from Covid19 pandemic
- Demand for DI services is underpinned from the aging population, population growth, development in medical imaging technology and advancements in patient care

<sup>1</sup> – 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](http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp)

## 02. FINANCIALS

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# FY 2022 – OPERATING RESULTS

Operating EBITDA reconciliation (expressed in \$000)	FY22	FY21 (excl Jobkeeper)	Change	%Change
Revenue	184,158	177,996	6,162	3.5%
Wages, Contractor Costs, Salaries	(114,610)	(107,791)	(6,819)	6.3%
Other Operating Costs	(28,422)	(27,964)	(458)	1.6%
<b>Operating EBITDA</b>	<b>41,126</b>	<b>42,241</b>	<b>(1,115)</b>	<b>(2.6%)</b>
<i>Operating EBITDA Margin</i>	22.3%	23.7%	(1.4%)	(5.9%)
Unrealised Foreign Exchange Gain/(loss)	1,782	(1,882)	3,664	(194.7%)
Transaction and restructure costs	(1,000)	(1,266)	266	(21.0%)
Impairment of financial assets	(2,123)	(734)	(1,389)	189.2%
Movement of other financial liabilities	130	74	56	75.7%
<b>Profit before Finance Costs, Income Tax, Depreciation and Amortisation</b>	<b>39,915</b>	<b>38,433</b>	<b>1,482</b>	<b>3.9%</b>

- Revenue of \$184.2m is up \$6.2m or 3.5% over pcp, whilst the anticipated recovery during the year continued to be impacted by COVID.
- Organic revenue flat v industry Medicare benefits down 2.8% nationally
- Bulk billing revenue mix stable at 78%
- Wages, Contractor Costs and Salaries increased by \$6.8m or 6.3% on pcp, due to acquisition of Womens' Imaging and Direct Radiology, investment in our people via destination employer initiatives, strategic project resourcing to deliver strategy \$1.0m, increased cost of personal leave \$0.5m.
- Operating EBITDA of \$41.1m, a decrease of \$1.1m or 2.6% on pcp
- Operating EBITDA margin decreased to 22.3%, down from 23.7% pcp
- Unrealised Foreign Exchange Gain/(Loss) and Impairment of Financial Assets relates to Enlitic investment



# FY 2022 – CASH FLOW

Key Cash Measures (expressed in \$000)	FY22	FY21 (excl JobKeeper)	Change	% Change
Operating EBITDA	41,126	42,241	(1,115)	(2.6%)
Net Cash from Operating activities (excluding interest and tax)	41,073	45,930	(4,857)	(10.6%)
Capital expenditure - Maintenance	(9,684)	(5,330)	(4,354)	81.7%
Lease cash payments	(11,891)	(11,686)	(205)	1.8%
<b>Free Cash Flow</b>	<b>19,498</b>	<b>28,914</b>	<b>(9,416)</b>	<b>(32.6%)</b>
Free Cash Flow / Operating EBITDA	47.4%	68.5%		

- Higher reinvestment of free cash flows in maintenance of equipment and clinics after abnormally low FY21
- Free cash flow conversion on operating EBITDA of 47.4% down on pcp of 68.5%



# FY 2022 – CAPEX INVESTMENT

Capital Expenditure (expressed in \$000)	FY22	FY21
Maintenance	9,684	5,330
Growth	3,494	2,312
<b>Total</b>	<b>13,178</b>	<b>7,642</b>

Depreciation & Amortisation	(21,060)	(21,396)
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- FY22 Growth capex higher due to the expansion of new clinics Pakenham, Knox and Melton.
- Maintenance capex was abnormally low in FY21 driven by timing of replacement capex requirements and minor delays in investment due to COVID.
- Depreciation and Amortisation remains stable





# 03. GROWTH

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# 4 ENGINES OF GROWTH



## Organic

- Focus on 'go to' market strategy to drive market share.
- We successfully matched patient demand to our resourcing
- Implementation of recruitment and retention strategy to increase sonographers and radiologists



## Clinic Expansions and Upgrades

We continue to review and optimise our network of clinics.

There are three prongs to this approach:

- Brownfield redevelopment and upgrading of modalities
- Clinic portfolio review of profitability
- Open Greenfield Clinics



## Acquisitions

- Continued focus on acquisitions which represent strategic geographic expansion
- Acquisitions accretive to Capitol, attractive multiples
- Cultural alignment



## Technology Investment

- Referrer interface software and telehealth functionality
- Unlisted investment in Enlitic

# PROGRESS FOR FUTURE ORGANIC GROWTH

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## Outlook

- Full integration of recent acquisitions prioritised
- Unified patient information system and standard operating model implementation
- Further investment and expansion of Radiologist leadership role - CMO
- Optimise utilization of all medical equipment
- Continuing to improve the 'cost-to-serve' of the business
- Carry a strong balance sheet while investing in well defined growth opportunities
- Deliver further brownfield opportunities
- Continued focus on organic revenue growth and sustainable operating margin of 23-24% in line with stated strategy



# ACQUISITION – FMIG

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## 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
- Completion is subject to finalisation of customary closing conditions, expected by end of Q2 FY23

## 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

# QUESTIONS?

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# 04. APPENDIX



# THE CAPITOL HEALTH BUSINESS

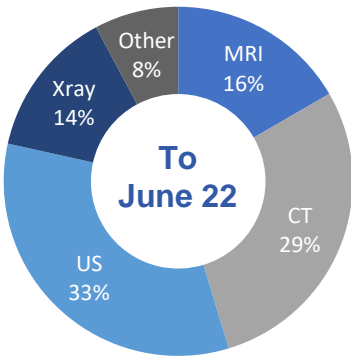
## Overview

- 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.

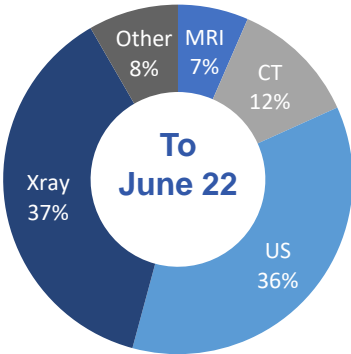
## Location and Brands



## 12-month Revenue by Modality



## 12-month Services by Modality



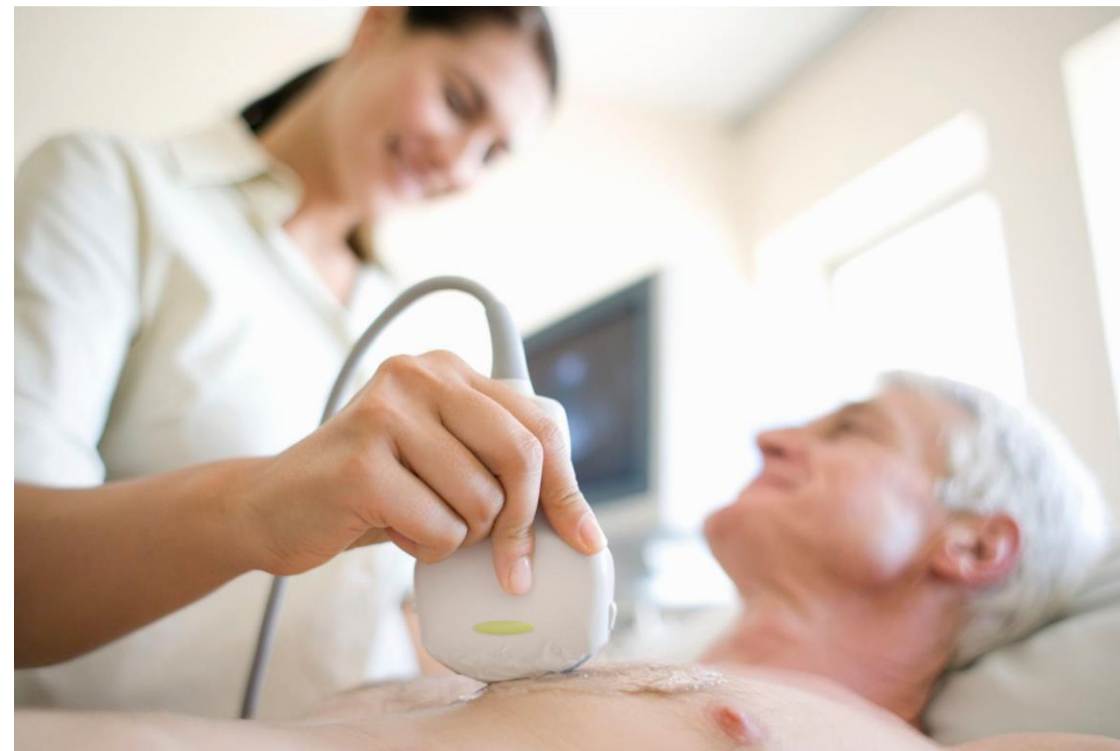
# FY 2022 – BALANCE SHEET

<b>Balance Sheet Summary (expressed in \$'000)</b>	<b>FY22</b>	<b>FY21</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	13,384	21,749
Trade and Other Receivables	4,698	5,582
Other Financial Assets	113	169
Other Assets	736	683
Income tax receivable	1,176	-
<b>Total Current Assets</b>	<b>20,107</b>	<b>28,183</b>
<b>Non-Current Assets</b>		
Plant & Equipment	44,464	41,075
Right-of-Use Asset	56,701	59,011
Intangible Assets	125,111	126,035
Other Financial Assets NC	19,181	19,522
Other Receivables	294	180
Deferred Tax Assets	5,328	5,650
<b>Total Non-Current Assets</b>	<b>251,079</b>	<b>251,473</b>
<b>Total Assets</b>	<b>271,186</b>	<b>279,656</b>
<b>Current Liabilities</b>		
Trade and Other Payables	11,507	13,606
Lease Liability	10,346	9,782
Employee Benefit Liability	11,685	12,239
Income Tax Liability	0	1,869
<b>Total Current Liabilities</b>	<b>33,538</b>	<b>37,496</b>
<b>Non-Current Liabilities</b>		
Loans and Borrowings NC	19,000	29,000
Lease Liability	51,860	55,284
Other financial liability	3,771	5,081
Provisions	2,611	2,455
Employee Benefit Liability NC	437	781
Deferred Tax Liabilities	5,926	3,531
<b>Total Non-Current Liabilities</b>	<b>83,605</b>	<b>96,132</b>
<b>Total Liabilities</b>	<b>117,143</b>	<b>133,628</b>
<b>Net Assets</b>	<b>154,043</b>	<b>146,028</b>



# FY 2022 – CASH FLOW

Cash Flow Summary (expressed in \$000)	FY22	FY21
Receipts from customers	184,874	178,092
Payments to suppliers and employees	(143,800)	(126,380)
Interest received	32	13
Interest and other finance charges on borrowings	(1,077)	(1,405)
Interest on lease liabilities	(1,861)	(1,985)
Income tax (paid)/refunded	(5,308)	(7,444)
<b>Net Cash from Operating Activities</b>	<b>32,860</b>	<b>40,891</b>
<b>Cash flows from Investing Activities</b>		
Purchase of plant and equipment	(13,168)	(8,217)
Payments for business acquisitions and investments	(700)	(11,861)
Payments of transaction costs	(1,000)	(1,266)
<b>Net Cash used in Investing Activities</b>	<b>(14,868)</b>	<b>(21,344)</b>
<b>Cash flows from Financing Activities</b>		
Proceeds on exercise of options	4,270	393
Proceeds/(repayment) of secured loans	(10,000)	12,000
Payment of dividends	(10,388)	(14,135)
Payment of dividends to non-controlling interests	(209)	(118)
Cash payment of lease liabilities	(10,030)	(9,701)
<b>Net Cash used in Financing Activities</b>	<b>(26,357)</b>	<b>(11,561)</b>
<b>Net increase/(decrease) in Cash and equivalents</b>	<b>(8,365)</b>	<b>7,986</b>
<b>Cash at Beginning</b>	<b>21,749</b>	<b>13,763</b>
<b>Cash at End</b>	<b>13,384</b>	<b>21,749</b>





# CAPITOL HEALTH VISION

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

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# CAPITOL HEALTH 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

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