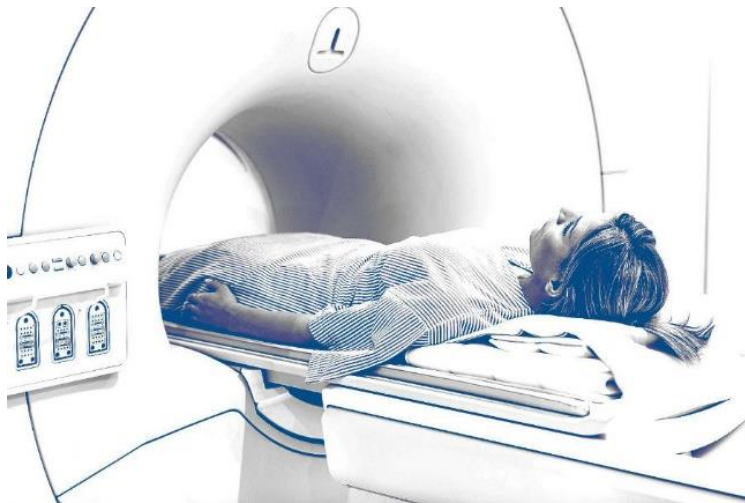


# 1H FY2018 Results

Period Ending 31 December 2017



Andrew Harrison  
Managing Director

*27 February 2018*

CAPITOLHEALTH  
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# 1. 1H FY18 performance



# Financial performance – 1H FY18

## Profit and Loss summary<sup>1, 2</sup>

	1H FY18 (\$m)	1H FY17 (\$m)
Revenue	56.1	52.7
<b>EBITDA prior to ISI</b>	<b>10.4</b>	<b>5.0</b>
Net ISI losses / (gain) <sup>3,4</sup>	1.6	(0.5)
<b>EBITDA after ISI</b>	<b>8.8</b>	<b>5.5</b>
Borrowing costs	1.8	1.1
Depreciation & amortisation	2.7	2.3
<b>NPBT</b>	<b>4.3</b>	<b>2.0</b>
Tax	1.5	0.0
NPAT (Continuing operations)	2.7	2.0
NPAT (Discontinued operations)	0.2	0.2
<b>Statutory NPAT</b>	<b>2.9</b>	<b>2.2</b>

- Operating revenue of \$54.8m
  - Up 5.1% adjusted for working days or \$2.3m on 1H17
- EBITDA of \$10.4m before one-off transaction costs
  - Underlying EBITDA growth of 100%+
- Acquisition costs related to acquisition of I-rad, Radiology Tasmania, and IDX takeover bid
- Declared interim dividend 0.4cps fully franked
- Substantial increase in underlying EBITDA margin to ~19%

<sup>1</sup> Abridged summary prepared for comparative purposes; refer to Half-year Report for statutory detail

<sup>2</sup> Figures rounded to nearest \$100k; sums subject to rounding differences

<sup>3</sup> ISI – 1H FY18 represent transaction costs related to acquisition of I-rad, Radiology Tasmania, and IDX takeover bid.

<sup>4</sup> ISI – 1H FY17 represent cost related to forfeiture of share options \$1.1m, M7T options valuation adjustment \$0.1m offset by \$1.7m gain in property sale and deferred consideration.

# Financial performance – 1H FY18

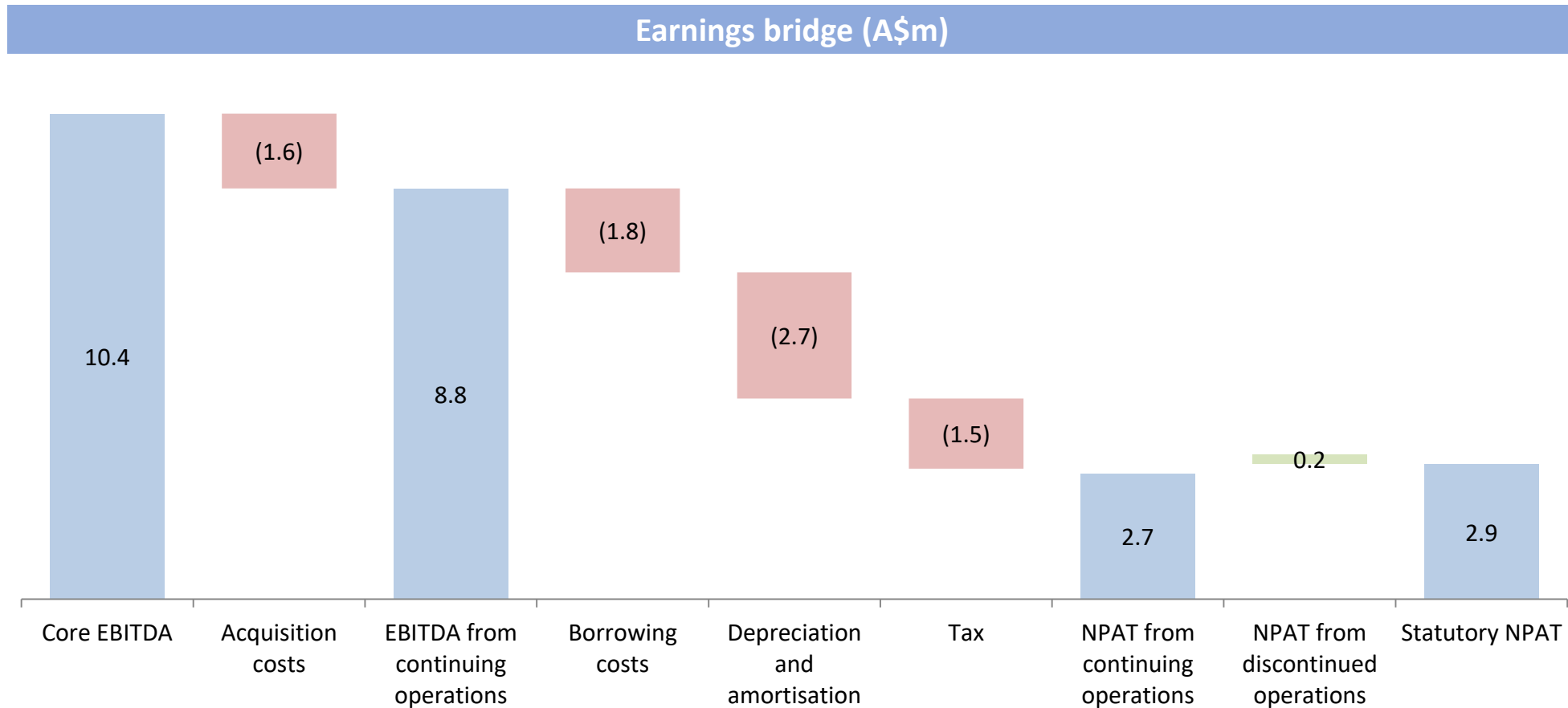
Balance Sheet summary <sup>1,2</sup>		
	1H FY18 (\$m)	1H FY17 (\$m)
Cash	85.4	12.6
PP&E	24.1	34.9
Other	28.2	31.4
Intangibles	53.2	130.0
<b>Total Assets</b>	<b>190.9</b>	<b>208.9</b>
Loans & Borrowings	52.6	99.1
Other	18.7	21.6
<b>Total Liabilities</b>	<b>71.3</b>	<b>120.7</b>
<b>Net Assets</b>	<b>119.5</b>	<b>88.2</b>
<b>Net Debt / (cash)</b>	<b>(32.8)</b>	<b>86.5</b>

- Cash balance after acquisitions of \$85.2m (Jan 2018 month end Balance)
- NAB senior facility drawn to \$27.0m, used to fund acquisitions
- \$48.3m unsecured note
  - May 2018 option for early redemption
- Projected net debt after the Integral Diagnostics takeover will be comfortable at ~1.5x EBITDA

1 Abridged summary prepared for comparative purposes; refer to Half-year Report for statutory detail

2 Figures rounded to nearest \$100k; sums subject to rounding differences

# Bridge from Underlying to Statutory results (1H FY18)

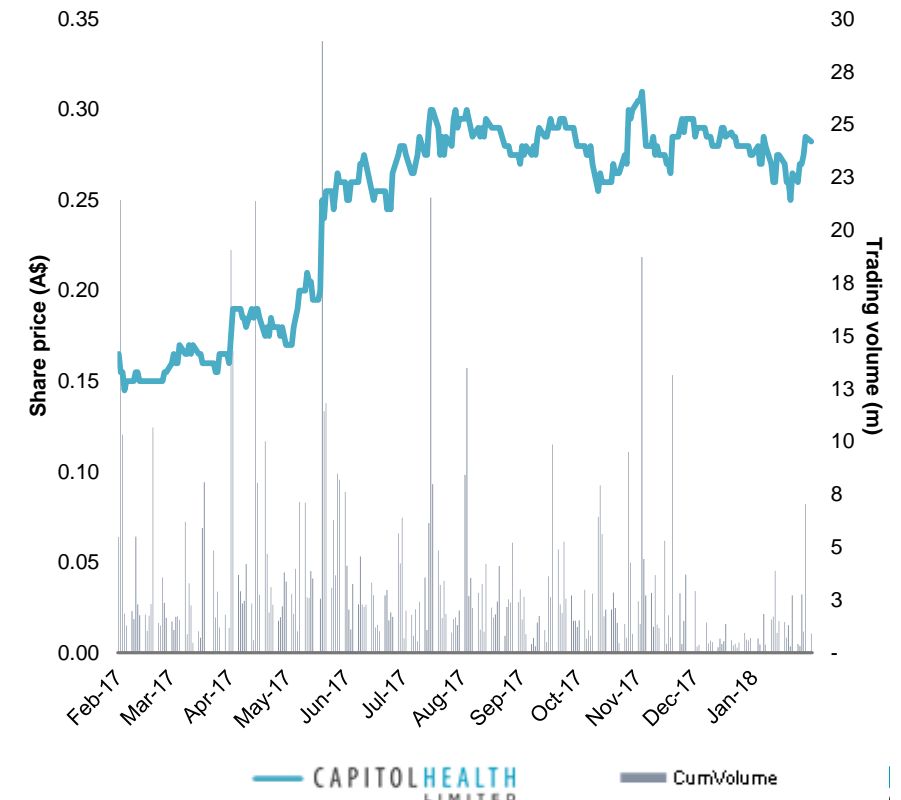


# Key achievements over the past 12 months

## Key achievements

- ✓ **NSW asset sale completed**
  - Proceeds of \$81.5m received in August 2017 support a strong balance sheet with a net cash position of \$32.8m
- ✓ **Renewed focus on Radiology and Clinicians**
  - long-standing Medical Advisory Committee now reporting directly to the Board of Directors
  - Developing sub-specialty practices and related fellowship programs
  - Increased investment in training and development
- ✓ **Significant uplift in EBITDA margins to ~19%**
  - Reflect organic and acquired growth and right sized cost base
- ✓ **Driving acquisition opportunities**
  - Acquisition of I-rad and Radiology Tasmania completed in February 2018
  - Further acquisitions in the pipeline
  - Opportunity of IDX takeover bid to bring together two highly complementary networks to create a new force in diagnostics in Australia

## Capitol last 12 months price and volume



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# Renewed clinical focus

- ✓ Focus on retaining and developing Doctor and clinical resources
- ✓ Fellowship programs in MSK and Body & Comprehensive Cardiac Imaging
- ✓ Sonographer training program
- ✓ Development of sub specialty focussed businesses:  
MSK / Sports Imaging – Imaging at Olympic Park and Body Imaging / Comprehensive Cardiac Imaging Services – Vermont
- ✓ Medical Advisory Committee (MAC) reporting directly to Board of Directors
- ✓ Strong focus on training, education, and professional development through modality committees
- ✓ Large internal and external tele-radiology business
- ✓ Research participation (e.g. Enlitic R&D programs)



## 2. Takeover offer for IDX





# Update on takeover Offer IDX

Offer overview	<ul style="list-style-type: none"><li>● Offer opened on 14 February 2018</li><li>● The Offer to acquire all of the ordinary voting shares in Integral is for a consideration of 6.9 fully paid ordinary shares in Capitol and \$0.36 cash for each Integral share</li></ul>
Benefits and highlights	<ul style="list-style-type: none"><li>✓ Greater scale and financial strength to capitalise on growth opportunities in the healthcare market, as well as enhanced share liquidity and access to capital markets</li><li>✓ Diversified geographic and clinical profile, and now including the recently announced \$24.2m acquisition by Capitol of Radiology Tasmania</li><li>✓ Doctors to benefit from a larger referral network with greater options for continuing professional development, including through the promotion of centres of excellence such as Imaging @ Olympic Park in Melbourne</li><li>✓ Significant operating savings and efficiencies across duplicated public company costs, head office and administrative functions, as well as potential revenue synergies from improved optimisation of network locations</li></ul>
Target's Statement	<ul style="list-style-type: none"><li>● As announced by Integral, Integral's Target's Statement is expected to be lodged by Friday, 2 March 2018</li><li>● Capitol will review Integral's Target's Statement, including the Independent Expert's Report, and formally respond in due course</li></ul>

### 3. Future outlook



# Strategic investments

## JV with CITIC & Zhouxin



- Consulting and clinic management
- Option of participating in clinic ownership
- CITIC well placed due to large existing hospital network in China
- Provides platform to leverage growth in Chinese healthcare and emerging private DI market
- Capitol to contribute RMB 3m (~A\$0.6m) for 30% stake in JV, CITIC will hold 60% & Zhouxin 10%
- No further cash contribution expected unless clinic ownership option exercised
- Provides low risk option to growing market not reliant on Australian Government regulation
- Domestic regulatory delays have deferred commencement of operations

### About CITIC Group

- >750,000 employees
- Annual revenue AUD\$737B
- Market Cap AUD\$55.5B
- 160 in global Fortune 500 (2014)

### About Zhouxin Group

- High end health centre owner
- Cardiac MRI specialists
- CITIC has ownership stake



- Continues to make major breakthroughs in applying Deep Learning
  - Chest X-ray Triage - CT Lung Cancer detection – Natural Language Processing (NLP) – Mammography
- Chest X-ray Data Testing, Calibration and Trials with major companies in China & Japan
- Collaboration on CT lung cancer with a major research institution and commercial customers in US
- Leading medical data inventory from international sources
- Several patent opportunities and incremental regulatory approval strategy
- Won €1m prize for best start-up awarded by Apple founder Steve Wozniak
- Planning Australia TGA registration for post hoc quality assurance use
- Currently considering opportunities to crystallise value for Capitol

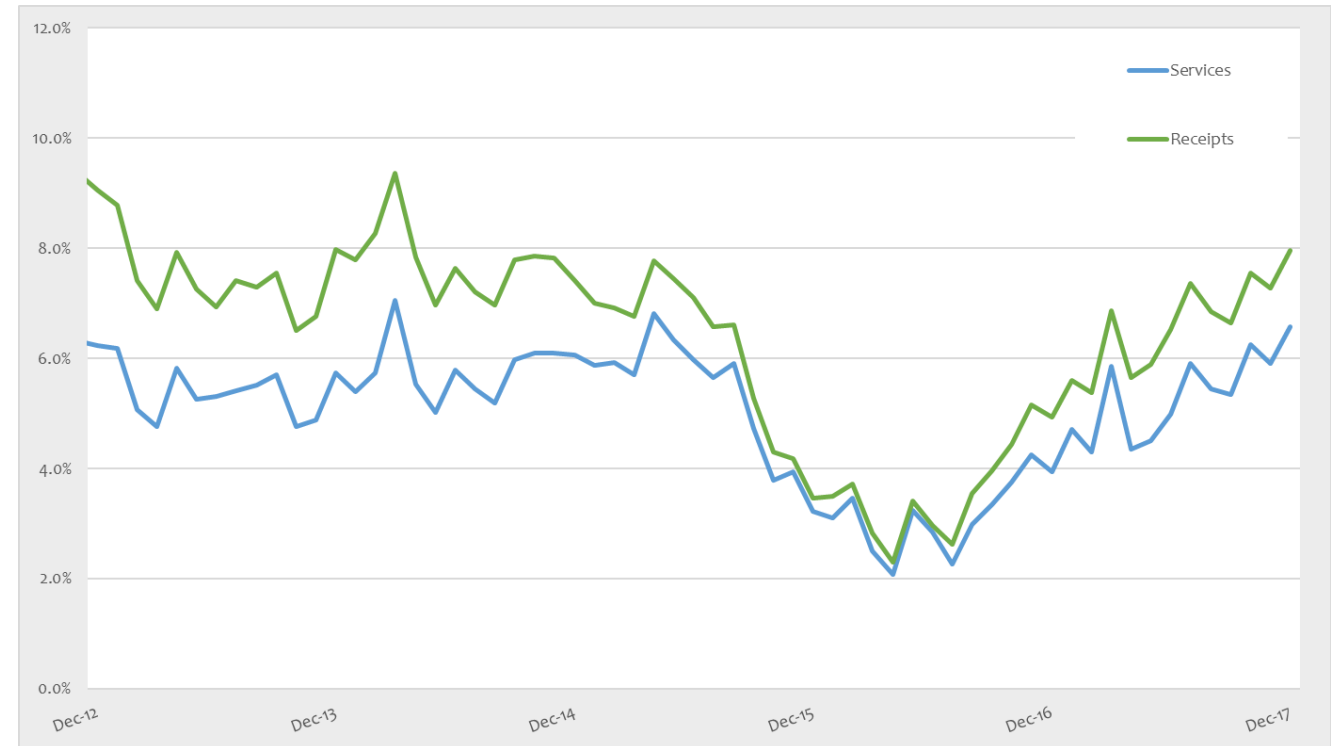
### About the Enlitic investment

- Ownership 25% undiluted, 1 board seat
- Collaboration agreement in China
- Australian rights to use Enlitic as part of clinical partnership
- > 12 months of cash runway

# Strong outlook

- Strong underlying growth continuing
- Vic expected to continue to grow strongly during FY18
- Higher % growth in MRI – Capitol well positioned
- More stable regulatory environment

## DI Services and Revenues - Victoria 12M Rolling Growth Rates



Source: Medicare



# FY18 guidance upgrade

A\$m	FY18 (Nov Guidance)	FY18 (Feb Guidance)
Revenue Range	121 – 126	129 – 132
EBITDA Range	21.5 – 23.5	23.0 – 25.0

- High operational leverage and cost reductions to drive forecast EBITDA margin to ~19%+
- Strong underlying market and revenue growth circa 5% (corrected for working days)
- Assumptions include:
  - 2 months' contribution from NSW operations
  - 2 new clinics already opened, being VPH and Altona with benefit realised through FY19
  - Post-acquisition contributions from I-rad and Radiology Tasmania (not incl. in November guidance)
  - Further acquisition pipeline not included



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