

CAPITOLHEALTH
LIMITED

Full Year Results
Year ending 30 June 2010

John Conidi – Managing Director
Dominik Kucera – CFO, Executive Director

September 2010

2010 Full Year Review

Financial Performance

- Imaging Revenue \$35.4m up 25%
- NPAT turnaround \$0.7m Profit vs (\$1.3m) Loss

Market Dynamics

- 10% Medicare Rebate increase (Nov 2009)
- Opportunity to increase co-payments
- Ongoing opportunities from shakeout of competitors

Developments

- 7 new clinics to be added during 2010/11
- Strong growth in Tele-radiology
- Technology investment driving cost reduction

Highlights – Revenue Growth

- Consistent Revenue growth + 25% yoy
 - \$2m NPAT turnaround
- Full benefits to emerge in 2010/11
 - Profit constrained short-term by process amalgamation and introduction of new technologies
 - Full year benefit from Medicare Rebate increase
 - Technology investment substantially completed
- Federal Government review
- Revenue YTD above Budget

Highlights – Network Expansion

- 7 new Clinics to be added in 2010/11
- Increased organic growth from existing facilities (14% growth 2009/10 over 2008/09)
- Organic growth clinics expanding within competitive local markets
- Significant increase in Tele-radiology services to third parties
 - 2008/9 revenue immaterial, 5% of total revenue in 2009/10

Highlights - Operational

- Major technology / infrastructure program completed (TTP)
 - Major capex spend complete
 - Upgrades both front office (Clinics) and back office
 - Facilitates easy centralised management of operations
- Procedures consolidated to uniform operating procedures
- High staff retention rates in demand-driven environment
- Brand loyalty improving with consolidation into one brand



Positive financial impact on the results for 2009/10, with full benefit in 2010/11.

Technology upgrade substantially complete

Delivering cost reductions and strategic flexibility

16 major areas – 26 major programs

- ✓ Fibre Optic Data Network
- ✓ Centralised Data Centre
- ✓ Uniform Practice Management software (RIS)
- ✓ State-of-the-art Digital Imaging application (PACS)
- ✓ All imaging equipment upgraded to be PACS compatible
- ✓ All new infrastructure hardware (complete overhaul)
- + All new back-office software applications
- + VOIP implementation
- + All internal policies and procedures under review

Full benefit to bottom line in 2010/11

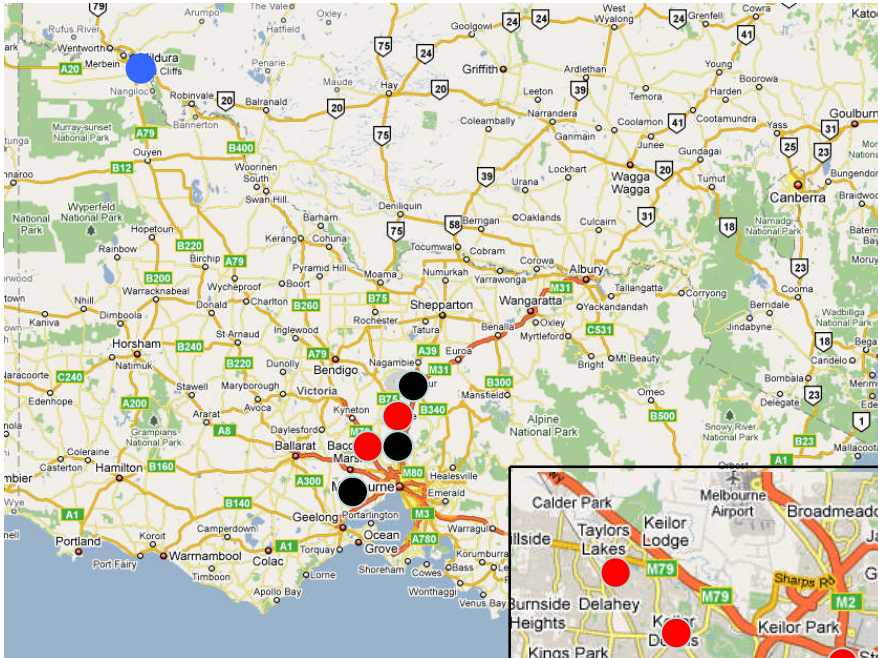
Best Practice Business Model

- TTP enables efficient, secure distributed information network
- Image reporting becoming “filmless” and independent of location
- Remote diagnostics improves cost and capacity utilisation
- Data bank provides direct communication links between referrer and Capitol – repeat referrals
- Facilitates scalable growth through acquisition of platforms or newly established sites
- Revenue potential through provision of remote reporting services to other parties (Tele-radiology)

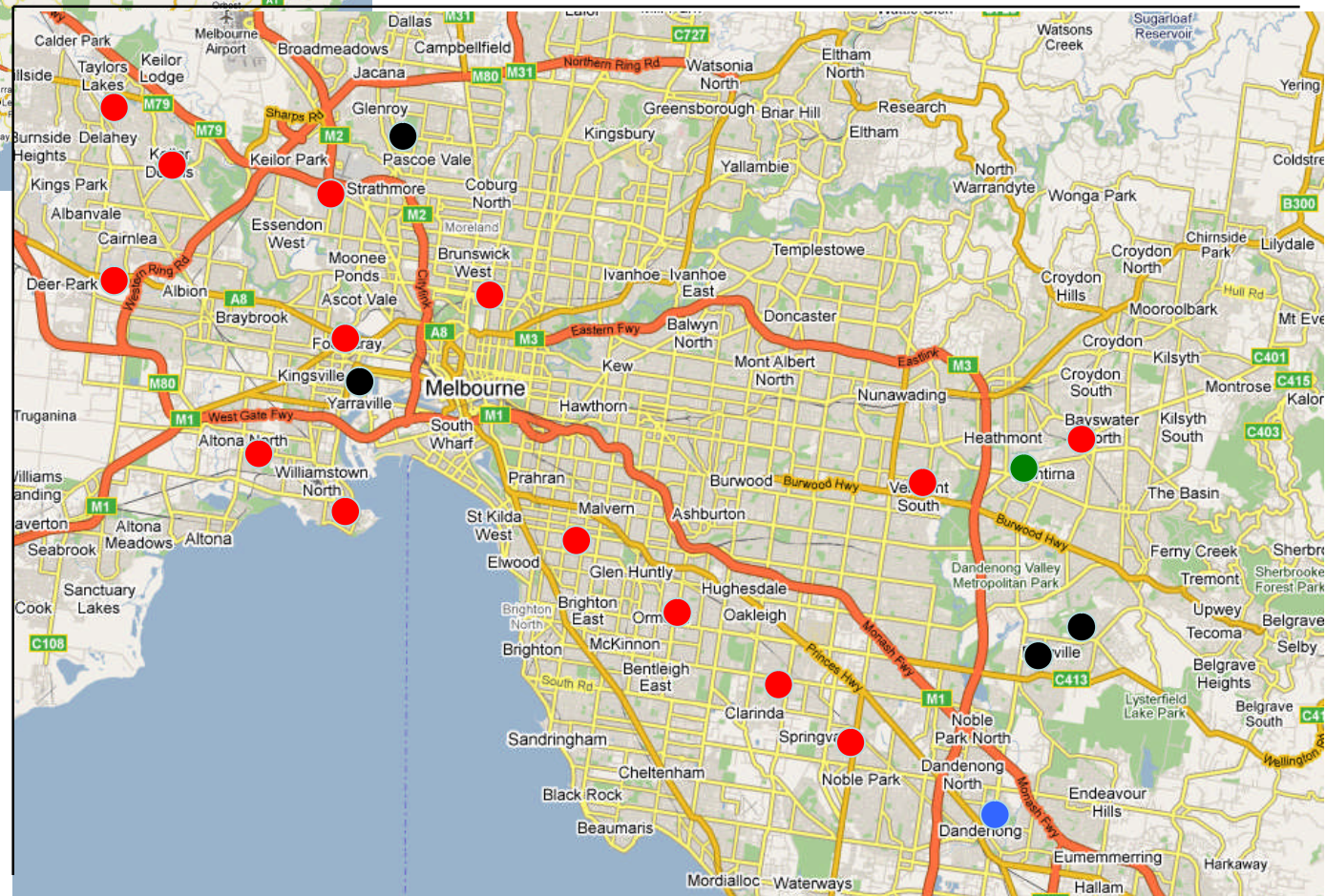
Growth in Diagnostic Imaging Clinics

				Clinics
Acquisitions	2007/8	Aug	Radiology Group	8
		Jan	SEMI	2
		Mar	Bell	9
	2009/10	Jul	Brimbank Medical	1
	2010/11	Jul	Reflective Imaging	2
		Aug	MDI sites	2
			<hr/> 24	
Organic growth	2007/8			2
	2008/9			2
	2009/10			1
	2010/11 (underway)			3
				<hr/> 8
Consolidation	Merged for operating efficiencies			(6)
Current Network	As at 1 September 2010			<hr/> 26
	(240 + Employees / Contractors)			<hr/> <hr/>

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Growth in Clinic network



Clinic sites

- 2007/8
- 2008/9
- 2009/10
- 2010/11

Diagnostic Imaging Sector Dynamics

- **Sector Growth**
 - Health sector to overtake Retail as largest sector in economy
 - Opportunities from shake-out of competitors in Diagnostic Imaging
- **Medicare**
 - 10% increase in Medicare rebate from November 2009
 - Industry pressure for
 - introduction of co-payments
 - indexation of Rebates
- **Growth Factors**
 - Ageing population – growing demand
 - Liability issues – demand for specialised services will increase

Competitive Position

Increase in Market Share

	Revenue	2008/9	2009/10	Growth
Medicare Benefits paid VIC (exc MRI)*		\$444.2m	\$490.9m	10.5%
Capitol Health revenue (exc MRI)		\$28.1m	\$34.8m	23.8%
Capitol Health % of VIC Medicare Benefits paid		6.3%	7.1%	12.1%

* Source: Medicare Australia – Note Medicare MRI statistics combine Victoria and Tasmania, therefore MRI modality has been excluded

Listed Entities in Diagnostic Imaging

	Revenue	2008/9	2009/10	% Chg
Primary Health (National)		\$314.4m	\$289.1m	-8.05%
Sonic Healthcare (National)		\$345.3m	\$357.1m	+3.4%
Capitol Health (Victoria)		\$28.3m	\$35.4m	+25.1%

Growth Strategy

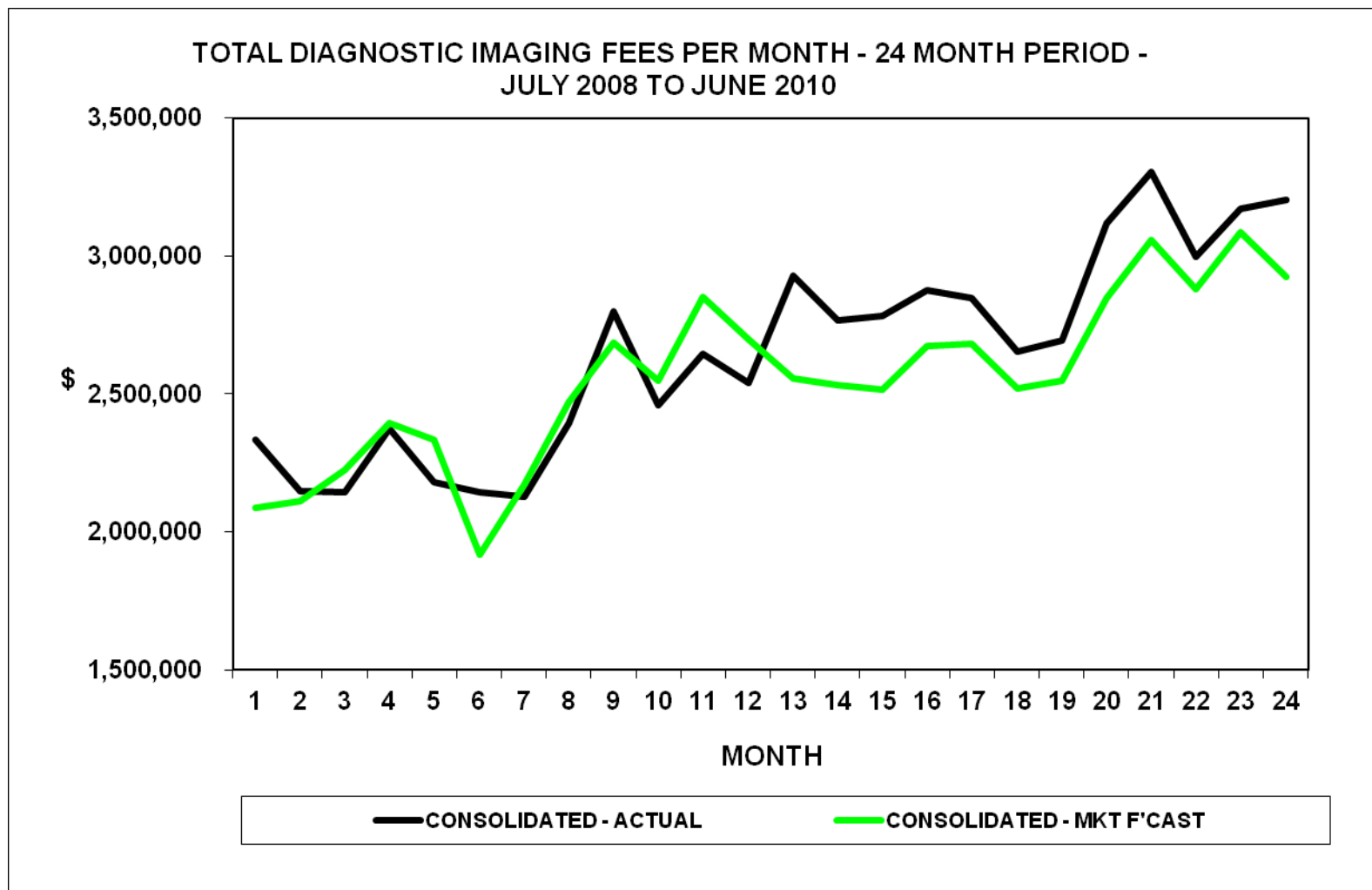
- Network Expansion
 - Acquisition – ongoing attractive opportunities
 - Organic growth – 3 clinics underway currently
- Capacity / Modality upgrades
 - 2 new MRI units
 - New reporting functionality for referrers
 - Operational equipment upgrade program
- Teleradiology
 - Now reporting for external facilities in 4 States
 - Rapid growth from a low base

Financial Results & Outlook

	2007/8	2008/9	2009/10	2010/11
	Actual	Actual*	Actual*	F/cast
	\$m	\$m	\$m	\$m
Imaging Revenue	13.4	28.3	35.4	41.0
Dental & Other Revenue	1.3	1.2	-	-
Total Revenue	14.7	29.5	35.4	41.0
Imaging & Corp EBITDA	0.9	1.5	2.6	4.8
Dental & Other EBITDA	0.1	0.5	-	-
Total EBITDA	1.0	2.0	2.6	4.8
NPBT	0.3	(1.2)	0.6	2.2
NPAT	0.1	(1.3)	0.7	1.6
EPS (cents)			0.2	0.5

* Includes non-capitalised expenses relating to TTP

Consistent Performance against Targets



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Summary

- Growing market share & clinic network
 - 7 new clinics in 2010/11 to date
 - VIC market share 7.1% (+12% yoy)
- Ongoing Tele-radiology growth
 - Low fixed costs
 - Utilises excess capacity
- Upside from selective introduction of Gap/co-payments
 - Major competitors apply Gap payments to 40-60% of services compared to 2% for Capitol Health
- 2010/11 NPAT est. \$1.6m (+100%)
- Only ASX-listed company exclusively focussed on DI

Contacts

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