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Investor Presentation

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ASX: CAJ

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Agenda

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2. Financial Highlights
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6. Acquisition of MDI Group
7. Summary and Outlook

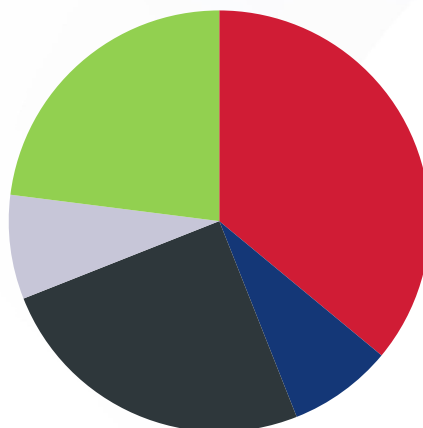
Capitol Health – Snapshot

- › Capitol Health is a specialised diagnostic imaging (DI) company based in Victoria
- › Only specialised DI company on the ASX: CAJ
- › Largest community-based DI network in Victoria (post acquisition of MDI Group in May 2013)
- › Profitable business model
- › Full service offering – X rays through to MRI
- › Exceptional growth – expected to continue with strong organic industry growth and acquisitive strategies

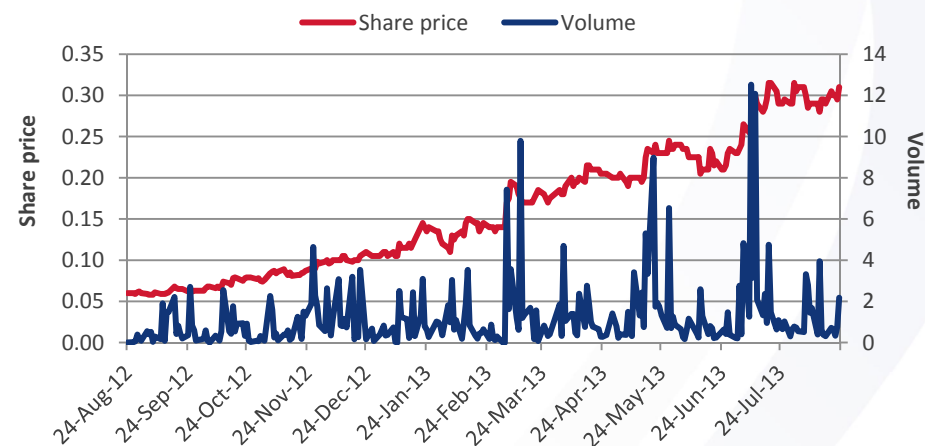
ASX	CAJ (*at 23/08/13)
Share price	\$0.31*
Shares on issue	430.4m
Market capitalisation	\$133.4m*
52 week range	\$0.058 – \$0.330
Dividend per share	Final FY13: 0.30 cents Interim FY13: 0.25 cents Final FY12: 0.20 cents
EPS (30/6/13)	1.0 cent (rounded)

Major shareholder category split

- Institutions (36%)
- Directors (8%)
- Retail (25%)
- Radiologists (8%)
- Founders (23%)



Capitol Health – creating shareholder value



Financial Highlights – FY2013

KPI	FY2013 (Audited)	FY2012 (Audited)	% change	
Revenue	\$62.5m	\$52.3m	↑	19.5%
NPBT Margin	8.5%	6.7%	↑	180bps
NPBT	\$5.3m	\$2.9m	↑	80%
NPAT	\$3.6m	\$2.1m	↑	70%
Underlying* NPBT	\$5.3m	\$2.6m	↑	103%
Underlying* NPAT	\$3.6m	\$1.8m	↑	100%
EPS (diluted)+	0.94c	0.63c	↑	49%
Final DPS (fully franked)	0.30c	0.20c	↑	50%

* Underlying figures adjust for one-off asset sales in FY2012

Diagnostic Imaging in Australia – a growing industry

The DI industry in Australia is robust and expected to grow

- › Australian DI market is estimated to be **\$3.0bn+** for 2013/14 and growing
- › **Growth expected to average 5% p.a.** over the next 10 years (above GDP of 2.4%)
- › **Key drivers of growth:**
 - Expanding and ageing population
 - Shift in focus to early detection and prevention
 - Critical service for the Australian healthcare industry
 - Improving accuracy and capabilities of imaging techniques
 - Government initiatives
- › Government incentives causing **industry shift towards MRI services**



Industry shift towards MRI Services

New Government initiatives driving increasing use of MRI services

- › Federal Government announced \$104.4m Diagnostic Imaging Review Reform Package in 2011/12
- › Government initiatives aiming to improve accessibility and affordability of MRI services nation-wide:
 - Nation-wide allocation of a set number of Medicare-funded MRI licenses. Seven Capitol clinics hold these licenses (two more were recently secured through MDI acquisition). Only 10 more licenses within Australia to be allocated prior to 2016/17
 - New legislation allowing GPs to refer children under 16 for specific Medicare-funded MRI scans. Effective 1/11/12
 - New legislation permitting a limited number of GP-requested MRI items for adults to be eligible for Medicare rebates. To take effect 1/11/13



Opportunity in MRI – the Capitol Health advantage

Opportunity in MRI

- › Shifting demand from CT scans to MRI
- › Providers without MRI services will lose market share and be squeezed out of market
- › Providers with Medicare-funded MRI licenses will be positioned for market share gains through a more affordable offering
- › 70% of Capitol's referrals come from GPs. With new legislation extending the number of items that GPs can request for a Medicare-eligible MRI scan, demand for MRI scans is expected to continue growing
- › CT and MRI scans are the highest margin imaging services

Capitol is strategically positioned to take advantage of the opportunity in MRI:

- › Largest community-based DI provider in Victoria (post MDI acquisition)
- › Offering full range of imaging services, including significant MRI capabilities
- › Bulk billing model – more affordable services
- › Large percentage of GP referrals made to community-based DI providers. Expected to increase further from 1/11/13
- › Capitol has 7 Medicare-eligible MRI licenses: Only 40 MRI licenses in Victoria and 23 are in Melbourne. Of these, only 10 are located outside hospitals and Capitol has 7 of them

Investment proposition

- › **Highly focused strategy**
- › **Consistently strong profitability and revenue growth**
- › **Highly-scalable and low-cost commercial model**
- › **Attractive offering** for customers, Radiologists and referrers
- › **Supportive Regulatory** environment
- › **Attractive dividend yield and growth**
- › Positioned as the **largest community-based* DI network in Victoria**
(Facilities not located within major public or private hospitals)*

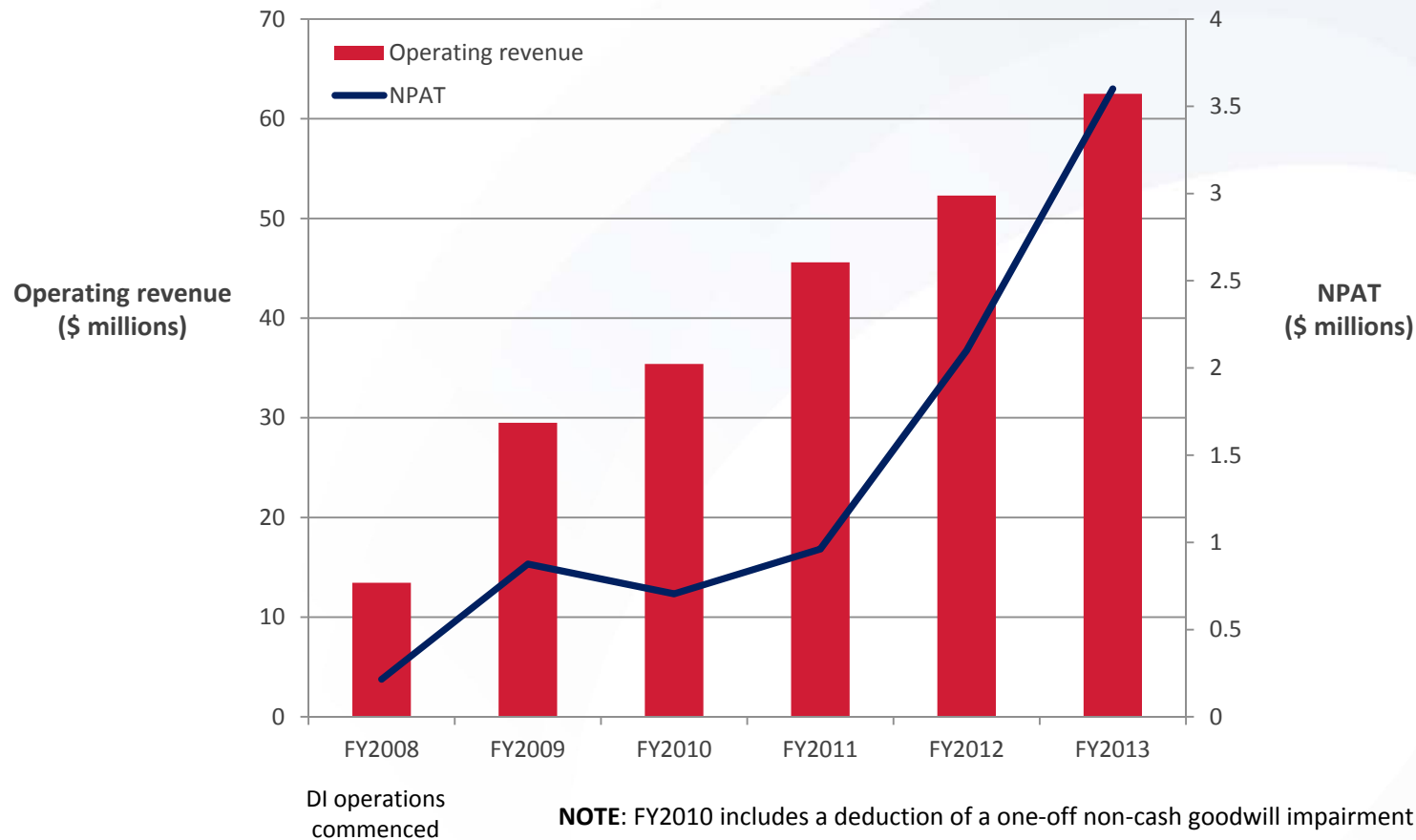
Highly focused strategy

- › **MRI-focused strategy** – positions Capitol to take advantage of Government legislation aimed at improving access to affordable MRI scans
- › **Proven profitability** on existing bulk billing model. Business now includes 11 gap-charging clinics (MDI), delivering higher margins
- › Dominant **market positioning** and strong geographical spread in Victoria
- › Pursuing **organic** growth and **acquisition** opportunities



Consistently strong profitability and revenue growth

Year-on-year profit growth continues with another record full year result in FY2013



Highly-scalable and low-cost commercial model

Strategic and commercial model underpins growth strategy

- › Highly-scalable:
 - Significant historical investment in IT systems and upgrade of high-tech equipment
 - IT platform facilitates future clinic expansion

Result = cost and operational efficiencies

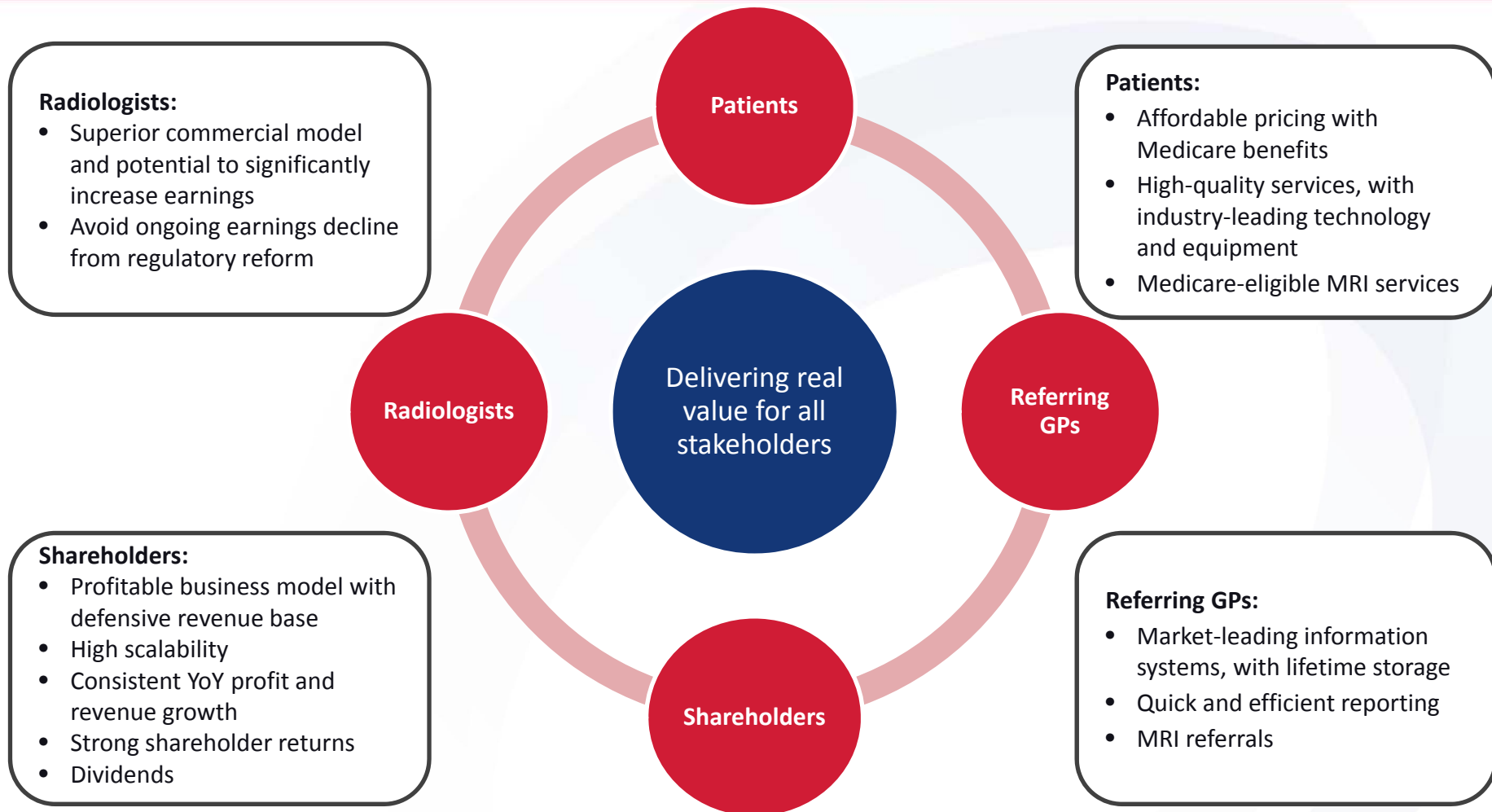
Margins and profits will continue to expand as the Capitol network grows

- › Low cost:
 - Ingrained commercial culture
 - Ongoing margin growth

Result = Radiologists driven to partner with Capitol Health to leverage model and increase their earnings



Attractive offering to all stakeholders



Acquisition of MDI Radiology

- › Completed 1 May 2013
- › Gross purchase price of \$8m for 100% shares in MDI, inclusive of pay-out of shareholder loans
- › Funded by combination of debt and equity
- › Acquisition multiple of 6.25x (Enterprise Value/NPBT*)
- › NPBT contribution of \$688k, for the two months from May 1 to June 30



Rationale for MDI acquisition

Strategic

- › Aligned with Capitol's corporate strategy
- › 11 clinics, located in population growth areas – no overlap with existing Capitol clinics
- › Positions Capitol as the largest community-based DI provider in Victoria
- › Two more Medicare-eligible MRI licenses
- › Enhances geographical footprint (Network increase from 37 to 48 clinics)
- › Emphasis on technology
- › Introduces 'Gap' billing model
- › MDI Radiologists retained on contracts

Financial

- › Highly value accretive
- › Attractive acquisition multiple of 6.25x (Enterprise Value/NPBT)
- › Impact on EPS – Expected increase of ~25%+ in FY2014 over FY2013
- › Consolidated annualised revenues of over \$80 million
- › Gap-charging model (fee) – proven and highly profitable due higher margins
- › Cost and operational synergies

Summary and Outlook

Positioned as the largest community based DI provider in Victoria

- › MDI acquisition **completed 1 May 2013**
- › Combined group will generate over **\$80 million annualised revenues**
- › **Total of seven MRI licenses** across the Victorian market
- › Introduction and exposure to **higher margin 'Gap-charging model'** through MDI
- › Greater geographical spread and increased market share
- › **Solid growth expected to continue** with strong focus on MRI and through organic and acquisitive opportunities



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