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# Annual General Meeting

November 2013

John Conidi, Managing Director



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LIMITED

ASX: CAJ

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# Agenda

1. A year in review – FY 2013
2. Creating sustainable shareholder value
3. Acquisition of MDI
4. Dominant market position
5. FY2013 – Financial results overview
6. Q1 2014 performance
7. Strategy & Outlook
8. Summary



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# 1. A year in review – FY2013

- Successful \$719,500 Share Purchase Plan (SPP) – September 2012
- Successful \$7.3m Institutional Placement to fund MDI acquisition
- Record Interim and Full Year results
- Strategic acquisition of MDI Group
- Largest non-hospital based DI network in Victoria (51 clinics)
- Positioned to leverage Federal Budget reforms on MRI
- FY 2013 Dividend uplift of 37.5% on FY 2012
- Over 6X growth in shareholder value over past year



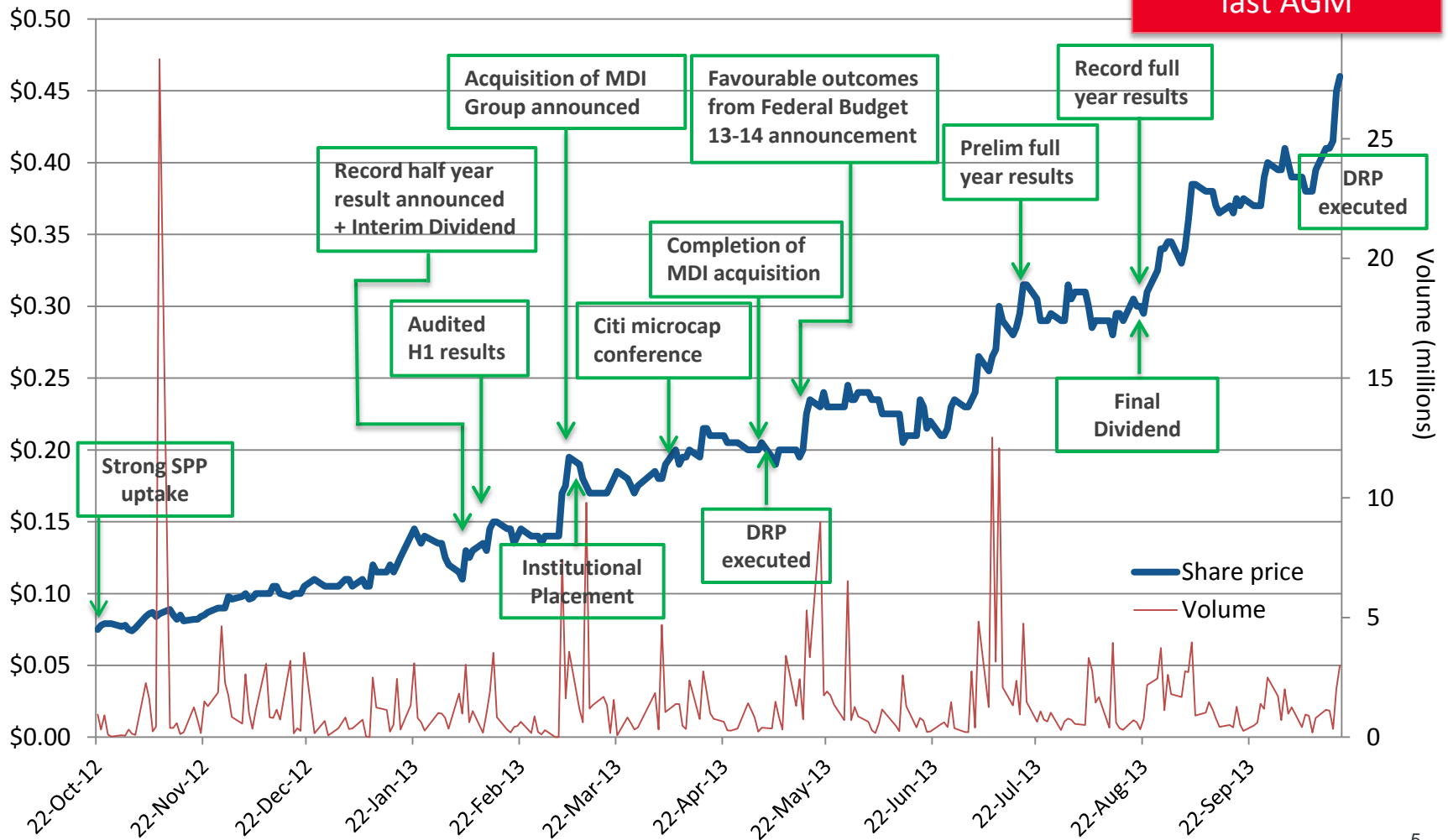
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# 2a. Creating sustainable shareholder value

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>6X growth in CAJ share price since last AGM

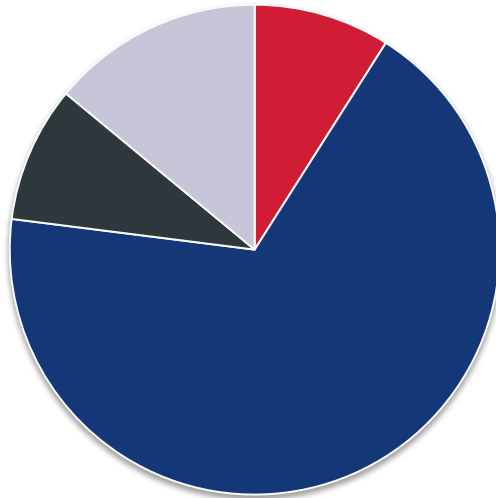
### 12-month share price performance



## 2b. Transition to institutional grade stock

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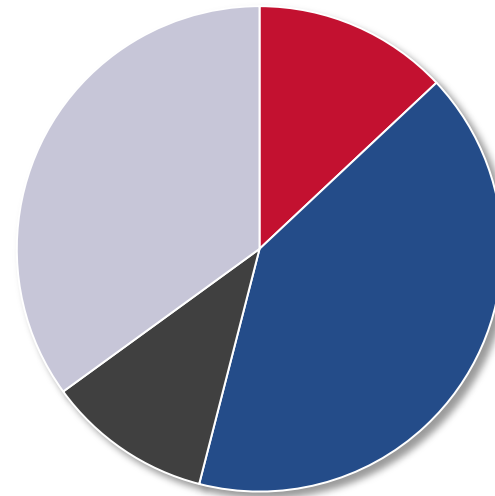
Market cap at time of  
FY13 AGM: \$204.6m



- Directors (9%)
- Retail / Institutional (68%)
- Radiologists (9%)
- Founders (14%)

As at Close of Trading 31/10/13

Market cap at time of  
FY12 AGM: \$28.4m



- Directors (13%)
- Retail (41%)
- Radiologists (11%)
- Founders (35%)

As at Close of Trading 5/11/12

## 3a. Acquisition of MDI – financial rationale

- › Acquisition of MDI Radiology Group 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

### Financial benefits:

- › 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 to higher margins
- › Cost and operational synergies

## 3b. Acquisition of MDI – strategic rationale

### Strategic benefits

- › Aligned with Capitol's corporate strategy
- › 13 clinics, located in population growth areas – no overlap with existing CAJ clinics
- › Positions Capitol Health as the largest community-based DI provider in Victoria
- › Two more Medicare-eligible MRI licenses (raises total to 7)
- › Enhances geographical footprint (network increase from 38 to 51 clinics)
- › Emphasis on technology
- › Introduces higher margin businesses – Gap charging model
- › MDI Radiologists retained on contracts



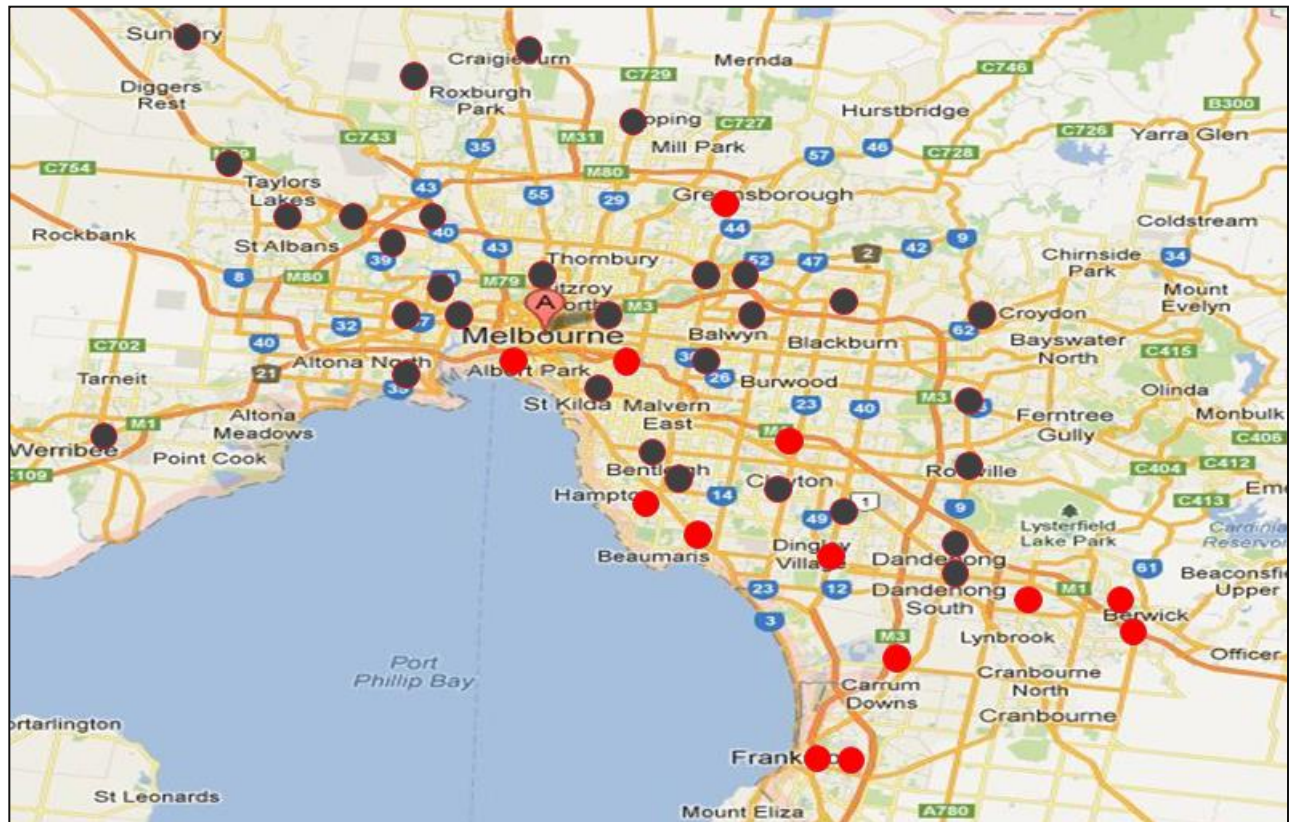
# 4a. Dominant market position

Achieved through deliberate, strategic growth measures:

- Capitol Health now positioned as the largest community-based DI provider in VIC
- Capitol network now comprises 51 clinics in VIC (MDI brought in 13 clinics)
- Network includes 7 clinics in regional VIC

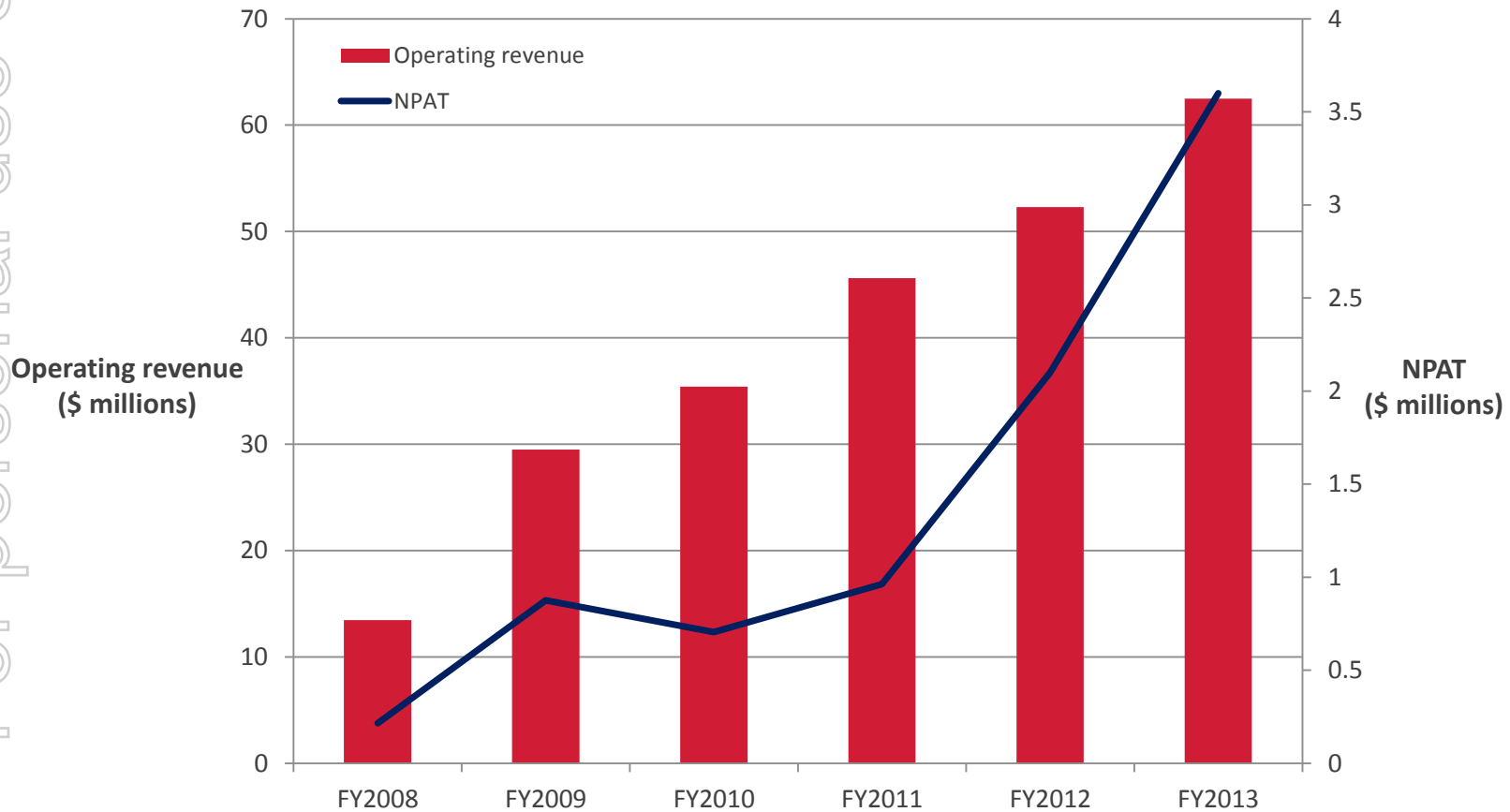
Capitol's existing clinics in Melbourne metro area

Location of new clinics – acquired by Capitol



# 5a. FY 2013 – Financial results overview

Another record full year result in FY13 – the trend in YOY profit growth continues



DI operations commenced

**NOTE:** FY2010 includes a deduction of a one-off non-cash goodwill impairment charge

## 5b. FY 2013 – Financial highlights

KPI	FY2013 (Audited)	FY2012 (Audited)	% change
Revenue	\$62.5m	\$52.3m	↑19.5%
NPBT	\$5.3m	\$2.9m	↑80%
NPAT	\$3.6m	\$2.1m	↑70%
EPS (diluted)	0.94c	0.63c	↑49%
Interim DPS (fully franked)	0.25c	0.20c	↑50%
Final DPS (fully franked)	0.30c	0.20c	↑25%
Total DPS (fully franked)	0.55c	0.40c	↑37.5%

### ↑ REVENUE DRIVEN BY MARKET SHARE GAINS:

- Network expansion (38 to 51 clinics)
- Superior customer offering
- New Govt. legislation
- Acquisition of MDI – Gap charging model
- Organic industry growth

### ↑ NPAT REFLECTS:

- Highly scalable & low-cost business model
- Cost & operational efficiencies generated by substantial historical IT investment
- Inclusion of higher margin MDI clinics into CAJ network (Gap charging model)

# 6. Outstanding start to FY 2014

Strong operational performance continues into FY14

KPI	Q1 FY14 **	Q1 FY13 **	TREND
Revenue - underlying CAJ	\$15.72m	\$14.30m	↑ 10.0% *
Revenue - MDI Group	\$6.04m	-----	—
Revenue - Consolidated	\$21.76m	\$14.30m	↑ 52.2%
NPBT \$ (Margin %) - underlying CAJ	\$1.57m (10%)	\$1.0m (7%)	↑ 56.9% (↑ 59.3%)
NPBT \$ (Margin %) - MDI Group	\$0.85m (14%)	-----	—
NPBT \$ (Margin %) - Consolidated	\$2.42m (11%)	\$1.0m (7%)	↑ 142.3% (↑ 42.7%)

\* Compared to growth of 7.2% in Medicare Benefits for Q1 2013 (VIC, excluding MRI)

\*\* Note: All figures above are unaudited

# 7a. A clear and focused strategy

- Strong focus on MRI services
- Provision of full range of affordable DI services
- Dominant market positioning
- Pursue further growth opportunities
- Equipped with the latest IT infrastructure and medical equipment

# 7b. FY 2014 Industry Outlook

## Australian DI industry is robust and expected to continue growing

- Australian DI market is currently **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
  - Improved accuracy/capabilities of imaging techniques
  - Govt initiatives
- **Govt. incentives causing industry shift towards MRI**



# 7c. Industry shift towards MRI

## 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 recently secured through MDI acquisition). Only 10 more licenses to be allocated Australia-wide 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 four more GP-requested MRI items for adults to be eligible for Medicare rebates – in effect as of 1/11/13





# 7d. MRI – the Capitol Health advantage

## Opportunity in MRI:

- › Shifting demand towards 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

## CAJ 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 in the community-based environment



# 7e. FY 2014 Capitol Health outlook

## Strong performance expected to continue in FY 2014

### Organic and acquisitive growth:

- New Govt. initiatives and Capitol's superior customer offering are expected to drive further organic growth
- The Board remains responsive to opportunities for expansion both in and outside of VIC

### Continued uplift in revenue and profits:

- Network expansion, customer offering & favourable Govt legislation expected to deliver further market share gains
- Exposure to new higher margin 'Gap-charging' businesses (MDI clinics) will enhance financial value
- Highly scalable and low-cost business model firmly in place

**Interim and Final Dividend payments expected to continue** (based on current outlook)

# 8. Summary

## Consistently delivering sustainable growth and profitability

- **Strong financial performance** – record Interim and Annual results
- **Clear and focused strategy**
- **Highly scalable business model with low-cost base**
- **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** with further growth opportunity

*\*Facilities not located within major public or private hospitals*

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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: [j.conidi@capitolhealth.com.au](mailto:j.conidi@capitolhealth.com.au)  
W: [www.capitolhealth.com.au](http://www.capitolhealth.com.au)



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