

ASX ANNOUNCEMENT

9th April 2020

COVID-19 Update

Capitol Health Limited (Capitol or Company) (ASX: CAJ) provides the following update relating to the COVID-19 Pandemic.

Capitol continues to monitor the Covid-19 Pandemic impact closely, complying with all Government recommendations and directives, and responding rapidly as circumstances change.

Our People and Patients

The well-being of our staff and patients remains our highest priority as we continue to provide much needed imaging services to our communities. To this end 14 smaller clinic locations across the network have been temporarily closed to consolidate services into nearby larger clinics. In line with this consolidation, staff across the business have taken a combination of annual leave and leave without pay so that the cost base of the business better reflects activity.

Our Non-Executive Directors, Managing Director and CFO have instigated a 50% reduction in their fees and salary during this period to align with actions taken across the business.

Funding

The Board is also pleased to advise that Capitol Health's principal lender, National Australia Bank Limited ("NAB"), continues to support the Company through this period. The Company confirms that it has existing banking facilities comprising:

- a \$60m facility with a 3-year term (maturing May 2021 Drawn to \$56 mill),
- a \$40m facility with a 5-year term (maturing May 2023 – undrawn),
- a \$30m Accordion facility (uncommitted – undrawn), and
- up to \$9m in overdraft and bank guarantee facilities, and equipment finance facilities.

The Company had a net debt position at the end of March 2020 of \$58m.

The Company remains within its existing bank covenants. The NAB has also agreed to increase the Net Leverage Ratio, which is the ratio of net secured debt to EBITDA, from less than or equal to 2.5 times up to 3.5 times for a period of 6 months, other key ratios remain unchanged over this period. Additional mechanisms have been agreed for a further 6 months to secure access to existing funding and ongoing bank support for the next 12 months.

Trading

While the Company's year to date trading result to the end of March was in line with expectations, the pandemic has had a material impact on clinic attendance and revenue. Recent days have shown a material reduction in attendance in line with key referrers and GP attendance of circa 40%.

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In response to this situation the Company has undertaken a number of initiatives to seek to align costs with expected activity for the last quarter of FY20. These include but are not limited to:

- seeking rent relief from landlords,
- extending our usual school holiday closures until the end of May for 14 smaller sites,
- reducing the open clinic rosters with staff taking annual and unpaid leave,
- deferring payments or seeking relief from government agencies including fees and taxes,
- ceasing all new hires and salary increases,
- deferring all non-essential capital spending, and
- deferring the interim dividend.

The above measures, together with other management initiatives represent a reduction to operating expenditure of approximately 40%, consistent with the trend in revenue. The Company has also registered for the JobKeeper scheme recently announced by the Federal Government.

In response to changes to GP attendance and telehealth the Company has established an e-referral functionality to better facilitate imaging referrals during this period.

The Company is offering support to the public health system with imaging as they cease or reduce non-urgent services, with two tertiary public hospitals in metropolitan Melbourne directing some patients to our clinics. The Company will continue to play its part in assisting the health system through this pandemic.

There is currently insufficient information to understand the impact on the full year result, but it is expected that demand for non-urgent diagnostic imaging services will be deferred during this period. Importantly, in order for the Company to rebound post pandemic retaining our valued clinic staff and imaging capacity during the downturn is a priority.

CAJ's Managing Director, Justin Walter, commented: "Capitol Health is well placed to navigate the impact of this pandemic given the skills, flexibility and determination of our valued Radiologists and clinic staff, long term relationships with our referrers, and dedicated management team. We have implemented a range of operational measures to manage through this very difficult period with an eye to ensuring we have capacity to recover strongly once this pandemic is over".

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This announcement is authorised for release to the market by the Board of Directors of Capitol Health Limited.

About Capitol Health

Capitol Health is a leading provider of diagnostic imaging and related services to the Australian healthcare market. Headquartered in Melbourne, Victoria, the Company owns and operates clinics throughout Victoria, Tasmania, and Western Australia. The Company's operational focus is on delivering a community-based infrastructure for radiologists and related medical practitioners to deliver optimal, efficient, accurate healthcare service outcomes for patients.

Capitol also has an investment in diagnostic imaging artificial intelligence through Enlitic Inc in the US.