



## **Radiology Acquisitions and Capital Raising**



21 NOVEMBER 2007

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2

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# Agenda



3

- Acquisition Overview
  - Background
  - Current Radiology Business
  - Australian Radiology Market
  - Bell Imaging Acquisition
  - South East Imaging Acquisition
  - Clinic Locations
  - Strategic Rationale
- Growth Strategy
  - Radiology Target profile
  - Management Budget
  - Proforma Balance Sheet
  - Outlook
  - Placement Highlights
  - Indicative Timetable
  - Contacts

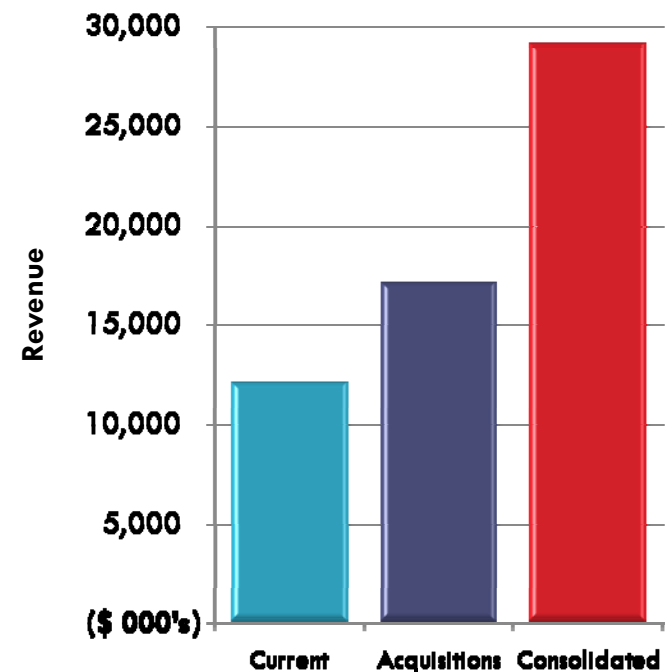
# Acquisition Overview



4

- 2 new acquisitions with consideration of \$7.9m
  - Bell Imaging and South East Medical Imaging (SEMI)
- Acquisition to more than double group revenue\*
  - Revenue \$29.069 m
  - NPBT \$5.646 m
  - EPS 1.4 cents per share (after tax)

\* last quarter FY2007/08 annualised to better reflect full year impact of acquisition. Does not include future acquisitions
- Placement @ 9 cents = 6.4 times budgeted EPS



Based on last quarter run rate FY08 Revenue

# Background



5

- Listed on ASX June 2006 (ASX:CAJ)
- Operated 3 dental surgeries during 2006
- First Radiology acquisition completed in Aug 2007 for \$14.6m
- Radiology business expansion continues:
  - New clinic opened “Moreland Radiology” in Brunswick (Metro Melbourne) during September 07
  - Current Acquisitions (total consideration \$7.9m)
    - Bell Imaging Acquisition (Metro Melbourne)
    - South East Imaging Acquisition (Metro Melbourne)

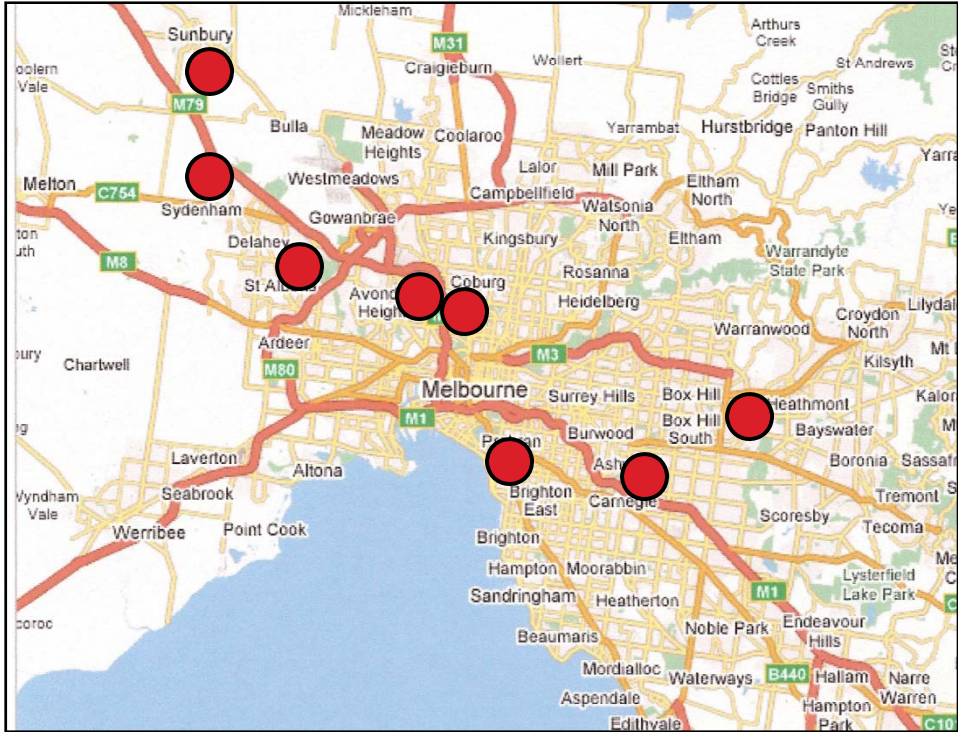
# Current Radiology Business



6

- Capitol acquired Radiology Group in August 2007 for \$14.64m which increased group revenue to \$12m in FY08
- Group currently cashflow positive and profitable
- Revenue largely bulk billed to Medicare
- Opportunity to deliver further organic growth , 3 of 8 clinics opened or acquired since April 07
- Group has strong presence in Melbourne
- Strong management and clinical team
- Well positioned to deliver further growth in radiology sector

# Clinic Locations - Melbourne



- Existing Radiology Group Sites;
  - Keilor, Essendon, Sydenham, Sunbury
  - Vermont, Brunswick, Balaclava
  - Carnegie

# Australian Radiology Market



8

- Australian Private Radiology Market estimated to be worth \$2 bill annually
- In excess of 1,000 private clinics
- Broad range of services incl. X-ray, Ultrasound, Computerised Tomography (CT), Magnetic Resonance Imaging (MRI), and Nuclear Medicine Radiology.
- Key drivers of growth-
  - Advances in diagnostic technology
  - Ageing population
  - Increased referrer liability
- 3 major corporate players Symbion, Sonic & DCA (now owned by private equity).
- Sonic has pathology but no radiology assets in Melbourne

# Bell Imaging Acquisition



9

- One of the oldest continuously operating Radiology partnerships in Victoria.
- Provides a full range of services including X-Ray, Ultrasound, CT, Mammography, Bone Densitometry, and Nuclear Medicine Radiology
- Operates from 9 clinics in metropolitan Melbourne, with a strong presence in the western suburbs
- 3 hospital contracts
- Employs 55 FTE employees and 4 FTE Radiologists
- **Significant opportunity to increase margins**

# Transaction Overview - Bell



## Financial Performance

(\$ '000)	FY04/05	FY05/06*	FY 06/07*
Revenue	14,833	14,666	14,607
NPBT <sup>^</sup>	638	396	776

- 2 principal radiologists entering into employment contracts

• \* Figures are unaudited  
 • ^ NPBT figures are inclusive of employment costs of principal Radiologists

## Total acquisition price \$4.75m

(\$'000)	
Cash	1,000
Shares (7.5m @ 10c ea)	750
Assume debt and employee entitlements	2,500
Deferred Consideration	500

- 6.1 times NPBT multiple
- Deferred consideration based on achievement of targets relating to group and clinic revenue in cash or scrip

# South East Imaging Acquisition



11

- South East Medical Imaging (SEMI) was founded by Radiologist Dr Minh Tran with the Springvale clinic in 2000
- New Clayton clinic opened in July 2007, currently in excess of breakeven performance
- Acquiring the leasehold rights to a new clinic in Sth. East Melbourne with a planned opening in 08
- Location of existing and proposed SEMI clinics fits with current network
- Clinics provide full service, X-ray, Ultrasound, and CT

# Transaction Overview - SEMI



12

## Financial Performance

	FY05/06* (\$'000)	FY 06/07* (\$'000)
Revenue	2,512	2,700
NPBT <sup>^</sup>	742	800

- 5 year employment contract for principal radiologist

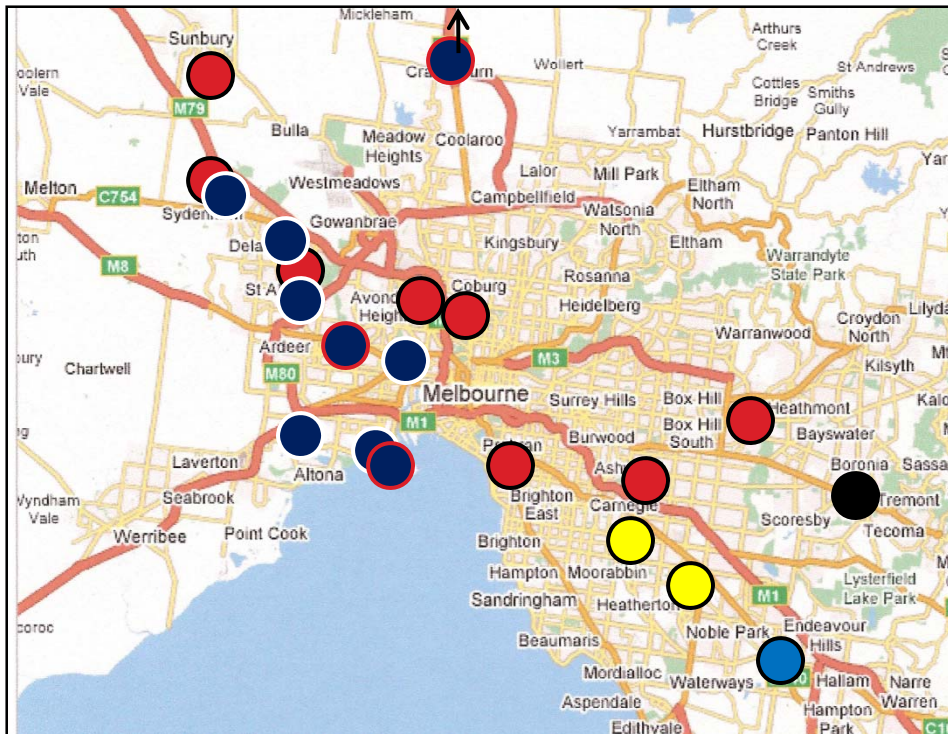
## Total acquisition price \$3.79m

(\$'000)	
Cash	2,700
Assume Entitlements	40
Assume Leases	550
Vendor Finance	500

- 4.7 times NPBT multiple, significantly reduced through 2<sup>nd</sup> & 3<sup>rd</sup> clinic

• \* Figures are unaudited and do not include any contribution from new Clayton clinic  
• ^ NPBT figures are inclusive of employment costs of Radiologist

# Geographic Expansion



- **Existing Radiology Group Sites**  
 -Keilor, Essendon, Sydenham, Sunbury  
 -Vermont, Brunswick, Balaclava  
 -Carnegie
- **Proposed new Radiology Group site**  
 - Dec 07
- **South East Imaging Sites**  
 - Springvale, Clayton
- **Proposed New South East Imaging Site –2008**
- **Bell Imaging Sites**  
 -Nth Altona, Williamstown  
 - Sydenham, StAlbans, Footscray  
 - Keilor East
- **Bell Imaging Hospital Sites**  
 -Sunshine, Williamstown  
 -Kilmore (Rural – off map)

# Strategic Rationale



14

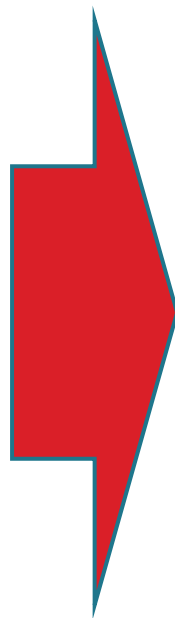
- Radiology revenues rely largely on Medicare rebates, low out of pocket discretionary spending
- Industry consolidation over the last decade has provided several emerging opportunities:
  - Increasing lack of bulk billed services
  - Providers (particularly corporate's) charging increased gaps
  - Sonic has pathology but no radiology presence in Melbourne
- Executing a Geographic strategy (particularly in Melbourne) catering to above opportunities and areas underserved by corporate providers

# Growth Strategy



15

- Historical investment in infrastructure & systems
- Group capable of integrating substantial increase in scale
- Management and acquisition approach proven



- Acquire greater number of clinics on east & west coast
- Generate further economies of scale in operations
- Take advantage of geographic opportunities
- Create greater leverage to fund growth through
- Focus on improving margins

# Radiology Target Profile



16

- ❑ Underserviced locations
- ❑ Locations where high “gap” is currently charged
- ❑ Independents lacking growth
- ❑ Opportunity to expand through:
  - Additional services such as Ultrasound & CT
  - Greater efficiencies & clinical outcomes based on investment in new technology
- ❑ Strengthen clinical team

**Acquisitions must have the ability to contribute operating profit before tax to the group of ~ 20% (ROS)**

# Management Budget



(\$'000)	FY06/07 A	FY 07/08 F	Full Year R/R
Revenue	1,512	17,099	29,069
NPBT	(966)	1,945	5,646
NPAT*	(966)	1,145	3,952
EPS^ cps	(1.72)	0.42	1.44
Shares on Issue#	56 m 10 m 2010 20c opt	274.27 m 20 m 2010 20c opt	274.27m 20 m 2010 20c opt

\* 07/08 tax based on dental earnings historical tax position, thereby reducing total tax expense

^ Undiluted Earnings in cents per share

# Includes issue of 27.8 mill shares pursuant to this placement offer & issue of 7.5m shares as acquisition consideration

R/R –last quarter FY2007/08 annualised to better reflect full year impact of acquisition. Does not include other planned acquisitions

# Proforma Balance Sheet



18

	Consolidated Sept 07 (\$'000)	Consolidated Adjusted* (\$'000)	Sth East Imaging (\$'000)	Bell Imaging (\$'000)	Consolidated Proforma (\$'000)
Current Assets	416	1,182	-	-	1,182
Non Current Assets	2,484	1,707	550	1,631	3,888
Intangible Assets	14,786	14,573	3,240	3,151	20,964
<b>Total Assets</b>	<b>17,686</b>	<b>17,462</b>	<b>3,790</b>	<b>4,782</b>	<b>26,034</b>
Current Liabilities	510	510	-	500	1,010
Non Current Liabilities	1,728	2,692	1,090	2,533	6,315
<b>Total Liabilities</b>	<b>2,238</b>	<b>3,202</b>	<b>1,090</b>	<b>3,033</b>	<b>7,325</b>
<b>Net Assets</b>	<b>15,448</b>	<b>14,260</b>	<b>2,700</b>	<b>1,749</b>	<b>18,709</b>

\* Adjusted includes current capital raising, use of debt facility, and sale of some dental assets.

# Outlook



19

## □ Organic

- New clinic openings
  - “Moreland Radiology” opening in Brunswick (metro Melbourne) October 2007
  - New clinic planned to open in Melbourne’s West December 2007
- Growth from existing clinics
  - 3 of the 8 Radiology Group clinics acquired or opened since April 07

## □ Current Acquisitions

- Bell Imaging
- South East Imaging Acquisition

## □ Future Acquisitions

- Local tuck-in opportunities
- Larger groups divesting / splitting up radiology assets

# Placement Highlights



20

	On Issue	Price	\$m's Raised
Ordinary Shares on Issue	239 m		
Placement Shares	27.8 m	\$0.09	\$2.5
Shares issued for acquisition	7.5 m	\$0.10	
Post Placement	274.3 m		\$2.5

# Indicative Timetable



Event	2007
• Request Trading Halt	21 November
• Book build	22-23 November
• Dispatch offers for Placement	23 November
• Acceptances received	26 November
• ASX announcement of Placement	26 November
• Lodge Prospectus with ASIC & ASX	30 November
• Settlement of Placement	30 November
• Allot Shares	30 November
• Quotation of Shares on ASX	5 December

# Contacts



22

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