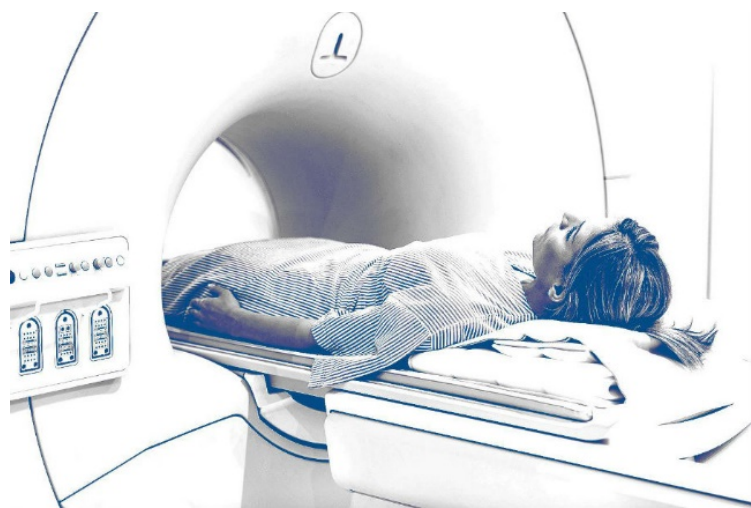


FY 2017 Results

Period Ending 30 June 2017



Andrew Harrison
Managing Director

25 August 2017

CAPITOLHEALTH
LIMITED

Financial Performance – FY17

- Operating revenue of \$162.5 mill (up 2.6% or \$4.1 mill on FY16)
- Core radiology EBITDA of \$22.2 mill before one-off restructuring costs, ahead of guidance range of \$19.5 mill to \$21.5 mill
- Restructuring complete, ISI contained in FY17
- Return to net profitability in FY18
- Victorian revenues growing slightly better than Medicare receipts
- High borrowing costs to be reduced with FY18 bond repayment
 - Bond Interest \$50 m x 8.25% = \$4.2 m reduction pa
 - Currently nothing drawn on Senior secured facility

PROFIT & LOSS SUMMARY ^{1, 2}		
	FY17 (\$m) ³	FY16 (\$m)
Operating Revenue	162.5	158.3
EBITDA prior to ISI	22.2	23.0
Net ISI	(10.2)	(14.0) ⁴
EBITDA after ISI	12.0	9.0
Borrowing Costs	(7.0)	(5.2)
Depreciation & Amortisation	(8.4)	(7.0)
NPBT	(3.4)	(3.2)
Tax	(0.7)	(1.5)
NPAT	(4.1)	(4.7)

¹ Abridged summary prepared for comparative purposes; refer to Annual Report for statutory detail

² Figures rounded to nearest \$100k; sums subject to rounding differences

³ Sum of continuing and discontinued operations

⁴ Includes (\$0.8) of FY16 china Business Development Expenses

Financial Performance – FY 2017

BALANCE SHEET SUMMARY^{1, 2}

	FY17 (\$m)	FY16 (\$m)
Cash	18.2	15.7
PP&E	23.2	35.8
Other	109.8 ³	30.9
Intangibles	53.2	130.0
Total Assets	204.4	212.4
Loans & Borrowings	59.7	103.2
Other	25.7	24.5
Total Liabilities	85.4	127.7
Net Assets	119.0	84.6
<i>Net Debt</i>	41.5	87.5
<i>EBITDA</i>	22.2	23.0
<i>Leverage Ratio</i>	1.9	3.8

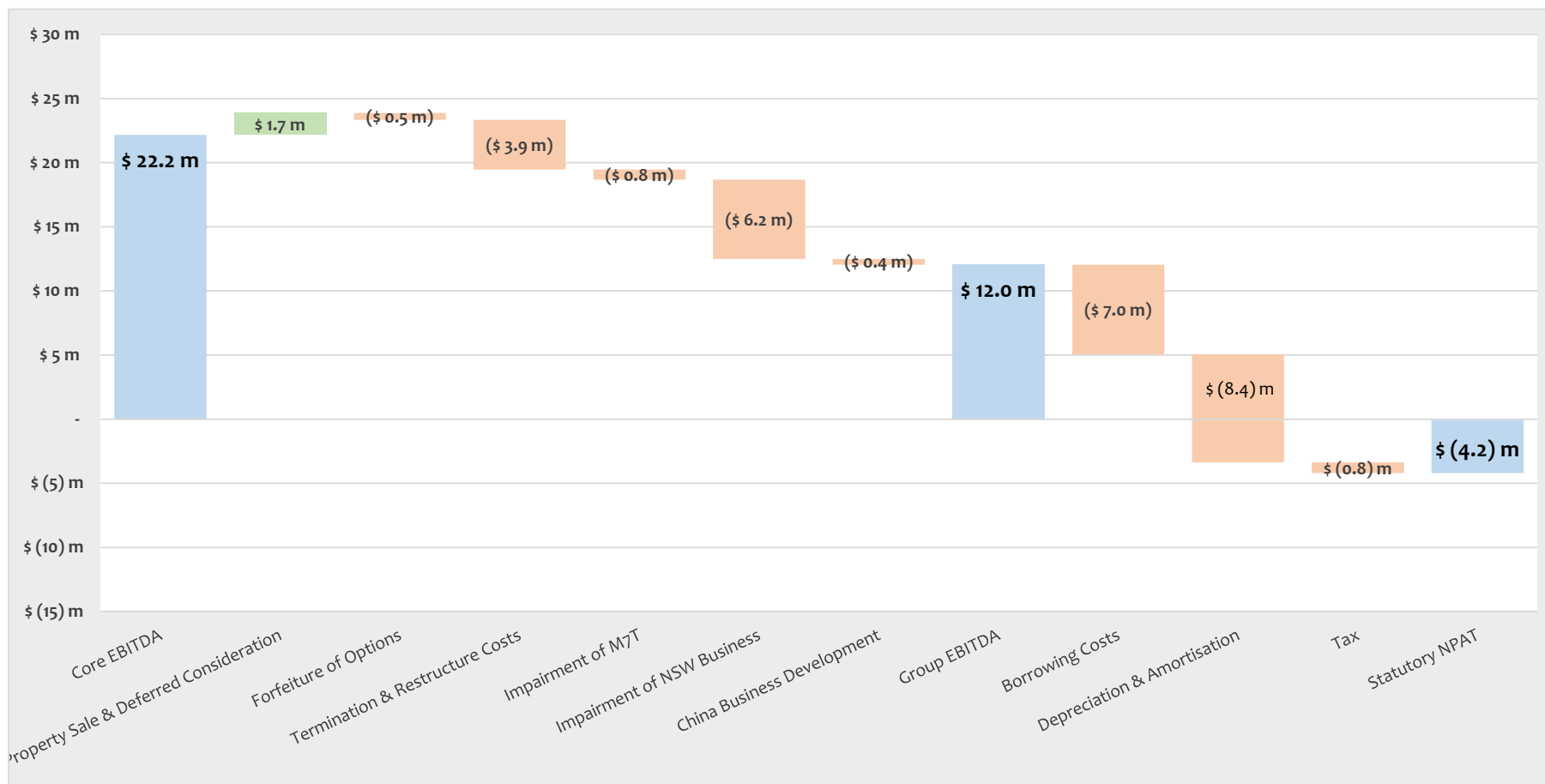
1 Abridged summary prepared for comparative purposes; refer to Annual Report for statutory detail

2 Figures rounded to nearest \$100k; sums subject to rounding differences

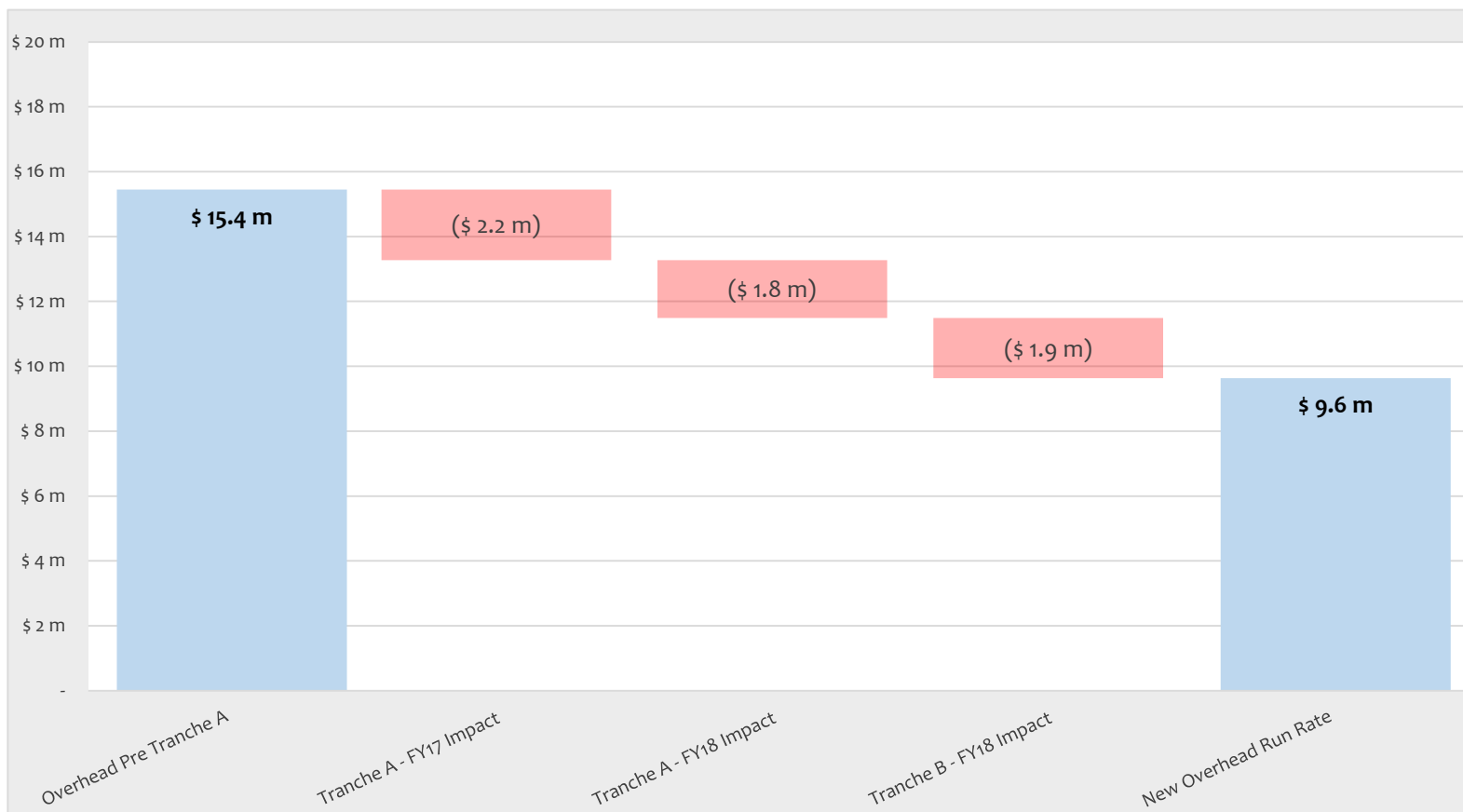
3 Transfer of intangibles & other assets for NSW into assets held for sale between 2016 & 2017

- Post Piper ~ \$95 mill cash balance. Net cash \$45 mill.
- Balance of NAB senior facility paid down in August. \$35 mill facility undrawn.
- \$50 mill note May 2018 early redemption.
- Comfortable debt levels <2 x Net Debt / EBITDA
- FY18 EBITDA provides ~ \$80 mill investment & dividend capacity (cash + debt @ 2 x Net Debt / EBITDA)

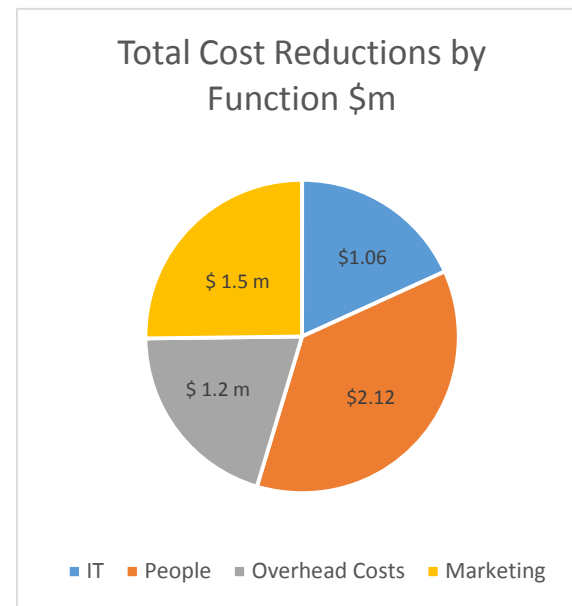
Bridge from Underlying to Statutory Results (FY17)



Cost Reductions Complete



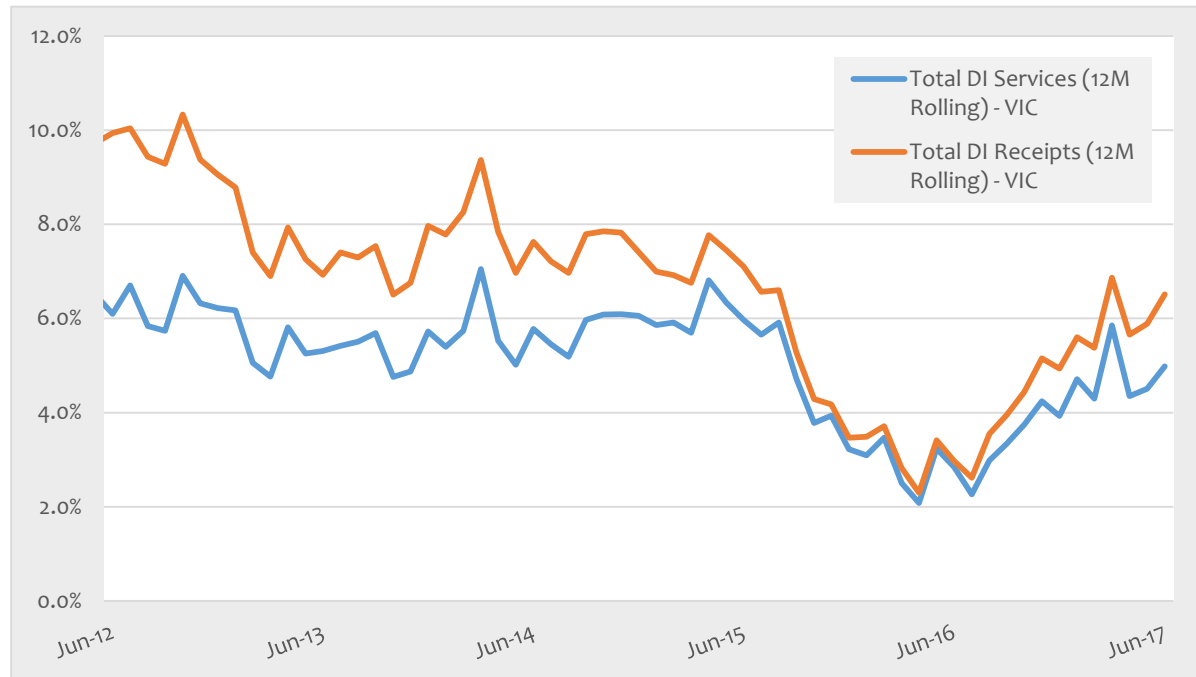
Tranche A cost reductions totalling \$4 m announced Jan/Feb 17
 Tranche B cost reductions totalling ~\$1.9 m announced June 17



Market Outlook

- Strong underlying growth returning to market - 5-6%
- Vic expected to continue to grow at 5-6% during FY18
- Revenue budget assumes 3.5% growth. Potential upside.

DI Services and Revenues 12M Rolling Growth Rates



Source: Medicare

Share Price & Volume Performance

- High of \$0.325 = market capitalisation > \$250 mill
- Growing institutional shareholder base
- Volumes continue to grow providing attractive liquidity
- Top 20 holders ~ 55%



ENLITIC

- ENLITIC continues to make major breakthroughs in applying Deep Learning to DI
 - Chest X-ray Triage - CT Lung Cancer detection – Natural Language Processing (NLP) – Mammography – Head CT
- Customers conducting real time blind data testing validating products efficacy
- Clinical study for early stage lung cancer detection in progress - U.S. research institution
- Leading medical data inventory from international sources
- Foundational patent applications in medical deep learning filed
- Incremental multi-jurisdictional regulatory approval strategy in motion
- 1M euro CUBE challenge prize won as judged by Apple Founder Steve Wozniak for developing technology with the greatest potential to positively impact the world
- Engaging with clinical providers on secondary review and triage products expected to fully deploy over the next 6 - 12 months in Japan, Canada and Australia
- PaiyiPai MOU not progressed
- Working with a large, Toronto-based hospital network on a pilot project to read and triage in-patient head CTs to prioritize those with signs of strokes, intracranial haemorrhage, and venous thrombosis
- Working with several large pharmaceutical companies using deep learning around DI to improve outcomes of drug clinical studies



- Ownership 25% undiluted, 1 board seat
- Collaboration agreement in China
- Australian rights to use Enlitic as part of clinical partnership
- > 18 months of cash runway

China Diagnostic Imaging

- JV with CITIC & Zhouxin completed February 2017
 - Consulting & clinic management
 - Option of participating in clinic ownership
 - CITIC well placed due to large existing hospital network in China
 - Provides platform to leverage growth in Chinese healthcare and emerging private DI market
- Capitol to contribute RMB 3mill (~AUD\$600,000) for 30% stake in JV, CITIC will hold 60% & Zhouxin 10%
- No further cash contribution expected unless clinic ownership option exercised
- Making progress on Chinese approvals
- Provides low risk access to growing market not reliant on Australian Government regulation
- No contribution to earnings expected until late FY18

About CITIC Group

- >750,000 employees
- Annual revenue AUD\$737B
- Market Cap AUD\$55.5B
- 160 in global fortune 500 (2014)

About Zhouxin Group

- High end health centre owner
- Cardiac MRI specialists
- CITIC has ownership stake

Guidance FY18

- FY18 full year guidance
 - Revenue \$118m to \$122m
 - Core EBITDA \$19m to \$21m
- Growth in operating margins as cost reductions take effect >17%
- Interest costs to fall on May 2019 early note redemption (\$50 m x 8.25% = \$4.1m)
- Assumptions:
 - 3.5% revenue growth
 - 2.1% cost increase outside contractual escalation
 - Incl. Revenue \$8.6m & EBITDA \$1.3m from 2 months NSW operations
 - Capex of \$6 - \$7m incl 3 new clinic openings
 - No contribution or further investment in Chinese JV or Enlitic
 - New acquisitions not included in guidance



Capital Management

- Post NSW Asset sale cash balance circa \$95m, total debt \$55 m
- Drive to increase EPS – combination of potential acquisitions & capital management
- On market buy back announced to acquire up to 52.3 million shares in the Company, the maximum allowed without obtaining shareholder approval
- At a share price of 29.5 cents, this would utilise \$15.4m
- Capitol may seek shareholder approval to buy-back further shares
- Current intention to reinstate dividends in respect of the 2018 financial year¹
- Current franking account balance of approximately \$8.1m
- Plan to buy-back the Unsecured Notes in May 2018²

¹ Consistent with the restrictions imposed by the Unsecured Notes and subject to corporate, legal and regulatory considerations

² Subject to its ability to obtain any necessary alternative funding.

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