

ASX & MEDIA RELEASE

Full Year Results to 30 June 2020

25 August 2020, Melbourne: Integral Diagnostics Limited (ASX: IDX) announces its results for the year ended 30 June 2020 (FY20).

Group summary

- Statutory NPAT of \$23.0m after application of AASB 16, customer contract amortisation, transaction and other costs of \$8.2m delivering a 21.9% increase in Operating NPAT of \$31.2m
- Operating EBITDA \$64.1m (23.3% margin) on revenue of \$274.1m
- Operating EPS of 17.0 cents on operating NPAT of \$31.2m
- Free cash flow of \$56.6m with Net Debt of \$124.4m
- Final dividend (fully-franked) of 4.0 cents per share payable on 1st October 2020

All key financial measures, except Statutory NPAT are pre application of AASB 16¹ for comparative ease.

Key financial measures

| \$ million | FY20 | FY19 | Change | |
|---|--------|-------|--------|---------|
| Profitability: | | | | |
| Operating revenue ² | 274.1 | 231.0 | 43.1 | 18.7% ▲ |
| Operating ³ EBITDA | 64.1 | 53.0 | 11.1 | 20.9% ▲ |
| EBITDA from Operations % | 23.3% | 22.9% | 0.4% | 1.7% ▲ |
| Operating EBITA | 49.3 | 42.0 | 7.3 | 17.4% ▲ |
| Operating NPAT | 31.2 | 25.6 | 5.6 | 21.9% ▲ |
| Operating Diluted EPS (cents) ⁴ | 17.0 | 16.2 | 0.8 | 4.9% ▲ |
| Statutory NPAT inclusive AASB 16 | 23.0 | 21.0 | 2.0 | 9.5% ▲ |
| Cashflow & Capital Management: | | | | |
| Free cash flow | 55.7 | 40.4 | 15.3 | 37.9% ▲ |
| Free cash flow conversion, net of replacement capex | 101.6% | 97% | 4.6% | 4.7% ▲ |
| Dividends paid or declared per share(cents) | 9.5 | 10.0 | (0.5) | (5%) ▼ |
| Net debt | 124.4 | 119.0 | 5.4 | 4.5% ▲ |
| Net debt / LTM EBITDA ⁵ | 1.8x | 2.2x | 0.4 | 18.2% ▲ |
| Equity | 228.3 | 127.2 | 101.1 | 79.5% ▲ |

¹ AASB 16 is the Australian Accounting Standard 16 "Leases" a newly adopted accounting standard from 1 July 2019

² Represents operating revenue and excludes other revenue in FY20 of \$1.5m (FY19 \$1.4m)

³ One off costs not included in operating metrics include transaction and other costs, net of tax of \$8.2m (FY19 \$4.6m)

⁴ Operating Diluted EPS calculation for FY20 has been adjusted in order for the weighted average calculation of shares on the capital raise to align with the settlement date of Imaging Queensland acquisition being 1 November 2019 from 4 September 2019 for the Institutional placement and 30 September 2019 for the Retail entitlement offer. Aligning the dates provides a more accurate reflection of the underlying EPS and increases the Diluted cps by 0.3cps to 17.0cps

⁵ Based on net debt at 30 June 2020 of \$124.4m and LTM organic EBITDA (plus trailing acquisitions EBITDA) of \$69.0m. FY19 based on net debt at 30 June 2019 of \$119.0m and LTM EBITDA organic EBITDA (plus trailing acquisitions EBITDA) of \$54.1m

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The FY20 operating performance of IDX delivered growth and a defensive performance across the group despite COVID-19. Revenue growth of 18.7% was driven by new sites and investment in new equipment and eight months contribution from Imaging Queensland despite COVID-19 causing declines from March onwards. IDX continued to focus on cost control and was able to deliver responsible cost reductions in response to COVID-19 impacts on revenue and services. The benefit of \$6.1m net of tax in Australian and New Zealand Government assistance allowed IDX to retain and support our highly skilled workforce, as well as position the business to meet demand as it returned.

The Chair, Helen Kurincic said *“Despite a COVID-19 punctuated year, FY20 was another solid performance for IDX shareholders with statutory NPAT of \$23m, 9.5% higher than PY. IDX achieved strong organic revenue growth prior to COVID-19 impacting from March, recovery commenced in May, with June revenues largely in line with pre-COVID-19 expectations”*.

Acquisitions

The acquisition of Imaging Queensland was completed on 1 November 2020. Integration and operating performance has been in line with expectations when considering the impacts of COVID-19.

The acquisition of Ascot Radiology in New Zealand was announced on 10 June 2020. This strategic acquisition comprises nine diagnostic imaging clinics, including key sites at Ascot Private Hospital, and contracts with 22 doctors who work in both the public and private sector. The acquisition is expected to complete on 1 September 2020.

Cash flow and capital management

Net debt increased by \$5.4m to \$124.4.0m (FY19: \$119.0m). This was due to the draw-down of additional debt to partially fund the acquisitions of Imaging Queensland of \$15.0m plus a draw-down of \$20.0m to support working capital as part of our response to COVID-19, offset by positive operational cashflows. At 30 June 2020 net debt to LTM EBITDA was 1.8x (FY19: 2.2x).

In September 2019 we successfully completed a Capital Raise of \$72m issuing 26.6m shares at \$2.71, an additional \$26.5m of shares were issued to fund the acquisition of Imaging Queensland resulting in an increase in equity of \$101.1m (FY19: \$127.2m).

As a result of our on-going growth, capital raise, release of escrowed shares increasing our market capitalisation, free float and liquidity we were admitted to the ASX300 on 22 June 2020. As at 30 June 2020 IDX has 3,892 shareholders a significant increase on the prior year of 1,123.

At 30 June IDX has cash reserves of \$58.0m and committed cash advance facilities of which \$75m remains undrawn as well as access to \$40m of an asset financing facility. Our debt facilities are not due to mature until December 2021 and we are in compliance with all of the covenants under our debt facility.

Dividends

A fully franked final dividend of 4.0 cents per share (FY19 5.0 cents per share) has been declared. The full year dividends of 9.5 cents per share (FY19: 10.0 cents per share) is a decline on dividends of 5% which reflects a conservative approach to cash management and is reflective of the on-going uncertainty due to COVID-19. IDX has implemented a dividend reinvestment plan (DRP) which will operate for the FY20 full year dividend. Key dates for the full year dividend are:

| | |
|-------------------------|------------------|
| Ex-dividend date | 28 August 2020 |
| Record date | 31 August 2020 |
| Final DRP election date | 1 September 2020 |
| Payment and issue date | 1 October 2020 |

Dr Ian Kadish (CEO & MD) said *“Our doctors and staff stepped up to the challenges magnificently and continued to provide patients and referrers with a level of diagnostic excellence, care and service that is unsurpassed. At the same time, we improved our bottom line, our Operating NPAT, by 22%, and reduced our net debt to 1.8 times trailing EBITDA”.*

Response to ongoing impacts of COVID-19

During July and as at 23rd August, IDX has delivered a positive return to growth across all business units except where Government restrictions due to COVID-19 have been instated:

- Victoria (representing approximately 25% of Group Revenue) where revenues were similar to prior year for July and as at the 23rd August 7% down on prior year. Four of our smaller community sites have been closed since the start of Stage 4 restrictions in metropolitan Melbourne.
 - New Zealand (representing approximately 9% of Group Revenue (pre-Ascot acquisition) where revenues were 18% above prior year in July and as at 23rd August 4.6% down on prior year.
- The pandemic and associated Government response can be expected to continue to have an impact on the Group, which cannot be accurately projected at this time.
 - Our focus, as always, will be to keep our patients and employees safe and this will always be put before commercial outcomes. We will continue to ensure we have adequate supplies of personal protective equipment for all our hospitals and community sites and keep strict screening, hygiene and infections control protocols in place.
 - IDX has a strong growth agenda with our cost base supporting our growth objectives. IDX will continue to focus on responsibly managing costs to mitigate revenue declines whilst ensuring we remain well placed to continue our growth objectives when activity returns across our operating geographies.
 - The continuing support from Government in the form of JobKeeper of approximately \$5.5m after tax from July to September will assist in withstanding ongoing impacts throughout recovery, to retain our skilled workforce and to mitigate declining revenues as a result of on-going impacts from COVID-19.
 - To date there are no indications that COVID-19 will have material on-going impacts for the diagnostic imaging industry nor will the underlying fundamentals driving ongoing growth and funding models for diagnostic imaging be materially altered.
 - IDX continues to explore and develop plans for growth both organically and through acquisition opportunities. We will continue to approve growth business cases with consideration of the business case merits and with continued discipline.

IDX has had two staff members test positive for COVID-19 on 28 July and 4 August respectively in Victoria. Both staff members stayed away from the workplace and were immediately tested for COVID-19. IDX advised the Department of Health & Human Services and followed all advised procedures. We conducted our own contact tracing and took steps over and above those advised by the Department of Health in requiring all IDX deemed close contact staff to stay at home, on paid leave, and be immediately tested for COVID-19. No staff member was able to return to the workplace until they provided a negative COVID-19 test. In addition prompt deep cleans were conducted of the affected sites. As at the 23rd August no other employees have tested positive for COVID-19.

Current restrictions in our operating geographies

On the 2nd August 2020 the Victorian Government announced Stage 4 restrictions for metropolitan Melbourne and a return to Stage 3 restrictions for regional Victoria. The restrictions include a cancellation of non-urgent elective surgery and sporting activities, as well as a slow down in regular hospital activity and patients’ reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our Victorian sites.

On the 11th August 2020 the New Zealand Government announced Stage 3 restrictions for Auckland, and Stage 2 restrictions for the rest of New Zealand. The restrictions include a reduction in elective surgery and sporting activities, as well as a slow down in regular hospital activity and patients’ reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our New Zealand sites.

As at the 23rd August the restrictions in Victoria and New Zealand remain in place.

FY21 priorities & focus

Management's focus in FY21 will be to:

- Manage ongoing impacts of COVID-19;
- Drive organic growth, business integration and deliver further efficiency gains;
- Complete and integrate Ascot Radiology into IDX;
- Continue to accelerate use of digital and AI technology to improve the patient and referrer experience;
- Focus on IDX's environmental, social and governance agenda with a specific focus on ethical supply chains, responsible consumption and our carbon footprint, diversity and inclusion and community relationships;
- Nurture and develop culture and leadership across our people; and
- Evaluate further strategic acquisitions.

Investor and analyst conference call

Integral Diagnostics Managing Director & CEO, Ian Kadish and Chief Financial and Commercial Officer, Anne Lockwood, will be holding an investor and analyst conference call at 10.30AM AEDT today.

For those wishing to dial into the call, please register for the call through the following link:

<https://s1.c-conf.com/diamondpass/10009198-invite.html>

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID 10009198 to the operator:

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About IDX:

Integral Diagnostics (IDX) is a leading provider of medical imaging services across Australia and New Zealand. The Company provides state of the art diagnostic services to patients and their referrers at 64 radiology clinics, including 20 hospital sites. IDX employs some of Australasia's leading radiologists and nuclear medicine specialists in a unique medical leadership model that ensures quality patient care, service and access. Good medicine is good business.

Authorised for lodgement by the Integral Diagnostics Board of Directors