

## Australian Clinical Labs Limited

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Australia

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Thursday, 24 February 2022

## ACL 1H FY22 RESULTS

**1H FY22 results demonstrate operating leverage, scalability and operational flexibility  
Increased synergy benefits associated with Medlab Pathology**

Australian Clinical Labs Limited (ASX: ACL) (**ACL** or the **Company**) today announced its 1H FY22 results for the six months to 31 December 2021 (**1H FY22**). ACL presents the 1H FY22 results compared to the Prospectus lodged by ACL and ACL SaleCo Limited with the Australian Securities and Investment Commission on 28 April 2021 (**Prospectus**) and pro forma 1H FY21 (six months to 31 December 2020) (**1H FY21**) adjusted for pro forma items as detailed in the Prospectus.

AUD in millions	1H FY22		1H FY21	Growth	
	Actual	Prospectus	Pro forma	Prospectus	2H FY21
<b>Total Revenue</b>	<b>538.0</b>	<b>307.4</b>	<b>333.8</b>	<b>75.0%</b>	<b>61.2%</b>
Medlab Related Transaction Costs	(1.3)	-	-		
<b>EBITDA</b>	<b>239.3</b>	<b>83.4</b>	<b>112.8</b>	<b>186.9%</b>	<b>112.1%</b>
<i>EBITDA margin AASB 16</i>	<i>44.5%</i>	<i>27.1%</i>	<i>33.8%</i>	<i>1,734 bps</i>	<i>1,067 bps</i>
<i>EBITDA margin AASB 117</i>	<i>35.7%</i>	<i>13.0%</i>	<i>20.9%</i>	<i>2,273 bps</i>	<i>1,477 bps</i>
<b>EBIT</b>	<b>191.0</b>	<b>39.0</b>	<b>68.6</b>	<b>389.8%</b>	<b>178.6%</b>
<b>NPAT</b>	<b>130.3</b>	<b>23.0</b>	<b>43.3</b>	<b>466.4%</b>	<b>200.7%</b>

## Key highlights:

- Total Revenue of 538.0m, 61.2% ahead of 1H FY21
- 1H FY22 non-COVID revenue growth of 2.8% vs. 1H FY21 returning to trend
- EBITDA of \$239.3m, 112.1% ahead of 1H FY21, EBITDA margin (AASB 16) of 44.5%, ahead of 1H FY21 of 33.8%
- EBIT of \$191.0m, 178.6% ahead of 1H FY21, significant operating leverage delivered EBIT margin of 35.5%, ahead of 1H FY21 of 20.5%
- NPAT of \$130.3m, ahead of revised guidance issued on 21 December 2021 of between \$116.3m and \$128.0m
- Strengthened balance sheet, with net cash as at 31 December 2021 of \$2.8m excluding lease liabilities
- Interim dividend declared of 12 cents per share, Record Date 28 March 2022, Payment Date 21 April 2022
- Final dividend and composition will be considered at Full Year, based on financial performance, capital needs and corporate activity
- Acquisition of Medlab Pathology (**Medlab**) completed on 20 December 2021
  - Final payment ~\$52m from \$60m due to contracted purchase price adjustments
  - Medlab integration and expected synergies are running ahead of schedule. Run rate EBIT contribution expected to be >\$20m by December 2022
- Integration of SunDoctors<sup>1</sup> substantially complete
- Purpose-built laboratory in Brisbane accredited and opened in November 2021 with dedicated clinical trials and community laboratories

<sup>1</sup> Southern Sun Clinics Pty Ltd.

- Continued operational management with disciplined cost control and further efficiencies realised

During the half, ACL continued to play a central role in the response to safeguarding the community against the COVID pandemic. The rapid and substantial increase in capacity that was achieved in response to the peak period over Christmas and New Year was made possible by the significant prior investment in the core business.

### **Acquisition of Medlab Pathology**

The successful completion of the Medlab acquisition on 20 December 2021 was a highlight during the period. Medlab has a complementary geographic footprint delivering a doubling of market share (based on collection centres) in Australia's largest market, NSW to 20.4% and has provided a strong market entry platform in the third largest market, QLD with 6.5% market share (by collection centres).

ACL is now focused on several opportunities to grow the combined businesses of ACL, Medlab and SunDoctors. The key growth areas include expanding the service offering and growing the community pathology business across NSW and QLD. In addition, ACL will be focused on growing the specialist anatomical pathology offering with an increased focus on Dermatology and Gastroenterology and competing more effectively for commercial contracts and other national tenders.

The Medlab integration and expected synergies are running ahead of schedule with the majority of synergies expected to be achieved within 12 months and a run rate EBIT contribution of >\$20m now expected by December 2022. The synergies are expected from duplicated systems and laboratories, labour efficiencies, consumables and economies of scale.

**Chief Executive Officer and Executive Director, Melinda McGrath, said:**

*"During the past two years, Clinical Labs has played an essential role in Australia's response to COVID during what was at times a challenging operating environment. At the same time the team have delivered growth in our core business, driven operational improvements across the organisation while simultaneously completing two acquisitions. These achievements are a testament to the commitment and resilience of the ACL team."*

*"The strong result achieved in 1H FY22 demonstrates the value of the significant prior investment in the business which resulted in further operating leverage, efficiencies, improved productivity and increased automation and digitisation."*

*"There exist several opportunities to continue to grow the business including via our commercial offering and our established clinical trials business."*

*"We have strong foundations in technology and systems and a highly experienced performance-driven management team to execute our well-defined growth strategy."*

### **Outlook for 2H FY22**

During the 2H FY22, ACL anticipates testing for COVID to continue to moderate as the response to COVID transitions to an endemic virus. The pace with which COVID testing moderates will depend on several factors including future outbreaks, new variants, vaccination take up and effectiveness and government policy relating to lockdowns and travel.

Assuming no significant outbreaks, ACL anticipates the rebound in non-COVID testing to continue as restrictions on essential surgeries ease and hospitals return to full capacity.

ACL does not plan to provide guidance for FY22 at this time.

### **Investor and Analyst Results Briefing**

ACL Chief Executive Officer and Executive Director, Melinda McGrath, and Chief Financial Officer, James Davison, will host a webcast for investors and analysts today at 11 am (Melbourne time).

Participants can register for the webcast by accessing this link:

[https://us02web.zoom.us/webinar/register/WN\\_VFOkml6JQwWmQnHefOqDmQ](https://us02web.zoom.us/webinar/register/WN_VFOkml6JQwWmQnHefOqDmQ)

An archive of the briefing will be available afterwards at: <https://investors.clinicallabs.com.au/>

**- ENDS -**

This announcement was authorised for release to ASX by the Board of Directors of ACL. For further information regarding this announcement, please contact:

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**About Australian Clinical Labs**

ACL is a leading Australian private provider of pathology services. Our 86 NATA accredited laboratories perform a diverse range of pathology tests each year for a range of clients including doctors, specialists, patients, hospitals and corporate clients. ACL is one of the largest private hospital pathology businesses nationally. ACL is focused on its mission of combining talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives.

**Forward looking-statements**

*This announcement may contain forward-looking statements which are statements that may be identified by words such as "may", "will", "would", "should", "could", "believes", "estimates", "expects", "intends", "plans", "anticipates", "predicts", "outlook", "forecasts", "guidance" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this announcement, are expected to take place. No person who has made any forward-looking statements in this announcement (including the Company) has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, other than to the extent required by law. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management of the Company. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.*

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# Consolidated financial report

For the half-year ended 31 December 2021

This half-year report is to be read in conjunction with the consolidated financial report of Australian Clinical Labs Limited for the year ended 30 June 2021



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# Directors' report

# Directors' report

## Overview

The Directors of Australian Clinical Labs Limited (referred to as "Clinical Labs", "ACL" or "the Company") present their Report for the financial period ended 31 December 2021 (referred to as "the period" or "the half-year") accompanied by the Financial Report of Australian Clinical Labs Limited and the entities it controlled (referred to as "the Group") from time to time during the period.

ACL was incorporated on 6 November 2020 as ACL HoldCo Pty Ltd, in anticipation of its IPO. On 8 March 2021, ACL HoldCo Pty Ltd became an unlisted public company, before changing its name to Australian Clinical Labs Limited on 23 March 2021. ACL was then admitted to the ASX on 14 May 2021. Prior to the IPO, the business of the Company was operated through a different corporate vehicle, Clinical Laboratories Pty Ltd ACN 006 823 089. Clinical Laboratories Pty Ltd is now a wholly owned subsidiary of ACL but remains the primary operating vehicle of the Group.

Pursuant to the requirements of the *Corporations Act 2001* (Cth) (Corporations Act), the Directors' Report follows:

## Directors

The Directors of the Company in office at any time during the half-year and up to the date of this report are:

Michael Alscher  
Melinda McGrath  
Nathanial Thomson  
Andrew Dutton  
Dr Leanne Rowe AM  
Dr Michael Stanford AM  
Mark Haberlin

## Review of operations

In line with the 2021 Annual Report issued to shareholders on 24 September all 1H FY21 financial information reported below is on a pro forma basis. For a list of pro forma adjustments please refer to the 2021 Annual Report.

Key financial highlights in the six months ended 31 December 2021 (compared to pro forma 1H FY21) include:

- Total revenue increased by 61.2% to \$538.0m
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 112.1% to \$239.3m. EBITDA margin (AASB 16) of 44.5% was ahead of 1H FY21 of 33.8%
- EBIT increased by 178.6% to \$191.0m, EBIT margin of 35.5%, ahead of 1H FY21 of 20.5%
- NPAT of \$130.3m was ahead of the revised guidance issued on 21 December 2021 of between \$116.3m and \$128.0m
- Interim dividend declared of 12.00 cents per share.

### Acquisition of Medlab Pathology (Medlab)

- The acquisition was completed on 20 December 2021
- Final payment ~\$52m from \$60m due to contracted purchase price adjustments
- Majority of synergies to be achieved within 12 months with a run rate EBIT contribution of >\$20m now expected by December 2022

The 61.2% increase in total revenue for the period reflected the continued heightened testing associated with the response to COVID-19 as well as non-COVID revenue growth of 2.8% which is returning to trend.

ACL continued to benefit from the previous investment it has made in systems and processes to deliver significant operating leverage during the period. As a result of strong revenue growth, continued operational management with disciplined cost control and further efficiencies that were realised, EBIT grew by 178.6% to \$191.0m and EBIT margin increased to 35.5% compared to 20.5% in the prior corresponding period.

NPAT during the period was \$130.3m, which was ahead of the revised guidance issued on 21 December 2021 of between \$116.3m and \$128.0m.

ACL generated \$147.8m of cash for the period which was primarily used to pay down debt and acquire Medlab.

There was negative working capital movement during the period of \$36.5m due to the Omicron peak in December 2021 and the payment cycle for work performed. This is anticipated to reverse in 2H FY22.



# Directors' report

ACL completed a purpose-built laboratory in Brisbane that was accredited and opened in November 2021 with dedicated clinical trials and community laboratories. Capital expenditure for the period of \$8.2m included investment in the Queensland laboratories and additional IT investment.

The balance sheet was further strengthened, with net cash as at 31 December 2021 of \$2.8m excluding lease liabilities and post the Medlab acquisition. This represents a material improvement on the net debt position of \$64.1m as at 30 June 2021.

## Dividends

In respect of the half-year ended 31 December 2021, an interim dividend of 12.00 cents per share (100% franked) has been declared with a record date of 28 March 2022 and payable on 21 April 2022. The Board also launched a Dividend Reinvestment Plan.

## Subsequent events

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

## Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year is provided with this report on page 5.

## Rounding off of amounts to nearest thousand dollars

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in this Report and the Financial Report are rounded off to the nearest thousand dollars or, in certain cases, to the nearest dollar.

Some numerical figures included in this report have been subject to rounding adjustments. Any differences between totals and sums of components in tables or figures contained in this report are due to rounding.

Signed in accordance with a resolution of the directors:



**Michael Alscher**  
Chair

Sydney, 23 February 2022

# Auditor's independence declaration to the directors of Australian Clinical Labs Limited



**AUSTRALIAN CLINICAL LABS LIMITED**  
**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE DIRECTORS OF AUSTRALIAN CLINICAL LABS LIMITED**

In relation to the independent auditor's review for the half-year ended 31 December 2021, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Australian Clinical Labs Limited and the entities it controlled during the period.

S D WHITCHURCH  
Partner

Date: 23 February 2022

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# Financial statements

# Consolidated statement of profit or loss

## for the half-year ended 31 December 2021

	Note	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000
Revenue		538,001	317,904
Other income	3	–	29,292
<b>Total</b>		<b>538,001</b>	<b>347,196</b>
Consumables		(98,763)	(60,084)
Labour costs		(153,650)	(121,445)
Property costs		(7,407)	(6,859)
Repairs and maintenance		(3,510)	(3,380)
Other operating expenses		(35,375)	(24,420)
Depreciation		(5,582)	(5,039)
Depreciation of right-of-use assets		(42,565)	(37,611)
Amortisation of intangible assets		(113)	–
<b>Total operating costs</b>		<b>(346,965)</b>	<b>(258,838)</b>
<b>Earnings before interest and tax</b>		<b>191,036</b>	<b>88,358</b>
Net finance costs	4	(6,092)	(7,084)
<b>Profit before income tax</b>		<b>184,944</b>	<b>81,274</b>
Income tax expense	5	(54,656)	(24,201)
<b>Profit for the half-year</b>		<b>130,288</b>	<b>57,073</b>
Net (profit) attributable to non-controlling interests		(74)	–
<b>Net profit to members of Australian Clinical Labs Limited</b>		<b>130,214</b>	<b>57,073</b>
<b>Earnings per share</b>			
		<b>Cents per share</b>	<b>Cents per share</b>
Basic earnings per share from continuing operations	6	64.54	39.27
Diluted earnings per share from continuing operations	6	64.54	39.27

The accompanying notes numbered 1 to 15 form part of these financial statements.

# Consolidated statement of other comprehensive income

for the half-year ended 31 December 2021

	Note	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000
<b>Profit for the half-year</b>		130,288	57,073
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations		19	(25)
<b>Other comprehensive income for the half-year, net of tax</b>		19	(25)
<b>Total comprehensive income for the half-year</b>		<b>130,308</b>	<b>57,048</b>
<b>Total comprehensive income attributable to:</b>			
Members of Australian Clinical Labs Limited		130,234	57,048
Non-controlling interests		74	–
		<b>130,308</b>	<b>57,048</b>

The accompanying notes numbered 1 to 15 form part of these financial statements.

# Consolidated statement of financial position

as at 31 December 2021

	Note	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		47,326	35,233
Trade and other receivables	7	130,734	62,976
Inventories		21,677	13,356
Other assets		8,369	5,661
<b>TOTAL CURRENT ASSETS</b>		<b>208,106</b>	<b>117,226</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		51,924	42,287
Right-of-use assets		232,311	186,657
Intangible assets	8	164,950	112,906
Deferred tax assets		13,575	15,625
<b>TOTAL NON-CURRENT ASSETS</b>		<b>462,760</b>	<b>357,475</b>
<b>TOTAL ASSETS</b>		<b>670,866</b>	<b>474,701</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		68,528	42,629
Lease liabilities		87,556	70,396
Provisions		53,543	48,648
Current tax liabilities		41,926	4,018
Deferred consideration	9	497	675
<b>TOTAL CURRENT LIABILITIES</b>		<b>252,050</b>	<b>166,366</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		153,725	124,544
Borrowings		44,559	99,321
Provisions		2,842	2,556
Deferred consideration	9	10,000	–
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>211,126</b>	<b>226,421</b>
<b>TOTAL LIABILITIES</b>		<b>463,176</b>	<b>392,787</b>
<b>NET ASSETS</b>		<b>207,690</b>	<b>81,914</b>
<b>EQUITY</b>			
Issued capital	10	793,031	797,975
Reserves		(777,816)	(778,271)
Retained earnings		192,409	62,194
<b>Total parent entity interest</b>		<b>207,624</b>	<b>81,898</b>
<b>Non-controlling interest</b>		<b>66</b>	<b>16</b>
<b>TOTAL EQUITY</b>		<b>207,690</b>	<b>81,914</b>

The accompanying notes numbered 1 to 15 form part of these financial statements.

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# Consolidated statement of changes in equity

for the half-year ended 31 December 2021

	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total \$'000
<b>Opening balance at 1 July 2020</b>	146,505	(118,772)	41,255	68,988	–	68,988
Profit for the half-year	–	–	57,073	57,073	–	57,073
Exchange differences on translation of foreign operations	–	(25)	–	(25)	–	(25)
<b>Other comprehensive income for the half-year net of tax</b>	–	(25)	–	(25)	–	(25)
<b>Total comprehensive income for the half-year</b>	–	(25)	57,073	57,048	–	57,048
<b>Transactions with owners in their capacity as owners</b>						
Management share scheme	–	162	–	162	–	162
Dividend declared and paid	–	–	(21,000)	(21,000)	–	(21,000)
Reverse existing capital resulting from restructure	(146,505)	–	–	(146,505)	–	(146,505)
Ordinary shares issued net of transaction costs	584,001	–	–	584,001	–	584,001
Common control reserve from acquisition	–	(653,494)	–	(653,494)	–	(653,494)
Payment of promissory note	–	(12,500)	–	(12,500)	–	(12,500)
<b>Closing balance at 31 December 2020</b>	<b>584,001</b>	<b>(784,629)</b>	<b>77,328</b>	<b>(123,300)</b>	<b>–</b>	<b>(123,300)</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance at 1 July 2021</b>	797,975	(778,271)	62,194	81,898	16	81,914
Profit for the half-year	–	–	130,214	130,214	74	130,288
Exchange differences on translation of foreign operations	–	19	–	19	–	19
<b>Other comprehensive income for the half-year net of tax</b>	–	19	–	19	–	19
<b>Total comprehensive income for the half-year</b>	–	19	130,214	130,234	74	130,307
<b>Transactions with owners in their capacity as owners</b>						
Employee share scheme	–	436	–	436	–	436
Dividend paid to minority interest in controlled entities	–	–	–	–	(23)	(23)
Acquisition of treasury shares	(4,944)	–	–	(4,944)	–	(4,944)
<b>Closing balance at 31 December 2021</b>	<b>793,031</b>	<b>(777,816)</b>	<b>192,409</b>	<b>207,624</b>	<b>66</b>	<b>207,690</b>

The accompanying notes numbered 1 to 15 form part of these financial statements.

# Consolidated statement of cash flows

for the half-year ended 31 December 2021

Note	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and government grants	491,833	366,725
Payment to suppliers and employees	(288,752)	(219,852)
<b>Cash provided by operations</b>	<b>203,081</b>	<b>146,873</b>
Interest received	24	44
Interest and costs of finance paid	(5,878)	(29,558)
Income tax paid	(14,848)	(9,256)
<b>Net cash provided by operating activities</b>	<b>182,379</b>	<b>108,103</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of plant and equipment	117	56
Purchase of plant and equipment	(8,164)	(3,650)
Payments for business combinations (net of cash acquired)	(60,414)	–
Purchase of shares	–	(17)
<b>Net cash used in investing activities</b>	<b>(68,461)</b>	<b>(3,611)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal portion of lease payments	(41,877)	(36,798)
Proceeds from new shares issued net of transaction costs	–	1
Payments for treasury shares	(4,944)	–
Repayment of borrowings	(55,000)	(43,328)
Proceeds from borrowings	–	217,300
Payment for common control restructure	–	(208,000)
Dividends paid	–	(21,000)
Dividend paid to minority interest in controlled entities	(23)	–
Payment of promissory note	–	(12,500)
<b>Net cash used in financing activities</b>	<b>(101,844)</b>	<b>(104,325)</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,074</b>	<b>167</b>
Foreign exchange differences on cash holdings	19	(30)
Cash and cash equivalents at the beginning of the half-year	35,233	34,849
<b>Cash and cash equivalents at the end of the half-year</b>	<b>47,326</b>	<b>34,986</b>

The accompanying notes numbered 1 to 15 form part of these financial statements.

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# Notes to the consolidated financial statements

## for the half year ended 31 December 2021

### Note 1: Basis of preparation of the half-year financial report

This consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Australian Clinical Labs Limited (formerly ACL Holdco Pty Ltd) during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

This half-year financial report includes financial statements for the Consolidated Group ('the Group') consisting of Australian Clinical Labs Limited and its subsidiaries. Australian Clinical Labs Limited is a for-profit entity domiciled in Australia.

The half-year financial report was authorised for issue by the Directors on 23 February 2022.

#### (a) Compliance with IFRS

This consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the Corporations Act 2001. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

#### (b) Basis of preparation

The half-year financial report has been prepared on the basis of historical cost except for the revaluation of financial assets and liabilities at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets. Where applicable, comparatives may be restated in line with current year presentation.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report of Australian Clinical Labs Limited for the year ended 30 June 2021.

#### (c) Going concern

As at 31 December 2021 the Group recorded a deficiency in current assets of \$43.9m. This has been caused by the impacts of AASB 16 *Leases*, whereby \$87.6m of lease liabilities have been recognised as current, however the corresponding right of use asset is non-current. Excluding the current portion of the lease liability, the Group has a current asset surplus of \$43.6m.

The Directors have concluded that the Group will be able to pay its debts as and when they fall due with consideration of the above factors and the profitability of the Group accordingly the accounts have been prepared on a going concern basis.

#### (d) Rounding amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars unless otherwise stated.

#### (e) Australian Clinical Labs Employee Share Trust (ACLEST)

The Group has formed a trust to obtain and hold shares for the purpose of providing shares under Australian Clinical Labs Limited Rights Plan. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by ACLEST are disclosed as treasury shares and deducted from contributed equity.

## Note 2: Segment information

The Group's Chief Executive Officer and the Board of Directors (the chief operating decision makers) review the Group's performance of the business to assess performance and determine the allocation of resources. The financial information is reported to the chief operating decision makers on at least a monthly basis. The financial information is provided by one operating segment and one geographical segment, being Australia.

The Group has one reportable segment:

### Pathology

Pathology/clinical laboratory services provided in Australia.

## Note 3: Other income

	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000
JobKeeper income	–	29,247
Gain on disposal of plant and equipment	–	45
<b>Total other income</b>	<b>–</b>	<b>29,292</b>

On 3 March 2021, the Board chose to repay JobKeeper grants received in the financial year with the repayment conducted on 16 March 2021.

## Note 4: Finance income and expense

	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000
<b>Finance income</b>		
Bank deposits	24	44
<b>Finance expenses</b>		
Interest expense – related parties	–	(1,046)
Interest expense – bank facilities	(658)	(338)
Interest expense – leasing arrangements	(5,328)	(5,672)
Other borrowing costs	(130)	(72)
	(6,116)	(7,128)
<b>Net finance costs</b>	<b>(6,092)</b>	<b>(7,084)</b>

# Notes to the consolidated financial statements

## for the half year ended 31 December 2021

### Note 5: Income tax

	6 months to 31 Dec 2021 \$'000	6 months to 31 Dec 2020 \$'000
<b>(a) Components of tax expense</b>		
Current tax	52,488	29,369
Under / (over) provision in prior period	189	(260)
Deferred tax	1,979	(4,908)
	<b>54,656</b>	<b>24,201</b>
<b>(b) Income tax reconciliation</b>		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit before tax	184,944	81,274
Domestic tax rate	30%	30%
<b>Expected income tax expense</b>	<b>55,483</b>	<b>24,382</b>
Adjustments for non-deductible expenses:		
Other non-deductible expenses	(827)	(181)
<b>Actual income tax expense</b>	<b>54,656</b>	<b>24,201</b>

## Note 6: Earnings per share

### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share ("EPS") has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	Cents	Cents
Basic earnings per share	64.54	39.27
Diluted earnings per share	64.54	39.27

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
	\$'000	\$'000
<b>Earnings</b>		
The earnings used in the calculation of basic and diluted earnings per share are the same and can be reconciled to the consolidated statement of profit or loss and other comprehensive income as follows:		
Profit for the half-year	130,288	57,073
Net (profit) attributable to non-controlling interests	(74)	–
<b>Earnings used in calculating basic and diluted earnings per share</b>	<b>130,214</b>	<b>57,073</b>

	6 months to 31 Dec 2021	6 months to 31 Dec 2020
<b>Weighted average number of shares</b>		
The weighted average number of shares used in the calculation of basic earnings per share	201,750,953	145,340,171
The weighted average number of shares and potential ordinary shares used in the calculation of diluted earnings per share	201,750,953	145,340,171

The number of ordinary shares outstanding has been adjusted retrospectively back to 1 July 2019 (see Note 18 of the Consolidated Financial Report for the year ended 30 June 2021).

Performance rights and Service rights under the Australian Clinical Labs Limited Rights Plan are determined to be contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time and therefore are not included in the determination of diluted earnings per share.

# Notes to the consolidated financial statements

## for the half year ended 31 December 2021

### Note 7: Trade and other receivables

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>Measured at amortised cost</b>		
<b>CURRENT</b>		
Trade receivables	85,866	44,117
Allowance for expected credit loss	(3,019)	(2,342)
	82,847	41,775
Accrued revenue	37,276	19,744
Other receivables	2,033	1,457
Medlab completion receivable (provisional)	8,578	–
	<b>130,734</b>	<b>62,976</b>
<b>Movement in allowance for expected credit losses</b>		
Balance at the beginning of the period	2,342	1,969
Provision for impairment expensed	1,337	1,476
Receivables written off	(660)	(1,103)
<b>Closing balance</b>	<b>3,019</b>	<b>2,342</b>

Amounts charged to the allowance for expected credit loss are generally written off when there is no expectation of recovering additional cash in excess of the cost of recovery.

### Note 8: Intangibles

	Goodwill \$'000	Brand names \$'000	Customer lists \$'000	Total \$'000
<b>31 Dec 2021</b>				
Gross carrying amount	158,119	5,600	1,370	165,089
Accumulated amortisation	–	–	(139)	(139)
<b>Total intangibles as at 31 Dec 2021</b>	<b>158,119</b>	<b>5,600</b>	<b>1,231</b>	<b>164,950</b>
<b>30 Jun 2021</b>				
Gross carrying amount	105,983	5,600	1,350	112,933
Accumulated amortisation	–	–	(27)	(27)
<b>Total intangibles as at 30 Jun 2021</b>	<b>105,983</b>	<b>5,600</b>	<b>1,323</b>	<b>112,906</b>
<b>Movement</b>				
Balance at 1 Jul 2021	105,983	5,600	1,323	112,906
Additions through business combinations	52,136	–	21	52,157
Amortisation	–	–	(113)	(113)
<b>Closing balance</b>	<b>158,119</b>	<b>5,600</b>	<b>1,231</b>	<b>164,950</b>

On 20 December 2021, the Group acquired Medlab Pathology (refer to Note 12).

## Note 9: Deferred consideration

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>CURRENT</b>		
Deferred and contingent consideration	497	675
<b>NON-CURRENT</b>		
Deferred and contingent consideration	10,000	–

Non-current deferred and contingent consideration is in relation to the Medlab business acquisition. Refer to Note 12 for full details.

## Note 10: Issued capital

### a) Share capital

	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Fully paid ordinary shares	201,834,105	201,834,105	797,975	797,975
<b>Other equity securities</b>				
Treasury shares	(1,000,000)	–	(4,944)	–
	<b>200,834,105</b>	<b>201,834,105</b>	<b>793,031</b>	<b>797,975</b>

Treasury shares are shares in Australian Clinical Labs Limited that are held by Australian Clinical Labs Employee Share Trust (ACLEST) for the purpose of providing shares under Australian Clinical Labs Limited Rights Plan.

## Note 11: Dividends

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>(a) Dividend paid during the half-year</b>		
Final dividend for the year-ended 30 June 2020 of 6.21 cents (2019: Nil cents) per share paid on 29 September 2020 fully franked. On a retrospective basis, in line with the EPS calculation at Note 6, the dividend would have been 14.45 cents per share.	–	21,000
<b>(b) Dividends not recognised at the end of the half-year</b>		
Interim dividend for the half-year ended 31 December 2021 of 12.00 cents (2020: Nil cents) per share with a record date of 28 March 2022 and payable on 21 April 2022 fully franked.	24,220	–

# Notes to the consolidated financial statements

## for the half year ended 31 December 2021

### Note 12: Business combinations

#### Acquisition of Medlab Pathology

On 20 December 2021, the Group successfully completed the acquisition of Medlab Pathology (Medlab), a leading Australian privately-owned independent pathology provider, with two laboratories and 288 collection centres across NSW and Qld.

#### (a) Provisional accounting

The accounting for this acquisition is provisional as at the date of this report.

The provisional details of the business combination are as follows:

	\$'000
<b>Fair value of consideration transferred</b>	
Consideration transferred settled in cash	60,000
Provisional completion receivable	(8,578)
Deferred consideration	5,000
Contingent consideration	5,000
<b>Net cash outflow for acquisition</b>	<b>61,422</b>
<b>Recognised amounts of identifiable net assets</b>	
Trade and other receivables	1,487
Inventories	2,835
Other assets	118
<b>Total current assets</b>	<b>4,440</b>
Plant and equipment	7,046
Right-of-use assets	33,552
Deferred tax assets	(144)
<b>Total non-current assets</b>	<b>40,454</b>
Lease liabilities	11,205
Provisions	1,988
<b>Total current liabilities</b>	<b>13,193</b>
Lease liabilities	21,769
Provisions	366
<b>Total non-current liabilities</b>	<b>22,135</b>
<b>Identifiable net assets</b>	<b>9,566</b>
<b>Goodwill on acquisition</b>	<b>51,856</b>

#### (b) Consideration transferred

The acquisition of Medlab is to be settled in cash provisionally totalling \$61.4m.

Acquisition-related costs of \$1.3m are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, as part of other expenses.

### (c) Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to \$1.5m, with a gross contractual amount of \$1.5m. As of acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected is \$nil.

### (d) Medlab contribution to the Group results

Medlab has contributed revenue of \$7.7m and a profit after tax of \$1.6m for the period from 20 December 2021 to the reporting date, 31 December 2021 which is included in the consolidated statement of comprehensive income.

### (e) Contingent consideration

Contingent consideration of \$5.0m is payable if certain revenue targets are met for CY22. The full value of this contingent consideration has been recognised on acquisition as the targets are deemed probable of being achieved.

## Note 13: Changes to the composition of the group

### (a) Formation of ACL Employee Share TrusCo Pty Ltd

On 28 October 2021, the Group formed ACL Employee Share TrusCo Pty Ltd with a nominal share capital of \$10. This entity is trustee for the Australian Clinical Labs Limited Employee Share Trust (ACLEST) and was responsible for the acquisition of treasury shares for the period in relation to the ACLEST. Refer to Note 10 for full details.

### (b) Common control acquisition

On 17 December 2020, a restructure took place that resulted in a newly incorporated company, Australian Clinical Labs Limited (formerly ACL Holdco Pty Ltd) obtaining control over Clinical Laboratories Pty Ltd and its controlled entities. The shareholders in Australian Clinical Labs Limited prior to the restructure were also all shareholders in Clinical Laboratories Pty Ltd with the same proportionate economic and beneficial interests. Notwithstanding the direct ownership of Clinical Laboratories Pty Ltd changed as a result of the restructure, there was ultimately no change in the control over its assets.

Accordingly, the Directors have accounted for the restructure as a common control acquisition in accordance with the Australian Accounting Standards. As such, the financial report of Australian Clinical Labs Limited has been presented as a continuation of the pre-existing entities. Those entities being:

- Clinical Laboratories Pty Ltd
- Clinical Laboratories (WA) Pty Ltd
- Perth Medical Laboratories Pty Ltd
- Malvern Pathology Labs Sdn Bhd
- ACL Specialist Investments Pty Ltd (deregistered 5 August 2020)

The financial report is presented on the basis of historical cost however the debt and restructure occurred based on the fair value of the business which has not been reflected in the financial report.

## Note 14: Net tangible assets per ordinary security

Net tangible assets per ordinary security	31 Dec 2021	30 Jun 2021
Net tangible assets per ordinary security	\$0.21	(\$0.15)
Net asset backing per ordinary security	\$1.03	\$0.41

## Note 15: Subsequent events

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.



# Directors' declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 1 to 19, are in accordance with the Corporations Act 2001, including:
  - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Michael Alscher  
Chair  
Sydney, 23 February 2022



Melinda McGrath  
Director  
Sydney, 23 February 2022

# Independent auditor's review report



## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Clinical Labs Limited

Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Australian Clinical Labs Limited, the 'Company' and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half-year financial report of Australian Clinical Labs Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Handwritten signature of S D Whitchurch in black ink.

S D WHITCHURCH

Partner

23 February 2022

Handwritten signature of Pitcher Partners in black ink.

PITCHER PARTNERS

Melbourne

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