

ASX & MEDIA RELEASE

Integral Diagnostics Reports 1H FY23 Results

17 February 2023, Melbourne

Integral Diagnostics Limited (ASX: IDX) announces its results for the half year ended 31 December 2022 (1H FY23).

Group summary and key financial measures

- Statutory NPAT of \$16.1 million (1H FY22: \$10.2 million) after writeback of non-operating provisions, transaction and integration costs, amortisation of customer contracts and other costs, net of tax, of \$8.3 million
- Above market organic revenue growth of 4.1% in Australia
- Operating EBITDA of \$39.8 million, representing an 18.5% margin (1H FY22: \$38.8 million, representing a 21.5% margin) on operating revenue of \$215.1 million (1H FY22: \$180.5 million)
- Operating diluted EPS of 3.3 cents (1H FY22: 6.4 cents) on operating NPAT of \$7.8 million (1H FY22: \$12.3 million)
- Free cash flow of \$38.5 million (1H FY22: \$24.7 million) with net debt of \$194.2 million
- Fully franked interim dividend of 2.5 cents per share (1H FY22: 4.0 cents per share) declared and payable on 4 April 2023, being a payout ratio of 74.4% of Operating NPAT

AUD\$ million	1H FY23	1H FY22	Change	
Profitability				
Statutory NPAT	16.1	10.2	5.9	58.2% ▲
Operating revenue ¹	215.1	180.5	34.6	19.2% ▲
Operating EBITDA (\$) ²	39.8	38.8	0.9	2.4% ▲
Operating EBITDA (%)	18.5%	21.5%		
Operating EBITA ²	19.6	22.7	(3.1)	(13.6%) ▼
Operating NPAT ²	7.8	12.3	(4.5)	(36.4%) ▼
Operating diluted EPS (cents)	3.3	6.4	(3.1)	(48.0%) ▼
Cashflow & Capital Management				
Free cash flow	38.5	24.7	13.8	56.0% ▲
Free cash flow conversion, after replacement capex (%)	96.8%	63.6%		
Dividends declared per share (cents)	2.5	4.0	(1.5)	(37.5%) ▼
Net debt (pre-AASB 16)	194.2	179.5	14.7	8.2% ▲
Net debt / pro forma EBITDA (pre-AASB 16) ³	3.1x	2.6x		
Equity	370.5	267.0	103.5	38.8% ▲

¹ Represents operating revenue, excluding other revenue in 1H FY23 of \$0.6 million (1H FY22: \$1.0 million)

² Non-operating transactions not included in operating metrics include transaction and integration costs, share based expenses for radiologists, amortisation of customer contracts, adjustments to non-operating provisions and one-off system implementation costs, net of tax of \$8.3m

³ Based on net debt at 31 December 2022 of \$194.2m and LTM organic EBITDA (plus trailing acquisitions EBITDA) of \$63.5m. 1H FY22 is based on net debt at 31 December 2021 of \$179.5m and LTM organic EBITDA (plus trailing EBITDA from acquisitions) of \$69.7m (after LTI reallocation)

The Group has continued to experience challenging trading conditions in the first half of FY23 with modest underlying growth in Australia, reflecting a slow gradual recovery of patient volumes, limited price increases and favourable mix impact, offset by significant cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints, together with higher interest funding costs. Management are focused on containing and reducing costs wherever possible. In 1H FY23 management LTI plan expense of \$0.2m (non-tax deductible) has also been recorded as part of operating labour expenses, compared to prior years' treatment as a non-operating transaction.

In 1H FY23 IDX showed an organic revenue increase in Australia of 4.1% adjusted for working days (Q1 2.0%; Q2 6.2%; January 2023 double digit growth). This compares favourably with the experience across the broader industry, with Medicare benefits for the States in which IDX operates showing a 1.2% decrease in weighted average benefits paid for the period from July to December 2022 on an equivalent basis. The slow gradual recovery of patient volumes in Australia is expected to drive positive operating leverage and improved profitability over time.

This compares to a backdrop of strong, consistent Australia-wide industry growth for a decade of approximately 6% per annum.

Average fees per exam (including reporting contracts) in Australia increased by 5.2% in 1H FY23, reflective of an on-going move to the higher end CT, MRI and PET scan modalities and to a lesser extent Medicare indexation of 1.6% applied to 97% of diagnostic imaging services, including MRI from 1 July 2022, and selective price increases.

Pleasingly, New Zealand achieved an organic revenue increase of 4.1% on a constant currency basis adjusted for working days. New Zealand revenues continued to be impacted by referrer-owned radiology practices in Auckland. The company continues to plan and implement management initiatives to address this situation and also work with industry and regulatory authorities to maintain professional, quality, arms-length referral practices that protect patient interests.

In the absence of unforeseen, extraordinary circumstances, 2H FY23 is expected to be materially stronger than 1H FY23.

In 1H FY23 capital expenditure totalled \$13.6m, with \$5.1m relating to growth initiatives including improved services to patients with investment in a PET CT at Smith Street (\$1.4m), an MRI upgrade at Robina (\$0.2m), a CT at Mauranui (\$0.5m) and a SPECT-CT at Millenium (0.4m).

CEO of IDX Dr Ian Kadish said: *"The operating environment has been challenging, reflected by a slow gradual recovery of patient volumes, limited price increases and favourable mix impact, offset by significant cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints, together with higher interest funding costs. We are focussed on integrating our recent acquisitions of Peloton Radiology and Horizon Radiology that deepen our service offering in existing geographies. We are confident that patient volumes and historical growth patterns will over time return to pre-COVID-19 levels."*

IDX continues to provide patients and referrers with excellence in diagnostic imaging across Australia and New Zealand.

Net debt increased by \$14.7m to \$194.2m (1H FY22: \$179.5m). IDX's net debt to equity ratio at 31 December 2022 was 52.4% (1H FY22: 67.2%) and net debt/EBITDA ratio at 31 December 2022 was 3.1x (1H FY22: 2.6x).

At 31 December 2022 IDX held cash of \$35.8m. In addition to cash on hand, IDX has committed facilities of \$379.5m, of which \$149.5m remains undrawn, and access to a further \$105.0m under an Accordion facility. Current debt facilities are not due until February 2026. IDX is in compliance with all covenant requirements under the debt facility.

As noted above, the Company has acquired Peloton Radiology in Queensland and Horizon Radiology in New Zealand, both of which completed on 1 July 2022. Both of these targeted bolt-on acquisitions expand the scope and depth of service locations to patients and broadens our referrer base in existing geographies. The Company is focussed on integrating these acquisitions and is not contemplating any further acquisitions at this time.

Dividend

A fully franked interim dividend of 2.5 cents per share has been declared and is payable on 4 April 2023, representing a 74.4%⁴ payout ratio.

Key dates for the interim dividend are:

Record date	3 March 2023
Final DRP election date	6 March 2023
Payment and issue date	4 April 2023

The Dividend Reinvestment Plan (DRP) will again be available with no discount for participation for the interim dividend distribution.

FY23 priorities & focus

- Drive organic growth through improved utilisation of existing assets, selective price increases, cost efficiencies and select brownfield and greenfield investment opportunities.
- Accelerate the use of teleradiology, digital and AI technologies.
- Drive our environmental, social and governance (ESG) strategy.
- Continue to nurture and develop culture and leadership across our people.
- Focus on integrating recent acquisitions well, with no further acquisitions contemplated at this time.

Investor and analyst conference call

Integral Diagnostics' Managing Director & CEO, Dr Ian Kadish, and Chief Financial Officer, Craig White, will be holding an investor and analyst conference call at **11.00am 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/10028090-wkgtza.html>

Alternatively, at the time of the call, dial your respective number below and provide the conference ID **10028090** to the operator, noting there may be wait times:

AUSTRALIA: 1800 809 971

AUSTRALIA Local : 02 9007 3187

NEW ZEALAND: 0800 453 055

AUCKLAND Local: +64 9 929 1687

Authorised for lodgement by the Integral Diagnostics Board of Directors.

⁴ The dividend represents 74.4% of Operating NPAT

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About IDX:

Integral Diagnostics (IDX) is a leading provider of medical imaging services across Australia and New Zealand. IDX employs some of Australasia's leading radiologists and diagnostic imaging specialists in a unique medical leadership model that ensures quality patient care, service and access. Good medicine is good business. For more information, please visit www.integraldiagnostics.com.au/.

FORWARD-LOOKING STATEMENTS

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of IDX, its directors and management, including any further impacts of COVID-19 on IDX's continued trading and operations. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of IDX's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of IDX or its representatives assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to IDX as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of IDX or its representatives undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.