

ASX & MEDIA RELEASE

Integral Diagnostics releases 1H21 results

22 February 2021, Melbourne: Integral Diagnostics Limited (ASX: IDX) announces its results for the six months ended 31 December 2020 (1H21).

The 1H21 results reflect solid organic growth, a full six-month contribution from Imaging Queensland, a four-month contribution from Ascot Radiology and the net impacts of COVID-19 including the receipt of JobKeeper that enabled the retention and support of our highly skilled workforce.

Group Summary

- Statutory NPAT of \$19.9m after customer contract amortisation, transaction and other costs of \$3.3m delivering an Operating NPAT of \$23.2m
- Operating revenue of \$170.7m
- Operating EBITDA \$52.0m (30.5% margin)
- Operating EPS of 11.6 cents on operating NPAT of \$23.2m
- Free cash flow of \$42.7m with Net Debt of \$137.3m
- Interim dividend (fully franked) of 5.5 cents per share payable on 6th April 2021

All key financial measures include the application of AASB 16¹.

| Key financial measures | | | | | |
|---|-------|-------|--------|-------|---|
| \$ million | 1H21 | 1H20 | Change | | |
| Profitability: | | | | | |
| Operating revenue ² | 170.7 | 131.8 | 38.9 | 29.5% | ▲ |
| Operating ³ EBITDA | 52.0 | 34.6 | 17.4 | 50.3% | ▲ |
| EBITDA from Operations % | 30.5% | 26.3% | 4.2% | 16.0% | ▲ |
| Operating EBITA | 36.7 | 24.1 | 12.6 | 52.3% | ▲ |
| Operating NPAT | 23.2 | 14.4 | 8.8 | 61.1% | ▲ |
| Operating Diluted EPS (cents) ⁴ | 11.6 | 8.4 | 3.2 | 38.0% | ▲ |
| Statutory NPAT | 19.9 | 10.9 | 9.0 | 82.6% | ▲ |
| Cashflow & Capital Management: | | | | | |
| Free cash flow | 42.7 | 25.1 | 17.6 | 70.2% | ▲ |
| Free cash flow conversion, net of replacement capex | 95.0% | 87.9% | 7.1% | 8.1% | ▲ |
| Dividends declared per share(cents) | 5.5 | 5.5 | - | 0% | |
| Net debt | 137.3 | 134.8 | 2.5 | 1.9% | |
| Net debt / LTM EBITDA ⁵ | 1.4x | 1.8x | 0.4x | 22.2% | ▲ |
| Equity | 253.4 | 225.6 | 27.8 | 12.3% | ▲ |

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 of \$1.0m (1H20 \$0.7m).

³ One off transactions not included in operating metrics include transaction and other costs, net of tax of \$3.3m (1H20 \$3.5m).

⁴ Operating Diluted EPS calculation has adjusted the weighted average calculation of shares on the capital raise to align with the settlement date of the 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 increased the diluted EPS by 0.3cps to 8.4cps.

⁵ Based on net debt at 31 December 2020 of \$137.3m and LTM organic EBITDA (plus trailing acquisitions EBITDA) of \$96.8m. 1H20 based on net debt at 31 December 2019 of \$134.8m and LTM EBITDA organic EBITDA (plus trailing acquisitions EBITDA) of \$72.9m.

The 1H21 results delivered growth both organically across all business units and through acquisitions. The features of the half-year result include:

- The average fee per exam increasing by 2.6% driven by the continuing move to higher end modalities and Medicare indexation being applied to CT, ultrasound and x-ray modalities from 1 July 2020;
- A full six-month contribution from the Imaging Queensland acquisition compared to prior comparative period;
- The acquisition of Ascot Radiology completed 1 September 2020 providing a 4-month contribution; and
- The ongoing impacts of the COVID-19 pandemic including:
 - Patient activity continuing to be impacted by Government imposed restrictions particularly in Victoria;
 - Increased employee costs of approximately \$2.1m driven by decreased use of annual leave, an increased use of sick leave entitlements and costs of “Healthcare Heroes” frontline and support staff recognition;
 - JobKeeper receipts of \$6.6m (after tax) that enabled the retention and support of our highly skilled workforce; and
 - Net reductions in spend of \$0.6m for travel, printing and conferences etc.

The Chair, Helen Kurincic said *“During the half-year, IDX has continued to adapt to the COVID-19 environment whilst remaining focused on our core values and executing on our strategic priorities. IDX will continue to assess the ongoing impact of COVID-19 during 2H21 including assessing any net positive benefits from JobKeeper receipts and the return to Government of a proportion of the receipts once the uncertainty of COVID-19 has abated.”*

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

Acquisitions

The acquisition of Ascot Radiology was completed 1 September 2020. Integration and operating performance have been largely in line with expectations.

MedX Joint Venture

An equal joint venture partnership (MedX) was entered into with Medica Group plc (Medica) to provide teleradiology reporting services and additional reporting capacity in Australia, New Zealand the United Kingdom and Ireland. This is not expected to impact earnings in the near term.

The primary short-term focus will be for MedX to provide access to a pool of qualified radiologists who are able to operate in both markets and will support both companies’ acute, out-of-hours reporting services. The two partners will also explore collaboration in areas of mutual interest, including deployment of artificial intelligence (AI) or augmented intelligence solutions.

Medica and IDX have created the joint venture based on a shared culture underpinned by a focus on quality and an ambition to grow and develop beyond our core markets.

Cash Flow and Capital Management

Net debt increased by \$2.5m and reflects strong free cash flows from operations of \$42.7m offset by \$32.1m of drawn down debt to fund the acquisition of Ascot Radiology. At 31 December 2020 there was \$68.8m of cash available and net debt/LTM EBITDA was 1.4x (FY20: 1.8x).

IDX has successfully extended and rolled over existing finance facilities with committed capacity increased to \$402.6m from \$315.5m and an additional \$105.0m uncommitted under an accordion facility, with consistent terms and conditions, including covenants and on a five-year term to February 2026.

Dividends

A first half fully franked dividend of 5.5c per share (1H20 5.5 cents per share) has been declared. The dividend represents 55% of statutory NPAT, lower than our policy of 65-75%. The lower payout reflects a recognition of first-half JobKeeper receipts and the ongoing uncertainty of the impacts of COVID-19 on operations. IDX will continue to assess the ongoing impact of COVID-19 during 2H21 including assessing any net positive benefits from JobKeeper receipts and the return to Government of a proportion of the receipts once the uncertainty of COVID-19 has abated. The DRP will operate again for the 1H21 interim dividend. Key dates for the interim dividends are:

| | |
|-------------------------|----------------------------|
| Ex-dividend date | 1 st March 2021 |
| Record date | 2 nd March 2021 |
| Final DRP election date | 3 rd March 2021 |
| Payment and issue date | 6 th April 2021 |

Dr Ian Kadish (CEO & MD) said *“These strong results in a challenging period were made possible by some of the finest doctors and staff in the industry, frontline healthcare workers who always put our patients and referrers first. The results reflect organic growth above market, and solid contributions from our acquisitions of Imaging Queensland and Ascot Radiology. We are also pleased with the performance of our new teleradiology service, IDXt, and the potential of our JV, MedX, with the Medica Group Plc, one of the world’s premier teleradiology providers.”*

Second- half priorities & focus

The company’s focus in 2HFY21 is to:

- Drive organic growth, business integration and further efficiency gains – including the expansion of our teleradiology offering via IDXt and MedX;
- Continue to accelerate the use of digital and AI technologies to improve the patient and referrer experience;
- Continue to progress our environmental, social and governance agenda;
- Continue to nurture and develop IDX’s 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 10.00AM 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/10011528-dkxla2.html>

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID **10011528** to the operator:

Australia Local: 02 9007 8048

Australia Toll Free: 1800 455 963

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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 72 radiology clinics, including 26 comprehensive 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. For more information, please visit www.integraldiagnostics.com.au/.

Authorised for lodgement by the Integral Diagnostics Board of Directors