



# 1H17 results

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# Profit & loss

\$ millions, Dec	Underlying 1H17	Pro forma 1H16	Change (\$m)	Change (%)
<b>Total revenue</b>	<b>88.6</b>	<b>82.1</b>	<b>6.5</b>	<b>7.9%</b>
Total expenses	(71.7)	(65.1)	(6.6)	10.1%
<b>EBITDA</b>	<b>16.9</b>	<b>17.0</b>	<b>(0.1)</b>	<b>(0.6%)</b>
Depreciation	(4.6)	(3.9)	(0.7)	17.9%
<b>EBITA</b>	<b>12.2</b>	<b>13.1</b>	<b>(0.9)</b>	<b>(6.9%)</b>
Amortisation	(0.3)	(0.3)	0.0	0.0%
<b>EBIT</b>	<b>11.9</b>	<b>12.8</b>	<b>(0.9)</b>	<b>7.0%</b>
Net finance costs	(1.3)	(1.4)	0.1	(7.1%)
<b>Profit before tax</b>	<b>10.7</b>	<b>11.3</b>	<b>(0.6)</b>	<b>(5.3%)</b>
Tax expense	(3.2)	(3.4)	(0.2)	(5.9%)
<b>NPAT</b>	<b>7.5</b>	<b>7.9</b>	<b>(0.4)</b>	<b>(5.1%)</b>
Add back: Amortisation	0.2	0.2	0.0	0.0%
<b>NPATA</b>	<b>7.7</b>	<b>8.2</b>	<b>(0.5)</b>	<b>(6.1%)</b>

- Revenue up 7.9% to \$88.6m:
  - Increased competition in select areas
  - Beginning of recovery in referral patterns but not consistently across all of our markets
  - Additional revenue from capacity expansion at Sunbury, Ocean Grove, Toowoomba and Geelong (but capacity utilisation lags)
  - Inclusion of South West MRI and Western District Radiology (\$2.4m revenue in 1H17)
- Expense growth ahead of revenue
  - Investing in staff and equipment to support capacity expansion
- Dividend of 3.0cps fully franked for 1H17

# Cashflow

\$ millions, June year end	1H17	1H16	Change (%)
Operating cashflows	11.3	5.7	99.6%
Investing cashflows	(10.3)	(10.5)	(1.9%)
Financing cashflows	(3.2)	8.9	(135.7)%

- 1H17 investing cashflows include WDR/SWMRI acquisition
- 1H17 financing cashflows include \$5.8m FY16 final dividend payment (1H16 includes IPO proceeds)

\$ millions, June year end	Pro forma	Pro forma
	1H17	1H16
<b>EBITDA</b>	<b>16.9</b>	<b>17.0</b>
Non-cash items in EBITDA	(0.1)	0.2
Changes in working capital	(0.4)	0.5
Maintenance and replacement capex	(6.0)	(5.9)
<b>Free cash flow</b>	<b>10.4</b>	<b>11.9</b>
Growth capital expenditure	(1.0)	(5.1)
<b>Net cash flow before financing, acquisitions and taxation</b>	<b>9.4</b>	<b>6.8</b>
Free cash flow / EBITDA	61.5%	69.6%

- Growth capex lower in 1H17 v 1H16
- Free cash flow conversion of 61.5%

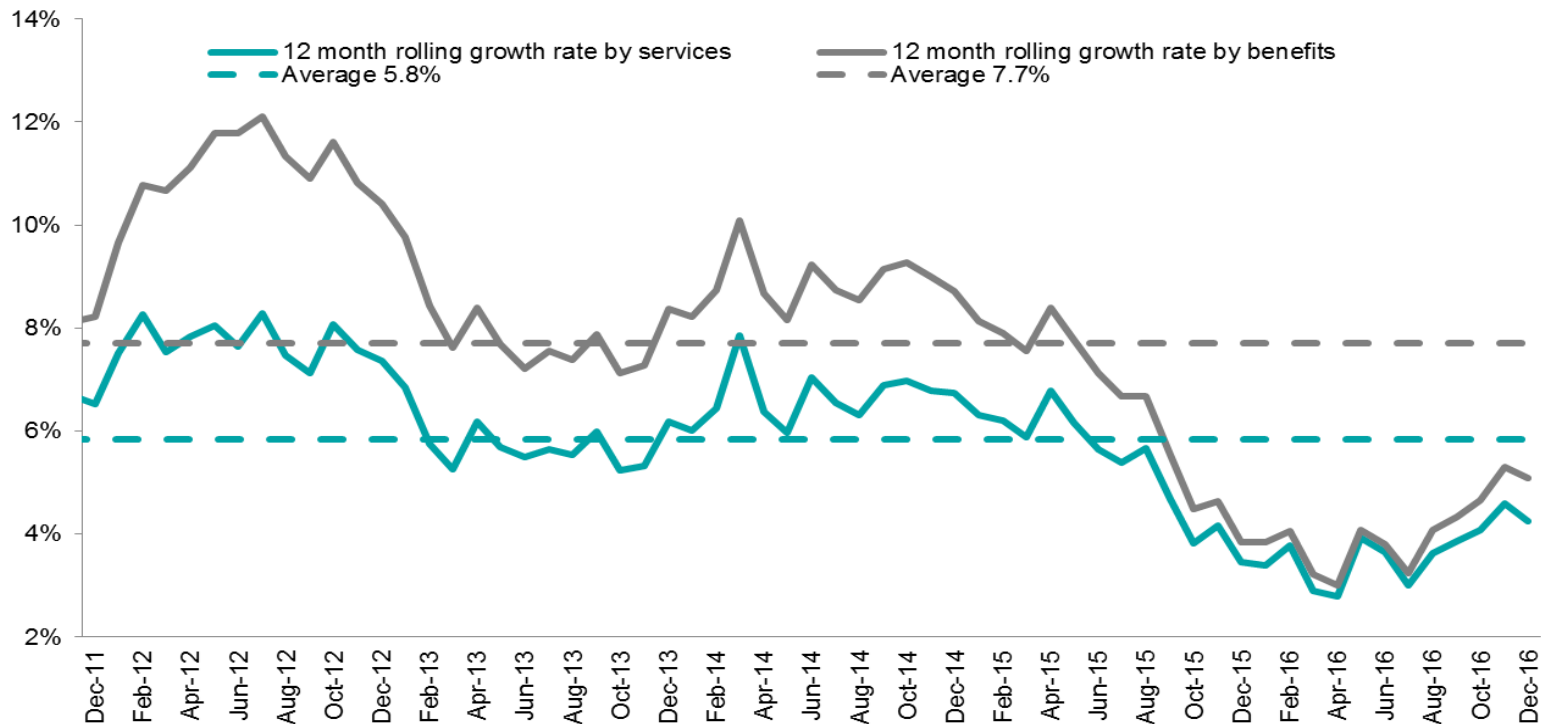
# Balance sheet

## Conservative gearing

- Cash increase driven by no 1H16 dividend payment (IPO occurred Oct 16)
- Debt up due to acquisition of South West MRI and Western District Radiology on 1 July 2016 and equipment funding
- Net debt 1.5x to pro forma EBITDA LTM as at 31 December 2016
  - Consistent with 31 December 2015 level
- Intangible assets of \$102.1m
  - Goodwill and brands, which are tested at least annually for impairment
  - Also includes customer contracts which are amortised over time

\$ millions	Actual 31 Dec-2016	Actual 31 Dec-2015	Change (%)
Cash and cash equivalents	21.4	13.7	56.2%
Trade and other receivables	6.6	4.4	50.0%
Other current assets	4.1	2.9	41.4%
<b>Total current assets</b>	<b>32.2</b>	<b>21.0</b>	<b>53.3%</b>
Property, plant and equipment	51.2	44.6	14.8%
Intangible assets	102.1	98.0	4.2%
Deferred tax asset	5.2	5.9	(11.9)%
<b>Total non-current assets</b>	<b>158.4</b>	<b>148.6</b>	<b>6.6%</b>
<b>Total assets</b>	<b>190.6</b>	<b>169.6</b>	<b>12.4%</b>
Trade and other payables	13.0	11.4	14.0%
Current tax liabilities	(0.3)	0.7	(142.9)%
Borrowings	9.0	6.8	32.4%
Provisions	9.8	8.7	12.6%
<b>Total current liabilities</b>	<b>31.6</b>	<b>27.6</b>	<b>14.5%</b>
Borrowings	63.0	57.8	9.0%
Provisions	7.8	6.9	13.0%
Other non-current liabilities	0.2	0.4	(50.0)%
<b>Total non-current liabilities</b>	<b>71.0</b>	<b>65.1</b>	<b>9.1%</b>
<b>Total liabilities</b>	<b>102.6</b>	<b>92.7</b>	<b>10.7%</b>
<b>Net assets</b>	<b>88.1</b>	<b>76.9</b>	<b>14.6%</b>

# Industry volume growth is trending up



Source: Market Eye; Medicare Australia Statistics Medicare by Broad Type of Service (BTOS)

- Australia's population forecast to grow 1.5% (CAGR) between 2015 and 2030, while people aged over 65 years forecast to grow at a 3.0% (CAGR) over the same period<sup>1</sup>
- IDX examination volume growth (Medicare funded, patient funded and reporting contracts) was up 4.8%<sup>2</sup>.
  - Compares to 4.3% growth based on Medicare data (for the states in which IDX operates)
- Continued expansion of non-Medicare linked revenue

1. ABS Reports for item 3222.0 'Population Projections, Australia, 2012 (base) to 2101'

2. Normalised for acquisition and working days – 1 less in 1HFY17

# 1H17: Delivering on our strategic plan

- Successfully integrated Western District Radiology and South West MRI
- Expanded capacity in Toowoomba and Sunbury sites
- Signed five, 5 year contracts with the West Australian Country Health Service relating to the provision of reporting contracts in remote regions. Two of these contracts were new to the group and increased services began in November and December respectively
- Contributed to the refurbishment of IDX's facilities at Pindara Private Hospital
- Invested in IT platforms to support the delivery of improved medical imaging digital reporting to referrers
- Purchased a Mobile MRI which will operate across remote areas in Western Australia from April 2017



In December 2016 South Coast Radiology opened the refurbished Pindara Private Hospital site which was part of the expansion of the emergency department



In April 2017 Global Diagnostics will commence the first mobile MRI service to remote Western Australia, servicing the Pilbara and Kimberley regions.



# Breakdown of expenses

\$ millions	Statutory 1H17	Statutory 1H16	Change (%)
<b>Expenses</b>			
Consumables	4.7	4.2	11.5%
Employee Benefits	51.6	47.0	9.8%
Depreciation & Amortisation	4.9	4.3	15.7%
Transaction costs	0.0	6.4	n/a
Equipment	3.4	3.0	12.3%
Occupancy	6.1	5.8	6.6%
Other	5.9	4.9	21.8%
Finance costs	1.5	1.7	(16.5%)
<b>Total expenses</b>	<b>78.1</b>	<b>77.2</b>	<b>1.2%</b>

- Key expenditure movements (outside of WDR and SMWRI acquisition):
  - Employee Benefits
    - Previously announced investment in Radiologist Registrars/Fellows
    - Radiologist recruitment and retention
    - Imaging and admin staff recruited to service expanded capacity, but lower than planned utilisation rates given current environment
    - Appointment of HR Director
  - Replacement of equipment and capacity expansion driving increased equipment related costs and depreciation expense
    - Previously announced investment in 3 unfunded MRI machines (Toowoomba, Sunbury and St John of God Hospital Geelong)
  - Other expenses increased due to recruitment services and the full year impact of listed company costs

# Capex

- \$7m capex in 1H17 (\$11m : 1H16)
  - Maintenance capex of \$6.0m as planned
    - Medical Equipment \$3.5m
    - Fitout of hospitals/practices \$1.0m
    - IT systems \$1.3m
  - Growth capex of \$1.0m
- FY17 expected capex of \$17m



Melton clinic now hosts a GE Infinia Hawkeye SPECT-CT - the most advanced system in the region

Ongoing partnerships with our Hospitals – upgraded the facilities at Ramsay's Pindara Private hospital in QLD



Convenience enhances an overall patient service experience. The new Lake Imaging website allows patients to request an appointment conveniently online





# Outlook

## Regulatory

- Further delay and consultation around Government's proposed reduction in bulk billing incentive for diagnostic imaging
  - Any changes have been deferred until 1 July 2017
  - Intention remains to invest \$50m back into specific examinations
- Reintroduction of MBS rebate indexation expected by 2020
- MBS review is ongoing and direct changes made so far have had a negligible impact on revenue

## CEO

- Board has retained the services of an executive search firm, and is actively progressing the recruitment of a new CEO

## FY17 guidance

- Based upon 1H17 results and trading conditions YTD, we expect FY17 NPATA to be 5-10% below FY16

# Questions



# Appendix



# Underlying NPAT reconciliation

\$ millions, Dec	Note	1H17	1H16
<b>Actual NPAT</b>		<b>8.7</b>	<b>3.8</b>
Listed company expenses	[1]	-	(0.3)
Transaction costs expensed	[2]	-	6.4
Change in financing structure and financing costs	[3]	-	0.2
Fair Value Gain on Acquisition	[4]	(1.2)	
Income tax impact		-	(2.1)
<b>Pro forma NPAT</b>		<b>7.5</b>	<b>7.9</b>

1. Listed expenses of \$0.3m relate to incremental annual costs of publicly listed entity
2. Transaction costs are for advisor fees and other expenses associated with the IPO and South Coast Radiology
3. Positive finance impacts due to lower debt levels and improved borrowing terms
4. Fair Value Gain on acquisition of \$1.2 million relates to the existing 50% interest in South West MRI

# Statutory results overview

\$ millions, Dec	Statutory			
	1H17	1H16	Change (\$m)	Change (%)
<b>Total revenue</b>	<b>88.6</b>	<b>82.1</b>	<b>6.5</b>	<b>7.9</b>
<b>Total expenses</b>	<b>(71.7)</b>	<b>(71.1)</b>	<b>0.6</b>	<b>0.8</b>
<b>EBITDA</b>	<b>16.9</b>	<b>11.0</b>	<b>5.9</b>	<b>52.4</b>
Depreciation	4.6	3.9	0.7	17.9
<b>EBITA</b>	<b>12.2</b>	<b>7.0</b>	<b>5.2</b>	<b>74.3</b>
Amortisation	0.3	0.3	0.0	0.0
Fair Value Gain on Acquisition	(1.2)	0.0	(1.2)	n/a
<b>EBIT</b>	<b>13.1</b>	<b>6.7</b>	<b>6.4</b>	<b>95.5</b>
Net finance costs	1.3	1.6	(0.3)	(18.8)
<b>Profit before tax</b>	<b>11.9</b>	<b>5.1</b>	<b>6.8</b>	<b>133.3</b>
Tax expense	3.2	1.3	1.9	146.2
<b>NPAT</b>	<b>8.7</b>	<b>3.8</b>	<b>4.9</b>	<b>129.2</b>
Add back: Amortisation	0.2	0.2	0.0	0.0
<b>NPATA</b>	<b>8.9</b>	<b>4.0</b>	<b>4.9</b>	<b>121.9</b>

- Revenue boosted by full six month contribution from South West MRI and Western District Radiology
- Statutory 1H17 NPAT includes a \$1.2 million fair value gain on the existing 50% interest in South West MRI and 1H16 NPAT includes non-recurring IPO costs

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