FY18 results

Dr. Ian Kadish (MD & CEO)
Anne Lockwood (CFO)

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Today's presenters

Dr. Ian Kadish

Managing Director and Chief Executive Officer

- Joined Integral Diagnostics in May 2017
- Has held roles including CSC Healthcare, McKinsey and Company, and Netcare, a major hospital group in South Africa and the United Kingdom where Ian was Executive Director from 1997 to 2005
- Since migrating to Australia in 2006, Ian's roles have included CEO and MD of Healthcare Australia, CEO and MD of Pulse Health Group (ASX-listed hospital group) and CEO of Laverty Pathology
- Medical Doctor with an MBA from the Wharton School of Finance at the University of Pennsylvania where he was on the Dean's List

Anne Lockwood

Chief Financial Officer

- Joined Integral Diagnostics in 2016 and appointed as Chief Financial Officer in September 2017
- Chartered Accountant by training and a former Partner of a major accounting firm
- Extensive experience across audit (including as National Head of Audit), technical accounting and mergers and acquisitions within the listed company environment
- Anne has a Degree in Commerce with majors in Accounting and Law
- She is also a Fellow of the Institute of Chartered Accountants

FY18 Headlines

- **Delivered solid organic growth in line with guidance**
  - 20.5% growth in operating NPAT vs FY17
  - 20.7% growth in operating EPS vs FY17
- **Improved operating margin to 20.1% (FY17:18.6%) an industry leading margin**
- **Declared a fully franked final dividend of 4.0 cents per share, bringing total FY18 dividends to 8.0 cents per share (FY17: 7.0 cents per share)**
- **Created new Centres of Excellence, enhanced hospital sites and procured new best in class technologies**
- **Completed major acquisitions of high margin, high growth clinics with leading ANZ radiologists in Auckland and Geelong**
- **Further diversified revenue stream. Post the New Zealand acquisition Medicare reimbursement will comprise <50% of group revenue**
- **Defended the unsolicited, hostile takeover bid, clearly proven not to be in the best interests of IDX shareholders**

"ESTABLISHED THE PLATFORM FOR STRONG SUSTAINABLE GROWTH"

1. FY18 financial performance

Key highlights

Operating FY18 results deliver an industry leading operating margin of 20.1% and up across key financial metrics

$ millions	FY18	FY17	Change ($)	Change (%)
Operating revenue(1)	188.1	177.7	10.4	5.9%
Operating EBITDA (2)	38.1	33.5	4.6	13.7%
Operating EBIT	28.5	23.7	4.8	20.3%
Operating NPAT	18.2	15.1	3.1	20.5%
Operating EPS cents per share	12.6	10.4	2.2	21.2%
Statutory NPAT	15.1	15.5	(0.4)	(2.6%)
Statutory NPAT prior to takeover response costs	16.8	15.5	1.3	8.4%
Free cash flow	30.7	24.0	6.7	27.9%
Free cash flow / EBITDA	80.6%	71.6%		
As at:	30-Jun-18	30-Jun-17		
Net debt	44.9	48.7	(3.8)	(7.8%)
Net debt / EBITDA(3)	1.2x	1.4x		
Equity	93.4	90.4	3.0	3.3%

(1) Represents operating revenue and excludes other revenue in FY18 of $1.3m (FY17 $2.0m).

(2) One off transactions not included in Operating metrics include takeover response costs ($1.7m) and transaction costs ($1.4m) of $3.1m post-tax ($3.9m pre-tax) in FY18 and the fair value gain on acquisition of SWMRI Joint Venture of $1.2m pre and post tax in FY17 – see next slide.

(3) Based on net debt at 30 June 2018 of $44.9m and LTM EBITDA prior to one off transactions of $38.1m. FY17 based on net debt at 30 June 2017 of $48.7m and LTM EBITDA prior to one off transactions of $33.5m.

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Reconciliation of operating to statutory profit

$ millions	FY18	FY17	Change ($)	Change (%)
Operating NPAT	**18.2**	**15.1**	**3.1**	**20.5%**
One off transactions net of tax				
Transaction costs	(1.4)	0.0	(1.4)	
Impairment on asset and restructure provision	0.0	(0.8)	0.8	
Fair Value gain on acquisition of SWMRI Joint venture	0.0	1.2	(1.2)	
Statutory NPAT prior to Takeover response costs	**16.8**	**15.5**	**1.3**	**8.4%**
Takeover response costs	(1.7)	0.0	(1.7)	
Statutory NPAT	**15.1**	**15.5**	**(0.4)**	**(2.6%)**

- **Statutory NPAT**
  - Improvement of 8.4% if costs associated with unsolicited, hostile takeover bid, clearly proven not to be in the best interests of shareholders were not incurred.
- **Transaction costs and takeover response costs**
  - Takeover response costs of $1.7m and transaction costs of $1.4m allocated as one off transactions relate to costs directly related to external advisors on due diligence for acquisitions as well as the takeover response. These one off costs do not include ANY internal costs that would have been otherwise incurred in operations.

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Profit & loss

Strong financial performance driven by solid organic growth and realisation of significant cost efficiencies

$ millions	FY18	FY17	Change ($)	Change (%)
Operating revenue	**188.1**	**177.7**	**10.4**	**5.9%**
Operating EBITDA	**38.1**	**33.5**	**4.6**	**13.7%**
Operating EBIT	**28.5**	**23.7**	**4.8**	**20.3%**
Net finance costs	(2.5)	(2.5)	**0.0**	**0.0%**
Tax expense	(7.8)	(6.1)	**(1.7)**	**27.9%**
Operating NPAT	**18.2**	**15.1**	**3.1**	**20.5%**
Operating NPATA	**18.5**	**15.5**	**3.0**	**19.4%**
Statutory NPAT	**15.1**	**15.5**	**(0.4)**	**(2.6%)**

FY18 final dividend of 4.0cps fully franked has been declared and will be paid on 4th October 2018 bringing the full year FY18 dividend to 8.0cps(FY17:7.0cps) fully franked.

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Revenue

Solid organic growth driven by IDX's strong hub and spoke model

Operating revenue up 5.9% to $188.1m and volume growth of 6.7%(1)

- Organic growth delivered across all business units and operating regions – volume growth in excess of Medicare in the states in which we operate
- New management initiatives implemented July to October included:
    - Restructured call centres in QLD and WA:
        - o Improving service levels
        - o Facilitating patient triage
        - o Increasing capacity utilisation
    - Focused marketing initiatives utilising national best practice
- Growth was sustained but impacted in 2H by Commonwealth Games on the Gold Coast in April 2018
- Average fee per exam (excluding reporting contracts) continued to increase

(1) Revenue is lower than volume growth due to increased proportion of reporting contracts. Excluding reporting contracts, average fee per exam has increased 0.8% in FY18.

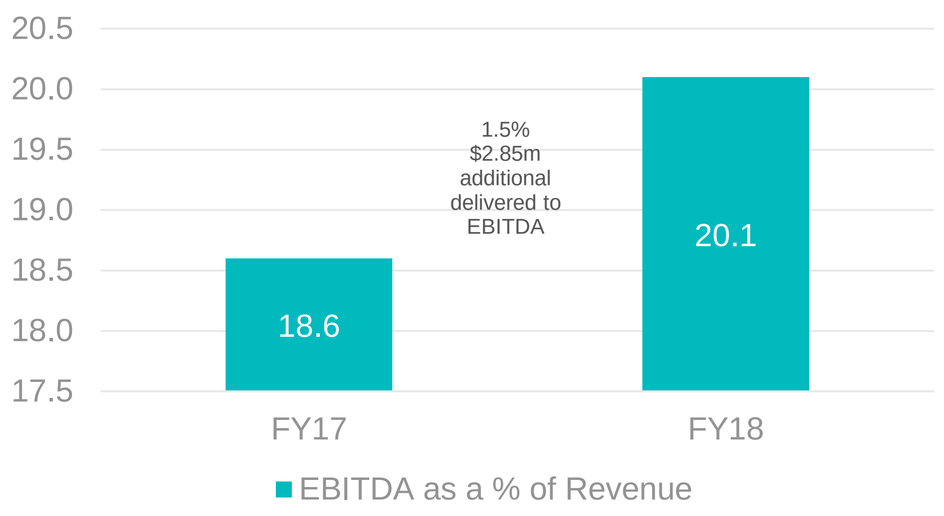
Operating Expenditure

Significant cost efficiencies realised delivering industry leading operating margin of 20.1%

Expense growth declined as a % of revenue

- Labour costs declined as a % of revenue reflecting management's approach to flexing labour to demand. Labour costs in FY18 also include ~$1.3m of incentives not included in FY17.
- Consumables costs down 2% or $0.2m from prior year despite volumes up by 6.7%. Driven by the vendor supply audit and efficiency initiative.
- Occupancy and service costs declined as a % of revenue driven by cost efficiency initiatives.
- Savings and further efficiencies are expected to continue.

Operating EBITDA margin improvement



Capital Management

Strong balance sheet with increasing net assets to support on-going growth and acquisitions

- FY18 net debt of $44.9m (FY17: $48.7m)
  - 1.2xEBITDA prior to one off transactions as at 30 June 2018 (FY17 1.4x)
- Finance facilities renewed in December 2017 for 3 years providing access to $130m of funding facilities
  - Average cost of debt at less than 3.8% (based on BBSW of 1.98% 6 July 2018)
- Cash declined due to payment of takeover response and transaction costs and asset purchases not financed
- Intangible assets of $103.6m includes Goodwill and brands, which are tested at least annually for impairment and customer contracts which were fully amortised in February 2018
- Provisions increased $0.8m from FY17 reflecting increased employee provisions and sites (Straight line lease accounting and make good provisions)
- An additional $75m of debt was utilised to fund acquisitions on the 2nd July – driving gearing to approx 2.2x post acquisitions and increasing average cost of debt to approximately 4.0%.

$ millions	30 Jun 18	30 Jun 17	31 Dec 17
Cash and cash equivalents	20.8	24.2	25.4
Trade and other receivables	5.6	5.1	4.9
Other current assets	3.9	3.9	4.6
Total current assets	**30.3**	**33.2**	**34.9**
Property, plant and equipment	54.1	50.5	49.6
Intangible assets	103.6	104.0	103.6
Deferred tax asset	2.8	2.7	3.3
Total non-current assets	**160.5**	**157.2**	**156.5**
Total assets	**190.8**	**190.4**	**191.4**
Trade and other payables	12.1	8.3	11.6
Current tax liabilities	0.3	(0.0)	1.0
Borrowings	12.8	11.5	11.1
Provisions	10.6	10.6	9.8
Other current liabilities	-	0.1	-
Total current liabilities	**35.9**	**30.5**	**33.5**
Borrowings	52.5	61.4	56.6
Provisions	8.9	8.1	8.5
Other non-current liabilities	0.1	-	-
Total non-current liabilities	**61.5**	**69.5**	**65.1**
Total liabilities	**97.4**	**100.0**	**98.6**
Net assets	**93.4**	**90.4**	**92.8**

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Cashflow and cash conversion

Strong business performance and cash conversion reflected in free cash flow growth

$ millions	FY18	FY17
Operating EBITDA	**38.1**	**33.5**
Non-cash items in EBITDA	0.0	0.0
Changes in working capital	1.4	1.1
Replacement capital expenditure	(8.8)	(11.1)
Free cash flow	**30.7**	**24.0**
Growth capital expenditure	(5.2)	(2.3)
Net cash flow before financing, acquisitions and taxation	**25.5**	**21.7**
Free cash flow / EBITDA	80.6%	72%

- Normalised free cash flow conversion of 80.6% (FY17 72%) – 104% net of replacement capex
- Replacement capex $8.8m lower in FY18 v FY17 driven by management and radiologist collaborative focus on smart capex spending
- Growth capex $5.2m is higher in FY18 v FY17
- Changes in working capital is net of accrual for non operating transaction costs

$ millions	FY18	FY17	Change ($)
Operating cashflows	26.5	22.7	3.8
Investing cashflows	(10.4)	(14.7)	(4.3)
Financing cashflows	(19.5)	(7.4)	(12.1)

- FY17 investing cash flows include SWMRI/WDR acquisition $3.5m
- FY18 financing cash flows represents principal debt repayment on asset finance facilities of $12.2m (FY17 $8.1m) and only $4.6m (FY17 $10.9m) drawdowns on asset financing as surplus cash was utilised
- FY18 financing cash flows include $11.6m (FY17 $10.2m) of dividend payments

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Capital expenditure

Management and Radiologists' collaborative focus on "smart capex spending"

$ millions[1]	FY18	FY17	FY16
Replacement	8.8	11.1	9.5
Growth	5.2	2.3	7.4
Depreciation	9.2	9.1	8.7

- FY18 capex of $14m (forecast $17m)
  - Replacement capex of $8.8m
    - Reduced from budgeted $11m due to leveraging economies of scale and strategic collaboration with radiologists to ensure fit for purpose selection of equipment and technology
  - Growth capex of $5.2m
    - Spine Centre of Excellence in Southport
    - New community clinics
      - Torquay Road
      - Miami Beach
    - Major refurbishment and addition of first and only private PET facility in Geelong at SJOG Geelong

(1) Represents cash + accruals

2. Market update

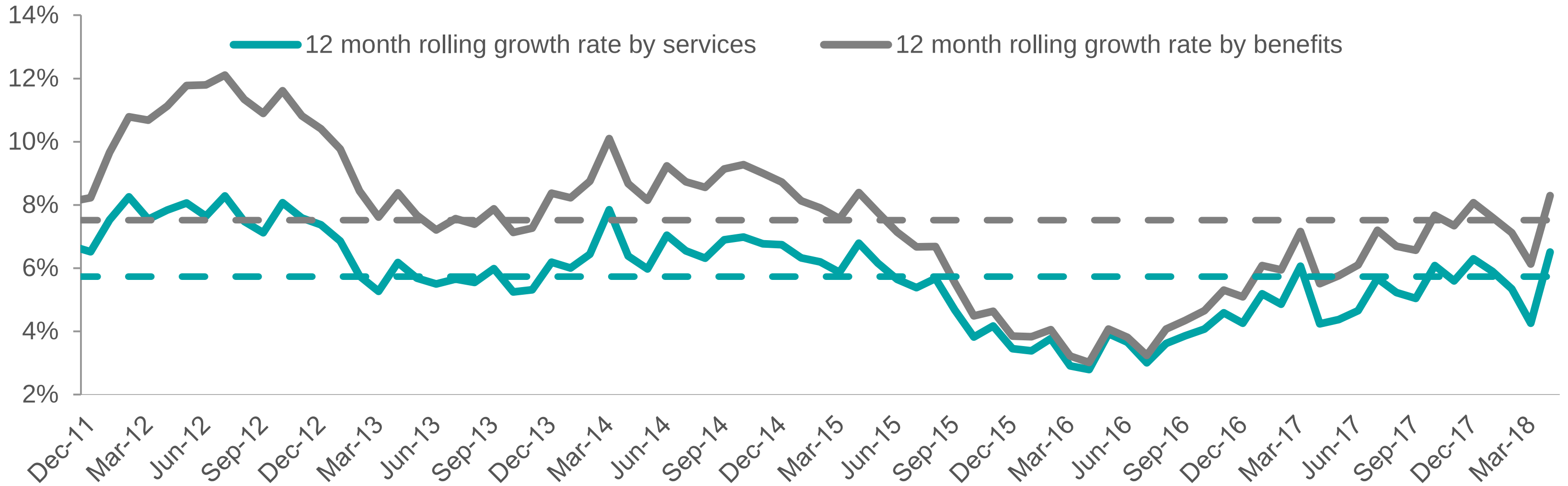
Industry continuing cycle towards higher growth

Industry growth is supported by:

- Aging population
- Increased prevalence of chronic disease
- Advancements in technology for early diagnosis and screening

MBS indexation will be reintroduced for targeted DI services from July 2020

The FY19 Federal budget introduced MBS reimbursement for Prostate MRI. The contribution is partially offset by the removal of MBS reimbursement for GP-referred MRI of the knee in patients over 50



Source: Medicare Australia Statistics Medicare by Broad Type of Service (BTOS) for the States IDX operates in

Regulatory environment generally positive

Australia:

July 1, 2018

- Consultation items indexed on the Medicare Benefits Schedule (MBS)
- Introduction on the MBS of MRI Prostate items – strongly positive for patients and referrers
  - MRI prostate provides non invasive evaluation of the prostate for those at risk of the commonest cancer in Australian men. It allows earlier detection and enables earlier treatment both improving outcomes and reducing cost.

November 1 2018

- Removal of GP referred MRI of the knee for patients >50 yrs old from the MBS
  - Restricts the ability for GP's to accurately diagnose knee conditions
  - Will likely increase specialist referral costs
- New Breast Tomosynthesis items to be made available for a temporary period on the MBS while permanent listing is considered by the MSAC.
  - Similar to MRI prostate, this is a positive change, it enables earlier and better detection and treatment, improving outcomes and reducing cost

Future Expected Changes

- Reintroduction of MBS indexed for selected Diagnostic Imaging (DI) services from July 2020

New Zealand:

- New contracts with Accident Compensation Corporation (ACC) and Southern Cross Healthcare (SCH) recently finalized and confirmed

3. Strategy

Management's FY18 strategy – good medicine is good business

Strategy	**1 Grow existing business and contain costs**				**2 Strategic acquisitions**
Drivers of strategy	**Flex staff to demand**	**Increase capacity utilisation**	**Develop Centres of Excellence**	**Select bolt-on acquisitions**	**Disciplined execution**
Geographic focus	**Existing territory**				**New territory**
Description	• Reduced labour costs by flexing staff closer to patient demand • Disciplined cost and capital spend – including a vendor audit and cost control program • Increased capacity utilisation for MRI, PET and CT • Workplace of choice for radiologists & staff • Market leader in territories where IDX operated • Executed select bolt on acquisitions e.g. Geelong Medical Imaging – completed July 2nd 2018.				• Executed disciplined acquisitions in new territory e.g. New Zealand acquisitions completed July 2nd 2018.

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We did what we said we would do

FY18 achievements

Medical leadership	• Clinical leadership committees involved in strategic and operational decision making • Progressed review of radiologist recruitment, retention, incentive and escrow arrangements • Successfully defended unsolicited, hostile takeover bid, clearly proven not to be in the best interests of IDX shareholders
Flex staff to demand	• Schedule and roster management • Daily revenue and cost information reviewed and actioned
Increase capacity utilisation	• Upgraded phone systems, call centres and IT platforms - Improved service, utilisation levels and capacity utilisation - Facilitated patient triage in Southwest WA and the Gold Coast • Upgraded clinical systems for improved medical imaging, productivity and referrer engagement • Expanded tele-radiology services using IDX Australian radiologist network to assist in providing 24/7 coverage at 48 WA public hospitals • Major redevelopment of the St John of God Geelong hospital near completion, on schedule and including installation of a first and only private PET facility in Geelong
New sites & services	• Opened a new community site on Torquay Road, Grovedale • Replaced MRI in Mackay with higher end wide bore MRI to better service the community
Develop Centres of Excellence	• Opened a new practice, a Spine Centre of Excellence, on the Gold Coast • Completed the acquisition of specialist NZ centres of excellence in neurovascular and MSK
Select bolt-on acquisitions	• Successfully Integrated Western District Radiology and South West MRI in an earnings accretive manner • Completed the acquisition of Geelong Medical Imaging in Geelong Victoria
Efficiency	• **Opex:** Implemented a vendor audit and cost control program, demonstrating strong returns; and • **Capex:** Reduced spend through increased capacity utilisation, economies of scale and other purchasing efficiencies
New contracts	• Executed leases with three St John of God hospitals extending tenure for a further 10 years • Renewed Breast Screen Victoria accreditation for a further four years • Renewed and extended debt facilities for a further three years, maintaining average cost of debt at less than 3.8% (based on BBSW of 1.98% 6 July 2018) • Committed to the development of a Centre of Excellence in partnership with the Australian Prostate Cancer Research Centre in North Melbourne

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New Zealand Acquisition

Transaction overview	• Purchase of Specialist Radiology Group, Trinity MRI and Cavendish Radiology • Represents leading specialist radiology clinics in Auckland • Employs leading New Zealand specialists in musculoskeletal radiology and neuroradiology • Completed in July 2018
Strategically compelling	• Strong strategic and cultural fit – doctor led operating model focused on high end specialist services • Provides the premier platform for IDX to enter and grow in New Zealand • Further diversifies Group revenues • Immediately EPS accretive
Funding structure	• Purchase consideration of NZ$105m: ➢ NZ$25m in IDX equity – 80% escrowed for up to 5 years ➢ NZ$80m in cash – new $60m debt facility + existing debt facility ➢ Staged earn-out for vendor radiologists
Financial impact	• Positioned to experience good growth while maintaining industry leading margins • Projected FY19 EBITDA contribution of NZ$13-14m • Will increase IDX Net Debt/EBITDA to ~2.2x

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IDX now operates in four key markets

	Lake imaging	South Coast Radiology	Global Diagnostics	SRG Trinity MRI	Total IDX
Geographic Market	Victoria	Queensland	Western Australia	New Zealand	
Core markets	Ballarat, Geelong, Warrnambool and outer western areas of Melbourne	Gold Coast, Toowoomba and Mackay	South West Western Australia	Auckland	
Sites (includes hospital sites)	27	13	9	4	**53**
Hospital sites	7	2	4	-	**13**
MRI machines	7	7	2	3	**19**
MRI Licences	4 full 0 partial	3 full 3 partial	2 full 0 partial	na	**9 full 3 partial**
Employed Radiologists[1]	27	31	8	14	**80**
Employees	351	348	155	74	**928**

Note: Reflects current data as at June 2018.

[1] Relates to employed radiologists only. In addition IDX has a number of contractor radiologists (~39 currently)

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Management's FY19 strategy – good medicine is still good business

Strategy	1 Grow existing business and contain costs				2 Strategic acquisitions
Drivers of strategy	Drive organic growth and efficiency initiatives by leveraging off hub and spoke model	Leading edge technology solutions	Develop Centres of Excellence	Medical leadership and clinical excellence	Further disciplined execution of strategic acquisitions

Continued positive outlook

Following completion of the acquisition in New Zealand and Geelong, IDX operates 53 radiology clinics, including 13 hospital sites. The On-going market fundamentals in Australia and New Zealand will drive continued organic growth. In FY19 our priorities are to:

- Leverage off our diversified revenue streams and developed hub and spoke model to drive organic growth and further efficiency gains
- Focus on selection and implementation of leading edge technology solutions to improve the patient and referrer experience
- Develop a Prostate Imaging Centre of Excellence in partnership with the Australia Prostate Cancer Research Centre in North Melbourne
- Conclude review of radiologist recruitment, retention, incentives and escrow arrangements
- Successfully integrate the NZ and GMI acquisitions, which will be EPS accretive
- Execute on further strategic acquisitions that are a good cultural and clinical fit and are strategically aligned

Questions?

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