

## **Integral Diagnostics Limited – 2018 AGM**

### **Chairman's address delivered by Helen Kurincic**

First and foremost, I would like to begin by commending and thanking our exceptional people – nearly 900 radiologists, imaging and support staff - who contribute each day to improving patient diagnosis and treatment across our 53 clinics (including 13 hospital sites and 7 sub-specialist imaging centres of excellence) across Australia and now in New Zealand. I also extend a heartfelt thank you to management and my fellow directors for your dedication in what was an exceptionally busy year.

We are essentially a people and technology company. It is our exceptionally talented people, partnered with high end clinical technology, that drives our pathway to achieving our vision to be the leading diagnostic imaging provider - trusted by referrers and preferred by patients. Our medical leadership at Board, executive, trans-Tasman, state and local levels fosters the very best of specialist medical practice. These features differentiate our Company and delivered our notable results.

Over the 12 months ended 30 June 2018 (FY18) the Company delivered a 20.5% organic operating NPAT growth result of \$18.2m, in line with the upgrade in guidance provided at the half year. Operating revenue grew 5.9% to \$188.1 million and the Company delivered an industry leading operating margin of 20.1%.

Statutory NPAT of \$15.1m was impacted by takeover response costs of \$1.7m incurred in the defence of the unsolicited, hostile takeover bid, clearly proven not to be in the best interests of our shareholders.

A full year FY18 dividend of 8 cents per shares fully franked was paid to shareholders.

On 2 July 2018 we completed the acquisition of 4 high margin, high end clinical specialty clinics with leading radiologists in Auckland New Zealand. The clinics are market leaders in providing complex modalities with brain, spine and neurovascular radiology and musculo-skeletal radiology specialisation. We also completed the acquisition of 2 highly regarded radiology and nuclear medicine

clinics in Geelong. The acquisitions are EPS accretive and integration is tracking to plan.

Medicare reimbursement now comprises less than 50% of our Company revenue.

Integral Diagnostics has also continued our corporate and social responsibility programs supporting local and community organisations as well as international volunteer work with the Tonga Radiology Twinning Project, which provides diagnostic imaging training and education in Tonga as well as for Tongan clinicians in Australia. IDX has also just become a Project Sponsor to Radiology Across Borders on their Curriculum Project. This curriculum project assists in the foundations for teaching, training and assessment to assist developing nations in using radiology.

In Australia, we welcomed the introduction on the Medicare Benefits Schedule (MBS) of MRI Prostate from the 1<sup>st</sup> July 2018 given the very clear benefits of better patient outcomes, lower costs to the health system and our company's deep expertise in this area.

Prostate cancer is the most common cancer in males with 17,729 new cases of prostate cancer diagnosed in 2018 in Australia.

Prostate MRI has been proven to improve the accuracy of prostate cancer diagnosis by enhancing detection of significant cancer requiring treatment whilst also reducing treatment of insignificant cancer. The use of MRI following an elevated PSA can help clinicians decide if a biopsy is necessary. A British study published in the Lancet Medical Journal found that using MRI could prevent one in four men from having an unnecessary biopsy. Biopsies are more costly than MRI and come with discomfort and risk of complications.

Integral Diagnostics is now delivering this important prostate MRI diagnostic test for the community. In addition, construction is underway on our first specialised Prostate Imaging Centre in partnership with Australian Prostate Cancer Research. The Australian Prostate Cancer Centre is a medical facility uniting research, education, treatment and support in a world class setting in Melbourne's medical precinct. For patients, it is a one stop shop best practice centre in clinical delivery in prostate cancer. Our imaging centre is expected to open mid-2019.

We welcome the Australian Government's recent commitment to 30 new MRI licences after the Opposition's promise of 20 to partly address access and affordability issues at the core of our lower MRI rates per capita compared with many other OECD countries. Of the first 10 new MRI licences announced in

October, Integral Diagnostics has had its MRI located at Ramsay's Pindara Hospital upgraded from partial to full Medicare eligibility from 1 November 2018. The further 20 licence allocations are expected to be announced in March 2019.

Access and affordability for patients is also impacted by the 20 year MBS indexation freeze on diagnostic imaging items. A select number of MBS diagnostic imaging items are proposed to have indexation re-instated from 2020 and we look forward to a time when all items are re-indexed.

We are disappointed with the deletion from the MBS of GP-referred knee MRI's for patients aged over 50, which commenced from 1 November 2018. This will restrict the ability for GPs to accurately diagnose knee conditions and likely increase total health care costs including specialist referral costs.

In New Zealand, under the government funded system for treatment related to accidents and injuries, the Accident Compensation Corporation (ACC), diagnostic imaging is highly valued and utilised fully as a means to effectively manage costs via early and definitive diagnosis. Private health insurance also covers outpatient diagnostic imaging.

In FY19, Integral Diagnostics will continue to pursue organic and inorganic opportunities that are in strategic alignment with our medically led model, fit our patient and referrer centred culture, high end clinical focus and deliver sustainable value to shareholders.

Thank you, our shareholders, for your continued support and interest in our company as we continue to progress advancements in diagnostic imaging and its pivotal role in affordable, quality health care.

I will now invite our CEO, Dr Ian Kadish to discuss Integral Diagnostics' operational review.

**-ENDS-**

**Helen Kurincic**

**Chairman**

**Integral Diagnostics Limited**

**16 November 2018**