

ASX & MEDIA RELEASE

Integral Diagnostics Reports 10.1% growth in Operating NPAT

20 February 2020, Melbourne: Integral Diagnostics Limited (ASX: IDX) announces its results for the six months ended 31 December 2019 (1H20).

Group Summary

- Statutory NPAT of \$10.9m after customer contract amortisation, transaction and other costs of \$3.3m delivering an Operating NPAT of \$14.2m
- Operating EBITDA \$29.3m (22.2% margin) on revenue of \$131.8m
- Operating EPS of 8.3 cents on operating NPAT of \$14.2m
- Free cash flow of \$25.1m with Net Debt of \$134.8m
- Interim dividend (fully-franked) of 5.5 cents per share payable on 7th April 2020

All key financial measures, except Statutory NPAT for 1H20 are pre application of AASB 16¹ for comparative ease.

Key financial measures					
\$ million	1H20	1H19	Change		
Profitability:					
Operating revenue ²	131.8	114.3	17.5	15.3%	▲
Operating ³ EBITDA	29.3	26.7	2.6	9.7%	▲
EBITDA from Operations %	22.2%	23.4%	(1.2%)	(5.1%)	▼
Operating EBITA	22.6	21.3	1.3	6.1%	▲
Operating NPAT	14.2	12.9	1.3	10.1%	▲
Operating Diluted EPS (cents) ⁴	8.3	8.3	-	-	▲
Statutory NPAT inclusive AASB 16	10.9	10.7	0.2	1.9%	▲
Cashflow & Capital Management:					
Free cash flow	25.1	23.9	1.2	5%	▲
Free cash flow conversion, net of replacement capex	103.7%	105.6%	(1.9%)	(1.8%)	▼
Dividends declared per share(cents)	5.5	5.0	0.5	10%	▲
Net debt	134.8	116.8	18.0	15.1%	
Net debt / LTM EBITDA ⁵	2.0x	2.2x			
Equity	217.4	123.8	93.6	75.6%	

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 in 1H20 of \$0.7m (1H19 \$1.0m).

³ One off transactions not included in operating metrics include costs, net of tax of \$3.1m (1H19 \$2.2m).

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 8.3cps.

⁵ Based on net debt at 31 Dec 2019 of \$134.8m and LTM organic EBITDA (plus trailing acquisitions EBITDA) of \$67.6m 1H19 based on net debt at 31 Dec 2018 of \$116.8m and LTM EBITDA organic EBITDA (plus trailing acquisitions EBITDA) of \$53.8m.

The 1H20 results delivered growth both organically across all business units and through acquisitions. The average fee per exam increased by 1.3% driven by the continuing move to higher end modalities. The half-year result has been impacted by;

- The loss of a trading day compared to the prior corresponding period;
- North Melbourne Specialist and Research Centre in ramp up phase, breaking even at EBITDA;
- Major refurbishments at John Flynn Hospital on the Gold Coast and St John of God Hospital in Ballarat; and
- Australian acquisition of Imaging Queensland, included for two months in the 1H20, will reduce margins

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

The Chair, Helen Kurincic said *“During the half-year, IDX has continued to make solid investments in site development and new equipment to continue IDX’s move to increased use of higher end modalities to provide our patients and referrers with leading diagnostic excellence and deliver sustainable value”.*

Acquisition Integration

The acquisition of the Imaging Queensland Group (IQ) was effective 1 November 2019, with integration and operating performance being in line with expectations.

Cash Flow and Capital Management

Equity was increased by \$72.0m (net of costs \$68.6m) through the successful, 1 for 5.91 pro rata accelerated non-renounceable entitlement offer in September 2019.

The proceeds from the entitlement offer were used to fund the acquisition of Imaging Queensland, and having allowed for reduction of the leverage of IDX to 2.0X trailing EBITDA/Net Debt as at 31 December 2019, provide additional capacity to fund additional acquisitions.

Free cash flow conversion, net of replacement capital expenditure was \$30.4m (1HFY19 \$28.2m). The weighted average cost of capital continues to decline and net debt/EBITDA ratio at 31 December 2019 was 2.0x (1HFY19: 2.2x).

Dividends

A first half fully franked dividend of 5.5c per share (1H19 5.0 cents per share) has been declared. The Company has implemented a dividend reinvestment plan (DRP) which will operate for the first time for the 1H20 interim dividend. Key dates for the interim dividends are:

Ex-dividend date	28 th February 2020
Record date	2 nd March 2020
Final DRP election date	3 rd March 2020
Payment and issue date	7 th April 2020

Dr Ian Kadish (CEO & MD) said *“The first half results reflect organic growth above market and two months contribution from Imaging Queensland whilst making significant investments to expand operations. We are very pleased with the progress of integration of Imaging Queensland and are confident of successfully integrating and leveraging the operations into IDX.”*

Second- half priorities & focus

Management's focus in 2HFY20 will be to:

- Continue to integrate Imaging Queensland into the IDX Group;
- Continue to expand organically through the execution of brownfield and greenfield opportunities;
- Continue to use digital technology to improve the patient and referrer experience;
- Focus on IDX's environmental, social and governance agenda;
- Nurture and develop IDX's culture and leadership across the Group; and
- Evaluate further strategic acquisitions that are strategically aligned.

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/10003790-invite.html>

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID 10003790 to the operator:

Australia Local: 02 9007 8048

Australia Toll Free: 1800 908 299

New Zealand Local: +64 9 929 3905

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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 64 radiology clinics, including 20 hospital 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/.