

## **AGM Address by the Chair and Managing Director and CEO AGM Presentation**

**30 October 2020, Melbourne**

Attached are copies of the address and presentation to be given to shareholders by the Chair and the Managing Director and CEO at Integral Diagnostics Limited's Annual General Meeting today.

Shareholder attention is drawn to the FY21 first quarter revenue information and the appointment of a Chief Operating Officer outlined in the attached documents.

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Authorised for lodgement by the Integral Diagnostics Board of Directors

**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 73 radiology clinics, including 21 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.***

## Integral Diagnostics Limited 2020 Annual General Meeting

### Chair Address

I would like to commence with two key reflections. The first a reflection on this being Integral Diagnostics' fifth AGM and anniversary from listing on the ASX on 21 October 2015 with 44 clinics, 770 staff and a market cap of \$275m. A sincere thank you to the many, many staff and shareholders of IDX who have been with us throughout our journey thus far, now being an ASX300 company with a market cap around \$800m operating 73 clinics, with 1400 staff in both Australia and New Zealand.

What hasn't changed is the sheer commitment to patients and referrers. Together our team deliver essential diagnostic imaging services that saves lives and improves health outcomes through early detection, diagnosis and further management of illness and injury, often eliminating unnecessary procedures and avoidable costs.

Enduring also has been the strategy of IDX with long term horizon thinking, guided by a steely strong cultural and clinical compass.

The next reflection is on our COVID-19 punctuated year. Our strong results, in the face of a global pandemic, demonstrates the adage of cream rising to the top. Every stakeholder, our patient facing staff, our radiologists, our support team, our suppliers, our management, our board and governments have played a part, making contributions and/or sacrifices big and small.

#### **Financial Highlights FY20**

Over the 12 months ended 30 June 2020, your Company achieved Statutory NPAT of \$23m, 9.5% higher than prior year and a 21.9% increase in operating NPAT of \$31.2m. Operating diluted earnings per share grew 4.9% to 17cps.

Operating revenue grew 18.7% to \$274.1m, driven by new sites, investments in high end modalities and an eight-month contribution from Imaging Queensland who we warmly welcomed this year – offset by COVID-19 impacts from March.

As at 30 June 2020, our debt to equity ratio of 0.54:1 and Net Debt/LTM EBITDA ratio of 1.8x reflects strong capital management to support our continued growth ambitions.

A total full year FY20 dividend of 9.5 cents per share fully franked was paid to shareholders, which is a 5% decline on FY19 reflecting our conservative approach to cash management and the on-going uncertainty due to COVID-19. We have also introduced a Dividend Reinvestment Plan (DRP) which operated for the first time in FY20 providing shareholders the option to reinvest their returns in the Company without incurring any brokerage or transaction fees.

Despite the pandemic, our strategy marched on with the announcement in June of the acquisition of Ascot Radiology in New Zealand (Ascot) completed on the 1<sup>st</sup> of September. Ascot is a strategic, clinical and cultural fit with IDX and we warmly welcome the Ascot team. Ascot has a high-quality footprint of nine diagnostic imaging clinics, including key sites at Ascot Private Hospital, 22 doctors and is highly complementary to our existing New Zealand business.

## **Q1 FY21 Revenue Information**

We commenced this current financial year with Stage 4 restrictions operating in Melbourne and Stage 3 for regional Victoria and Auckland. Overall Integral Diagnostics' operations has delivered organic revenue growth of 4.2% in the first quarter of this financial year compared with the prior corresponding period. The prior corresponding period does not include Imaging Queensland and Ascot Radiology.

To date, integration and operating performance of both Imaging Queensland and Ascot Radiology has been in line with expectations. We look forward to being able to physically visit hopefully soon once borders are open.

Going forward, the impact on the Company of the COVID-19 pandemic and associated Government responses remains uncertain and cannot be accurately predicted. However, to date, we have demonstrated strong and safe management, and we have not seen any indications that COVID-19 will have material on-going impacts for the diagnostic imaging sector.

## **Governance**

As a Board we are committed to leading a high-performance culture, with transparency and accountability, whilst continuing to improve what we do as we grow.

This year we produced our first standalone Environment, Social and Governance Report which acknowledges areas of best practice as well as areas where we are committed to do more in, as part of contributing to a healthier world. This includes support for the United Nations Sustainable Goals that most strongly align with our business. Underway currently is an assessment of our scope 1, 2 & 3 emissions to measure and reduce our carbon footprint.

Integral also contributes its specialist skills to developing nations through Radiology Across Borders, contributing to creating a Film Bank, an educational program that presents interesting and important radiological findings to assist and train local doctors.

Our people, during the pandemic in June, gave us an Employee Net Promoter Score of +25.5 recommending IDX as a good place to work, higher than the diagnostic imaging norm of +15.7. Our lost time injuries per million hours halved compared to prior year and staff turnover reduced.

Diversity and inclusion at every level continues to be a focus with 75% of our workforce who were promoted were female, consistent with the gender profile of our workforce.

We are proud to have a governance model for our specialist medical business that includes radiologist executive directors. During FY20 we welcomed Dr Jacqui Milne as an Executive Director taking over from Dr Sally Sojan in November last year.

I would like to especially acknowledge Ian, the senior leadership team, radiologists, staff, and my fellow Directors for their commitment, diligence and work ethic to progress the potential of this important Company.

Thank you, our shareholders, for your continued support and interest in our company which plays a pivotal role in affordable, quality health care for patients and referrers.

**Integral Diagnostics Limited  
2020 Annual General Meeting  
Managing Director and CEO  
Presentation**

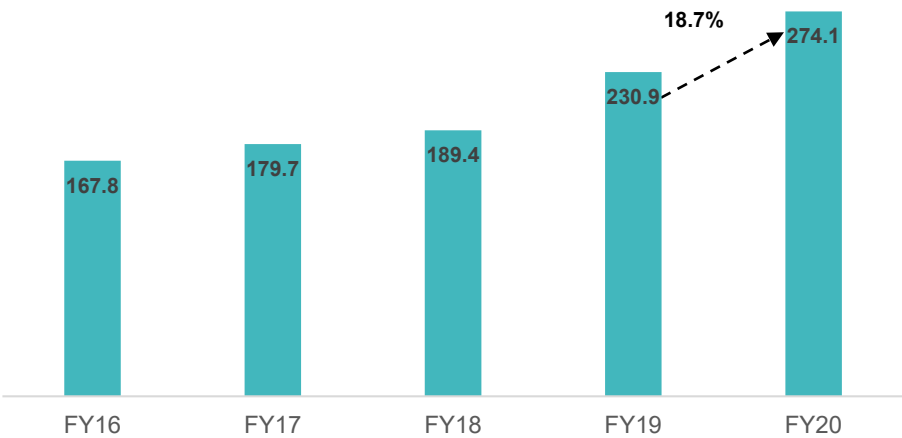


# STRONG, CONSISTENT PERFORMANCE

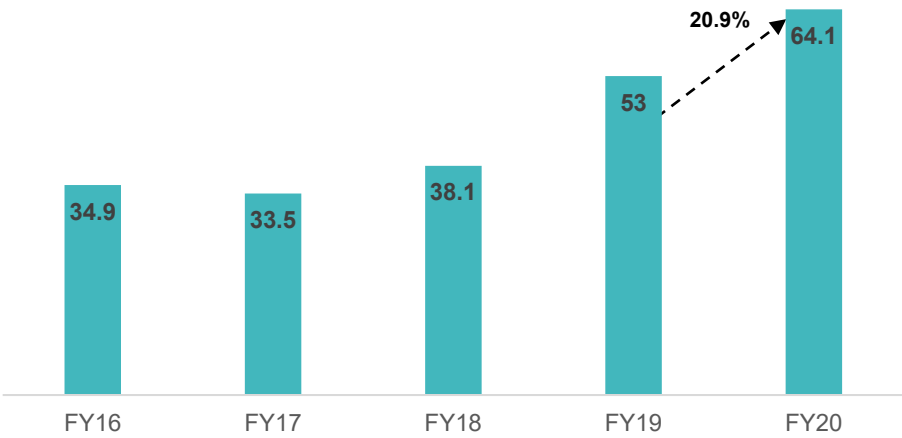


IDX has performed well for several years - delivering strong, consistent growth in revenue and earnings

Revenue (\$m)



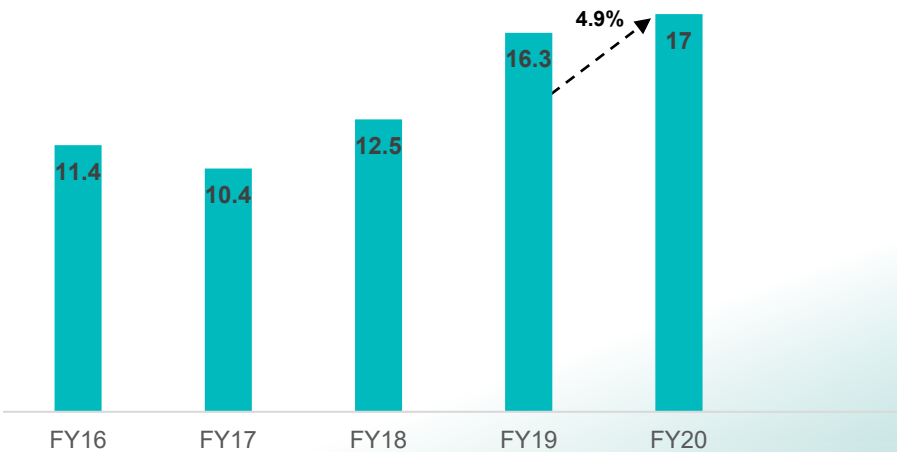
Operating EBITDA (\$m)



Operating NPAT (\$m)



Operating Earnings Per Share



# DELIVERING ON OUR VALUES IN FY20



Your company delivered strong results across all our values in FY20, despite significant COVID-19 impacts in the first months of the pandemic. Doctors and staff stepped up to the new challenges with strong leadership, clinical acumen, dedication and commitment. We all remain indebted to the healthcare teams on the frontlines of this pandemic, at IDX and elsewhere

## Patients First

- Served 660,000 patients, and 30,000 referrers
- Reduced adverse clinical events to <0.03%
- Invested \$26m in capex
- Enhanced cyber security and privacy protections

## Medical Leadership

- 217 reporting radiologists
- First to market in Australia with FDA/TGA approved AI applications
- Built on relationship with Radiologists Across Borders (RAB)

## Everyone Counts

- 1,440 employees
- Achieved an Employee NPS of 25 vs DI industry average of 16
- Reduced lost time injuries by 54%
- Initiated ESG program

## Create Value

- Increased Operating NPAT by 21.9%, and operating EPS by 4.9%
- Paid FY20 dividends of 9.5cps
- Acquired Imaging QLD and Ascot Radiology
- Included in the ASX300 with 4,093 IDX shareholders

## Embrace Change

- Implemented e-referral pilot including patient and doctor portals
- Enhanced IDX reporting platform to facilitate specialist-specific workflows
- Continued to develop our AI and digital capabilities

# SHARE PRICE PERFORMANCE






The IDX share price reflects our strong, consistent earnings growth



Source: <https://www.investing.com/equities/integral-diagnostics-ltd-historical-data>

# IDX OPERATES IN HIGH GROWTH GEOGRAPHIC MARKETS



						Total IDX
<b>Geographic Market</b>	Victoria	Queensland	Western Australia	New Zealand	Queensland	
<b>Core markets</b>	Ballarat, Geelong, Warrnambool and outer western areas of Melbourne	Gold Coast, Toowoomba and Mackay	South West Western Australia	Auckland	Sunshine Coast, Rockhampton and Gladstone	
<b>Sites (includes hospital sites)</b>	22	14	5	13	19	<b>73</b>
<b>Hospital sites</b>	6	2	4	1	8	<b>21</b>
<b>MRI machines</b>	7	7	2	6	6	<b>28</b>
<b>MRI Licences</b>	4 full	4 full 2 partial	2 full	N/A	3 full 2 partial	<b>13 full 4 partial</b>
<b>Employed Radiologists<sup>1</sup></b>	39	31	13	33 <sup>2</sup>	16	<b>132</b>
<b># of Employees<sup>3</sup></b>	369	387	163	191	289	<b>1,399<sup>4</sup></b>

**Note: Reflects current data as at June 2020 with Ascot who joined the group from 1 September 2020**

1 Relates to employed radiologists only. In addition IDX has had 86 contractor radiologists provide services over FY20

2 Consistent with the NZ private radiology model, all doctors work across the public and private sector and meet the criteria to be classified as contractors but are on terms and conditions similar to IDX employed Radiologists – 22 doctors joined IDX from Ascot

3 This number represents the number of employees on employment contracts on either part time or full time arrangements, it does not represent the number of full time equivalent employees or individual casual/contract arrangements

4 In addition, there are 49 employees in the Corporate office, totalling 1,448 employees across IDX



# STRATEGY – GOOD MEDICINE IS STILL GOOD BUSINESS



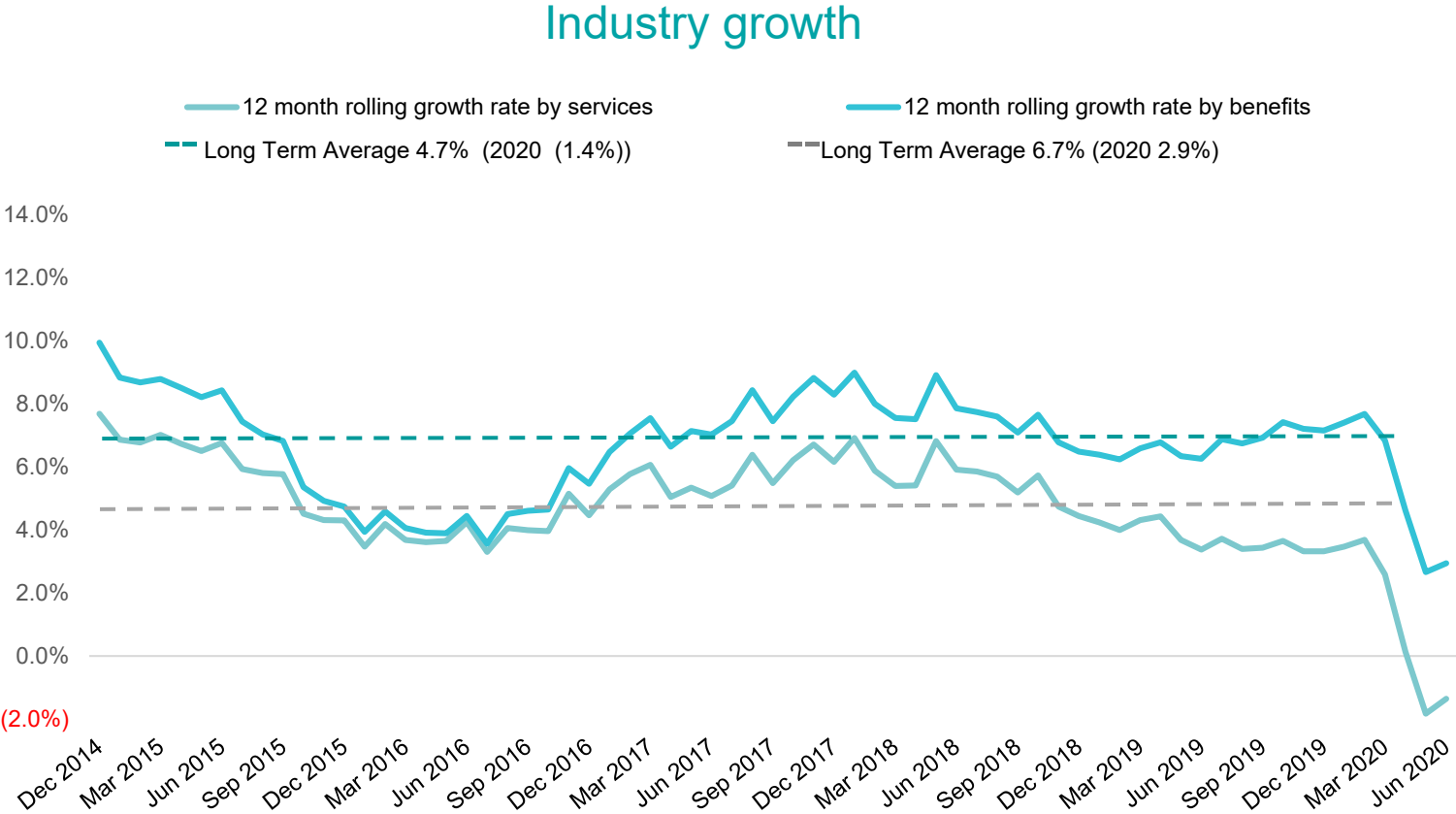
Acquired Imaging Queensland (completed 1/11/19), and Ascot Radiology (completed 1/9/20)

Delivered an FY20 EBITDA margin of 23.3%, the highest published margin in the industry

# DIAGNOSTIC IMAGING (DI) INDUSTRY COVID-19 IMPACT: AUSTRALIA



Industry growth rates in Australia were significantly impacted by COVID-19 in March and June 2020 quarters



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

Published industry data is not available for the New Zealand market



## FY21 First Quarter Operations

Delivered organic revenue growth\* of 4.2% in FY21Q1 vs PCP

- Solid revenue growth in all regions except Victoria
- Impact of the second wave significantly less severe than initial pandemic impact (in April and May)
- NZ practices have not been materially impacted despite Auckland's lockdowns in August and September

FY20 acquisitions, Imaging Queensland and Ascot Radiology, continue to integrate and perform on expectations

- Imaging Queensland has recovered strongly since June
- Ascot Radiology performing as projected despite second wave in Auckland

\*'Organic revenue growth' excludes FY20 acquisitions, ie Imaging Queensland and Ascot Radiology

Note: Revenue does not include Jobkeeper.

# REGULATORY ENVIRONMENT



IDX plays a leadership role in the industry. Healthcare payors in Australia and NZ continue to recognize the preventative benefits of DI in providing quality patient care and reducing unnecessary healthcare cost

## **Australia**

- Medicare DI indexation introduced on 1 July 2020
- Breast MRI and Breast PET added to the MBS in November 2019
- Tele-medicine encouraged at the advent of the pandemic
- Digitised patient workflows introduced (electronic referrals, electronic billing and sign-off)

## **New Zealand**

- Ardern's Labour party likely to retain MRI referrals to private providers to reduce public hospital waiting lists
- Regulatory environment stable

# APPOINTMENT OF CHIEF OPERATING OFFICER



IDX has appointed a COO to help manage the extensive growth in company operations



**Paul McCrow**

**MBA, B App Sc – Medical Imaging,  
Master in Medical Radiation Science**

## Internal Appointment

20 years of industry experience – with IDX, SKG (Sonic's WA imaging business), and Qscan

Currently IDX General Manager for Western Australia

- Driven the growth of Apex Radiology (previously Global Diagnostics Australia)
- Introduced the first FDA and GDA approved AI algorithms into the IDX group
- Leads IDXt – the IDX teleradiology business

Under Paul's leadership Apex Radiology has consistently outperformed

- Highest multiyear earnings CAGR in IDX group
- Highest radiologist and staff engagement scores (81% of Apex employees rate the company as a 'Truly Great place to Work')

Paul will be a member of the Company's Key Management Personnel (KMP).

# ARTIFICIAL INTELLIGENCE (AI) IN DIAGNOSTIC IMAGING: IMPROVING PATIENT OUTCOMES



IDX currently invests in 4 AI algorithms, with 2 more in testing

- Current 4 limited to Head, Neck and Chest CT's in selected IDX business units
- Continue to grow AI capabilities as new applications are proven to benefit patient care, and improve quality and efficiency

Patient Experience in regional WA

- Small pulmonary embolus (PE or clot) identified on AI in early hours of the morning, scan escalated for immediate IDX tele-radiologist attention, ED PE protocol initiated, patient doing well

Going forward, AI will significantly amplify the scope, reach and clinical impact of Diagnostic Imaging

- Improves diagnostic quality and saves lives (current IDX AI algorithms have >99% sensitivity, ie seldom miss pathology)
- Increases radiologist productivity and efficiency
- Widens the scope of Diagnostic Imaging - appropriately increasing usage of DI and decreasing total healthcare costs

\* Slide Presented by Paul McCrow - COO

# IDX SENIOR LEADERSHIP TEAM



COO appointment augments the IDX Senior Leadership Team, consistent with the extensive growth of the business



**Dr Ian Kadish**  
Managing Director  
and Chief  
Executive Officer,  
MBBCh, MBA



**Anne Lockwood**  
Chief Financial and  
Commercial Officer  
B.Com, FCA



**Paul McCrow**  
Chief Operating Officer  
MBA, B App Sc –  
Medical Imaging,  
Master in Medical  
Radiation Science



**Mica Duncalfe**  
Chief People  
Officer  
BBus; MHRM;  
GAICD



**Julian Gully**  
Chief Information  
Officer  
BBus(Mgt)

**Chief Medical  
Officer – To be  
appointed**

# FY21 KEY PRIORITIES AND FOCUS



## FY21 Priorities and Focus

### Drive organic growth, business integration and further efficiency gains

- Manage ongoing impacts of COVID-19
- Integrate Ascot Radiology
- Promote benefits of MRI and PET technologies so they're widely understood and recognised by patients, payors and referrers

### Accelerate use of AI and digital technology

- Execute on the AI and broader technology strategy
- Complete implementation of the Patient App to improve access, knowledge and compliance
- Leverage the consolidated reporting platform to develop sub-speciality workflows

### Environmental, social and governance

- Acknowledge ESG areas in which we apply best practice and identify areas where we can do better:
  - Ethical supply chains, responsible consumption and our carbon footprint
  - Diversity and inclusion, community relationships, corporate governance and ESG scorecard

### Nurture and develop culture and leadership

- Support Company growth with investment in a COO, CMO and Group Integration Manager
- Develop leadership capabilities of management, radiologists, clinical and admin teams

### Evaluate further strategic acquisitions

- Undertake analyses and DD on potential acquisitions that are a clinical fit, strategically aligned and earnings accretive
- Considering several growth opportunities in a very active healthcare sector