

HY21 Results Investor Presentation

22 February 2021, Melbourne

Integral Diagnostics Limited (ASX: IDX) attaches its HY21 Results Presentation.

Kirsty Lally
Company Secretary

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 72 radiology clinics, including 26 comprehensive 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/.



1H21 Results

Dr. Ian Kadish (MD & CEO)

Anne Lockwood (CFCO)

22nd February 2021

“Good Medicine is Good Business”



IDX VISION STATEMENT



Vision:

A healthier world

Purpose:

Deliver the best health outcomes for our patients

Our Values:



Patients First

Patients are at the heart of everything we do.



Medical Leadership

Improving outcomes with evidence based care.



Everyone Counts

We work safely and inclusively and respect each other.



Create Value

Deliver sustainable value to all stakeholders.



Embrace Change

Strive for excellence, have courage to innovate.

Our IDX culture revolves around the core tenet that “Good Medicine is Good Business”

DELIVERING ON OUR VALUES – 1H21



Patients First

- Served 450,000 patients
- Performed 1m exams
- Invested in COVID safe environments
- Invested \$10.3m in capex for optimal quality care
- Continued to enhance cyber security and privacy protections
- Continued to develop and implement technology to enhance the patient and referrer experience

Medical Leadership

- 221 reporting radiologists
 - ✓ 152 employees
 - ✓ 69 contractors
 - ✓ 85 radiologist shareholders
- Initiated development of subspecialty workflows
- Launched IDXt, IDX's teleradiology reporting platform
- Executed a JV with Medica Group Plc a UK teleradiology business – "MedX"

Everyone Counts

- 1,478 employees
- Developed an IDX leadership program
- Continued our ESG agenda
 - ✓ Assessed our carbon footprint
 - ✓ Undertook a materiality assessment across our key stakeholders
 - ✓ Investigated our supply chains for Modern Slavery Act Reporting

Create Value

- Increased Operating NPAT by 61.1% to \$23.2m
- Increased operating diluted EPS by 38.0% to 11.6cps
- Declared 1H21 dividends of 5.5cps
- Completed acquisition of Ascot Radiology
- Negotiated extension of finance facilities with \$402.6m committed and a further \$105m in an accordion with a 5 year term
- 4,229 IDX shareholders

Embrace Change

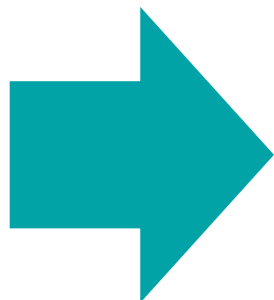
- Managed workflows, personnel and systems to adapt to the new normal for COVID 19
- Continued to progress AI applications and broader technology capabilities
- Expanded the leadership team with appointment of COO from 1 Nov
- Appointed a Integration and Strategy manager from 1 Sept

1H21 FINANCIAL HIGHLIGHTS



82.6% increase in Statutory NPAT \$19.9m	61.1% increase in operating NPAT \$23.2m	50.3% increase in operating EBITDA \$52.0m	38.0% increase in operating EPS 11.6cps	29.5% increase in operating revenue \$170.7m	70.2% increase in free cash flow \$42.7m	22.2% improved Net debt /LTM EBITDA 1.4x
---	---	---	--	---	---	---

COVID-19



- Patient activity continued to be impacted by Government imposed restrictions
 - Victoria had significant reductions from July to September with October to December in line with pre COVID-19 expectations
 - On-going border closures between Qld and NSW impacted patient volumes at our Tweed Heads site
- JobKeeper of \$6.6m (after tax) allowed IDX to retain and support our highly skilled workforce
- Net reductions in spend such as travel, printing, conferences etc from prior year \$0.6m
- “Healthcare Heroes” frontline and support staff recognition for COVID-19 care at a cost of \$0.4m
- Increased employee costs of approximately \$1.7m driven by a decreased use of annual leave and a increased use of sick leave entitlements (quarantine, Covid-19 testing, self-isolation)

Declared a fully franked interim dividend of 5.5cps; (1H20 5.5cps)

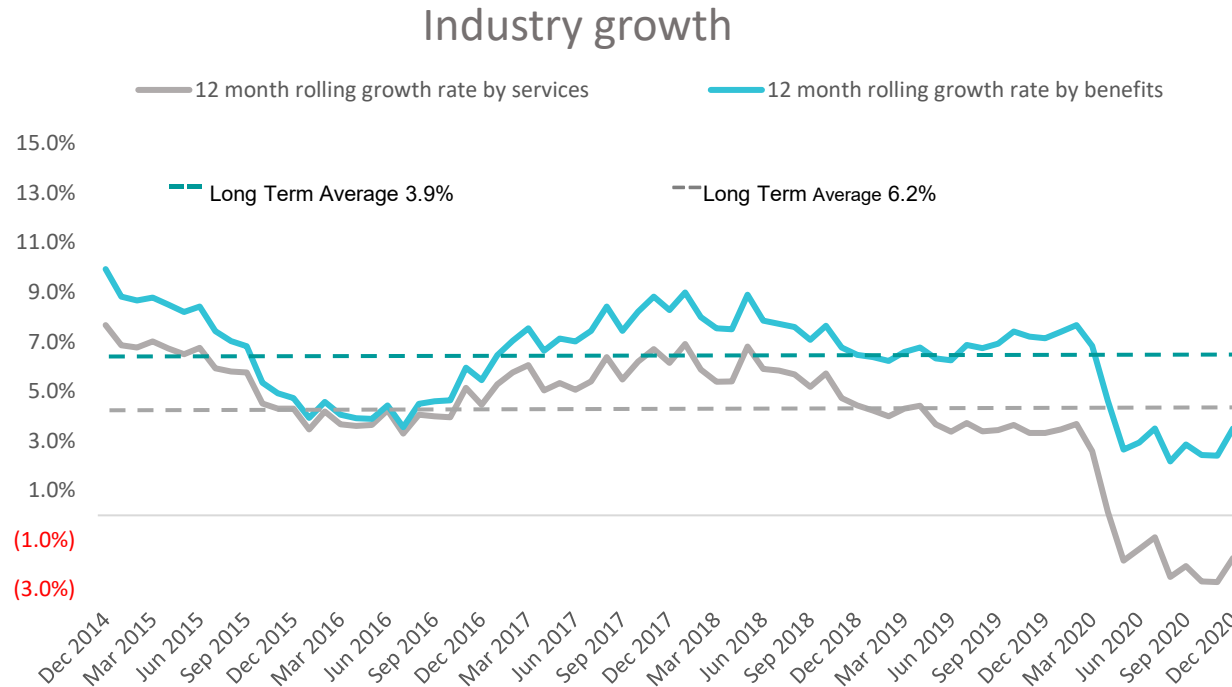
- The dividend represents 55% of Statutory NPAT, lower than our policy of 65-75%, which reflects a recognition of first-half JobKeeper receipts and the ongoing uncertainty of the impacts of COVID-19 on operations

DI INDUSTRY COVID-19 IMPACT: AUSTRALIA



Industry growth rates in Australia impacted by COVID-19 in CY20

Growth rates still materially below the long term average



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

Published industry data is not available for the New Zealand market



1H21 financial performance

RESULTS INCLUDING AASB 16 FOR 1H21⁽¹⁾



\$ million	1H21	1H20	Change (\$)	Change (%)
Operating revenue ⁽²⁾	170.7	131.8	38.9	29.5%
Operating EBITDA ⁽³⁾	52.0	34.6	17.4	50.3%
EBITDA operating margin	30.5%	26.3%	4.2%	16.0%
Operating EBITA	36.7	24.1	12.6	52.3%
Operating NPAT	23.2	14.4	8.8	61.1%
Operating Diluted EPS ⁽⁴⁾ (cents)	11.6	8.4	3.2	38.0%
Statutory NPAT	19.9	10.9	9.0	82.6%
Free cash flow	42.7	25.1	17.6	70.2%
Free cash flow conversion, net of replacement capex	95.0%	87.9%		
As at:	31 Dec 2020	31 Dec 2019		
Net debt	137.3	134.8		
Net debt / LTM EBITDA ⁽⁵⁾	1.4x	1.8x		
Equity	253.4	225.6	27.8	12.3%

1. AASB 16 is the Australian Accounting Standard 16 “Leases”, a newly adopted accounting standard effective from 1 July 2019.
2. Represents operating revenue and excludes other revenue in 1H21 of \$1.0m (1H20 \$0.7m).
3. One off costs not included in operating metrics include transaction and other costs, net of tax of \$3.3m (1H20 \$3.5m) – see slide 8.
4. Operating Diluted EPS calculation for 1H20 has been adjusted in order for 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 increases the diluted EPS by 0.3cps to 8.4cps.
5. Based on net debt at 31 December 2020 of \$137.3m and LTM organic EBITDA (plus trailing acquisitions EBITDA) of \$96.8m. 1H20 based on net debt at 31 December 2019 of \$134.8m and LTM EBITDA organic EBITDA (plus trailing acquisitions EBITDA) of \$72.9m.

The impacts of AASB 16 on the 1H21 results were an increment to EBITDA of \$6.9m, an increment to EBIT of \$1.1m and a decrement to NPAT of (\$0.5m)

Based on the lease portfolio as at 31 December 2020, the expected impacts of the application of AASB 16 on the FY21 results are an increment to EBITDA of \$14.0m, an increment to EBIT of \$2.3m and a decrement to NPAT of (\$0.8m).

RECONCILIATION OF OPERATING TO STATUTORY



\$ million	1H21	1H20	Change (\$)	Change (%)
Operating NPAT	23.2	14.4	8.8	61.1%
<i>Non operating transactions net of tax</i>				
Transaction and integration costs	(0.5)	(2.1)		
Share based payments	(1.0)	(0.5)		
Amortisation of customer contracts	(1.8)	(0.8)		
Write off of brand name (Western District Radiology) ⁽¹⁾	-	(0.1) ⁽¹⁾		
Statutory NPAT	19.9	10.9	9.0	82.6%
\$ million	1H21	1H20	Change (\$)	Change (%)
Operating EBITDA	52.0	34.6	17.4	50.3%
<i>Non operating transactions</i>				
Transaction and integration costs	(0.9)	(3.0)		
Share based payments	(1.0)	(0.5)		
Write off of brand name (Western District Radiology) ⁽¹⁾	-	(0.1) ⁽¹⁾		
Statutory EBITDA	50.1	31.0	19.1	61.6%

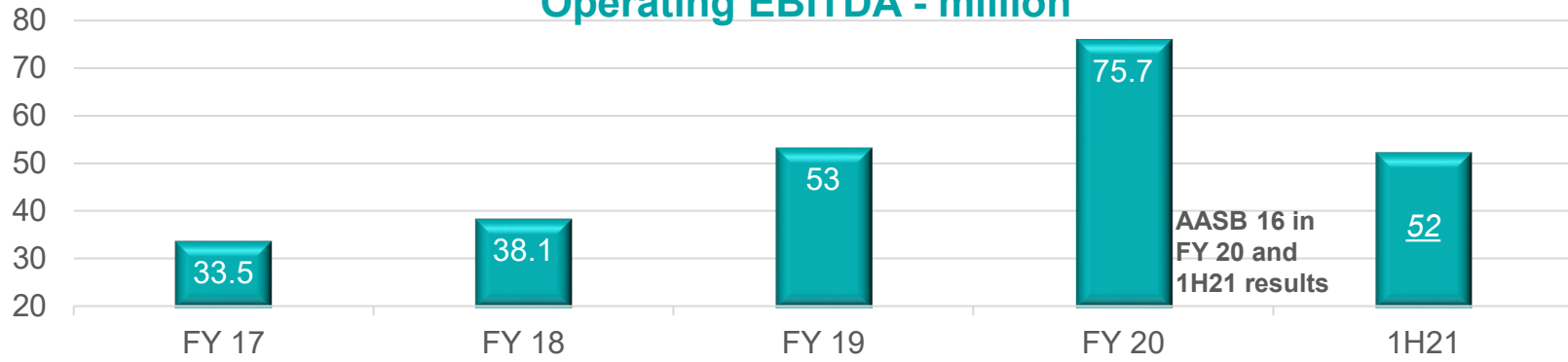
- 1H21 Transaction costs and integration costs \$0.9m are from external advisors on actual and prospective acquisitions
- 1H21 Share based payment costs relate to the performance rights and the radiologists loan funded share/option plan
- 1H21 Amortisation of customer contracts relates to the acquisition of Ascot Radiology (\$1.4m) and Imaging Queensland (\$0.4m)

(1) Included in other expense categories in the Statutory Consolidated Statement of Profit and Loss

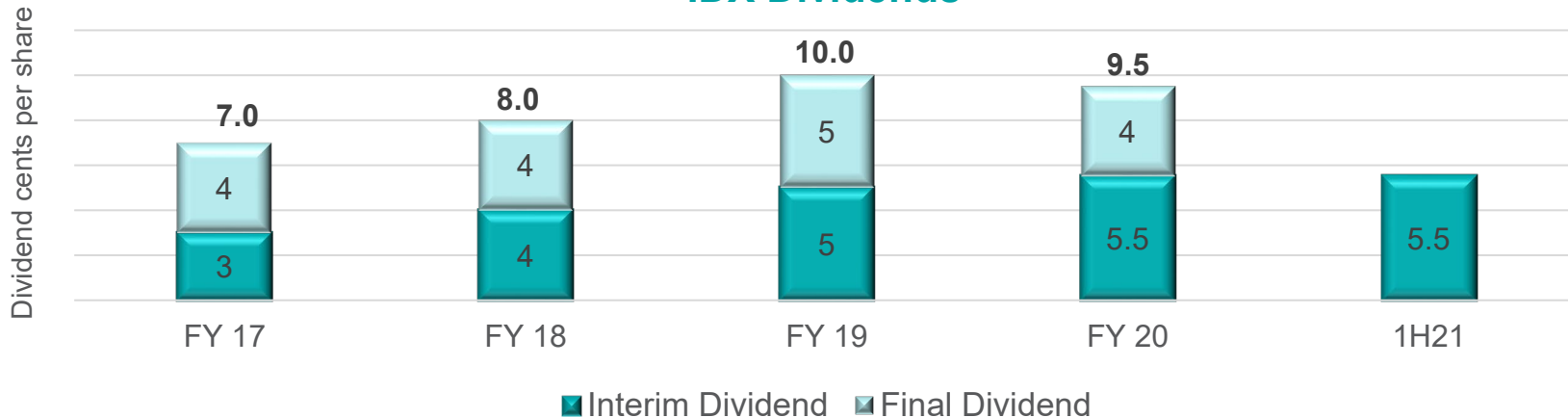
GROWTH IN SHAREHOLDER RETURNS



Operating EBITDA - million



IDX Dividends



- Fully franked dividend of 5.5 cps declared with a conservative payout ratio of 55% of Statutory NPAT reflecting a recognition of first-half JobKeeper receipts and the ongoing impacts of COVID-19 on operations
- The 1H21 dividend record date is 2 March 2021 with a payment date on 6 April 2021
- The IDX dividend reinvestment plan is available for participation for the 1H21 dividend

REVENUE



Operating revenue up 29.5% to \$170.7m

Solid underlying growth, despite ongoing COVID-19 impacts, driven by new sites, investment in new equipment and additional contribution from acquisitions

- Revenue Growth of \$38.9m driven by:
 - Imaging Queensland \$23.0m for additional 4 months July-Oct compared to prior comparative period
 - Ascot Radiology \$7.4m for 4 months Sept – Dec from completion of acquisition
 - Organic Growth - Victoria \$1.2m
 - Organic Growth – Queensland, WA and NZ \$7.3m
- Organic revenue growth¹ in Australia of 6.5% on underlying volume growth of 1.7% is well above the industry average for the states in which we operate (being 2.8% revenue growth on (2.1%) volume growth) reflecting that IDX significantly outperformed the industry 1H21 by 3.7% on revenues and 3.8% on volumes respectively.
- New Zealand contributed revenue in 1H21 of \$A21.5m (1H20 \$13.1m)
- Average fee per exam (excluding reporting contracts) increased by 2.6% in 1H21, driven by increased volume of CT, PET scans and MRI's and Medicare indexation of 1.5% applied on CT US and XR from 1 July 2020.

(1) Revenue is higher than volume growth as growth has been stronger in the higher end modalities of MRI, CT, Nuc Med and PET work, in line with IDX business model and COVID-19 impact. Excluding reporting contracts, average fee per exam continues to increase in FY21.

OPERATING EXPENDITURE



IDX experienced a 1.3% (\$2.3m) increase in operating costs¹ as a % of revenue, largely driven by increasing employee leave costs

- Adjusting for Jobkeeper of \$9.5m employee costs increased by 1.5% as a percentage of revenue driven largely by increased costs of approximately \$1.7m due to decreased use of annual leave and an increased use of sick leave entitlements (quarantine, Covid-19 testing, self-isolation)
- Consumables increased by 0.4% of revenues reflecting the higher cost of consumables for higher end modalities and increased usage of PPE due to COVID-19
- Equipment increased by 0.3% of revenue due to some equipment coming out of warranty and increasing the level of cover on Imaging Queensland equipment
- Occupancy cost remained consistent as a % of revenue. Some landlord concessionary rebates received during FY20 were reversed
- Other costs declined by 1.0% of revenue due to reduction in spend due to COVID-19 and shared service costs being leveraged over larger revenue base
- Depreciation of \$9.5m (1H20 \$6.5m) increased \$2.5m, reflecting the growth capital investments made over the last 24 months plus four months of Imaging Queensland compared to prior comparative period and Ascot Radiology from 1 September 2020
- Declining interest rates delivered lower finance costs of \$0.35m from 1H20 on higher net debt

(1) Excluding JobKeeper receipts

CAPITAL MANAGEMENT

Strong balance sheet with reduced leverage to support on-going growth strategy

- 1H21 net debt of \$137.3m (1H20: \$134.8m)
 - Reducing 1.4x EBITDA prior to one off transactions as at 31 December 2021 (1H20 1.8x)
 - Extended and rolled over finance facilities with committed capacity increased to \$402.6m (1H20 \$315.4m) with an additional uncommitted \$105m accordion facility, for a 5 year term to February 2026
- Trade payables increased due to large Capex items being installed in December 2020
- Contingent consideration of \$23.7m relates to New Zealand \$3.8m, GMI \$1.0m and IQ \$18.9m
- All other assets and liabilities have increased in line with increased size of the business due to Ascot acquisition
- Net assets increased \$25.1m (11.0%)

\$ million	31 Dec 20	30 Jun 20	31 Dec 19
Cash and cash equivalents	68.8	58.0	26.8
Trade and other receivables	11.6	10.4	11.8
Other current assets	6.6	8.0	6.6
Total current assets	87.0	76.4	45.2
Property, plant and equipment	110.3	101.0	104.2
Right of use assets – AASB16	95.7	88.6	88.2
Intangible assets	347.6	307.3	300.5
Investments accounted for using the equity method	0.1	-	-
Deferred tax asset	15.1	13.6	11.6
Total non-current assets	568.9	510.5	504.5
Total assets	655.9	586.9	549.7
Trade and other payables	24.0	18.6	18.7
Current tax liabilities	3.1	5.0	1.4
Borrowings	7.3	13.1	13.9
Lease obligations – AASB 16	10.3	9.6	9.0
Contingent consideration	13.8	13.3	-
Provisions	18.1	16.6	15.3
Total current liabilities	76.6	76.2	58.3
Contingent Consideration	9.9	8.0	13.2
Provisions	9.2	7.8	9.0
Borrowings	198.3	168.6	146.8
Lease obligations – AASB 16	93.9	86.5	85.7
Deferred tax liability	14.6	11.5	11.1
Total non-current liabilities	325.9	282.4	265.8
Total liabilities	402.5	358.6	324.1
Net assets	253.4	228.3	225.6



CASHFLOW AND CASH CONVERSION

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

\$ million	1H21	1H20
Operating EBITDA	52.0	34.6
Non-cash items in EBITDA	3.4	2.2
Changes in working capital	0.7	(1.2)
Replacement capital expenditure	(6.7)	(5.3)
Cash payments on leases	(6.7)	(5.2)
Free cash flow	42.7	25.1
Growth capital expenditure	(3.6)	(11.2)
Net cash flow before financing, acquisitions and taxation	39.1	13.9
Free cash flow / EBITDA	82.1%	72.5%

- Normalised free cash flow conversion of 82.1% (1H20 72.5%) – 95% net of replacement capex
- The application of AASB 16 results in the same free cash flows (after adjusting for cashflows on leases) however, conversion % declines given the higher EBITDA. Pre AASB 16 free cash flow conversion net of replacement capex would be 109.5%
- Growth capex \$7.6m lower in 1H21 v 1H20
- Changes in working capital is net of accruals for non operating transaction costs and Capex as well as working capital acquired

CAPITAL EXPENDITURE

Conservative capex spend, with growth capex curtailed in 1H21 due to COVID-19 uncertainty



\$ million ⁽¹⁾	1H21	1H20	1H19
Replacement	6.7	5.3	4.3
Growth	3.6	11.2	1.6
Total	10.3	16.5	5.9
Depreciation	9.5	6.5	5.3

Replacement capex of \$6.7m

Primarily replacement of approximately 30 Ultrasound, Xray, Bone Density and Mammography machines across all business units

Growth capex of \$3.6m

- Busselton cardiac CT - \$0.7m
- Toowoomba second CT - \$0.4m
- Spine Centre MRI (non-rebateable) - \$1.5m
- Gold Coast PET upgrade - \$0.1m
- Gold Coast Mammography machine Hope Island - \$0.3m
- New Zealand second Ultrasound at Manukau - \$0.1m
- Software & Infrastructure - \$0.5m



(1) Represents cash + accruals

Regulatory update



REGULATORY ENVIRONMENT ACTIVITY



Australia:

MRI Licences

- No further licences or plans for MRI licences have been announced

April 2020

- As a result of COVID-19 the Government relaxed the attendance rules for radiologists on some examinations as well as allowed electronic referrals and upfront billing, these were welcomed changes that have merit in a non COVID-19 environment and to date are on-going

July 2020

- Commencement of indexation across 90% of MBS items, equating to 80% of benefits at a rate of 1.5%

August 2020

- Restructure of echocardiography and myocardial study items to better align with clinical guidelines and reduce low value care to reflect modern clinical practice introducing 19 new items and deleting 9 existing items – these are not significant items

November 2020

- An increased level of compliance activity over billings from the department has been evident across the industry, resulting in an increased level of Medicare claim reviews. IDX, on behalf of our Radiologists, has complied with all requests from the Department on queries in relation to our adopted billing practices and protocols and have not identified any material areas of non-compliance

February 2021

- ADIA launched the “*Healthcare relies on radiology*” campaign which is designed to communicate the importance of radiology to the health system and patient outcomes and promote government investment. As part of the campaign, ADIA commissioned a Deloitte Access Economics study that demonstrated radiology is cost effective in increasing Quality Adjusted Life Years for 7 common and important diagnoses. Full report at adial.asn.au

REGULATORY ENVIRONMENT ACTIVITY



IDX continues to work through membership of the executive of the Australian Diagnostic Imaging Association (ADIA) to address key regulatory issues within the industry including:

- Extension of indexation across the remaining Medicare items
- Expanding access to MRI
- Expansion of PET services items available under Medicare
- Funding settings to promote efficient provision for outpatient services
- Appropriate funding for Radiology services provided to veterans
- Patient bill relief

New Zealand:






- Annual indexation provided across all contracts. The Auckland DI market is expected to continue to grow, driven by ageing demographics and adoption of new technologies that improve patient outcomes



Strategy

IDX OPERATES IN KEY GEOGRAPHIC MARKETS



						Total IDX
Geographic Market	Victoria	Queensland and NSW	Western Australia	New Zealand	Queensland	
Core markets	Ballarat, Geelong, Warrnambool and outer western areas of Melbourne	Gold Coast, Toowoomba and Mackay	South West Western Australia	Auckland	Sunshine Coast, Rockhampton and Gladstone	
Sites (includes comprehensive sites)	22	14	5	13	18	72
Comprehensive sites ⁴	5	7	2	6	6	26
MRI machines	7	8	2	6	6	29
MRI Licences	4 full 0 partial	4 full 2 partial	2 full 0 partial	N/A	3 full 2 partial	13 full 4 partial
PET Scanners	2	2	1	1	-	6
Employed Radiologists ¹	42	37	14	43 ²	16	152
# of Employees ³	379	396	155	178	300	1,408

Note: Reflects current data as at December 2020

- 1 Relates to employed radiologists only. In addition IDX has had 69 contractor radiologists provide services over 1H21
- 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.
- 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. In addition there are 70 employees in the Corporate office totalling 1,478 employees
- 4 Comprehensive sites include a range of radiology equipment including MRI's and CT's and are located with or near major specialist referrers

MANAGEMENT'S 2H21 STRATEGY – GOOD MEDICINE IS STILL GOOD BUSINESS



- To date 2H21 continues to be in line with expectations notwithstanding the ongoing impacts of COVID-19 and sporadic lockdowns across QLD, WA, VIC and NZ
- IDX will continue to assess the ongoing impact of COVID-19 during 2H21 including assessing any net positive benefits from JobKeeper receipts and the potential return of a proportion of the receipts once the uncertainty of COVID-19 has abated
- Execution continues on our clear strategy, in line with our values, to deliver the best health outcomes for our patients

QUESTIONS?



DISCLAIMER



Some of the information contained in this presentation contains “forward-looking statements” which may not directly or exclusively relate to historical facts. These forward-looking statements reflect Integral Diagnostics Limited (IDX) current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of IDX.

Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from IDX current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.

To the maximum extent permitted by law, none of IDX, or its respective affiliates or related bodies corporate or any of their respective officers, directors, employees and agents (Related Parties), nor any other person, accepts any responsibility or liability for, and makes no recommendation, representation or warranty concerning, the content of this presentation, IDX, the Group or IDX securities including, without limitation, any liability arising from fault or negligence, for any loss arising from the use of or reliance on any of the information contained in this presentation or otherwise arising in connection with it.

Reliance should not be placed on the information or opinions contained in this presentation. This presentation is for informational purposes only and is not a financial product or investment advice or recommendation to acquire IDX securities and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. You should make your own assessment of an investment in IDX and should not rely on this presentation. In all cases, you should conduct your own research of IDX and the Group and analysis of the financial condition, assets and liabilities, financial position and performance, profits and losses, prospects and business affairs of IDX, the Group and its business, and the contents of this presentation. You should seek legal, financial, tax and other advice appropriate to your jurisdiction.

Investors & Media

Dr Ian Kadish, MD & CEO

P: +61 3 5339 0704

E: ikadish@idxgroup.com.au