

Thursday 26 August 2021

ACL FY21 FINANCIAL RESULTS

The following announcements to the market are attached:

FY21 Appendix 4E

FY21 full year financial statements and statutory reports, including the FY21 directors' report

- ✓ FY21 financial results investor presentation

– ENDS –

This announcement was authorised for release to ASX by the Board of ACL. For further information regarding this announcement, please contact:

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About Australian Clinical Labs

ACL is a leading Australian private provider of pathology services. Our 86 NATA accredited laboratories perform a diverse range of pathology tests each year for a range of clients including doctors, specialists, patients, hospitals and corporate clients. ACL is one of the largest private hospital pathology businesses nationally. ACL is focused on its mission of combining talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives.

Thursday, 26 August 2021

ACL FY21 PRO FORMA RESULTS

FY21 represented a milestone year with solid results reflective of prior investment in systems and processes

Australian Clinical Labs Limited (ASX: ACL) (**ACL** or the **Company**) today announced its pro forma¹ FY21 results for the 12 months to 30 June 2021 (**FY21**). ACL presents the FY21 results compared to the Prospectus lodged by ACL and ACL SaleCo Limited with the Australian Securities and Investment Commission on 28 April 2021 (**Prospectus**) and pro forma FY20 (12 months to 30 June 2020) (**FY20**) adjusted for one-off items as detailed in the Prospectus.

AUD in millions	FY21		FY20	Growth	
	Pro forma	Prospectus		Prospectus	FY20
Total Revenue	674.4	647.0	522.8	4.2%	29.0%
EBITDA	230.7	207.7	116.3	11.1%	98.4%
<i>EBITDA margin AASB 16</i>	<i>34.2%</i>	<i>32.1%</i>	<i>22.2%</i>	<i>211 bps</i>	<i>1197 bps</i>
<i>EBITDA margin AASB 117</i>	<i>21.3%</i>	<i>18.7%</i>	<i>6.5%</i>	<i>259 bps</i>	<i>1479 bps</i>
EBIT	140.0	119.3	29.6	17.4%	373.0%
NPAT	88.7	74.5	11.7	19.2%	659.1%
Cash EBITDA to operating cash flow	101.4%	100.6%	107.7%	77 bps	-636 bps

Key highlights from FY21 include:

- Successfully transitioned to being an ASX listed company with a listing on 14 May 2021
- Outperformed pro forma Prospectus Revenue, EBITDA and NPAT forecasts
 - Total Revenue of \$674.4m which was 4.2% ahead of Prospectus forecast
 - EBITDA of \$230.7m which was 11.1% ahead of Prospectus forecast
 - NPAT of \$88.7m which was 19.2% ahead of Prospectus forecast, and 6% ahead of the mid-point of the upgraded guidance released to the ASX on 3 June 2021
 - Cash EBITDA to operating cash flow conversion of 101.4%, with pro forma cash flow of \$97.2m
- FY21 non-COVID revenue growth of 6.3% vs. FY20. 1H FY20 revenues down 0.7% reflecting impact of lockdowns and travel restrictions in Victoria and growth in all other states. 2H FY21 non-COVID growth returned, up 14% vs. 2H FY20
- Strengthened balance sheet, with net debt excluding lease liabilities decreasing from \$93.3m as outlined in the Prospectus to \$64.1m as at 30 June 2021
- Acquired and integrating SunDoctors¹, a leading skin cancer clinic business in Australia
- Expanded into Queensland with a new laboratory commissioned
- Continued strong operational discipline with cost control reflective of the significant prior investment in systems and processes
- Delivered excellent turnaround times on all testing even during spikes in demand

¹ Southern Sun Clinics Pty Ltd.

As a leading private pathology provider in Australia and one of the largest private hospital pathology businesses nationally, ACL continues to play a central role in Australia's response to safeguarding the community during the COVID-19 pandemic.

Following the period of acquisitions and integration that began in 2015, ACL has invested over \$88 million in a broad range of initiatives to improve its operational performance. These included establishing a national unified pathology system, one national laboratory information system (LIS) and an efficient unified laboratory network with state-of-the-art robotic equipment, clinical centres of excellence, digitally enabled platforms, a focus on research and innovation, clinical governance and training, which combine to represent key operational strengths for the business.

These widespread investments in systems and processes provided the solid foundations that underpinned the Company's improved financial performance with expanded EBITDA margins reflecting both increased scale and operating leverage.

Chief Executive Officer and Executive Director, Melinda McGrath, said:

"During the past six years, we have undertaken a successful transformation of the business, the benefits of which are clearly visible in this result.

The commitment and dedication of our 2,800 staff has been on display this year as ACL continues to play a central role in Australia's COVID-19 response which was at times challenging for everyone in the organisation, but particularly for our frontline staff managing testing sites, and I take this opportunity to thank each and every one of them for their commitment and compassion to serving their communities.

I also sincerely thank our pathologists and medical practitioners who maintain their dedication to ensuring diagnostic and professional excellence as well as governance and leadership as we navigate the COVID-19 pandemic.

With a well-defined growth strategy and predictable and consistent long-term growth drivers supporting the \$5.8 billion² Australian pathology market, excluding COVID-19, we are confident in our ability to continue to deliver solid results in FY22 and beyond."

Outlook

Based on trading to date in FY22 and acknowledging the significant volatility in the market, ACL has upgraded its expectations for 1H FY22 as follows:

- Total Revenue of between \$362 million and \$375 million, representing between 18% and 22% upgrade to Prospectus forecast of \$307 million
- NPAT of between \$48 million and \$53 million, representing between 109% and 130% upgrade to Prospectus forecast of \$23m

Investor and Analyst Results Briefing

ACL Chief Executive Officer and Executive Director, Melinda McGrath, and Chief Financial Officer, James Davison, will host a webcast for investors and analysts today at 11 am (Melbourne time).

Participants can register for the webcast by accessing this link:

https://us02web.zoom.us/webinar/register/WN_iXEXchb3Rny5GLn27wBBgA

An archive of the briefing will be available afterwards at: <https://investors.clinicallabs.com.au/>

– ENDS –

This announcement was authorised for release to ASX by the Board of Directors of ACL. For further information regarding this announcement, please contact:

² Source: Partners in Performance estimates, based on Our World in Data, Australian Government Department of Health, Australian Government budget FY20/21 and Medicare statistics.

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About Australian Clinical Labs

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Forward looking-statements

This announcement may contain forward-looking statements which are statements that may be identified by words such as "may", "will", "would", "should", "could", "believes", "estimates", "expects", "intends", "plans", "anticipates", "predicts", "outlook", "forecasts", "guidance" and other similar words that involve risks and uncertainties. The upgrade to the 1H FY22 forecast is an example of forward-looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this announcement, are expected to take place. No person who has made any forward-looking statements in this announcement (including the Company) has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, other than to the extent required by law. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management of the Company. We recommend that shareholders read in conjunction with this announcement, Section 4 and Section 5, and other information in, the Prospectus. The Company cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

FY21 Full year results presentation

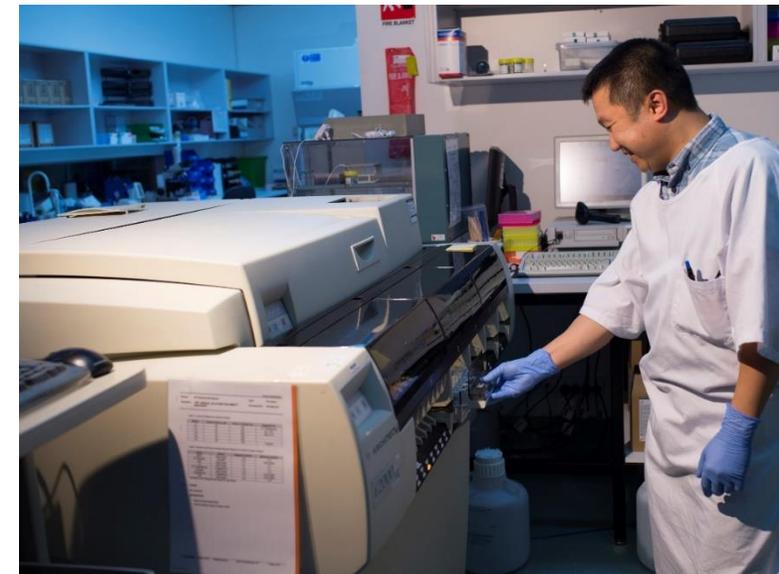
Melinda McGrath CEO and Executive Director

James Davison CFO

August 2021

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FY21 highlights

The board and management would like to thank its staff and other stakeholders for their support during FY21

- ACL continues to play a central role in Australia's response to safeguarding the community during the COVID-19 (COVID) pandemic
- FY21 represented a milestone year with solid results reflective of prior investment in systems and processes
- Successfully transitioned to being an ASX listed company with a listing on 14 May 2021
- Outperformed pro forma Prospectus Revenue, EBITDA and NPAT forecasts:
 - Total Revenue of \$674.4m which was 4.2% ahead of Prospectus forecast
 - FY21 non-COVID revenue growth of 6.3% vs. FY20. 1H FY20 revenues down 0.7% reflecting impact of lockdowns and travel restrictions in Victoria and growth in all other states. 2H FY21 non-COVID revenue growth returned, up 14% vs. pcp
 - EBITDA of \$230.7m which was 11.1% ahead of Prospectus forecast
 - NPAT of \$88.7m which was 19.2% ahead of Prospectus forecast, and 6% ahead of mid-point of upgraded guidance¹
- Cash EBITDA to operating cash flow conversion of 101.4%, with pro forma cash flow of \$97.2m
- Strengthened balance sheet, with net debt excluding lease liabilities decreasing from \$93.3m to \$64.1m²
- Acquired and integrating SunDoctors³, a leading skin cancer clinic business in Australia
- Expanded into Queensland with a new laboratory commissioned
- Continued strong operational discipline with cost control reflective of significant prior investment
- Delivered excellent turnaround times on all testing even during spikes in demand
- Upgraded 1H FY22 Prospectus forecast (see slide 17 for details)

(1) Issued on 3 June 2021

(2) \$93.3m as outlined in Prospectus and \$64.1m as at 30 June 2021

(3) Southern Sun Clinics Pty Ltd

Note: Pro forma adjustments and reconciliations outlined in Section 4.3.3 of the Prospectus

A leading Australian private pathology provider targeting global best practice levels



90+

Hospitals serviced,
a leading private provider in
public & private hospitals



988

Approved Collection Centres

80+

NATA accredited
laboratories⁽¹⁾



30 specialist
skin cancer clinics,

diagnosing **~15%** of
all reported melanomas
in Australia in 2020⁽²⁾



\$88m

completed investment in
upgrading facilities, equipment,
restructuring, integration



One

National Unified
Pathology System,
linking all labs to one
information system



+5.2%

Medicare funded
pathology market
growth (CAGR) between
FY2000 and FY2021

Note: As at 30 June 2021 unless otherwise noted.

(1) ACL has 86 NATA (National Association of Testing Authorities, Australia) accredited laboratories, or 44 laboratory locations when excluding point of care laboratories.

(2) Includes external referrers. Based on number of melanomas identified as a proportion of total diagnoses published by the Australian Government, Cancer Australia, for the 12 months to 31 December 2020.

ACL's journey to global best practice for efficiency, lab technology and IT



Highlights	Acquisitions <ul style="list-style-type: none"> July 2015: Healthscope AU Pathology Oct 2016: St John of God Pathology Nov 2016: Perth Pathology Rebranded to ACL New leadership team Developed shared service functions 	<ul style="list-style-type: none"> Enhanced operating leverage by systematically removing non profitable revenue and costs Won several new contracts which contributed positively after initial investment Strengthened and elevated ACL brand focusing on practitioners and patients 	<ul style="list-style-type: none"> A leader in service, science and tech innovation Investment and changes implemented over several years flowing into financial metrics 2021 SunDoctors acquisition New QLD laboratory commissioned
Service	<ul style="list-style-type: none"> New testing equipment for all labs Improved turnaround times Investment in support services such as telephony & data entry 	<ul style="list-style-type: none"> Improved staff engagement Focused on clinical governance, training Established a continuous improvement culture 	<ul style="list-style-type: none"> Previous investments enabled stable base business and rapid and effective COVID response while operating existing business
Systems & Processes	<ul style="list-style-type: none"> Refurbished/new build central labs Automated robotic tracks in labs Tech-enabled systems including payroll and rostering 	<ul style="list-style-type: none"> Digitally enabled platforms and tech solutions in collection, data entry and couriers Increased automation in laboratories 	<ul style="list-style-type: none"> Continual operational performance improvements
Synergies	<ul style="list-style-type: none"> Reduced duplication of footprint, labs and collection centres Improved service levels Maintained operating costs while growing revenue 	<ul style="list-style-type: none"> Completed national unified pathology system Improved productivity and efficiencies 	<ul style="list-style-type: none"> Operating leverage underpins improved EBITDA margins

ACL has been on a journey to excellence through integration, innovation and improved customer experience

ESG is central to operations and strategy

ACL 2021 Sustainability Report, including Sustainable Development Goals (SDGs) to be published in September

	Example Focus Areas	Approach	Measures
Environmental	Minimise GHG emissions in logistics	Scope 1 and 2 emissions to be measured, published in 2022. Digitisation, GPS tracking, optimised courier routes, flexible working practices	Scope 1 and 2 results, Total kms and fuel per episode, Number of cars
	Energy Reduction	Collaborate with Landlords to increase solar panels, LEDs at laboratories	Total electricity usage Renewable energy %
	Innovation / Digitisation	Reduce carbon footprint via increased digitisation of ordering and reporting processes	Reduced postage and paper usage Total electronic orders as % of total
Social	Workplace Health & Safety (WHS) for staff and patients	WHS managers comprehensive audit and improvement of practice Continuous improvement framework	Number of incidents, lost time injury frequency rates, monthly WHS reports
	Training and Development	Training future generations of pathologists, scientists	Registrars under training, fellowships awarded
	Customer Care	Increase engagement with customers, patients and staff to ensure care quality is measured, continuously improved	Patient feedback via automated SMS scores
Governance	Board Governance	Align Board governance structure(s) and practices to ASX Corporate Governance where appropriate	CGS, Board structure review and performance evaluation
	Cyber Security & Privacy	NIST evaluation and targets set, plan implemented	Penetration testing and action
	Diversity	Number of women at Board and senior management Salaries to align	Target 40% women at Board and senior management, salary audits

FY21 Results Overview
James Davison, CFO

FY21 pro forma profit and loss

ACL achieved strong growth on FY20, and exceeded both Prospectus forecasts and revised guidance from 3 June 2021

AUD in millions	FY21		FY20	Growth	
	Pro forma	Prospectus	Pro forma	Prospectus	FY20
Total Revenue	674.4	647.0	522.8	4.2%	29.0%
EBITDA	230.7	207.7	116.3	11.1%	98.4%
<i>EBITDA margin AASB 16</i>	<i>34.2%</i>	<i>32.1%</i>	<i>22.2%</i>	<i>211 bps</i>	<i>1197 bps</i>
<i>EBITDA margin AASB 117</i>	<i>21.3%</i>	<i>18.7%</i>	<i>6.5%</i>	<i>259 bps</i>	<i>1479 bps</i>
EBIT	140.0	119.3	29.6	17.4%	373.0%
NPAT	88.7	74.5	11.7	19.2%	659.1%
Cash EBITDA to operating cash flow	101.4%	100.6%	107.7%	77 bps	-636 bps

- Continued to play a central role in managing the COVID pandemic while providing essential non-COVID diagnostic testing services
- Total revenue growth of 29% vs pcp reflects growth in both COVID testing revenue and non-COVID revenue
- Improved fee per episode for non-COVID work due to mix shift
- Margin improvement due to continued expansion of operating leverage and scale benefits
- Pathology episodes per FTE up 1.0% on Prospectus forecast and up 15.7% on pcp
- FY21 NPAT of \$88.7m was 19.2% ahead of Prospectus forecast and 6.0% above midpoint of guidance upgrade issued on 3 June 2021
- Cash EBITDA to operating cash flow conversion of 101.4%

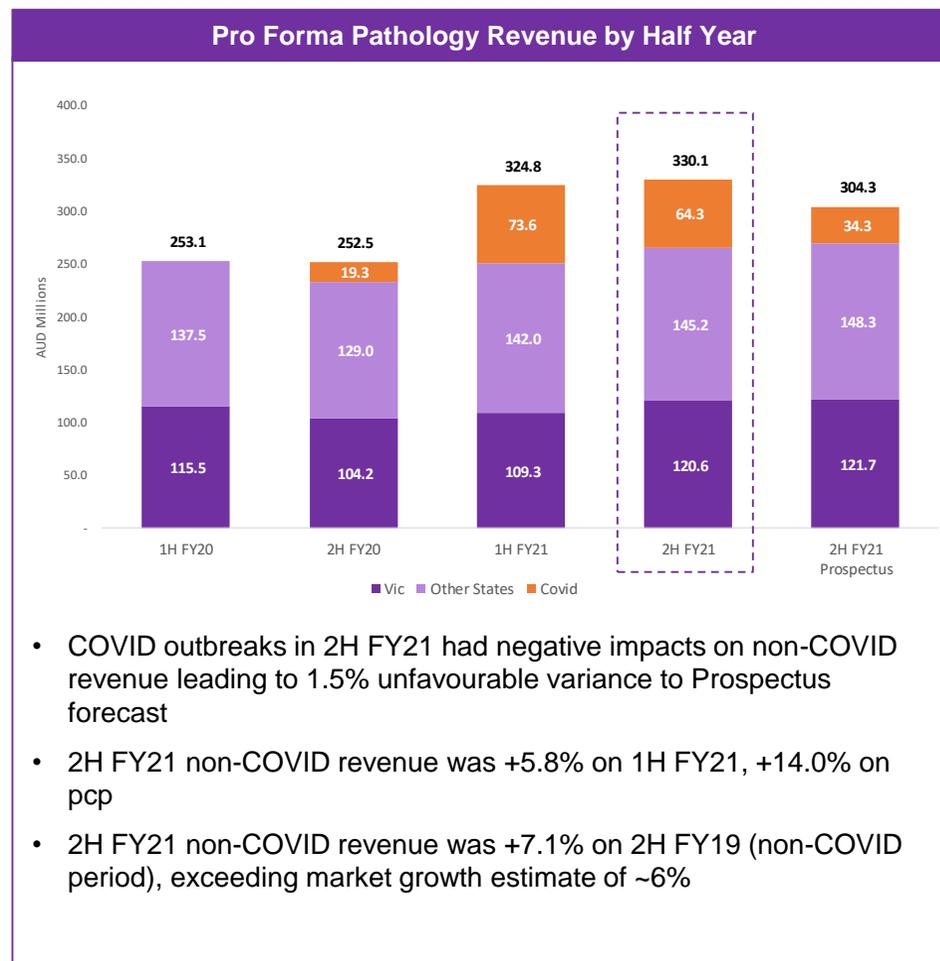
Statutory to pro forma reconciliation is outlined on slides 20 and 21

FY21 profit and loss and revenue by half year

2H FY21 NPAT of \$45.4m up 46.1% compared to Prospectus forecast

Profit and Loss			
AUD in millions	Pro forma 2H FY20	Pro forma 1H FY21	Pro forma 2H FY21
Non-COVID-19 revenue	233.2	251.2	265.9
COVID-19 revenue	19.3	73.6	64.3
Total Patient Revenue	252.5	324.8	330.1
Clinic/Other Revenue	8.7	9.0	10.5
Total Revenue	261.2	333.8	340.6
EBITDA	65.7	112.8	117.9
EBIT	23.3	68.6	71.5
NPAT	11.8	43.3	45.4
<i>EBITDA Margin AASB 16</i>	25.2%	33.8%	34.6%
<i>EBITDA Margin AASB 117</i>	9.6%	20.9%	21.6%

- Referral volumes impacted by:
 - Accessibility issues (telehealth, vaccines, requirement for COVID tests before seeing GP)
 - Lockdowns, movement restrictions and general apprehension around travel
- EBITDA margin (AASB 16) in 2H FY21 increased to 34.6% due to ongoing operating leverage gains
- 1H FY22 – refer upgraded guidance outlined on Slide 17



FY21 pro forma cash flow

ACL generated Cash EBITDA to Operating cash flow of more than 100%

AUD in millions	FY21		FY20	Growth	
	Pro forma	Prospectus	Pro forma	Prospectus	FY20
EBITDA	230.7	207.7	116.3	11.1%	98.4%
Non-cash items	1.7	0.8	0.9		
Property related payments AASB 16	(87.2)	(86.8)	(82.4)		
Cash EBITDA	145.2	121.7	34.8	19.3%	317.0%
Change in net working capital	2.0	0.7	2.7		
Operating cash flow pre capex	147.2	122.5	37.5	20.2%	292.4%
Capital expenditure	(9.5)	(8.4)	(9.4)		
Free cash flow before interest, tax and financing	137.7	114.1	28.1	20.7%	389.5%
Interest paid	(1.5)	(1.5)	-		
Income tax expense	(39.0)	(32.4)	-		
Net cash flow	97.2	80.2	28.1	21.3%	245.5%
<i>Cash EBITDA to Operating cash flow</i>	101.4%	100.6%	107.7%		

- Operating cash flow was \$24.7m favourable to the Prospectus forecast due to the positive variance in EBITDA
- Low working capital requirements allow the business to grow without requiring cash injections
- Disciplined working capital management resulting in better than forecast working capital movement
- Capital expenditure was in line with FY20 and \$1.1m above Prospectus forecast due to growth capital for new QLD laboratory and testing capacity expansion

FY21 balance sheet

Strengthened balance sheet, with net debt excluding lease liabilities decreasing from \$93.3m to \$64.1m

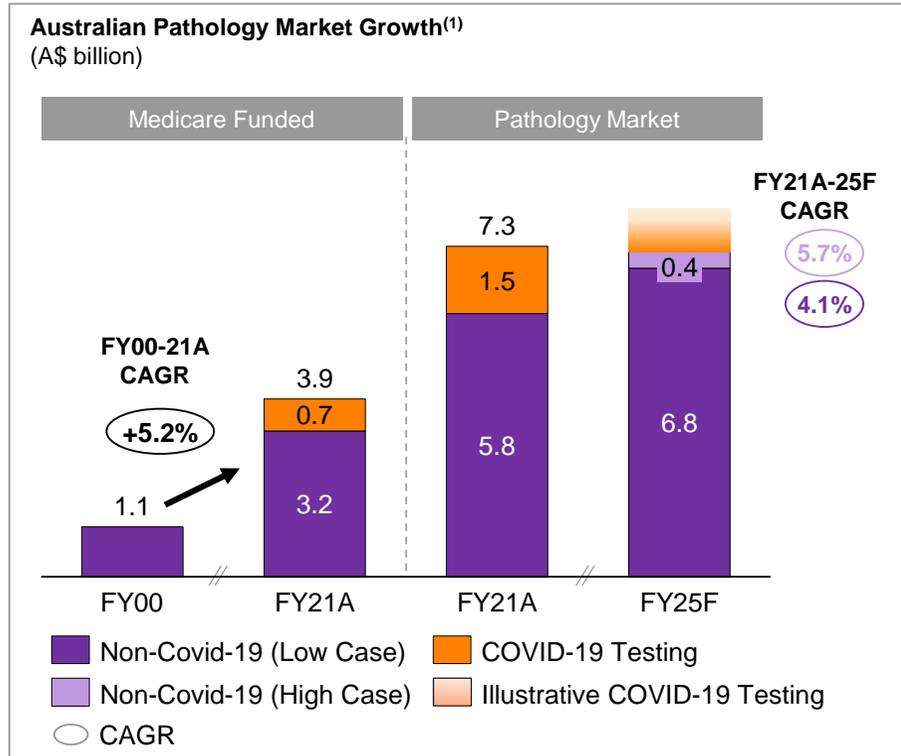
AUD in millions	FY21	
	Actual	Prospectus
Cash and cash equivalents	35.2	10.0
Trade and other receivables	63.0	53.7
Inventories	13.4	14.2
Other assets	5.7	6.4
Total current assets	117.2	84.3
Plant and equipment	42.3	41.1
Right of use assets	186.7	153.5
Goodwill and other intangibles	112.9	103.5
Other financial assets	0.0	1.0
Deferred Tax Assets	15.6	23.3
Non-current assets	357.5	322.4
Total assets	474.7	406.7
Trade and other payables	(42.6)	(40.0)
Borrowings	0.2	0.3
Lease liabilities	(70.4)	(64.5)
Provisions	(48.6)	(44.4)
Deferred consideration	(0.7)	(0.1)
Current tax liabilities	(4.0)	(7.2)
Total current liabilities	(166.2)	(155.9)
Lease liabilities	(124.5)	(95.6)
Borrowings	(99.5)	(103.6)
Provisions	(2.6)	(2.9)
Deferred consideration	-	(0.1)
Deferred tax liabilities	0.0	(1.5)
Total non-current liabilities	(226.6)	(203.7)
Total liabilities	(392.8)	(359.6)
Net Assets	81.9	47.1

Comments
<ul style="list-style-type: none"> Cash balance \$35.2m as at 30 June 2021 Trade and other receivables includes work in progress/unbilled revenue of \$19.7m Increase in goodwill reflects acquisition of SunDoctors Increased right of use assets and associated lease liabilities due to exercising long-term options on a number of key sites Right of use assets exclude option periods Negative working capital reflects short receivables collection periods Net debt excluding lease liabilities \$64.1m, decreased \$29.2m (31.3%) from \$93.3m <ul style="list-style-type: none"> Net Debt / FY21 EBITDA (AASB 16) 1.1x Net Debt (excl. Lease Liabilities) / FY21 EBITDA (AASB 117, excl non-Cash items) 0.4x

Australian pathology market is large and growing

Australian pathology market (excluding COVID) is forecast to grow between ~4% to ~6% p.a.⁽¹⁾, underpinned by long term sustainable growth drivers

Growth of Pathology Services in Australia



- COVID-19 testing is expected to add to the size of the Australian pathology market, dependent on various factors, including:



Doctor and patient behaviour



Vaccine effectiveness and durability



Variants of the virus



Antibody testing



Social distancing



International travel



Commercial testing



Antigen testing adoption

- Pathology is underpinned by predictable and consistent long-term growth drivers:

- Growing and ageing population

- Increasing pathology testing per capita

- Increasing prevalence of chronic diseases

- Scientific and technological advancements

- Increasing visits to general practitioners

- Post-COVID catch-up of BAU

(1) Partners in Performance estimates, based on Our World in Data, Australian Government Department of Health, Australian Government budget FY20/21 and Medicare statistics. CAGR excludes COVID-19 actual and forecast impact. The size of COVID-19 and associated pathology testing impact in FY22F onwards has not been estimated but shown as an unquantified light orange box for illustrative purposes only.

FY21 Operational Achievements, Strategy
Melinda McGrath, CEO, Executive Director

Operational achievements: COVID response, rapid, efficient and effective

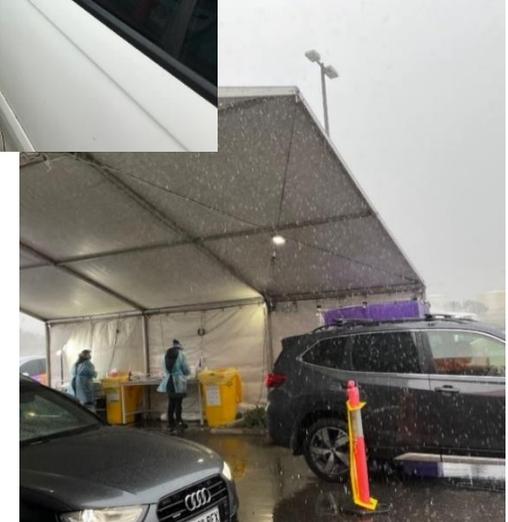
ACL has played a central role in Australia's response to COVID, with essential pathology and other clinical healthcare services

ACL Role in COVID-19 Response

- Central role in Australia's response to COVID, with essential pathology and other clinical healthcare services
- Outstanding effort by staff in a very difficult environment
- Focus on clinical governance in partnership with public health authorities
- Effective sourcing of multiple platforms and reagents
- Consistent supply of PPE and consumables to ensure patients & staff safety despite global shortages
- Moved work around laboratories despite logistics impacted by lockdowns & travel restrictions, 24-hour laboratory services provided by dedicated staff
- Drive through testing sites set up in under 2 hours, including traffic management, marquees, security
- Automated rostering system to mobilise medical staff and other skilled, trained personnel, efficient response to peaks in demand, >19,000 tests per day

ACL Staff Response

- Frontline staff worked in often challenging conditions to assist community
- Resolute focus on delivering accurate, rapid results



Operational achievements realised in FY21

ACL has continued to invest in operational improvements and innovation throughout the year

Operational Achievements	
Automation and Digitisation	<ul style="list-style-type: none">• First to market with bespoke logistics and courier automation platform:<ul style="list-style-type: none">- Route optimization that has reduced unnecessary stops and improved the customer experience- Generates financial and environmental benefits (reduced courier requirements)• Workforce optimisation platform implemented that has improved labour efficiency, allows rapid response to volume movements and improved communication and engagement with staff in dynamic environment• Enhanced e-ordering technology and automated workflow enabling cost efficiencies, improved accuracy and reduction in paper-based reporting
SunDoctors Integration	<ul style="list-style-type: none">• Focused on strategy to drive revenue and synergies<ul style="list-style-type: none">- Enhance revenue through well-defined growth plan- Leverage ACL scale and back-office infrastructure
Efficiencies	<ul style="list-style-type: none">• Systems upgrades that are delivering results across national platform: telephones, courier GPS• Enhanced shared services including finance, HR, IT, logistics, data entry and call centre• Streamlined roles and responsibilities enabled by single unified operating system
Innovation and Precision Medicine	<ul style="list-style-type: none">• Continued focus on innovation and process improvements• Investment in R&D and new test innovation• Human Genetics (Precision Medicine) delivering strong growth, further opportunities exist

Depth in advanced pathology services

ACL continues to develop its reputation as an advanced pathology services provider with investment in clinical trials and precision medicine

Clinical Trials

- Major diagnostic service provider for Phase 1 Clinical Trials, and preferred provider status to largest Phase 1 Clinical Trials Group
- Purpose built lab in Port Melbourne growing strongly
- Expanded into later stages of clinical trials, leveraging existing relationships and capabilities
- Additional purpose built lab in development in Brisbane
- Collaborating with international businesses to ensure best in class services
- Innovative tailored ordering system enables improved accuracy of data management, enhanced workflows, reduced costs

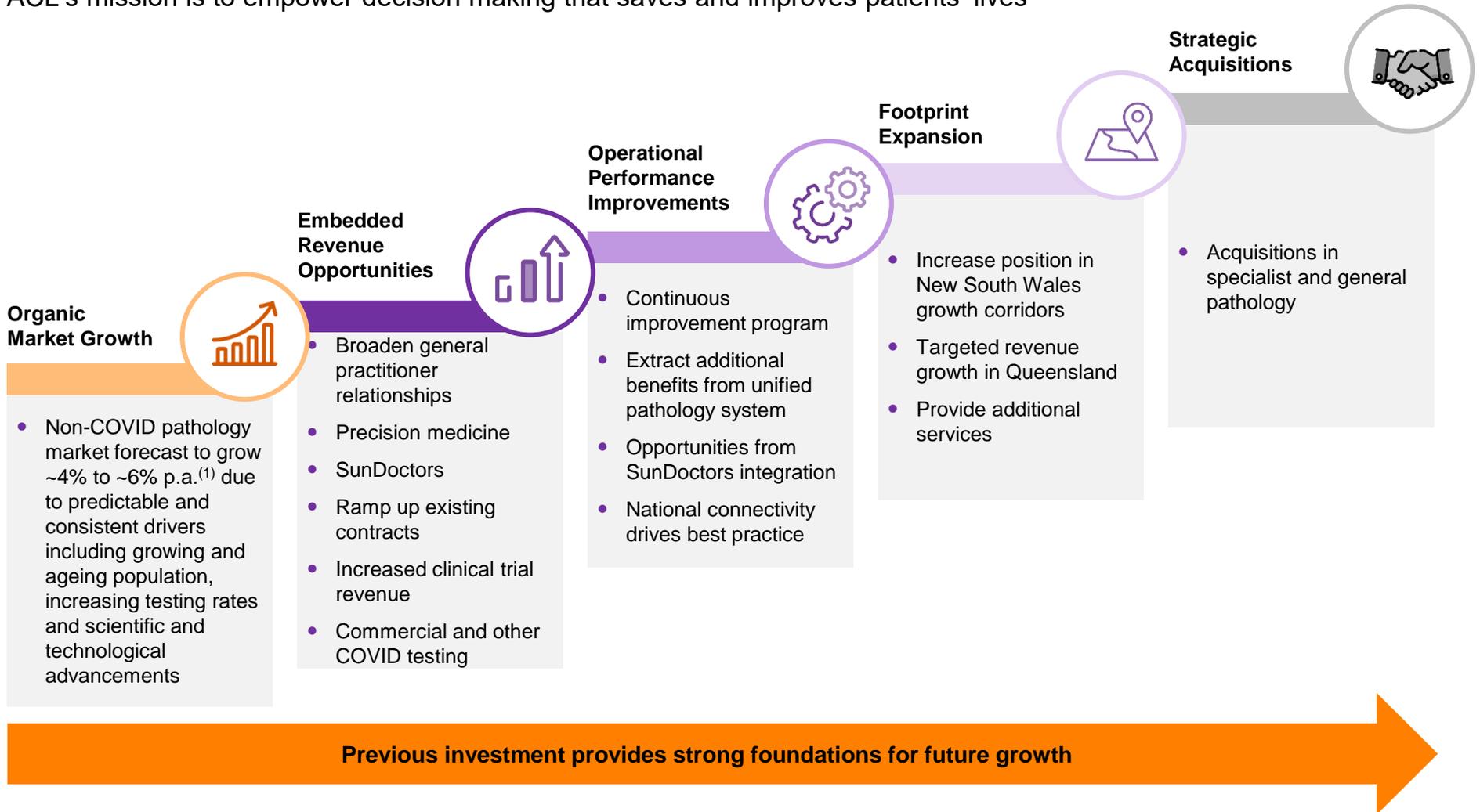
Precision Medicine

- NATA Accredited Molecular Genetics Labs offer comprehensive selection of Cancer, Fertility and Pregnancy genetic testing
- Genetic Testing enables doctors to examine chromosomal genetic abnormalities to identify inherited diseases and other disorders
- Molecular testing, such as Liquid Biopsy & Tumour Testing, aids clinicians to select personalised precision treatments for patients
- Upgraded testing capability with investment in instrumentation
- Clayton Laboratory: main genetics laboratory
- Subiaco: Specialist genetics laboratory



Well-defined growth strategy

ACL's mission is to empower decision making that saves and improves patients' lives



(1) Partners in Performance estimates.

1H FY22 guidance update and dividend policy

The Company has upgraded its 1H FY22 Revenue and NPAT forecasts as outlined in the Prospectus

AUD in millions	Pro forma		Prospectus	Forecast Upgrade	Growth	
	1H FY21	2H FY21	1H FY22	1H FY22	1H FY21	Prospectus
Total Revenue	333.8	340.6	307.4	362.4 - 375.5	9% - 12%	18% - 22%
NPAT	43.3	45.4	23.0	48.0 - 53.0	11% - 22%	109% - 130%

1H FY22 Guidance

Based on trading to date in FY22 and acknowledging the significant volatility in the market, ACL has upgraded its expectations for 1H FY22 as follows:

- Total Revenue of between \$362m and \$375m, representing between 18% and 22% upgrade to Prospectus forecast of \$307m
- NPAT of between \$48m and \$53m, representing between 109% and 130% upgrade to Prospectus forecast of \$23m

Dividend policy as outlined in Prospectus:

- First dividend paid by ACL will be an interim dividend in respect of the period from 1 July 2021 to 31 December 2021
- The payment of a dividend is at the Board's discretion and will be a function of several factors, including general business and financial conditions, cash flow including cash from operations, capital expenditure requirements, working capital requirements, potential acquisition and expansion opportunities, unusual or non-recurring items, taxation requirements and other factors that the Board considers relevant
- The Board intends to target a payout ratio of 50% to 70% of NPAT. However, the level of payout ratio is expected to vary between periods depending on the factors described above

Key highlights

- 1 Excluding COVID, Australian pathology is estimated to be a A\$5.8 billion market⁽¹⁾, anticipated to grow between 4.1% and 5.7% over the five years to FY2025⁽²⁾
- 2 Targeting global best practice levels in terms of efficiency, lab technology and information systems
- 3 Established a national unified pathology system with key operating characteristics driving results
- 4 Investment in integration and upgrading facilities and equipment now substantially complete
- 5 Strong balance sheet, cash flow conversion and track record of margin expansion through operating leverage
- 6 Well positioned for future growth via organic opportunities, operational improvements and strategic acquisitions
- 7 Highly experienced management team with a performance-based culture
- 8 Upgraded guidance for 1H FY22 NPAT of between \$48.0m and \$53.0m

(1) As at 30 June 2020 based on Partners in Performance and ACL estimates.

(2) Partners in Performance estimates.

Q&A

Appendix

Reconciliation of pro forma P&L to statutory accounts

AUD in millions	FY21		FY20	Growth	
	Reported	Prospectus	Reported	Prospectus	FY20
Statutory Revenue	644.7	618.2	519.5	4.3%	24.1%
Pro forma adjustments (prospectus)	28.9	28.9	3.3		
Other pro forma adjustments	0.9	-	-		
Pro Forma Revenue	674.4	647.0	522.8	4.2%	29.0%
Statutory EBITDA	196.6	173.0	125.3	13.6%	56.9%
Pro forma adjustments (prospectus)	34.7	34.7	(9.0)		
Other pro forma adjustments	(0.6)	-	-		
Pro Forma EBITDA	230.7	207.7	116.3	11.1%	98.4%
Statutory NPAT	60.4	48.3	41.3	25.0%	46.4%
Pro forma adjustments (prospectus)	26.2	26.2	(29.6)		
Other pro forma adjustments	2.2				
Pro Forma NPAT	88.7	74.5	11.7	19.1%	659.1%

- The above table outlines the pro forma adjustments to the audited statutory profit and loss for FY21, the statutory Prospectus profit and loss and the audited statutory profit and loss for FY20.
- The pro forma adjustments align with the Prospectus with notable differences being lower than expected offer costs, accelerated expensing of legacy management equity plan and forecast statutory Prospectus tax rate being lower than actual.

Reconciliation of pro forma cash flow to statutory accounts

AUD in millions	FY21		FY20	Growth	
	Reported	Prospectus	Reported	Prospectus	FY20
Statutory net cash flow	0.4	(19.2)	30.9		
Pro forma adjustments (prospectus)	195.8	195.8	74.0		
Income tax paid	2.8	-	-		
Financing and investing activities	2.3	-	-		
Other pro forma adjustments	0.9	-	-		
Statutory free cash flow before interest, tax and financing	202.3	176.7	104.8	14.5%	92.9%
Pro forma adjustments (prospectus)	(62.5)	(62.5)	(76.7)		
Costs of the offer	(1.9)	-	-		
Other pro forma adjustments	(0.0)	-	-		
Pro forma free cash flow before interest, tax and financing	137.7	114.1	28.1	20.7%	389.3%
Pro forma adjustments (prospectus)	(33.9)	(33.9)			
Income tax paid	(6.6)	-			
Pro forma net cash flow	97.2	80.2		21.2%	

- The above table outlines the pro forma adjustments to the audited statutory cash flow for FY21, the statutory Prospectus cash flow and the audited statutory cash flow for FY20.
- The pro forma adjustments align with the Prospectus with notable differences being increased tax payments, net SunDoctors closing cash position, reduction in offer costs and PBT outperformance against forecast.

FY21 indebtedness

Conservative net leverage provides significant headroom and financial flexibility

AUD in millions	FY21	31-Dec-20
	Actual	Prospectus
Non-current borrowings		
New Bank Facilities	(99.5)	(103.6)
Current Borrowings		
New Bank Facilities	0.2	0.3
Total debt excluding lease liabilities	(99.3)	(103.3)
Cash and cash equivalents	35.2	10.0
Total net debt excluding lease liabilities	(64.1)	(93.3)
Lease liabilities	(194.9)	(160.1)
Net debt	(259.0)	(253.4)
Key metrics		
Net debt (excluding lease liabilities)/FY21 EBITDA (AASB 117, excl. Non Cash items)	0.4	0.8
Net debt (excluding lease liabilities)/LTM Dec-21 EBITDA (AASB 117, excl. Non Cash items)	0.4	1.0
Net debt/FY21 EBITDA (post AASB 16)	1.1	1.2
Net debt/LTM Dec-21 EBITDA (post AASB 16)	1.1	1.4

Key terms of banking facilities:

- Margin of 1.5% (when < 1.5x EBITDA)
- Net leverage covenant < 3.5x
- Fixed charge cover ratio > 1.5x

Reconciliation AASB 16 to AASB 117

AUD in millions	FY21		FY20	Growth	
	Pro forma	Prospectus	Pro forma	Prospectus	FY20
Pro forma EBITDA (AASB 16)	230.7	207.7	116.3	11.1%	98.4%
Less: Operating lease rentals (AASB 117)	(87.2)	(86.8)	(82.4)		
Pro forma EBITDA (AASB 117)	143.5	120.9	33.9	18.7%	323.4%
Pro forma EBIT (AASB 16)	140.0	119.3	29.6	17.4%	373.0%
Add: Depn of Right of Use Asset (AASB 16)	79.4	77.4	74.0		
Less: Operating lease rentals (AASB 117)	(87.2)	(86.8)	(82.4)		
Pro forma EBIT (AASB 117)	132.2	109.9	21.2	20.3%	524.3%
Pro forma NPAT (AASB 16)	88.7	74.5	11.7	19.2%	659.1%
Add: Depn of Right of Use Asset (AASB 16)	79.4	77.4	74.0		
Add: Interest exp. on Lease liabilities (AASB 16)	11.1	11.0	11.0		
Less: Operating lease rentals (AASB 117)	(87.2)	(86.8)	(82.4)		
Pre tax impact Pro forma NPAT (AASB 117)	92.0	76.1	14.3		
Income tax impact	(1.0)	(0.5)	(0.8)		
Pro forma NPAT (AASB 117)	91.1	75.6	13.5	20.4%	574.6%
<i>EBITDA margin AASB 16</i>	<i>34.2%</i>	<i>32.1%</i>	<i>22.2%</i>	<i>211 bps</i>	<i>1197 bps</i>
<i>EBITDA margin AASB 117</i>	<i>21.3%</i>	<i>18.7%</i>	<i>6.5%</i>	<i>259 bps</i>	<i>1479 bps</i>
<i>EBIT margin AASB 16</i>	<i>20.8%</i>	<i>18.4%</i>	<i>5.7%</i>	<i>233 bps</i>	<i>1510 bps</i>
<i>EBIT margin AASB 117</i>	<i>19.6%</i>	<i>17.0%</i>	<i>4.1%</i>	<i>262 bps</i>	<i>1555 bps</i>

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