

ASX & MEDIA RELEASE

Integral Diagnostics reports 1HFY22 Results, Acquisition of Peloton Radiology and \$90 million Entitlement Offer

23 February 2022, Melbourne

Integral Diagnostics Limited (ASX: IDX) announces its results for the half year ended 31 December 2021 (1HFY22). These results are consistent with the Market Update announcement on 27 January 2022.

Group summary

- Key financial measures for the half year ended 31 December 2021 are:
 - Operating EBITDA \$39.5 million (21.9% margin) on operating revenue of \$180.5 million
 - Operating Diluted EPS of 6.4 cents on operating NPAT of \$13.0 million
 - Statutory NPAT of \$10.2 million after customer contract amortisation, transaction and other costs of \$2.8 million
 - Free cash flow of \$24.8 million with net debt of \$176.8 million
- Interim dividend (fully franked) of 4.0 cents per share payable on 4 April 2022, representing a 70% payout ratio in line with historical levels
- Announcement of acquisition of Peloton Radiology and an Entitlement Offer which is expected to deliver low single digit pro forma FY22 EPS accretion before ongoing synergies and one-off integration costs¹

As previously announced on 27 January 2022, 1HFY22 was impacted by COVID-19 and the associated government responses which included government-lockdowns and border closures across all geographic areas in which we operate. The impacts include:

- Reduced patient activity due to:
 - Restrictions on elective surgery
 - Patients' reluctance or inability to attend healthcare services
 - Staff shortages requiring site closures or reduced operations
- Increased employee costs due to an increased use of sick leave, a reduction in annual leave taken and border restrictions impacting staffing
- Increased consumable costs due to ongoing use of personal protective equipment
- Supply chain disruptions for equipment delivery and repairs resulting in delays in organic growth initiatives and increased downtime of equipment

In addition to the COVID-19 impacts, New Zealand revenues have also been impacted, to a significantly lesser extent, by new referrer-owned radiology practices in Auckland. The

¹Pro forma FY22E EPS accretion assumes the Acquisition was effective from 1 July 2021 and that Peloton Radiology's FY2022 EBITDA of \$8.0m reflects 7 months of actual trading (unaudited) which includes the impact of COVID-19, especially in December and January, plus 5 month forecast which assumes performance is no longer impacted by COVID-19, adjusted for items including one-off expenses, and identified growth and cost saving initiatives. The Acquisition is expected to be accretive on a pro forma FY22E basis both before and after application of the adjustment contemplated in AASB 133 under which EPS is adjusted to reflect the bonus element of the Entitlement Offer.

Company is working with industry and regulatory authorities to maintain professional, quality, arms-length referral practices that protect patient interests.

While 2HFY22 performance to date continues to be impacted by COVID-19, there are some early signs that patient volumes are returning, especially in our Queensland operations, albeit the impact of COVID-19 on 2HFY22 results remains uncertain.

Key financial measures

\$ million		1HFY22	1HFY21 Excluding JobKeeper		Change		
Profitability							
Operating revenue ²	180.5	170.7	9.8	5.7%		▲	
Operating EBITDA (\$)	39.5	42.5 ³	(3.0)	(7.1%)		▼	
Operating EBITDA (%)	21.9%	24.9% ⁴		(3.0%)		▼	
Operating EBITA	23.4	27.2 ⁵	(3.8)	(14.0%)		▼	
Operating NPAT	13.0	16.6 ⁶	(3.6)	(21.7%)		▼	
Operating Diluted EPS (cents)	6.4	8.3 ⁷	(1.9)	(22.9%)		▼	
Statutory NPAT	10.2	19.9	(9.7)	(48.7%)		▼	
Cashflow & Capital Management							
Free cash flow	24.8	33.2 ⁸	(8.4)	(25.3%)		▼	
Free cash flow conversion, net of replacement capex (%)	73.4%	93.9%		(20.5%)		▼	
Interim Dividends declared per share (cents)	4.0	5.5	(1.5)	(27.3%)		▼	
Net debt (pre-AASB16)	176.8	137.3	39.5	28.8%		▲	
Net debt / proforma LTM EBITDA (pre-AASB16) ⁹	2.5x	1.6x					
Equity	267.0	253.4	13.6	5.4%		▲	

Despite recent challenges in the operating environment, the Company has delivered organic revenue growth of \$7.4m or 5% in Australia and an organic revenue decline of (\$3.9m) or (18%) in New Zealand. The Company continues to maintain its focus on executing its organic and inorganic growth strategy. In 1HFY22 \$14.6m was spent on capex in line with expectations, with \$10.4m relating to growth initiatives including the development of three new sites. In addition, the Company continues to progress its pipeline of bolt-on acquisitions that are both strategic and earnings accretive.

² Represents operating revenue and excludes other revenue in 1HFY22 of \$1.0m (1HFY21 \$1.0m)

³ The 1HFY21 EBITDA excludes the receipt of \$9.5m of gross JobKeeper receipts for 1HFY21, inclusive of these receipts 1HFY21 EBITDA was \$52.0m.

⁴ The 1HFY21 EBITDA excludes the receipt of \$9.5m of gross JobKeeper receipts for 1HFY21, inclusive of these receipts 1HFY21 EBITDA operating margin was 30.5%

⁵ The 1HFY21 Operating EBITA excludes the receipt of \$9.5m of gross JobKeeper receipts for 1HFY21, inclusive of these receipts 1HFY21 Operating EBITA was \$36.7m.

⁶ The 1HFY21 Operating NPAT excludes the receipt of \$6.6m of net JobKeeper receipts for 1HFY21, inclusive of these receipts 1HFY21 Operating NPAT was \$23.2m.

⁷ The 1HFY21 Operating EPS (cents) excludes the receipt of \$6.6m of net JobKeeper receipts for 1HFY21, inclusive of these receipts 1HFY21 Operating Diluted EPS was 11.6cps.

⁸ The 1HFY21 free cash flow excludes the receipt of \$9.5m of gross JobKeeper receipts for 1HFY21, inclusive of these receipts the free cash flow was \$42.7m.

⁹ Based on net debt excluding the impact of lease liabilities of \$176.8m (1HFY21: \$137.3m). Pro-forma LTM EBITDA of \$70.3m (1HFY21: \$85.6m) excludes any impact of AASB16 and includes trailing LTM EBITDA for acquisitions. This approach is consistent with banking covenant requirements.

The Company is fully committed to maintaining and supporting our excellent team of radiologists and related medical specialists and technical staff through COVID-19 to continue the delivery of high-quality services to our patients as we see demand returning. Prior experience of operating in a post COVID-19 restricted environment has seen a return to historical levels of operations and a period of “catch-up” resulting in higher volumes of exams for some months. Maintaining our workforce and infrastructure to ensure we are well positioned to service increased demand when we return to pre-COVID-19 operating levels has required ongoing investment and has adversely impacted operating margins in 1HFY22. Where possible the Company has controlled discretionary costs.

We believe the underlying fundamentals of the radiology industry remain strong and the Company is confident that patient volumes and historical growth patterns will over time return to pre-COVID-19 levels, and that continued investment in our workforce and infrastructure has positioned the Company well.

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

Dividend

A fully franked 1HFY22 interim dividend of 4c per share has been declared (1HFY21: 5.5c per share), representing a 70% payout ratio in line with historical levels. The decrease in the interim dividend on the prior corresponding period reflects the impact of COVID-19 on the performance of the business during the 6 months to 31 December 2021. Key dates for the interim dividend are:

Record date	2 March 2022
Final DRP election date	3 March 2022
Payment and issue date	4 April 2022

The Dividend Reinvestment Plan (DRP) will again be available for participation for the 1HFY22 dividend distribution.

Acquisition of Peloton Radiology

IDX has agreed to acquire Peloton Radiology (the **Acquisition**).

Peloton Radiology is a scale provider of diagnostic imaging services with a strategic presence from Brisbane to the Sunshine Coast in the high growth corridor of South East Queensland.

Peloton Radiology is both a strong clinical fit and strategically aligned with IDX. The Acquisition is compelling for IDX:

- Enhances IDX's presence in the high growth corridor of South East Queensland
- Provides radiology services at 9 clinics
- Comprehensive provider of diagnostic imaging services, with a highly diversified modality mix including nuclear medicine, CT and MRI and a modern, well-invested fleet
- 12 highly skilled and recognised radiologists
- 3 partial MRI licences

- Pro forma FY2022 EBITDA of \$8.0m¹⁰
- Implied acquisition multiple of 8.8x pro forma FY2022 EBITDA¹¹
- Growth opportunities with various initiatives underway including increase in equipment fleet, expansion of service offerings and benefit from acquisition of additional site in December 2021
- Satisfies IDX's investment criteria:
 - Strong cultural and clinical fit
 - Attractive revenue growth profile
 - Attractive financial metrics
 - Multiple future growth avenues

The Acquisition is expected to be completed in 2022, subject to satisfaction of conditions precedent, including those described in the investor presentation for the Acquisition and Entitlement Offer released to the ASX today.

Dr Ian Kadish, MD and CEO of Integral Diagnostics, commented:

"We are delighted to incorporate Peloton Radiology into Integral Diagnostics. The group's radiologists and staff represent a strong strategic and cultural fit with IDX's doctor led operating model. The Peloton Radiology group adds real value to IDX's market leading model and it significantly extends our presence in the Queensland market. We extend a warm welcome to the Peloton Radiology doctors and staff and look forward to partnering with them to further grow our combined business."

Dr Richard Langford, the founder of X-Ray and Imaging, said:

"We are delighted to be joining the IDX group and to jointly grow our radiology services in Queensland".

Dr Antony Pais, the Clinical Director of Citiscan, said:

"Citiscan is also delighted to be joining IDX, and is looking forward to engaging with the wider IDX community of radiologists to build on the technology and clinical leadership programs that are being developed".

And Dr Paula Sivyer, the founder and Clinical Director of Brisbane's Diagnostic Imaging Centre for Women (DIFW), said:

"DIFW is looking forward to collaborating with and contributing to the IDX network of specialty Women's Imaging Centres".

Acquisition funding

IDX has agreed to acquire Peloton Radiology for ~\$66.5 million¹² on a cash and debt free basis (**Upfront Consideration**), which is payable 90% in cash and 10% in new ordinary IDX shares.

The Upfront Consideration will be funded by:

- A fully underwritten 1 for 7.75 pro rata Accelerated Non-Renounceable Entitlement Offer to raise ~A\$90m, offered at A\$3.44 per new ordinary share (**Entitlement Offer**); and

¹⁰ Peloton Radiology's FY2022 EBITDA of \$8.0m reflects 7 months of actual trading (unaudited) which includes the impact of COVID-19, especially in December and January, plus 5 month forecast which assumes performance is no longer impacted by COVID-19, adjusted for items including one-off expenses, and identified growth and cost saving initiatives.

¹¹ Implied enterprise value includes the upfront consideration of \$66.5 million (as outlined in footnote 12) and the total net earn out payments of \$4.0 million. Peloton's FY2022 EBITDA is as outlined in footnote 10.

¹² Purchase price is on a cash-free and debt-free basis and will be adjusted for the value of cash, debt and debt-like items at completion of the Acquisition

- New IDX shares issued to the Peloton Radiology vendors at \$3.44 per share at completion of the Acquisition (**Scrip Consideration**)^{13, 14}.

The Acquisition is expected to deliver low single digit pro forma FY22 EPS accretion before ongoing synergies and one-off integration costs.¹⁵

The Entitlement Offer also provides IDX with additional balance sheet flexibility to support investment in identified bolt-on M&A opportunities that are aligned to IDX's strategy. IDX's net debt / LTM Dec-21 pro forma adjusted EBITDA at completion of the Acquisition is expected to be ~1.9x¹⁶.

Peloton Radiology's doctors will be incentivised to remain significantly invested in the combined group through ongoing employment arrangements, as well as the opportunity for ownership of IDX shares.

Subject to the business achieving certain retention and integration objectives, additional earn outs are potentially payable to Peloton Radiology's vendor radiologists under two distinct earn out limbs ending 30 June 2023 and 30 June 2024. Total net earn out payments are expected to be \$4m.

Jefferies (Australia) Pty Limited will act as financial advisor for the Acquisition and Lead Manager and Underwriter to the Entitlement Offer.

Entitlement Offer

IDX is undertaking a \$90 million Entitlement Offer at an offer price of \$3.44 (**Offer Price**) per new share issued in IDX (**New Shares**). The Offer Price represents:

- 10.0% discount to the dividend-adjusted theoretical ex-rights price of A\$3.82 (**TERP**)¹⁷; and
- 11.1% discount to the dividend-adjusted closing price of IDX shares on ASX on 22 February 2022 of \$3.87.

Approximately 26.2 million New Shares will be issued under the Entitlement Offer. Each New Share issued under the Entitlement Offer will rank equally with existing IDX shares on issue at allotment, but will not be eligible for the 1H FY22 interim dividend of 4 cents per share. IDX will, upon issue of the New Shares, seek quotation of the New Shares on the ASX.

¹³ Shares issued as Scrip Consideration will be issued at the same price as new IDX shares issued under the Entitlement Offer

¹⁴ IDX shares to be issued to certain Peloton vendors will be escrowed. Subject to certain limited exceptions, the release of escrowed shares occurs in equal tranches on the first, second and third anniversaries of the issue of the relevant shares.

¹⁵ Pro forma FY22E EPS accretion assumes the Acquisition was effective from 1 July 2021 and that Peloton Radiology's FY2022 EBITDA of \$8.0m reflects 7 months of actual trading (unaudited) which includes the impact of COVID-19, especially in December and January, plus 5 month forecast which assumes performance is no longer impacted by COVID-19, adjusted for items including one-off expenses, and identified growth and cost saving initiatives. The Acquisition is expected to be accretive on a pro forma FY22E basis both before and after application of the adjustment contemplated in AASB 133 under which EPS is adjusted to reflect the bonus element of the Entitlement Offer.

¹⁶ Based on pro forma net debt of \$151.1m and pro forma Dec-21 LTM EBITDA of \$77.7m for PF Combined group on a pre AASB-16 basis.

¹⁷ The theoretical ex-rights price (**TERP**) is the theoretical price at which IDX shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which IDX shares trade at that time will depend on many factors and may not be equal to TERP. TERP is calculated by reference to IDX's closing price of \$3.91 on Tuesday 22nd February 2022 and is adjusted for the 1H FY2022 dividend declared of \$0.04 per share.

Entitlement Offer details and key dates

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the institutional component of the Entitlement Offer (**Institutional Entitlement Offer**), which is being conducted on Wednesday 23rd February and Thursday 24th February 2022. Eligible institutional shareholders can choose to take up all, part or none of their entitlement.

Institutional entitlements that eligible institutional shareholders do not take up, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to eligible institutional shareholders who apply for New Shares in excess of their entitlement, as well as to certain other eligible institutional investors, through an institutional shortfall bookbuild to be conducted concurrently with the Institutional Entitlement Offer.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the retail component of the Entitlement Offer (**Retail Entitlement Offer**) at the same Offer Price and offer ratio as under the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Tuesday, 1 March 2022 and close at 5.00pm (Melbourne time) on Monday, 14 March 2022 (Retail Offer Period). Eligible retail shareholders who take up all of their entitlement may also apply for additional New Shares in excess of their entitlement, up to an additional 50% of their entitlement. Eligible retail shareholders are not assured of being allocated any New Shares in excess of their entitlement, which will be allocated in accordance with the allocation policy outlined in the Retail Offer Booklet.

Further details about the Retail Entitlement Offer will be set out in a booklet (**Retail Offer Booklet**), which IDX will lodge with the ASX by Tuesday, 1 March 2022. The closing date for the receipt of Entitlement and Acceptance Forms and application payments is **5.00pm (Melbourne time) on Monday, 14 March 2022**.

The Retail Offer Booklet and accompanying Entitlement and Acceptance Form are expected to be made available to eligible retail shareholders on Tuesday, 1 March 2022.

Key dates

<i>Key event</i>	<i>Date</i>
Trading halt and announcement of Acquisition and Entitlement Offer	Wednesday, 23 February 2022
Institutional Entitlement Offer opens (10.00am Melbourne time)	Wednesday, 23 February 2022
Institutional Entitlement Offer closes (4.30pm Melbourne time)	Thursday, 24 February 2022
Trading halt lifted	Friday, 25 February 2022
Existing IDX shares re-commence trading on an ex-entitlement basis	Friday, 25 February 2022

Record date for Entitlement Offer (7.00pm Melbourne time)	Friday, 25 February 2022
Retail Entitlement Offer opens and Retail Offer Booklet made available	Tuesday, 1 March 2022
Settlement of Institutional Entitlement Offer	Friday, 4 March 2022
Issue and normal trading of New Shares issued under the Institutional Entitlement Offer	Monday, 7 March 2022
Retail Entitlement Offer closes (5.00pm Melbourne time)	Monday, 14 March 2022
Settlement of Retail Entitlement Offer	Friday, 18 March 2022
Issue of New Shares under the Retail Entitlement Offer	Monday, 21 March 2022
Normal trading of New Shares issued under the Retail Entitlement Offer	Tuesday, 22 March 2022
Despatch of holding statements	Wednesday, 23 March 2022

All dates and times are indicative and IDX reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws.

Additional information

Additional information regarding IDX's 1HFY22 financial results, the Acquisition and the Entitlement Offer is contained in each of the investor presentations released to the ASX today.

The investor presentation for the Acquisition and Entitlement Offer contains important information that shareholders should consider, including information about the risk factors and the foreign selling restrictions with respect to the Entitlement Offer.

The Retail Offer Booklet will be released separately and made available to eligible retail shareholders.

You should seek appropriate professional advice before making any investment decision. If you have any questions about the Retail Entitlement Offer, please contact the IDX Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 8.30am and 5.00pm (Melbourne time), Monday to Friday during the Retail Offer Period.

Investor and analyst conference call

Integral Diagnostics' Managing Director & CEO, Dr Ian Kadish and Chief Financial Officer, Craig White, will be holding an investor and analyst conference call at 10AM 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/10019217-dn5hal2.html>

Alternatively, at the time of the call, dial your respective number below and provide the conference ID 10019217 to the operator, noting there may be wait times:

AUSTRALIA: 1800 809 971

AUSTRALIA Local: 02 9007 3187

NEW ZEALAND: 0800 453 055

AUCKLAND Local: +64 9 929 1687

For further details contact

Integral Diagnostics

Kirsty Lally, Company Secretary

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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 71 radiology clinics, including 29 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/.

Important Notices

FORWARD-LOOKING STATEMENTS

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance, including the outcome of the Acquisition and performance and any synergies of the combined businesses following the Acquisition and the outcome of the Entitlement Offer are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of IDX, its directors and management, including any further impacts of COVID-19 on IDX's continued trading and operations. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of IDX's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of IDX, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to IDX as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of IDX, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

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