

## ASX & MEDIA RELEASE

### Integral Diagnostics reports Audited FY22 Results

**29 August 2022, Melbourne**

Integral Diagnostics Limited (ASX: IDX) announces its audited results for the full year ended 30 June 2022 (FY22). These results are consistent with the Market Update announcement on 27 July 2022.

#### Group summary

- Key financial measures for the full year ended 30 June 2022 are:
  - Statutory NPAT of \$14.6 million after transaction and integration costs, amortisation of customer contracts and other costs, net of tax, of \$7.1 million
  - Operating EBITDA of \$74.8 million (20.8% margin) on operating revenue of \$358.7 million
  - Operating diluted EPS of 10.2 cents on operating NPAT of \$21.7 million
  - Free cash flow of \$49.1 million with net debt of \$101.5 million
- Fully franked final dividend of 3.0 cents per share declared and payable on 5 October 2022, resulting in a total FY22 fully franked dividend of 7.0 cents per share, representing a 84.9% payout ratio

As reported for the first half of FY22, the second half of FY22 continued to be adversely impacted by COVID-19 across all geographic areas in which we operate. Influenza during the winter months is also further disrupting operations and adversely impacted performance. This is consistent with the experience across the broader industry, with Medicare benefits for the States in which IDX operates showing a (5.5%) decrease in weighted average benefits paid for the period from January to June 2022. In comparison IDX showed an equivalent decrease of (3.6%).

Across the full year ended 30 June 2022, the diagnostic imaging industry has as a whole seen decreases in activity. In Australia, Medicare Benefits for the States in which IDX operates have seen a (0.3%) decrease in weighted average benefits paid for FY22 and in comparison, IDX showed an equivalent increase of 0.1% in its organic business.

Reflecting the higher growth areas in which IDX provides services to patients, the Medicare industry weighted average for the States in which IDX operates of (0.3%) revenue decline compares favourably with the Australia-wide Medicare industry decline of (2.8%), which itself has occurred against a backdrop of strong, consistent industry growth for more than a decade of more than 6% per annum.

The impacts of COVID-19, and to a lesser extent influenza in the second half of FY22, included the following:

- Reduced patient activity due to:
  - Restrictions on elective surgery, together with backlogs even where these restrictions have eased.
  - Patients' reluctance or inability to attend healthcare services.
  - Staff shortages caused by high levels of sick leave and/or personal leave where a close contact and required to isolate, requiring site closures or reduced operations.
- Increased employee costs due to an increased use of sick and/or personal leave, a reduction in annual leave taken and border restrictions and its residual effects 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 continued to be impacted by referrer-owned radiology practices in Auckland. The company continues to work with industry and regulatory authorities to maintain professional, quality, arms-length referral practices that protect patient interests.

While prior experience of operating in a post COVID-19 restricted environment had seen a return to historical levels of operations and a period of "catch-up" resulting in higher volumes of exams for some months, the disruptive nature of COVID-19, combined with influenza during the winter months, has meant that we are yet to experience this recovery and we expect it to be more gradual.

## Key financial measures

\$ million	FY22	FY21	Change		
Profitability					
Statutory NPAT	14.6	31.3	(16.7)	(53.5%)	▼
Operating revenue <sup>1</sup>	358.7	348.8	9.9	2.8%	▲
Operating EBITDA (\$)	74.8	93.5	(18.7)	(20.0%)	▼
Operating EBITDA (%)	20.8%	26.8%		(6.0%)	▼
Operating EBITA	41.0	62.8	(21.8)	(34.7%)	▼
Operating NPAT	21.7	38.1	(16.4)	(43.1%)	▼
Operating diluted EPS (cents)	10.2	19.0	(8.8)	(46.2%)	▼
Cashflow & Capital Management					
Free cash flow	49.1	66.5	(17.4)	(26.1%)	▼
Free cash flow conversion, before replacement capex (%)	78.3%	89.1%		(10.8%)	▼
Dividends declared per share (cents)	7.0	12.5	(5.5)	(44.0%)	▼
Net debt (pre-AASB16)	101.5	138.6	(37.1)	(26.8%)	▲
Net debt / proforma EBITDA (pre-AASB16) <sup>2</sup>	1.6x	1.7x			
Equity	347.2	254.8	92.4	36.3%	▲

Despite FY22 challenges in the operating environment, organic operating revenue from all sources (including reporting contracts) in Australia grew \$4.8m or 1.6% (on volume decline of 2.6%), above the Medicare industry weighted average for the States in which IDX operates being (0.3%) revenue decline (on volume decline of 1.8%). Note further that IDX's growth is off a higher base relative to the industry weighted average for the States in which IDX operates given the more regional nature of IDX's operations which were less impacted by COVID-19 in the prior corresponding period, in particular in Victoria.

Average fees per exam (including reporting contracts) in Australia increased by 4.3% in FY22, reflective of an on-going move to the higher end CT, MRI and PET scan modalities and to a lesser extent Medicare indexation of 0.9% applied on CT, Ultrasound and X-ray from 1 July 2021. Reflective of IDX's focus on higher end modalities that drive stronger bottom-line results, the modalities in which IDX trailed Medicare most in revenues were Ultrasound (4.8%) lower and X-ray (3.4%) lower.

New Zealand contributed revenue in FY22 of \$42.5m (FY21 \$45.9m) with an organic revenue decline of (\$3.4m) or (7.4%) reflecting the absence of any COVID-19 impact in FY21. As noted

<sup>1</sup> Represents operating revenue and excludes other revenue in FY22 of \$2.3m (FY21 \$1.9m)

<sup>2</sup> Based on net debt excluding the impact of lease liabilities of \$101.5m (FY21: \$138.6m). Pro-forma LTM EBITDA of \$61.7m (FY21: \$79.8m) excludes any impact of AASB 16 and includes trailing LTM EBITDA for acquisitions. This approach is consistent with banking covenant requirements.

above, New Zealand revenues have continued to be impacted by referrer-owned radiology practices in Auckland.

In FY22 capital expenditure totalled \$31.3m, with \$21.9m relating to growth initiatives including the development of three new sites, including Benowa and Burleigh Heads on the Gold Coast together with O'Connor in Perth which opened in October 2021, April 2022 and June 2022 respectively.

CEO of IDX Dr Ian Kadish said: *"The operating environment continues to be disrupted by COVID-19, as well as by influenza through the winter months, adversely impacting patient activity and operational costs. We remain grateful to frontline healthcare workers across IDX, and elsewhere, who continue to provide world class healthcare in a challenging environment. Despite current COVID-19 and influenza impacts, diagnostic imaging will continue to play an integral role in healthcare diagnosis and treatment going forward. We have recently announced three targeted acquisitions that deepen our service offering in existing geographies and we are focussed on optimally integrating these acquisitions."*

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

Net debt decreased by \$37.1m to \$101.5m (FY21: \$138.6m). IDX's net debt to equity ratio at 30 June 2022 was 29% (FY21: 54%) and net debt/EBITDA ratio at 30 June 2022 was 1.6x (FY21: 1.7x).

At 30 June 2022 IDX held cash of \$123.2m, ahead of completion of the acquisitions of Peloton Radiology and Horizon Radiology on 1 July 2022. In addition IDX has committed facilities of \$407m of which \$173.6m remains undrawn and access to a further \$105m under an accordion facility. Current debt facilities are not due until February 2026, and IDX is in compliance with all the covenants under the debt facility.

As noted above, the Company has progressed targeted bolt-on acquisitions that expand the scope and depth of service locations to patients and broadens our referrer base in existing geographies. These strategic acquisitions include the previously announced transactions to acquire Peloton Radiology in Queensland and Horizon Radiology in New Zealand, both of which completed on 1 July 2022. In addition, the previously announced acquisition of Exact Radiology in Queensland is now expected to complete in the second quarter of FY23, subject to satisfaction of conditions precedent. The Company is now focussed on integrating these acquisitions and is not contemplating any further acquisitions at this time.

## Dividend

A fully franked final dividend of 3.0 cents per share has been declared and is payable on 5 October 2022, resulting in a total FY22 fully franked dividend of 7.0 cents per share, representing a 84.9% payout ratio. The decrease in the FY22 dividend on the prior corresponding period reflects the impact of COVID-19 on the performance of the business during the 12 months to 30 June 2022.

Key dates for the interim dividend are:

<b>Record date</b>	2 September 2022
<b>Final DRP election date</b>	5 September 2022
<b>Payment and issue date</b>	5 October 2022

The Dividend Reinvestment Plan (DRP) will again be available with no discount for participation for the FY22 dividend distribution.

## FY23 priorities & focus

- Drive organic growth, including through selective price increases, cost efficiencies and select brownfield and greenfield investment opportunities.
- Accelerate the use of teleradiology, digital and AI technologies.
- Drive our environmental, social and governance (ESG) strategy.
- Continue to nurture and develop culture and leadership across our people.
- Focus on integrating recent acquisitions well, with no further acquisitions contemplated at this time.

The Chair, Helen Kurincic said *“The Company believes the underlying fundamentals of the essential 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 medical specialist and technical workforce and infrastructure will position the Company well.”*

## 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/10024079-3nsh32.html>

Alternatively, at the time of the call, dial your respective number below and provide the conference ID **10024079** 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

Authorised for lodgement by the Integral Diagnostics Board of Directors.

**Contact details:**

Name: Kirsty Lally  
Title: Company Secretary  
Tel: +61 3 9321 4918  
Email: klally@idxgroup.com.au

**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 91 radiology clinics, including 31 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/](http://www.integraldiagnostics.com.au/).***

**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. 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. 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 or its representatives 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 or its representatives 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.