ASX Announcement

Australian Clinical Labs Limited
ABN 94 645 711 128
Registered Office:
1868-1892 Dandenong Road
Clayton VIC 3168
Australia

clinicallabs.com.au

Monday, 20 February 2023

ACL 1H23 FINANCIAL RESULTS

The following announcements to the market are attached:

Appendix 4D

1H23 full year financial statements and statutory reports

✓ 1H23 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 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.

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ACL FY23 First Half Results

Strong performance, demonstrated flexibility and underlying business strength

Declares an interim dividend of 7cps

Australian Clinical Labs Limited (ASX: ACL) (**ACL** or the **Company**) today announced its FY23 results for the 6 months to 31 December 2022 (**1H FY23**).

AUD in millions	Actual 1H FY23	Actual 1H FY22	Actual 2H FY22	Actual CY22	Actual FY22
Non-COVID-19 revenue	305.7	258.2	298.3	603.9	556.4
COVID-19 revenue	45.2	271.3	148.8	194.0	420.1
Total Patient Revenue	**350.9**	**529.5**	**447.0**	**797.9**	**976.6**
Clinic/Other Revenue	9.4	8.5	10.6	20.0	19.0
Total Revenue	**360.3**	**538.0**	**457.6**	**817.9**	**995.6**
EBITDA	**99.8**	**239.3**	**133.4**	**233.2**	**372.7**
EBIT	**38.9**	**191.0**	**75.6**	**114.5**	**266.6**
EBIT margin	11%	36%	17%	14%	27%
NPAT	**25.4**	**130.2**	**48.0**	**73.5**	**178.2**
EBITDA AASB117	**42.6**	**192.1**	**78.6**	**121.2**	**270.7**
EBITDA AASB117 margin	12%	36%	17%	15%	27%

Key Highlights include:

- ACL margins at more sustainable EBITDA and EBIT margins of 28% and 11%, despite non-COVID revenue across the market continuing to be below trend.
- ACL continued to capture market share with 1H FY23 non-COVID Medicare revenue growth excluding acquisitions of 7%[1], ahead of broader market of 5%[2].
- ACLs non-COVID revenue continues to strengthen with January like-for-like revenue growth of 22% on prior year.
- Outpatient specialist revenue was up over 4% on 1H FY22 and up almost 21% on 1H FY20.
- As an Australian based business, ACL demonstrated its agility to respond to domestic demands.
- Margins consistent with historical presentations as to performance of underlying business.
- Total Revenue of $360.3m.
- 1H FY23 working day adjusted non-COVID revenue growth of 20% versus 1H FY22 (7% ex Medlab). When compared to Pro Forma 1H FY 20, the most recent pre COVID period, non-COVID pathology revenue is up 22% (9% ex Medlab).
- EBITDA of $99.8m. EBITDA is up 97% on Pro Forma 1H FY20, being a comparable pre-COVID period.
- EBIT of $38.9m. EBIT is up 518% on Pro Forma 1H FY20 as a comparable pre-COVID period.
- NPAT of $25.5m.
- Demonstrated cost management in a subdued market revenue environment.
- Business maintained solid cash generation with free cash flow before interest, financing and tax of $25.5m.
- Medlab integration near completion, ahead of schedule, with annualised EBIT performance post synergies exceeding $20m on a run-rate basis by the end of H1, well ahead of initial forecasts of $14.5m p.a.

[1] *ACL excludes Medlab, SunDoctors and non-Medicare commercial work and adjusted for working days*

[2] *Market data based on working day adjusted Medicare statistics excluding COVID testing outlays and estimated associated PEI and BBI outlays*

(previously forecast to be achieved 24 months' post-acquisition). Now focus is on embedding changes and benchmarking integrated service to ensure efficiency.
- ACL removed the majority of COVID related costs by Sept 2022 quarter. ACL management actively manages costs to volume, driving a permanent project management approach that ensures integrations and material operating changes are managed as part of BAU without the need for normalisation reporting
- Following upgrade of base LIS completed in 2H FY22, 100% uptime was achieved in 1H FY23. demonstrating benefits from improved system reliability. Capacity to scale LIS materially going forward now in place.

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

"This is a really pleasing result for the company. We have demonstrated that we are disciplined, agile and have a clear pathway to continue to deliver the strong performance we have announced today. We are delivering above market growth and strong margins even in the face of a volatile macro environment in Australia."

"It is especially pleasing to see our growth in specialist referred pathology, driven in part by our long-term relationships with the #2 and #3 private hospital groups which flows through to outpatient pathology."

"The resilience and flexibility we have built into our business meant that as volumes declined over the last 6 months, our management teams were able to manage both BAU, and COVID related costs in particular, in line with volume. COVID testing is now performed in our collection centres, as BAU, allowing us to rebalance our footprint and remove the costs of drive-through and other pandemic related services which in Australia were significant.

"We are also ahead of schedule for the integration of Medlab, exceeding the planned synergies materially. We are now focusing on maximising efficiencies and implementing our revenue initiatives into the Medlab business."

"We have a well-defined revenue growth and operational efficiency strategy, the teams on the ground execute extremely well. This result is a credit to our people who are doing a terrific job in a challenging environment."

Interim dividend for 1H FY23

ACL has declared an interim fully franked dividend of 7cps with a record date of 28 March and payment date of 26 April.

The pro-forma 31 December 2023 net debt position post the dividend is $63.9m which is lower than the net debt of $93m at time of IPO in May 2021 allowing headroom for growth.

Based on a share price of $2.96 as at 17 February, the 1H FY23 interim dividend implies an annualised dividend yield of 4.7%.

Outlook

We remain focused on the ongoing out-performance of the core business. While ACL expects non-COVID revenue to return to trend growth over time, the timing of this recovery is hard to forecast. The Company continues to believe low, double-digit EBIT margins are achievable into the future.

In 2H FY23, ACL will focus on:
- Ensuring that full Medlab synergies hit the bottom line. Phased synergies achieved throughout 1H with full EBIT run rate exceeding $20m p.a. realised in 2H FY23
- Capturing growth in non-COVID revenue. Prior to COVID, the Australian pathology market grew on average by 6% p.a. driven by population growth, ageing demographics and new tests
- ACLs non-COVID revenue continues to strengthen with January 2023 like-for-like revenue growth of 22% on prior year
- ACL's focus remains on capturing at or above its market share of the expected rebound in non-COVID revenue
- Growing market share in New South Wales and Queensland following the acquisition of Sun Doctors and Medlab
- ESG performance, including finalising its Reconciliation Action Plan

Dividend guidance remains 50-70% of FY23 NPAT.

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 11am (Melbourne time).

Participants can register for the webcast by accessing this link:
[new link to be provided]

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:

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About Australian Clinical Labs

ACL is a leading Australian private provider of pathology services. Our 76 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.

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.

AUSTRALIAN Clinicallabs

FY23 First Half Results Presentation

Melinda McGrath CEO and Executive Director
James Davison CFO

February 2023

Contents

Overview

Melinda McGrath, CEO and Executive Director

1H FY23 Results – Financial Highlights

ACL achieved EBITDA of $99.8m (28% margin) and EBIT of $38.9m (11% margin) demonstrating proactive cost management in a volatile environment. Medlab integration near complete with run rate performance of >$20m EBIT achieved by end of 1H FY23. January 2023 non-Covid revenue like-for-like growth +22%

- 1H FY23 is the first reporting period that is "post Covid" for ACL since listing. In the Dec 2022 quarter, COVID revenues of $13.4m were offset by costs of resetting the cost base of the business, and COVID contribution was broadly in line with expected ongoing financial contribution
- Key highlights from 1H FY23 include:
    - ACL margins at more sustainable EBITDA and EBIT margins of 28% and 11%, despite non-COVID revenue across the market continuing to be below trend. Margins consistent with historical presentations as to performance of underlying business
    - Total Revenue of $360.3m
    - 1H FY23 working day adjusted non-COVID revenue growth of 20% versus 1H FY22 (7% ex Medlab). When compared to Pro Forma 1H FY20, a pre-COVID period, non-COVID pathology revenue is up 22% (9% ex Medlab).
    - Outpatient specialist revenue was up 4% on 1H FY22 and up 21% on 1H FY20
    - EBITDA of $99.8m. EBITDA is up 97% on Pro Forma 1H FY20, being a comparable pre-COVID period
    - EBIT of $38.9m. EBIT is up 518% on Pro Forma 1H FY20, being a comparable pre-COVID period
    - NPAT of $25.5m
    - Non-COVID volume remains below trend for both ACL and the market for the period. However, 1H FY23 saw a return to positive Pathology market outlay growth, up 5% [1] on 1H FY22 and up 5% [1] on pre-COVID 1H FY20
- 2H FY23 has started strongly, with ACL's non-COVID revenue in January 2023 showing like-for-like growth of 22% on prior year
- Good cost management in a subdued revenue environment for the market
- Business maintained solid cash generation with free cash flow before interest, financing and tax of $25.5m
- Interim dividend declared of 7 cents per share, which represents 56% of 1H FY23 NPAT. Record Date of 28 March 2023 and Payment Date of 26 April 2023. Board target payout ratio retained at 50-70% of full year NPAT

Management is focused on ensuring full Medlab synergies hit the bottom line in 2H FY23, capturing growth in non-COVID revenue, growing market share in NSW and Queensland post Medlab and Sun Doctors acquisitions, and delivering ESG performance

(1) Market data based on working day adjusted Medicare statistics excluding COVID testing outlays and estimated associated PEI and BBI outlays

1H FY23 Results – Operational & Strategic Highlights

Medlab integration near complete, majority of COVID-related costs removed, major LIS upgrade completed providing material capacity to scale

- Medlab integration completed ahead of schedule, with annualised EBIT performance post synergies exceeding $20m on a run-rate basis by the end of 1H, well ahead of initial forecasts of $14.5m p.a. (previously forecast to be achieved 24 months post-acquisition). Now focus is on embedding changes and benchmarking integrated service to ensure efficiency
- ACL removed the majority of COVID related costs by Sept 2022 quarter. ACL management actively manages costs to volume, driving a permanent project management approach that ensures integrations and material operating changes are managed as part of BAU without the need for normalisation reporting
- Renewed major public hospital contract and negotiations well advanced for another
- ACL continued to capture market share with 1H FY23 non-COVID Medicare revenue growth excluding acquisitions of 7%[1], ahead of broader market of 5%[2]
- Following upgrade of base LIS completed in 2H FY22, 100% uptime was achieved in 1H FY23 demonstrating benefits from improved system reliability. Capacity to scale LIS materially going forward now in place
- Continued to successfully pursue strategic adjacencies, including in clinical trials where ACL is now the largest provider of pathology services for Phase 1 CROs in Australia (achieved through organic growth and customer wins)

Management is focused on ensuring full Medlab synergies hit the bottom line in 2H FY23, capturing growth in non-COVID revenue, growing market share in NSW and Queensland post Medlab and Sun Doctors acquisitions, and delivering ESG performance

(1) Excludes growth from acquisitions of Medlab, SunDoctors and non-Medicare commercial work and adjusted for working days
(2) Market data based on working day adjusted Medicare statistics excluding COVID testing outlays and estimated associated PEI and BBI outlays

1H FY23 Results – ESG highlights

Second year of execution of ACL's ESG strategy continues to deliver strong performance across all areas of our ESG Mission

Environmental

Carbon Emissions

1.06kg CO_2 per episode down from 1.4kg in FY21; **Cold chain logistics** in 3 labs - single use plastic reduction

Couriers & Logistics

47 hybrid cars across group up from 23 in FY22; **10%** reduction in km / per episode with SMART logistics

LED Conversion

1,450 LED Panels installed

Electronic Ordering

16% digital referrals up from 11% in 1H FY22

Social

Injury reduction

3.21 LTIFR
Significant improvement from 6.3 in Dec 21

Customer Service

4.67/5.0
Positive experience

Women in leadership

Phase 2 of Women in leadership training program implemented with personalised development plans

Corporate Governance

Board/management composition

Board 33% female representation - Up from 29%; Management 57.1% female

RAP

RAP Roadmap endorsed and governance established

Internal audit function

Internal audit function established with new outsourced partner for non-clinical risk

Financial Results Overview
James Davison, CFO

1H FY23 Profit and Loss

Across 1H, ACL achieved EBITDA of $99.8M (28% margin) and NPAT of $25.5m (7% margin). ACL was able to rapidly reset its cost base and maintain industry leading margins as the pathology industry transitioned away from COVID testing

AUD in millions	Actual 1H FY23	Actual 1H FY22	Actual 2H FY22	Actual CY22	Actual FY22
Non-COVID-19 revenue	305.7	258.2	298.3	603.9	556.4
COVID-19 revenue	45.2	271.3	148.8	194.0	420.1
Total Patient Revenue	**350.9**	**529.5**	**447.0**	**797.9**	**976.6**
Clinic/Other Revenue	9.4	8.5	10.6	20.0	19.0
Total Revenue	**360.3**	**538.0**	**457.6**	**817.9**	**995.6**
EBITDA	**99.8**	**239.3**	**133.4**	**233.2**	**372.7**
EBIT	**38.9**	**191.0**	**75.6**	**114.5**	**266.6**
EBIT margin	11%	36%	17%	14%	27%
NPAT	**25.4**	**130.2**	**48.0**	**73.5**	**178.2**
EBITDA AASB117	**42.6**	**192.1**	**78.6**	**121.2**	**270.7**
EBITDA AASB117 margin	12%	36%	17%	15%	27%

Non-COVID revenue up 22% on Pro Forma 1H FY20 ($253.1m, being a comparable pre-COVID period). Driven by Medlab acquisition and organic growth

- In 1H FY23, ACL generated $360.3m of Revenue, $99.8m of EBITDA, $38.9m of EBIT and $25.5m of NPAT
- Result includes phased synergy contribution for 1H from Medlab acquisition. Moving into 2H, full $20m of forecast annualised EBIT to flow through from Medlab acquisition
- ACL non-COVID Medicare revenue has continued to rebound with underlying organic growth ex contribution from Medlab of 7%[1] (22% including contribution from Medlab) versus market of 5%[2]
- Business has rapidly reset cost-base in response to industry decline in COVID testing, maintaining strong EBIT margin of 11%

(1) *ACL excludes Medlab, SunDoctors and non-Medicare commercial work and adjusted for working days*
(2) *Market data based on working day adjusted Medicare statistics excluding COVID testing outlays and estimated associated PEI and BBI outlays*

1H FY23 Cash flow

ACL generated operating cash flow of $29.2m

AUD in millions	Actual 1H FY23	Actual 1H FY22	Actual 2H FY22	Actual CY22	Actual FY22
EBITDA	**99.8**	**239.3**	**133.4**	**233.2**	**372.7**
Non-cash items	(4.2)	0.4	0.9	(3.3)	1.3
Property related payments AASB 16	(57.2)	(47.1)	(54.8)	(112.1)	(102.0)
Cash EBITDA	**38.4**	**192.5**	**79.5**	**117.8**	**272.0**
Change in net working capital	(9.2)	(36.5)	26.6	17.4	(9.9)
Operating cash flow pre capex	**29.2**	**156.0**	**106.1**	**135.3**	**262.1**
Capital expenditure	(3.6)	(8.2)	(12.8)	(16.5)	(21.0)
Free cash flow before interest, tax and financing	**25.5**	**147.8**	**93.3**	**118.8**	**241.1**
Financing and investing activities	(17.6)	(120.3)	(59.7)	(77.4)	(180.0)
Interest paid (excluding AASB-16 related Interest)	(1.2)	(0.6)	(0.5)	(1.6)	(1.1)
Income tax paid	(17.0)	(14.8)	(54.1)	(71.1)	(68.9)
Net cash flow	**(10.2)**	**12.1**	**(21.0)**	**(31.2)**	**(8.9)**
Cash EBITDA to Operating cash flow	76%	81%	134%	115%	96%

- Negative working capital in 1H FY23 of $9.2m, in line with previous years 1H unfavourable with 2H catch-up
- Capex of $3.6m (1% of revenue) relating to replacement laboratory equipment, motor vehicles and leasehold improvements ($2.4m), IT ($0.4m) and Medlab integration ($0.9m with rebranding comprising $0.5m). ACL's annual Capex spend excluding major growth spend has remained consistent at an average of $8m-$10m pa over the last 5 years, demonstrating sustainable level of investment
- Cash outflow for financing and investing activities primarily relating to $17m loan repayment
- Income tax paid includes $7.0m relating to FY22 and elevated instalments relating to FY23. 2H FY23 income tax paid to be materially lower (instalments adjusted in line with expected FY tax payable).

1H FY23 Balance Sheet

Net Debt was $49.8m (0.4x of LTM EBITDA) as ACL maintained a conservative capital structure during this transition period to a post COVID environment

AUD in millions	Actual 1H FY23	Actual FY22
Cash and cash equivalents	16.1	26.4
Trade and other receivables	75.6	91.1
Inventories	17.6	20.1
Other current assets	12.2	5.3
Total current assets	**121.6**	**142.9**
Plant and equipment	53.7	58.1
Right of use assets	245.9	252.1
Goodwill and other intangibles	165.3	165.4
Deferred Tax Assets / Other Non-current Assets	9.1	9.6
Non-current assets	**474.0**	**485.2**
Total assets	**595.6**	**628.0**
Trade and other payables	(40.1)	(59.2)
Lease liabilities	(97.3)	(94.8)
Provisions	(49.2)	(53.8)
Deferred consideration	(5.2)	(10.2)
Current tax liabilities / Other current liabilities	(0.2)	(7.2)
Total current liabilities	**(192.0)**	**(225.2)**
Lease liabilities	(159.9)	(167.6)
Borrowings	(65.9)	(0.0)
Provisions	(2.7)	(2.7)
Deferred consideration	-	-
Non-Current tax liabilities / Other non-current liabilities	0.0	0.0
Total non-current liabilities	**(228.4)**	**(170.3)**
Total liabilities	**(420.4)**	**(395.5)**
Net Assets	**175.1**	**232.6**

Comments

- Cash balance of $16.1m as at 31 December 2022
- Trade and other receivables decreased to $75.6m as the industry transitioned away from COVID-testing
- Deferred consideration of $5.0m relates to Medlab acquisition
- Net Debt position (excluding lease liability) of $49.8m. Increase in Net Debt driven by reduced cash balance from FY22 dividend and increase in Borrowings to reflect more appropriate capital structure
- Interim dividend declared of 7 cents per share, which represents 56% of 1H FY23 NPAT ($14.1m) and an annualised dividend yield of 4.7%. Record Date of 28 March 2023 and Payment Date of 26 April 2023. Board target payout ratio retained of 50-70% of NPAT based on full year NPAT
- ACL well within covenant profiles of:
  - Leverage Ratio 3.5x
  - Fixed Cover Charge Ratio 1.5x

Investment Highlights

Melinda McGrath, CEO and Executive Director

Key Investment Highlights (1/2)

Since listing, ACL has consistently delivered above market growth and strong margin performance through a combination of disciplined capital management and the strength of its operating model

Overall Business performance & cost management	• **Outperformance to prospectus:** Materially outperformed prospectus forecasts across FY21 and FY22 • **Underlying growth:** Organic non-COVID-19 Medicare revenue growth (excluding acquisitions) from 1H FY20 to 1H FY23 of 7%[1], outperforming market growth of 5%[2] • **Superior margins**: Delivered superior EBIT margins to other listed Australian-only competitor in all periods since IPO, with usual practice of no normalisation of cost out programs
Distributions	• **Material distributions to shareholders:** Dividend returns to shareholders in FY22 were 60% of NPAT. Dividend guidance remains 50-70% of FY23 NPAT
COVID-19	• **Strong performance during COVID:** Achieved record profitability in FY22 of $266.6m EBIT through continued focus on underlying service and rapid scale up in COVID testing enabled by best practice operating systems. Achieved leading post-AASB16 EBIT margins of 27% in FY22, compared to 21-23% achieved by ACL's larger listed competitors • **Disciplined capital management:** Strong capital management through special dividend to shareholders, consistent capital investment in the business, debt paydown and high synergy acquisition • **Resilient operating model post-COVID:** Rapidly reset cost base as industry transitioned away from high levels of COVID-19 testing, demonstrating agility and resilience of operating model. 1H FY23 EBIT margin of 11%. Non-COVID revenue increased by 22% from 1H FY20 to 1H FY23
Organic growth strategies	• **Strategic adjacencies:** Successfully pursued strategic adjacencies, including in clinical trials and skin pathology • **Geographic expansion:** Footprint expansion in NSW and Queensland, delivering market share expansion • **New Tests:** New tests into Australia, including various genetic tests • **Material contract wins:** Won a number of material contracts in recent years, including significant defence contract and Northern Beaches hospital contracts

(1) ACL excludes Medlab, SunDoctors and non-Medicare commercial work and adjusted for working days
(2) Market data based on working day adjusted Medicare statistics excluding COVID testing outlays and estimated associated PEI and BBI outlays

Key Investment Highlights (2/2)

Since listing, ACL has consistently delivered above market growth and strong margin performance through a combination of disciplined capital management and the strength of its operating model

Acquisition strategies	• **Deep experience in acquisitions:** Strong acquisition track record, completing and integrating 5 acquisitions over the past 7 years. Clear consistent strategy communicated and executed • **Medlab outperformance:** Most recent acquisition, Medlab, completed at 6.2x FY21 EBITDA, with integration achieved ahead of schedule and delivering EBIT exceeding $20m, well ahead of forecasts, due to high cost synergies
Cash Flow	• **Highly cash generative:** Generated Free Cash Flow (after capex, interest and lease payments) of 12.2% of revenue over FY21, FY22 and 1H FY23 • **Limited capitalisation :** Capex averaging only 1.7% of revenue from FY2021 to 1H FY2023 due to focus on expensing costs rather than capitalising (providing investors a clear view of actual performance). Ongoing capex continues to be forecast at $8 - $10m p.a. (excluding acquisitions/growth capital)
Balance Sheet	• **Limited Gearing:** Strong balance sheet with a net debt position of $49.8m as at 31 December 2022, compared to 1H FY23 EBITDA of $99.8M. This compares to pro forma net debt as at 31 Dec 2020 of $93.3m. This ensures sufficient balance sheet capacity to take advantage of organic and inorganic growth opportunities and a conservative balance sheet approach during the period of transition post COVID
LIS and Laboratories	• **Unified national system:** Significant investment and upgrades completed pre and post IPO with majority of costs expensed, not capitalised. Single unified national Laboratory Information System delivering significant operational efficiencies and no major capex required for LIS improvements • **State-of-the-art equipment**: All major laboratories have been upgraded in the past 6 years. Purpose-built sites in SA and Qld with significant upgrades in Vic, NSW and WA

Organic market growth and embedded revenue opportunities

ACL has a well-defined strategy to drive continued growth focussed on geographical expansion in NSW and Qld, strategic adjacencies such as clinical trials, major contract wins and further acquisitions

Revenue Opportunities

- **Organic Market Growth and Embedded revenue opportunities**

- Maximise revenue benefit of Medlab acquisition and expand footprint in NSW and QLD
- Maximise organic growth of Sun Doctors post COVID and expand nationally
- Rebound in organic growth and catch up in GP practices
- Rebound growth from public and private hospitals – we have long term contract for the #2 and #3 private hospital groups – this flows through to specialist work which is already rebounding well
- Post COVID reinvigoration of Northern Beaches Hospital growth plan including Northern Sydney suburbs
- Renewed material major public hospital contracts
- Covid and Respiratory collections are now being performed in ACCs as BAU
- Clinical Trials growth in Melbourne and Queensland
- Personalised medicine – Genetics and NIPT growth above market rate
- Further acquisitions

Well-defined business improvement strategy – Operational performance improvements and cost management

ACL continues to be focussed on driving increased operational efficiency through various levers including leveraging the benefits of its single integrated LIS, further courier optimisation and various digitisation initiatives

Operational Performance Improvements

- **Continuous improvement program**
- **Extract additional benefits from unified pathology system**
- **Opportunities integration of acquisitions**
- **National connectivity drives best practice**

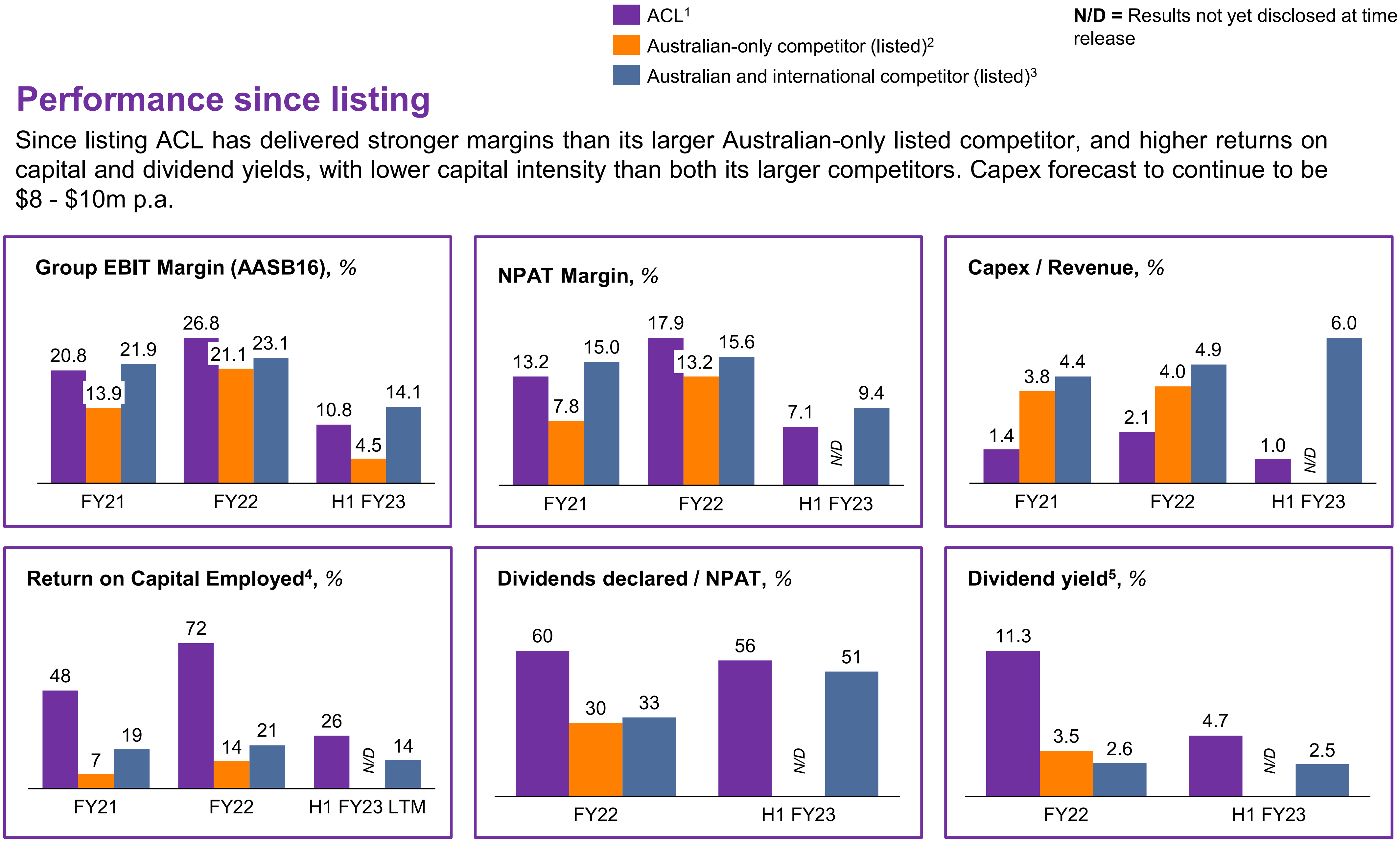
- National Connectivity drives best practice – ACL's single integrated LIS provides a structural advantage
- Continued benefit from run rate synergy realisation from Medlab acquisition
- ACL benchmarks and drives performance fortnightly based on volume and best demonstrated performance
- Labour management tool forecasts rosters in advance to optimise roster in advance of cost being incurred – particularly useful post COVID, at Christmas/New Year and unplanned Queen memorial holiday
- GPS tracking route optimisation system being applied across the country and to acquisitions to minimise kms travelled, labour costs and environmental impact
- Investment in IT and change to Oracle and digital provides more resilient performance, with reduced downtime
- Paperless pathology and e ordering to streamline process, improve accuracy and minimise manual data entry labour.
- Consumables price well managed, volume and inventory related business improvement opportunities, inflation mainly seen in general expenses such as transport.
- Digital front end activity to streamline process, other automation opportunities

(1) Partners in Performance estimates.

Performance since listing

Since listing ACL has delivered stronger margins than its larger Australian-only listed competitor, and higher returns on capital and dividend yields, with lower capital intensity than both its larger competitors. Capex forecast to continue to be $8 - $10m p.a.

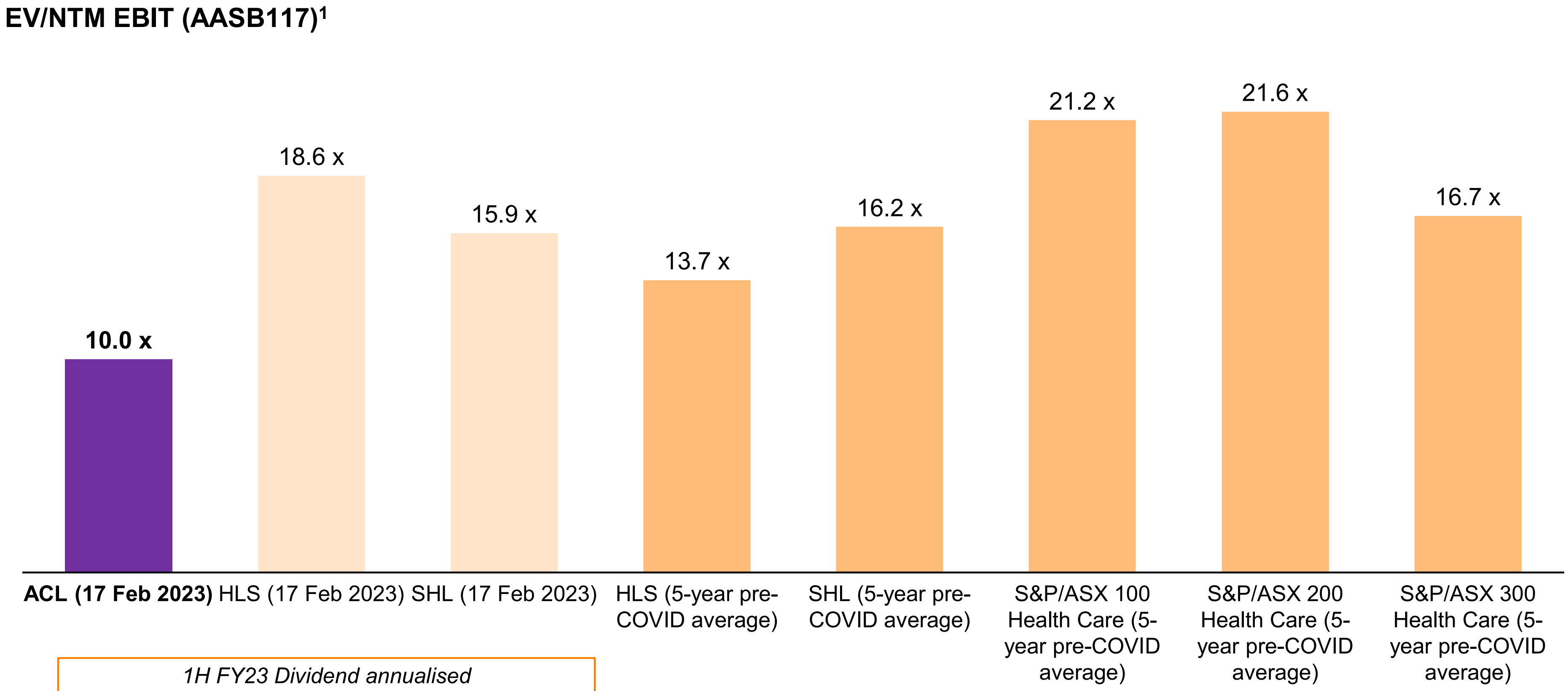
N/D = Results not yet disclosed at time of release



Note: (1) Based on Pro-Forma financials for FY21 (2) Based on Underlying financials although margin performance is lower on a statutory basis (3) EBIT AASB16 impact assumed as finance charges on capitalised leases as disclosed in the competitor's annual report (no separable disclosure of AASB16 impact by competitor). EBIT AASB16 impact to half year results assumed as 50% of FY22 finance charges on capitalised leases. Capex calculated as payments for PP&E, investments and intangibles (4) Return on Capital Employed calculated as EBIT (AASB17) divided by capital employed (Total assets – current liabilities) (5) Dividend yield for FY22 calculated as FY22 dividend divided by FY22 VWAP; 1H FY23 calculated as interim dividend annualised divided by Share price as at 17 February 2023

ACL's relative performance and valuation metrics

ACL's performance is still to be reflected in its valuation metrics relative to other healthcare stocks given its more recent listing and "COVID fog", which has only lifted since July 2022



1H FY23 Dividend annualised

	ACL (17 Feb 2023)	HLS (17 Feb 2023)	SHL (17 Feb 2023)	HLS (5-year pre-COVID average)	SHL (5-year pre-COVID average)	S&P/ASX 100 Health Care (5-year pre-COVID average)	S&P/ASX 200 Health Care (5-year pre-COVID average)	S&P/ASX 300 Health Care (5-year pre-COVID average)
Dividend yield[2]	**4.7%**	**N/D**	**2.5%**	**3.6%**	**3.7%**	**2.1%**	**1.9%**	**1.8%**

Note: (1) ACL, HLS and SHL NTM EBIT estimates as at 17 February 2023 based on Refinitiv consensus data. Current ACL and HLS NTM EBIT estimates adjusted for AASB17 using the FY22 EBIT AASB16 impact disclosed by each company in public filings. Current SHL NTM EBIT estimate adjusted for AASB17 with EBIT AASB16 impact assumed as FY22 finance charges on capitalised leases disclosed in SHL's 2022 Annual Report (no separable disclosure of AASB16 impact by the company). 5-year pre-COVID average calculated for the period from 11 March 2015 to 11 March 2020 based on Refinitiv data (2) Dividend yield for ACL and Sonic based on 1H FY23 dividend annualized divided by Share price on 17 February 2023

ACL Operating Model

ACL believes its strong financial performance is underpinned by an operating model driven by the strength of its clinical service, management culture and its internal systems and processes

1 Strong management culture

- Management culture, which is performance driven and focused on excellence in clinical and customer service, cash flow, shareholder outcomes and strong ESG performance
- Highly experienced and stable management team and Board, with extensive pedigree in the pathology industry

2 Single, unified LIS

- Integrated Laboratory Information System, which allows ACL to operate as a single laboratory and dynamically reallocate work and capacity through its network minimising duplication and cost
- This allows for dynamic cost control and ACL to achieve the economies of scale of a larger pathology operator

3 Robust internal processes

- Internal benchmarking and processes, focused on business improvement, efficiency, integrations and strategic projects
- ACL's internal project team has a focus on continuous improvement and flexibility, as demonstrated by its ability to manage the uncertainty and variability of the COVID-19 pandemic effectively

4 Disciplined capital management

- Strong capital management processes that focus on ensuring the business is positioned to grow and returning cash flow to ACL shareholders
- Level of Capex reflects ACL's disciplined focus on capital allocation and preference to expense costs rather than capitalising to ensure appropriate expense controls and ROIC

Outlook
Melinda McGrath, CEO and Executive Director

Outlook for 2H FY23

In 2H FY23, ACL will continue to focus on ensuring Medlab synergies hit the bottom line, capturing growth in non-COVID revenue, growing market share in NSW and Queensland post Medlab and Sun Doctors acquisitions and delivering ESG performance

- In 2H FY23, ACL will focus on:
    - Ensuring that full Medlab synergies hit the bottom line. Phased synergies achieved throughout 1H with full EBIT run rate exceeding $20m pa realised in 2H FY23
    - Capturing growth in non-COVID revenue. Prior to COVID, the Australian pathology market grew on average by 6% driven by population growth, ageing demographics and new tests.
    - ACLs non-COVID revenue continues to strengthen with January 2023 like-for-like revenue growth of 22% on prior year
    - ACL's focus remains on capturing at or above its market share of the expected rebound in non-COVID revenue
    - Growing market share in New South Wales and Queensland following the acquisition of Sun Doctors and Medlab.
    - ESG performance, including finalising its Reconciliation Action Plan
- Revenue for H2 will be dependent on the pace of recovery in underlying volumes. While ACL expects non-COVID revenue to return to trend growth over time, the timing of this recovery is hard to forecast
- The Company continues to believe low, double-digit EBIT margins are achievable into the future

While revenue for the business in 2H FY23 remains uncertain and subject to market conditions, ACL believes it is well placed to maintain margins that are consistent or superior to 1H FY23, driven by continued operational performance including efficiencies which continue to be realised from its single operating system

Appendix

AUSTRALIAN Clinicallabs

1H FY23 indebtedness

Conservative net leverage provides significant headroom and financial flexibility

AUD in millions	Dec-23 Actual	Jun-22 Actual	M'ment
Non-current borrowings			
Redrawable Term Facility ($100m)	(65.9)	-	
Current Borrowings			
Working Capital Facility ($20m)	-	-	
Total debt excluding lease liabilities	**(65.9)**	**-**	**(65.9)**
Cash and cash equivalents	16.1	26.4	
Total net debt excluding lease liabilities	**(49.8)**	**26.4**	**(76.1)**
Lease liabilities	(257.2)	(262.4)	
Net debt	**(306.9)**	**(236.0)**	**(70.9)**
Key metrics			
Net debt (excl lease liab.)/LTM EBITDA (AASB 117, excl. Non Cash)	0.4	-	
Net debt/LTM EBITDA (post AASB 16)	1.3	0.6	

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	Actual 1H FY23	Actual 1H FY22	2H FY22	Actual CY22	Actual FY22
Pro forma EBITDA (AASB 16)	**99.8**	**239.3**	**133.4**	**233.2**	**372.7**
Less: Operating lease rentals (AASB 117)	(57.2)	(47.1)	(54.8)	(112.0)	(102.0)
Pro forma EBITDA (AASB 117)	**42.6**	**192.1**	**78.6**	**121.2**	**270.7**
Pro forma EBIT (AASB 16)	**38.9**	**191.0**	**75.6**	**114.5**	**266.6**
Add: Depn of Right of Use Asset (AASB 16)	53.2	42.6	51.2	104.4	93.7
Less: Operating lease rentals (AASB 117)	(57.2)	(47.1)	(55.1)	(112.3)	(102.3)
Pro forma EBIT (AASB 117)	**35.0**	**186.4**	**71.6**	**106.6**	**258.0**
Pro forma NPAT (AASB 16)	**25.4**	**130.2**	**48.0**	**73.5**	**178.2**
Add: Depn of Right of Use Asset (AASB 16)	53.2	42.6	51.2	104.4	93.7
Add: Int. exp. on Lease liabilities (AASB 16)	5.0	5.3	5.0	10.0	10.3
Less: Operating lease rentals (AASB 117)	(57.2)	(47.1)	(54.8)	(112.0)	(102.0)
Pre tax impact Pro forma NPAT (AASB 117)	**26.4**	**130.9**	**49.4**	**75.8**	**180.3**
Income tax impact	(0.3)	(0.2)	(0.4)	(0.7)	(0.6)
Pro forma NPAT (AASB 117)	**26.1**	**130.7**	**49.0**	**75.1**	**179.7**
EBITDA margin AASB 16	*28%*	*44%*	*29%*	*29%*	*37%*
EBITDA margin AASB 117	*12%*	*36%*	*17%*	*15%*	*27%*
EBIT margin AASB 16	*11%*	*36%*	*17%*	*14%*	*27%*
EBIT margin AASB 117	*10%*	*35%*	*16%*	*13%*	*26%*

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