

Australian Clinical Labs Limited

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Tuesday, 22 August 2023

ACL FY23 Full Year Results

Disciplined operational execution and continued strong performance in line with guidance.

Australian Clinical Labs Limited (ASX: ACL) (**ACL** or the **Company**) is pleased to announce its financial results for the 12 months to 30 June 2023 (**FY23**).

AUD in millions	Actual FY23	Actual FY22	Actual 1H FY23	Actual 2H FY23
Non-COVID-19 revenue	619.5	556.4	305.7	313.8
COVID-19 revenue	58.2	420.1	45.2	13.0
Total Patient Revenue	677.7	976.6	350.9	326.8
Clinic/Other Revenue	19.3	19.0	9.4	9.9
Total Revenue	697.1	995.6	360.3	336.8
EBITDA (excl. HLS costs)	193.0	372.7	101.0	92.0
EBIT (excl. HLS costs)	70.3	266.6	40.1	30.1
EBIT margin	10.1%	26.8%	11.1%	8.9%
HLS Costs	(8.3)	-	(1.2)	(7.1)
EBIT	62.0	266.6	38.9	23.0
NPAT	35.9	178.2	25.4	10.4
EBITDA AASB117 (excl. HLS costs)	76.5	270.7	43.8	32.6
EBITDA AASB117 margin	11.0%	27.2%	12.2%	9.7%

Key highlights from FY23 include:

- Revenue of \$697.1m
- EBITDA¹ of \$193.0m (27.7% margin)
- EBIT¹ of \$70.3m (10.1% margin), in line with guidance provided in the Company's Bidder's Statement for Healius Limited
- NPAT of \$35.9m
- Non-COVID revenue grew by 11.3% on FY22
- Outperformed Medicare market growth by 100bps²
- Strong operating cash flow (post-Capex) of \$52.2m with an 80.0% cash conversion (90.5% pre-Capex).
- Low gearing with Net Debt at \$45.7m (0.7x of LTM AASB-117 EBITDA), strong balance sheet with capacity for growth

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

"ACL has managed the complexity of the transition away from a COVID environment to deliver strong

¹ Excluding normalisations relating to HLS transaction costs

² Working day adjusted. ACL excluding acquisitions, COVID and non-Medicare commercial work. Market data on Medicare statistics excluding COVID testing outlays and estimated associated PEI and BBI outlays.

financial performance, including a strong top line and careful cost management in an environment in which non-COVID revenue has not yet fully returned to trend. ACL estimates there is >\$50m+ of latent revenue opportunity for ACL if the market had performed on trend in FY23 and expects the volume to return in key areas of market underperformance including private hospitals, clinical trials and GP referrals.

“At the same time, we have continued to focus on innovative patient care, with the development and launch of exclusive new tests aimed at improving the diagnosis and support for the treatment of cancer. We have completed a significant upgrade of our laboratory information system, which is foundational to the roll-out of our patient-centred digitisation program. We have also implemented key operational innovations and a number of continuous improvement projects which will deliver financial benefits in FY24 and beyond.

“ACL’s investment in Geneseq (an innovative genomic testing business) hit a major milestone during the period, with the company completing important validation studies for both early- and late-stage melanoma detection using genetic technology applied to tissue and blood (plasma). Commercialisation is expected to begin in FY24 as final approvals are received, with ACL having 10-year exclusivity on the international patent pending technology. This technology is expected to provide ACL with a growth opportunity in this exciting area of medicine and testing in the medium to long term in addition to creating a potentially meaningful and accretive investment for the company and all ACL shareholders.

“Further to our recent announcement, we continue to work constructively with the ACCC on the proposed Healius acquisition. The ACL Board believes this potential transaction justifies continued effort given its highly accretive potential for shareholders.”

Final dividend for FY23

ACL has declared a full year fully franked dividend of 14 cps:

- 7 cps interim dividend (already paid);
- 7 cps final fully franked dividend with an ex-dividend date of 14 September 2023, record date of 15 September 2023 and payment date of 3 October 2023.

The full-year dividend represents 67% of NPAT³ and a 4.4% dividend yield based on the share price on 18 August of \$3.18/share, with the Board continuing to target a dividend payout ratio of 50-70% of NPAT based on full-year NPAT.

Shareholders are reminded that the DRP remains suspended due to the Healius transaction.

Outlook

While the underlying core business continues to grow back to trend, negligible COVID revenue is expected in FY24, creating a drag on total revenue growth. As a result ACL believes that it will achieve a similar EBIT result in FY24 of between \$65m and \$70m. However, the business is expected to end FY24 at a run-rate above that result, further demonstrating the underlying strength and trajectory in the ACL core business.

In FY24, ACL will focus on:

- Continuing to capture above-market growth in revenue through disciplined new approved collection centre openings, new test initiatives and the return of volume in key referral channels depressed due to post-COVID structural issues (including hospitals, GPs, Medlab revenue upside in Queensland and New South Wales, and clinical trials).
- Continuing to drive excellence in patient care and new test development to benefit patients with focus on commercialising Geneseq products and implementing Medicare Benefits Schedule funded carrier screening.
- Implementing a number of identified cost reduction and operational efficiencies to help offset supplier and wage pressure from the higher levels of inflation that are expected to continue into FY24.
- Maintaining our values- and outcomes-focused approach to investing in ESG targets, including our first Reflect Reconciliation Action Plan.
- Continuing to work with the Australian Competition and Consumer Commission in relation to ACL’s off-market

³ Excluding normalisations related to HLS transaction costs
Page 2 of 3

takeover bid for all of the ordinary shares in Healius Limited.

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: https://clinicallabs-au.zoom.us/webinar/register/WN_ItY_66A4RTSt7uzWcP_doQ

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

– 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 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. 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. 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.



FY23 Results Presentation

Melinda McGrath CEO and Executive Director
James Davison CFO

August 22nd 2023

Contents

-
- Overview
-
- FY23 Financials Results
-
- Operational Update
-
- Outlook
-
- Appendix
-



Overview

Melinda McGrath, CEO and Executive Director

FY23 Results – Financial Highlights

FY23 results - Disciplined operational execution and continued strong financial performance. EBIT¹ \$70.3m in line with guidance of \$68-74m

- Key highlights from FY23 include:
 - Revenue of \$697.1m
 - EBITDA¹ of \$193.0m (27.7% margin)
 - EBIT¹ of \$70.3m (10.1% margin)
 - NPAT of \$35.9m
 - Non-COVID revenue grew by 11.3% on FY22
 - Outperformed Medicare market growth by 100bps²
 - Strong operating cash flow (post-Capex) of \$52.2m with an 80.0% cash conversion (90.5% pre-Capex)
 - Low gearing with Net Debt at \$45.7m (0.7x of LTM AASB-117 EBITDA), strong balance sheet with capacity for growth
- Managed the complexity of the transition out of a COVID environment to deliver strong financial performance - strong top line and cost management in an environment in which non-COVID revenue has not yet fully returned to trend. ACL estimates there is >\$50m+ of latent revenue opportunity as the market returns, including private hospitals, clinical trials and GP referrals.
- Final dividend declared of 7 cents per share (cps), which combined with the Interim dividend of 7 cps takes the full year dividend to 14 cps. Full year dividend represents 67% of NPAT¹, and a 4.4% dividend yield based on the share price on 18 August of \$3.18/share.
- Record Date of 15th September 2023 and Payment Date of 3rd October 2023. Board continues with its target dividend payout ratio of 50-70% of NPAT based on full year NPAT

(1) Excluding normalisations related to HLS transaction costs

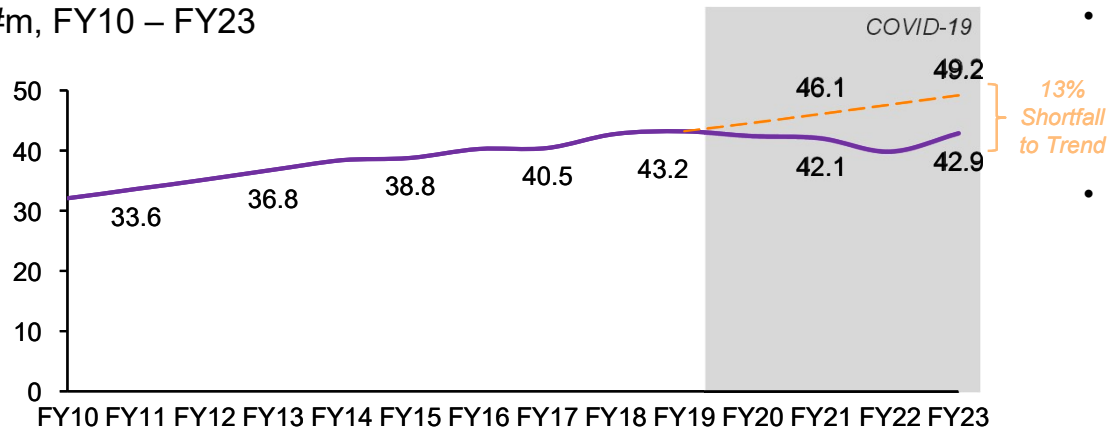
(2) Working day adjusted. ACL excluding acquisitions, COVID and non-Medicare commercial work. Market data based on Medicare statistics excluding COVID testing outlays and estimated associated PEI and BBI outlays

Outlook: Market Growth

Market Non-COVID pathology episodes are 10 to 15% below trend (>\$50M impact on ACL revenue). There are early signs of recovery towards the trend as market drivers improve

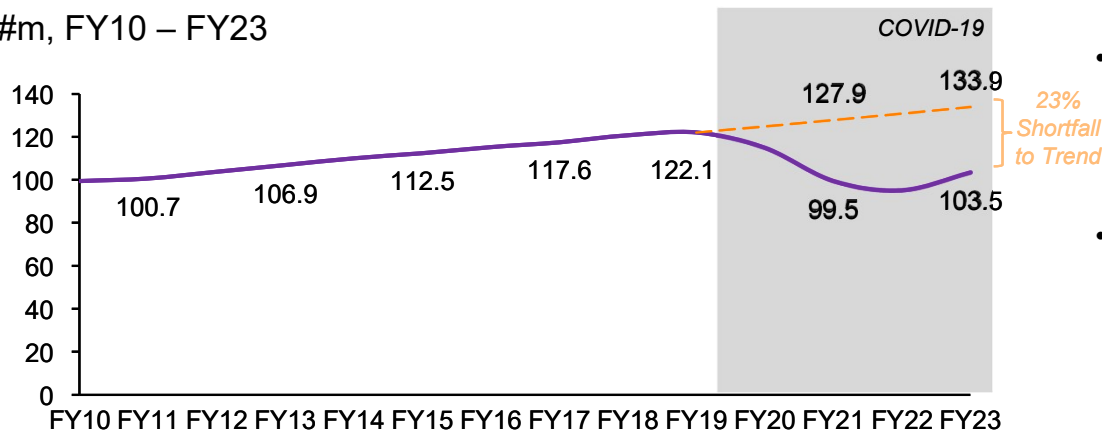
National Pathology Episodes (ex COVID)

#m, FY10 – FY23



GP Attendances

#m, FY10 – FY23



Comments

- There has been a delay in the recovery of non-COVID pathology episodes to trend. This is in part due to delays in the return in specific subsectors including GP attendances, private hospital work and clinical trials
- This is having a significant adverse clinical impact. The recent 'Deaths in Australia' report highlighted that health outcomes have been worse in the period following Covid, for example:
 - Deaths due to other cardiac conditions in March 2023 were 19.8% above the baseline average
 - Influenza and pneumonia deaths were 17.1% above baseline and 46.6% higher than in 2022
 - The number of deaths due to cancer was 8.3% above the baseline average in March 2023
- There are various government actions to support the return of certain subsectors, that are key referrers of pathology testing, such as the increase of the Bulk Bill Incentive for GPs from November 2023
- Recent data shows early positive movement back towards trend growth

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

(2) Deaths in Australia – July 2023, Australian Institute of Health and Welfare

FY23 Results – Operational, Clinical and Strategic Highlights

Removed COVID related costs in a timely and disciplined manner, completed the integration of Medlab ahead of plan and continued focus on clinical innovation as a core strategy











- Key operational highlights in FY23 include:
 - Disciplined wind down of COVID-related costs in H1 FY23 in line with COVID testing volumes
 - Completed significant upgrade of base LIS and the roll-out of ACL's patient-centred digitisation program
 - Implemented key operational innovations including 'Click to Collect' of patient sample collections
 - Implemented key operational improvement projects with benefits continuing to accrue into FY24
- Key strategic and growth initiatives in FY23 include:
 - In 2018, ACL made a strategic investment in an innovative genomic testing business, Geneseq. During FY23, Geneseq completed validation studies for both early and late-stage melanoma detection using genetic technology applied to tissue and blood (plasma). Commercialisation expected to begin in FY24 as final approvals are received with ACL having 10-year exclusivity on the international patent pending technology.
 - Brought new exclusive genetic tests to Australia – EndoPredict (breast cancer) and developed and commenced sales of the Aspect Liquid Biopsy tests (lung cancer, colorectal cancer and melanoma) to Australia. The sole provider of these tests in Australia.
 - Completed Medlab integration ahead of schedule
 - Digitisation of front end referral and patient facing processes
 - Prepared for the introduction of carrier screening on MBS in November 2023
- As announced on 20 July 2024, ACL continues to work constructively with the ACCC on the proposed Healius acquisition. The ACL board believes that this potential transaction justifies continued effort given its highly accretive potential for shareholders.

(1) ACL has an effective 20% economic interest in Geneseq and exclusive distribution of the tests in Australia and Asia for 10 years

(2) In Australia there are 2 million of melanoma p.a. and around 2 million patients that are considered high risk for melanoma. Screening or testing 5% of these biopsies or at risk patients p.a. has the potential to generate revenue in the region of \$100m p.a. and reduce the costs associated with Melanoma (medical and economic), Global markets are multiple times this scale

FY23 Results – ESG highlights

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

Environmental	Social	Corporate Governance
Carbon Emissions  1.06kg CO₂ per episode down from 1.4kg in FY21; Cold chain logistics in 8 labs - single use plastic reduction	Injury reduction  3.78 LTIFR¹ Significant improvement including acquisitions	Board/management composition  Board 33% female representation - Executive and Senior Management 63.8% female
Couriers & Logistics  51 hybrid cars across group up from 23 in FY22; 5% reduction in km / per episode (Ex COVID) with SMART logistics	Customer Service  4.70/5.0 Positive experience	Reconciliation Action Plan  RAP Roadmap endorsed and governance established
LED Conversion  1,450 LED Panels installed	Women in leadership  Phase 2 of Women in leadership training program implemented with personalised development plans	Internal audit function  3 Internal audits conducted , since establishment of function for non-clinical risk
Electronic Ordering  19% digital referrals up from 11% in H1 FY22		

(1) In line with industry peer benchmarks

Financial Results Overview

James Davison, CFO

FY23 Profit and Loss

ACL delivered a strong underlying result for FY23, despite the unwinding of COVID revenue, by actively managing its cost structure and focus on non-COVID revenue growth as the market returns to trend growth

AUD in millions	Actual FY23	Actual FY22	Actual	
			1H FY23	2H FY23
Non-COVID-19 revenue	619.5	556.4	305.7	313.8
COVID-19 revenue	58.2	420.1	45.2	13.0
Total Patient Revenue	677.7	976.6	350.9	326.8
Clinic/Other Revenue	19.3	19.0	9.4	9.9
Total Revenue	697.1	995.6	360.3	336.8
EBITDA (excl. HLS costs)	193.0	372.7	101.0	92.0
EBIT (excl. HLS costs)	70.3	266.6	40.1	30.1
<i>EBIT margin</i>	10.1%	26.8%	11.1%	8.9%
HLS Costs	(8.3)	-	(1.2)	(7.1)
EBIT	62.0	266.6	38.9	23.0
NPAT	35.9	178.2	25.4	10.4
EBITDA AASB117 (excl. HLS costs)	76.5	270.7	43.8	32.6
<i>EBITDA AASB117 margin</i>	11.0%	27.2%	12.2%	9.7%

- In FY23, ACL generated \$697.1m of revenue, \$193.0m of EBITDA¹, \$70.3m of EBIT¹ and \$35.9m of NPAT
- ACL Non-COVID Medicare revenue grew by 9%², outperforming the market at 8.0%²
- COVID-19 revenue in H2 reduced to \$13.0m. This level of testing is reflective of Q4 FY23 run rate of COVID testing
- ACL has managed this difficult and changing environment in a disciplined fashion and achieved a strong EBIT¹ margin of 10.1% over FY23

(1) Excluding normalisations related to HLS transaction costs

(2) Working day adjusted. ACL excluding acquisitions, COVID and non-Medicare commercial work. Market data based on Medicare statistics excluding COVID testing outlays and estimated associated PEI and BBI outlays

FY23 Cash flow

ACL generated strong operating cash flow (after Capex) of \$52.2m with a 80% cash conversion ratio

AUD in millions	Actual FY23	Actual FY22	Actual 1H FY23	Actual 2H FY23
EBITDA	184.7	372.7	99.8	84.9
Non-cash items	(3.1)	1.3	(4.2)	1.1
Property related payments AASB 16	(116.2)	(102.0)	(57.2)	(59.0)
Cash EBITDA	65.4	272.0	38.4	27.0
Change in net working capital	(6.2)	(9.9)	(9.2)	3.0
Operating cash flow pre capex	59.2	262.1	29.2	30.0
Capital expenditure	(6.9)	(21.0)	(3.6)	(3.3)
Free cash flow before interest, tax and financing	52.2	241.1	25.5	26.7
Financing and investing activities	(37.0)	(180.0)	(17.6)	(19.4)
Interest paid (excluding AASB-16 related Interest)	(3.7)	(1.1)	(1.2)	(2.6)
Income tax paid	(17.9)	(68.9)	(17.0)	(0.9)
Net cash flow	(6.4)	(8.9)	(10.2)	3.8
<i>Cash EBITDA to Operating cash flow</i>	90%	96%	76%	111%
Net cash flow excuding financing and investing	30.6	171.2	7.4	23.2

- Cash EBITDA to Operating cash flow (pre-Capex) of 90% reflects continued quality of earnings and cash management
- Capex of \$6.9m slightly below historical average of \$8m to \$10m p.a. leading from higher capex spend in FY22. Strong free cash flow after capex to Operating cash flow of 80% reflecting high quality cash earnings
- Cash outflow for financing and investing activities of \$37.0m primarily related to \$66.0m net proceeds from borrowings and \$96.8m dividend payment
- 2H FY23 income tax paid materially lower due to tax instalments adjusted in line with expected FY23 tax payable and 1H FY23 included \$7.0m of tax paid relating to FY22

FY23 Balance Sheet

Net Debt was \$45.7m (0.7x LTM AASB-117 EBITDA) as ACL maintained low levels of gearing; strong balance sheet with head room for growth initiatives and dividend distribution

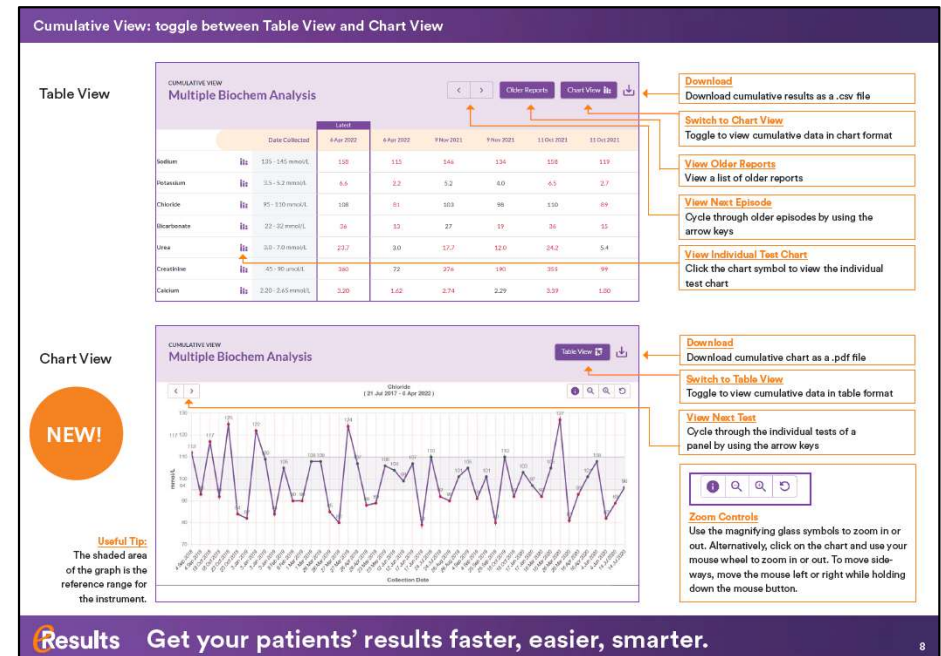
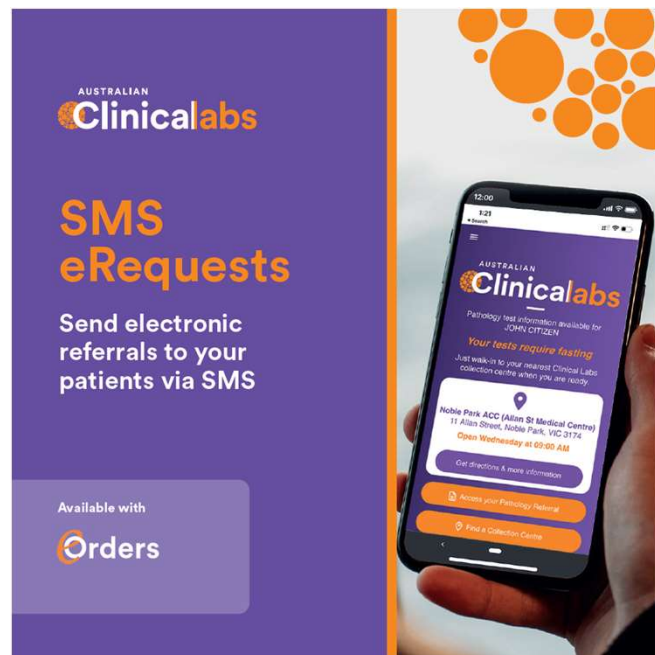
AUD in millions	Actual FY23	Actual FY22	Comments
Cash and cash equivalents	20.0	26.4	<ul style="list-style-type: none"> Cash balance of \$20.0m as at 30 June 2023 Trade and other receivables decreased to \$73.7m as the industry transitioned away from COVID-testing
Trade and other receivables	73.7	91.1	
Inventories	15.1	20.1	
Other current assets	7.2	5.3	
Total current assets	116.0	142.9	<ul style="list-style-type: none"> Net Debt position (excluding lease liability) of \$45.7m. Reflects \$65.7m of borrowings less \$20.0m of cash. Represents 0.7x LTM AASB-117 EBITDA Final dividend declared of 7 cents per share (cps), which combined with the Interim dividend of 7 cps takes the full year dividend to 14 cps which represents 67% of NPAT¹, and a 4.4% dividend yield based on the share price on 18 August of \$3.18/share.
Plant and equipment	50.3	58.1	
Right of use assets	238.1	252.1	
Goodwill and other intangibles	165.2	165.4	
Deferred Tax Assets / Other Non-current Assets	9.3	9.6	<ul style="list-style-type: none"> Record Date of 15th September 2023 and Payment Date of 3rd October 2023. Board continues with its target dividend payout ratio of 50-70% of NPAT based on full year NPAT
Non-current assets	463.0	485.2	
Total assets	578.9	628.0	
Trade and other payables	(41.4)	(59.2)	
Lease liabilities	(101.1)	(94.8)	
Provisions	(45.3)	(53.8)	
Deferred consideration	(0.1)	(10.2)	
Current tax liabilities / Other current liabilities	(0.0)	(7.2)	
Total current liabilities	(187.9)	(225.2)	
Lease liabilities	(149.5)	(167.6)	
Borrowings	(65.7)	(0.0)	
Provisions	(3.1)	(2.7)	
Total non-current liabilities	(218.3)	(170.3)	
Total liabilities	(406.2)	(395.5)	
Net Assets	172.7	232.6	

Growth and Strategic Initiatives

Melinda McGrath, CEO and Executive Director

Digitisation highlights

ACL continues to enhance its suite of customer friendly e-Health products including eOrders, e-Downloads and eResults. SMS eRequests is also now available for patients



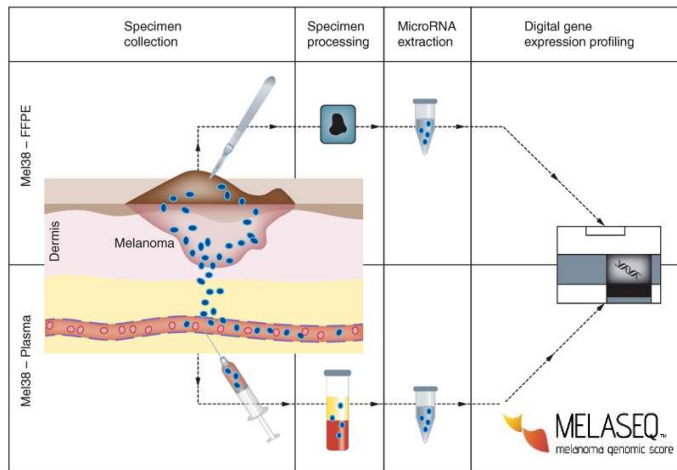
- SMS eRequests allow patients to receive electronic copies of their referral directly from their doctor's practice management system.
- Paperless pathology project - increasing accuracy of pathology referrals and decreasing wastage

- ACL's has rolled out eResults which improve clinical outcomes:
 - Cumulative tables and charts for identification of patient data trends;
 - Doctor notifications for urgent or abnormal results; and
 - Strong security features including multi-factor authentication and IP Lock settings.

Partnership with Geneseq

ACL made a strategic investment in Geneseq in 2018 to develop a multi tissue and blood (plasma) genomic test for melanoma

ACL/Geneseq partnership



- Melaseq is a liquid (plasma) and solid tissue microRNA (genetic) test for melanoma that was developed by Geneseq
- Since investing, ACL has provided both strategic, clinical and financial support to Geneseq. The relationship leverages dermatological samples from ACL and Sun Doctors to support efficacy analysis
- ACL has convertible notes that provides it with an effective 20% equity ownership of Geneseq and a 10 year exclusive Australian licence for the distribution of the Melaseq test
- International patent pending

Major Milestone Achieved

- Test has achieved very high validation scores. In July 23, Geneseq published its ground-breaking research in the British Journal of Dermatology, showing 93% sensitivity and 98% specificity for invasive melanoma detection from blood samples
- Test opens up the potential for earlier, less invasive and more accurate screening and diagnosis of individuals at risk of melanoma, detecting the cancer at all stages of cancer. Melanoma is a leading cause of cancer deaths in Australia (18,000 new cases p.a. in Australia)
- Final approval for the skin biopsy application of the test in the next 6 months, followed by blood/plasma testing

Opportunity size

- Total addressable market in Australia for the test in Australia is >\$100m p.a.¹ Global applications are multiple times this scale
- Test approach is applicable to other common cancers and is currently working on the development of a non-invasive Ovarian cancer test

(1) In Australia there are 2 million biopsies of melanoma p.a. and around 2 million patients that are considered high risk for melanoma. Screening or testing 5% of these biopsies or at risk patients p.a. has the potential to generate revenue in the region of \$100m p.a. and reduce the costs associated with Melanoma (medical and economic), Global markets are multiple times this scale

Genetic testing highlights

As a part of its growth plan, ACL has continued its commitment to bring new genetic tests to Australia. ACL has already secured sole provider status of EndoPredict and Liquid Biopsy



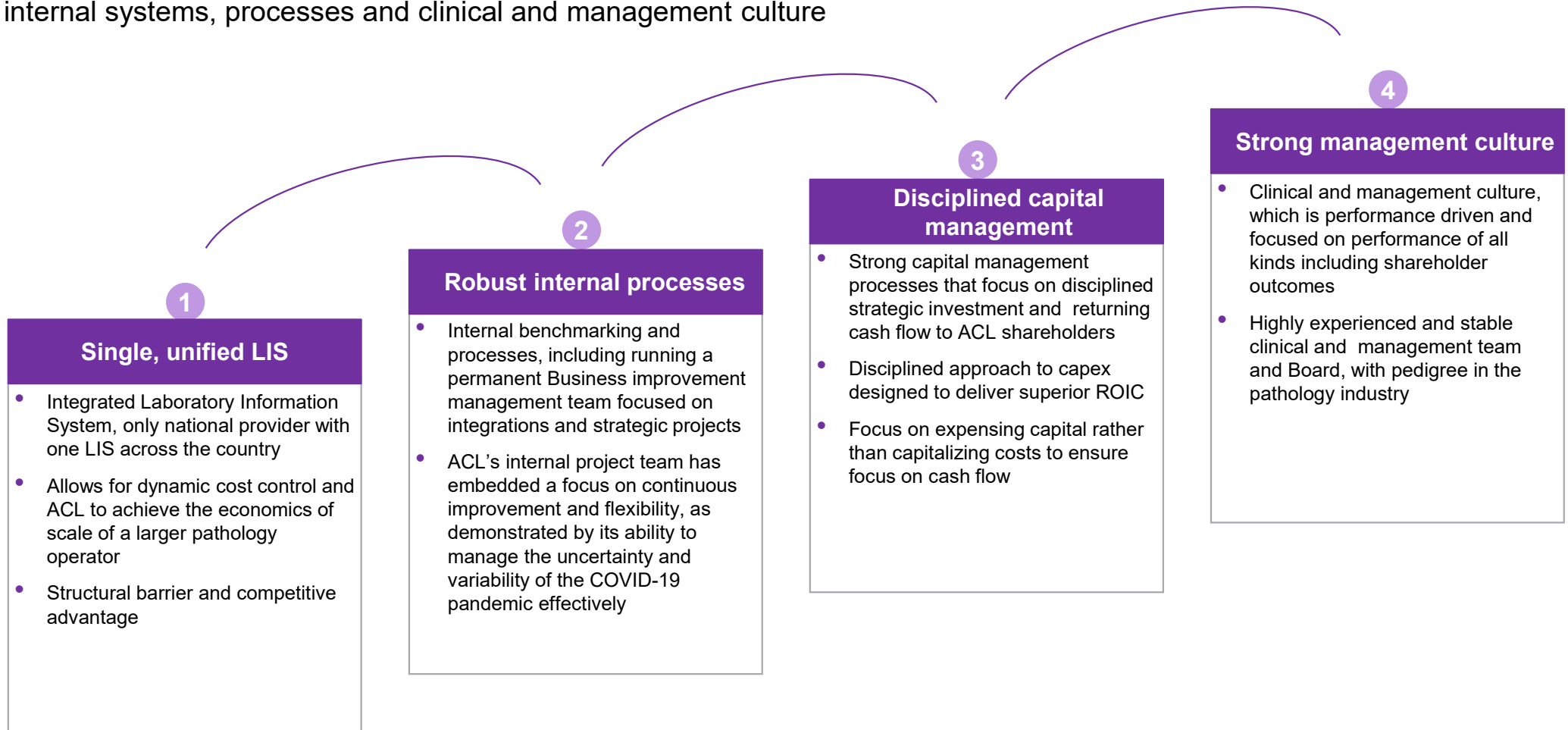
- ACL is the only pathology provider in Australia currently offering EndoPredict and has been instrumental in working with Medicare to partially fund the cost of this test from November 2023
- In vitro multi-gene prognostic test that provides highly important and clear information for different stages of treatment planning for patients with oestrogen receptor positive, HER2-negative, primary breast cancer
- EndoPredict is the only prognostic test that can answer:
 - Whether a patient can safely avoid chemotherapy
 - How beneficial chemotherapy would be
 - Whether a patient can avoid extended endocrine therapy



- Aspect Liquid Biopsy is a non-invasive, safe and ultrasensitive cancer screening and diagnostic option which identifies genomic alterations from a simple blood test using the circulating tumour DNA (ctDNA)
- ACL offers aspect liquid biopsy tests for lung cancer, colorectal cancer and melanoma
- Clinical Labs is the first and exclusive Australian private laboratory to offer this liquid biopsy, allowing oncologists to choose a targeted therapy, monitor treatment resistance and detect minimal residual disease, without patients undergoing an invasive procedure

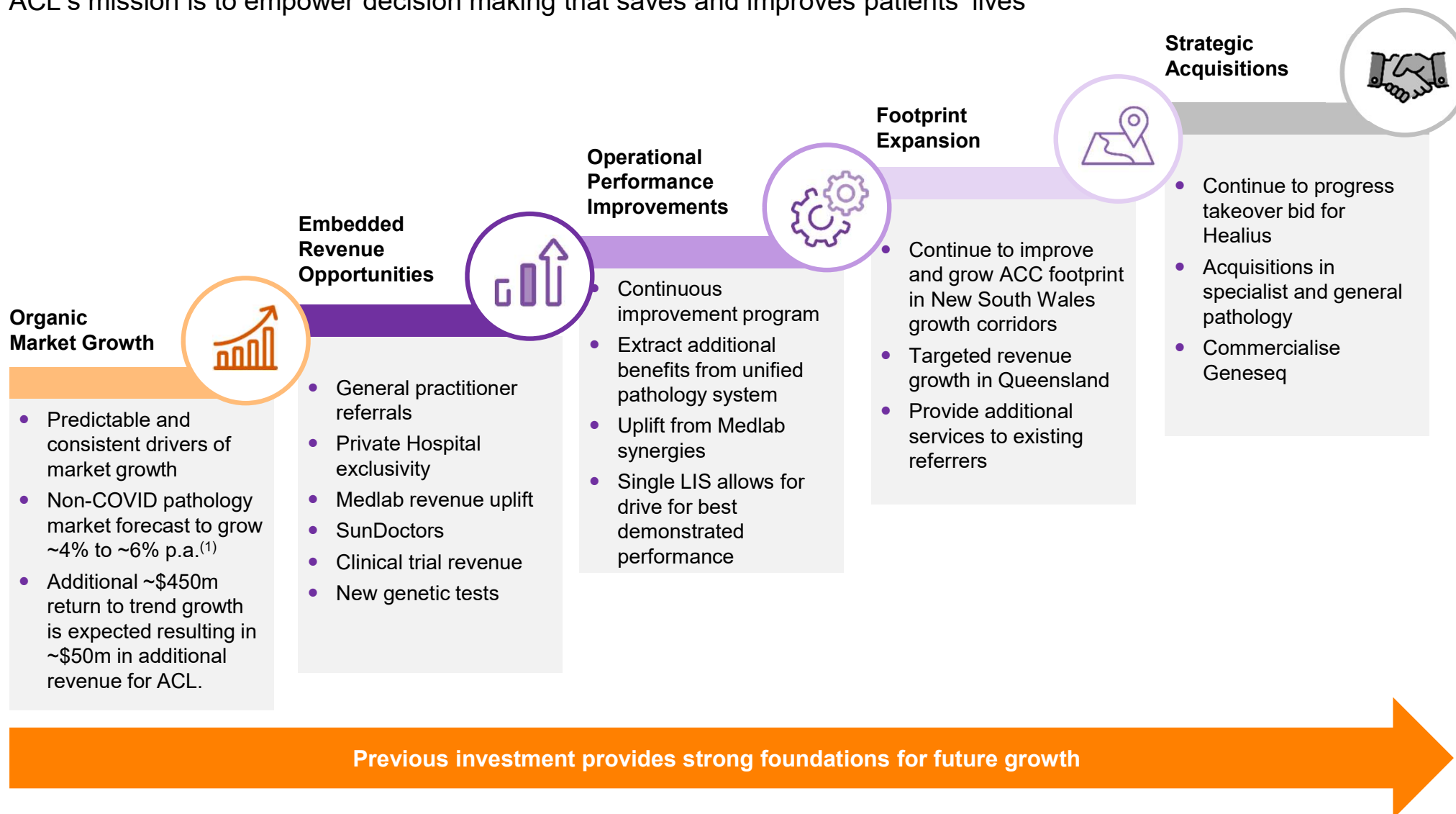
Superior Operating Model

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



Well-defined growth strategy

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



(1) Partners in Performance estimates.

Outlook

Melinda McGrath, CEO and Executive Director

Outlook for FY24

In FY24, ACL will continue to focus on capturing above market revenue growth, delivering operating efficiencies and its ESG performance

- In FY24, ACL will focus on:
 - Continuing to capture above market growth in revenue through disciplined new ACC openings, new test initiatives and return of volume in key referral channels depressed due to post COVID structural issues (including hospitals, GPs, Medlab revenue upside in QLD and NSW and clinical trials)
 - Continuing to drive excellence in patient care and new test development to benefit patients with focus on commercialising Geneseq products and implementing MBS funded carrier screening
 - Implementing a number of identified cost reduction and operational efficiencies to help offset supplier and wage pressure from the higher levels of inflation which are expected to continue into FY24
 - Maintaining our values and outcomes focused approach to investing in ESG targets, including our Reconciliation Action Plan
 - Continue to work with the ACCC in relation to ACL's off-market takeover bid for all of the ordinary shares in Healius Limited (HLS)

While the underlying core business continues to grow back to trend, negligible COVID revenue is expected in FY24 creating a drag on total revenue growth, as a result ACL believes that it will achieve a similar EBIT result in FY24 of between \$65m and \$70m . However, the business is expected to end FY24 run rating above the FY24 result further demonstrating the underlying strength and trajectory in the ACL core business.

Appendix

1H FY23 indebtedness

Conservative net leverage provides significant headroom and financial flexibility

AUD in millions	Actual FY23	Actual FY22
Non-current borrowings		
Redrawable Term Facility (\$100m)	(65.7)	-
Current Borrowings		
Working Capital Facility (\$20m)	-	-
Total debt excluding lease liabilities	(65.7)	-
Cash and cash equivalents	20.0	26.4
Total net debt excluding lease liabilities	(45.7)	26.4
Lease liabilities	(250.6)	(262.4)
Net debt	(296.4)	(236.0)
Key metrics		
Net debt (excl lease liab.)/FY23 EBITDA (AASB-117)	0.7	-
Net debt/FY23 EBITDA (AASB-16)	1.6	0.6

Key terms of banking facilities:

- Margin of 1.5% (when < 1.5x EBITDA)
- Net leverage covenant < 3.5x
- Fixed charge cover ratio > 1.45x

Reconciliation AASB 16 to AASB 117

AUD in millions	Actual FY23	Actual FY22	Actual 1H FY23	Actual 2H FY23
Pro forma EBITDA (AASB 16)	184.7	372.7	99.8	84.9
Less: Operating lease rentals (AASB 117)	(116.5)	(102.0)	(57.2)	(59.3)
Pro forma EBITDA (AASB 117)	68.2	270.7	42.6	25.6
Pro forma EBIT (AASB 16)	62.0	266.6	38.9	23.0
Add: Depn of Right of Use Asset (AASB 16)	108.3	93.7	53.2	55.1
Less: Operating lease rentals (AASB 117)	(116.5)	(102.3)	(57.2)	(59.3)
Pro forma EBIT (AASB 117)	53.7	258.0	35.0	18.7
Pro forma NPAT (AASB 16)	35.9	178.2	25.4	10.4
Add: Depn of Right of Use Asset (AASB 16)	108.3	93.7	53.2	55.1
Add: Int. exp. on Lease liabilities (AASB 16)	10.1	10.3	5.0	5.2
Less: Operating lease rentals (AASB 117)	(116.5)	(102.0)	(57.2)	(59.3)
Pre tax impact Pro forma NPAT (AASB 117)	37.9	180.3	26.4	11.5
Income tax impact	(0.6)	(0.6)	(0.3)	(0.3)
Pro forma NPAT (AASB 117)	37.3	179.7	26.1	11.2
<i>EBITDA margin AASB 16</i>	<i>26%</i>	<i>37%</i>	<i>28%</i>	<i>25%</i>
<i>EBITDA margin AASB 117</i>	<i>10%</i>	<i>27%</i>	<i>12%</i>	<i>8%</i>
<i>EBIT margin AASB 16</i>	<i>9%</i>	<i>27%</i>	<i>11%</i>	<i>7%</i>
<i>EBIT margin AASB 117</i>	<i>8%</i>	<i>26%</i>	<i>10%</i>	<i>6%</i>

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