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ASX & MEDIA RELEASE

Integral Diagnostics reports Audited FY23 Results

28 August 2023, Melbourne

Integral Diagnostics Limited (ASX: IDX) announces its audited results for the full year ended 30 June 2023 (FY23).

IDX's results for FY23 reflect the combination of a relatively weak first half (1H FY23) performance together with a **materially stronger second half (2H FY23) profit result**, demonstrated by an improvement in Group EBITDA margins by 1.7% to 20.2% for 2H FY23 and illustrating the operating leverage in the business. In addition, financial leverage reduced by 0.2x to 2.9x as at 30 June 2023 (being 2.8x on a 2H FY23 annualised run-rate basis). The materially stronger second half result is consistent with the outlook provided at the time of the 1H FY23 results release on 17 February 2023.

Group summary

AUD\$ million	FY23	FY22	Change	
Profitability				
Statutory NPAT	25.0	14.6	10.4	71.5% ▲
Statutory Revenue	440.8	360.9	79.8	22.1% ▲
Operating EBITDA (\$)¹	85.2	74.8	10.4	13.9% ▲
Operating EBITDA (%)	19.3%	20.7%		
Operating EBITA¹	43.8	41.0	2.8	6.9% ▲
Operating NPAT¹	17.8	21.7	(3.8)	(17.6%) ▼
Operating diluted EPS (cents)	7.6	10.2	(2.7)	(26.0%) ▼
Cashflow & Capital Management				
Free cash flow	53.1	49.1	4.0	8.1% ▲
Free cash flow conversion, excl. replacement capex (%)	93.0%	78.3%		
Dividends declared per share (cents)	6.0	7.0	(1.0)	(14.3%) ▼
Net debt (pre-AASB 16)	194.5	101.5	93.0	91.7% ▲
Net debt / pro forma EBITDA (pre-AASB 16)	2.9x	1.6x		
Equity	373.0	347.2	25.8	7.4% ▲

¹ Based on net debt excluding the impact of lease liabilities of \$194.5m (FY22: \$101.5m). Pro-forma LTM EBITDA of \$66.3m (FY22: \$61.7m) excludes any impact of AASB 16 and includes trailing LTM EBITDA for acquisitions. This approach is consistent with banking covenant requirements.

- Key financial measures for the full year ended 30 June 2023 are:
 - Statutory NPAT of \$25.0 million after transaction and integration costs, amortisation of customer contracts and other costs, net of tax, of \$7.2 million, up 71.5%
 - Statutory Revenue of \$440.8 million, up 22.1%
 - Operating NPAT of \$17.8 million, down 17.6%
 - Operating EBITDA of \$85.2 million (19.3% margin on statutory revenue of \$440.8 million), up 13.9%
 - Operating diluted EPS of 7.6 cents, down 26.0%
 - Free cash flow of \$53.1 million, up 8.0%
 - Net debt to proforma EBITDA of 2.9x, up 1.3x principally reflecting the acquisitions of Peloton Radiology and Horizon Radiology (however down 0.2x from 3.1x at 31 December 2022)
- Fully franked final dividend of 3.5 cents per share declared and payable on 4 October 2023, resulting in a total FY23 fully franked dividend of 6.0 cents per share, representing a 77.9% payout ratio to Operating NPAT

The Group continued to experience challenging trading conditions in 1H FY23, with modest underlying growth in Australia, reflecting a slow gradual recovery in patient volumes, limited price increases and favourable mix impact, offset by significant cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints, together with higher interest funding costs.

The improved results for 2H FY23 compared to 1H FY23 were driven by:

- Stronger organic revenue growth in Australia of 10.3% in 2H FY23 vs 4.2% in 1H FY23, with average fees per exam growth of 6.1% in 2H FY23 vs 5.2% in 1H FY23
- Stronger organic revenue growth in New Zealand of 4.7% in 2H FY23 vs 4.1% in 1H FY23, with average fees per exam growth of 0.4% in 2H FY23 vs (5.2%) in 1H FY23
- Labour cost growth of 3.6% 2H vs 1H FY23, being below revenue growth of 4.3%
- Lower 2H vs 1H FY23 operating expenditure (excluding labour) of \$1.4m reflecting management's focus on reducing operating expenditure, together with a reassessment of make good provisions for leased premises

In Australia, IDX recorded solid gains in revenue market share, evidenced by a 7.0% revenue increase in its organic business (1H 4.2%; 2H 10.3%) in comparison to Medicare benefits for the States in which IDX operates which have seen a 4.8% increase in weighted average benefits paid for FY23 adjusted for working days.

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

CEO of IDX Dr Ian Kadish said: *"The operating environment has continued to improve through FY23 and I am pleased to be able to report a materially stronger 2H FY23 profit result compared to 1H FY23, despite higher operating expenditure in an inflationary environment. Strong industry fundamentals, a more favourable regulatory environment, and improving company performance allow us to focus on both organic and inorganic growth opportunities."*

Key financial measures

In FY23 the Group achieved revenue growth of \$79.8m, including the X-Ray Group (\$5.1m for four months from July to October 2022 following completion of the acquisition in November 2021), Peloton Radiology (\$37.7m) and Horizon Radiology (\$11.4m) following completion of both these acquisitions on 1 July 2022.

Organic operating revenue from all sources (including reporting contracts, some of which are fixed rate) in Australia grew 7.0% (1H 4.2%; 2H 10.3%), being higher compared to the Medicare industry weighted average for the States in which IDX operates of a 4.8% benefits increase adjusted for working days. Note that IDX's growth is also 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.

Average fees per exam (including reporting contracts) in Australia increased by 5.7% in FY23, reflective of an on-going move to the higher end CT, MRI and PET scan modalities and to a lesser extent Medicare indexation of 1.6% applied to 97% of diagnostic imaging services, including MRI, from 1 July 2022, and selective price increases.

Organic operating revenue in New Zealand grew 4.4% (1H 4.1%; 2H 4.7%), on a constant currency basis adjusted for working days. New Zealand revenues continued to be impacted by referrer-owned radiology practices in Auckland. The company continues to plan and implement management initiatives to respond.

In FY23 capital expenditure totalled \$45.2m, with \$19.1m relating to growth initiatives including the development of two new greenfield sites, including Waiata Shores in New Zealand and Pimpama on the Gold Coast, which opened in February 2023 and June 2023 respectively.

Net debt increased by \$93.0m to \$194.5m (FY22: \$101.5m), primarily to fund the acquisitions of Peloton Radiology and Horizon Radiology. IDX's net debt to equity ratio at 30 June 2023 was 52% (FY22: 29%) and net debt / EBITDA ratio at 30 June 2023 was 2.9x (FY22: 1.6x), with the annualised second half net debt / EBITDA ratio improving further to 2.8x.

At 30 June 2023 IDX held cash of \$33.9m. In addition, IDX has committed facilities of \$379.4m of which \$152.4m remains undrawn and access to a further \$105.0m 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.

Through FY23 the Group's focus has included both organic growth, the two above mentioned new greenfield sites and integrating the acquisitions of Peloton Radiology and Horizon Radiology.

Dividend

A fully franked final dividend of 3.5 cents per share has been declared and is payable on 4 October 2023, resulting in a total FY23 fully franked dividend of 6.0 cents per share (FY22 7.0 cents per share), representing a 77.9% payout ratio to Operating NPAT. The decrease in the FY23 dividend on the prior corresponding period is in line with the lower Operating NPAT compared to the prior corresponding period.

Key dates for the interim dividend are:

Record date	1 September 2023
Final DRP election date	4 September 2023
Payment and issue date	4 October 2023

The Dividend Reinvestment Plan (DRP) will again be available with no discount for participation for the FY23 dividend distribution.

Company outlook

The long-term industry fundamentals in Australia and New Zealand are strong and continue to underpin attractive ongoing growth opportunities. Both Australia and New Zealand have growing and ageing populations requiring greater healthcare support. At the same time, community expectations for higher quality diagnosis and care continue to increase, while new imaging technologies improve efficiency and aid diagnosis and early detection of disease. Radiology plays both a preventative as well as curative non-invasive role in improving the health of the Australia and New Zealand population.

The Company's focus in FY24 will be to:

- Drive organic earnings growth, including through cost management, selective price increases and brownfield as well as 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; and
- Consider accretive acquisitions that represent a strong clinical, cultural and strategic fit.

Investor and analyst conference call

Integral Diagnostics' Managing Director & Chief Executive Officer, Dr Ian Kadish, and Chief Financial Officer, Craig White, will be holding an investor and analyst conference call at 10AM AEST today.

For those wishing to dial into the call, please register for the call through the following link:

<https://s1.c-conf.com/diamondpass/10031619-gdy7ef.html>

Alternatively, at the time of the call, dial your respective number below and provide the conference ID 10031619 to the operator, noting there may be wait times:

AUSTRALIA: 1800 809 971

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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. IDX employs some of Australasia's leading radiologists and diagnostic imaging 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/.

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.