



# TRANSFORMATIVE MERCER WITH CAPITOL HEALTH

Investor Presentation

**Dr. Ian Kadish** Managing Director and CEO

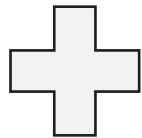
**Craig White** CFO

18 July 2024



# A transformative merger

Combination of two highly complementary diagnostic imaging businesses to realise significant and enduring benefits for all of our combined patients, doctors and shareholders



CAPITOL HEALTH  
LIMITED

✓ Creates a leader in ANZ diagnostic imaging, with significant and enduring benefits

✓ Compelling acquisition terms, unanimously recommended by Capitol's Board

✓ Highly synergistic combination, with significant ongoing value creation potential

## Vision for MergeCo

- To be the ANZ leader in diagnostic imaging
- Deliver best-in-class clinical service, technology and capabilities
- Achieve optimal healthcare outcomes for patients and referrers
- Provide the leading platform to attract and retain radiologists and key professionals

# Transaction summary

Integral Diagnostics and Capitol Health have entered into a Merger Implementation Deed to create one of the largest diagnostic imaging companies in ANZ

<b>Merger structure overview</b>	<ul style="list-style-type: none"> <li>Capitol shareholders to receive 0.12849 Integral shares for every Capitol share ("Merger Ratio")</li> <li>Integral and Capitol shareholders will own approximately 63% and 37% of the combined group respectively</li> <li>Transaction to be implemented via a Capitol Scheme of Arrangement</li> </ul>
<b>Implied valuation</b>	<ul style="list-style-type: none"> <li>Based on Integral's closing share price on 14 June 2024<sup>1</sup>, Merger Ratio implies an offer price of \$0.3264 per Capitol share, representing:             <ul style="list-style-type: none"> <li>an equity value of \$351 million and enterprise value of \$413 million for Capitol<sup>2</sup></li> <li>an EV / FY25F EBITDA acquisition of multiple of 8.1x (including pro forma anticipated annual pre-tax net cost synergies of \$10 million)<sup>3</sup> and 10.0x (before synergies)</li> </ul> </li> </ul>
<b>Combined group</b>	<ul style="list-style-type: none"> <li>Combined pro forma FY23 revenues of \$651 million and enterprise value of \$1,229 million<sup>1,2</sup></li> </ul>
<b>Board and management</b>	<ul style="list-style-type: none"> <li>Board will be comprised of existing Integral Directors with Toby Hall as Chair</li> <li>Two of Capitol's Directors to join the Board of the combined group as independent non-executive directors</li> <li>Dr. Ian Kadish will be Managing Director and CEO of the combined group, and Justin Walter will move into the transitional role of Chief Integration Officer to drive the successful integration of the two businesses</li> </ul>
<b>Capitol Board recommendation</b>	<ul style="list-style-type: none"> <li>The Board of Capitol unanimously recommends that Capitol shareholders vote in favour of the Merger, in the absence of a superior proposal and subject to an Independent Expert concluding (and continuing to conclude) that the Merger is in the best interests of Capitol shareholders</li> <li>Subject to these qualifications, each Capitol Director has confirmed that they intend to vote any shares that they hold or control in favour of the Merger</li> </ul>
<b>Permitted dividends</b>	<ul style="list-style-type: none"> <li>Integral intends to pay a final dividend for the financial year ending 30 June 2024 in-line with its ordinary course dividend policy.</li> <li>Capitol may determine and pay a fully franked final dividend for the financial year ending 30 June 2024, provided that the dividend per Capitol share is no more than the final dividend per Integral share (as determined by Integral) multiplied by the Merger Ratio, and minus the adjustment as determined by Capitol within the parameters agreed by the parties</li> </ul>
<b>Key approvals, conditions and timing</b>	<ul style="list-style-type: none"> <li>Customary court, regulatory and Capitol shareholder approval</li> <li>Other conditions set out in the Merger Implementation Deed (attached to the Transaction announcement)</li> <li>Completion expected in 4Q CY2024</li> </ul>

# Attractive strategic rationale and financial benefits



Significantly enhanced scale

- ✓ Combination of two highly complementary footprints into a more geographically diversified portfolio
- ✓ Combined group will have a materially greater financial profile
- ✓ Nationwide footprint of 155 clinics supported by more than 350 radiologists<sup>1</sup> and c. 3,000 employees



Platform to drive best-in-class clinical outcomes for patients, doctors and referrers

- ✓ Deep clinical expertise across a wider network ensuring highest levels of clinical service quality
- ✓ Deploy Integral's advanced AI-enabled clinical technology, driving doctor productivity gains, enhancing detection capabilities and reducing turnaround times for patients whose lives depend on it
- ✓ Advanced clinical governance framework and increased training, fellowship and research opportunities for radiologists



Financially attractive opportunity

- ✓ Confirmatory due diligence has reaffirmed at least \$10m of anticipated annual pre-tax net cost synergies, with the majority expected to be realised within the first year post implementation
- ✓ Expected to deliver double-digit pro forma FY25 EPS accretion to Integral shareholders including cost synergies<sup>2</sup>
- ✓ Additional upside from potential administrative and revenue synergies over time



Well-positioned for future growth

- ✓ Improved ability to invest in costly higher-end imaging modalities, including MRI and PET/CT
- ✓ Opportunity to grow teleradiology volumes by offering Integral's leading platform, IDXt, to Capitol radiologists
- ✓ Achieved radiologist alignment to drive sustained long-term earnings growth
- ✓ Stronger financial position to pursue further value-accretive investments, including M&A

# Overview of Capitol Health

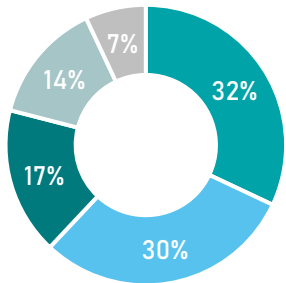
Capitol Health is an ASX-listed pure-play provider of diagnostic imaging services to the Australian healthcare market, employing over 100 radiologists across 8 brands

## Overview

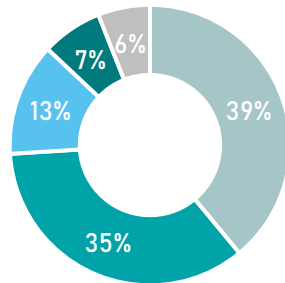
 65 clinics across VIC, SA, TAS and WA	 Over 1.4 million procedures every year
 107 radiologists <sup>1</sup>	 Over 1,000 staff

## Revenue and # scans by modality

Revenue by modality<sup>2</sup>



# scans by modality<sup>2</sup>



■ Ultrasound  
 ■ CT  
 ■ MRI  
 ■ X-Ray  
 ■ Other





Notes: (1) Including contractor radiologists; (2) 12 months to June 2023.

## Geographic footprint and brands



# Overview of the combined group

Merger delivers significant financial and operating scale to support future growth and enhanced ability to invest and innovate in a rapidly evolving market

	 <b>idx</b> Integral DIAGNOSTICS	 <b>CAPITOL HEALTH</b> LIMITED	Synergies	Combined Group
Equity value <sup>1,2</sup>	594	351		945
Enterprise value <sup>1,2,3</sup>	816	413		1,229
Revenue (FY23)	441	210		651
Pre-AASB 16 EBITDA (FY23)	66	26	10	103
<i>Margin (%)</i>	<i>15%</i>	<i>13%</i>		<i>16%</i>
Post-AASB 16 EBITDA (FY23)	85	40	10	135
<i>Margin (%)</i>	<i>19%</i>	<i>19%</i>		<i>21%</i>
Clinics	90	65		155
Radiologists <sup>4</sup>	255	107		362
Employees	~2,000	~1,000		~3,000

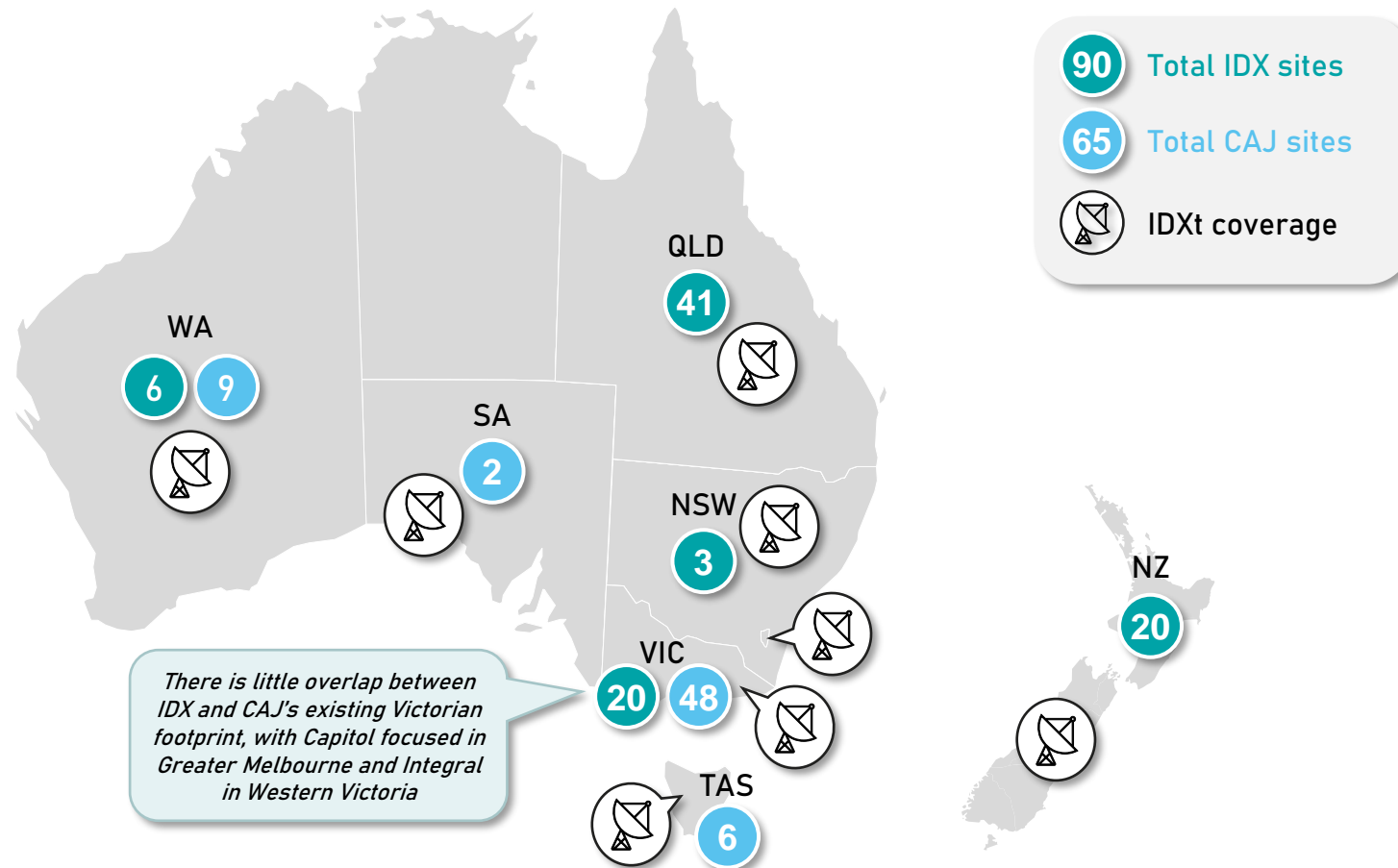


Notes: (1) Based on Integral's last close price as at 14 June 2024 being the last trading day prior to announcement of the proposed Merger; (2) Based on Capitol's implied value under the Merger; (3) Based on Integral and Capitol pre-AASB 16 net debt and non-controlling interests as at 31 December 2023. Excludes transaction costs, one-off costs and accelerated JV liability costs; (4) Including contractor radiologists.

# Highly complementary footprints

Combination of two highly complementary footprints into a more geographically diversified portfolio, creating a leading player in ANZ diagnostic imaging

Combined clinical network of 155 practices





# Platform to drive best-in-class clinical outcomes for patients, doctors and referrers

Significant improvement in clinical outcomes arising from merger, including deeper clinical expertise, technology benefits and enhanced clinical governance



## Patients

- ✓ Access to increased sub-specialty expertise across the network
- ✓ Wider breadth of patient services (e.g. higher-end imaging modalities)
- ✓ AI-powered scan triaging, enhancing detection capability and prioritising urgent cases
- ✓ Overnight reporting enabled by teleradiology



## Doctors and clinical staff

- ✓ Combining best-of-breed clinical expertise
- ✓ Best-in-class clinical technology
- ✓ Deeper specialist bench
- ✓ Fellowship training, development and research programs
- ✓ Minimal disruption to clinical activities



## Referrers

- ✓ Quicker turnaround time for referrers through common patient worklists
- ✓ Greater network density (enabling improved clinical access and labour management)
- ✓ Improved referral networks



# Significant cost synergies expected from the Merger, with upside

At least \$10 million in anticipated annual pre-tax net cost synergies, with majority to be achieved within 1 year post implementation and potential for further upside

## Commentary

- ✓ Run-rate annual pre-tax net cost synergies of at least \$10 million expected to be achieved by at least the end of the second year post-implementation, with the majority expected to be realised within the first year post-implementation<sup>1</sup>
- ✓ Additional upside expected from administrative synergies related to utilisation of Integral's AI-enabled technology to improve billing & claims processes
- ✓ Total post-tax one-off costs to implement transaction expected to be ~\$45 million<sup>2</sup> (including ~\$19.5 million accelerated Capitol JV liability payments outlined on pg. 11)

## Key areas of expected synergies

Category	Detail
Corporate function	<ul style="list-style-type: none"> <li>▪ Consolidation of overlapping corporate function costs</li> </ul>
Listed company costs	<ul style="list-style-type: none"> <li>▪ Board, ASX listing fee savings, cost savings from associated listed company costs</li> </ul>
Indirect procurement	<ul style="list-style-type: none"> <li>▪ Identified costs related to travel and entertainment, insurance, telecommunications, technology and labour hire etc.</li> </ul>
Clinical costs	<ul style="list-style-type: none"> <li>▪ In clinic savings associated with rebates on equipment repairs, procurement of consumables and medical supplies</li> <li>▪ Transition of Capitol's teleradiology services to IDXt</li> </ul>
Dis-synergies	<ul style="list-style-type: none"> <li>▪ Potential adjustments required to remuneration</li> <li>▪ Additional role for ESG</li> </ul>
<b>Total</b>	<b>At least \$10m of annual pre-tax net cost synergies</b>

*Represents the majority of cost synergies*

Expected to deliver double-digit pro forma FY25 EPS accretion to Integral shareholders (including cost synergies)<sup>3</sup>

# Revenue synergy opportunities

Further upside from doctor productivity improvements and additional revenue opportunities

## Potential revenue synergies

### Doctor productivity improvements

#### Focus on sub-specialty reporting



Achieve efficiencies across combined doctor base through a focus on sub-specialty reporting to enhance patient outcomes

#### Roll out of Clario to improve load sharing and utilisation



Optimises worklist prioritisation for patient care and efficiency

### Scale and network benefits

#### Increased capacity to invest in higher-modality services



Combined entity will have greater scale and capacity to invest in higher-end modalities (e.g. CT, PET)

#### Secure additional national contracts, including teleradiology



Enhanced geographic coverage and comprehensive IT platform to unlock national hospital and corporate contracts

#### Cross-referral of specialist radiology services



Opportunity for patients and referrers to access wider network of sub-specialist radiologists

#### Radiologist staffing benefits across Capitol's network in North-West VIC and WA



Utilise IDX IMGs based in Western Melbourne, Ballarat and South-Western WA to provide staffing support to Capitol clinics

# Well-positioned for future growth

The merger will enhance the capacity for the group to invest in high-end equipment and provides an opportunity to drive a step-change in teleradiology volumes through IDXt, while achieving radiologist alignment

## Investment in higher-end equipment

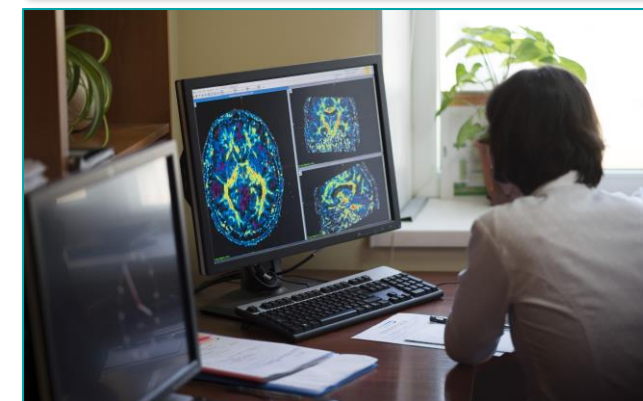
- ✓ Improved ability to invest in costly higher-end imaging modalities, including MRI and PET/CT
- ✓ Improved patient and referrer access to high-end equipment
- ✓ Ability to offer preventative and screening services (e.g. screening MRI)

## Teleradiology

- ✓ Materially increase contribution from IDXt (currently ~15% of revenue) by offering participation to Capitol's radiologists
- ✓ Lower cost (vs. in-clinic), driving margin uplift
- ✓ Increases competitiveness at tender, positioning combined group to secure additional teleradiology contracts

## Radiologist alignment achieved

- ✓ Due diligence has confirmed that Merger will accelerate payments under certain of Capitol's joint venture agreements
- ✓ Total one-off costs associated with these accelerated liabilities is expected to be up to c. \$19.5m (paid on completion of merger)
- ✓ To ensure alignment, Integral has put in place long-term incentive arrangements linked to future earnings growth



Pro forma leverage of c. 2.6x<sup>1</sup> (post-synergies) and trending downwards, and strong financial position to pursue further value-accretive investments (inc. M&A)

# Integration framework

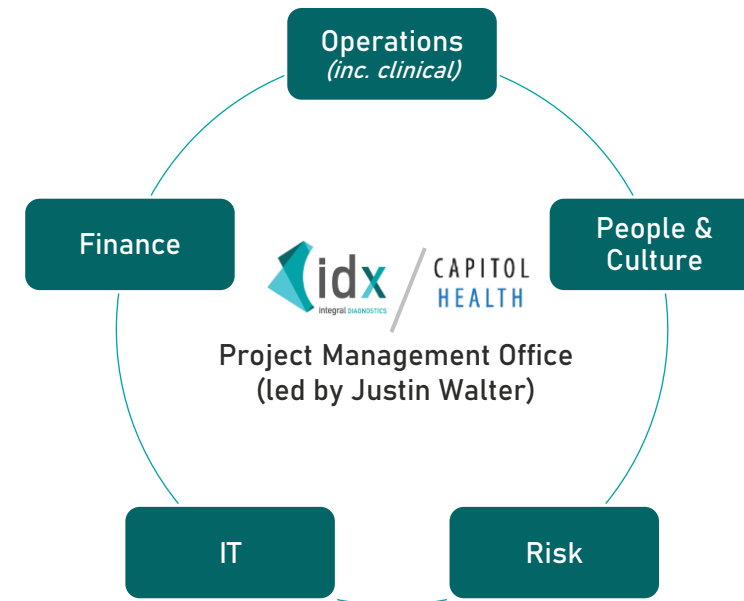
Integral will take a careful and measured approach in integrating Capitol to ensure the positive elements of both businesses are preserved

## Integration principles

- ✓ Create a single combined organisation aligned to a unified, patient-centric vision, purpose and strategy
- ✓ Balance the dual priorities of a smooth and safe integration, with emphasis on business continuity, whilst ensuring accelerated synergy delivery and value realisation
- ✓ Protect the positive culture of both organisations, utilising a 'best-of-breed' principle to optimise clinical and corporate functions
- ✓ Minimise disruption to our doctors' clinical activities

## Project Management Office

Integration effort to be led by a cross-functional Project Management Team with managers from both Integral and Capitol, headed by Capitol CEO Justin Walter



## Recap: Key benefits of the merger



Significantly enhanced scale




Platform to drive best-in-class clinical outcomes for patients, doctors and referrers



Financially attractive opportunity



Well-positioned for future growth



Creates a leader in diagnostic imaging across ANZ for the benefit of our combined patients, doctors and shareholders

# QUESTIONS





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