

Wednesday, 10 August 2022

## ACL FY22 FINANCIAL RESULTS

The following announcements to the market are attached:

- FY22 Appendix 4E
- FY22 full year financial statements and statutory reports, including the FY22 directors' report
- ✓ FY22 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:

### Company Secretary

Eleanor Padman  
Company Secretary  
Email: [epadman@padmanadvisory.com.au](mailto:epadman@padmanadvisory.com.au)  
Phone: +61 (0) 422 002 918

### 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.

## Australian Clinical Labs Limited

ABN 62 006 823 089  
 Registered Office:  
 1868-1892 Dandenong Road  
 Clayton VIC 3168  
 Australia  
[clinallabs.com.au](http://clinallabs.com.au)

Wednesday, 10 August 2022

## ACL FY22 Full Year Results

## ACL Delivers strong financial performance

Declares full year fully franked dividends of 53cps

Australian Clinical Labs Limited (ASX: ACL) (**ACL** or the **Company**) today announced its FY22 results for the 12 months to 30 June 2022 (**FY22**).

AUD in millions	Actual FY22	Pro forma FY21	Growth in FY22	Actual 1H FY22	Actual 2H FY22	Pro forma 1H FY21	Pro forma 2H FY21
Non-COVID-19 revenue	556.4	517.1	8%	258.2	298.3	251.2	265.9
COVID-19 revenue	420.1	137.9	205%	271.3	148.8	73.6	64.3
<b>Total Patient Revenue</b>	<b>976.6</b>	<b>654.9</b>	<b>49%</b>	<b>529.5</b>	<b>447.0</b>	<b>324.8</b>	<b>330.1</b>
Clinic/Other Revenue	19.0	19.5	(2%)	8.5	10.6	9.0	10.5
<b>Total Revenue</b>	<b>995.6</b>	<b>674.4</b>	<b>48%</b>	<b>538.0</b>	<b>457.6</b>	<b>333.8</b>	<b>340.6</b>
Medlab Integration & Transaction Costs / Non-Recurring	(7.4)	-		(1.3)	(6.0)	-	-
<b>EBITDA</b>	<b>372.7</b>	<b>230.7</b>	<b>62%</b>	<b>239.3</b>	<b>133.4</b>	<b>112.8</b>	<b>117.9</b>
<b>EBIT</b>	<b>266.6</b>	<b>140.0</b>	<b>90%</b>	<b>191.0</b>	<b>75.6</b>	<b>68.6</b>	<b>71.5</b>
EBIT margin	26.8%	20.8%		35.5%	16.5%	20.5%	21.0%
<b>NPAT</b>	<b>178.2</b>	<b>88.7</b>	<b>101%</b>	<b>130.2</b>	<b>48.0</b>	<b>43.3</b>	<b>45.4</b>
<b>EBITDA AASB117</b>	<b>270.7</b>	<b>143.6</b>	<b>89%</b>	<b>192.1</b>	<b>78.6</b>	<b>69.9</b>	<b>73.7</b>
EBITDA AASB117 margin	27.2%	21.3%		35.7%	17.2%	20.9%	21.6%

## Key Highlights include:

- Strong financial performance including:
  - Revenue increased by 48% to \$995.6m;
  - NPAT increased by 101% to \$178.2m;
  - Non-COVID revenue increased by 8% to \$556.4m;
  - EBIT margins increased to 26.8% (up from 20.8% in FY21) demonstrating strong operational management in an environment of a fee cut and increases consumables costs;
  - Cash flow prior to financing activities increased by 76% to \$172.1m. Cash EBITDA to operating cash flow conversion of 96%;
  - Net debt excluding lease liabilities improved by \$91m from a net debt position of \$64.1m to a net cash position of \$26.4m.
- Strengthened strategic position due to the acquisition of Medlab in December 2021, a NSW and Queensland focused pathology business. ACL now has operations in all mainland Australian states which led to an increase in market share from 13% in FY21 to 16% in FY22.<sup>1</sup>
- Continued focus on operational improvements with the completion of the integration of SunDoctors, the integration of Medlab's main NSW facility into the ACL NSW laboratory and the completion of a significant Oracle upgrade to facilitate future growth and digitisation.
- Excluding acquisitions and non-Medicare work, ACL grew its non-COVID testing revenue at a 3.6% faster rate than market<sup>2</sup>.
- Business expected to benefit as non-COVID testing rebounds.
- Tangible progress on ESG targets including the completion of scope 1 and 2 emissions assessment with actions to address emissions underway.

<sup>1</sup> ACL FY22 revenue normalised for full year Medlab revenue and excluding COVID and non-MBS revenue.

<sup>2</sup> Market data based on Medicare statistics adjusted for COVID testing outlays and estimated associated PEI and BBI outlays. ACL and Market data for VIC, NSW, SA, WA and NT.

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

*"The past 12 months have been both challenging and capability building for ACL. The business upgraded its Queensland laboratory, acquired Medlab Pathology and expanded our NSW lab to take on extra testing capacity. We also undertook a complex technological upgrade to our Oracle laboratory system to enable further efficiencies and service improvements and invested in further digitisation. We have grown to over 1300 collection centers and grown ACL's market share from 13% to 16%.*

*"I am incredibly proud of ACL's contribution to Australia's response to the COVID-19 pandemic. Our team's commitment and response to the pandemic has been significant and a clear demonstration of our values. Our 5,400 employees demonstrated their resolute focus on delivering accurate, rapid results to Australians and Hospitals, and showed their ingenuity in collecting samples by boat, bicycle and car through floods and pandemics over the past 12 months".*

*"Even with the very significant strategic and operational changes that ACL implemented in the past 12 months, ACL still managed to organically grow non-COVID testing revenue at 3.6% faster than the overall market. ACL's ability to manage complex and changing market conditions places ACL in a strong position to perform well as non-COVID testing rebounds."*

## **Final dividend for FY22**

ACL has declared a full year fully franked dividends of 53cps

- 12 cps interim dividend (already paid);
- 41 cps final fully franked dividend with an ex-dividend date of 23 August, record date 24 August, DRP Election 25 August and payment date of 15 September

This dividend demonstrates ACL's focus on cash generation and shareholder returns given material acquisition (Medlab) completed in FY22. The pro-forma 30th June 2022 net debt position post the dividend is \$56.1m which is lower than the net debt of \$93m at time of IPO in May 2021.

Based on the 5 day VWAP share price of \$5.36 as at 8h August 2022, the dividend yield for FY22 was 10%.

## **Outlook**

Given the current environment, ACL will not at this stage provide guidance for FY23. Financial results will be driven in part by the rate of the rebound of non-COVID testing revenue and COVID testing revenue.

ACL management will continue to focus in FY23 on:

- Meeting the testing needs of the community – for both COVID and non-COVID testing needs;
- Integrating and enhancing the value of our 2021 Sun Doctors and Medlab acquisitions;
- Operational efficiency and flexibility to ensure appropriate margin generation;
- Investment in meeting its value creating ESG targets.

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:

[https://clinicallabs-au.zoom.us/webinar/register/WN\\_C\\_W\\_JOVuRTy\\_82IWCywc-g](https://clinicallabs-au.zoom.us/webinar/register/WN_C_W_JOVuRTy_82IWCywc-g)

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:

**Investors**

Eleanor Padman  
Company Secretary  
Email: [investors@clinicallabs.com.au](mailto:investors@clinicallabs.com.au)  
Phone: +61 (0) 422 002 918

**Media**

Sue Cato  
Media Relations  
Email: [cato@catoandclive.com](mailto:cato@catoandclive.com)  
Phone: +61 (0) 2 8306 4244

**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. 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.

# FY22 Full year results presentation

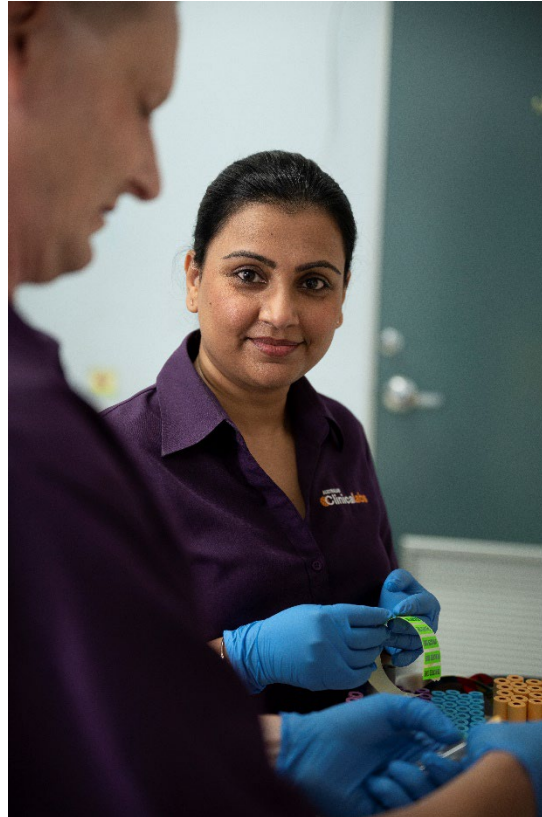
Melinda McGrath CEO and Executive Director  
James Davison CFO

10 August 2022



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## FY22 highlights

In FY22 ACL achieved strong results, an enhanced strategic position, improved operational performance and continued to invest in its ESG targets

- ACL achieved a strong financial performance on all key metrics in FY22 over pro forma FY21:
  - Revenue increased by 48% to \$995.6m;
  - NPAT increased by 101% to \$178.2m;
  - Non-COVID revenue increased by 8% to \$556.4m;
  - EBIT margins increased to 26.8% (up from 20.8% in FY21) demonstrating strong operational management in an environment of a fee cut and increases consumables costs;
  - Cash flow prior to financing activities increased by 76% to \$171.2m. Cash EBITDA to operating cash flow conversion of 96%
  - Net debt excluding lease liabilities improved by \$90.5m from a net debt position of \$64.1m to a net cash position of \$26.4m
- Strengthened strategic position due to:
  - Acquisition of Medlab in December 2021, a NSW and Queensland focused pathology business. ACL now has operations in all mainland Australian states
  - Increased its market share from 13% in FY21 to 16% in FY22<sup>1</sup>;
  - Excluding acquisitions and non-Medicare work, ACL grew its non-COVID testing revenue at 3.6% faster rate than market<sup>2</sup>. Business expected to benefit as non-COVID testing rebounds.
  - Continued expanding service lines with growth in clinical trials testing, IVF testing and genetic/precision medicine testing
- Continued focus on operational improvements with the completion of the integration of SunDoctors, the integration of Medlab's main NSW facility into the ACL NSW laboratory.
- Concurrently ACL completed a significant Oracle upgrade to facilitate future growth and digitisation
- Continued values focused approach to investing towards ESG targets (see slide 4)
- Declared full year fully franked dividends of 53cps: 12 cps interim dividend and 41 cps final fully franked dividend. Pro-forma net debt at 30<sup>th</sup> June 2022 post payment of dividend of \$56m remains lower than the \$93m of pro forma net debt at time of IPO

(1) ACL FY22 normalised for full year Medlab and excluding COVID and non-MBS revenue. Market data based on Medicare statistics adjusted for COVID testing outlays and estimated associated PEI and BBI outlays.

(2) ACL and Market data VIC, NSW, SA, WA and NT only.

# A leading Australian private pathology provider targeting global best practice levels



**90+**

Hospitals serviced,  
a leading private provider in  
public & private hospitals



**1,336**

Approved Collection Centres

**76**

NATA accredited  
laboratories<sup>(1)</sup>



**31** specialist

skin cancer clinics,  
diagnosing **~15%** of  
all reported melanomas  
in Australia<sup>(2)</sup>



**\$109m**

completed investment in  
upgrading facilities, equipment,  
restructuring, integration



**One**

National Unified  
Pathology System,  
linking all labs to one  
information system



**+5.6%**

Medicare funded  
pathology market  
growth (CAGR) between  
FY2000 and FY2019 (pre-  
COVID)

Note: As at 30 June 2022 unless otherwise noted.

(1) ACL has 76 NATA (National Association of Testing Authorities, Australia) accredited laboratories, or 43 laboratory locations when excluding point of care laboratories.

(2) Includes external referrers. Based on number of melanomas identified as a proportion of total diagnoses published by the Australian Government, Cancer Australia, for the 12 months to 31 December 2020.



# ESG is central to operations and strategy

ACL has a values focused approach to investing towards ESG targets

	Focus Area	Targets Set	Key Achievements in FY22
Environmental	Minimise GHG emissions in logistics	Scope 1 and 2 emissions to be measured & published. Digitisation, GPS tracking, optimised courier routes, flexible working practices	<ul style="list-style-type: none"> <li>Scope 1 &amp; 2 Assessment Completed: 1.4Kg CO2 per episode</li> <li>Pilot program completed, fleet conversion to hybrid cars underway – currently 24/121 cars in Vic.</li> <li>Route planning technology /GPS Tracked Services – 1.55km/episode</li> </ul>
	Energy & Waste Reduction at Facilities	Collaborate with Landlords to increase solar panels and LEDs installed at laboratories	<ul style="list-style-type: none"> <li>Adelaide Lab -Solar panels installed and lighting converted to LED.</li> <li>Melbourne Lab -Scoped to install smart metering</li> <li>Work on other major laboratories in progress</li> </ul>
	Innovation / Digitisation	Reduce carbon footprint via increased digitisation of ordering and reporting processes	<ul style="list-style-type: none"> <li>97.1% of COVID testing occurred via QR codes &amp; 24.5% of all ACL testing in FY 22 occurred with digital request forms</li> </ul>
Social	Workplace Health & Safety (WHS) for staff and patients	WHS managers comprehensive audits and improvement of practice Continuous improvement framework developed	<ul style="list-style-type: none"> <li>LTIFR June 2022 – 3.60 from 7.5</li> <li>Enhance monthly communications, training and education around safety performances and improved attendance</li> <li>Analysis and targeted activity on safety hot spots</li> <li>Acquired personal distress packs in target sites</li> </ul>
	Training and Development	Training future generations of pathologists, scientists	<ul style="list-style-type: none"> <li>National training of 9 pathologist registrars.</li> <li>Stage 1 Women in Leadership program complete</li> </ul>
	Customer Care	Increase engagement with customers, patients and staff to ensure care quality is measured, continuously improved	<ul style="list-style-type: none"> <li>Patient NPS performance of 4.73 vs 4.60 from over 200,000 responses</li> <li>Employee engagement events May 50k, Diversity days.</li> </ul>
Governance	Board Governance	Align Board governance structure(s) and practices to ASX Corporate Governance where appropriate	<ul style="list-style-type: none"> <li>Board performance evaluation designed and conducted.</li> <li>Board succession and composition review process established</li> </ul>
	Cyber Security & Privacy	NIST evaluation and targets set, plan implemented	<ul style="list-style-type: none"> <li>Penetration testing completed, along with external audit of cyber security framework to improve NIST Score</li> </ul>
	Diversity	Number of women at Board and senior management No gender pay gap	<ul style="list-style-type: none"> <li>Board – 29% (2/7)</li> <li>Executive Team – 36% (4/11)</li> <li>Women in Management roles – 68% (216/315)</li> </ul>
	Risk Management	New Inclusion in FY22	<ul style="list-style-type: none"> <li>Implementation first stage of Modern Slavery Framework</li> <li>Risk Committee has evaluated all relevant ACL frameworks, policies and procedures</li> </ul>

## COVID response, rapid, efficient and effective

ACL's contribution to Australia's response to the COVID pandemic has been significant and a clear demonstration of ACL's values



### ACL Role in COVID Response

- ACL continued to play a critical role in Australia's testing process for patients and hospitals
- ACL's front line pathologists, scientists, phlebotomists, couriers, call centre and lab employees provided caring, professional service at all times, supported in their professionalism by many other teams and individuals behind the scenes. This included urgent testing in regional and rural Australia, carried out by special "SWAT" teams.
- ACL's teams managed incredibly complex environments, including multiple flood events, at sometimes even retrieving samples in boats and on bicycles
- Moved work around laboratories despite logistics impacted by lockdowns & travel restrictions, 24-hour laboratory services provided by dedicated staff
- Managed testing responses over the Christmas 2021 Omicron outbreak with many staff giving up their own Christmas breaks for the second year in a row to enable Australian's to understand their COVID status and facilitate their travel

ACL is grateful for the outstanding effort by staff in a very difficult environment. Resolute focus on delivering accurate, rapid results to Australians and Hospitals

# FY22 Results Overview

James Davison, CFO

## FY22 Summary Profit and Loss

ACL achieved record financial performance on all key metrics in FY22

AUD in millions	Actual FY22	Pro forma FY21	Growth in FY22	Actual		Pro forma	
				1H FY22	2H FY22	1H FY21	2H FY21
Non-COVID-19 revenue	556.4	517.1	8%	258.2	298.3	251.2	265.9
COVID-19 revenue	420.1	137.9	205%	271.3	148.8	73.6	64.3
<b>Total Patient Revenue</b>	<b>976.6</b>	<b>654.9</b>	<b>49%</b>	<b>529.5</b>	<b>447.0</b>	<b>324.8</b>	<b>330.1</b>
Clinic/Other Revenue	19.0	19.5	(2%)	8.5	10.6	9.0	10.5
<b>Total Revenue</b>	<b>995.6</b>	<b>674.4</b>	<b>48%</b>	<b>538.0</b>	<b>457.6</b>	<b>333.8</b>	<b>340.6</b>
Medlab Integration & Transaction Costs / Non-Recurring	(7.4)	-		(1.3)	(6.0)	-	-
<b>EBITDA</b>	<b>372.7</b>	<b>230.7</b>	<b>62%</b>	<b>239.3</b>	<b>133.4</b>	<b>112.8</b>	<b>117.9</b>
<b>EBIT</b>	<b>266.6</b>	<b>140.0</b>	<b>90%</b>	<b>191.0</b>	<b>75.6</b>	<b>68.6</b>	<b>71.5</b>
<i>EBIT margin</i>	26.8%	20.8%		35.5%	16.5%	20.5%	21.0%
<b>NPAT</b>	<b>178.2</b>	<b>88.7</b>	<b>101%</b>	<b>130.2</b>	<b>48.0</b>	<b>43.3</b>	<b>45.4</b>
<b>EBITDA AASB117</b>	<b>270.7</b>	<b>143.6</b>	<b>89%</b>	<b>192.1</b>	<b>78.6</b>	<b>69.9</b>	<b>73.7</b>
<i>EBITDA AASB117 margin</i>	27.2%	21.3%		35.7%	17.2%	20.9%	21.6%

- Revenue increased by 48% to \$995.6m, NPAT increased by 101% to \$178.2m, Non-COVID revenue increased by 8% to \$556.4m. Strong focus on margin management and operational control demonstrated through EBIT margin of 26.8%<sup>1</sup>
- Excluding Medlab integration and transaction costs (\$3.2m stamp duty, \$1.5m advisor and project management, \$1.7m integration) and other non-recurring expenses (\$0.9m EBIT \$274.0m up 96% and NPAT \$184.5m up 108%.
- 2H FY22 NPAT was 6% higher than 2H FY21 (excluding Medlab integration and non-recurring \$53.3m up 11%):
  - Non-COVID revenue remains subdued due to the pandemic: See slide 14
  - Contribution from COVID testing revenue materially reduced due to 15% reduction in pricing/test (January 2022) and material increase in consumable costs due to inability to pool tests. Without the price reduction and consumables cost changes, EBIT and EBITDA margins in 2H FY22 would have been up on 2H FY21

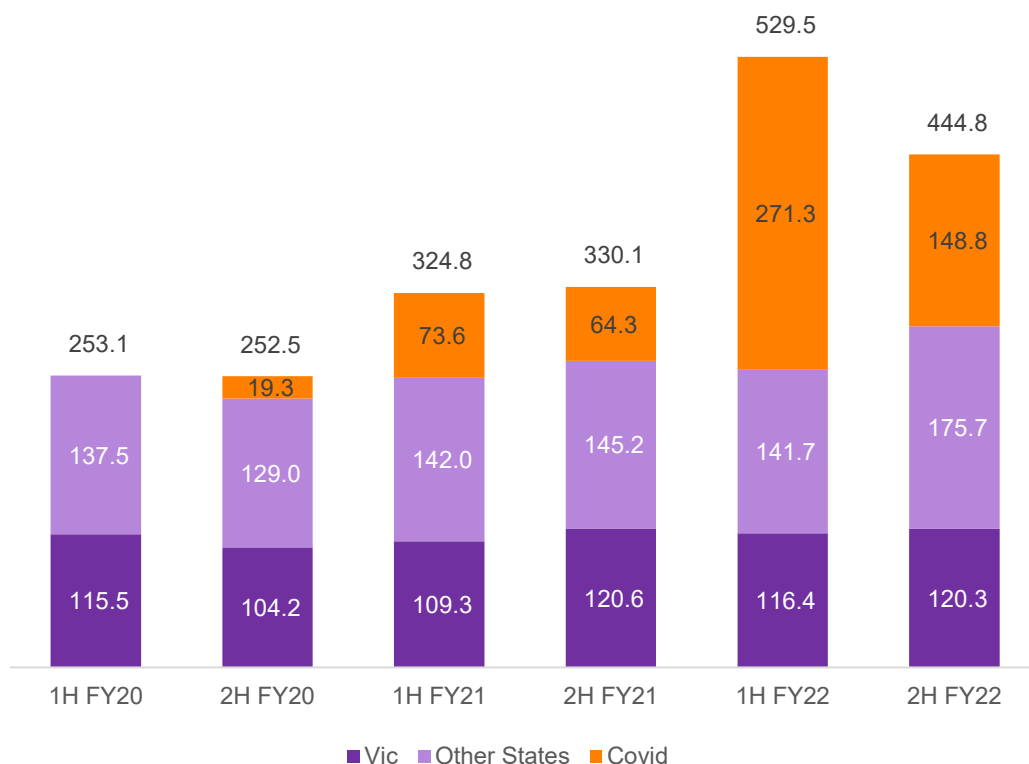
(1) Excluding head office, IT and listing costs of around \$31.6 m, the EBIT margin of the pathology business in FY22 was 30.0%

## ACL revenue breakdown by half year

Non-COVID revenue remains below historical growth trends due to COVID impacts. COVID revenue remains volatile depending on scale of outbreaks in Australia

### ACL Pathology Testing Revenue Breakdown by 6 months

\$m



### ACL Revenue Breakdown by Half Year

- Excluding acquisitions and non-Medicare work ACL recorded revenue growth of -0.7% for the year versus market growth for the ACL states (excluding Queensland and Tasmania) of -4.3%<sup>1</sup>
- Non-COVID revenue in Victoria up 3% on prior year, flat for 2H. Excluding non-Medicare work, ACL outperformed market growth in Victoria by 0.5%<sup>1</sup>
- Non-COVID revenue in other states grew by \$30.5m in 2H FY22 over 2H FY21. On a like for like basis adjusting for acquisitions (Medlab and SunDoctors) and non-Medicare work, ACL outperformed market growth in the non-Victorian states by 4.5%<sup>1</sup>
  - Growth in non-Victorian states driven by Medlab acquisition offset by marginally negative revenue growth for underlying business
  - Medlab acquisition has diversified ACL's geographical exposure
- COVID revenue in 2H FY22 was down from 1H FY22
  - Reflective of high COVID testing due to Omicron wave in 1H FY22 and 2H fee reduction
  - Increased use of RATS in 2H FY22
  - In the June 2022 quarter, ACL earned \$59m of COVID PCR testing revenues

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



## FY22 Cash flow

ACL generated \$171.2 m of cash flow prior to financing activities (up 76% on FY21). Cash EBITDA to operating cash flow conversion continued to be strong at 96%

AUD in millions	Actual FY22	Pro forma FY21		Actual	
				1H FY22	2H FY22
<b>EBITDA</b>	<b>372.7</b>	<b>230.7</b>	<b>62%</b>	<b>239.3</b>	<b>133.4</b>
Non-cash items	1.3	1.7		0.4	0.9
Property related payments AASB 16	(102.0)	(87.2)		(47.1)	(54.8)
<b>Cash EBITDA</b>	<b>272.0</b>	<b>145.2</b>	<b>87%</b>	<b>192.5</b>	<b>79.5</b>
Change in net working capital	(9.9)	2.0		(36.5)	26.6
<b>Operating cash flow pre capex</b>	<b>262.1</b>	<b>147.2</b>	<b>78%</b>	<b>156.0</b>	<b>106.1</b>
Capital expenditure	(21.0)	(9.5)		(8.2)	(12.8)
<b>Free cash flow before interest, tax and financing</b>	<b>241.1</b>	<b>137.7</b>	<b>75%</b>	<b>147.8</b>	<b>93.3</b>
Financing and investing activities	(180.0)	-		(120.3)	(59.7)
Interest paid	(1.1)	(1.5)		(0.6)	(0.5)
Income tax paid	(68.9)	(39.0)		(14.8)	(54.1)
<b>Net cash flow</b>	<b>(8.9)</b>	<b>97.2</b>		<b>12.1</b>	<b>(21.0)</b>
<i>Cash EBITDA to Operating cash flow</i>	96.4%	101.4%		81.0%	133.5%
<b>Net cash flow excluding financing and investing</b>	<b>171.2</b>	<b>97.2</b>	<b>76%</b>	<b>132.4</b>	<b>38.7</b>

- ACL has demonstrated its strong ability to convert earnings into cash flow with a conversion of Cash EBITDA to Operating cash flow ratio of 96%
- Capex of \$21.0m included \$10.7m of one off style capex (including \$6.3m for NSW/Medlab fit-out and capacity expansion, and costs associated with the Oracle upgrade and new Queensland lab). Excluding these costs, capex was consistent with FY21
- Financing and investing activities included the payback of debt of \$100.0m, interim dividend payment of \$24.2m, acquisition payments of \$51.1m and purchase of shares for employee retention plan of \$4.9m
- Dividends of 53 cents per share (\$107m) representing 60% of NPAT and 62% of net cash flow excluding financing and investing
- Differences in H1 v H2 cash conversion primarily related to timing differences related to collection of working capital

## FY22 balance sheet

Strengthened balance sheet, with borrowings all repaid. Net debt excluding lease liabilities improved by \$91m from a net debt position of \$64.1m to a net cash position of \$26.4m

AUD in millions	Actual FY22	Actual FY21
Cash and cash equivalents	26.4	35.2
Trade and other receivables	91.1	63.0
Inventories	20.1	13.4
Other current assets	5.3	5.7
<b>Total current assets</b>	<b>142.9</b>	<b>117.2</b>
Plant and equipment	58.1	42.3
Right of use assets	252.1	186.7
Goodwill and other intangibles	165.4	112.9
Deferred Tax Assets / Other Non-current Assets	9.6	15.6
<b>Non-current assets</b>	<b>485.2</b>	<b>357.5</b>
<b>Total assets</b>	<b>628.0</b>	<b>474.7</b>
Trade and other payables	(59.2)	(42.6)
Lease liabilities	(94.8)	(70.4)
Provisions	(53.8)	(48.6)
Deferred consideration	(10.2)	(0.7)
Current tax liabilities / Other current liabilities	(7.2)	(3.8)
<b>Total current liabilities</b>	<b>(225.2)</b>	<b>(166.2)</b>
Lease liabilities	(167.6)	(124.5)
Borrowings	(0.0)	(99.5)
Provisions	(2.7)	(2.6)
<b>Total non-current liabilities</b>	<b>(170.3)</b>	<b>(226.6)</b>
<b>Total liabilities</b>	<b>(395.5)</b>	<b>(392.8)</b>
<b>Net Assets</b>	<b>232.6</b>	<b>81.9</b>

Comments
<ul style="list-style-type: none"> <li>Cash balance \$26.4m as at 30 June 2021 with all borrowings repaid. Net debt excluding lease liabilities improved by \$91m from a net debt position of \$64.1m to a net cash position of \$26.4m</li> <li>Trade and other receivables includes work in progress/unbilled revenue of \$26.8m</li> <li>Increase in goodwill and right of use assets primarily related to the acquisition of Medlab. Right of use assets exclude option periods</li> </ul>

# FY23 Strategy update and Outlook

Melinda McGrath, CEO, Executive Director

## Strategy update

ACL has continued to strengthen its strategic position by a focus on patient services and testing capabilities, upgrade of its Laboratory Information System, operational investment and geographical expansion

	Patient services and testing capabilities	Operational investment	Geographical expansion
<b>Highlights from FY22</b>	<ul style="list-style-type: none"> <li>Increased Clinical Trials testing capabilities</li> <li>Increased reproductive health testing</li> <li>Continued investment in precision medicine</li> </ul>	<ul style="list-style-type: none"> <li>Continued investment in ACL's unified platform: acquisition of 4 new Attelica tracks and upgrade of molecular analysers</li> <li>Upgraded the underlying database to Oracle</li> </ul>	<ul style="list-style-type: none"> <li>Increased number of ACC's from 988 to 1,336 (primarily through Medlab acquisition)</li> <li>Invested in new Queensland based laboratory and integration of Medlab core laboratory into ACL laboratory</li> <li>Increased market share from 13% to 16%<sup>1</sup></li> </ul>
<b>Medium term Implications</b>	<ul style="list-style-type: none"> <li>Diversification in revenue</li> <li>Ability to invest in scale testing platforms</li> <li>Ability to attract and retain leading pathologists and scientists</li> </ul>	<ul style="list-style-type: none"> <li>Embedded process for continued incremental operational improvement gains</li> <li>Support ACL's focus on digitisation and scalability</li> </ul>	<ul style="list-style-type: none"> <li>Ability to target national contracts that previously ACL could not service without partners</li> <li>Provides scale and position for ACL to invest in growing share in Qld market</li> </ul>

*ACL continues on its journey to excellence through improved customer experience, operational focus and geographical expansion*

(1) ACL FY22 normalised for full year Medlab and excluding COVID and non-MBS revenue.

## Operational achievements realised in FY22

ACL has continued to invest in operational improvements and innovation throughout the year

Operational Achievements	
<b>Medlab Integration – Ahead of schedule and synergies greater than forecast</b>	<ul style="list-style-type: none"> <li>• Integration 12 months ahead of schedule to be refined over the next 6 months</li> <li>• Synergies identified greater than expected delivering &gt;\$20m EBIT run rate, materially achieved by end of CY22</li> <li>• Unbudgeted QLD synergies identified, completed merger of Medlab/ACL's 3 existing QLD laboratories into ACL's core laboratory and a histopathology laboratory despite challenges of QLD floods</li> <li>• All laboratories converted to Ultra, now run on ACL's unified LIS ahead of plan</li> <li>• Focus now on growth opportunities in NSW and QLD</li> </ul>
<b>Automation and Digitisation</b>	<ul style="list-style-type: none"> <li>• Continued effort was placed on electronic ordering and paperless pathology process. 97% of COVID tests occurred via a QR Code. Technology is being rolled out for digital referrals for ACL's GP customers</li> <li>• E-Commerce portal was rolled out to support COVID travel testing demand and now being utilised for other direct to consumer opportunities</li> <li>• Route and logistics automation now largely completed</li> </ul>
<b>SunDoctors Integration</b>	<ul style="list-style-type: none"> <li>• Integration now completed</li> <li>• Focus now shifted to growth opportunities including expansion of the clinic network and histopathology service offering</li> </ul>
<b>Infrastructure &amp; Systems Investments</b>	<ul style="list-style-type: none"> <li>• Continued investment in upgrades to the core unified pathology system, including upgrading the underlying database to Oracle which will support ACL's focus on digitisation and scalability into the future</li> <li>• Upgraded Molecular analysers to manage ongoing COVID and Influenza PCR testing volume</li> <li>• Progression on new state-of-the-art laboratory in WA which will go live in H1 FY24.</li> </ul>

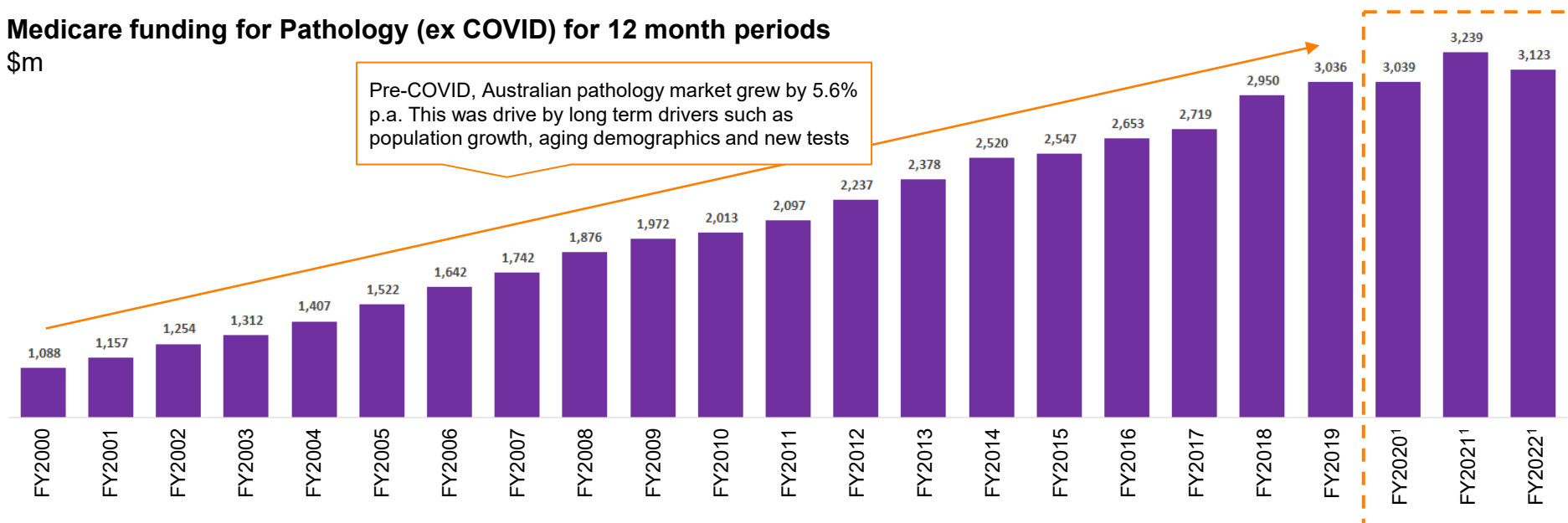


## Outlook: Non-COVID revenue

The timing of the rebound in non-COVID testing revenue will be a key driver of ACL's outlook. This is hard to forecast in the short term, but is more predictable in the longer term as the market is expected to return to historic trends

### Medicare funding for Pathology (ex COVID) for 12 month periods

\$m



- Prior to COVID pandemic, pathology revenue grew at 5.6% p.a. since 2000. This was driven by long term drivers: population, aging and new tests
- The COVID pandemic has effectively stopped growth in non-COVID testing revenue. This has been due to doctor access issues, decreased levels of testing for non-COVID sickness (eg flu) and social factors (reluctance to visit medical practitioners)
- As the impact of the pandemic decreases, there should be a rebound in non-COVID testing revenue as underlying drivers still apply. If testing revenue followed historic growth levels, the non-COVID testing revenue would be ~\$450m higher. ACL has ~16%<sup>2</sup> market share of non-COVID revenue which would imply that ACL has a ~\$70m “deficit” in non-COVID testing compared with historical trends.
- The timing of the rebound in non-COVID testing revenue will be a key driver of ACL's outlook. This is hard to forecast in the short term

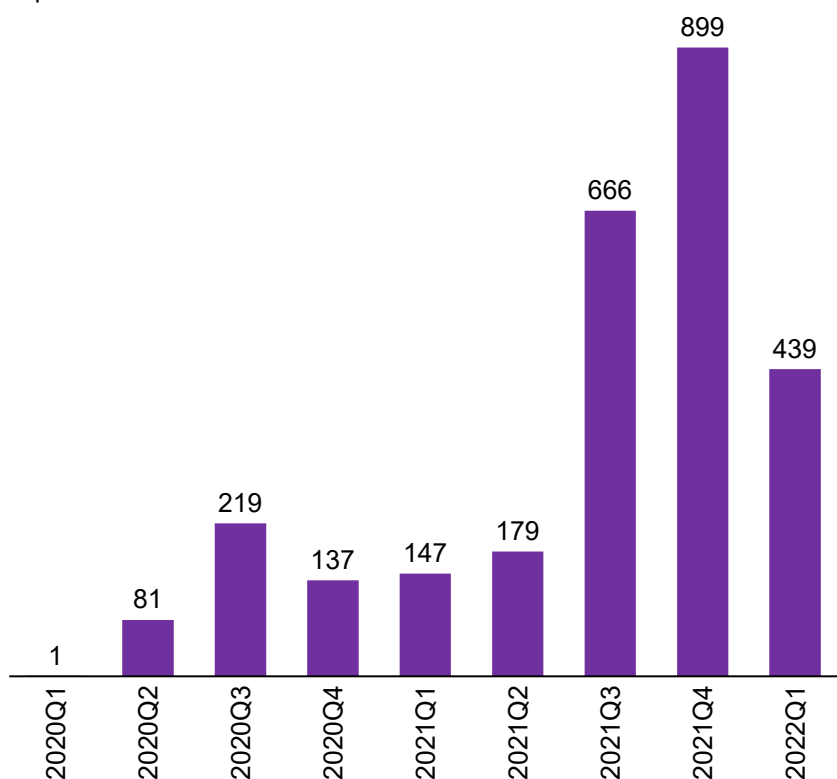
(1) Market data based on Medicare statistics adjusted for COVID testing outlays and estimated associated PEI and BBI outlays

(2) ACL FY22 normalised for full year Medlab and excluding COVID and non-MBS revenue.

## Outlook: COVID revenue

The level of COVID testing revenue will be a key driver of ACL's outlook. This is hard to forecast in the short term. ACL believes COVID has become endemic and testing will continue and become more akin to seasonal flu

### Medicare funding for COVID on quarterly basis \$m

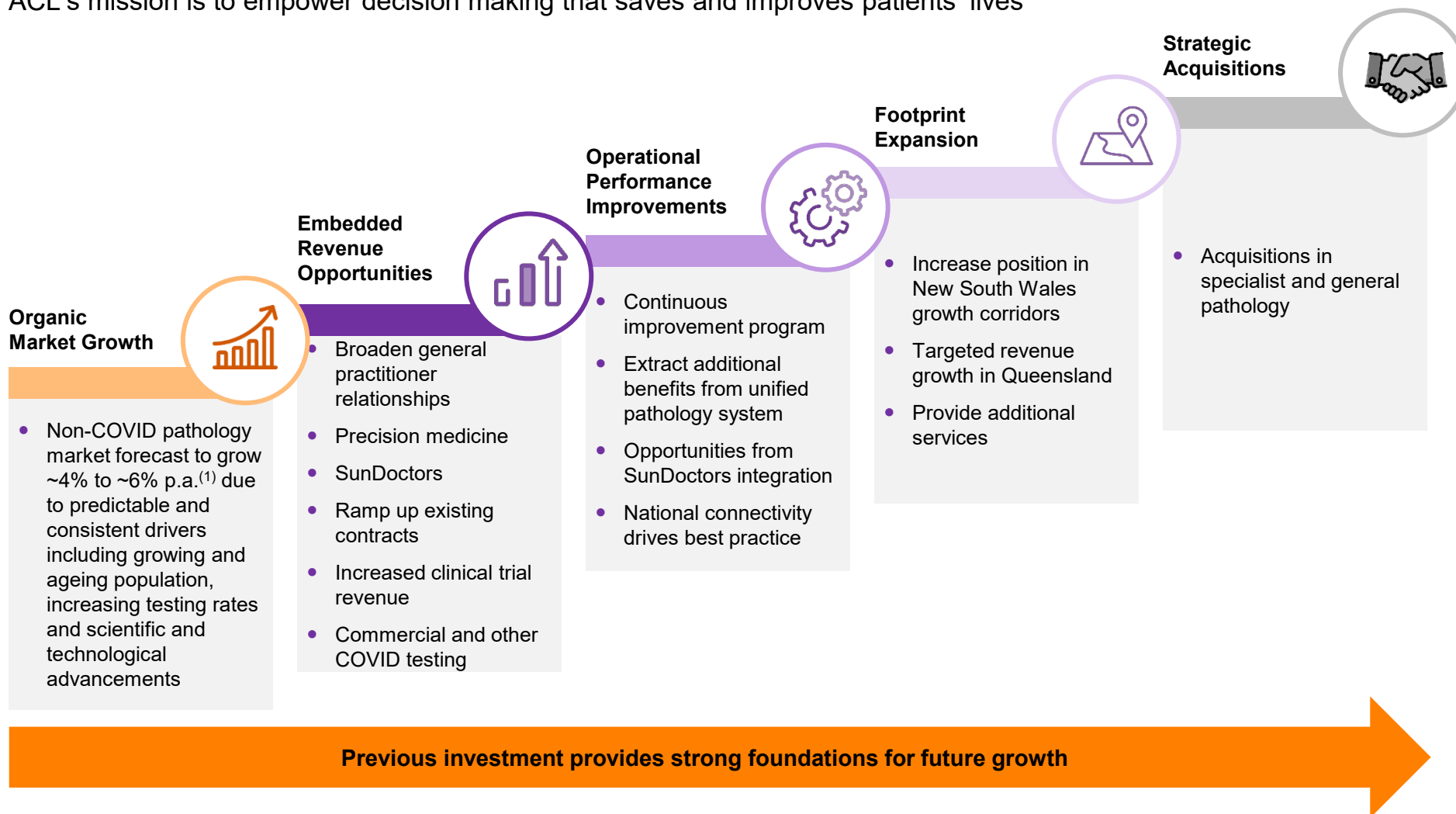


### COVID Revenue and impact on outlook

- Medicare funding for COVID is a subsection of COVID funding (with state governments and some organisations providing additional funding)
- COVID testing revenue depends on:
  - The level of COVID infection within Australia
  - Government (Federal and State) funding for testing
  - Patient and GP willingness to test for COVID in ACCs
  - Support and funding for stand alone COVID testing sites
  - Patient and government preferences for RAT v PCR testing
  - Pricing of PCR tests. In Jan-22 the MBS rate for a COVID PCR decrease by 15%

## Well-defined growth strategy

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



(1) Partners in Performance estimates.

## FY22 dividend

ACL has declared a 41 cps final dividend (fully franked) which will bring the total FY22 dividend to 53 cents (fully franked) which represents 60% of FY22 NPAT

### Final dividend

- Board declares a final dividend of 41 cps (fully franked)
- Ex Dividend date of 23 August, record date 24 August, DRP Election 25 August and payment date of 15 September
- Represents dividend payout ratio of 60% of FY22 NPAT
- Demonstrates ACL's focus on cash generation and shareholder returns given material acquisition (Medlab) completed in FY22
- Pro-forma 30<sup>th</sup> June 2022 net debt position post final dividend of \$56.1m. Compares with Net debt of \$93m at time of IPO in May 2021
- Based on the 5 day VWAP share price of \$5.36 as at 8<sup>th</sup> August, the dividend yield for FY22 was 10%

### FY23 Guidance

- ACL will not at this stage provide guidance for FY23. Financial results will be driven in part by the rate of the rebound of non-COVID testing revenue and COVID testing revenue
- ACL management will continue to focus in FY23 on:
  - Meeting the testing needs of the community – for both COVID and non-COVID testing needs
  - Integrating and enhancing the value of our 2021 Sun Doctors and Medlab acquisitions
  - Operational efficiency and flexibility to ensure appropriate margin generation
  - Investment in meeting its value creating ESG targets
- Dividend guidance remains 50-70% of FY23 NPAT

## Key highlights from FY22

- 1 Continued strong financial and operational performance: NPAT of \$178.2m and EBIT margin of 26.8%<sup>1</sup>
- 2 Increased Medicare market share from 13% to 16%<sup>2</sup> driven by the strategic acquisition of Medlab. Opens up opportunity for continued market share growth in Queensland with investment in new laboratory
- 3 Strong balance sheet with a net cash position of \$26m. Continued strong cash flow conversion of 96%
- 4 Demonstrated ACL's capacity to acquire and integrate businesses
- 5 Well positioned to benefit from rebound of non-COVID revenue as Australia comes out of pandemic
- 6 Highly experienced management team with a performance-based culture
- 7 FY22 fully franked dividend of 53 cps: 12 cps already paid with 41 cps to be paid: Ex Dividend date of 23 August, record date 24 August, DRP Election 25 August and payment date of 15 September

(1) Excluding head office, IT and listing costs of around \$31.6 m, the EBIT margin of the pathology business in FY22 was 30.0%

(2) ACL FY22 normalised for full year Medlab and excluding COVID and non-MBS revenue.



Q&A

# Appendix

## Reconciliation of FY22 adjusted P&L (excluding Medlab Integration & Transaction Costs and other Non-Recurring expenses)

AUD in millions	Actual FY22	Stamp Duty	Legal / Advisor	Integration	Adjusted FY22
Non-COVID-19 revenue	556.4	-	-	-	556.4
COVID-19 revenue	420.1	-	-	-	420.1
<b>Total Patient Revenue</b>	<b>976.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>976.6</b>
Clinic/Other Revenue	19.0	-	-	-	19.0
<b>Total Revenue</b>	<b>995.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>995.6</b>
Medlab Integration & Transaction Costs / Non-Recurring	(7.4)	3.2	2.5	1.7	-
<b>EBITDA</b>	<b>372.7</b>	<b>3.2</b>	<b>2.5</b>	<b>1.7</b>	<b>380.1</b>
<b>EBIT</b>	<b>266.6</b>	<b>3.2</b>	<b>2.5</b>	<b>1.7</b>	<b>274.0</b>
<i>EBIT margin</i>	26.8%				27.5%
<b>NPAT</b>	<b>178.2</b>	<b>3.2</b>	<b>1.9</b>	<b>1.2</b>	<b>184.5</b>
<b>EBITDA AASB117</b>	<b>270.7</b>	<b>3.2</b>	<b>2.5</b>	<b>1.7</b>	<b>278.1</b>
<i>EBITDA AASB117 margin</i>	27.2%				27.9%

- The above table outlines adjusted results excluding Medlab integration and transactions costs and other non-recurring expenses

## Reconciliation of FY21 pro forma P&L to statutory accounts

AUD in millions	FY22 Reported	Pro forma FY21	Growth in FY22
<b>Statutory Revenue</b>	<b>995.6</b>	<b>644.7</b>	<b>54.4%</b>
Pro forma adjustments (prospectus)	-	28.9	
Other pro forma adjustments	-	0.9	
<b>Pro Forma Revenue</b>	<b>995.6</b>	<b>674.4</b>	<b>47.6%</b>
<b>Statutory EBITDA</b>	<b>372.7</b>	<b>196.6</b>	<b>89.6%</b>
Pro forma adjustments (prospectus)	-	34.7	
Other pro forma adjustments	-	(0.6)	
<b>Pro Forma EBITDA</b>	<b>372.7</b>	<b>230.7</b>	<b>61.5%</b>
<b>Statutory NPAT</b>	<b>178.2</b>	<b>60.4</b>	<b>195.1%</b>
Pro forma adjustments (prospectus)	-	26.2	
Other pro forma adjustments	-	2.2	
<b>Pro Forma NPAT</b>	<b>178.2</b>	<b>88.7</b>	<b>100.8%</b>

- The above table outlines the pro forma adjustments to the audited statutory profit and loss for FY21
- The pro forma adjustments align with the Prospectus with notable differences being lower than expected offer costs, accelerated expensing of legacy management equity plan and forecast statutory Prospectus tax rate being lower than actual.

## FY21 indebtedness

Conservative net leverage provides significant headroom and financial flexibility

AUD in millions	Jun-22 Actual	Jun-21 Actual	M'ment
<b>Non-current borrowings</b>			
Redrawable Term Facility (\$100m)	-	(99.5)	
<b>Current Borrowings</b>			
Working Capital Facility (\$20m)	-	0.2	
<b>Total debt excluding lease liabilities</b>	<b>-</b>	<b>(99.3)</b>	<b>99.3</b>
Cash and cash equivalents	26.4	35.2	
<b>Total net debt excluding lease liabilities</b>	<b>26.4</b>	<b>(64.1)</b>	<b>90.5</b>
Lease liabilities	(262.4)	(194.9)	
<b>Net debt</b>	<b>(236.0)</b>	<b>(259.0)</b>	<b>23.0</b>
<b>Key metrics</b>			
Net debt (excl lease liab.)/LTM Jun EBITDA (AASB 117, excl. Non Cash)	-	0.4	
Net debt/LTM Jun EBITDA (post AASB 16)	0.6	1.1	

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 FY22	Pro forma FY21	Growth in FY22	Actual	
				2H FY22	1H FY22
<b>Pro forma EBITDA (AASB 16)</b>	<b>372.7</b>	<b>230.7</b>	<b>62%</b>	<b>133.4</b>	<b>239.3</b>
Less: Operating lease rentals (AASB 117)	(102.0)	(87.2)	17%	(54.8)	(47.1)
<b>Pro forma EBITDA (AASB 117)</b>	<b>270.7</b>	<b>143.5</b>	<b>89%</b>	<b>78.6</b>	<b>192.1</b>
<b>Pro forma EBIT (AASB 16)</b>	<b>266.6</b>	<b>140.0</b>	<b>90%</b>	<b>75.6</b>	<b>191.0</b>
Add: Depn of Right of Use Asset (AASB 16)	93.7	79.4	18%	51.2	42.6
Less: Operating lease rentals (AASB 117)	(102.3)	(87.2)	17%	(55.1)	(47.1)
<b>Pro forma EBIT (AASB 117)</b>	<b>258.0</b>	<b>132.2</b>	<b>95%</b>	<b>71.6</b>	<b>186.4</b>
<b>Pro forma NPAT (AASB 16)</b>	<b>178.2</b>	<b>88.7</b>	<b>101%</b>	<b>48.0</b>	<b>130.2</b>
Add: Depn of Right of Use Asset (AASB 16)	93.7	79.4	18%	51.2	42.6
Add: Int. exp. on Lease liabilities (AASB 16)	10.3	11.1	(7%)	5.0	5.3
Less: Operating lease rentals (AASB 117)	(102.0)	(87.2)	17%	(54.8)	(47.1)
<b>Pre tax impact Pro forma NPAT (AASB 117)</b>	<b>180.3</b>	<b>92.0</b>	<b>96%</b>	<b>49.4</b>	<b>130.9</b>
Income tax impact	(0.6)	(1.0)	(38%)	(0.4)	(0.2)
<b>Pro forma NPAT (AASB 117)</b>	<b>179.7</b>	<b>91.1</b>	<b>97%</b>	<b>49.0</b>	<b>130.7</b>
<i>EBITDA margin AASB 16</i>	<i>37.4%</i>	<i>34.2%</i>		<i>29.2%</i>	<i>44.5%</i>
<i>EBITDA margin AASB 117</i>	<i>27.2%</i>	<i>21.3%</i>		<i>17.2%</i>	<i>35.7%</i>
<i>EBIT margin AASB 16</i>	<i>26.8%</i>	<i>20.8%</i>		<i>16.5%</i>	<i>35.5%</i>
<i>EBIT margin AASB 117</i>	<i>25.9%</i>	<i>19.6%</i>		<i>15.6%</i>	<i>34.7%</i>

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