



T | +61 3 5339 0704
E | info@idxgroup.com.au

Suite 9.02, Level 9,
45 William Street
Melbourne Vic 3000

www.integraldiagnostics.com.au

ASX & MEDIA RELEASE

Integral Diagnostics Reports 1H FY24 Results

20 February 2024, Melbourne

Integral Diagnostics Limited (ASX: IDX) announces its results for the half year ended 31 December 2023 (1H FY24).

IDX's operating results for 1H FY24 are consistent with the Trading Update provided on 3 November 2023. Group EBITDA margins of 18.7% were slightly higher than for 1H FY23 of 18.5%. In addition, financial leverage (being net debt to pre-AASB 16 EBITDA) was 3.0x at 31 December 2023, being slightly below 3.1x at 31 December 2022, and is projected to trend down gradually over time.

Group summary

AUD\$ million	1H FY24	1H FY23	Change	
Profitability				
Statutory NPAT	(66.8)	16.1	(82.9)	(513.7%) ▼
Statutory Revenue	231.3	215.7	15.6	7.2% ▲
Operating EBITDA (\$)	43.2	39.8	3.4	8.7% ▲
Operating EBITDA (%)	18.7%	18.5%		
Operating EBITA (\$)	21.2	19.6	1.6	7.9% ▲
Operating EBITA (%)	9.2%	9.1%		
Operating NPAT	7.4	7.8	(0.4)	(5.6%) ▼
Operating diluted EPS (cents)	3.1	3.3	(0.2)	(6.4%) ▼
Cashflow & Capital Management				
Free cash flow	24.0	40.9	(16.9)	(41.3%) ▼
Free cash flow conversion, prior to replacement capital expenditure	74.6%	124.3%		
Dividends declared per share (cents)	2.5	2.5	-	-
Net debt (pre-AASB 16)	210.0	194.2	15.8	8.1% ▲
Net debt / pro forma EBITDA (pre-AASB 16) ¹	3.0x	3.1x		
Equity	300.4	370.5	(70.1)	(18.9%) ▼

¹ Based on net debt excluding the impact of lease liabilities of \$210.0m (1H FY23: \$194.2m). Pro-forma LTM EBITDA of \$69.4m (1H FY23: \$63.5m) 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 half year ended 31 December 2023 are:
 - Statutory Loss after Tax of (\$66.8) million after impairment losses, transaction and integration costs, amortisation of customer contracts and other costs, net of tax, of (\$74.2) million
 - An impairment loss of \$71.5m recognised in the New Zealand division, being 35.1% of the \$203.5m carrying value of IDX's New Zealand assets, reflecting the Company's revised, more modest growth expectations for this business, consistent with the Trading Update provided on 3 November 2023
 - Statutory Revenue of \$231.3 million, up 7.2%
 - Operating EBITDA of \$43.2 million (18.7% margin), up 8.7%
 - Operating NPAT of \$7.4 million, down 5.6%
 - Operating diluted EPS of 3.1 cents, down 6.4%
 - Free cash flow of \$24.0 million, down 41.3%, impacted by timing of working capital movements in 1H FY24, including the recognition of a \$10.4m tax receivable, expected to be received in 3Q FY24
- Net debt to EBITDA (pre-AASB 16) of 3.0x, being slightly below 3.1x at 31 December 2022
- Fully franked interim dividend of 2.5 cents per share declared and payable on 2 April 2024, representing a 78.9% payout ratio to Operating NPAT

While the Group achieved solid revenue growth of 7.2%, cost inflation and clinical staff shortages, particularly in regional areas, have continued into FY24 driving labour costs to be higher than expected, adversely impacting Operating EBITDA. As such we have not seen the expected Operating EBITDA margin improvement in 1H FY24 relative to 1H FY23. Higher interest funding costs further adversely impacted Operating NPAT. IDX is responding to these pressures by accelerating productivity and efficiency initiatives.

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

CEO of IDX Dr Ian Kadish said: *"While the operating environment in 1H FY24 has proven to be challenging given higher than expected cost inflation and clinical staff shortages, we expect to deliver a materially stronger 2H FY24 profit result compared to 1H FY24, including through implementation of productivity and efficiency initiatives. Despite the current cost challenges in a high inflation environment in FY24, the Company believes the fundamentals of the radiology industry are strong and the Company is well positioned to benefit from executing on these initiatives."*

Key financial measures

In 1H FY24 the Group achieved solid revenue growth of 7.2% to \$231.3m, driven by improved Medicare indexation (3.6% increase effective 1 July 2023 and an additional 0.5% increase effective 1 November 2023, both increases excluding nuclear medicine), annualisation of FY23 out of pocket fee increases and continued overall favourable mix impact.

Organic operating revenue from all sources (including reporting contracts, some of which are fixed rate) in Australia grew 7.8%, being slightly lower compared to the Medicare industry weighted average for the States in which IDX operates of a 9.5% benefits increase adjusted for working days. Note that IDX's growth is 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 7.5% in 1H FY24, reflective of Medicare indexation, annualisation of FY23 out of pocket fee increases and an on-going move to the higher end CT, MRI and PET scan modalities as noted above.

Organic operating revenue in New Zealand grew 4.1%, on a constant currency basis adjusted for working days.

In 1H FY24 capital expenditure totalled \$11.7m, with \$3.5m relating to growth initiatives including investment in additional or upgraded equipment.

Net debt increased by \$15.8m to \$210.0m (1H FY23: \$194.2m) with the Group's net debt to equity ratio at 31 December 2023 being 69.9% driven by the impairment loss recognised in the New Zealand division (1H FY23: 52.4%) and net debt/EBITDA ratio at 31 December 2023 being 3.0x (1H FY23: 3.1x).

At 31 December 2023 IDX held cash of \$18.0m. In addition, IDX has committed facilities of \$354.4m of which \$126.3m remains undrawn (subject to banking facility financial covenant compliance). Current debt facilities are not due until February 2026, and IDX is in compliance with all covenants under the debt facility.

Dividend

A fully franked interim dividend of 2.5 cents per share has been declared and is payable on 2 April 2024 (1H FY23 2.5 cents per share), representing a 78.9% payout ratio to Operating NPAT.

Key dates for the interim dividend are:

Record date	1 March 2024
Final DRP election date	4 March 2024
Payment and issue date	2 April 2024

The Dividend Reinvestment Plan (DRP) will again be available with a 1.5% discount for participation for the 1H FY24 dividend distribution.

Company outlook

The Company believes the underlying fundamentals of the essential radiology industry remain strong, with our industry benefiting from being at the confluence of two major global trends, demographic and technological, together with structural shifts to higher acuity modalities.

IDX as a specialist, regionally focused, high quality provider of diagnostic services is strategically well positioned to benefit from these important trends and to grow its services strongly going forward.

In FY24 and beyond the Company is focused on executing on the following drivers of IDX's strategy to grow its business:

- Drive organic earnings growth, including through focus on execution of key operational improvement initiatives
- Accelerate use of teleradiology, digital and AI to improve the patient and referrer experience
- Drive our environmental, social and governance (ESG) strategy
- Nurture and develop culture and leadership across our people
- As balance sheet capacity permits, consider accretive acquisitions that represent a strong clinical, cultural and strategic fit

In particular, the focus on execution of key operational improvement initiatives are expected to lead to an improvement in 2H FY24 trading performance and Operating EBITDA margin compared to 1H FY24, to be in line with or slightly higher than the 2H FY23 EBITDA margin of 20.2%.

For the month of January 2024 and up to and including 15 February 2024, the Company achieved solid revenue growth of 11.6% (7.8% adjusted for working days) compared to the prior corresponding period.

FY24 replacement and growth capex is expected to be between \$30.0m to \$40.0m.

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://sl.c-conf.com/diamondpass/10036352-hg876t.html>

Alternatively, at the time of the call, dial your respective number below and provide the conference ID **10036352** to the operator, noting there may be wait times:

AUSTRALIA: 1800 809 971
AUSTRALIA Local: 02 9007 3187
NEW ZEALAND: 0800 453 055
AUCKLAND Local: +64 9 929 1687

For further details contact

Integral Diagnostics
Nikki Dalla Valle
General Counsel & Company Secretary
Tel: +61 3 9321 4918
Email: ndallavalle@idxgroup.com.au

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.