

Release to the Australian Securities Exchange

Integral Diagnostics continues to grow in a challenging operating environment

Melbourne, 25 August 2016: Integral Diagnostics Limited (ASX: IDX) is pleased to announce its maiden full year results as a listed company. Over the 12 months ended 30 June 2016 (FY16) Integral Diagnostics continued to grow revenue and earnings, underpinned by above market growth in patient examination volumes.

FY16 highlights (vs FY15):

- Statutory results:
 - Revenue up 10.9% to \$167.8 million
 - EBITDA up 19.4% to \$28.2 million
 - NPAT up 137.0% to \$11.4 million
- Pro-forma results¹:
 - Revenue up 4.9% to \$167.8 million
 - EBITDA up 0.9% to \$34.9 million
 - EBIT up 3.2% to \$26.2 million
 - NPAT up 5.1% to \$16.6 million
 - NPATA up 4.9% to \$17.0 million
- Conservative balance sheet with net debt of \$44.9 million, and gearing at 1.3x pro forma FY16 EBITDA
- Maiden dividend declared of 4.0 cents per share fully franked for 2H16.
- Intention to target a dividend payout ratio of 65% - 75% of NPATA going forward.

Commenting on the FY16 results, Integral Diagnostics CEO John Livingston said:

“This was an exciting year for Integral Diagnostics, with the ASX listing introducing a number of new investors to the company and positioning us for future growth. Over the past 12 months we have continued to grow above market, and acquired Western District Radiology and the remaining 50% interest in South West MRI Pty Ltd. This acquisition is further evidence of our ability to successfully acquire and integrate compatible diagnostic imaging businesses. The Western District acquisition is expected to be earnings accretive in FY17 and is consistent with our strategic growth criteria.

“The market growth rate for diagnostic imaging services slowed in the first half of FY16 due to Government policy initiatives and an increased level of Government and media attention that changed referral patterns. While we saw a positive recovery in the second half, referral patterns are yet to return to their historical levels and it is still too early to say when there will be a return to historical growth rates.”

¹ Adjusted for the removal of IPO costs and the inclusion of South Coast Radiology results for both periods

Financial performance reflects strength and resilience of IDX's business model

Despite challenging market conditions, Integral Diagnostics was able to deliver growth across all key financial metrics in FY16. Pro forma revenue was up 4.9% to \$167.8 million, while EBITDA was up 0.9% to \$34.9 million.

To ensure Integral Diagnostics is able to deliver value and optimal care for its clients and referrers, the company is focused on ensuring it continues to invest in technologies, its facilities and people. This is made possible by the continuing growth in revenue and earnings that the Company has been able to maintain.

“The past 12 months have been a very busy period for Integral Diagnostics. We have opened new premises in Ocean Grove, Sunbury and Toowoomba, installed new MRIs in Geelong, Sunbury and Toowoomba, and made other investments in state of the art equipment to expand services and replace existing equipment. In addition, we maintain a very strong focus on the development and management of our people, and operate an industry competitive employment model that enables us to attract, retain and grow our radiologist group to support future business growth,” added Mr Livingston.

Conservative balance sheet and maiden dividend

At 30 June 2016, net debt stood at \$44.9 million. With net debt to pro forma FY16 EBITDA of 1.3x and pro forma free cash flow of \$25.1 million, Integral Diagnostics is well placed to further strengthen the company's balance sheet and has the capital structure in place to support continued investment in facilities, people and resources to underpin organic growth, while also pursuing attractive value accretive acquisitions as they arise.

Reflecting the company's strong balance sheet, financial performance and growth opportunities, the Board is pleased to announce the company's maiden dividend as a listed entity, declaring a fully franked dividend of 4.0 cents per share. This dividend is consistent with the Board's intended dividend policy going forward. This payout ratio balances the need to share returns with investors and continuing to invest in the business to generate long term shareholder value.

Positioned to capitalise on attractive long term industry fundamentals

Commenting on the company's outlook, Mr Livingston said:

“With the Federal election behind us, we expect referrals and examination volumes to recover over time. While referral patterns are showing signs of recovery, there still remains some regulatory uncertainty around changes to bulk billing incentives, some of which might be offset by increased or new co-payments for specific services and the Government's commitment to reinvest up to \$50 million per annum back in to the diagnostic imaging system from bulk billing savings. For the first since 1998 the Government has committed to reintroducing indexation for diagnostic imaging schedule of fees. This will coincide with the reintroduction of indexation for General Practitioners.

“The longer term industry fundamentals remain, and underpin attractive future growth opportunities. Australia has a growing and ageing population requiring greater healthcare services. At the same time, community expectations for higher quality healthcare and diagnosis continue to rise, while new imaging technologies improve efficiency and aid diagnosis and early recognition of disease.



“After having successfully acquired Western District Radiology and the remaining 50% interest in South West MRI Pty Ltd, we continue to evaluate other acquisition opportunities. We take a disciplined approach to acquisitions, and any opportunities we pursue must be consistent with our strategic growth criteria.

“With an eye to market fundamentals, and to ensure Integral Diagnostics is best positioned to capture further growth over the longer term, we will continue to invest in technology, sites, infrastructure, and people. Overall, we expect to generate a modest improvement in FY17 revenue and earnings when compared to FY16.”

For further information, please contact:

Corporate

John Livingston, Managing Director & CEO
P: +61 3 5339 0704

Investors & Media

Ronn Bechler, Market Eye
P: +61-400 009 774
E: ronn.bechler@marketeye.com.au