

FY18 RESULTS RELEASE

IDX DELIVERS 20.5% ORGANIC OPERATING NPAT GROWTH

23 August 2018, Melbourne: Integral Diagnostics Limited (ASX: IDX) announces its results for the year ended 30 June 2018 (FY18).

FY18 results highlights and commentary

- Operating revenue up 5.9% to \$188.1m (FY17: \$177.7m)
 - Volume increase of 6.7%
- Operating¹ EBITDA up 13.7% to \$38.1m (FY17: \$33.5m)
- Operating EBIT up 20.3% to \$28.5m (FY17: \$23.7m)
- Operating NPAT up 20.5% to \$18.2m (FY17: \$15.1m)
- Operating Basic EPS up 20.7% to 12.6 cents per share (FY17: 10.41 cents per share)
- Free cash flow up 27.9% to \$30.7m (FY17: \$24.0m)
 - Free cash flow conversion of 80.6% (FY17: 71.6%)
- Total FY18 dividend of 8c per share fully franked (FY17: 7c per share)

Helen Kurincic, Chairman said “IDX delivered 20.5% organic operating NPAT growth in line with guidance. FY18 has seen IDX’s new management team in place working collaboratively with our market leading radiologists executing on our attractive prospects and growth strategy supported by a medically led and diversified business model. This was achieved despite the significant distraction of the unsolicited and hostile takeover bid, clearly proven not to be in the best interests of IDX shareholders.”

The operating FY18 results deliver an industry leading operating margin of 20.1% (up 1.5%) and up across key financial metrics. New management has delivered on our clear growth strategy and the business continues to provide patients and referrers with best-in-class high end clinical service with significant growth in referrals and exams year on year.

The material improvement in performance has been driven by:

- Management initiatives, including call centre overhaul, delivering strong revenue growth from Q2 partially offset by impact of Commonwealth Games on the Gold Coast in April 2018;
- Delivery of cost efficiency initiatives, materially reducing costs as a % of revenue, and delivering a 1.5% improvement in operating margin to deliver an industry leading operating margin of 20.1%; and
- More efficient capital spending driven by economies of scale in equipment purchasing and strategic collaboration with radiologists driving enhanced equipment and technology decisions.

¹ One off transactions not included in Operating metrics include takeover response costs (\$1.7m) and transaction costs (\$1.4m) totalling \$3.1m post-tax (\$3.9m pre-tax) in FY18 and the fair value gain on acquisition of SWMRI Joint Venture of \$1.2m pre and post tax in FY17 – refer Appendix 1 for reconciliation to Statutory results.

Key FY18 operational achievements include:

- Successful defence of unsolicited, hostile takeover bid, clearly proven not to be in the best interests of shareholders;
- Completion of high margin/high growth New Zealand acquisitions with high end clinical specialties and completion of a bolt on acquisition in Victoria (July 2nd, 2018);
- Installation of new call centres in QLD and WA, considerably improving access to patients and referrers from Q2;
- Upgraded clinical systems for improved medical imaging, efficiency and referrer engagement;
- Replaced MRI in Mackay with higher end wide bore MRI to better service the community;
- Opened the Spine Centre of Excellence on the Gold Coast;
- Commenced review of radiologist recruitment, retention, incentives and escrow arrangements; and
- Major refurbishment and addition of first and only private PET facility in Geelong at St John of God Private Hospital.

Dr Ian Kadish, Managing Director and CEO, commented that at IDX “we pride ourselves in the quality care and service that we deliver, in the trust that our referrers have in us, and in being the preferred provider to our patients. We always put our patients first, and in so doing we also put our shareholders first.”

Capital Management

Net debt at 30 June 2018 of \$44.9m (FY17: \$48.7m) with Net Debt/EBITDA ratio of 1.2x, providing a strong balance sheet to execute the acquisitions completed on 2nd July 2018. Post acquisitions Net Debt to EBITDA is approximately 2.2x.

Capital expenditure for the full year was \$14m (FY17: \$13.4m). Growth capital expenditure \$5.2m (FY17: \$2.3m) and replacement at \$8.8m (FY17: \$11.1m).

Dividends

- FY18 final dividend of 4c per share fully franked has been declared in line with the IDX Dividend policy (FY17: 4c per share) and will be paid on 4th October 2018 to shareholders on the register at 3rd September 2018
- Total FY 18 dividend of 8c per share fully franked (FY17: 7c per share)

Net assets of the Group at 30 June 2018 were \$93.4m an increase of \$3.0m from FY17.

Regulatory environment

The regulatory environment is generally positive across Australia and New Zealand.

In Australia IDX expects to benefit from the introduction on the Medicare Benefits Schedule (MBS) of MRI prostate from the 1st of July 2018. This will be partially offset by the restriction of GP's referring knee MRI's for patients > 50 years old from the 1st November 2018. New Breast Tomosynthesis items will also be made available on the MBS from 1 November 2018 for a temporary period while a permanent listing is considered. IDX's high end clinical focus on specialising in prostate and breast imaging in Australia will benefit from these new item codes.

Importantly the Federal Government has committed to reintroducing MBS rebate indexation for a limited number of diagnostic imaging services from July 2020.

The regulatory outlook in New Zealand is stable with new pricing on contracts with the Accident Compensation Corporation (ACC) and Southern Cross Healthcare (SCH) being recently finalised and confirmed.

Outlook for FY19

Following completion of the acquisitions in New Zealand and Geelong, IDX operates 53 radiology clinics, including 13 hospital sites.

The on-going market fundamentals in Australia and New Zealand will drive continued organic growth.

In FY19 our priorities are to;

- Leverage off our diversified revenue streams and developed hub and spoke model to drive organic growth and further efficiency gains;
- Focus on selection and implementation of leading edge technology solutions to improve the patient and referrer experience;
- Develop a prostate imaging centre of excellence in partnership with the Australian Prostate Cancer Research Centre in North Melbourne. The centre will also include state of the art cardiac imaging;
- Conclude review of radiologist recruitment, retention, incentives and escrow arrangements;
- Successfully integrate the New Zealand and Geelong Medical Imaging acquisitions which will be EPS accretive; and
- Execute on further value accretive strategic acquisitions that are a good cultural and clinical fit and are strategically aligned.

About IDX:

Integral Diagnostics (IDX) is a leading provider of medical imaging services across Australia and New Zealand. The company provides state of the art diagnostic services to patients and their referrers at 53 radiology clinics, including 13 hospital sites. IDX employs some of Australia and New Zealand's leading radiologists and nuclear medicine specialists in a unique medical leadership model that ensures quality patient care, service and access. Good medicine is good business.

Appendix 1: Reconciliation of Statutory net profit after tax to operating net profit after tax

\$ millions	FY18	FY17	Change (\$)	Change (%)
Operating NPAT	18.2	15.1	3.1	20.5%
<i>One off transactions net of tax</i>				
Transaction costs	(1.4)	0.0	(1.4)	
Impairment on asset and restructure provision	0.0	(0.8)	0.8	
Fair Value gain on acquisition of SWMRI Joint venture	0.0	1.2	(1.2)	
Statutory NPAT prior to takeover response costs	16.8	15.5	1.3	8.4%
Takeover response costs	(1.7)	0.0	(1.7)	
Statutory NPAT	15.1	15.5	(0.4)	(2.6%)