

ASX & MEDIA RELEASE

Integral Diagnostics reports 34.4% increase in Operating NPAT

21 February 2019, Melbourne: Integral Diagnostics Limited (ASX: IDX) announces its results for the six months ended 31 December 2018 (1H19).

Group Summary

- Operating EBITDA \$26.7m (23.4% margin) on revenue of \$114.3m
- Operating EPS of 8.3 cents on operating NPAT of \$12.9m
- Statutory NPAT of \$10.7m after customer contract amortisation, transaction and other costs of \$2.2m
- Free cash flow of \$23.9m with Net Debt of \$116.8m
- Interim dividend (fully-franked) of 5.0 cents per share payable on 2nd April 2019
- On market share buy-back announced

All key financial measures for the half-year are up on the prior corresponding period (1H18)

Key financial measures					
\$ million	1H19	1H18	Change		
Profitability:					
Operating revenue ¹	114.3	92.8	21.5	23.2%	▲
Operating EBITDA ²	26.7	19.0	7.7	40.5%	▲
EBITDA from Operations %	23.4%	20.3%	3.1%	15.3%	▲
Operating EBITA	21.3	14.4	6.9	47.9%	▲
Operating NPAT	12.9	9.6	3.3	34.4%	▲
Operating EPS (cents)	8.3	6.6	1.7	25.6%	▲
Statutory NPAT	10.7	8.3	2.4	28.9%	▲
Cashflow & Capital Management:					
Free cash flow	23.9	17.7	6.2	35.0%	▲
Free cash flow conversion, net of replacement capex	105.6%	105.3%	0.3%	0.0%	▲
Dividends declared per share(cents)	5.0	4.0	1.0	25%	▲
Net debt	116.8	42.3	74.5	176.1%	
Net debt / LTM EBITDA ³	2.2x	1.4x	0.8	57.1%	
Equity	123.7	92.8	30.9	33.3%	

¹ Represents services revenue and excludes other revenue in 1H19 of \$1.0m (1H18 \$0.8m).

² One off costs include customer contract amortisation, transaction and other costs of \$2.4m pre-tax (\$2.2m post-tax) 1H18 includes takeover response costs and transaction costs of \$1.7m pre-tax (\$1.3m post-tax).

³ Based on net debt at 31 December 2018 of \$116.8m and LTM EBITDA (plus acquisitions trailing EBITDA) prior to one off transactions of \$53.8m. 1H18 based on net debt at 31 December 2017 of \$42.3m and LTM EBITDA prior to one off transactions of \$35.6m

The 1H19 results delivered a strong organic performance with further cost efficiencies and revenue synergies achieved from a leveraged platform with the successful integration of significant acquisitions. The average fee per exam increased by 1.1% driven by the continuing move to higher end modalities. In addition, the result has benefited from the introduction of a Medicare rebate for MRI of the prostate for a full 6 months and also an extra trading day compared to the prior corresponding period. IDX continues to provide patients and referrers with excellence in Diagnostic Imaging across Australia and New Zealand.

The Chair, Helen Kurincic said *“The half year results reflect the maturity of our integrated business and management’s ability to leverage that platform to grow the business organically as well as successfully integrate significant acquisitions to provide immediate and sustainable improved returns to shareholders”.*

Acquisition Integration

The acquisitions in New Zealand and Geelong have been successfully integrated into the IDX group.

The first half financial performance of the acquisitions are slightly ahead of expectations. The operational integration of the acquisitions has been completed and the quality of the operations and personnel are adding benefit to IDX.

Cash Flow and Capital Management

Debt facilities were restructured with a consortium of major banks to provide increased facilities, flexible access to debt draw downs and improved terms that will lower the cost of capital and provide greater flexibility for M&A activity.

Free cash flow conversion, net of replacement capital expenditure was \$28.2m (1HFY18 \$20.0m).

The weighted average cost of capital has lowered in the 1H as a result of the expanded debt facility, the restructured facility will provide additional leverage.

In order to provide flexibility in managing capital, an on-market share buy-back within the 10/12 limit has been announced.

Dividends

A first half fully franked dividend of 5c per share has been declared. The increase reflects the first half improved performance. Key dates for the interim dividends are:

Ex-dividend date	1 st March 2019
Record date	4 th March 2019
Payment date	2 nd April 2019

Dr Ian Kadish (CEO & MD) said *“The first half results are rewarding and reflect the outstanding work performed by our leading radiologists and their support teams in Australia and New Zealand. The quality platform for diagnostic excellence is being developed and leveraged for strong, sustainable growth. We are delighted with the performance of the new acquisitions in Auckland and Geelong and they are adding benefit to the IDX group. As we say, good medicine is good business”.*

Second-half outlook and priorities

Management's priorities in 2H19 will be to:

- Drive organic growth through greenfield and brownfield operational projects;
- Use digital technology to improve the patient and referrer experience;
- Complete the development of the Prostate Imaging Centre of Excellence at the Australian Prostate Centre in North Melbourne;
- Continue to implement new radiologist recruitment, retention and incentive structures which may add additional cost;
- Evaluate further strategic acquisitions that are a clinical fit, strategically aligned and earnings accretive; and
- Closely monitor and assess the regulatory landscape with an election looming.

We expect full year performance to be broadly in line with the 1H19, there is however uncertainty around the impact of new MRI licences and any other announcement being made through the forthcoming federal election.

Investor and analyst conference call

Integral Diagnostics Managing Director & CEO, Dr Ian Kadish and Chief Financial Officer, Anne Lockwood, will be holding an investor and analyst conference call at 10.30AM AEDT today.

For those wishing to dial into the call, please register for the call through the following link:

<https://services.choruscall.com.au/diamondpass/integral-diagnostics-264041-invite.html>

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID 2640141 to the operator:

Australia Local: +61 2 9007 3187

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For further details contact

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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 Australasia'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.