

Release to the Australian Securities Exchange

Results for the six months ended 31 December 2016

23 February 2017, Melbourne: Integral Diagnostics Limited (ASX: IDX) announces its results for the six months ended 31 December 2016 (1H17).

1H17 overview (vs 1H16)

- Statutory results:
 - Revenue from ordinary activities up 7.9% to \$88.6 million
 - EBITDA up 52.4% to \$16.9 million
 - NPAT up 129.2% to \$8.7 million
- Underlying 1H17 vs Pro-forma 1H16 results¹:
 - EBITDA down 0.6% to \$16.9 million
 - EBIT down 7.0% to \$11.9 million
 - NPAT down 5.1% to \$7.5 million
 - NPATA down 6.1% to \$7.7 million
- Net debt of \$50.6 million at 31 December 2016
- Conservative balance sheet: gearing at 1.5x LTM EBITDA
- Maiden interim dividend declared of 3.0 cents per share fully franked

Statutory net profit after tax for 1H17 was \$8.7 million (1H16: \$3.8 million).

Total revenue and other income for 1H17 was up 7.9% to \$88.8 million (1H16: \$82.2 million). The result achieved in 1H17 included a full six-month contribution from the acquisition of South West MRI and Western District Radiology.

Net profit after tax for 1H17 after removing the fair value gain on the South West MRI joint venture acquisition and amortisation was \$7.7 million compared to a pro forma reported result of \$8.2 million in 1H16.

The decline in 1H17 pro forma net profit after tax (after adjusting for amortisation and the fair value gain) reflected challenging trading conditions. IDX continued to experience inconsistent and volatile referral patterns. Broader industry volumes have been slow to recover since the end of 2015 due to Government policy uncertainty including MYEFO announcements that proposed cuts to bulk billing (but are yet to be implemented). In addition, there has been increased competition in select locations where IDX operates.

Patient volume growth for IDX across Medicare funded, patient funded and reporting contract examinations was up 4.8% on the prior comparable period (adjusted for working days). While under the Company's expectations, this growth rate exceeds Medicare data in the states in which IDX operates.

¹ Adjusted for the removal of \$1.2 million fair value gain on the existing 50% interest in South West MRI in 1H17 and non-recurring IPO costs in 1H16

During 1H17, the Group:

- Successfully integrated Western District Radiology and South West MRI
- Expanded capacity in Toowoomba, Sunbury and Geelong
- Signed five, 5 year contracts with the West Australian Country Health Service relating to the provision of reporting contracts in remote regions. Two of these contracts were new to the group and increased services began in November and December respectively
- Contributed to the refurbishment of IDX's facilities at Pindara Private Hospital
- Invested in IT platforms to support the delivery of improved medical imaging digital reporting to referrers
- Purchased a Mobile MRI which will operate across remote areas in Western Australia from April 2017.

Net assets of the Group at 31 December 2016 were \$88.1 million, an increase of \$4.1 million from 30 June 2016. This increase primarily reflects the impact of the acquisition of South West MRI and Western District Radiology.

IDX's business is capital intensive and requires the recruitment and retention of specialist skills to deliver the Company's services. In the current lower than expected industry growth environment, IDX's ability to deliver adequate returns on a number of strategic sites has been impacted due to lower than planned utilisation rates. As utilisation rates increase, these sites are expected to deliver improved returns.

Outlook

In terms of the regulatory environment, there has been further delay and consultation around the Federal Government's proposed reduction in bulk billing incentive for diagnostic imaging. Any changes have been deferred until 1 July 2017, and the Federal Government's intention remains to invest \$50 million back into specific examinations. The reintroduction of Medicare Benefits Schedule (MBS) rebate indexation is expected by 2020, and while the MBS review is ongoing, direct changes made so far have had a negligible impact on revenue.

The Board has retained the services of an executive search firm, and is actively progressing the recruitment of a new CEO.

Based upon the 1H17 financial results and trading conditions year-to-date, the Company expects NPATA for FY17 to be 5-10% below FY16.

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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