

## Media Release: FY18 Half Year Results

**19 January 2018, Melbourne:** Integral Diagnostics Limited (the Company) (ASX: IDX) announces its results for the six months ended 31 December 2017 (1H18).

### 1H18 results highlights and commentary

- Operating revenue<sup>1</sup> up 5.8% to \$92.8m (1H17: \$87.7m)
- Underlying EBITDA<sup>2</sup> up 12.4% to \$19.0m (1H17: \$16.9m)<sup>3</sup>
- Underlying EBIT<sup>4</sup> up 17.6% to \$14.0m (1H17: \$11.9m)
- Underlying NPAT up 22.7% to \$9.2m (1H17: \$7.5m)
- Statutory NPAT down 4.6% to \$8.3m (1H17: \$8.7m)<sup>5</sup>
- Free cash flow up 70.2% to \$17.7m (1H17: \$10.4m)
  - Free cash flow conversion of 93% (1H17: 62%)
- Net debt down 16.4% to \$42.3m as at 31 December 2017 (31 December 2016: \$50.6m)
  - Net debt / LTM EBITDA<sup>6</sup> down 0.3x to 1.2x (1H17: 1.5x)
- 1H18 dividend of 4c per share fully franked has been declared in line with the IDX Dividend policy (1H17: 3c per share) and will be paid on 5th March 2018

The underlying 1H18 results are a material improvement in operating margin and all financial performance metrics. Management is delivering on its strategy and the business continues to provide patients and referrers with best-in-class clinical service with significant growth in referrals and exams year on year.

*The Chair, Helen Kurincic said "The first half year result achieved under the new leadership of Dr Ian Kadish (CEO & MD) and Anne Lockwood (CFO) is underpinning sustainable future earnings growth by maintaining a focus on organic revenue growth and ongoing cost efficiency initiatives".*

*Dr Ian Kadish (CEO & MD) said "I am very pleased with the first half results. The year on year improvement has been impressive and has been driven by integrating the three businesses into one cohesive operation, with strong medical leadership focused on quality care and service. Good medicine is good business".*

The Board and Management of IDX believe there is further operational upside to be realised by leveraging IDX's hub and spoke model to expand the depth and breadth of IDX's service offering. This includes strengthening strategic relationships with private hospitals, additional community sites, the introduction of higher-end modalities, extension of reporting contracts and earnings enhancing acquisitions.

<sup>1</sup> Represents services revenue and excludes other revenue in 1H18 of \$0.8m (1H17 \$0.9m).

<sup>2</sup> One off transactions include takeover response costs and transaction costs of \$1.3m pre-tax (\$0.9m post-tax) in 1H18 and the fair value gain on acquisition of SWMRI Joint Venture of \$1.2m pre-tax (\$1.2m post-tax) in 1H17.

<sup>3</sup> 1H18 EBITDA including takeover response costs and transaction costs is \$17.7m. 1H17 EBITDA is \$16.9m.

<sup>4</sup> 1H18 EBIT including takeover response costs and transaction costs is \$12.7m. 1H17 EBIT FV gain is \$13.1m.

<sup>5</sup> Decrease in Statutory NPAT due to takeover response costs and transaction costs in 1HFY18 and FV gain in 1HFY17.

<sup>6</sup> Based on net debt at 31 December 2017 of \$42.3m and LTM EBITDA prior to one off transactions of \$35.6m. 1H17 based on net debt at 31 December 2016 of \$50.6m and LTM EBITDA prior to one off transactions of \$34.8m

## Outlook

As announced on 12 January 2018 the Company now expects achievement of full year normalised NPAT growth of around 20% (before takeover response costs and transaction costs) (FY17: \$15.1m).

Previous guidance provided at the AGM forecast normalised NPAT growth for FY18 in high single digits.

The material upgrade in performance has been driven by:

- Strong revenue growth - higher than forecast in both November and December resulting from management growth initiatives which is expected to continue;
- Delivery of, and increasing traction on, cost efficiency initiatives across all areas;
- Favourable resolution of negotiations on surplus lease space in early December;
- Reduction of effective tax rate from 30% to 28% due to adoption of capital valuations for tax depreciation purposes; and
- Lower capital spending driven by economies of scale in equipment purchasing and strategic collaboration with radiologists to ensure fit for purpose selection of equipment and technology.

Capital expenditure for the full year is forecast at \$17m (FY17 \$13.4m). Growth capital expenditure remains at \$8m and replacement at \$9m.

## Update on Capitol Health Takeover Bid – TAKE NO ACTION

- Capitol Health announced an unsolicited hostile takeover bid for Integral Diagnostics on 29 November 2017. On 22 December 2017, Capitol Health released a copy of its proposed bidder's statement to the ASX.
- Integral Diagnostics has since written to Capitol Health about a number of issues in the bidder's statement and has requested amendments.
- Capitol Health has not yet finalised the content of its bidder's statement for dispatch to Integral Diagnostics shareholders.
- The Board reiterates that Integral Diagnostics shareholders should TAKE NO ACTION in relation to Capitol Health's unsolicited takeover bid until they have reviewed Integral Diagnostics' target's statement, which will be provided to shareholders no later than 15 days after Capitol Health has dispatched its bidder's statement.
- The target's statement will contain the Board's recommendation and its rationale, an outline of shareholder options and an opinion from an independent expert as to whether the offer is fair and reasonable to shareholders.

### About IDX:

***Integral Diagnostics (IDX) is a leading provider of medical imaging services in Victoria, Queensland and Western Australia. The company provides state of the art diagnostic services to patients and their referrers at 47 radiology clinics, including 13 hospital sites. IDX employs some of the country'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.***