

**Release to the Australian Securities Exchange**

## **Integral Diagnostics FY17 results**

**24 August 2017, Melbourne:** Integral Diagnostics Limited (ASX: IDX) announces that its underlying results were within market guidance provided at the half year, but below the Board and management's expectations. While revenue grew 7.1%, cost growth was higher, leading to a \$1.5 million decline (9.3%) in underlying NPAT performance compared to the 2016 financial year.

### **FY17 results overview**

- Statutory results FY17 vs FY16:
  - Revenue from ordinary activities up 7.1% to \$179.7 million
  - EBITDA up 19% to \$33.6 million
  - NPAT up 35.9% to \$15.5 million
- Underlying FY17 within guidance (vs Pro-forma FY16<sup>1</sup>):
  - EBITDA down 4.8% to \$33.5 million
  - NPAT down 9.3% to \$15.1 million
  - NPATA down 8.8% to \$15.5 million; within the guidance range provided at the half year result in February 2017
- Conservative balance sheet with net debt of \$48.7 million, and gearing at 1.4x LTM EBITDA
- Final FY17 dividend declared of 4 cents per share fully franked
- Total FY17 dividend of 7 cents per share fully franked.

Revenue from ordinary activities was up 7.1% to \$179.7 million (FY16: \$167.8 million). The result achieved in FY17 included a full year contribution from the acquired South West MRI/Western District Radiology.

Net profit after tax in FY17 was \$15.5 million. After excluding the fair value gain on the South West MRI joint venture acquisition and impairment and restructuring costs associated with the set up and relocation of the Mobile MRI, underlying FY17 Net Profit After Tax and before amortisation was \$15.5 million (FY16: \$17.0 million), within the guidance range provided at the half year result in February 2017.

Trading conditions in FY17 were challenging. Industry volume growth was lower than historically recorded, referral patterns were inconsistent and volatile, the Company experienced increased competition in select locations and the growth in costs exceeded revenue growth.

IDX's ability to deliver adequate returns on several strategic sites was impacted due to lower than planned utilisation rates and no matching reduction in costs being achieved. As utilisation rates increase, these sites are expected to deliver improved returns.

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<sup>1</sup> Adjusted for the removal of \$1.2 million fair value gain on the existing 50% interest in South West MRI and \$0.8m (net of tax) asset impairment and provisioning in FY17, and non-recurring IPO costs in FY16

Patient examination volume growth for IDX across Medicare funded, patient funded and reporting contract examinations was up 4.6% on the prior comparable period (adjusted for working days). The volume growth was below Company expectations and under the Medicare data growth rate of 5.1% for the States in which IDX operates given competition in Victoria and Queensland.

Operational achievements included:

- Successfully completed and integrated South West MRI/Western District Radiology
- Benefited from the prior year investment in 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 the contracts being new to the Group
- Contributed to the refurbishment of IDX's facilities at Pindara Private Hospital
- Purchased a mobile MRI, which although has not been successful at its initial location, will be re-located to alternative locations where volumes are expected to deliver the utilisation levels and returns required
- Installed new MRI machines and facilities at Robina and John Flynn hospital
- Invested in IT platforms to support improved medical imaging and digital reporting.

Net assets of the Group at 30 June 2017 were \$90.4 million, an increase of \$6.4 million from 30 June 2016, reflecting the acquisition of South West MRI/Western District Radiology and increased retained earnings.

### **Focused and disciplined outlook for FY18**

The Company recruited Dr Ian Kadish, an experienced healthcare executive, to the role of CEO and Managing Director who commenced on 22 May 2017.

The Company's focus for FY18 is to:

- Improve utilisation of existing capacity and infrastructure
- Contain costs so revenue growth delivers improved returns
- Develop dedicated sub-specialty centres (such as the recently opened Spine Clinic)
- Execute value accretive acquisition.

IDX is committed to providing the highest quality services to its patients and referrers.

The regulatory environment is clearer following the Federal Government's decision not to adjust bulk billing incentives for diagnostic imaging. The Federal Government has also committed to reintroducing MBS rebate indexation for certain targeted diagnostic imaging services from July 2020.

The Board expects FY18 NPAT to be moderately higher than FY17 after absorbing \$11 million of depreciation reflecting past and planned capital investment.

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