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ASX & MEDIA RELEASE

Integral Diagnostics reports Audited FY24 Results

27 August 2024, Melbourne

Integral Diagnostics Limited (ASX: IDX) announces its audited results for the full year ended 30 June 2024 (FY24).

IDX's results for FY24 reflect the combination of a relatively weak first half (1H FY24) performance together with a materially stronger second half (2H FY24) profit result, demonstrated by an improvement in Group EBITDA margins by 150bps to 20.3% for 2H FY24, following a focus on key operational improvement initiatives. In addition, leverage reduced by 0.3x to 2.6x as at 30 June 2024, compared to 2.9x as at 30 June 2023. The materially stronger second half result is consistent with the outlook provided at the time of the 1H FY24 results release on 20 February 2024.

Group summary

AUD\$ million	FY24	FY23	Change	
Profitability				
Statutory NPAT	(60.7)	25.0	(85.7)	(343.2%) ▼
Statutory Revenue	469.7	440.8	28.9	6.6% ▲
Operating EBITDA (\$)	91.5	85.2	6.3	7.4% ▲
Operating EBITDA (%)	19.5%	19.3%		
Operating EBITA	46.1	43.8	2.3	5.2% ▲
Operating NPAT	18.1	17.9	0.2	1.3% ▲
Operating diluted EPS (cents)	7.7	7.6	0.1	1.0% ▲
Cashflow & Capital Management				
Free cash flow	56.0	53.1	2.9	5.5% ▲
Free cash flow conversion, excl. replacement capex (%)	77.2%	92.9%		
Dividends declared per share (cents)	5.8	6.0	(0.2)	(3.3%) ▼
Net debt (pre-AASB 16)	183.5	194.5	(11.0)	(5.7%) ▼
Net debt / pro forma EBITDA (pre-AASB 16) ¹	2.6x	2.9x		
Equity	301.7	373.0	(71.3)	(19.1%) ▼

¹ Based on net debt excluding the impact of lease liabilities of \$183.5m (FY23: \$194.5m). Pro-forma LTM EBITDA of \$69.5m (FY23: \$66.3m) excludes any impact of AASB 16 and includes trailing LTM EBITDA for acquisitions. This approach is consistent with banking covenant requirements.

IDX's operating results for FY24 are consistent with the guidance provided at the time of the 1H FY24 results announced on 20 February 2024:

- Solid revenue growth of 6.6% driven by Medicare indexation (3.6% increase effective 1 July 2023 and an additional 0.5% increase effective 1 November 2023, both increases exclude nuclear medicine), annualisation of FY24 out of pocket fee increases and continued favourable mix impact
- Prolonged cost pressures, especially higher labour costs, driven by inflation and labour market supply constraints, together with higher interest funding costs. Management has focused on various key operational improvement initiatives to contain and reduce costs wherever possible
- Operating EBITDA margin of 19.5%, being an increase of 20 bps compared to 19.3% in the prior corresponding period
- An impairment loss announced in 1H FY24 of \$71.6m recognised in the New Zealand division, reflecting the impact of changes in patient referral patterns
- Statutory Loss after Tax of (\$60.7m) after impairment losses, transaction, restructuring and integration costs, amortisation of customer contracts and other costs, net of tax, of \$78.8m
- Free cash flow reflects the increase in Operating EBITDA, changes in the working capital profile driven by timing of payments as well as lower replacement capital expenditure in FY24
- Net debt to EBITDA (pre-AASB 16) of 2.6x at 30 June 2024, being lower than 2.9x at 30 June 2023 and 3.0x at 31 December 2023, and projected to continue to trend down to the Group's target ratio of 2.5x or less over time.

In Australia IDX recorded a 0.6% gain in revenue market share over the two years ended 30 June 2024 adjusted for working days, evidenced by a 7.3% annual revenue increase in its organic business in comparison to Medicare benefits for the States in which IDX operates which have seen a 6.7% annual revenue increase in weighted average benefits paid¹.

IDX continues to provide patients and referrers with excellence in diagnostic imaging across Australia and New Zealand.

CEO of IDX Dr Ian Kadish said: *"We are pleased to report a materially stronger 2H FY24 profit result compared to 1H FY24. Strong industry fundamentals, a more favourable regulatory environment, and improving company performance allow us to focus on both organic and inorganic growth opportunities, including the transformational proposed merger with Capitol Health Limited."*

¹ For the year ended 30 June 2024, IDX achieved a 7.2% revenue increase in its organic business in comparison to Medicare benefits for the States in which IDX operates which have seen a 9.7% revenue increase in weighted average benefits paid, reflecting IDX's growth off a higher base in the prior year compared to Medicare

Revenue

In FY24 the Group achieved revenue growth of \$28.9m.

Organic operating revenue from all sources (including reporting contracts, some of which are fixed rate) in Australia grew 7.2% adjusted for working days.

Average fees per exam (including reporting contracts) in Australia increased by 7.7% in FY24, reflective of Medicare indexation of 3.6% applied to all Diagnostic Imaging Services, including MRI items however excluding Nuclear Medicine items, from 1 July 2023, further indexation of 0.5% applied from 1 November 2023, selective price increases and an on-going move to the higher end CT, MRI and PET scan modalities.

Organic operating revenue in New Zealand grew 5.3% on a constant currency basis adjusted for working days. New Zealand revenues continued to be impacted by referrer-owned radiology practices in Auckland. The company is responding by diversifying our New Zealand referrer base to include more General Practitioners (GPs), and working with our GP referrers to more comprehensively work up their patients prior to specialist referral.

Capital expenditure

In FY24 capital expenditure totalled \$23.9m, with \$9.3m relating to growth initiatives including the Smith Street expansion at South Coast Radiology (\$1.0m), and phased payments for Lake Imaging's Ocean Grove expansion (\$0.5m) and Imaging Queensland's PET-CT greenfield in Noosa (\$0.5m) in Australia, and PET building works for the Cavendish site (\$1.3m) in New Zealand (opened in February 2024), as well as IT software, infrastructure and cyber security investment (4.7m).

Capital management

Net debt decreased by \$11.0m to \$183.5m (FY23: \$194.5m) and the net debt / EBITDA ratio at 30 June 2024 was 2.6x (FY23: 2.9x).

At 30 June 2024 IDX held cash of \$42.4m. In addition, IDX has committed facilities of \$353.7m of which \$128.5m remains undrawn. The Group's debt facilities are not due until February 2026, and IDX is in compliance with all the covenants under the debt facility.

Dividend

A fully franked final dividend of 3.3 cents per share has been declared and is payable on 3 October 2024, resulting in a total FY24 fully franked dividend of 5.8 cents per share (FY23 6.0 cents per share), representing a 74.4% payout ratio to Operating NPAT.

Key dates for the interim dividend are:

Record date	2 September 2024
Payment date	3 October 2024

In accordance with the Merger Implementation Deed signed between Integral Diagnostics Limited and Capitol Health Limited on 18 July 2024, the Group is permitted to pay a fully franked dividend in connection with the financial year ended 30 June 2024 of between 65.0% and 75.0% of the Operating Net Profit after Tax of the Group. Under the terms of this agreement, both parties have agreed to suspend the dividend reinvestment plan until the successful completion of the transaction.

Company outlook

The Company believes the fundamentals of the essential radiology industry are strong. Our industry benefits from being at the confluence of major global trends – demographic and technological:

- Demographically, the ageing of the population and the increased prevalence of chronic disease and earlier detection will drive demand for diagnostic services
- Technological advancements, digitisation and the growth of teleradiology and AI is expected to improve the quality and efficiency of the care we deliver
- Structural shifts to higher acuity modalities

IDX as a specialist, regionally focused, high-quality provider of diagnostic services is strategically well positioned to benefit from these important trends and to grow services strongly going forward.

The Company's focus in FY25 and beyond will be to continue to execute on the following key drivers of IDX's strategy to grow its business:

- Drive organic earnings growth, including through continued focus on execution of key operational improvement initiatives;
- Accelerate use of teleradiology, digital and AI to improve the patient and referrer experience and doctor efficiency, with IDX's teleradiology business (IDXt) having grown rapidly organically, now including 80 contracted radiologists, and reporting ~15% of IDX Australian revenue;
- Drive our environmental, social and governance (ESG) strategy;
- Lead through our Values; and
- As balance sheet capacity permits, consider accretive mergers and acquisitions that represent a strong clinical, cultural and strategic fit.

IDX expects to implement the transformational proposed merger with Capitol Health Limited in the fourth quarter of calendar year 2024, subject to satisfaction of the conditions precedent to the merger. The combination of our two highly complementary diagnostic imaging businesses is expected to realise significant and enduring benefits for our combined patients, doctors and shareholders.

IDX achieved mid-teens revenue growth in July, which includes two extra working days vs the prior corresponding period, in line with Medicare for the States in which IDX operates.

FY25 replacement and growth capex is expected to be between \$40.0m to \$45.0m, excluding Capitol.

Investor and analyst conference call

Integral Diagnostics' Managing Director & Chief Executive Officer, Dr Ian Kadish, and Chief Financial Officer, Craig White, will be holding an investor and analyst conference call at 10AM AEST today. For those wishing to dial into the call, please register for the call through the following link:

<https://s1.c-conf.com/diamondpass/10041068-3hd8gr.html>

Alternatively, at the time of the call, dial your respective number below and provide the conference ID 10041068 to the operator, noting there may be wait times:

AUSTRALIA: 1800 809 971

AUSTRALIA Local: 02 9007 3187

NEW ZEALAND: 0800 453 055

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Authorised for lodgement by the Integral Diagnostics Board of Directors.

About IDX:

Integral Diagnostics (IDX) is a leading provider of medical imaging services across Australia and New Zealand. IDX employs some of Australasia's leading radiologists and diagnostic imaging specialists in a unique medical leadership model that ensures quality patient care, service and access. Good medicine is good business. For more information, please visit www.integraldiagnostics.com.au/.

FORWARD-LOOKING STATEMENTS

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of IDX, its directors and management, including any further impacts of COVID-19 on IDX's continued trading and operations. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of IDX's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of IDX or its representatives assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to IDX as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of IDX or its representatives undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.