

FY20 Results Investor Presentation

25 August 2020, Melbourne

Integral Diagnostics Limited (ASX: IDX) attaches its FY20 Results Presentation.

Kirsty Lally
Company Secretary

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. The Company provides state of the art diagnostic services to patients and their referrers at 64 radiology clinics, including 20 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.

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FY20 Results

Dr. Ian Kadish (MD & CEO)

Anne Lockwood (CFCO)

25 August 2020

“Good Medicine is Good Business”

IDX VISION STATEMENT



Vision:

A healthier world

Purpose:

Deliver the best health outcomes for our patients

Our Values:



Patients First

Patients are at the heart of everything we do.



Medical Leadership

Improving outcomes with evidence based care.



Everyone Counts

We work safely and inclusively and respect each other.



Create Value

Deliver sustainable value to all stakeholders.



Embrace Change

Strive for excellence, have courage to innovate.

Our IDX culture revolves around the core tenet that “Good Medicine is Good Business”

DELIVERING ON OUR VALUES



Patients First

- Served 660,000 patients
- Serviced 30,300 referrers
- Performed 1.7m exams
- Reduced adverse patient events to <0.03% of all exams
- Invested \$26m in capex to ensure continued provision of optimal quality care
- Enhanced cyber security and privacy protections

Medical Leadership

- 196 reporting radiologists
- 110 employees
- 86 contractors
- 63 radiologist shareholders
- First to market in Australia with FDA/TGA approved AI applications, including two new applications in FY20
- Continued to invest in our relationship with Radiologists Across Borders (RAB)

Everyone Counts

- 1,341 employees
- Achieved an Employee NPS of 25.5 vs DI industry average of 15.7
- Reduced lost time injuries per million work hours by 54%
- Initiated our ESG strategy with a focus on people and community, environment and governance best practice

Create Value

- Increased Operating NPAT by 21.9% to \$31.2m
- Increased operating diluted EPS by 4.9% to 17.0cps
- Paid or Declared FY20 dividends of 9.5cps
- Completed and integrated acquisition of Imaging Queensland
- Executed acquisition of Ascot Radiology
- Included in the ASX300 with 3,892 IDX shareholders

Embrace Change

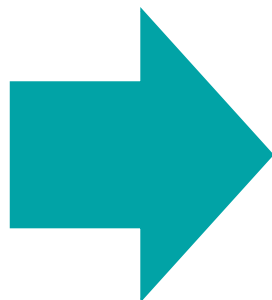
- Implemented an e-referral pilot including patient and doctor portals to augment the delivery of results
- Enhanced the IDX reporting platform to facilitate specialist-specific workflows
- Continued to develop our AI, digital and broader technology capabilities

FINANCIAL HIGHLIGHTS



9.5% increase in Statutory NPAT \$23.0m	21.9% increase in operating NPAT \$31.2m	20.9% increase in operating EBITDA \$64.1m	4.9% increase in operating EPS 17.0cps	18.7% increase in operating revenue \$274.1m	37.9% increase in free cash flow \$55.7m	18.2% improved Net debt /LTM EBITDA 1.8x
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COVID-19



- Significant reductions in patient activity from March to June
 - Impacted most in April
 - Limited improvement in May
 - June largely in line with pre COVID-19 expectations
- Cost saving initiatives across contractors, employee costs, occupancy, equipment and other discretionary spend implemented as revenue declined
- Australian and New Zealand Government assistance allowed IDX to retain and support our highly skilled workforce and to position the business to meet demand as it returned

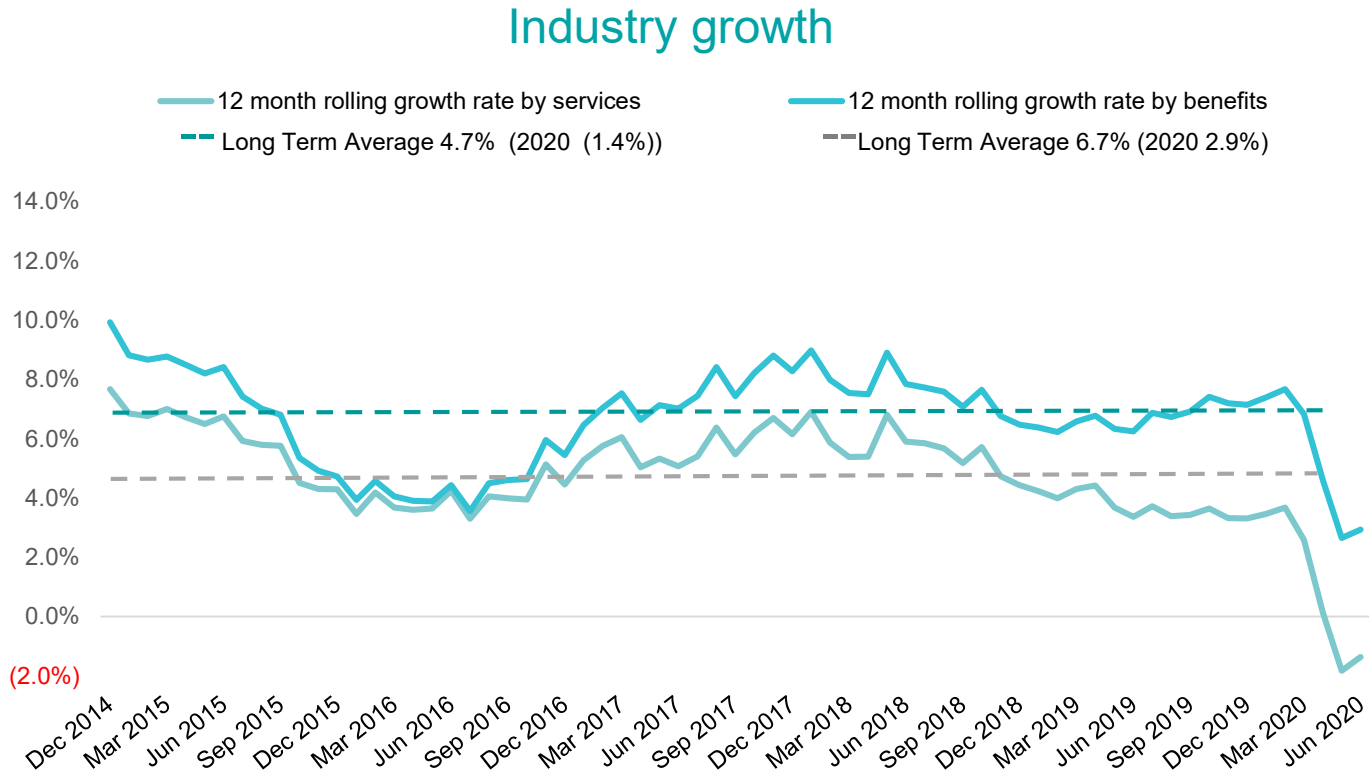
Declared a fully franked final dividend of 4.0cps; totalling 9.5cps for FY20 (FY19 10.0cps)

- Decline of 5% reflects a conservative approach to cash management and is reflective of the on-going uncertainty due to COVID-19

DI INDUSTRY COVID-19 IMPACT: AUSTRALIA



Industry growth rates in Australia impacted by COVID-19 in March and June 2020 quarters



Source: Medicare Australia Statistics Medicare by Broad Type of Service (BTOS) for the States IDX operates in

Published industry data is not available for the New Zealand market

WE DID WHAT WE SAID WE WOULD DO



FY20 achievements

Targeted capital investment opportunities to drive organic growth



- Completed DI development at John Flynn Private Hospital, including new PET facility
- Installed 2nd CT at Pindara Private Hospital to capitalise on the MRI full licence
- Completed installation of a best in class Cardiac CT at St John Of God Hospital Geelong
- Installed a CT in Bacchus Marsh Hospital to enhance service in a fast growing regional corridor
- Relocated MRI from Ballarat Base Hospital to St John Of God Ballarat Hospital creating a centralised MRI super site improving patient experience, outcomes and efficiencies
- Completed Peel Health Specialist Centre in Mandurah to service new oncology practice
- Installed Phillips “compressed sense” technology in NZ to improve quality and efficiency
- Opened a new site on the Gold Coast at Hope Island providing US, Xray and CT services

Used digital technology to improve the patient and referrer experience



- Continued to invest in proven AI software to improve clinical workflows and patient outcomes, including the introduction of 2 new algorithms to our current suite
- Implemented an eReferral pilot along with patient and doctor portals to enhance the delivery of results and reliability of service
- Augmented the IDX reporting platform to develop specialty-specific workflows
- Continued to enhance cyber-security protections

North Melbourne Specialist and Research Centre



- Offered advanced Cardiac CT and wide-bore 3T MRI services to Melbourne’s leading specialists
- Engaged with specialist referrers in Victoria’s premier medical precinct around the Royal Melbourne Hospital
- This greenfield operation is behind business plan. Ramp up activities have been hampered by COVID-19

WE DID WHAT WE SAID WE WOULD DO CONTINUED



FY20 achievements

Invested in recruitment and retention of highly skilled radiologists, clinical and administrative staff



- Continued to offer the radiologist equity plan which was over-subscribed
- Conducted entity wide cultural survey to identify strengths and prioritise areas of improvement delivering an NPS of 25.5 (exceeding industry average of 15.7)
- Focused on clinical risk analyses and oversight to provide the highest quality service to our patients and referrers
- Promoted the IDX Values – *Patients First; Medical Leadership; Everyone Counts; Create Value and Embrace Change*

Integrated acquisitions and evaluated further strategic acquisitions



- Integrated Imaging Queensland into the IDX group
- Continued integration of New Zealand and GMI to ensure all synergies are captured
- Focussed on new acquisitions in core strategic markets, delivering the acquisition of Ascot Radiology in Auckland on track for completion 1 September 2020

Developed our key relationships and helped shape the regulatory landscape



- Continued to work closely with ADIA to focus on industry solutions for digital health, Radiologist workforce shortages, effective implementation of MBS review recommendations and indexation for Nuclear Medicine and MRI items
- Continued to develop strong relationships with our referrers, hospital owners, local and federal members and key funders
- Promoted the benefits of MRI and PET technologies so that they're widely understood and recognised by patients, payors and referrers

FY20 financial performance

RESULTS PRIOR TO IMPACT OF AASB 16⁽¹⁾



Operating FY20 results delivered strong growth and a defensive performance across the group despite COVID-19

\$ millions	FY20	FY19	Change (\$)	Change (%)
Operating revenue ⁽²⁾	274.1	231.0	43.1	18.7%
Operating EBITDA ⁽³⁾	64.1	53.0	11.1	20.9%
EBITDA operating margin	23.3%	22.9%	0.4%	1.7%
Operating EBITA	49.3	42.0	7.3	17.4%
Operating NPAT	31.2	25.6	5.6	21.9%
Operating Diluted EPS (cents) ⁽⁴⁾	17.0	16.2	0.8	4.9%
Statutory NPAT (includes AASB 16)	23.0	21.0	2.0	9.5%
Free cash flow	55.7	40.4	15.3	37.9%
Free cash flow conversion, net of replacement capex	101.6%	97.0%		
Dividends declared cents per share	9.5	10.0	(0.5)	(5%)
As at:	30 June 2020	30 June 2019		
Net debt	124.4	119.0		
Net debt / LTM EBITDA ⁽⁵⁾	1.8x	2.2x		
Equity	228.3	127.2	101.1	79.5%

1. AASB 16 is the Australian Accounting Standard 16 "Leases" a newly adopted accounting standard effective from 1 July 2019

2. Represents operating revenue and excludes other revenue in FY20 of \$1.5m (FY19 \$1.4m)

3. One off costs not included in operating metrics include transaction and other costs, net of tax of \$8.2m (FY19 \$4.6m) – see slide 11

4. Operating Diluted EPS calculation for FY20 has been adjusted in order for the weighted average calculation of shares on the capital raise to align with the settlement date of Imaging Queensland acquisition being 1 November 2019 from 4 September 2019 for the Institutional placement and 30 September 2019 for the Retail entitlement offer. Aligning the dates provides a more accurate reflection of the underlying EPS and increases the Diluted EPS by 0.3cps to 17.0cps

5. Based on net debt at 30 June 2020 of \$124.4m and LTM organic EBITDA (plus trailing acquisitions EBITDA) of \$69.0. FY19 based on net debt at 30 June 2019 of \$119.0m and LTM EBITDA organic EBITDA (plus trailing acquisitions EBITDA) of \$54.1m

RESULTS WITH IMPACT OF AASB 16 FOR FY20⁽¹⁾

Upward impact to FY20 EBITDA \$11.6m, EBIT \$1.8m and decline impact on NPAT (\$0.8m)

\$ millions	FY20	FY19 ⁽⁶⁾	Change (\$)	Change (%)
Operating revenue ⁽²⁾ (no change from AASB 16)	274.1	231.0	43.1	18.7%
Operating EBITDA ⁽³⁾ (\$11.6m uplift is impact of AASB 16)	75.7	53.0	22.7	42.8%
EBITDA operating margin (4.7% uplift is impact of AASB 16)	27.6%	22.9%	4.7%	20.5%
Operating EBITA (\$1.8m uplift is impact of AASB 16)	51.1	42.0	9.1	21.6%
Operating NPAT (\$0.8m decrement is impact of AASB 16)	30.4	25.6	4.8	18.8%
Operating Diluted EPS ⁽⁴⁾ (cents) (0.4cps decrement is impact of AASB 16)	16.6	16.2	0.4	2.5%
Statutory NPAT (\$0.8m decrement is impact of AASB 16)	23.0	21.0	2.0	9.5%
Free cash flow	55.7	40.4	15.3	37.9%
Free cash flow conversion, net of replacement capex	101.6%	97.0%		
As at:	30 June 2020	30 June 2019		
Net debt	124.4	119.0		
Net debt / LTM EBITDA ⁽⁵⁾	1.5x	2.2x		
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5. Based on net debt at 30 June 2020 of \$124.4m and LTM organic EBITDA (plus trailing acquisitions EBITDA) of \$81.6m. FY19 based on net debt at 30 June 2019 of \$119.0m and LTM EBITDA organic EBITDA (plus trailing acquisitions EBITDA) of \$54.1m
6. FY19 results are not restated as per transitional accounting provisions adopted under AASB 16

Based on the lease portfolio as at 30 June 2020 including the leases included in the Ascot acquisition the expected impacts of the application of AASB 16 on the FY21 results are an increment to EBITDA of \$12.3m, an increment to EBIT of \$2.1m and a decrement to NPAT of (\$0.8m).

RECONCILIATION OF OPERATING TO STATUTORY



\$ million	FY20	FY19	Change (\$)	Change (%)
Operating NPAT	31.2	25.6	5.6	21.9%
<i>Non operating transactions net of tax</i>				
Transaction and integration costs	(4.8)	(1.9)		
Share based payments	(1.3)	(0.6)		
Amortisation customer contracts	(1.2)	(2.5)		
Write off of brand name (Western District Radiology) ⁽¹⁾	(0.1)	-		
Business development costs	-	(0.4)		
First time application of AASB 16	(0.8)	-		
Forex gain on NZ debt	-	0.8		
Statutory NPAT	23.0	21.0		
\$ million	FY20	FY19	Change (\$)	Change (%)
Operating EBITDA	64.1	53.0	11.1	20.9%
<i>Non operating transactions</i>				
Transaction and integration costs	(5.1)	(2.5)		
Share based payments	(1.3)	(0.6)		
Business development costs	-	(0.6)		
Forex gain on NZ debt	-	1.2		
Write off of brand name (Western District Radiology) ⁽¹⁾	(0.1)	-		
First time application of AASB 16	11.6	-		
Statutory EBITDA	69.2	50.5		

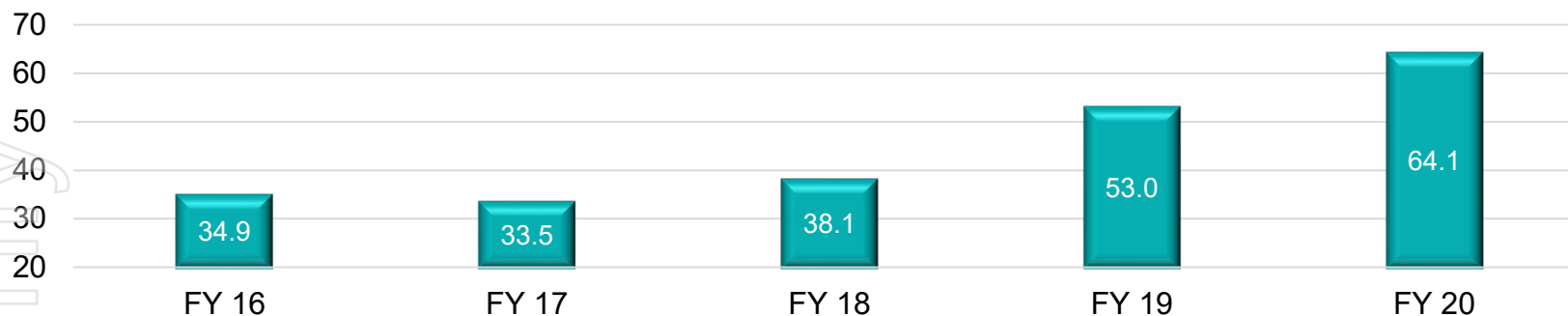
- FY20 transaction costs, \$2.8m and integration costs, \$0.6m are from external advisors on the Imaging Queensland and Ascot Radiology acquisitions plus Warranty and Indemnity Insurance, \$0.7m and Stamp Duty, \$1.0m on Imaging Queensland
- FY20 Share based payment costs relate to the performance rights and the radiologists loan funded share/option plan
- FY20 Amortisation of customer contracts relates to NZ contracts, which are now fully amortised and Imaging Queensland contracts which will be amortised over the remaining life at \$0.62m pa
- FY 20 impact of the implementation of AASB 16 are an uplift to EBITDA of \$11.6m and a decline in NPAT of \$0.8m

(1) Included in other expense categories in the Statutory Consolidated Statement of Profit and Loss

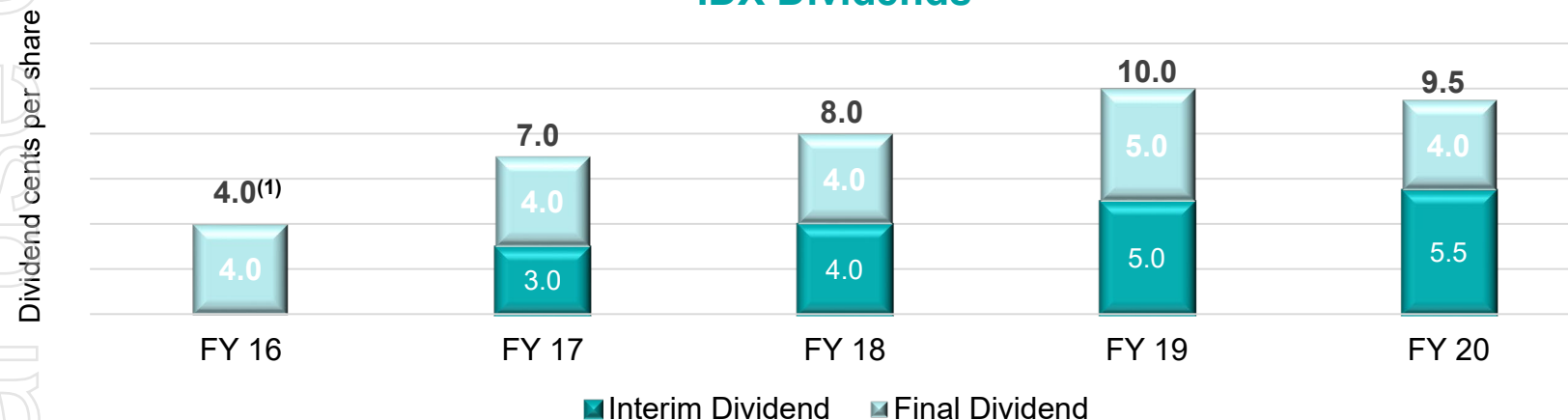
GROWTH IN SHAREHOLDER RETURNS



Operating EBITDA - millions



IDX Dividends



- Strong consistent growth in operating EBITDA and dividends
- Fully franked dividend of 4.0 cps declared totalling 9.5cps for the FY20 year
- The FY20 dividend record date is 31 August 2020 with a payment date on 1 October 2020
- The IDX dividend reinvestment plan is available for participation for the FY20 final dividend

(1) - IDX listed on the Australian Stock Exchange in October 2015, in line with the Prospectus a 1H16 dividend was not paid

REVENUE



Solid underlying growth driven by new sites, investment in new equipment and eight months contribution from Imaging Queensland despite COVID-19 causing declines in revenue from March onward

Operating revenue up 18.7% to \$274.1m

- Revenue Growth of \$43.1 driven by
 - Imaging Queensland \$38.7m
 - Organic Growth - Australia \$4.8m
 - Offset by declining revenue contribution in NZ of \$0.4m due to stage 4 COVID-19 restrictions
- Organic revenue growth in Australia of 2.4% and volume declines of (1.7%) – slightly lower than industry average for the states in which we operate (2.9% and (1.4%) respectively) reflecting that IDX significantly outperformed the industry in FY19 by 1.3% and 1.7% respectively and the Medicare rates are reflective of 52 new MRI licences issued in FY19
- New Zealand contributed revenue of FY20 \$A24.8 (FY19 \$A25.2m) – \$0.4m decline due to stage 4 COVID-19 restrictions
- Pre COVID-19 and excluding Imaging Queensland organic revenue was growing at 7.0% in Australia and 5.5% in New Zealand
- Average fee per exam (excluding reporting contracts and Imaging Queensland) increased by 1.7% in FY20, driven by increased volume off CT, PET scans and MRI's. This was particularly evident during COVID-19 where volumes of higher end modalities did not decline in the same proportion as lower end modalities

(1) Revenue is higher than volume growth as growth has been stronger in the higher end modalities of MRI, CT, Nuc Med and interventionalist work in line with IDX business model. Excluding reporting contracts, average fee per exam continues to increase in FY20.

OPERATING EXPENDITURE



IDX continued to focus on cost control and was able to deliver responsible cost reductions to mitigate revenue declines in response to COVID-19

Operating margin of 23.3% slightly increased due to the financial impacts of COVID-19. IDX continues to deliver industry leading operating margins across Australia and New Zealand

- Employee costs declined by 0.5% as a % of revenue despite increased wage costs as % of revenue during COVID-19 as we supported our workforce with the assistance of JobKeeper, NZ wages subsidy and payroll tax subsidies of \$6.1m after tax
- Consumables remained at 4.5% of revenues despite increased expenditure on PPE due to COVID-19
- Equipment declined as a % of revenue by 0.6% due to savings being derived from national supply arrangements on service contracts and rebates received due to COVID-19 of \$0.2m
- Occupancy costs pre application of AASB 16 declined slightly as a % of revenue reflecting \$0.7m of rent rebates received due to COVID-19
- Other costs remained at 6.9% of revenue. This was driven by reductions in discretionary spend as a result of COVID-19 offset by pre COVID-19 on-going investments in technology and the expansion of our operating platforms around human resources, finance, governance and risk management to ensure growth can be appropriately managed and supported
- Depreciation of \$14.8m (FY19 \$10.5m) increased \$4.3m, reflecting the growth capital investments made over the last 24 months plus eight months of Imaging Queensland
- Refinanced debt facilities and declining interest rates delivered lower finance costs of \$5.6m (FY19:\$6.2m), pre AASB 16 on higher net debt

CAPITAL MANAGEMENT – POST AASB 16 APPLICATION



Strong balance sheet with reduced leverage to support on-going growth strategy

- FY20 net debt of \$124.4m (FY20: \$119m)
 - Reducing 1.8x EBITDA prior to one off transactions as at 30 June 2020 (FY19 2.2x)
 - Average cost of cash advance facility approx 2.4%
- Trade and other receivables increased \$1.4m from June 2019 due to IQ
- Other assets increased from June 2019 \$4.2m, due to increased inventory of \$0.6m, JobKeeper receivable \$2.9m and IQ
- AASB 16 adds a “right of use asset” \$88.5m and a liability for “lease payment obligations” \$96.1m
- Intangible assets of \$300.9m includes Goodwill, \$86.8m, brands \$10.0m, and customer contracts of \$3.8m recognised on the IQ acquisition
- Provisions and payables increased \$5.9m from June 2019 due to IQ
- Borrowings increased \$42.8m -\$20m draw down to fund working capital in response to COVID-19 \$15m from draw down to fund IQ, \$10.3m existing IQ debt and additional asset financing less repayments
- Deferred consideration of \$14.9m relates to New Zealand \$1.7m, GMI \$1.2m and IQ \$12m
- Net assets increased \$101.1m (79.5%)

\$ millions	30 Jun 20	30 Jun 19	30 Jun 18
Cash and cash equivalents	58.0	21.0	20.8
Trade and other receivables	10.4	9.0	5.6
Other current assets	8.0	3.8	3.9
Total current assets	76.4	33.8	30.3
Property, plant and equipment	101.0	70.8	54.1
Right of use assets – AASB16	88.5	-	-
Intangible assets	300.9	202.3	103.6
Deferred tax asset	13.6	7.8	7.5
Total non-current assets	504.0	280.9	165.2
Total assets	580.4	314.7	195.5
Trade and other payables	18.5	16.0	12.1
Current tax liabilities	4.7	1.7	0.3
Borrowings	13.2	9.0	12.8
Lease obligations – AASB 16	9.6	-	-
Deferred Consideration	6.9	-	-
Provisions	16.7	12.2	10.7
Total current liabilities	69.6	38.9	35.9
Deferred Consideration	8.0	1.5	-
Provisions	7.9	9.0	52.6
Borrowings	168.6	130.1	8.9
Lease obligations – AASB 16	86.5	-	-
Deferred tax liability	11.5	8.0	4.7
Total non-current liabilities	282.5	148.6	66.2
Total liabilities	352.1	187.5	102.1
Net assets	228.3	127.2	93.4

CASHFLOW AND CASH CONVERSION

Strong business performance and cash conversion reflected in free cash flow growth



\$ millions	FY20 Pre AASB 16	FY20 Post AASB 16	FY19
Operating EBITDA	64.1	75.7	53.0
Non-cash items in EBITDA	0.6	0.5	(0.3)
Changes in working capital	0.4	0.4	(1.3)
Replacement capital expenditure	(9.4)	(9.4)	(11.0)
Cash payments on leases	-	(11.5)	-
Free cash flow	55.7	55.7	40.4
Growth capital expenditure	(16.7)	(16.7)	(7.7)
Net cash flow before financing, acquisitions and taxation	39.0	39.0	32.7
Free cash flow / EBITDA	86.9%	73.6%	76.2%

- The application of AASB 16 will result in the same free cash flows (after adjusting for cashflows on leases) however, conversion % will decline given the higher EBITDA
- Normalised free cash flow conversion of 86.9% (FY19 76.2%) – 101.6% net of replacement capex
- Growth capex \$9.0m higher in FY20 v FY19
- Changes in working capital is net of accruals for non operating transaction costs and Capex

CAPITAL EXPENDITURE

Increase in capex commensurate with size of the business and investment for future growth in line with our strategy



\$ millions ⁽¹⁾	FY20	FY19	FY18
Replacement	9.4	10.7	8.8
Growth	16.7	9.7	5.2
Total	26.1	20.4	14.0
Depreciation	14.8	10.5	9.2

Replacement capex of \$9.4m lower than depreciation

- Refurbishment and re-location of MRI in Ballarat - \$3.4m
- Pindara CT screening room and 2 US units - \$1.2m
- Other medical equipment – \$3.0m
- IT equipment and upgrades - \$1.8m

Growth capex of \$16.7m

- John Flynn Hospital on the Gold Coast redevelopment and PET centre - \$7.8m
- Peel Health Centre in Mandurah oncology development - \$1.2m
- Pindara Hospital on the Gold Coast Cardiac CT - \$1.4m
- New site at Hope Island on the Gold Coast - \$1.6m
- New CT at Bacchus Marsh Hospital - \$1.4m
- Software and infrastructure - \$1.5m

(1) — Represents cash + accruals

Integral Diagnostics



ersonal use only

COVID-19



IMPACTS OF COVID-19 ON FINANCIAL PERFORMANCE – FY20



Patient Activity

- Overall the Government imposed restrictions, including the cancellation of elective surgery and sporting activities, as well as a slowdown in regular hospital activity and patients' reluctance to visit their doctors, resulted in significant declines in diagnostic imaging volumes
- The declines started towards the end of March, were at their highest in April with declines ranging between 24% and 50% across the business units from pre COVID-19 expectations, activity started to improve in May with June revenues largely in line with pre COVID-19 projections
- Pre COVID-19 and excluding Imaging Queensland organic revenue was growing at 7% in Australia and 5.5% in New Zealand
 - For the year ended 30 June 2020 excluding Imaging Queensland Australian organic revenue grew at 2.4%
 - For the year ended 30 June 2020 New Zealand revenue declined by (1.6%)

Labour Costs

- Rostering was implemented to reflect the activity in each of our sites. This resulted in significant reductions in the use of contractors as well as a number of people utilising annual leave and/or leave without pay, whilst maintaining our focus on staff and patient safety. The Non-executive and Executive Directors agreed to a 20% reduction in their Board fees in April, May and June. The CEO and CFO agreed to a 20% reduction in their fixed remuneration in April and May
- IDX qualified for and received \$5.4m after tax in JobKeeper subsidy across parts of the Australian business and \$0.3m after tax in New Zealand. In addition payroll tax subsidies of \$0.4m after tax were received in Australia. These subsidies assisted IDX to avoid enacting stand downs across the business and implementing further reductions for employees

IMPACTS OF COVID-19 ON FINANCIAL PERFORMANCE – FY20



Consumables

- With our number one priority being the safety of our people and patients, we secured adequate supply of personal protective equipment for all our hospital and community sites and instituted strict screening, hygiene and infection control protocols
- This resulted in increased costs through the profit and loss of consumables over and above normal levels as well as increased holdings of consumable stocks on hand to ensure ongoing adequate supply. Inventory on hand as at 30 June 2020 \$1.0m (2019:\$0.4m)

Occupancy and Equipment Costs

- Reductions in rentals across April to June were negotiated and agreed with the majority of our landlords across our 72 leased properties. Cost reductions of approximately \$0.7m were recognised over April to June 2020. All costs have now resumed to normal operating levels
- Reductions in service costs on equipment across April to June was negotiated and agreed with our equipment providers. Cost reductions of approximately \$0.2m were recognised over April to June 2020. All repairs and maintenance of equipment continued on as normal and all costs have now resumed to normal operating levels

Other Expenditure

- During the pandemic all non-essential operating expenditure was ceased or reduced as much as practicable. A percentage of these costs reflect deferral of planned projects that will be incurred in FY21. As restrictions remain in place there continues to be deferral of some discretionary spend

RESPONSE TO ONGOING IMPACTS OF COVID-19 DURING FY21



Current patient activity

- July and to date August 2020 revenue has delivered a return of positive growth across all business units except where Government imposed restrictions due to COVID-19 have been re-instated:
 - Lake Imaging in Victoria (representing approximately 25% of Group revenue) where revenues were similar to prior year in July and as at 23rd August 7% down on prior year for the month
 - New Zealand (representing approximately 9% of Group Revenue (pre-Ascot acquisition) where revenues were 18% above prior year in July and as at 23rd August 4.6% down on prior year for the month

Current restrictions in our operating geographies

On the 2nd August 2020 the Victorian Government announced Stage 4 restrictions for metropolitan Melbourne and a return to Stage 3 restrictions for regional Victoria. The restrictions include a cancellation of non-urgent elective surgery and sporting activities, as well as a slow down in regular hospital activity and patients' reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our Victorian sites.

On the 11th August 2020 the New Zealand Government announced Stage 3 restrictions for Auckland which allowed healthcare service providers to continue to operate as normal however there is a patients' reluctance to visit their doctors, resulting in declines in diagnostic imaging volumes in our New Zealand sites.

As at the 23rd August the restrictions in Victoria and New Zealand remain in place.

RESPONSE TO ONGOING IMPACTS OF COVID-19 DURING FY21



- The pandemic and associated Government response can be expected to continue to have an impact on the Group, which cannot be accurately projected at this time
- Our focus, as always, will be to keep our patients and employees safe and this will always be put before commercial outcomes. We will continue to ensure we have adequate supplies of personal protective equipment for all our hospitals and community sites and keep strict screening, hygiene and infections control protocols in place
- IDX has a strong growth agenda with our cost base supporting our growth objectives. IDX will continue to focus on responsibly managing costs to mitigate revenue declines whilst ensuring we remain well placed to continue our growth objectives when activity returns across our operating geographies
- The continuing support from Government in the form of JobKeeper of approximately \$5.5m after tax from July to September will assist in withstanding ongoing impacts throughout recovery, to retain our skilled workforce and to mitigate declining revenues as a result of on-going impacts from COVID-19
- To date there are no indications that COVID-19 will have material on-going impacts for the diagnostic imaging industry nor will the underlying fundamentals driving ongoing growth and funding models for diagnostic imaging be materially altered
- IDX continues to explore and develop plans for growth both organically and through acquisition opportunities. We will continue to approve growth business cases with consideration of the business case merits and with continued discipline

Regulatory update



REGULATORY ENVIRONMENT ACTIVITY



Australia:

MRI Licences

- 52 full MRI Licences issued in FY19 of which IDX received an upgrade from a partial to full at Pindara Hospital on the Gold Coast. Competitors licences issued in Geelong and Mandurah have not to date materially impacted IDX's MRI performance in these areas
- No further licences or plans for MRI licences have been announced

November 2019

- Introduction on the Medicare Benefits Schedule (MBS) of Breast MRI and PET – the addition of these MBS items provides patients and clinicians access to valuable best practice tools for early detection and staging of breast cancer which has the ability to change patient management for the better

April 2020

- As a result of COVID-19 the Government relaxed the attendance rules for radiologists on some examinations as well as allowed electronic referrals and upfront billing, these were welcomed changes that have merit in a non COVID environment

May 2020

- New MBS items commenced around MR-guided prostate biopsy as well as the removal of the dedicated equipment restriction for cone beam CT – these are not significant changes

July 2020

- Commencement of indexation across 90% of MBS items, equating to 80% of benefits at a rate of 1.5%

August 2020

- Restructure of echocardiography and myocardial study items to better align with clinical guidelines and reduce low value care to reflect modern clinical practice introducing 19 new items and deleting 9 existing items – these are not significant items

REGULATORY ENVIRONMENT ACTIVITY



IDX continues to work through membership of the executive of the Australian Diagnostic Imaging Association (ADIA) to address key regulatory issues within the industry including:

- Extension of indexation across the remaining Medicare items
- Funding settings to promote efficient provision for outpatient services
- Appropriate funding for Radiology services provided to veterans
- Patient bill relief

New Zealand:


- No material changes. Annual indexation provided across all contracts. The Auckland DI market is expected to continue to grow, driven by ageing demographics and adoption of new technologies that improve patient outcomes
- The 2020 NZ general election has been set for 17/10/2020. No material changes have been flagged to date that may impact diagnostic services

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Strategy

IDX OPERATES IN KEY GEOGRAPHIC MARKETS

(INCLUDING ASCOT RADIOLOGY)

						Total IDX
Geographic Market	Victoria	Queensland	Western Australia	New Zealand	Queensland	
Core markets	Ballarat, Geelong, Warrnambool and outer western areas of Melbourne	Gold Coast, Toowoomba and Mackay	South West Western Australia	Auckland	Sunshine Coast, Rockhampton and Gladstone	
Sites (includes hospital sites)	22	14	5	13	19	73
Hospital sites	6	2	4	1	8	21
MRI machines	7	7	2	6	6	28
MRI Licences	4 full 0 partial	4 full 2 partial	2 full 0 partial	N/A	3 full 2 partial	13 full 4 partial
Employed Radiologists¹	39	31	13	32 ²	16	131
# of Employees³	369	387	163	191	289	1,399⁴

Note: Reflects current data as at June 2020 with Ascot on track to join the group from 1 September 2020

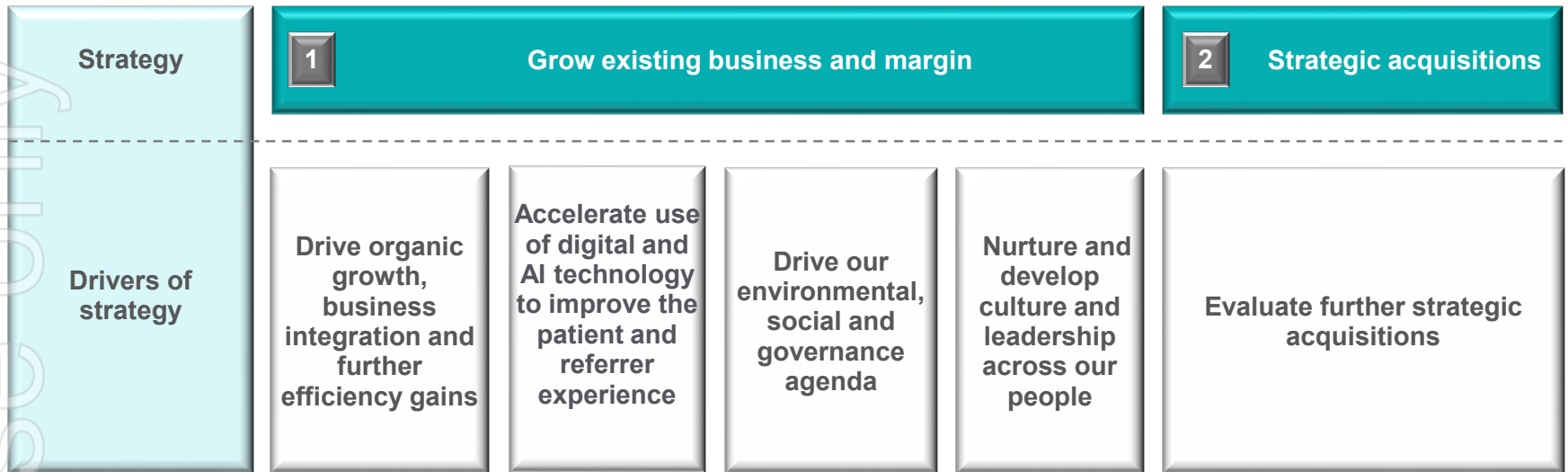
1 Relates to employed radiologists only. In addition IDX has had 86 contractor radiologists provide services over FY20

2 Consistent with the NZ private radiology model, all doctors work across the public and private sector and meet the criteria to be classified as contractors but are on terms and conditions similar to IDX employed Radiologists – 21 doctors join IDX on completion of Ascot

3 This number represents the number of employees on employment contracts on either part time or full time arrangements, it does not represent the number of full time equivalent employees or individual casual/contract arrangements

4 In addition, there are 49 employees in the Corporate office, totalling 1,448 employees across IDX

MANAGEMENT'S FY21 STRATEGY – GOOD MEDICINE IS STILL GOOD BUSINESS



FY21 KEY PRIORITIES AND FOCUS



FY21 Priorities and Focus

Drive organic growth, business integration and further efficiency gains

- Manage ongoing impacts of COVID-19
- Continue to integrate Imaging Queensland and integrate Ascot Radiology into the IDX Group
- Ensure capex investment continues to generate strong returns
- Promote benefits of MRI and PET technologies so that they're widely understood and recognised by patients, payors and referrers

Continue to accelerate use of digital and AI technology to improve the patient and referrer experience

- Continue to develop and execute on the AI and broader technology strategy
- Complete implementation of the Patient App across the whole group to improve access, knowledge and flexibility of service for the patient and referrer
- Leverage the consolidated reporting platform to develop sub speciality workflows for complex clinical cases to deliver best in class comprehensive reports to referrers and patients

Environmental, social and governance agenda

- Focus on IDX's environmental, social and governance agenda to acknowledge areas in which we already apply best practice and to identify areas where we can do better with specific focus on:
 - Ethical supply chains, responsible consumption and our carbon footprint, diversity and inclusion, community relationships, corporate governance and reporting of our ESG scorecard

Nurture and develop culture and leadership across our people

- Support Company growth with investment in a Chief Medical Officer, Chief Operating Officer and Group Integration and Strategy Manager
- Develop the leadership capabilities of people across our group, including management, radiologists, clinical and administrative staff

Evaluate further strategic acquisitions

- Undertake analyses and due diligence on selected acquisitions that are a clinical fit, strategically aligned and earnings accretive
- Considering several growth opportunities in a very active healthcare sector

QUESTIONS?



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