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FY21 Results Investor Presentation

27 August 2021, Melbourne

Integral Diagnostics Limited (ASX: IDX) attaches its FY21 Results Presentation.

Authorised for lodgement by the Integral Diagnostics Board of Directors

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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 67 radiology clinics, including 27 comprehensive 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. For more information, please visit www.integraldiagnostics.com.au/.

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FY21 Results

Dr. Ian Kadish (MD & CEO)

Anne Lockwood (CFCO)

27 August 2021

integral DIAGNOSTICS

IDX VISION & VALUES

OUR
VISION
a healthier world

OUR
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, INCLUSIVELY AND RESPECT EACH OTHER



create value
DELIVER SUSTAINABLE VALUE TO ALL STAKEHOLDERS



embrace change
STRIVE FOR EXCELLENCE, HAVE THE COURAGE TO INNOVATE

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DELIVERING ON OUR VALUES – FY21

Patients First

- Served 797,118 patients
- Serviced 35,264 referrers
- Performed over 2m exams
- Reduced adverse patient events to <0.03% of all exams
- Provided Patient Apps across all Australian practices
- Invested $23m in capex to ensure optimal quality care and improved access to MRI and CT's in regional areas
- Continued implementing digital and AI technology to enhance the patient and referrer experience

Medical Leadership

- 237 reporting radiologists
  - 157 employees
  - 80 contractors
  - 85 radiologist shareholders
- Launched IDXt, IDX's teleradiology reporting platform
- Executed a JV with Medica Group Plc, the largest listed UK teleradiology business – "MedX"
- Appointed Dr Lisa Sorger as CMO
- Appointed Dr Nazar Bokani to the IDX Board

Everyone Counts

- 1,524 employees
- Reduced lost time injuries per million work hours by 5.5%
- Developed an IDX leadership program
- Completed a stakeholder survey and measured our carbon footprint to develop our ESG strategy
- Supported our people during COVID-19 mandated absences
- Provided Healthcare Hero Awards to employees to recognise the healthcare frontline and those who support the frontline

Create Value

- Increased Operating NPAT by 25.3% to $38.1m
- Increased operating diluted EPS by 14.5% to 19.0cps
- Paid or Declared FY21 dividends of 12.5cps
- Voluntarily repaid $2.9m of surplus JobKeeper receipts
- Continued the integration of Imaging Queensland
- Completed and integrated acquisition of Ascot Radiology
- Negotiated extension of finance facilities with $407m committed and a further $105m in an accordion with a 5 year term
- 5,355 IDX shareholders at 30 June 2021

Embrace Change

- Managed workflows, personnel and systems to adapt to the new normal for COVID-19
- Continued to progress AI applications and broader technology capabilities
- Expanded the leadership team with appointment of Paul McCrow as COO
- Appointed a group Integration and Strategy Manager
- Appointed a group Business Development Manager
- Monitored and assessed regulatory and market developments across Australia and New Zealand

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FINANCIAL HIGHLIGHTS

36.1% increase in statutory NPAT	25.3% increase in operating NPAT	23.5% increase in operating EBITDA	14.5% increase in operating EPS	27.3% increase in operating revenue	19.3% increase in free cash flow	6.7% improved net debt /LTM EBITDA
$31.3m	$38.1m	$93.5m	19.0cps	$348.8m	$66.5m	1.4x

COVID-19

- Patient activity continued to be impacted by government imposed restrictions
  - Victoria had significant reductions from July to September that impacted revenues
  - Despite on-going sporadic lockdowns over Oct-June across VIC, WA and QLD the overall performance was largely in line with pre COVID-19 expectations for this period
- Net JobKeeper receipts of $6.6m ($4.7 after tax and net of voluntary re-payment) were utilised to offset the impacts of COVID-19 in FY21 and allowed IDX to retain and support our highly skilled workforce
- IDX voluntarily repaid $2.9m ($2.0m after tax) in JobKeeper receipts in June 2021

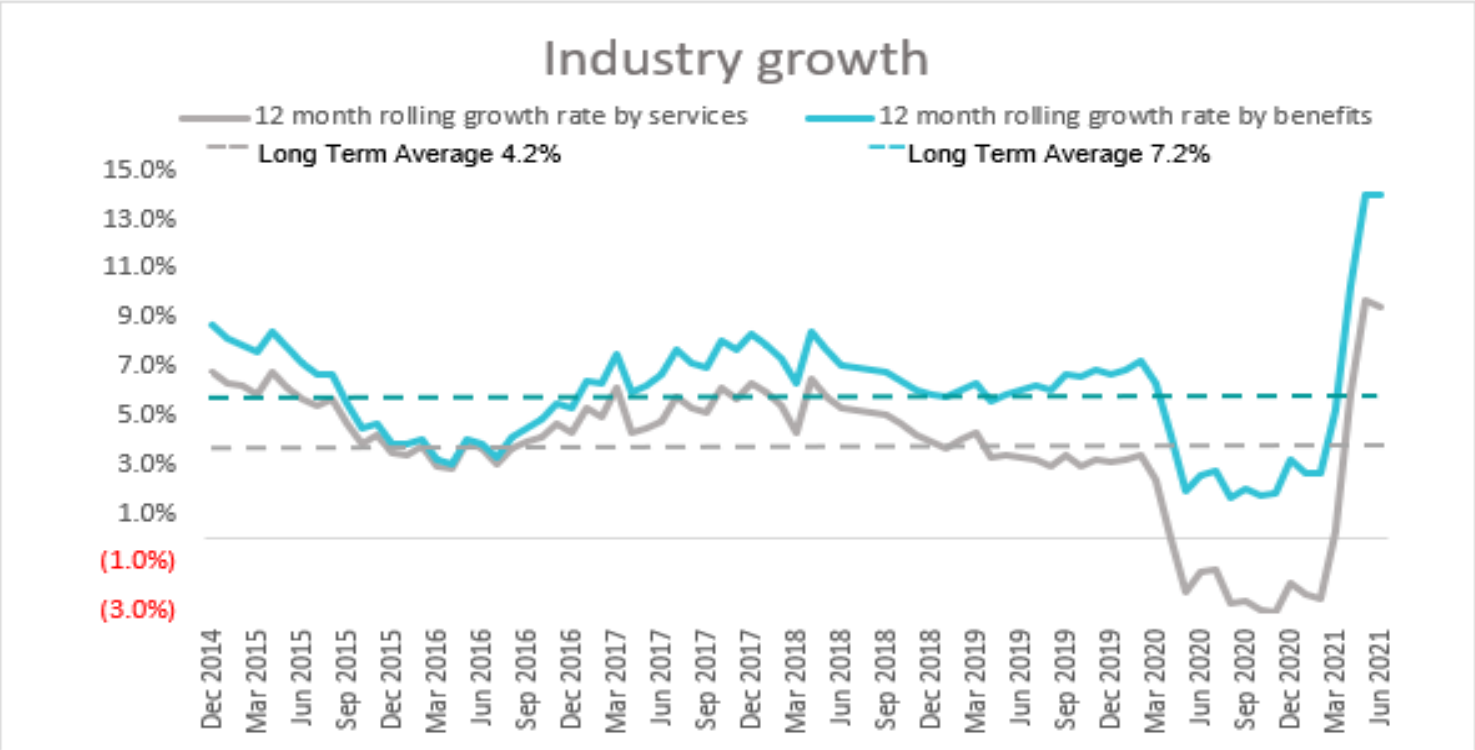
Declared a fully franked final dividend of 7.0cps totalling 12.5cps for FY21 (FY20 9.5cps)

- Dividends paid and declared reflect an increase of 31.6% and represent a 68.8% payout ratio which reflects the performance and cashflow position of IDX

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DI INDUSTRY GROWTH AUSTRALIA

Industry growth rates in Australia impacted by COVID-19 in CY20, return of strong industry growth rates in CY21 off a lower base



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

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FY21 Financial Performance



FY21 RESULTS INCLUDING AASB 16 (1)

$ millions	FY21	FY20	Change ($)	Change (%)
Operating revenue(2)	348.8	274.1	74.7	27.3%
Operating EBITDA(3)	93.5	75.7	17.8	23.5%
EBITDA operating margin	26.8%	27.6%	(0.8%)	(2.9%)
Operating EBITA	62.8	51.1	11.7	22.9%
Operating NPAT	38.1	30.4	7.7	25.3%
Operating Diluted EPS(4) (cents)	19.0	16.6	2.4	14.5%
Statutory NPAT	31.3	23.0	8.3	36.1%
Free cash flow	66.5	55.7	10.8	19.3%
Free cash flow conversion, net of replacement capex	89.1%	86.0%		
As at:	30 June 2021	30 June 2020		
Net debt	137.4	124.4		
Net debt / LTM EBITDA(5)	1.4x	1.5x	0.1x	6.7%
Equity	254.8	228.3	26.5	11.6%

1. AASB 16 is the Australian Accounting Standard 16 "*Leases*" an adopted accounting standard effective from 1 July 2019. The impacts of AASB 16 on the FY21 results were an increment to EBITDA of $14.1m (FY20:$11.6m), an increment to EBIT of $2.5m (FY20:$1.8m) and a decrement to NPAT of ($0.8m) (FY20($0.8m)). *Based on the lease portfolio as at 30 June 2021 the expected impacts of the application of AASB 16 on the FY22 results are an increment to EBITDA of $14.3m, an increment to EBIT of $2.5m and a decrement to NPAT of ($0.8m)*
2. Represents operating revenue and excludes other revenue in FY21 of $1.9m (FY20 $1.5m)
3. One off costs not included in operating metrics include transaction and other costs, net of tax of $6.8m (FY20 $7.4m) – see slide 8
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 the 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 16.6cps
5. Based on net debt at 30 June 2021 of $137.4m and LTM organic EBITDA (plus trailing acquisitions EBITDA) of $94.6m. FY20 based on net debt at 30 June 2020 of $124.4m and LTM EBITDA organic EBITDA (plus trailing acquisitions EBITDA) of $82.9m

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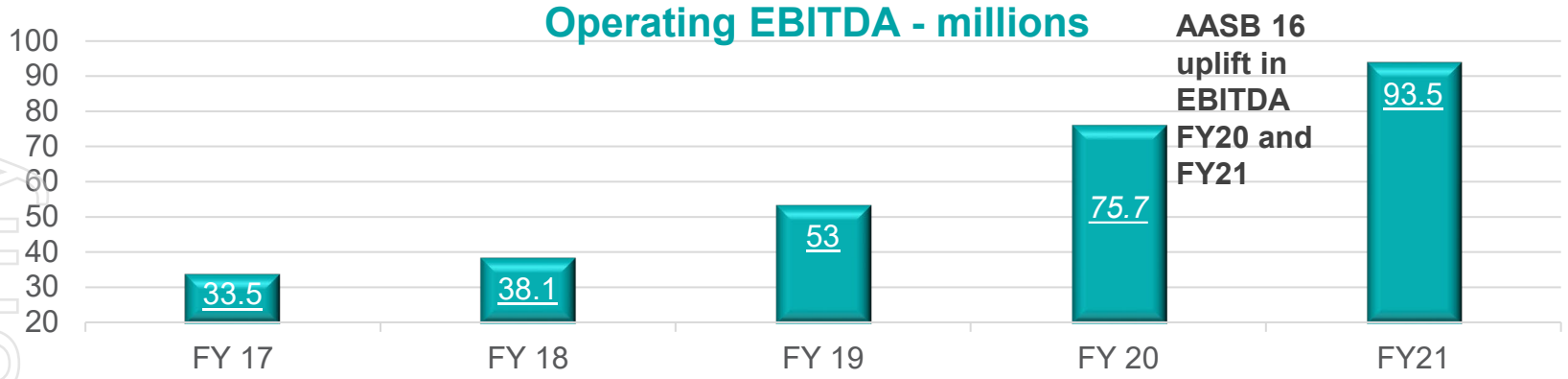
RECONCILIATION OF OPERATING TO STATUTORY

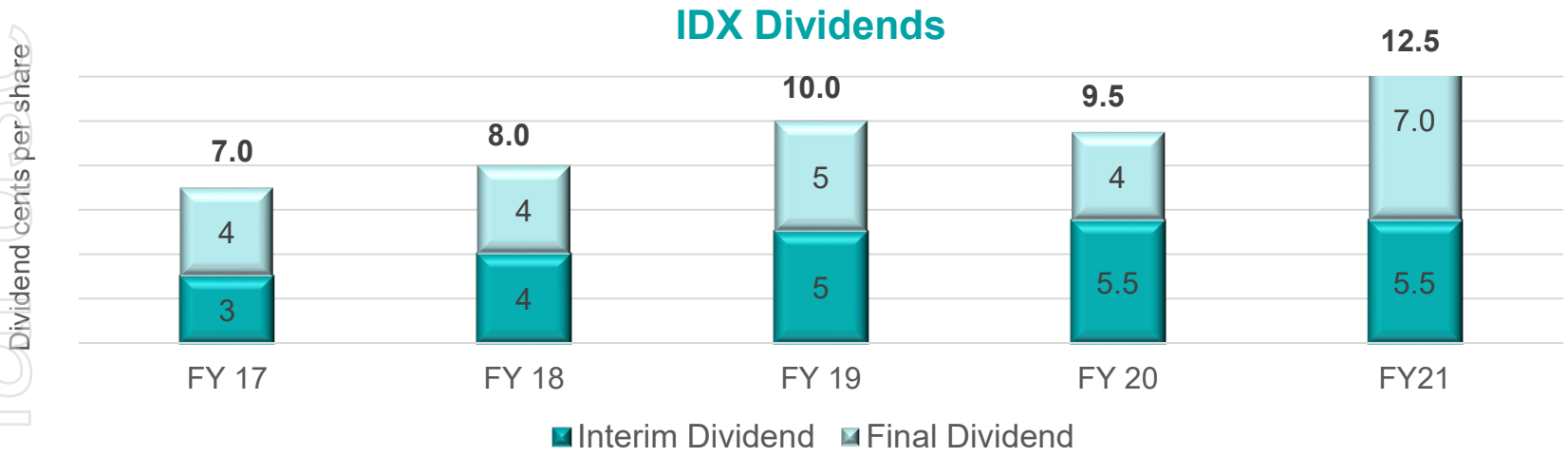
$ million	FY21	FY20	Change ($)	Change (%)
Operating NPAT	38.1	30.4	7.7	25.3%
Non operating transactions net of tax				
Transaction and integration costs	(1.4)	(4.8)		
Share based payments	(2.1)	(1.3)		
Amortisation customer contracts	(3.3)	(1.2)		
Write off of brand name (Western District Radiology)	-	(0.1)		
Statutory NPAT	31.3	23.0	8.3	36.1%
$ million	FY21	FY20	Change ($)	Change (%)
Operating EBITDA	93.5	75.7	17.8	23.5%
Non operating transactions				
Transaction and integration costs	(2.4)	(5.1)		
Share based payments	(2.1)	(1.3)		
Write off of brand name (Western District Radiology)	-	(0.1)		
Statutory EBITDA	89.0	69.2	20.0	28.9%

- FY21 Transaction and integration costs of $2.4m are costs incurred by external advisors on M&A activity
- FY21 Share based payment costs relate to the performance rights and the radiologists loan funded share/option plan
- FY21 Amortisation of customer contracts relates to Ascot Radiology $4.1m and Imaging Queensland $0.6m. $4.2m of customer contracts remain to be written off over FY22

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GROWTH IN SHAREHOLDER RETURNS





- Fully franked final dividend of 7.0 cps declared
- The FY21 dividend record date is 3 September 2021 with a payment date on 6 October 2021
- The IDX dividend reinvestment plan is available for participation for the FY21 dividend

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REVENUE

Solid underlying growth, despite ongoing COVID-19 impacts, driven by new sites, investment in new equipment and additional contribution from acquisitions

Operating revenue up 27.3% to $348.8m

- Revenue growth of $74.7m driven by
  - Imaging Queensland $23.0m for additional 4 months July 2020 – Oct 2020
  - Ascot Radiology $18.3m for 10 months Sept 2020 – June 2021
  - Organic Growth – $33.4m
- Organic revenue growth in Australia of 12.2%
  - The Medicare 12month rolling growth rates for the states in which we operate, adjusted for working days was 14.6% for benefits. Reflective of our focus on higher end modalities that drive stronger bottom line results, the modalities in which IDX trailed Medicare most in benefits were Ultrasound 4.3% lower and Xray 2.4% lower
- Average fee per exam (excluding reporting contracts) in Australia increased by 3.3% in FY21, driven by increased volume of CT, PET scans and MRI's and Medicare indexation of 1.5% applied on CT, US and XR from 1 July 2020
- New Zealand contributed $A revenue in FY21 of $46.2m (FY20 $24.8m) with organic revenue growth of 12.5%

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OPERATING EXPENDITURE

IDX experienced a 0.8% ($2.7m) increase in operating costs as a % of revenue, largely driven by increasing employee and consumables costs

- Employee costs increased by 0.3% ($1.1m) of revenues driven by radiologist cost pressures present in the industry and increased use of paid quarantine/isolation leave in a COVID-19 environment
- Consumables increased by 0.3% ($1.1m) of revenues reflecting the higher cost of consumables for higher end modalities and increased usage of PPE due to COVID-19
- Equipment increased by 0.4% of revenues despite better pricing achieved due to some equipment coming out of warranty and increasing the level of service cover on equipment
- Occupancy costs remained relatively consistent as a % of revenues
- Other costs declined by 0.2% of revenues due to a slight reduction in spend due to COVID-19 on travel and conferences and shared service costs being leveraged over larger revenue base

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CAPITAL MANAGEMENT

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

- FY21 net debt of $137.4m (FY20: $124.4m)
  - Reducing leverage 1.4x on trailing EBITDA prior to one off transactions as at 30 June 2021 (FY20 1.5x)
  - Extended and rolled over finance facilities with committed capacity increased to $407m of which $199m remains undrawn with an additional uncommitted $105m accordion facility, for a 5 year term to February 2026
- Increasing provisions of $5.5m largely due to increased annual leave of $4m
- Deferred consideration of $23.1m relates to New Zealand $4.4m, Geelong Medical Imaging $0.7m and Imaging Queensland $18m
- All other assets and liabilities have increased in line with increased size of the business due to Ascot Radiology acquisition
- Net assets increased $26.5m (11.6%)

$ millions	30 Jun 21	30 Jun 20	30 Jun 19
Cash and cash equivalents	62.2	58.0	21.0
Trade and other receivables	14.3	10.4	9.0
Other current assets	5.9	8.0	3.8
Total current assets	**82.4**	**76.4**	**33.8**
Property, plant and equipment	111.1	101.0	70.8
Right of use assets – AASB16	100.4	88.6	-
Intangible assets	344.7	307.3	202.3
Deferred tax asset	16.3	13.5	7.8
Total non-current assets	**572.5**	**510.4**	**280.9**
Total assets	**654.9**	**586.9**	**314.7**
Trade and other payables	20.3	18.6	16.0
Current tax liabilities	4.5	5.0	1.7
Borrowings	6.5	13.2	9.0
Lease obligations – AASB 16	10.4	9.6	-
Deferred Consideration	15.9	13.3	-
Provisions	20.3	16.6	12.2
Total current liabilities	**77.9**	**76.2**	**38.9**
Deferred Consideration	7.2	8.0	1.5
Provisions	9.8	7.8	9.0
Borrowings	192.2	168.6	130.1
Lease obligations – AASB 16	99.2	86.5	-
Deferred tax liability	13.8	11.5	8.0
Total non-current liabilities	**322.2**	**282.3**	**148.6**
Total liabilities	**400.1**	**358.5**	**187.5**
Net assets	**254.8**	**228.4**	**127.2**

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CASHFLOW AND CASH CONVERSION

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

$ millions	FY21	FY20
Operating EBITDA	**93.5**	**75.7**
Non-cash items in EBITDA	0.6	0.5
Changes in working capital	2.9	0.4
Replacement capital expenditure	(16.8)	(9.4)
Cash payments on leases	(13.7)	(11.5)
Free cash flow	**66.5**	**55.7**
Growth capital expenditure	(6.3)	(16.7)
Net cash flow before financing, acquisitions and taxation	**60.2**	**39.0**
Free cash flow / EBITDA	71.1%	73.6%

- Normalised free cash flow conversion of 71.1% (FY20 73.6%) – 89.1% net of replacement capex
- The application of AASB 16 results in the same free cash flows (after adjusting for cashflows on leases). However, conversion % declines given the higher EBITDA. Pre AASB 16 free cash flow conversion net of replacement capex would be 104.3%
- Growth capex $6.3m lower in FY21 v FY20 due to conservative investment as a result of COVID-19
- Changes in working capital is net of accruals for non operating transaction costs and capex as well as working capital acquired

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CAPITAL EXPENDITURE

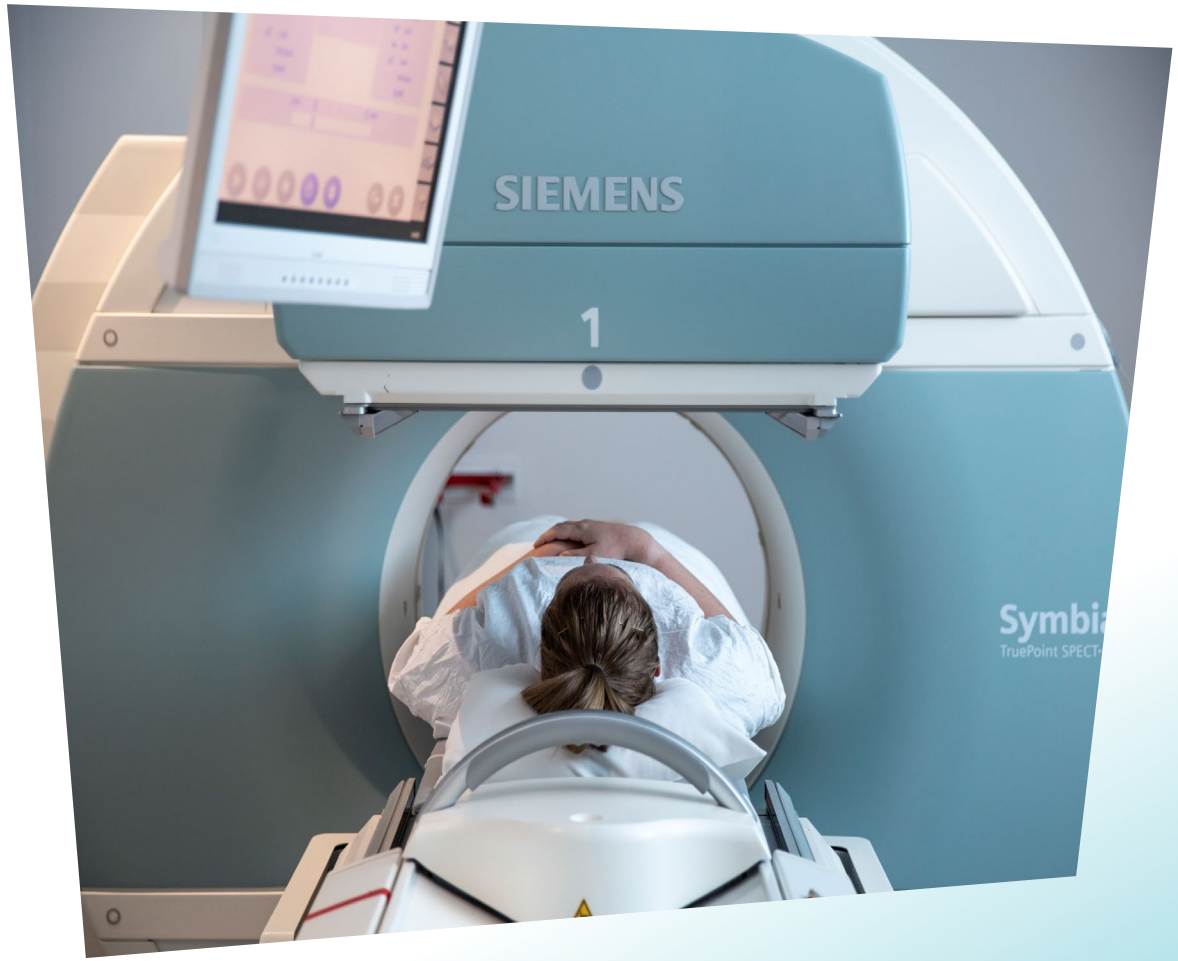
Conservative growth capex in a COVID-19 environment

$ millions[(1)]	FY21	FY20	FY19
Replacement	16.8	9.4	10.7
Growth	6.3	16.7	9.7
Total	**23.1**	**26.1**	**20.4**
Depreciation	19.1	14.8	10.5

Replacement capex of $16.8m

Growth capex of $6.3m

- Installation of new cardiac CT in Busselton - $0.7m
- Installation of 2nd second CT in Toowoomba - $0.4m
- Completed development of Hope Island site on the Gold Coast (Mammo) $0.3m
- Installed a MRI (non-rebateable) Spine Centre on the Gold Coast - $1.9m
- Commenced development of new Benowa site on the Gold Coast site fit out - $0.5m
- Software & Infrastructure - $1.4m



(1) Represents cash + accruals

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Regulatory Update

REGULATORY ENVIRONMENT ACTIVITY

Australia

MRI Licences

- As at the date of this presentation no further licences or plans for deregulation of MRI licences have been announced. MRI licences and/or changes may occur in a Federal election year

May 2021 Budget

- Indexation across 90% of MBS items, equating to 80% of benefits at a rate of 0.9% from 1 July 2021 against a CPI of 3.8% and a Health CPI of 4.8%
- Indexation to be applied to MRI items from 1 July 2022
- Bulk billing incentive on MRI to be reduced to 95% of CMBS from 100% from 1 July 2022, along with the introduction of clear rules on co-claiming of MRI to be developed with the sector and introduced on 1 November 2021. The Australian Government expects to deliver $107m of savings over 4 years. The rules on co-claiming of MRI have not yet been published and as such IDX has not been able to measure the potential impact, if any
- FDG PET for early detection and diagnosis of Alzheimer's disease to be introduced onto the CMBS from 1 November 2021 – the item descriptor has not been finalised

New Zealand:

- Annual indexation is currently 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
- FDG PET for early detection and diagnosis of Alzheimer's has been introduced in New Zealand we are successfully performing these studies on our PET at Ascot Radiology
- Emerging market practices in New Zealand where referrers are acquiring ownership interests in radiology practices or equipment has the potential to change the competitor dynamics. We expect that New Zealand payors and regulators will review these practices against their published guidelines on non-arm's length referrals and will undertake the necessary actions to manage referrer conflicts of interest. IDX supports the upholding of the current published guidelines to ensure that quality is maintained, that patient choice is retained, and that payors are not subject to over-servicing and unnecessary imaging

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Strategy



IDX OPERATES IN KEY GEOGRAPHIC MARKETS

	Lake imaging	South Coast Radiology	apex Radiology	SRG Trinity MRI Ascot Radiology	Imaging Queensland	Total IDX
Geographic Market	Victoria	Queensland & NSW	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	19	14	5	12	17	**67**
Comprehensive sites[1]	6	7	2	5	7	**27**
MRI machines	8	8	2	6	7	**31**
MRI Licences	4 full 0 partial	4 full 2 partial	2 full 0 partial	N/A	3 full 2 partial	**13 full 4 partial**
PET Scanners	2	2	1	1	-	**6**
Employed Radiologists[2]	46	37	13	40[3]	21	**157**
# of Employees[4]	389	403	164	172	310	**1438**

Note: Reflects current data as at 30 June 2021

1 Comprehensive sites include a range of radiology equipment including MRI's and CT's and are located with or near major specialist referrers

2 Relates to employed radiologists only. In addition IDX has had 80 contractor radiologists provide services over FY21

3 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.

4 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. In addition there are 86 employees in the corporate office (including IDXt) totalling 1,524 employees

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MANAGEMENT'S FY22 STRATEGY – GOOD MEDICINE IS STILL GOOD BUSINESS



- COVID-19 and associated government responses can be expected to continue to have an impact on the Group, which cannot be accurately projected at this time. To date 1H22 has been affected as a result of the impacts of COVID-19 and government-lockdowns and border closures across all geographic areas in which we operate. Up until the 25th August, year to date trading is down approximately 5% from expectations, this includes the impacts of the Level 4 lockdowns in New Zealand from the 18th August. The New Zealand guidelines from the Ministry of Health included that scanning is only to be undertaken "to preserve life or limb only". This has resulted in reductions in trading in New Zealand of up to 75% from expectations, which is consistent with past experience during New Zealand Level 4 lockdowns
- FY22 will see ongoing growth investment of approx. $20-$24m in brownfield and greenfield investments with at least 5 new sites expected to be opened across VIC, NZ, WA and QLD as well as increased investment in digital and AI technology to execute on a digital strategy
- Execution continues on our clear strategy, in line with our vision, purpose and values to deliver the best health outcomes for our patients

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FY22 CAPITAL EXPENDITURE

$ millions	FY22	FY21	FY20
Replacement	20.0	16.8	9.4
Growth	20-24	6.3	16.7
Total	**40-44**	**23.1**	**26.1**



Expected Replacement capex of approximately $20m

- $8m on a new comprehensive site at Benowa on the Gold Coast. The site is 500m from the Pindara Hospital and will include a full MRI licence, the latest technology equipment across all DI modalities. We will continue to work on on-going lease arrangements post current lease expiry on 31 December 2021 at Pindara Hospital
- $2m replacement of the PET/SPECT in Ballarat with the latest technology

Expected Growth capex of $20m - $24m

- $11m on 4 new sites across Queensland, Victoria, New Zealand and Western Australia
- $1.0m on a new SPECT and hot lab in New Zealand
- $8m on new technology and equipment upgrades

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FDG PET FOR DIAGNOSIS OF ALZHEIMERS TYPE DEMENTIA

- FDG PET scan for the diagnosis of Alzheimers type dementia has been approved by the Australian Government Department of Health; the legislative framework is expected to be finalised by 1 November 2021 and was included in the Budget 21/22 announcements
- Dementia is the second leading cause of death for Australians. As our population ages, we expect that many more people will be diagnosed with dementia. In 2021 there are more than 472,000 Australians living with dementia and this number is expected to increase to 590,000 in less than a decade. The new FDG PET Brain scan for Alzheimers dementia will assist clinicians in reaching the diagnosis in a timely way and assist patients and their loved ones
- Glucose metabolism in the brain is altered in dementia. FDG PET brain imaging may be used in patients with declining memory or other types of dementia to visualise the type of brain changes. FDG PET is a sensitive and non-invasive method of diagnosing neurogenerative disease in the early stages allowing for earlier intervention
- Early diagnosis resulting in early intervention may lead to improved outcomes for patients and their families. This may also result in a downstream decrease in the healthcare cost of managing these patients. Research is ongoing to understand how the different types of PET scans can be used to further refine the diagnosis of dementia

Further information is available from the Alzheimers Association at www.alz.org and www.dementia.org.au.

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References:

1. Dementia Statistics". *Dementia.Org.Au*, 2021, https://www.dementia.org.au/statistics. Accessed 11 Aug 2021.
2. MSAC - 1195.1 - F-18 Flurodeoxyglucose Positron Emission Tomography (FDG PET) For The Diagnosis Of Alzheimer Disease ". *Msac.Gov.Au*, 2021, http://www.msac.gov.au/internet/msac/publishing.nsf/Content/1195.1-public. Accessed 11 Aug 2021.

QUESTIONS

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