ASX Announcement

Australian Clinical Labs Limited
ABN 94 645 711 128
Registered Office:
1868-1892 Dandenong Road
Clayton VIC 3168
Australia

clinicallabs.com.au

Thursday, 29 August 2024

ACL FY24 FINANCIAL RESULTS

The following announcements to the market are attached:

- Appendix 4E
- FY24 financial statements and statutory reports
- ✓ FY24 financial results investor presentation

– ENDS –

This announcement was authorised for release to ASX by the Board of ACL. For further information regarding this announcement, please contact:

Company Secretary
Eleanor Padman
Company Secretary
Email: epadman@padmanadvisory.com.au
Phone: +61 (0) 422 002 918

About Australian Clinical Labs

ACL is a leading Australian private provider of pathology services. Our NATA accredited laboratories perform a diverse range of pathology tests each year for a range of clients including doctors, specialists, patients, hospitals and corporate clients. ACL is one of the largest private hospital pathology businesses nationally. ACL is focused on its mission of combining talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives.

For personal use only

ASX Announcement

Australian Clinical Labs Limited
ABN 94 645 711 128
Registered Office:
1868-1892 Dandenong Road
Clayton VIC 3168
Australia
clinicallabs.com.au

Thursday, 29 August 2024

ACL FY24 Results – $62.6M in Underlying EBIT with materially improved H2 EBIT margin of 11%

FY25 guidance of $65M-$73M EBIT

Strong balance sheet supports announcement of on-market buy-back program

$0.09 fully franked final dividend taking total FY24 dividend to $0.12 fully franked

Australian Clinical Labs Limited (ASX: ACL) (**ACL** or the **Company**) is pleased to announce its results for the 12 months to 30 June 2024 (**FY24**).

AUD in millions	Actual FY24	Actual FY23	Actual 1H FY24	Actual 2H FY24
Non-COVID-19 revenue	646.7	613.6	314.0	332.7
COVID-19 revenue	26.3	64.1	11.8	14.5
Total Patient Revenue	**673.0**	**677.7**	**325.8**	**347.2**
Clinic/Other Revenue	23.4	19.3	11.4	12.0
Total Revenue	**696.4**	**697.1**	**337.3**	**359.1**
Underlying EBITDA	**191.0**	**188.5**	**87.1**	**103.8**
Underlying EBITDA Margin	27%	27%	26%	29%
Underlying EBIT	**62.6**	**65.7**	**23.4**	**39.1**
Underlying EBIT margin	9%	9%	7%	11%
Underlying NPAT	**31.6**	**36.1**	**10.3**	**21.3**
Underlying EBITDA AASB117	**66.2**	**72.0**	**25.6**	**40.6**
Underlying EBITDA AASB117 margin	10%	10%	8%	11%

Highlights

- Total Revenue of $696.4M, in line with FY23 despite 59% decline in COVID-19 Revenue
- Underlying EBIT of $62.6M in line with FY24 guidance
- Strong improvement in performance in H2 with $39.1M Underlying EBIT at an 11% margin compared to $23.4M in H1 at a 7% margin
- Adjusting for the earnings impact of decline in COVID-19 revenue, FY24 underlying EBIT grew by 23.4% on pcp driven by a combination of BAU revenue growth, operational efficiency initiatives and some full period Medlab synergies
- ACL expects stronger EBIT result in FY25 compared to FY24 with guidance of $65M to $73M, based on revenue growth assumption of 4-8%
- FY25 has started strongly, with Revenue per working day growth of 7.6% in July on 5.9% volume growth.

Volume growth has continued to accelerate through August and now sits at 6.6% YTD

- ACL Board has declared a final fully franked dividend of 9 cents per share (cps), which combined with the Interim dividend of 3 cps, takes the full year dividend to 12 cps fully franked
- Given ACL's strong capital position, high cash conversion and low level of debt, ACL announces an on-market buyback program of up to 20M shares

Chief Executive Officer and Executive Director, Melinda McGrath, said:

"ACL has been able to hold margins constant on FY23. In H2, the business returned to double digit EBIT margins, despite a material decline in COVID-19 revenue in FY24, and significant industry cost pressures.

The business expects to realise earnings growth in FY25 as the market starts to show signs of recovery, with strong volume growth year-to-date.

ACL has a clear strategy to drive top-line growth through disciplined network expansion, investment in strategic new business, as well as a range of billing enhancement initiatives over the next 12 months. As always, the business will remain focused on operational efficiencies with margins expected to continue strengthening over time.

We thank all Clinical Labs staff as they continue to focus on providing excellent service to our patients and referrers and continually improving the way in which we operate as a team."

Final dividend for FY24

The ACL Board has declared a final fully franked dividend of 9 cps, which combined with the Interim dividend of 3 cps, takes the full year dividend to 12 cps.

Full year dividend represents 77% of underlying NPAT, and a fully franked dividend yield of 4.6% based on the share price on 27 August of $2.63 per share.

The Record Date will be 5 September 2024 with a Payment Date of 27 September 2024.

Share Buy-back Program

The Board of ACL has decided to commence a 12-month on market share buy-back program of up to 20M ACL shares, representing approximately 10% of ACL's outstanding share capital.

The Board believes that a share buy-back program may provide an opportunity to enhance value for ACL shareholders, without compromising the company's strong capital position while delivering growth.

The total amount of the buyback, and the timing of purchases, will be subject to the Board's ongoing view on what is most beneficial to the efficient capital management of the company and may not be up to the intended maximum number of 20M shares.

The share buy-back does not require shareholder approval as it will be within the '10/12 limit' permitted by the Corporations Act 2001.

In relation to the buy-back, ACL announces the following:

- The duration of the program is expected to be 12 months from validation by ASIC
- The company reserves the right to vary, suspend or terminate the buy-back at any time

Investor and Analyst Results Briefing

ACL Chief Executive Officer and Executive Director, Melinda McGrath, and Deputy CFO, Lana Hudson, will host a webcast for investors and analysts today at 11am (Melbourne time).

Participants can register for the webcast by accessing this link:

https://clinicallabs-au.zoom.us/webinar/register/WN_pcUtNWx4SdCkDFQdqSQxJw

An archive of the briefing will be available afterwards at: https://investors.clinicallabs.com.au/

– ENDS –

This announcement was authorised for release to ASX by the Board of Directors of ACL. For further information regarding this announcement, please contact:

Media
Sue Cato
Email: cato@catoandclive.com
Phone: +61 (0)419282319

Company Secretary
Eleanor Padman
Company Secretary
Email: epadman@padmanadvisory.com.au
Phone: +61 (0) 422 002 918

About Australian Clinical Labs

ACL is a leading Australian private provider of pathology services. Our NATA accredited laboratories perform a diverse range of pathology tests each year for a range of clients including doctors, specialists, patients, hospitals and corporate clients. ACL is one of the largest private hospital pathology businesses nationally. ACL is focused on its mission of combining talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives.

Forward looking-statements

This announcement may contain forward-looking statements which are statements that may be identified by words such as "may", "will", "would", "should", "could", "believes", "estimates", "expects", "intends", "plans", "anticipates", "predicts", "outlook", "forecasts", "guidance" and other similar words that involve risks and uncertainties. The downgrade to the FY24 forecast is an example of forward-looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this announcement, are expected to take place. No person who has made any forward-looking statements in this announcement (including the Company) has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, other than to the extent required by law. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management of the Company. The Company cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

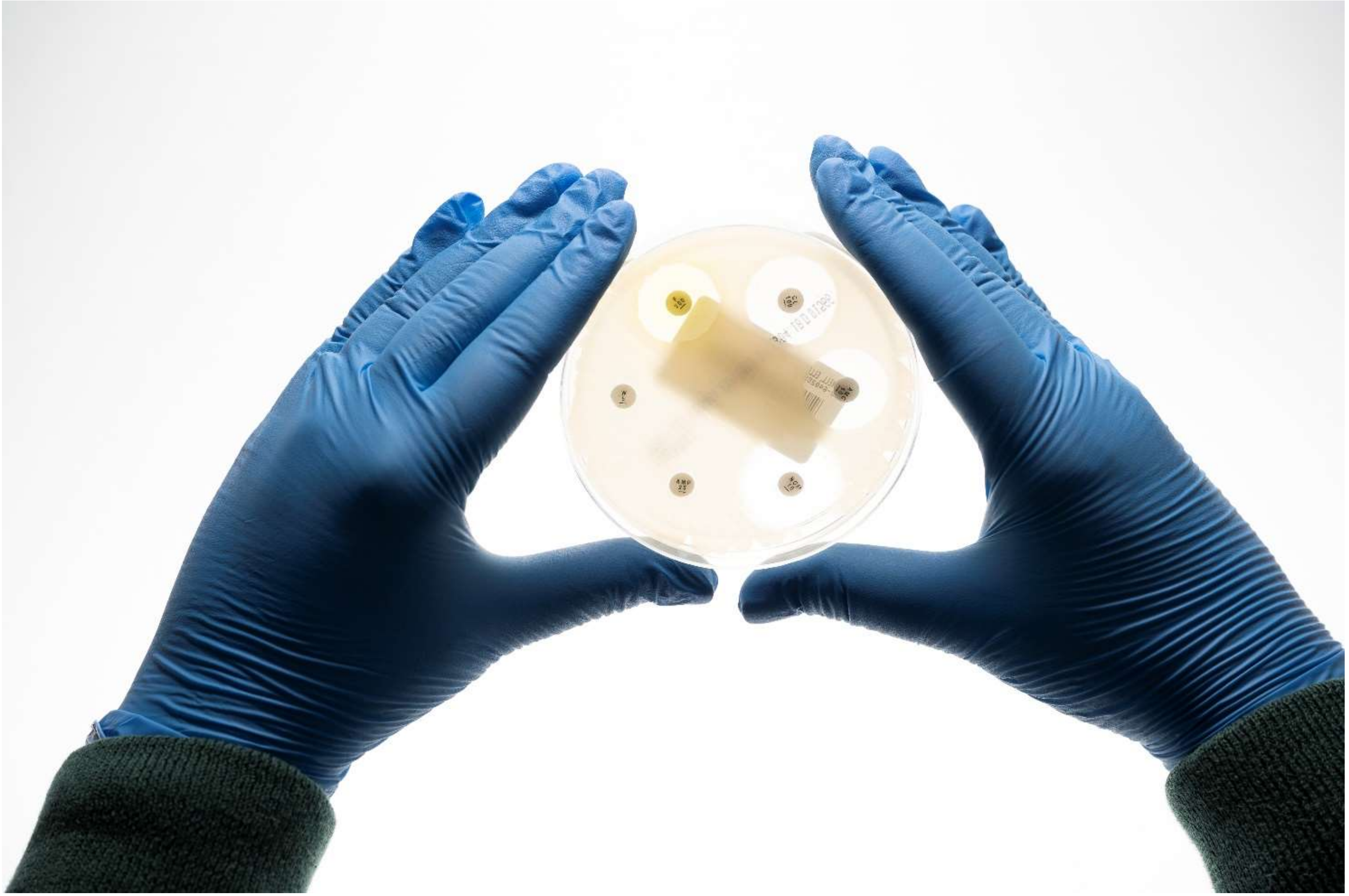
AUSTRALIAN Clinicallabs

FY24 Results Presentation

Melinda McGrath CEO and Executive Director
Lana Hudson, Deputy CFO

29 August 2024

Contents



Overview
Melinda McGrath, CEO and Executive Director

AUSTRALIAN Clinicallabs

FY24 Results – Financial Highlights

In FY24, ACL achieved Revenue of $696.4M and underlying EBIT of $62.6M in line with FY24 Guidance. In H2, underlying EBIT margins returned to ~11%

- In FY24, ACL achieved:
  - Total Revenue of $696.4M, in line with FY23 despite 59% decline in COVID-19 Revenue
  - Total Non-COVID Revenue of $646.7M up 5.4% on FY23 (with H2 up 6.9% on pcp)
  - Underlying EBITDA[1] of $191M, up 1.3% on FY23 (with $103.8M in H2 vs $87.1M in H1)
  - Underlying EBIT[1] of $62.6M, in line with FY24 Guidance (with $39.1M in H2 at 11% margin vs $23.4M in H1 at 7% margin)
  - Underlying NPAT[1] of $31.6M (with $21.3M in H2 vs $10.3M in H1)
  - Free cash flow before interest tax and financing of $54.4M, up 4% on FY23
  - Declared final fully franked dividend of 9 cps (12 cps for FY24), which represents a 4.6% fully franked dividend yield based on share price of $2.63 per share on 27 August
- Underlying EBIT margins were ~9% for the full year. The industry saw H1 volume pressures, and ACL underlying EBIT margins strengthened to ~11% in H2
- Adjusting for decline in COVID-19 revenue, FY24 Underlying EBIT grew by 23.4%[2], driven by a combination of strong non-COVID revenue growth, operational efficiency initiatives and some full period impact of Medlab synergies
- ACL continues to remain focussed on disciplined network expansion to preserve margins. In FY24, non-COVID MBS outlays for ACL grew by 6.5%[3]. This was slightly behind the broader market, driven by decisions not to renew certain ACCs with unattractive rent dynamics and replacing with better performing centres which will benefit the business in 2025
- The business continues to demonstrate efficient cash management with free cash flow up on FY23 despite earnings drag from decreased COVID-19 revenue in H1 not replaced by BAU. Operating cash flow conversion from EBITDA of 101%
- ACL retains a strong balance sheet, with net debt ex lease liabilities of $28.9M. ACL's strong capital position has facilitated the Board's announcement today of on-market share buy-back program of up to 20M shares as set out on page 15
- ACL Board has declared a final fully franked dividend of 9 cps, which combined with the Interim dividend of 3 cps, takes the full year dividend to 12 cps. Full year dividend represents 77% of underlying NPAT, and a fully franked dividend yield of 4.6% based on the share price on 27 August of $2.63 per share

(1) Underlying figures are calculated ex HLS takeover costs as well as certain non-recurring revenue and expenses
(2) Based on 40% contribution margin on COVID-19 revenues
(3) ACL growth ex Sun Doctors and Queensland and non-Medicare commercial work and adjusted for working days. Market data based on working day adjusted Medicare statistics excluding COVID-19 testing outlays and estimated associated PEI and BBI outlays

FY24 Results – Operational & Strategic Review

ACL has continued its focus on operational improvement to hold margins constant on FY23 despite inflationary and broader industry cost pressures, while progressing strategic growth initiatives

Operational highlights

- ACL drives continuous operational efficiency improvements as part of normal BAU operations through focused KPI improvement program. This has allowed ACL to hold margins constant on FY23 despite subdued volumes and industry cost pressures
- Across FY24, ACL has been focused on:
  - Leveraging ACL's significant investment in a national Laboratory Information System to:
    - support ongoing centralisation and enhanced productivity of key back-office functions
    - achieve best practice lab productivity (with panels per work hour in FY24 up 8% on FY23)
  - Ongoing investment in technology to support courier route optimisation, digitisation of consumables inventory management and reduction in laboratory labour.
- Over the next year, ACL will continue to progress feasibility of its Lab of the Future program for a highly automated, borderless national lab network, as well as piloting AI initiatives to reduce labour costs

Strategic & Growth highlights

- Key strategic and growth initiatives progressed over the last year or commencing this year:
  - **Innovative testing:** ACL continues to work closely with Geneseq on its tissue and plasma (blood) genomic melanoma tests with commercialisation expected to begin in FY25
  - **Genetic testing** – 21% of market for newly Medicare reimbursed Carrier Screening testing and other genetic tests
  - **Clinical Trials**: Progression of partnerships to expand clinical trial and research-based testing
  - **Digitisation of private billing system** – significant progress in a program of improvement and digitisation of upfront billing system to reduce bad debt and debt write off

See page 11 for an overview of ACL's strategic pillars to support future growth

FY24 Results – ESG highlights

Fourth year of execution of ACL's ESG strategy continues to deliver strong performance across all areas of our ESG Mission

Environmental

Carbon Emissions

1.25kg CO_2 per episode down from 1.4kg in FY22; **Cold chain logistics** has removed 26,772 kg of packaging

Couriers & Logistics

102 hybrid cars across group up from 47 in H1 FY23; **9%** reduction in km / per episode on pcp with SMART logistics

LED Conversion

1,534 LED Panels installed

Electronic Ordering

16% digital referrals up from 11% in FY22

Social

Injury reduction

2.25 LTIFR
Significant improvement from 3.2 in Dec 22

Customer Service

4.67/5.0
Positive experience

Women in leadership

Phase 2 of Women in leadership training program implemented with personalised development plans

Corporate Governance

Board/management composition

Board 43% female representation - Up from 33%; Management 57.1% female

Reconciliation Action Plan

Reflect RAP drafted and submitted to Reconciliation Australia for review

Internal audit function

Internal audit function for non-clinical risk now in its second year with program of works underway

Financial Results Overview
Lana Hudson, Deputy CFO

AUSTRALIAN Clinicallabs

For personal use only

FY24 Profit and Loss

ACL recorded underlying EBITDA of $191.0m and underlying EBIT of $62.6M. Business generated an underlying EBIT margin of 9%, producing ~11% underlying EBIT margin in 2H FY24 with a material step up in performance from H1

AUD in millions	Actual FY24	Actual FY23	Actual 1H FY24	2H FY24
Non-COVID-19 revenue [1]	646.7	613.6	314.0	332.7
COVID-19 revenue [1]	26.3	64.1	11.8	14.5
Total Patient Revenue	**673.0**	**677.7**	**325.8**	**347.2**
Clinic/Other Revenue	23.4	19.3	11.4	12.0
Total Revenue	**696.4**	**697.1**	**337.3**	**359.1**
Underlying EBITDA	**191.0**	**188.5**	**87.1**	**103.8**
Underlying EBIT	**62.6**	**65.7**	**23.4**	**39.1**
Underlying EBIT margin	9%	9%	7%	11%
Underlying NPAT	**31.6**	**36.1**	**10.3**	**21.3**
Underlying EBITDA AASB117	**66.2**	**72.0**	**25.6**	**40.6**
Underlying EBITDA AASB117 margin	10%	10%	8%	11%

- In FY24, ACL generated $696.4M of Revenue, $191.0M of underlying EBITDA, $62.6M of underlying EBIT and $31.6M of underlying NPAT
- Material step up in performance in H2, with underlying EBIT to $39.1M at 11% margin compared to $23.4M at a 7% margin in H1
- COVID-19 revenues declined $37.8M (59%) on FY23
- Total Non-COVID Revenue grew at 5.4%, 6.6% excluding QLD which was restructured in H1FY24 with certain marginal or loss-making sites closed

(1) Reallocation between COVID-19 and NON-COVID revenue in FY23 of $5.9M.

FY24 Cash flow

ACL generated operating cash flow of $60.9M, with cash conversion ratio of 101% reflecting strong cash flow management

AUD in millions	Actual FY24	Actual FY23	Actual 1H FY24	Actual 2H FY24
EBITDA	**181.3**	**184.7**	**79.7**	**101.6**
Non-cash items	4.1	(3.1)	3.7	0.4
Property related payments AASB 16	(125.0)	(116.2)	(61.9)	(63.1)
Cash EBITDA	**60.4**	**65.4**	**21.5**	**38.9**
Change in net working capital	0.5	(6.2)	0.0	0.5
Operating cash flow pre capex	**60.9**	**59.2**	**21.6**	**39.3**
Capital expenditure	(6.5)	(6.9)	(3.8)	(2.7)
Free cash flow before interest, tax and financing	**54.4**	**52.2**	**17.7**	**36.6**
Dividends paid	(20.3)	(96.9)	(14.3)	(6.0)
Borrowings	(11.0)	66.0	13.0	(24.0)
Other financing and investing activities	(2.5)	(6.1)	(7.2)	4.7
Interest paid (excluding AASB-16 related Interest)	(4.2)	(3.7)	(2.2)	(2.0)
Income tax paid	(10.2)	(17.9)	(2.0)	(8.2)
Net cash flow	**6.2**	**(6.4)**	**5.0**	**1.2**
Net cash flow excluding financing and investing	**40.0**	**30.6**	**13.5**	**26.5**
Cash EBITDA to Operating cash flow	101%	90%	100%	101%

- Cash EBITDA to Operating cash flow of 101% reflects continuation of strong cash management and working capital management
- Cash outflow for financing and investing activities primarily relates to $11.0M repayment of borrowings (net) and $20.3M of dividend payments

FY24 Balance Sheet

ACL's strong balance sheet with Net Debt (ex-lease liabilities) of $28.9M (0.4x of LTM Underlying AASB117 EBITDA) allows material head room for buy-back, acquisitions and other growth initiatives

AUD in millions	Actual FY24	Actual FY23
Cash and cash equivalents	26.1	20.0
Trade and other receivables	81.4	73.7
Inventories	16.8	15.1
Other current assets / Current tax Assets	9.2	7.2
Total current assets	**133.6**	**116.0**
Plant and equipment	41.9	50.3
Right of use assets	239.8	238.1
Goodwill and other intangibles	164.9	165.2
Deferred Tax Assets / Other Non-current Assets	12.8	9.3
Non-current assets	**459.5**	**463.0**
Total assets	**593.1**	**578.9**
Trade and other payables	(53.0)	(41.4)
Lease liabilities	(104.7)	(101.1)
Provisions	(46.2)	(45.3)
Deferred consideration	(0.1)	(0.1)
Current tax liabilities / Other current liabilities	(3.7)	(0.0)
Total current liabilities	**(207.7)**	**(187.9)**
Lease liabilities	(149.1)	(149.5)
Borrowings	(55.1)	(65.7)
Provisions	(3.4)	(3.1)
Total non-current liabilities	**(207.6)**	**(218.3)**
Total liabilities	**(415.3)**	**(406.2)**
Net Assets	**177.8**	**172.7**

Comments

- Cash balance of $26.1M as at 30 June 2024
- Trade and other receivables increased to $81.4M and Trade and other payables increased to $53.0M with higher activity in Q4 compared to prior year
- Net Debt position (excluding lease liability) of $28.9M ($55.1M of borrowings and $26.1M of cash), reflecting a $16.8M improvement on FY23
- Final dividend declared of 9 cps, which combined with the Interim dividend of 3 cps takes the full year dividend to 12 cps which represents 77% of FY24 underlying NPAT to members of Australian Clinical Labs. This represents a 4.6% dividend yield based on the share price on 27 August 2024 of $2.63/share.
- Record Date of 5 September 2024 and Payment Date of 27 September 2024

Industry Outlook & Growth Strategy
Melinda McGrath, CEO and Executive Director

AUSTRALIAN Clinical labs

ACL's strategic pillars

ACL's growth strategy is centred on six strategic pillars to drive expansion in its core community and hospital pathology market, entry into strategic adjacencies and improved operating efficiency

AUSTRALIAN Clinicalabs

1. Disciplined network expansion

- Sustainable and profitable collection centre network expansion and hospital services growth

2. Indexation campaign

- Indexation for one third of the schedule from 1 July 2026 (partially offset by fee cuts on certain tests)
- Pathology Australia continues "Keep Pathology Bulk Billed" campaign focussed on indexation on the remaining two thirds of pathology services following a 24-year price freeze

3. Growth of strategic new business

- ACL/ Geneseq to launch its tissue and plasma (blood) genomic melanoma tests with commercialisation scheduled to commence in 2025
- ACL is focussed on developing a pipeline of new test and service opportunities through investments in partnership to support growth
- Growth in Carrier screening and non invasive pre natal testing

4. Accretive acquisitions

- ACL continues to actively explore value accretive acquisition opportunities for the business
- Key targets include domestic pathology, strategically aligned domestic adjacencies as well as international pathology
- ACL will continue to take a disciplined approach to acquisitions leveraging the business' strong acquisition experience

5. Billing enhancement initiatives

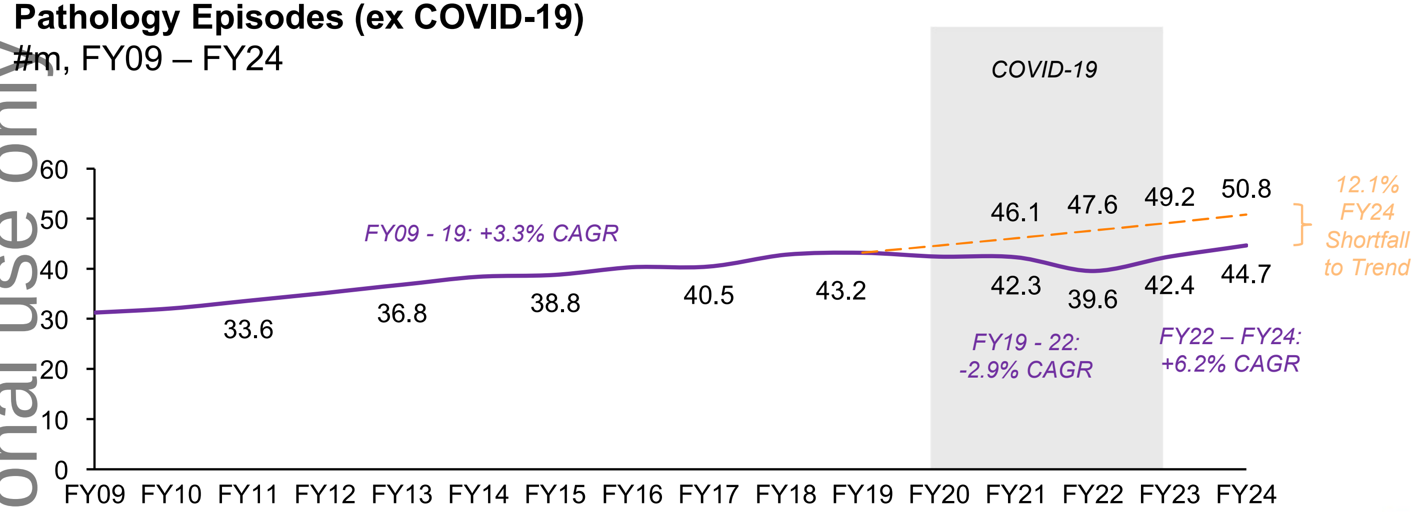
- Digitisation of upfront billing system to reduce bad debt and debt write off and enable enhanced up front private billing
- Various initiatives to support growth of non-MBS tests
- Trials of expanded private billing opportunities

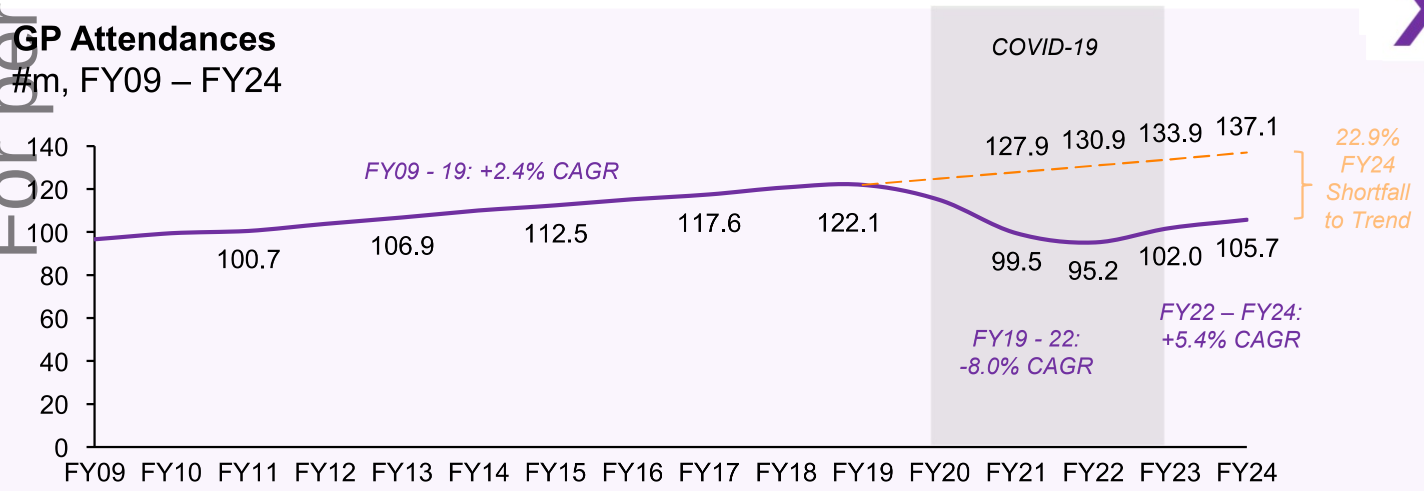
6. Operational Improvement

- ACL is developing a roadmap to step-change operational improvements advanced automation and AI initiatives
- First phase of roadmap focussed on lab and support office operations, with a watching brief on efficacy of diagnostic opportunities
- ACL continues to scope/implement its "Lab of the Future" program leveraging the one lab information system enhancing its automated, borderless, national lab network

Market Growth

While the industry has been slowly recovering from COVID-19, volumes continue to lag historical trend by 12%, implying a ~$60M revenue shortfall for ACL





- The pathology market continues to materially lag historical trends
- Market volumes continue to be ~12% below historical trend.
- This implies a >$60M Revenue shortfall for ACL
- FY24 market volume growth rate of 5.3% is 2pp above long-term growth trend of 3.3% p.a.
- Market shortfall has reduced from ~17% in FY22 to ~12% in FY24
- The ongoing shortfall to trend is driven by continued softness in GP volumes
- ACL continues to expect volumes to return to trend over time, particularly as GP shortages ease

(1) Market data based on Medicare statistics adjusted for COVID-19 testing outlays and estimated associated PEI and BBI outlays

FY25 Guidance & Announcement of Share Buy-Back

Melinda McGrath, CEO and Executive Director

AUSTRALIAN Clinicallabs

FY25 Guidance

In FY25, ACL expects ongoing market recovery, with increased operational efficiencies partially offsetting inflationary pressures on cost base. ACL expects EBIT of $65M to $73M

- Despite ongoing inflationary pressures, ACL expects a stronger EBIT result in FY25 compared to FY24 as market volumes continue to catch up to pre COVID-19 trend and ACL benefits from the full year impact of operational efficiency initiatives implemented over the past year
- ACL expects FY25 revenue of $725M-$752M with underlying EBIT of $65M to $73M based on the following:
  - Revenue growth assumption of between 4% and 8% driven by the ongoing market recovery and execution of ACL's growth strategy
  - While ACL continues to expect that the business is well positioned to achieve double digit EBIT margins under normal operating conditions, volumes remain volatile and there may be some ongoing short-term margin pressure driven by inflationary impacts in the context of below long-term trend market volumes and state-government imposed additional labour costs
  - H2 expected to be stronger than H1 with seasonally higher volumes on fixed cost base
- FY25 has started strongly, with Revenue per working day growth of 7.6% in July[1]. Volume growth has continued to climb through August and sits at 6.6% YTD as at 27 August[1]. While volumes remain volatile, the market is beginning to show signs of recovery
- ACL will provide a further update on ongoing performance at the AGM

(1) Based on 5.9% volume growth per working day in July. This has continued to accelerate into August and now sits at 6.6% YTD

Share Buy-Back Program

ACL announces a 12 month on-market share buy-back program to purchase up to 20 million ACL shares, subject to prevailing share price and ACL's ongoing capital position and other relevant factors

- The Board of ACL has decided to commence a 12-month on market share buy-back program of up to 20 million ACL shares, representing approximately 10% of ACL's outstanding share capital
- The Board believes that a share buy-back program may provide an opportunity to enhance value for shareholders of ACL, whilst maintaining the company's strong capital position and ACL's ability to execute on its growth strategy. The buyback is expected to reduce the shares on issue with a resulting improvement in earnings per share, dividends per share and return on equity
- The total amount of the buyback, and the timing of purchases, will be subject to the Board's ongoing view on what is most beneficial to the efficient capital management of the company and may not be up to the intended maximum number of 20 million shares
- The Board is able to announce this buy-back off the back of the strong balance sheet position built in recent years. ACL has net debt ex lease liabilities as at the end of FY24 of $28.9M
- The share buy-back does not require shareholder approval as it will be within the '10/12 limit' permitted by the Corporations Act 2001. All ordinary shares purchased pursuant to the share buy-back will be cancelled
- In relation to the Buy-Back, ACL announces the following:
  - The duration of the program is expected to be 12 months from validation by ASIC
  - The company reserves the right to vary, suspend or terminate the buy-back at any time. There is no certainty that the company will acquire any or the maximum shares under the buy-back

Summary

Melinda McGrath, CEO and Executive Director

Summary

- In FY24, ACL achieved Revenue of $696.4M and underlying EBIT of $62.6M in line with FY24 Guidance. In H2, underlying EBIT margins returned to ~11%
- The business continues to demonstrate efficient cash management with free cash flow up on FY23 despite earnings drag from decreased COVID-19 revenue in H1 not replaced by BAU
- ACL continues to make strong progress on its ESG strategy. Key highlights include material reduction in carbon footprint (1.25kg of CO_2 per episode down from 1.4kg in Dec-22) as well as very strong safety track record (with 2.25 LTIFR down from 3.2 in FY22)
- The Board of ACL has decided to commence a 12-month on market share buy-back program of up to 20 million ACL shares, representing approximately 10% of ACL's outstanding share capital
- ACL Board has declared a final fully franked dividend of 9 cents per share, which combined with the Interim dividend of 3 cps, takes the full year dividend to 12 cps. Full year dividend represents 77% of underlying NPAT, and a 4.6% fully-franked dividend yield based on the share price on 27 August of $2.63 per share
- ACL expects underlying EBIT of $65M to $73M. FY25 has started strongly with Revenue per working day growth in July of 7.6%, with volume growth accelerating further into August

Appendix

FY24 indebtedness

Conservative net leverage provides significant headroom and financial flexibility

AUD in millions	Actual FY24	Actual FY23
Non-current borrowings		
Redrawable Term Facility	(55.1)	(65.7)
Total debt excluding lease liabilities	**(55.1)**	**(65.7)**
Cash and cash equivalents	26.1	20.0
Total net debt excluding lease liabilities	**(28.9)**	**(45.7)**
Lease liabilities	(253.8)	(250.6)
Net debt	**(282.8)**	**(296.4)**
Key metrics		
Net debt (excl lease liab.)/LTM EBITDA (AASB-117)	0.5	0.7
Net debt/LTM EBITDA (post AASB-16)	1.6	1.6
Underlying		
Net debt (excl lease liab.)/LTM EBITDA (AASB-117)	0.4	0.7
Net debt/LTM EBITDA (post AASB-16)	1.5	1.6

ACL well within covenant profiles with key terms of banking facilities:

- Margin of 1.55% (when < 1.5x)
- Net leverage covenant < 3.5x
- Fixed charge cover ratio > 1.2x

For personal use only

Reconciliation between Reported & Underlying EBITDA, EBIT and NPAT

AUD in millions	FY24	Healius Costs	Asset Writedown	Medlab	Other	Underlying FY24
Non-COVID-19 revenue	646.7	-	-	-	-	646.7
COVID-19 revenue	26.3	-	-	-	-	26.3
Total Patient Revenue	**673.0**	**-**	**-**	**-**	**-**	**673.0**
Clinic/Other Revenue	23.4	-	-	-	-	23.4
Total Revenue	**696.4**	**-**	**-**	**-**	**-**	**696.4**
Transaction Costs	(4.7)	4.7	-	-	-	0.0
Unusual / Non-Core Items	(5.0)	-	1.2	1.2	2.6	(0.0)
EBITDA	**181.3**	**4.7**	**1.2**	**1.2**	**2.6**	**191.0**
EBIT	**52.9**	**4.7**	**1.2**	**1.2**	**2.6**	**62.6**
EBIT margin	8%					9%
NPAT	**24.2**	**3.8**	**0.9**	**0.8**	**1.8**	**31.6**
EBITDA AASB117	**56.5**	**4.7**	**1.2**	**1.2**	**2.6**	**66.2**
EBITDA AASB117 margin	8%					10%

- Adjustments between reported and underlying reflect:
  - $4.7M of costs related to Healius takeover
  - $1.2M asset write down relating to an asset in 3rd party storage where storage unit burnt down. Insurance claim pending which could lead to partial or full recovery
  - $1.2M in further payment due under Medlab sale agreement
  - Other includes $1.4M in legal fees predominately relating to fees incurred to date in defending civil proceedings with the AIC in relation to alleged contraventions of the Privacy Act 1988 (Cth) during the period 26 May 2021 to 29 September 2022. It also includes some redundancy costs

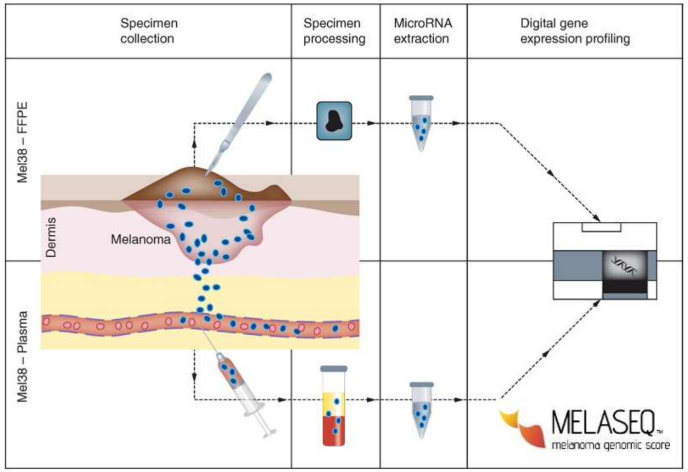
Reconciliation AASB 16 to AASB 117

AUD in millions	Actual FY24	Actual FY23	Actual 1H FY24	2H FY24
Statutory EBITDA (AASB 16)	**181.3**	**184.7**	**79.7**	**101.7**
Less: Operating lease rentals (AASB 117)	(124.8)	(116.5)	(61.5)	(63.3)
EBITDA (AASB 117)	**56.5**	**68.2**	**18.1**	**38.4**
Statutory EBIT (AASB 16)	**52.9**	**62.0**	**16.0**	**36.9**
Add: Depreciation of Right of Use Asset (AASB 16)	114.7	108.3	56.6	58.0
Less: Operating lease rentals (AASB 117)	(124.8)	(116.5)	(61.5)	(63.3)
EBIT (AASB 117)	**42.8**	**53.7**	**11.1**	**31.7**
Statutory NPAT (AASB 16)	**24.2**	**36.0**	**5.1**	**19.2**
Add: Depreciation of Right of Use Asset (AASB 16)	114.7	108.3	56.6	58.0
Add: Interest expense on Lease liabilities (AASB 16)	12.0	10.1	5.8	6.2
Less: Operating lease rentals (AASB 117)	(124.8)	(116.5)	(61.5)	(63.3)
Pre tax impact NPAT (AASB 117)	**26.1**	**37.9**	**5.9**	**20.1**
Income tax impact	(0.5)	(0.6)	(0.3)	(0.3)
NPAT (AASB 117)	**25.5**	**37.3**	**5.7**	**19.8**
EBITDA margin AASB 16	*26%*	*26%*	*24%*	*28%*
EBITDA margin AASB 117	*8%*	*10%*	*5%*	*11%*
EBIT margin AASB 16	*8%*	*9%*	*5%*	*10%*
EBIT margin AASB 117	*6%*	*8%*	*3%*	*9%*

Partnership with Geneseq

ACL made a strategic investment in Geneseq in 2018 to develop a multi tissue and blood (plasma) genomic test for melanoma

ACL/Geneseq partnership



- Melaseq is a liquid (plasma) and solid tissue microRNA (genetic) test for melanoma that was developed by Geneseq
- Since investing, ACL has provided both strategic, clinical and financial support to Geneseq. The relationship leverages dermatological samples from ACL and Sun Doctors to support efficacy analysis
- ACL has convertible notes that provides it with 20% equity ownership of Geneseq and a 10 year exclusive Australian licence for the distribution of the Melaseq test
- International patent pending

Major Milestone Achieved

- Test has achieved very high validation scores. In July 23, Geneseq published its ground-breaking research in the British Journal of Dermatology, showing 93% sensitivity and 98% specificity for invasive melanoma detection from blood samples
- Test opens up the potential for earlier, less invasive and more accurate screening and diagnosis of individuals at risk of melanoma, detecting the cancer at all stages. Melanoma is a leading cause of cancer deaths in Australia (18,000 new cases p.a. in Australia)
- Final approval for the skin biopsy application and blood/plasma testing expected imminently

Opportunity size

- Total addressable market in Australia for the test in Australia is >$100m p.a.[1] Global applications are multiple times this scale
- Test approach is applicable to other common cancers and is currently working on the development of a non-invasive ovarian cancer test

(1) In Australia there are 2million biopsies of melanoma p.a. and around 2 million patients that are considered high risk for melanoma. Screening or testing 5% of these biopsies or at risk patients p.a. has the potential to generate revenue in the region of $100m p.a. and materially reduce the costs associated with Melanoma (medical and economic), Global markets are multiple times this scale

For personal use only

Important notice and disclaimer

Summary information
This Presentation contains summary information about Australian Clinical Labs Limited (ACN 645 711 128) (ACL) and its activities which is current only as at the date of this Presentation (unless specified otherwise). The material in this Presentation is general background information and does not purport to be complete. It does not purport to summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with ACL's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at www.asx.com.au.

No representation or warranty, expressed or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this Presentation. To the maximum extent permitted by law, ACL, its related bodies corporate and their respective directors, officers, employees, agents and advisers disclaim all liability and responsibility for any direct or indirect loss, costs or damage which may be suffered by any recipient through use of or reliance on anything contained in, implied by or omitted from this Presentation. Reliance should not be placed on information or opinions contained in this Presentation and, subject only to any legal obligation to do so, ACL does not have any obligation to correct or update the content of this Presentation. The information in this Presentation remains subject to change without notice.

Financial information
Certain financial measures included in this Presentation are ‘non-IFRS financial information’ under ASIC Regulatory Guide 230: ‘Disclosing non-IFRS financial information’ published by ASIC and also ‘non-GAAP financial measures’ within the meaning of Regulation G under the U.S. Securities Act and are not recognised under AAS and International Financial Reporting Standards (IFRS). Such non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although ACL believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this Presentation.

Certain figures, amounts, percentages, estimates, calculations of value and fractions provided in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation. All financial information in this Presentation is in Australian dollars ($ or A$) unless otherwise stated.

Forward-looking information
This Presentation and any related materials and cross-referenced information contain forward-looking statements, which may be identified by the use of terminology including ‘may’, ‘will’, ‘would’, ‘could’, ‘should’, ‘expects’, ‘believes’, ‘targets’, ‘likely’, ‘plans’, ‘intends’, ‘aims’, ‘anticipates’, ‘estimates’, ‘continue’, ‘objectives’, ‘forecasts’, ‘guidance’, ‘outlook’ or similar expressions. Indicators of, and guidance on, future earnings and financial position are also forward-looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this Presentation, are expected to take place. These forward-looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of ACL or any of its related entities (especially during the global COVID-19 pandemic), and which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Readers are cautioned not to place undue reliance on forward-looking statements.

Past performance
The past performance and position of ACL reflected in this Presentation is given for illustrative purposes only. Past performance of ACL cannot be relied upon as an indicator of (and provides no guidance as to) the future performance or condition of ACL, including future share price performance.

No offer of securities
Nothing in this Presentation should be construed as either an offer or a solicitation of an offer to buy or sell ACL securities. Information in this Presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the financial situation, investment objectives or needs of any particular investor. Before making any investment or other decision, investors should consider these factors, and consult with their own legal, tax, business and/or financial advisors.