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ASX & MEDIA RELEASE

Integral Diagnostics Reports 1H FY25 Results

26 February 2025, Melbourne

Integral Diagnostics Limited (ASX: IDX) announces its results for the half year ended 31 December 2024 (1H FY25).

IDX's operating results for 1H FY25 are presented on both a standalone basis and also including the period that Capitol Health Limited ('Capitol') was under IDX control from 20 to 31 December 2024, following completion of the merger on 20 December 2024. On a standalone basis, the Group achieved solid revenue growth of 7.8%, Operating EBITDA growth of 8.2% and strong Operating NPAT growth of 31.9%. In addition, including Capitol, financial leverage (being net debt to pre-AASB 16 EBITDA) was 2.8x at 31 December 2024 (or 2.6x on a pro forma basis including projected synergies of $10m following the merger with Capitol), in line with expectations, below 3.0x at 31 December 2023, and projected to gradually trend down further.

Group summary

AUD$ million	Integral 1H FY25	Integral 1H FY24	Change $	Change %	Capitol 1H FY25	Consol. 1H FY25
Profitability						
Statutory NPAT	0.9	(66.8)	67.7	n.a.	(1.3)	(0.4)
Revenue	249.4	231.3	18.1	7.8% ▲	3.5	252.9
Operating EBITDA ($)	46.8	43.2	3.6	8.2% ▲	(0.6)	46.2
Operating EBITDA (%)	18.8%	18.7%			(16.1%)	18.3%
Operating EBITA ($)	24.1	21.2	2.9	13.9% ▲	(1.4)	22.7
Operating EBITA (%)	9.7%	9.2%			(40.0%)	9.0%
Operating NPAT	9.8	7.4	2.4	31.9% ▲	(1.0)	8.8
Operating diluted EPS (cents)	n.a.	3.1	n.a.	n.a. ▲	n.a.	3.6
Cashflow & Capital Management						
Free cash flow	29.4	24.0	5.4	22.7% ▲	n.a.	n.a.
Free cash flow conversion, prior to replacement capital expenditure	88.8%	74.6%				
Dividends declared per share (cents)	n.a.	2.5	n.a.	n.a.	n.a.	2.5
Net debt (pre-AASB 16)	n.a.	210.0	n.a.	n.a.	n.a.	298.7
Net debt / pro forma EBITDA (pre-AASB 16)[1]		3.0x				2.8x
Net debt / pro forma EBITDA (pre-AASB 16) inclusive of projected synergies of $10.0m		n.a.				2.6x
Equity	n.a.	300.4	n.a.	n.a.	n.a.	693.2

1 Based on net debt excluding the impact of lease liabilities of $298.7m (1H FY24: $210.0m). Pro-forma LTM EBITDA of $105.7m (1H FY24: $69.4m) excludes any impact of AASB 16 and includes trailing LTM EBITDA for acquisitions. This approach is consistent with banking covenant requirements.

- Key financial measures for the half year ended 31 December 2024 are:
  - Statutory loss after tax of ($0.4m) including:
    - $9.2m of transaction and integration costs, remeasurement of contingent consideration liabilities, restructuring costs, amortisation of customer contracts and share based payments to doctors, net of tax
    - $1.3m statutory loss after tax from Capitol, due to seasonally lower revenue and fixed costs for the period when Capitol was under IDX control, being from 20 to 31 December 2024
  - Operating financial measures, compared to the prior corresponding period, excluding Capitol:
    - Revenue of $249.4m, up 7.8%
    - Operating EBITDA of $46.8m (18.8% margin), up 8.2%
    - Operating NPAT of $9.8m, up 31.9%
    - Free cash flow of $29.4m, up 22.7%
  - Combined/pro forma financial measures:
    - Operating diluted EPS of 3.6 cents, up 14.2% compared to the prior corresponding period
    - Net debt to EBITDA (pre-AASB 16) of 2.8x, or 2.6x on a pro forma basis including projected synergies of $10.0m following the merger with Capitol, in line with expectations and being below 3.0x at 31 December 2023
- Fully franked interim dividend of 2.5 cents per share declared and payable on 7 April 2025[2]

Operating EBITDA margin reflects non-clinical labour costs being contained at approximately half the revenue growth rate and overall IDX corporate costs reducing in absolute terms by approximately $1.3m compared to 1H FY24. However this margin was adversely impacted by continued clinical staff shortages and labour cost inflation, especially in regional Australia, driving labour costs to be higher than expected. As such we have not seen the expected Operating EBITDA margin improvement in 1H FY25 relative to 1H FY24. IDX is responding to these pressures by seeking to attract and grow patient volumes through the provision of excellent patient care, accelerating productivity and efficiency initiatives, including use of IDX's teleradiology service, IDXt.

CEO of IDX Dr Ian Kadish said: *"On a standalone basis we have seen solid revenue growth in 1H FY25, but have also experienced higher than expected clinical staff cost inflation, particularly in two remote regional areas. The continued organic growth of IDXt and recruitment initiatives will help to address these regional clinical cost challenges. The fundamentals of the radiology industry are strong, and will be materially strengthened by further deregulation of MRIs and the introduction of a National Lung Cancer Screening Program (NLCSP) in Australia, both effective from 1 July 2025. The merger with Capitol Health provides us with increased scale that will improve margins and growth in metropolitan areas. The merger synergies of at least $10.0m before tax annually are on track, and going forward the Company is ideally positioned to materially benefit from the merger synergies, MRI deregulation and the NLCSP."*

[2] Represents a 106.1% payout ratio to Operating NPAT (on a merged basis with Capitol), being higher than usual due to the inclusion of a ($1.0m) loss for Capitol for the 20 to 31 December 2024 period when Capitol was under IDX control and the higher number of shares on issue following the merger with Capitol on 20 December 2024.

Key financial measures

In 1H FY25 on a standalone basis the Group achieved solid revenue growth of 7.8% driven by Medicare indexation, growth in patient volumes and continued favourable mix impact. A summary of Medicare indexation is as follows:

- 3.5% increase effective 1 July 2024 on all diagnostic imaging services, (excluding nuclear imaging services);
- 3.5% increase effective 1 November 2024 for the nuclear medicine subgroup for non-PET imaging services;
- Partially offset by a reduction of 2.0% in benefits for all CT services, effective 1 November 2024.

Organic operating revenue from all sources in Australia grew 8.4% (6.7% adjusted for working days), compared to the Medicare industry weighted average for the States in which IDX operates of a 11.1% (9.5% adjusted for working days) benefits increase, reflecting a variety of factors. These include fixed rate or capped reporting contracts which reset on 1 October 2024, more doctors charging gaps driving patients to public hospital emergency departments, a disproportionate impact of the 2.0% reduction in CT funding due to IDX's focus on higher end modalities, and increased competition in anticipation of higher future growth rates, propelled by MRI deregulation and the National Lung Cancer Screening Program, commencing 1 July 2025.

Average fees per exam (including reporting contracts) in Australia increased by 5.0% in 1H FY25, reflective of Medicare indexation and an on-going move to the higher end CT, MRI and PET scan modalities as noted above.

Organic operating revenue in New Zealand grew 6.6% (7.4% adjusted for working days), on a constant currency basis.

In 1H FY25 capital expenditure (excluding Capitol) totalled $26.9m, with $14.8m relating to growth initiatives including investment in additional or upgraded equipment.

Net debt increased by $88.7m to $298.7m (1H FY24: $210.0m), driven by the assumption of debt from Capitol, with the Group's net debt to equity ratio at 31 December 2024 being 43.1% (1H FY24: 69.9%) driven by issuance of equity for the merger with Capitol.

At 31 December 2024 the Group held cash of $31.3m. In addition, IDX has committed facilities of $468.9m of which $138.8m remains undrawn (subject to banking facility financial covenant compliance). During the financial period, debt facilities were refinanced on more competitive terms, with the first tranche due in December 2027, and the second tranche due in December 2029. The Group is in compliance with all covenants under the debt facility.

Dividend

A fully franked interim dividend of 2.5 cents per share has been declared and is payable on 7 April 2025 (1H FY24 2.5 cents per share)[3]. Key dates for the interim dividend are:

Record date	7 March 2025
Final DRP election date	11 March 2025
Payment and issue date	7 April 2025

The Dividend Reinvestment Plan (DRP) will again be available with a 1.5% discount for participation for the 1H FY24 dividend distribution.

Company outlook

The Company believes the underlying fundamentals of the essential radiology industry remain strong, with our industry benefiting from being at the confluence of two major global trends, an ageing demographic and technological advances, together with structural shifts to higher value modalities (including CT, MRI and PET).

In FY25 and beyond the Company is focused on executing on the following drivers of IDX's strategy to grow its business:

- IDX and Capitol merger integration, including realisation of at least $10.0m of projected synergies
- Drive organic earnings growth, including through continued focus on execution of key operational improvement initiatives
- Accelerate use of teleradiology, digital and AI to improve the patient and referrer experience and doctor efficiency
- Drive our environmental, social and governance (ESG) strategy
- Lead through our values

IDX remains focused on key operational improvement initiatives which are expected to improve Operating EBITDA margin over time.

Furthermore, the integration of IDX and Capitol, following the merger on 20 December 2024, is progressing well and is on track to deliver at least $10.0m of annual pre-tax net cost synergies, with the majority expected to be realised within the first year post implementation.

Going forward IDX is also well positioned to benefit from the further deregulation of MRIs and the introduction of a National Lung Cancer Screening Program in Australia, both effective from 1 July 2025.

FY25 replacement and growth capex is expected to be between $60.0m to $65.0m, including $20.0m relating to Capitol.

[3] Represents a 106.1% payout ratio to Operating NPAT (on a merged basis with Capitol), being higher than usual due to the inclusion of a ($1.0m) loss for Capitol for the 20 to 31 December 2024 period when Capitol was under IDX control and the higher number of shares on issue following the merger with Capitol on 20 December 2024.

Investor and analyst conference call

Integral Diagnostics' Managing Director & Chief Executive Officer, Dr Ian Kadish, and Chief Financial Officer, Craig White, will be holding an investor and analyst conference call at 11.00am AEST today.

For those wishing to dial into the call, please register for the call through the following link: **https://s1.c-conf.com/diamondpass/10044931-2hf7eh.html**

Alternatively, at the time of the call, dial your respective number below and provide the conference ID 10044931 to the operator, noting there may be wait times:
AUSTRALIA: 1800 809 971
AUSTRALIA Local: 02 9007 3187
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Authorised for lodgement by the Integral Diagnostics Board of Directors.

About IDX:

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

FORWARD-LOOKING STATEMENTS

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

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