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# Annual General Meeting

## 19 November 2009

Colin Goldschmidt

Chief Executive Officer



# FY 2009 Highlights

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- ▶ Record financial result
- ▶ Sonic outperforms guidance
- ▶ Business resilience in face of global financial crisis
- ▶ Strong organic growth in Australia, Germany, USA
- ▶ Margin expansion in Australia, Germany, USA
- ▶ Balance sheet strength for future growth



# FY 2009 Financial Highlights

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- ▶ Revenue ↑ 27%
- ▶ EBITDA ↑ 21%
- ▶ Net profit ↑ 29%
- ▶ EPS ↑ 16%
- ▶ Cash generation ↑ 33%



# FY 2009 Guidance Delivered

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	FY 2009 Guidance	FY 2009 Actuals
Revenue growth	>15%	27%
Earnings per share growth	>10%	16%



# FY 2010 Guidance Reaffirmed

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	FY 2010 Guidance
Net profit after tax (NPAT) growth	10 - 15%

- ▶ Based on FY 09 NPAT of A\$315 million
- ▶ Assumes FY 09 currency exchange rates
  - ▶ Minimal change in rates YTD Oct FY 10
  - ▶ Ongoing strong AUD may impact reported results
  - ▶ Underlying businesses (in local currencies) tracking strongly
- ▶ Other variables:
  - ▶ Interest rates
  - ▶ New acquisitions



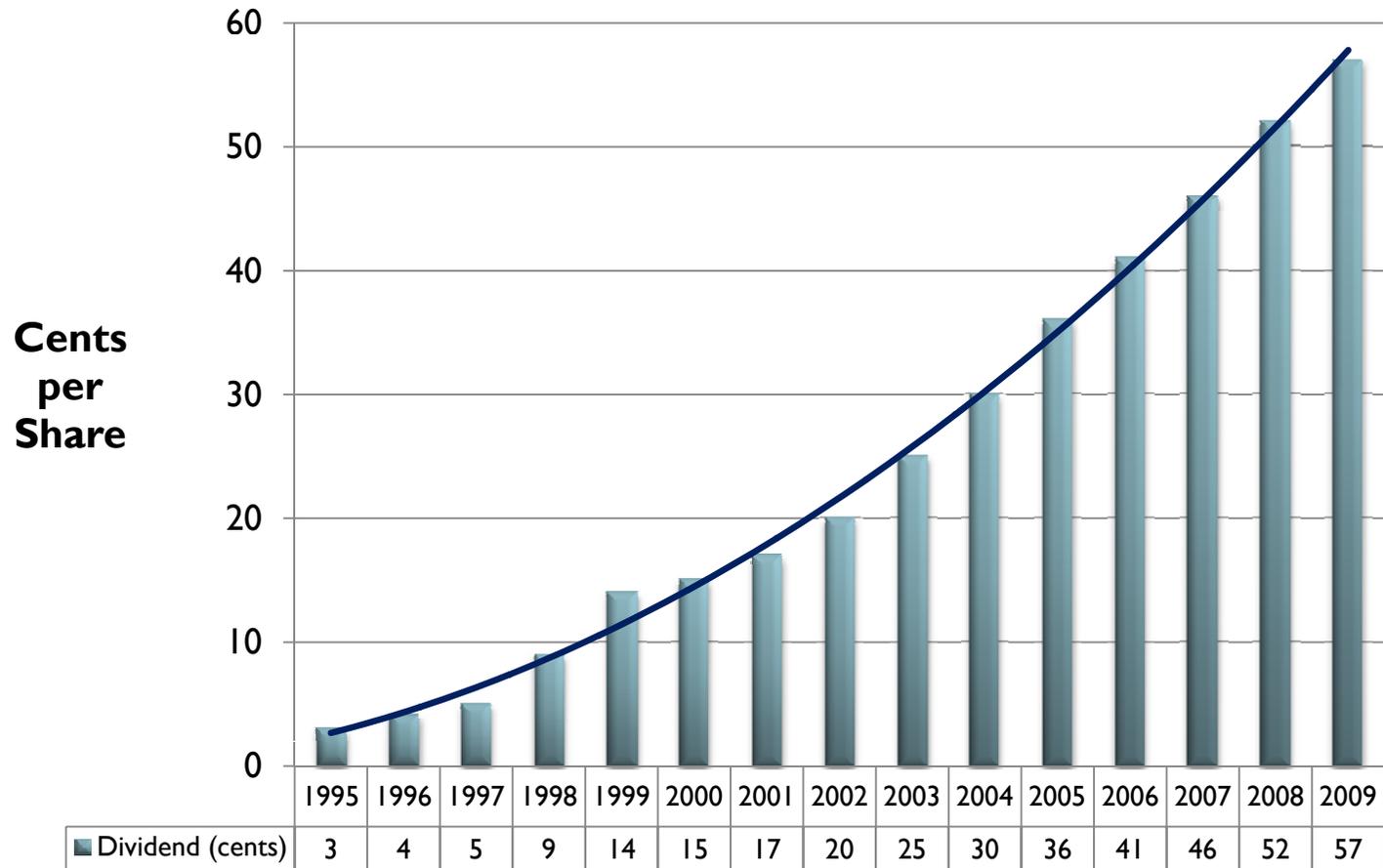
# Dividend

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	2009	2008	Change
Interim Dividend	\$0.22	\$0.20	10.0%
Final Dividend	\$0.35	\$0.32	9.4%
Full Year Dividends	\$0.57	\$0.52	9.6%

- ▶ Dividend franked to 35%
- ▶ Dividend Reinvestment Plan remains suspended

# Full-year dividend 15 Year History



# Financial Summary

		FY 09	FY 08	Growth %
Revenue	A\$M	3,014	2,380	27%
EBITDA	A\$M	579	479	21%
NPAT (before NRIs)	A\$M	315	245	29%
<b>Non-recurring items after tax</b>				
New Zealand pathology *	A\$M	(136)		
Items expensed in HI 09 **	A\$M	(8)		
NPAT statutory	A\$M	171		
<b>EPS (diluted, before NRIs)</b>				
	cents	85.2¢	73.5¢	16%
Cash from operations	A\$M	442	332	33%

\* N.Z. pathology adjustments as per Sonic's 18 Aug 2009 announcement

\*\* Other non-recurring items – see Appendix 4E

# Revenue

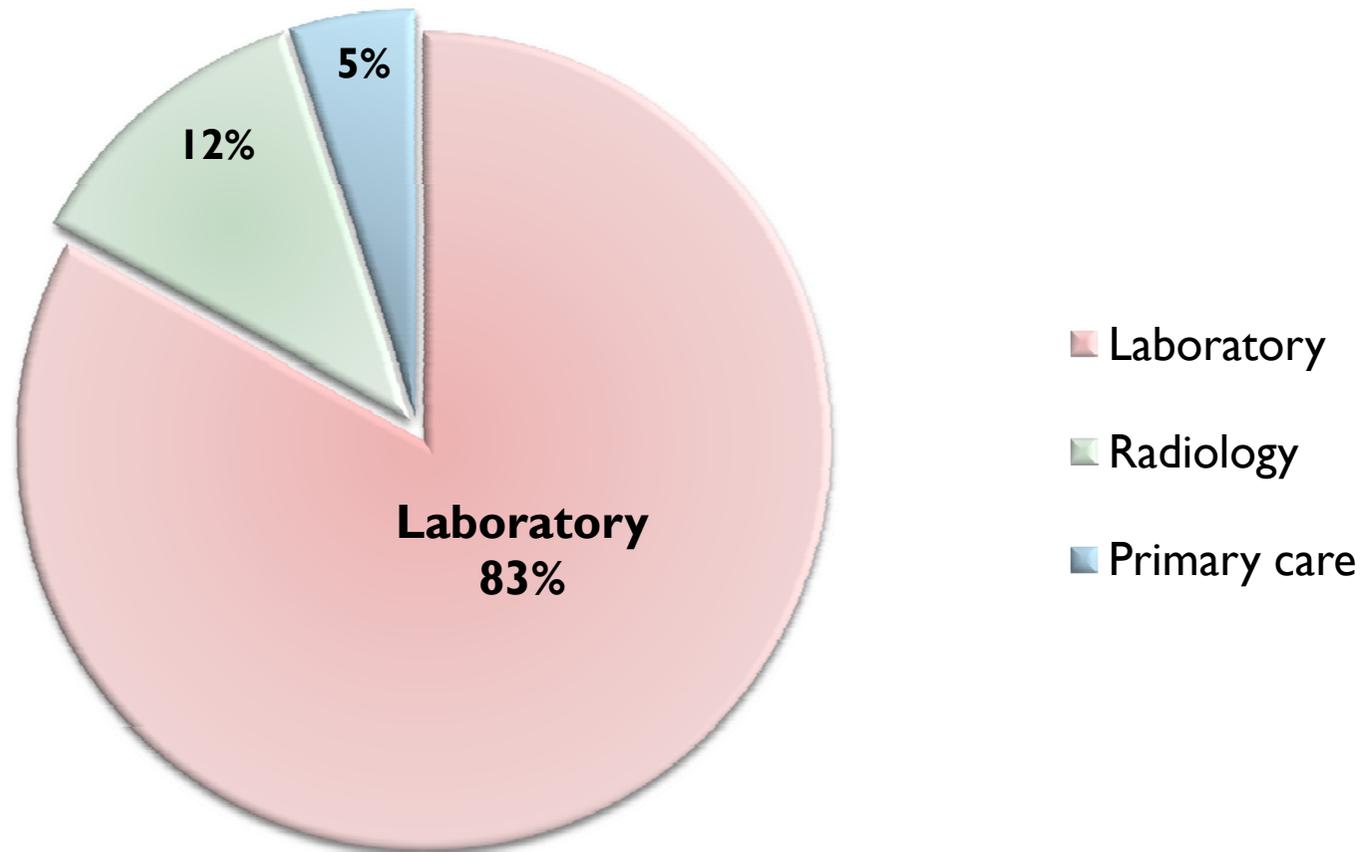
	2009 (A\$M)	2008 (A\$M)	Growth (%)
Total Revenue	3,014	2,380	27%

## Organic revenue growth (excluding acquisitions)

- ▶ Australian pathology 9% Market growth 4.8%
- ▶ USA 5% Market growth ~4%
- ▶ Europe 6% Includes German fee cuts
- ▶ Australian radiology 3% Fees to increase from 1 Nov 09

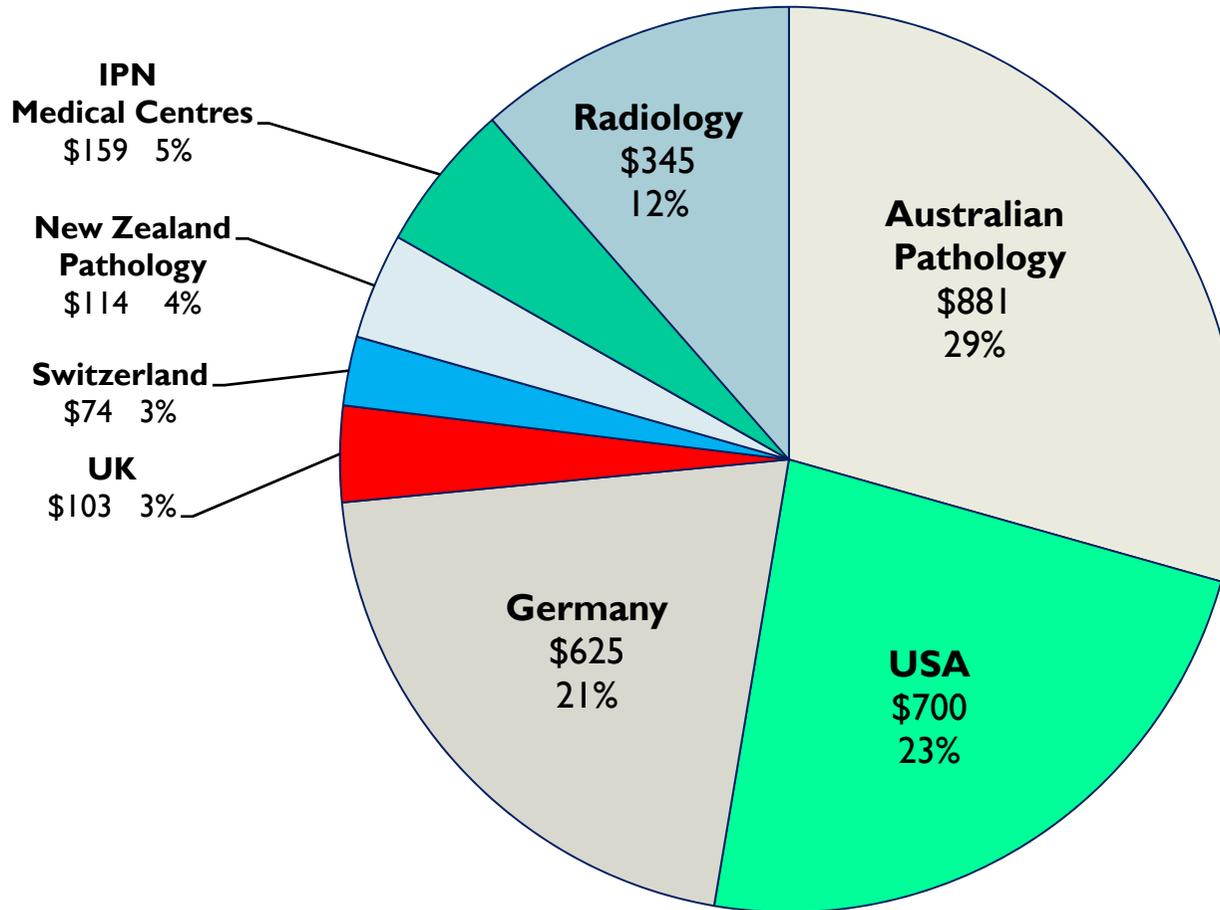
# Sonic Healthcare Revenue Split FY 09

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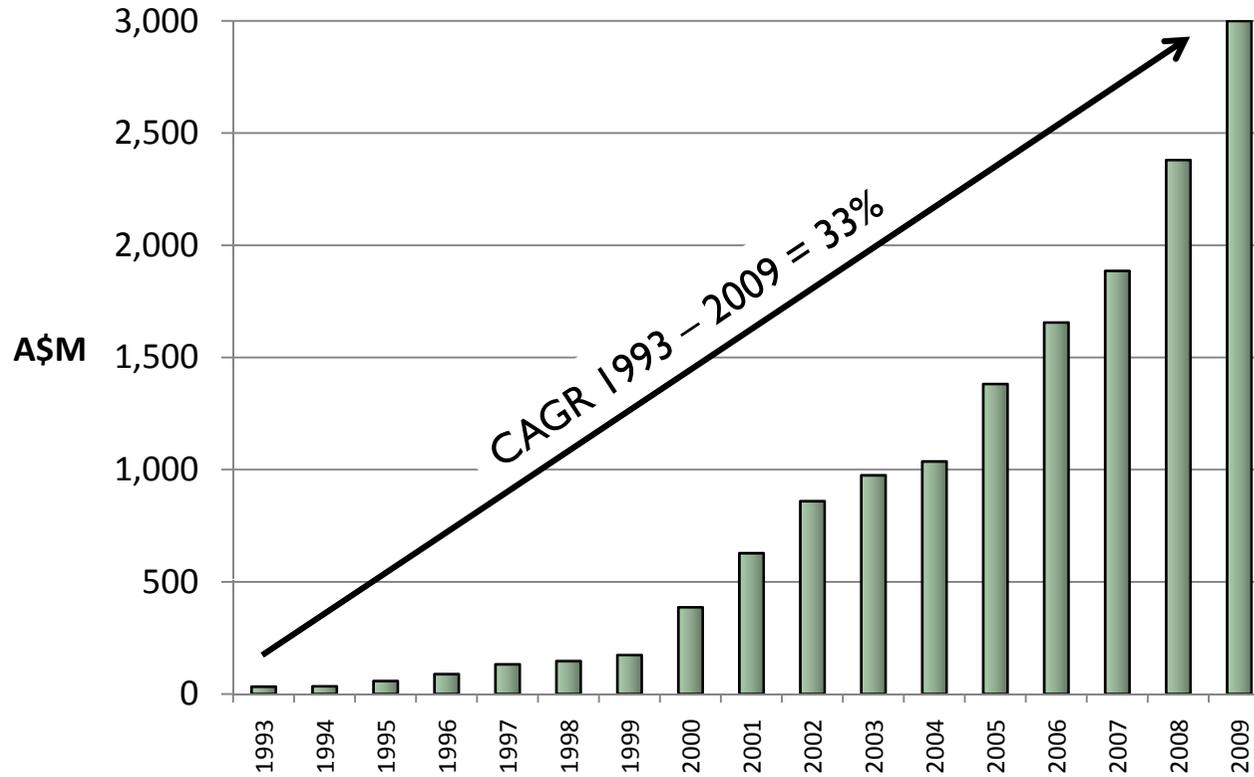
# Revenue Split

## FY 2009



Revenue in A\$ million

# Sonic Revenue Growth



	1993	2009
Revenue (A\$ million)	33	3,014

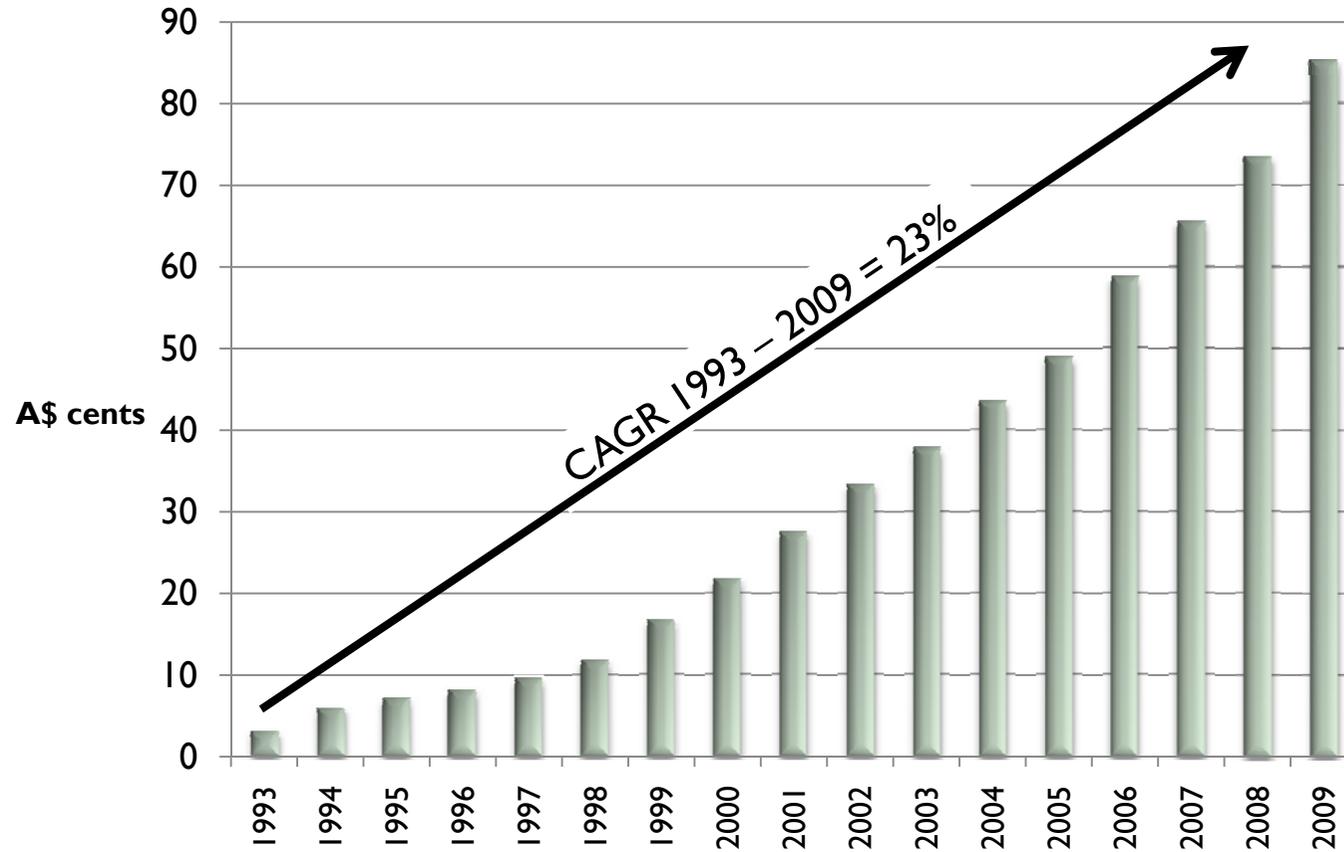
# Synergies and Margin Expansion

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- ▶ A\$44 million organic EBITDA added in FY 09
- ▶ USA – margin expansion of >200 basis points (bps)
- ▶ Germany – margin expansion of >100 bps
  - ▶ Despite fee cuts commencing 1 January 2009
- ▶ Australian Pathology
  - ▶ H2 09 margin expansion of 60 bps (vs H2 08)
  - ▶ Full-year margin expansion of 20 bps
- ▶ Sonic global laboratory operations
  - ▶ Margin expansion of 80 bps
  - ▶ Includes NZ laboratory margins which fell by ~200 bps
- ▶ Margin growth to continue
  - ▶ Rationalisation of infrastructure, centralisation of testing, global purchasing, cost discipline, smart systems, IT initiatives,



# Sonic EPS Growth



	1993	2009
EPS (A\$ cents)	3.2	85.3

# Australian Pathology

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- ▶ Strong market share growth – clear market leader
  - ▶ Sonic ~20% larger than nearest competitor
  - ▶ Revenue growth of 9% vs market growth of 4.8%
  - ▶ Strong revenue growth continuing into FY 10
- ▶ Fee reforms
  - ▶ Medicare fee cuts introduced 1 November 2009
  - ▶ New private billing policies have been implemented
  - ▶ Sonic mainly targeting esoteric, specialist and hospital services
  - ▶ Private billing for value-added services
  - ▶ Pensioners / Concessional patients exempted from private billing
- ▶ Esoteric testing driving growth
  - ▶ Genetic testing, immunology, specialist histopathology
  - ▶ Centres of excellence e.g. GynaePath (Sydney), Skin Pathology (Brisbane)

# USA

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- ▶ Sustained strong performance from Sonic USA
- ▶ Organic revenue growth 5% vs market growth ~4%
- ▶ Margin expansion of >200 bps
- ▶ Synergies realised
  - ▶ Group purchasing annual savings > US\$3 million
  - ▶ Inter-company referrals increased by ~42%
  - ▶ ACS integration into Sunrise, with closure of NJ lab
  - ▶ Sunrise margins up by 250 bps following ACS integration
  - ▶ Rationalisation of billing centres (3 billing centres closed)
  - ▶ Apollo IT implementation into first Sonic US lab (Orlando)
- ▶ Acquisition pipeline active

# Germany

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- ▶ **Financial performance**
  - ▶ Organic revenue growth of 5%
  - ▶ Margin expansion of >100 bps
  - ▶ Strong performance into FY 10
- ▶ **Management**
  - ▶ Sonic Germany Executive Committee (GSEC) established
  - ▶ Collaboration, synergy and integration on track
- ▶ **Hamburg merger**
  - ▶ Completed seamlessly, no volume loss, all systems stable
- ▶ **Lademannbogen acquisition (Hamburg)**
  - ▶ Announced July 2009
  - ▶ Cartel office clearance confirmed
  - ▶ Closing on track for 1 January 2010
- ▶ **Acquisition pipeline active**



# Switzerland

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- ▶ Ongoing strong financial performance
- ▶ Integration of Laboratory Krech acquisition complete
  - ▶ Expected synergies realised
- ▶ New government fee schedule from 1 July 2009
  - ▶ Fee reductions for routine tests
  - ▶ Fee increases for esoteric tests
  - ▶ “Case Fee” per request increased
  - ▶ Sonic’s case mix favourable (high esoteric volume)
  - ▶ Neutral outcome expected for Sonic
  - ▶ Rising average fee confirmed
  - ▶ Pressure on small routine labs → market consolidation

# UK

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- ▶ Strong revenue and earnings growth
- ▶ Organic revenue growth 15%
- ▶ Establishment of small operation in Manchester
- ▶ TDL wins major private hospital pathology tender
  - ▶ BMI Healthcare is the largest private hospital group in the UK
  - ▶ TDL to provide all BMI's pathology services
  - ▶ 60 hospitals, 7 year contract
  - ▶ Contract provides TDL with a UK-wide network of laboratories
- ▶ Outsourcing opportunities
  - ▶ NHS contracts
  - ▶ Independent sector contracts
- ▶ Positive outlook for ongoing growth



# Auckland Laboratory Contract

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- ▶ DML's community laboratory contract for Auckland contract not renewed
- ▶ Contract represented <2% of Sonic's revenue and earnings
- ▶ Remaining NZ pathology represents <1% of Sonic's earnings
- ▶ Write-down of book value of intangible assets for all NZ pathology (FY 09)
- ▶ New provider (Labtests/Healthscope) commenced operations (Aug/Sep 2009)
- ▶ Transition/service issues
  - ▶ DML regains 10% of contract volume (Oct 2009)
  - ▶ Represents 16% of annual contract value (NZ\$10.6 million of NZ\$67 million)
  - ▶ DML component has higher complexity mix (incl. histopathology)
  - ▶ 4 year contract



# Radiology

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- ▶ Difficult conditions in FY 09
- ▶ Australian Medicare fee increases
  - ▶ Government acknowledgement of value of radiology
  - ▶ Commencing 1 November 2009
- ▶ Expecting improved performance through FY 10

# Sonic Debt Summary

## Investment Grade Credit Metrics

		30 Jun 09	31 Dec 08	30 Jun 08
Net interest-bearing debt	A\$M	1,198	1,536	1,238
Gearing ratio	%	32.1	36.5	38.0
Interest cover	X	6.5	5.7	6.4
Debt cover	X	2.2	2.3	2.5

▶ **Notes:**

- ▶ *Gearing ratio = Net debt / Net debt + equity (bank covenant limit <55%)*
- ▶ *Interest cover = EBITA / Net interest expense (bank covenant limit >3.25)*
- ▶ *Debt cover = Net debt / EBITDA (bank covenant limit <3.5)*
- ▶ *Formulas as per bank facility definitions*

# Funding Available for Growth

	A\$M
Cash at 31 Oct 09	477
Undrawn bank credit lines*	270
Note issue in Jan 2010 (US\$250M)	277
<b>AVAILABLE HEADROOM</b>	<b>1,024</b>

- ▶ April 2010 bank debt maturity ~A\$385 million
  - ▶ How much to refinance with existing banks
  - ▶ Decision will be made in 2010
- ▶ War-chest for suitable acquisitions

\* Mainly US\$ and Euro denominated

# Acquisition Strategy

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- ▶ Significant headroom now established
- ▶ Focus on synergistic acquisitions
- ▶ Growing pipeline of potential opportunities
- ▶ In strong position to resume acquisition activity



# Sonic Healthcare

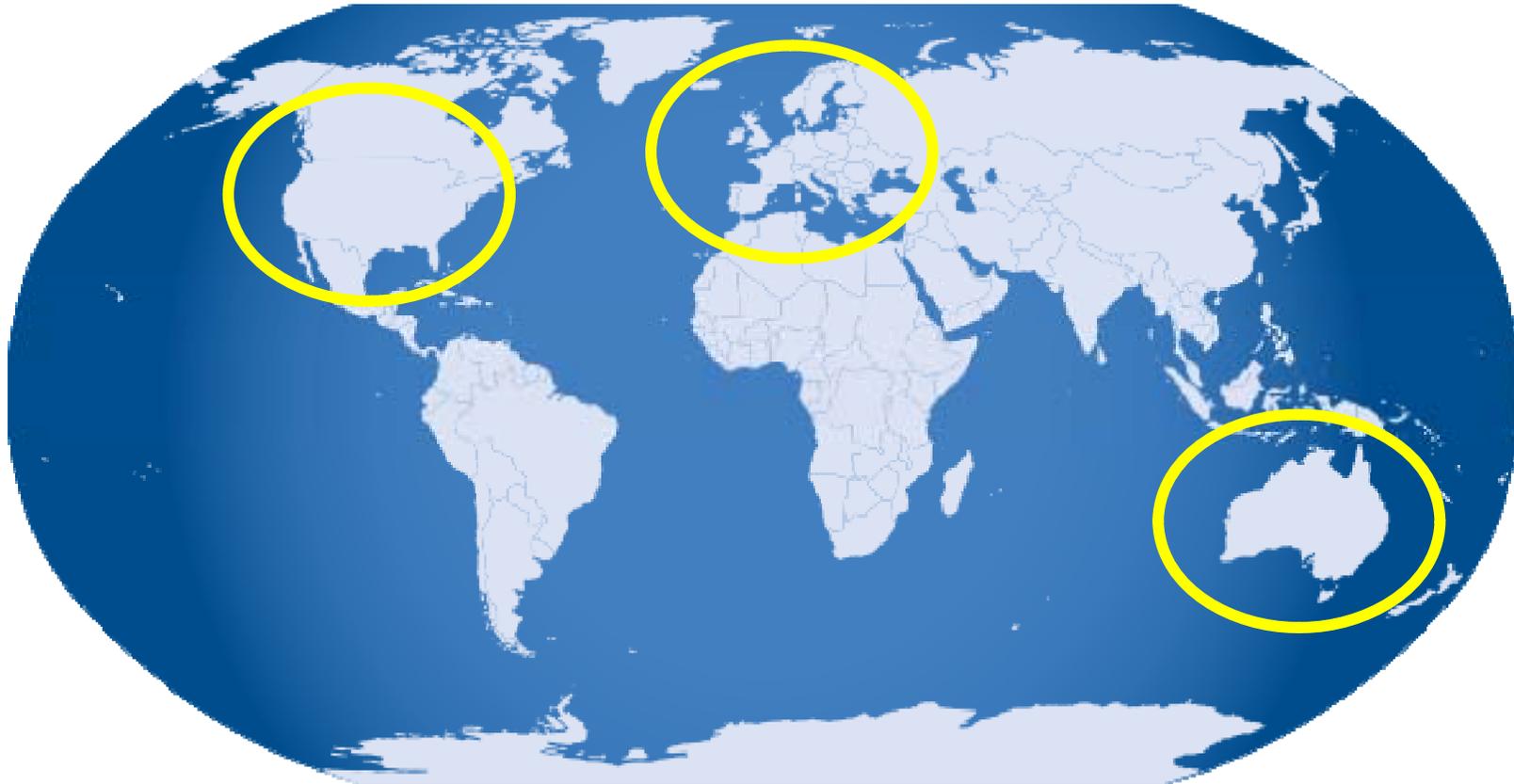
## Global Markets – Future Growth

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USA

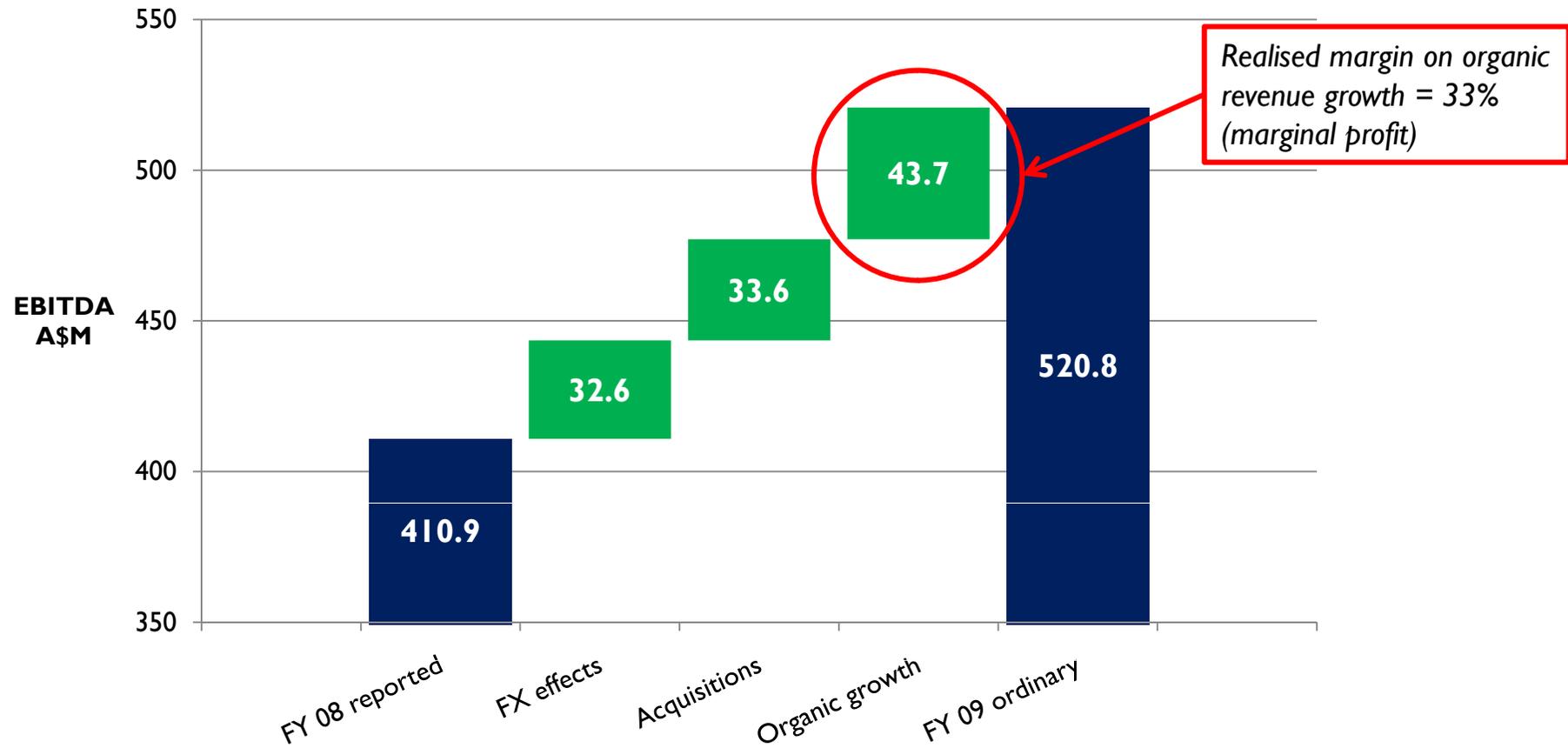
Europe

Australia



# EBITDA Contribution FY 09

## The Value of Organic Growth



# Summary

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- ▶ Sonic Healthcare in strong and secure position
- ▶ Revenue and market share growth in key markets
- ▶ Demonstrated synergy capture in key markets
- ▶ Infrastructure / Organic growth / Marginal profit
- ▶ Investment grade balance sheet
- ▶ Acquisition pipeline filling
- ▶ Stable culture and management



# Sonic Healthcare – Key Attributes

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## ▶ GROWTH

- ▶ Strong revenue growth – CAGR 33% over 16 years
- ▶ 14 consecutive years of double-digit EPS growth
- ▶ Track record of acquisitions, integration, synergy
- ▶ Diagnostic industry growth – new tests, CT/MRI, ageing population, preventative medicine

## ▶ SECURITY

- ▶ Investment grade balance sheet
- ▶ Global operations – spread of risk
- ▶ Market leadership positions
- ▶ Management stability

## ▶ CULTURE

- ▶ Medical Leadership model
- ▶ Federation structure
- ▶ Sonic Core Values

