



Annual General Meeting

18 November 2010

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CEO, Sonic Healthcare



Highlights

- ▶ **Business expansion in USA and Europe**
 - ▶ 5 synergistic acquisitions in USA and Germany
 - ▶ Strong organic growth in USA
 - ▶ Sonic enters Belgian market – new market, new growth prospects
 - ▶ Synergy capture with margin expansion in USA and Germany
- ▶ **Australian pathology**
 - ▶ Sonic in dominant market position
 - ▶ Expect current regulatory uncertainty to resolve
 - ▶ Volume growth returning to long-term trend levels
- ▶ **Active acquisition pipeline USA and Europe**
- ▶ **Foreign currency headwind with strong AUD**
- ▶ **Full-year dividend increased by 3.5%**
- ▶ **Strong Sonic culture and values**
 - ▶ Experienced, stable global management team
- ▶ **Investment-grade balance sheet**



FY 2011 Guidance Reaffirmed

	FY 2011 Guidance
Net profit after tax (NPAT) growth	5 - 15%

- ▶ **Guidance**
 - ▶ Based on FY 2010 NPAT of A\$293million
 - ▶ On constant currency basis (FY 2010 rates)
 - ▶ Excludes new acquisitions
- ▶ **Earnings strongly weighted to second half of financial year**
 - ▶ Normal seasonal weighting to second half
 - ▶ Australian pathology growth recovery weighted to second half



Dividend

	2010	2009	Change
Interim Dividend	\$0.24	\$0.22	9.1%
Final Dividend	\$0.35	\$0.35	0.0%
Full Year Dividends	\$0.59	\$0.57	3.5%

- ▶ Dividend franked to 35%



Financial Summary - Statutory

		FY 2010	FY 2009
Revenue	A\$M	2,995	3,014
EBITDA	A\$M	544	425
NPAT	A\$M	293	171
Operating cash flow	A\$M	429	430

- ▶ Revised FY 2010 guidance achieved (NPAT A\$290-295 million)
- ▶ FY 2010 – impacted by currency exchange rate movements
- ▶ FY 2009 – impacted by Non Recurring Items (mainly related to Auckland, New Zealand pathology contract)



Financial Summary - Operating

		FY 2010 CONSTANT CURRENCY	FY 2010 vs FY 2009 GROWTH
Revenue	A\$M	3,259	8%
EBITDA	A\$M	591	2%
NPAT	A\$M	317	1%

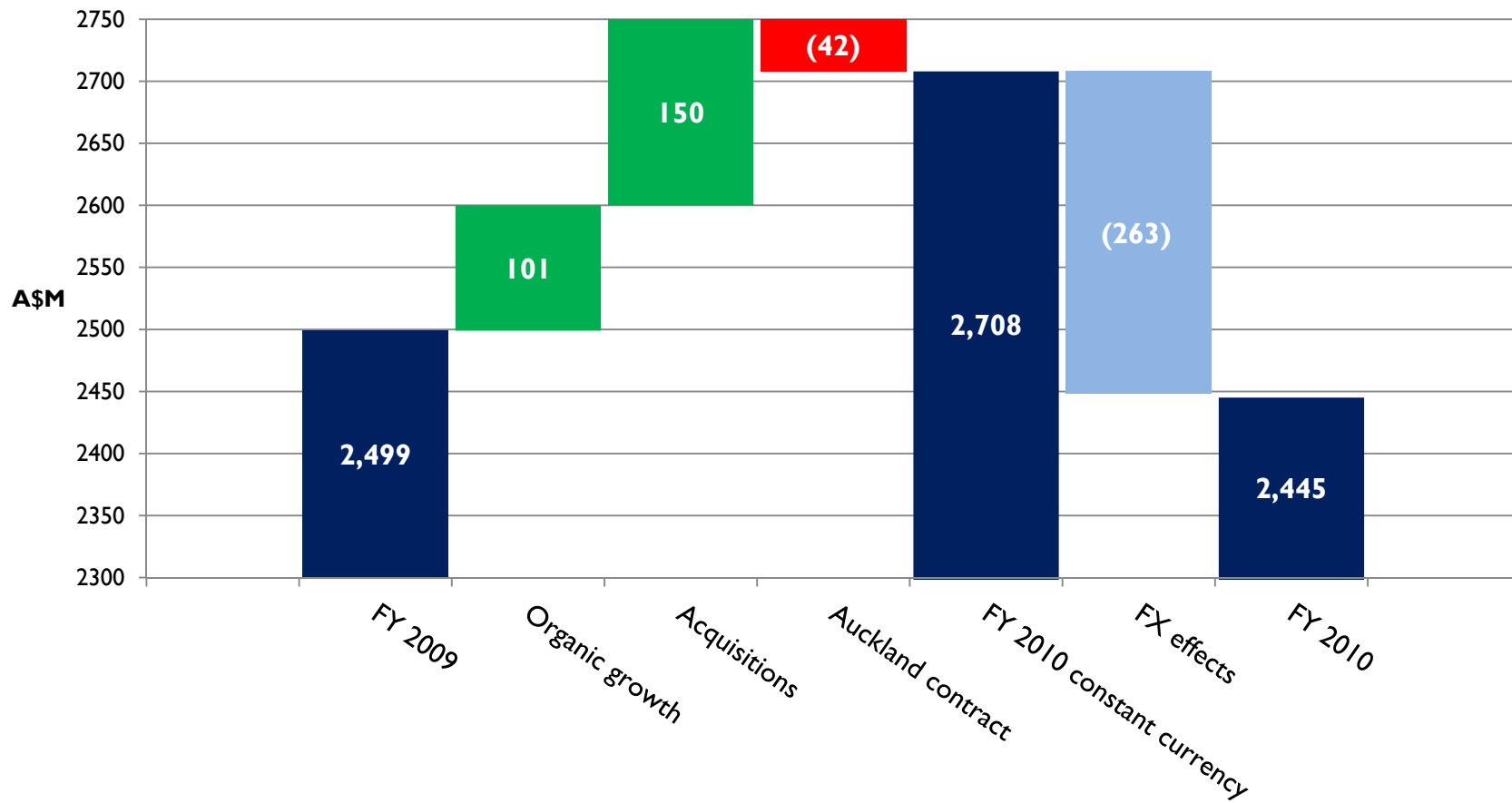
Adverse impacts on FY 2010 earnings growth

- ▶ NPAT ~A\$18 million – Australian regulatory change impacts
 - ▶ Queensland pathology – temporary loss of market share
 - ▶ Low Australian pathology market volumes
 - ▶ Radiology
- ▶ NPAT ~A\$9 million – Loss of Auckland laboratory contract (announced previously)
- ▶ NPAT ~A\$3 million – Acquisition costs expensed (new IFRS rule)

• FY 2010 constant currency – presented using FY 2009 exchange rates
 • Growth presented using FY 2009 ordinary earnings

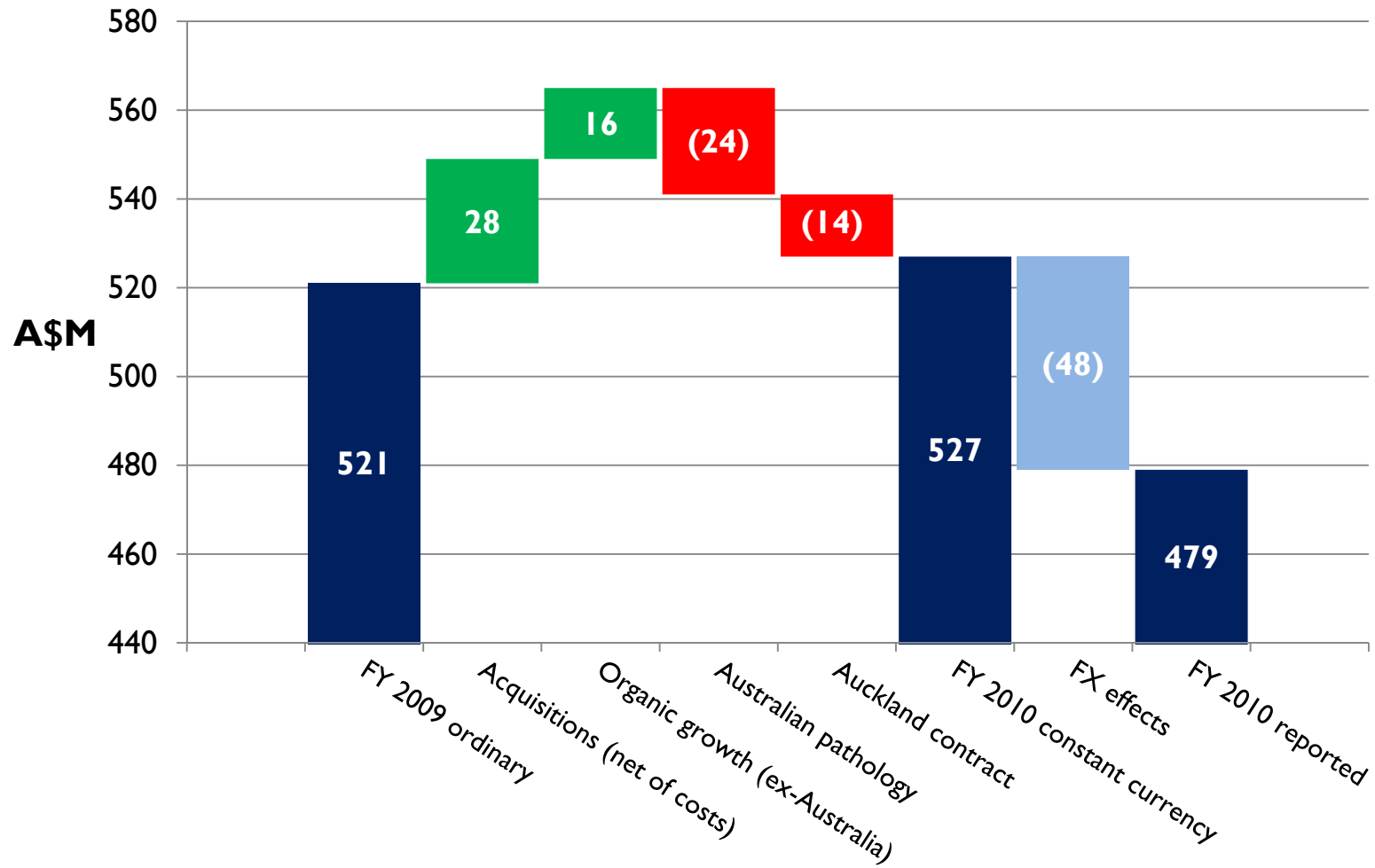
Pathology

Global Revenue Contribution



Pathology


Global EBITDA Contribution



Organic Revenue Growth FY 2010

	Organic Revenue Growth* Acquisitions excluded
Australian pathology	2.3%
USA	6.3%
Europe	4.0%
Radiology	3.5%

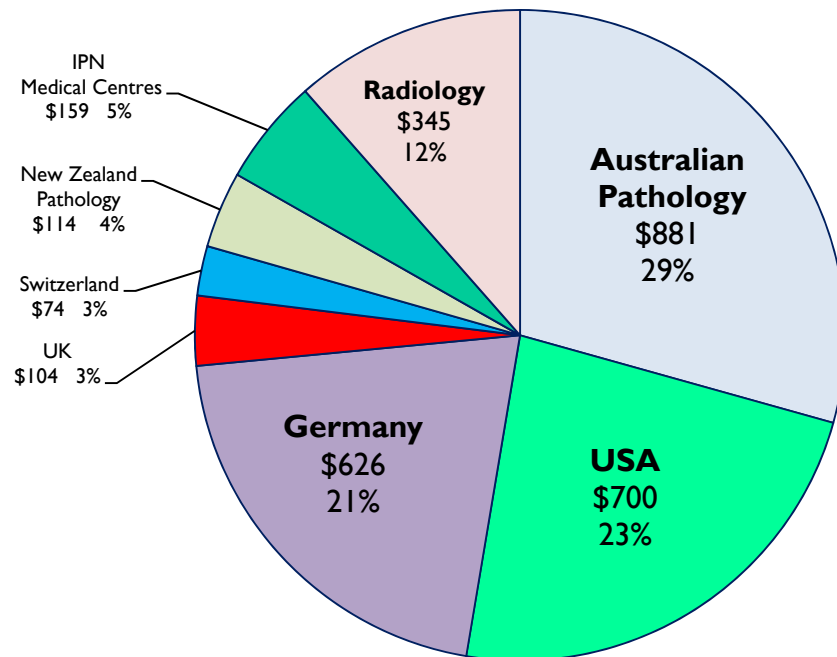
* *Constant currency basis*



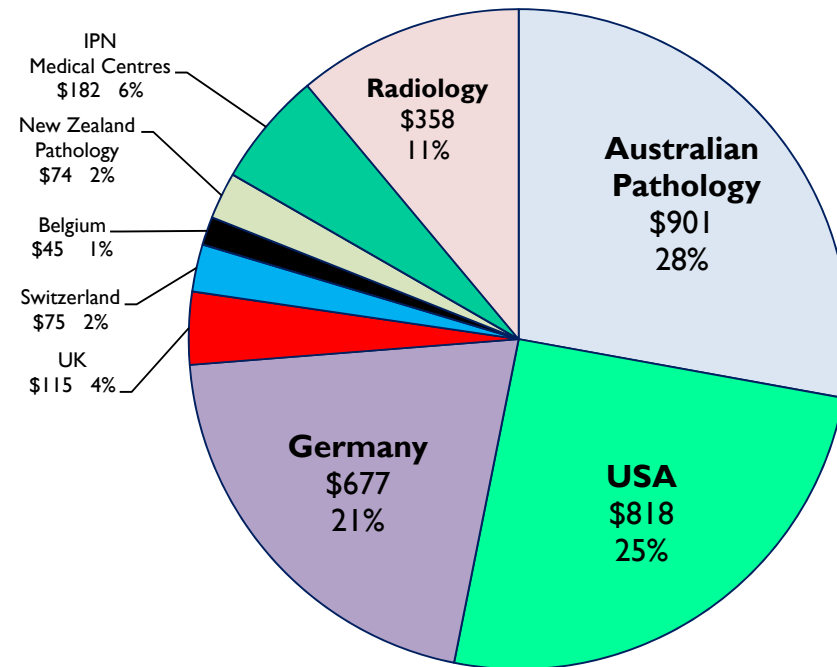
Sonic Revenue Split

FY 2009 vs FY 2010

FY 2009



FY 2010 (constant FX)



Australian Pathology Regulatory Issues

- ▶ Medicare fee cuts
 - ▶ 2% fee cut from July 2008 (A\$180 million over 4 years)
 - ▶ 5% fee cut from Nov 2009 (A\$416 million over 4 years)
- ▶ Abolition of capped collection centre scheme (from 1 July 2010)
 - ▶ Previous capped system designed to limit uncontrolled demand and industry cost
 - ▶ Blowout in new collection centres with ~950 new centres already added to existing 2,400
 - ▶ Almost all new collection centres placed in GP surgeries, with GP landlords
 - ▶ Majority of new centres are defensive in nature (located in premises of existing referrers)
 - ▶ Additional industry cost with no benefit to patients
 - ▶ Sonic has opened ~200 new centres to date
 - ▶ Sonic to continue growing market share with relatively fewer new centres
- ▶ Outlook
 - ▶ Industry working with Government to achieve affordable and sustainable funding solution
 - ▶ Optimistic that a sensible outcome will be achieved soon



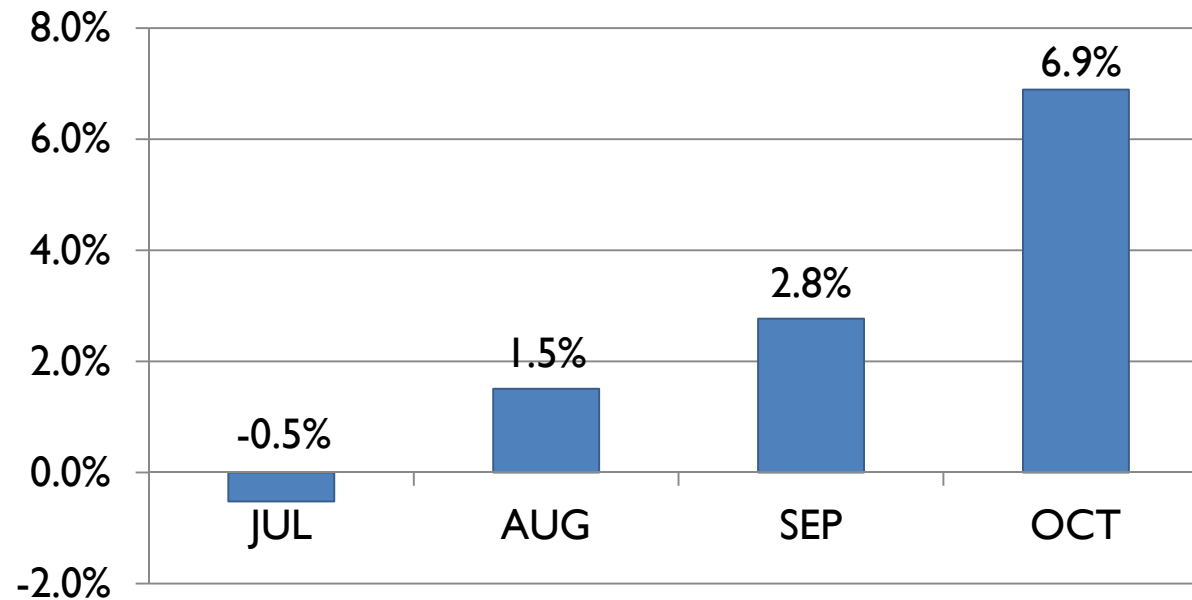
Australian Pathology Growth Dynamics

- ▶ **Sonic commands strong market position**
 - ▶ Clear market leader in revenue and profitability
 - ▶ Premium brands, leading position in specialist and hospital markets
 - ▶ Most resilient Australian pathology company
- ▶ **Sonic growth**
 - ▶ FY 2010 organic revenue growth 2.3% vs market growth of <1%
 - ▶ FY 2010 organic revenue growth ex-Queensland 4.2%
 - ▶ Queensland – volumes fully recovered and now in strong growth mode
 - ▶ Sonic Australian pathology returning to historical growth trend
- ▶ **Market growth**
 - ▶ Flat market volume growth since November 2009
 - ▶ Market growth expected to recover from Nov 2010 – anniversary of low growth cycle



Sonic Australian Pathology

Organic Volume Growth 2010



- ▶ Industry growth – Rolling 3-month episode growth to Sept '10 is -1.0% (source: Medicare data)
- ▶ Sonic's strong volume growth continuing month-to-date November

Organic Volume Growth = Average patient episodes per working day for each month vs same month previous year, excluding acquisitions

USA

- ▶ Sustained strong performance from Sonic USA
- ▶ Integration of acquisitions
 - ▶ East Side (Rhode Island) integrating with Sunrise (NY operations)
 - ▶ Piedmont Medical consolidated with Virginia operations
 - ▶ Axiom (Tampa, FL) consolidated with Florida operations
 - ▶ Recent announcement to acquire CBLPath in New York
- ▶ Infrastructure for growth in Sonic's key markets
 - ▶ Sunrise (NY) – relocated to 10,000 square metre building in September
 - ▶ CPL (Austin, TX) – 3,500 square metre laboratory extension completed
 - ▶ AEL (Memphis, TN) – relocating to new, purpose built 8,000 square metre lab in December
- ▶ Stable regulatory environment
- ▶ Acquisition pipeline active



CBLPath Acquisition

- ▶ CBLPath based in New York
- ▶ Strong presence in Northeast USA and expanding more broadly across the USA
- ▶ Excellent entry into the US anatomical pathology market (~US\$5 billion p.a.)
- ▶ An outstanding business – quality, service, management and growth
- ▶ Purchase price US\$123.5 million, settlement expected in December 2010
- ▶ Annual revenue ~US\$80 million
- ▶ Significant revenue and cost synergies expected
- ▶ Immediately EPS accretive, ROIC accretive in first full year



Germany

- ▶ **Financial performance FY 2010**
 - ▶ Organic revenue growth >3%
 - ▶ Margin expansion of 20 bps (follows >100 bps expansion in FY 2009)
 - ▶ Despite fee cuts in early 2009
- ▶ **Synergy gains on track**
 - ▶ Initial synergy target of €15 million p.a. ~70% achieved to date
 - ▶ Synergy target expected to be exceeded
 - ▶ Mergers: Hamburg lab merger completed, two more planned for 2011
- ▶ **Stable regulatory environment**
 - ▶ No changes expected to public (EBM) or private (GOÄ) fee schedules
- ▶ **Management**
 - ▶ Establishment of German head office in Berlin
 - ▶ Appointment of CEO, Sonic Healthcare Germany – Mr Evangelos Kotsopoulos (to relocate from Sydney to Berlin)



Sonic Enters Belgian Market

- ▶ Acquisition of Medhold Group completed 12 Feb 2010
- ▶ Entry into a leading market position in Belgium and the Netherlands
- ▶ Based in Antwerp, serving predominantly Flanders region, Brussels and the Netherlands
- ▶ Exceptional management team and highly efficient operations
- ▶ New state-of-the-art central laboratory fully operational
- ▶ Belgian laboratory market fragmented
- ▶ Active pipeline of synergistic add-on acquisitions in Belgium



Sonic Imaging

- ▶ Organic revenue growth 3.5% in FY 2010
- ▶ Revenue and volume
 - ▶ Medicare fee increase in Nov 2009 only applicable to bulk-billed items
 - ▶ Strong growth in MRI and nuclear medicine
 - ▶ Low industry CT volumes persist
- ▶ Efficiency benefits in FY 2011
 - ▶ Sonic's new broadband network – esp in regional areas
 - ▶ Closure of underperforming sites
- ▶ Regulatory update
 - ▶ Nov '09 fee increase a valued interim measure
 - ▶ Imaging funding still remains inadequate
 - ▶ Industry working collaboratively with Government towards affordable and sustainable funding solution



Sonic Debt Summary

Investment Grade Credit Metrics

		30 Jun 10	31 Dec 09	30 Jun 09
Net interest-bearing debt	A\$M	1,501	1,149	1,198
Gearing ratio	%	37.0	31.3	32.0
Interest cover	X	9.4	9.7	6.5
Debt cover	X	2.6	1.9	2.2

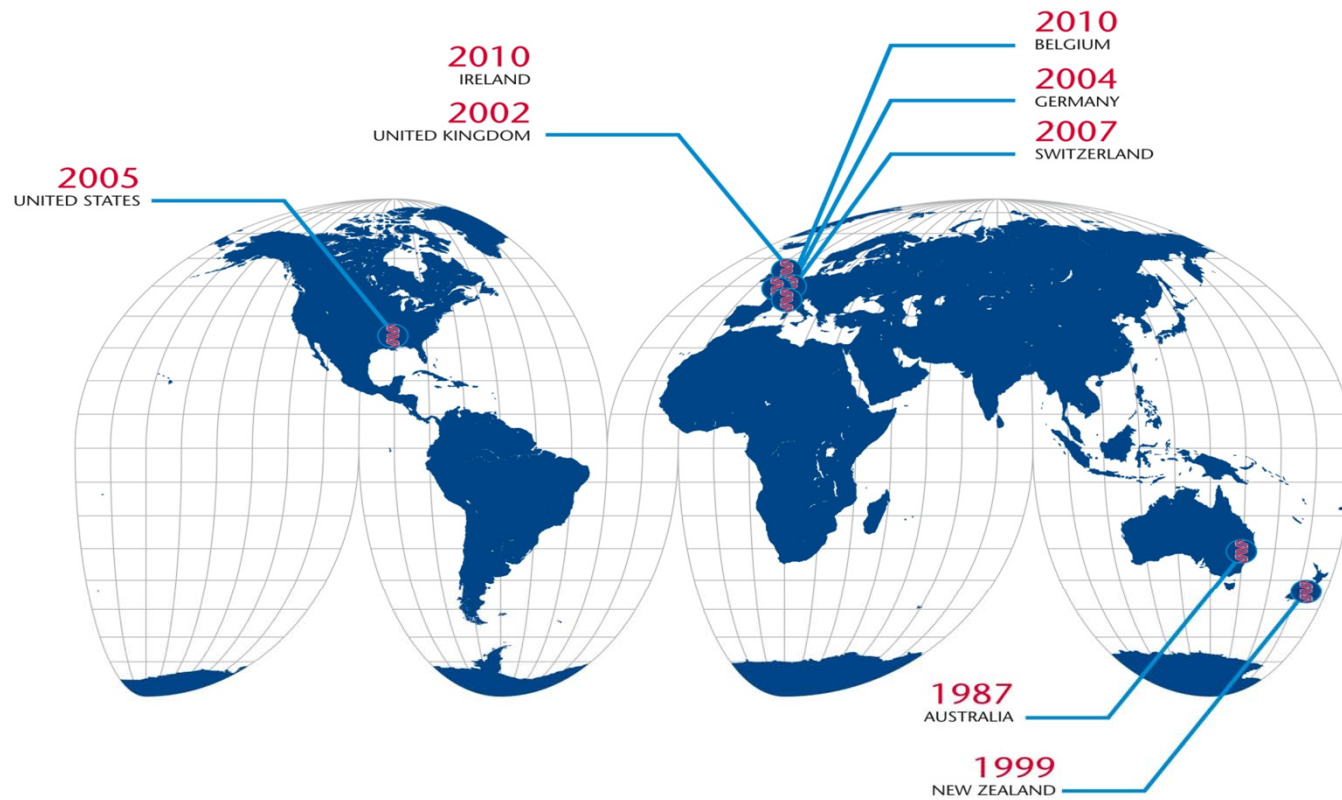
- ▶ Long-term (7-10 years) US debt raising completed Jan 2010 – US\$250 million
- ▶ Bank debt tranche (A\$450 million equivalent) refinanced for 5 years in April 2010
- ▶ Current available headroom ~A\$400 million (after CBLPath acquisition settlement)

- ▶ *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*



Sonic Healthcare

Global Operations



Outlook

- ▶ **Sonic Healthcare in strong position in key markets**
 - ▶ Australia, USA, Germany
- ▶ **Strong growth and synergies in USA and Europe**
 - ▶ Critical mass, integration prospects, outstanding management teams
- ▶ **Australian pathology**
 - ▶ Sonic returning to normal growth trend
 - ▶ Collaboration with Government to achieve sustainable funding solution
- ▶ **Underlying industry growth drivers remain strong**
 - ▶ Ageing of population, preventative medicine, new tests
- ▶ **Pipeline of synergistic acquisitions**
 - ▶ USA, Germany, Belgium
- ▶ **Security for staff, customers and shareholders**
 - ▶ Investment grade balance sheet
 - ▶ Global operations – spread of risk
 - ▶ Management stability
 - ▶ Market leadership positions





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Thank You

