

SONIC HEALTHCARE

Financial and Operational Review
For the half-year ended 31 December 2015



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17 February 2016

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Headlines

- ▶ Full-year FY 2016
 - ▶ On track to achieve full-year guidance
 - ▶ Guidance equates to FY 2016 EBITDA growth >25% (A\$870-900 million, assuming current FX rates)
 - ▶ Ongoing currency exchange rate tailwind
- ▶ Half-year FY 2016
 - ▶ Revenue growth 21.8%, EBITDA growth 15.5%
 - ▶ Accretive acquisitions in Switzerland and Belgium
 - ▶ Major earnings uplift in USA
 - ▶ UK joint venture outperformance
 - ▶ Solid performance in Germany, Switzerland, Belgium
 - ▶ Australian operations adversely impacted by government policies
- ▶ Sonic's global footprint delivering financial strength and risk mitigation



Summary

A\$ M	H1 FY 2016	H1 FY 2015	Growth
Revenue	2,453	2,014	21.8%
EBITDA (before expensing non-recurring costs)	409	350	16.7%
Net profit (after expensing non-recurring costs)	188	174	8.0%
Cash generated from operations	325	252	29.1%

- ▶ Revenue growth
 - ▶ Strong organic growth ~7.5% in lab division (constant currency, including UK JV)
 - ▶ Growth further enhanced by accretive acquisitions and FX tailwind
- ▶ Earnings growth
 - ▶ US earnings uplift a highlight – successful CBLPath restructure
 - ▶ Major contributions from UK JV and Medisupport acquisition
 - ▶ Negative earnings growth in Australia, offset by international strength
 - ▶ Ongoing cost initiatives and procurement benefits
- ▶ Non-recurring acquisition and restructure costs ~A\$9 million
- ▶ Strong cash generation
 - ▶ 101% conversion of EBITDA to gross (pre-interest and pre-tax) operating cash flow



Dividends

A\$	H1 FY 2016	H1 FY 2015	Growth
Interim Dividend	\$0.30	\$0.29	3.4%

- ▶ Interim dividend franked to 30%
- ▶ Record Date 7 March 2016
- ▶ Payment Date 6 April 2016
- ▶ Dividend Reinvestment Plan to operate for interim dividend
 - ▶ Fine tuning of capital structure post-acquisitions in period
 - ▶ 1.5% discount, 10 day pricing period (10 March to 23 March)
 - ▶ DRP applications due by 8 March
 - ▶ No underwriting of DRP



FY 2016 Guidance Maintained

- ▶ EBITDA

- ▶ A\$815-840 million at constant currency rates (FY 2015 FX rates)
- ▶ At current FX rates, equates to reported EBITDA of A\$870-900 million
- ▶ Excludes future acquisitions

- ▶ H2 EBITDA vs H1 EBITDA

- ▶ Traditional earnings weighting to H2 more accentuated this year (as previously advised)
- ▶ Acquisition and restructure costs in H1 (~1%), acquisition synergies (>1%), US integrations, Australian collection centre savings

- ▶ Interest expense

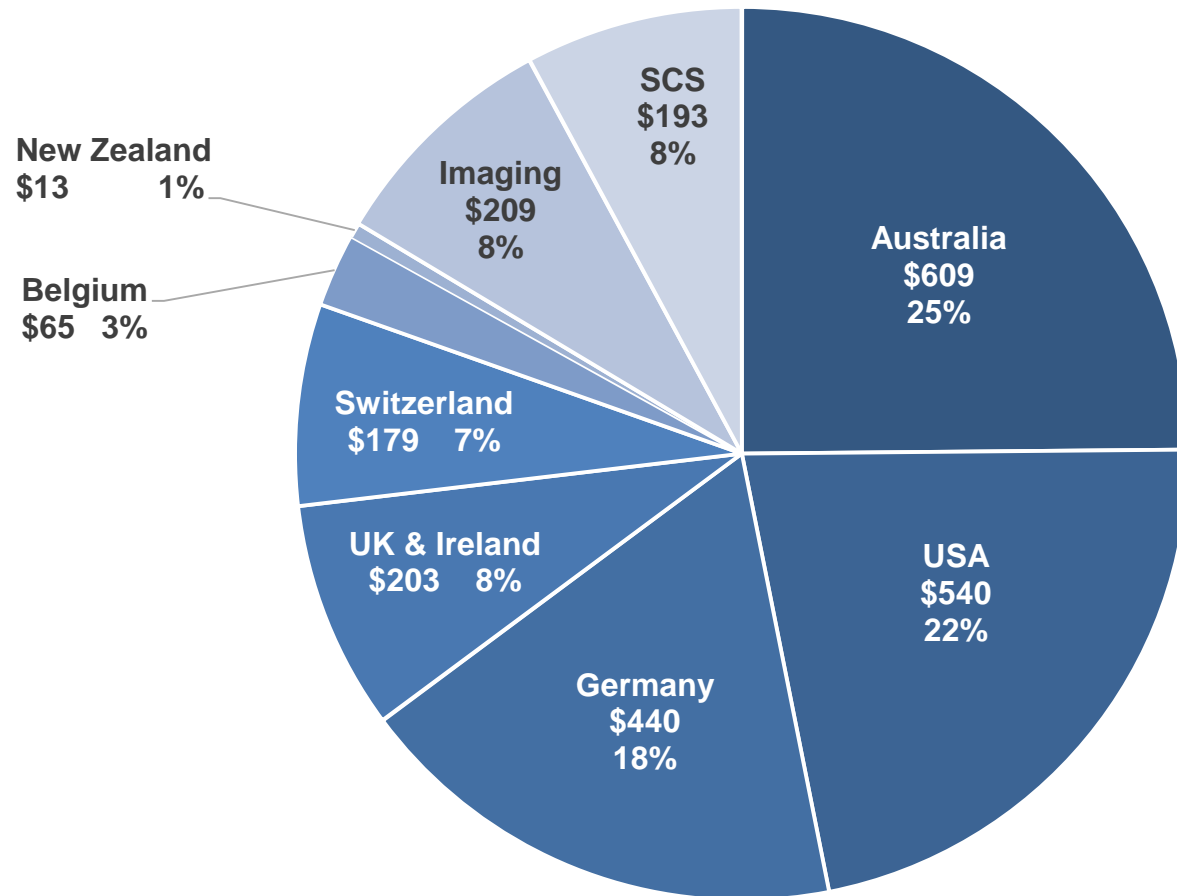
- ▶ Expected to increase by 5-10% (constant currency) due to acquisitions completed in July 2015
- ▶ Current base rates assumed to prevail

- ▶ Tax rate

- ▶ Expected at ~25%



H1 FY 2016 Revenue Split



Total H1 FY 2016 revenue A\$2,451 million
(excludes A\$2 million interest income)

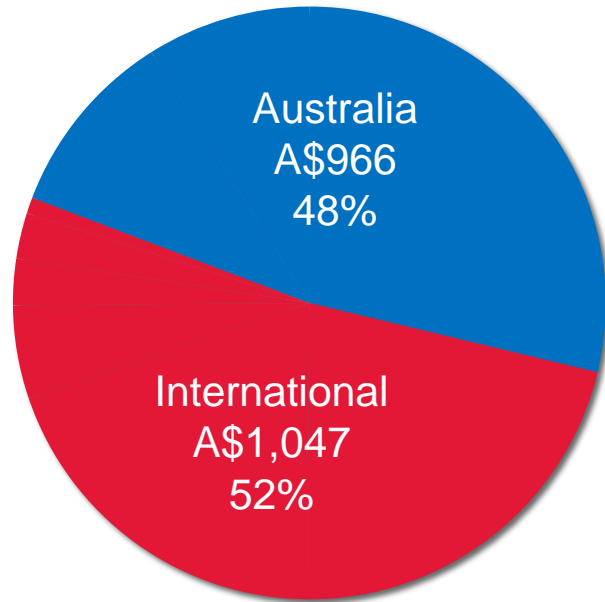
SCS = Sonic Clinical Services (IPN Medical Centres,
occupational health and other clinical service entities)

Statutory revenue in A\$ millions

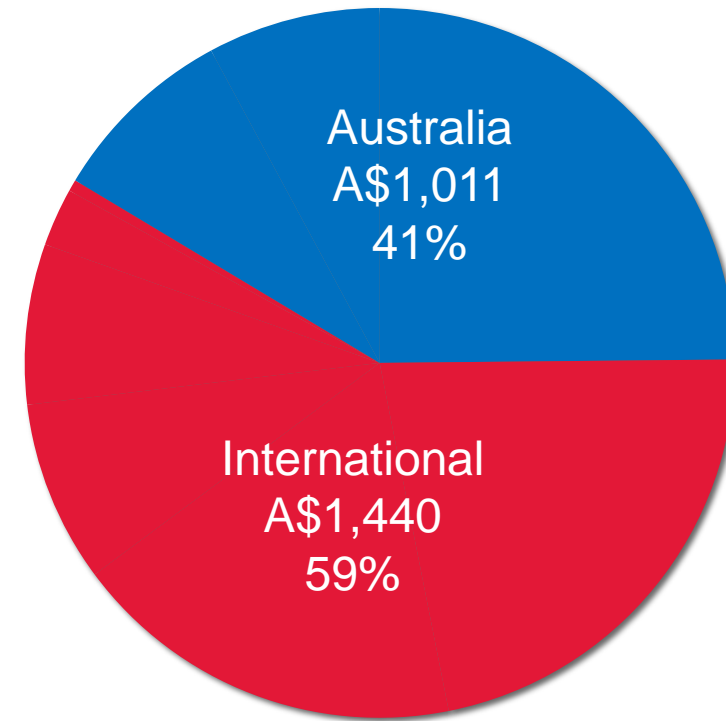


Expanding International Revenues

H1 2015



H1 2016



Statutory revenue in A\$ M,
excluding interest income



Australian Pathology

▶ Revenue

- ▶ 5.2% growth, organic growth 4.0%
- ▶ Adelaide Pathology Partners acquisition 10 December 2015
- ▶ Now cycled through Medicare fee cuts of 1 November 2014
- ▶ Sonic growth substantially stronger than Medicare market growth of 1.9% for period

▶ Earnings

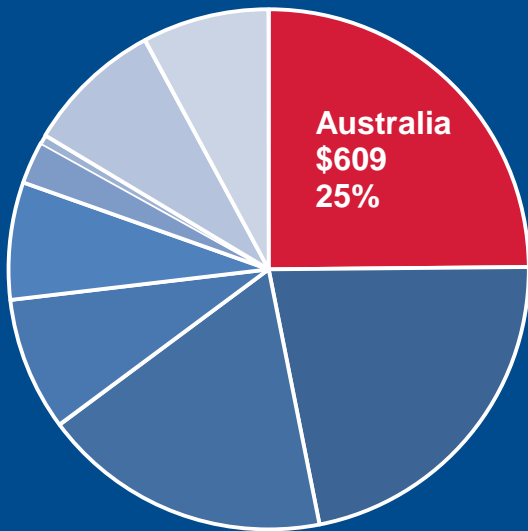
- ▶ Negative earnings growth in H1
- ▶ Impact of Medicare fee cuts and collection centre costs
- ▶ H2 earnings expected to improve with collection centre cost reductions

▶ Review of collection infrastructure costs

- ▶ Closure of low-performing collection centres underway

▶ Government proposed fee cut from 1 July 2016

- ▶ Equates to ~3.5% of Sonic's Australian pathology revenues
- ▶ Strong opposition to cuts from the public, healthcare industry and opposition parties
- ▶ Subject to potential disallowance in Australian Senate
- ▶ Industry ready to mount vigorous media and patient-based campaign against cuts
- ▶ Working on mitigating strategies, including patient co-payments



H1 FY 2016

Statutory revenue in A\$ M



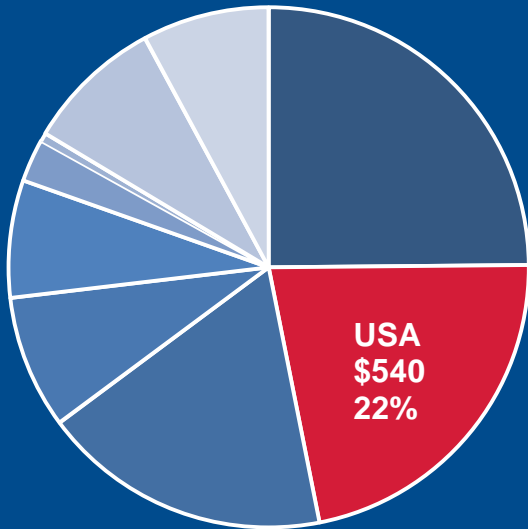
USA

▶ Revenue

- ▶ Organic revenue growth 1.9% (constant currency)
- ▶ 25.5% revenue growth in A\$ (statutory)
- ▶ Growth variable between divisions: >5% growth at CPL (Texas, Sonic's largest US lab), negative growth at restructured CBLPath (yet strong earnings growth)

▶ Earnings

- ▶ Double digit EBITDA growth (constant currency and statutory)
- ▶ Major contribution from CBLPath restructure
- ▶ New large procurement tender completed, others in process
- ▶ Ongoing restructuring and integration of divisions, to enhance efficiency and earnings

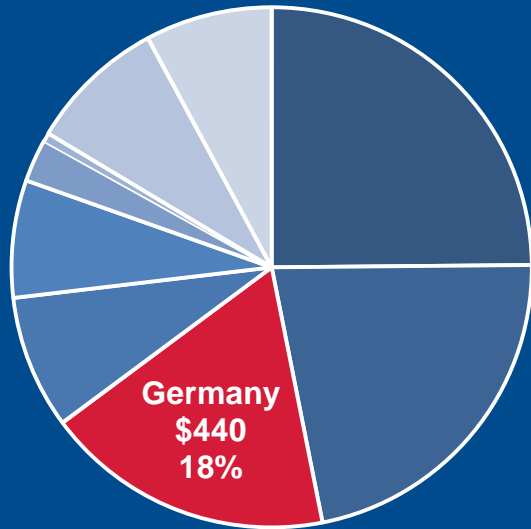


H1 FY 2016

Statutory revenue in A\$ M



Germany



- ▶ Revenue

- ▶ 5.4% growth, 4.4% organic (constant currency)
- ▶ 11.2% revenue growth in A\$ (statutory)
- ▶ Market share gains in all segments of operation

- ▶ Operations

- ▶ Range of efficiency and integration programs ongoing
- ▶ Stable, high-quality business attracting talented pathologists and senior managers

- ▶ Regulatory environment stable

H1 FY 2016

Statutory revenue in A\$ M



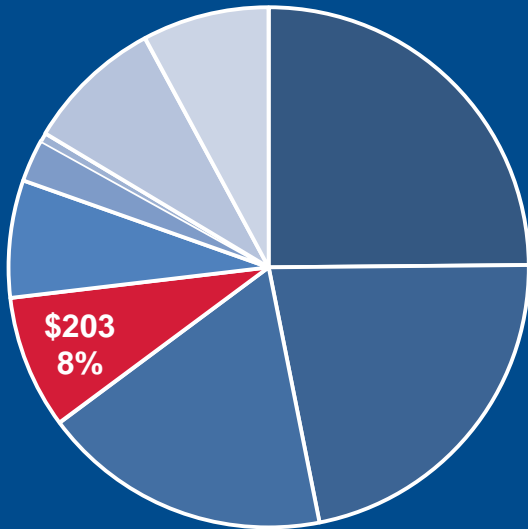
UK

▶ Revenue

- ▶ 75% organic growth (constant currency)
- ▶ 104% revenue growth in A\$ (statutory)
- ▶ Strong private sector growth
- ▶ Includes JV with UCLH and Royal Free (“Health Services Laboratories” – HSL)

▶ Operations

- ▶ HSL operational since 1 April 2015 – successful integration, excellent services
- ▶ Winning additional NHS customers – North Middlesex University Hospital plus >£3 million p.a. in more recent contracts
- ▶ Fitout of new lab (Halo Building) in central London lab proceeding well
- ▶ Supporting >100 research projects in HSL labs for NHS academic partners



H1 FY 2016

Statutory revenue in A\$ M



HEALTH SERVICES
LABORATORIES

A partnership between UCLH, the Royal Free London and The Doctors Laboratory



Switzerland

▶ Revenue

- ▶ 198% growth, 6.1% organic (constant currency)
- ▶ 252% revenue growth in A\$ (statutory)
- ▶ Revenue growth includes Medisupport acquisition
- ▶ Strong growth in esoteric testing – genetics, molecular tests, histopathology
- ▶ Sonic clear #1 player in Swiss laboratory market

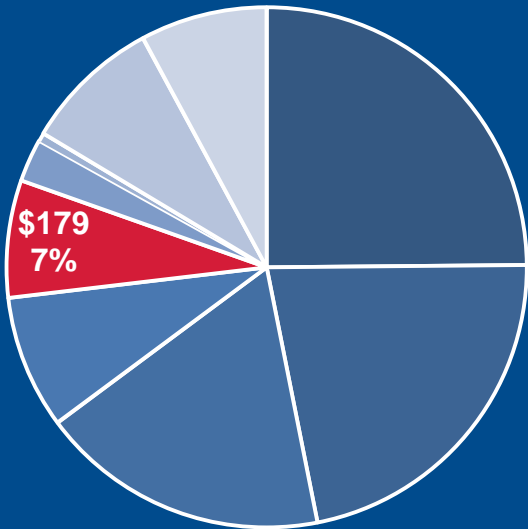
▶ Medica

- ▶ Part of Sonic since 2007
- ▶ Consistently strong organic growth and financial performance
- ▶ Market leader in Zurich

▶ Medisupport

- ▶ Acquisition closed 2 July 2015 – performing strongly
- ▶ Wide range of integration projects initiated
- ▶ Outstanding genetics platform

▶ Regulatory outlook stable

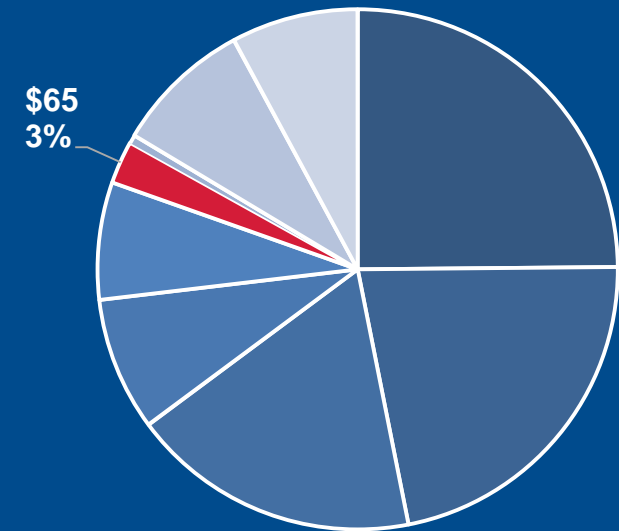


H1 FY 2016

Statutory revenue in A\$ M



Belgium



▶ Revenue

- ▶ 22% growth, 2.6% organic (constant currency)
- ▶ 29% revenue growth in A\$ (statutory)
- ▶ Includes KLD acquisition
- ▶ Strong growth in esoteric testing – molecular testing and histopathology

▶ KLD acquisition

- ▶ Closed 3 July 2015, performing strongly
- ▶ Range of integration projects underway

▶ Regulatory outlook stable

H1 FY 2016

Statutory revenue in A\$ M



Sonic Imaging

▶ Revenue

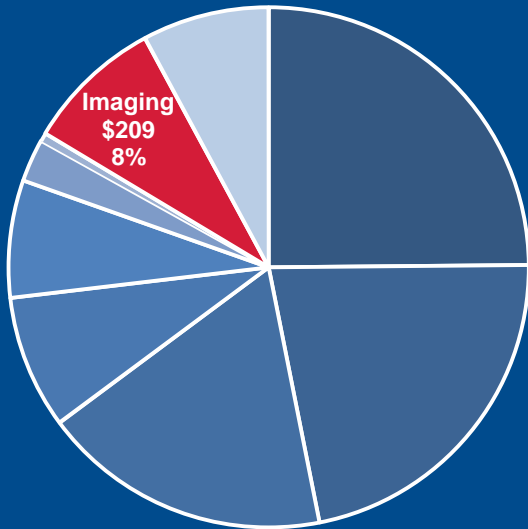
- ▶ 0.8% growth (organic)
- ▶ Unprecedented and unexpected fall in total market growth due to government and media publicity
- ▶ Contract wins in two new Queensland private hospitals to drive future growth

▶ Earnings

- ▶ Negative earnings growth for period
- ▶ Cost and revenue initiatives under way in response

▶ Government proposed fee cut from 1 July 2016

- ▶ Equates to ~2.7% of Sonic's imaging revenues
- ▶ Strong opposition to cuts from the public, healthcare industry and opposition parties
- ▶ Subject to potential disallowance in Australian Senate
- ▶ Working on mitigating strategies, including patient co-payments

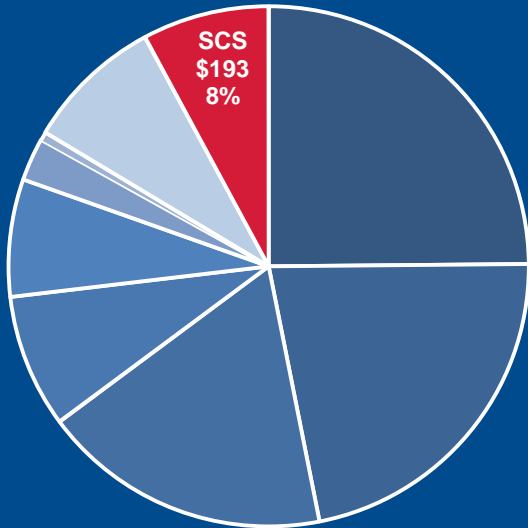


H1 FY 2016

Statutory revenue in A\$ M



Sonic Clinical Services



- ▶ Includes medical centres and occupational health
 - ▶ 239 centres and ~2,100 GPs
- ▶ Revenue and earnings
 - ▶ 6.7% revenue growth, including acquisitions
 - ▶ Earnings stable in period
 - ▶ Medical Centre business (IPN) impacted by Government's fee indexation freeze
 - ▶ Occupational Health business (Sonic HealthPlus) impacted by resource sector downturn
- ▶ Operations
 - ▶ Cost reductions in occupational health business in progress
 - ▶ Ongoing success of doctor recruitment and retention strategies

H1 FY 2016

Statutory revenue in A\$ M



Debt Metrics

		31 Dec 2015	30 Jun 2015
Net interest-bearing debt	A\$ M	2,479	1,976
Gearing ratio	%	40.7	37.3
Interest cover	X	10.5	10.8
Debt cover	X	3.0	2.7

- ▶ Increase in debt due to FX changes (~A\$90 million) and acquisitions
- ▶ Debt cover ratio higher than long-term average, expected to reduce in H2
- ▶ Available headroom at 31 December 2015 ~A\$468 million

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



Robust Growth Outlook

- ▶ EBITDA growth of >25% forecast for full-year FY 2016 (refer guidance)
- ▶ Ongoing strong organic revenue growth in laboratory division
- ▶ Strong earnings growth in USA, Germany, UK, Switzerland, Belgium
- ▶ Earnings enhancement strategies in progress for Australian businesses
- ▶ Industry growth drivers, particularly ageing populations, underpinning ongoing organic growth
- ▶ Targeting additional synergistic acquisitions and contract opportunities
- ▶ H1 and expected full-year results highlight benefits of Sonic's global footprint
- ▶ Sonic Healthcare in secure and stable position, well-placed for future growth





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Thank you

