



SONIC
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Sonic Healthcare

Financial and Operational Review For the year ended 30 June 2014

Colin Goldschmidt
CEO, Sonic Healthcare
19 August 2014



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Headlines

- ▶ FY '14 earnings guidance achieved
- ▶ FY '14 total dividend up by 8.1%
- ▶ FY '15 guidance – EBITDA growth of approximately 5%

Summary

Financial and Operational Strength

	Growth	
	Statutory	Constant Currency
Revenue	12.3%	4.8%
EBITDA	13.3%	5.4%
Net profit	14.9%	6.5%
Earnings per share	13.3%	5.0%

- ▶ **Financial strength**
 - ▶ Double-digit revenue and earnings growth
 - ▶ EBITDA margin accretion of 17 bps
 - ▶ Margin accretion in each of Pathology (ex-Labco Germany acquisition), Radiology and IPN
- ▶ **Operational strength**
 - ▶ Stable and expanding global business
 - ▶ Strong positions in growing markets
- ▶ **Medical Leadership culture at the heart of Sonic's ongoing strength as a company**

Financial Summary

	Statutory			Constant Currency		
	FY '14	FY '13	Growth	FY '14	FY '13	Growth
Revenue (A\$M)	3,913	3,484	12.3%	3,652	3,484	4.8%
EBITDA (A\$M)	733	647	13.3%	681	647	5.4%
Interest expense (A\$M)	57	63	(8.2)%	50	63	(19.3)%
Net profit (A\$M)	385	335	14.9%	357	335	6.5%
Earnings per share (cents)	95.5	84.3	13.3%	88.5	84.3	5.0%

Dividends

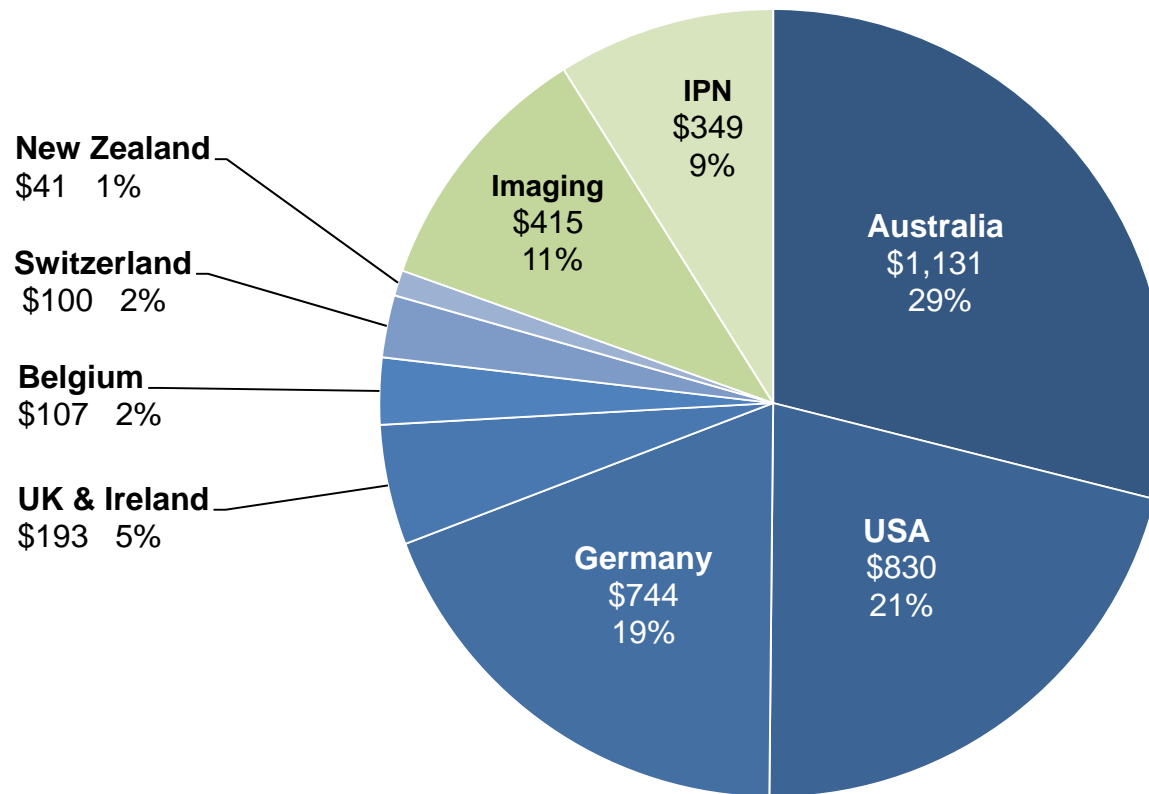
A\$	FY '14	FY '13	Growth
Interim Dividend	\$0.27	\$0.25	8.0%
Final Dividend	\$0.40	\$0.37	8.1%
Total Dividends	\$0.67	\$0.62	8.1%

- ▶ Final dividend franked to 55% (previously 45%)
- ▶ Record Date 9 September 2014
- ▶ Payment Date 23 September 2014

FY '15 Guidance

- ▶ **EBITDA growth of approximately 5%**
 - ▶ Guidance based on constant currency rates (FY '14 FX rates)
 - ▶ Based on FY '14 EBITDA of A\$733 million
 - ▶ Excludes future acquisitions
- ▶ **Interest expense**
 - ▶ Expected to decrease by ~10% (constant currency)
 - ▶ Current base rates assumed to prevail
- ▶ **Tax rate**
 - ▶ Expected at ~25%

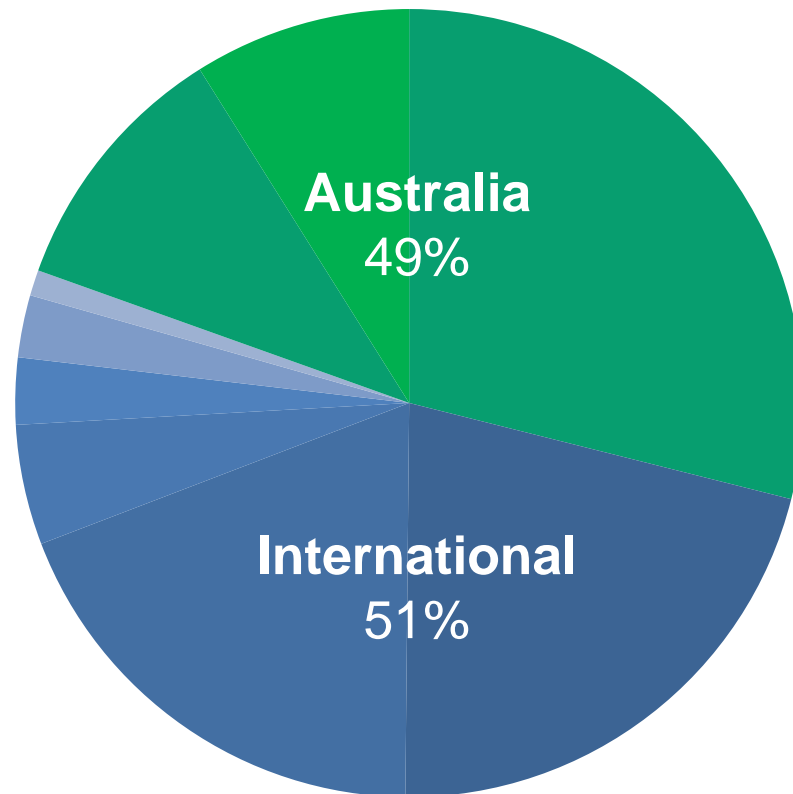
Revenue Split FY '14



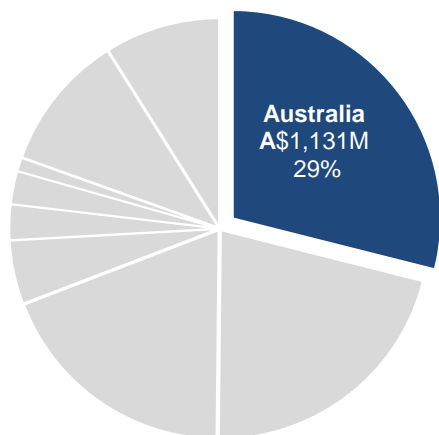
Statutory revenue in A\$ million

Blue wedges = Laboratory medicine / pathology
Green wedges = Imaging and IPN (medical centres and occupational health services) in Australia

Revenue Split FY '14



Australian Pathology



▶ Revenue

- ▶ 6% growth
- ▶ Volumes weaker in recent months, possibly due to government co-pay publicity
- ▶ Strength in specialist and hospital markets

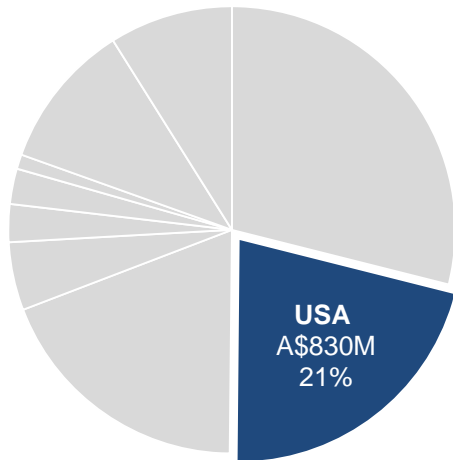
▶ Earnings

- ▶ Negative impact of escalating collection centre leases
- ▶ All other costs well controlled

▶ Investments in growth and technology

- ▶ New Perth lab commissioned seamlessly in H2 FY '14
- ▶ State-of-the-art hub lab in development for Brisbane (completion 2016)
- ▶ Total Lab Automation system in Sydney – stage 1 installation complete
- ▶ Targeted investments in IT and E-Health innovations

USA



▶ Revenue

- ▶ Volume growth 2.2%
- ▶ December, January and February volumes impacted by extreme weather
- ▶ Flat revenue growth, consistent with major competitors' organic growth
- ▶ Recent revenue initiatives and Obamacare enhancing volume growth

▶ Earnings

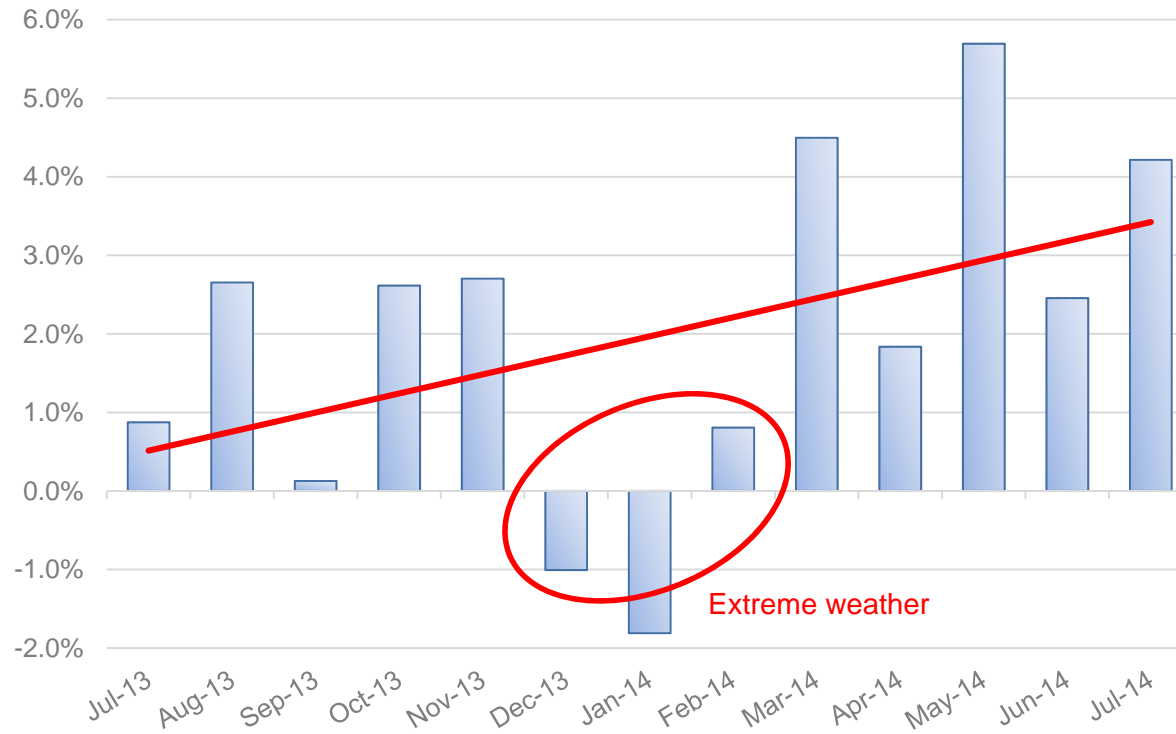
- ▶ Cost-out initiative largely complete, tail effect into FY '15
- ▶ Ongoing synergy drive – procurement, Sonic Reference Lab, IT etc
- ▶ Strong EBITDA growth expected in FY '15

▶ Operations

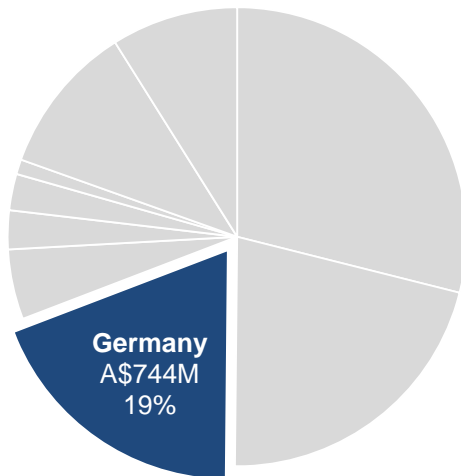
- ▶ Number of small contract wins in recent months
- ▶ Investment in IT initiatives to drive efficiencies and revenue growth
- ▶ New CEO recruitment in progress

Sonic Healthcare USA

Organic Volume Growth

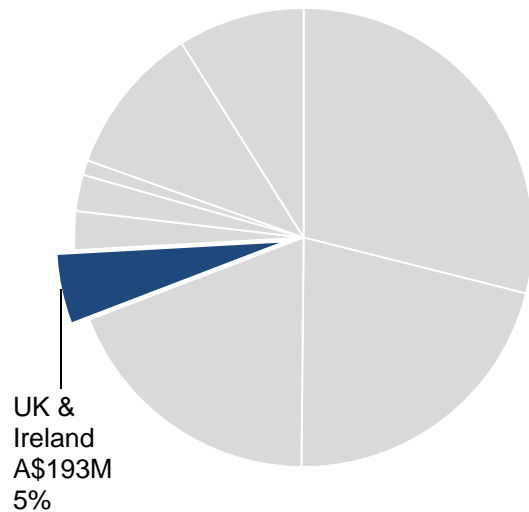


Germany



- ▶ **Revenue**
 - ▶ 12% constant currency (includes Labco acquisition)
 - ▶ 5% organic growth (H2 FY '14 very strong)
 - ▶ Ongoing market share gains in all segments (GP, specialist, hospital, esoteric/genetics)
- ▶ **Labco Germany integration on track**
 - ▶ Physical merger completed recently
 - ▶ Wide range of synergy programs well advanced
- ▶ **Regulatory environment stable**
 - ▶ EBM fee quota improved from 91.58% to 91.80% from 1 July '14
 - ▶ Fee quota headwind over, no major changes expected
- ▶ **New Berlin central lab facility**
 - ▶ Total Lab Automation technology commissioned
 - ▶ Incorporates new Sonic Healthcare Germany head office
 - ▶ Long-term leasehold

UK



- ▶ Strong revenue and earnings growth in FY '14
- ▶ Revenue growth 12% constant currency
- ▶ JV with University College London Hospital/Royal Free
 - ▶ Contracts signed 30 July 2014, commencement late 2014
 - ▶ 51% Sonic ownership
 - ▶ Incremental revenue ~£50 million in first full year
 - ▶ Earnings accretive, margin dilutive
 - ▶ Chair of JV board: Lord Carter of Coles
 - ▶ 10 year contracts to provide pathology services to partners
 - ▶ Targeting further NHS outsourcing opportunities
 - ▶ Existing TDL (Sonic UK) revenue excluded from JV
- ▶ New state-of-the-art hub laboratory in central London
 - ▶ Replaces existing hub lab (Whitfield Street) and satellite properties
 - ▶ Relocation expected early 2016



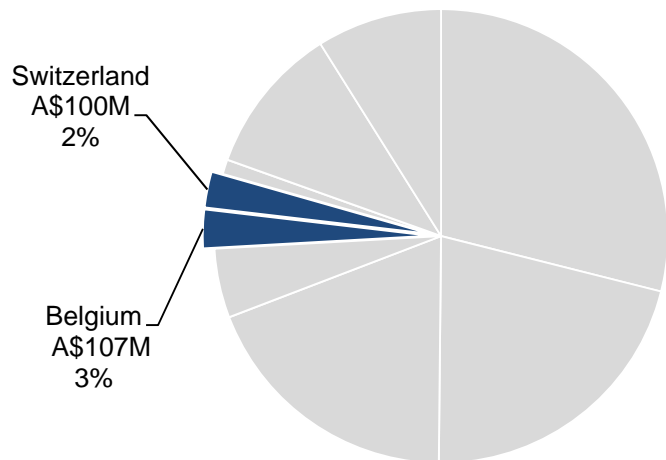
Halo Building
New central London
hub lab facility



[1 Mabledon Place](#)
King's Cross Biomedical Campus

Belgium

Switzerland



▶ Belgium

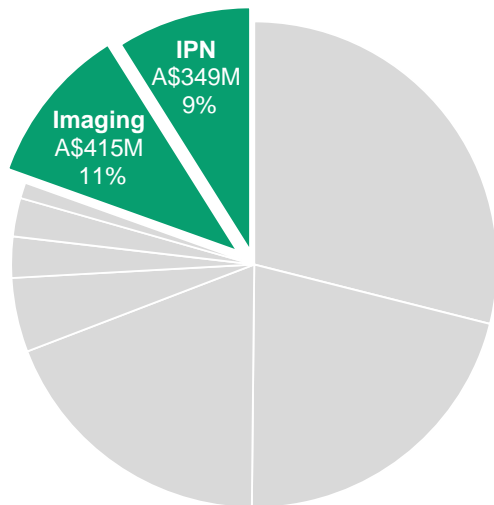
- ▶ Revenues impacted by 1 November 2013 statutory fee cut (~7%)
- ▶ Partly offset by small indexation fee increase (~1%) 1 January 2014
- ▶ Stable operating performance

▶ Switzerland

- ▶ Outstanding performance for the year
- ▶ Revenue growth 11% constant currency
- ▶ Stable regulatory environment

Sonic Imaging

IPN



- ▶ **Sonic Imaging**

- ▶ Australian Imaging: revenue growth 5%
- ▶ Total imaging revenue impacted by sale of NZ businesses
- ▶ Imaging division performing solidly

- ▶ **IPN – Medical Centres and Occupational Health**

- ▶ Revenue growth 5%
- ▶ Medicare fee indexation increase reinstated from 1 July 2014
- ▶ Ongoing doctor recruitment and investment in medical centre growth
- ▶ Leveraging unique infrastructure for new growth opportunities

Investment Grade Credit Metrics

		30 June '14	30 Jun '13
Net interest-bearing debt	A\$M	1,739	1,739
Gearing ratio	%	35.9	37.3
Interest cover	X	10.7	8.6
Debt cover	X	2.4	2.4

- ▶ Available headroom at 30 June 2014 ~A\$500 million (before final dividend payment)
- ▶ Recently priced €110 million of notes in US private placement market – 10 year tenor, coupon 2.82%

- ▶ 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

Growth Opportunities

- ▶ Sonic's Medical Leadership culture provides competitive advantage in major growth areas
- ▶ Organic growth
 - ▶ Market growth and market share gains
 - ▶ Market growth long-term trend ~5%
 - ▶ Market share gains driven by culture, high quality service and innovation
- ▶ Acquisitions
 - ▶ Track record of successful execution and integration of ~100 acquisitions
 - ▶ Sonic's culture attracts like-minded, quality businesses
 - ▶ Active pipeline of synergistic opportunities – usual disciplined approach
 - ▶ Significant funding capacity available
- ▶ Contracts
 - ▶ Increasing global trend for governments and others to outsource services
 - ▶ Wide variety of models and current opportunities globally e.g. UK JV, Northern Alberta, public and private hospitals, government programs, corporate health, clinical trials etc



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Thank you

