



SONIC  
HEALTHCARE

# Annual General Meeting

12 November 2020

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CEO  
Sonic Healthcare Limited

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This announcement has been authorised by Sonic Healthcare's Company Secretary, whose contact details for further information are as follows:

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# Sonic Healthcare and COVID-19

- Calendar 2020 – the most challenging year in Sonic’s 33-year history
- Sonic is a global medical laboratory company – occupying a pivotal role in the COVID-19 pandemic
- Sonic has performed over 11 million COVID-19 PCR tests globally to date
- The company moved from a challenging position in March/April 2020 back to a position of strength today
- Response of Sonic’s staff has been outstanding – a reflection of Sonic’s culture and values
- Pandemic has brought out the very best in our company – pride, commitment, sense of higher purpose
- A true demonstration of who we are and what we do
- A remarkable story of Sonic’s staff, operations, financials and contribution to society



# Sonic's Pandemic Timeline

- **January/February 2020**
  - Sonic leaders planning possible pandemic response
  - Staff safety protocols, testing methods, supply chain issues
- **March/April/May 2020**
  - Base business volumes and revenue severely impacted
  - Lockdowns, social restrictions, infection fears, cancellation of elective surgery
  - Cost control measures implemented – cash preservation, overtime, furloughs, pay cuts
  - COVID PCR testing – development, validation and commencement
- **June/July/August 2020**
  - Progressive recovery in base business volumes and revenue
  - Progressive ramp up of COVID testing, especially USA, Germany, Australia
- **September/October 2020**
  - Base business revenue in positive growth, except USA and UK
  - High-volume COVID testing in USA, Europe, Australia
- **November 2020**
  - Pandemic second waves in Europe and USA
  - Record COVID testing in Europe

## Market Updates

### 19 February 2020

Release of results for H1 FY 2020  
Tracking in line with FY 2020 guidance

### 20 March 2020

Withdrawal of FY 2020 guidance  
Due to uncertainty from pandemic

### 24 June 2020

Trading Update  
Guided to EBITDA A\$1.075 million (same as FY 2019)

### 20 August 2020

Release of full-year FY 2020 results  
No FY 2021 guidance – pandemic uncertainty

### 14 October 2020

Trading Update Q1 FY 2021  
Revenue growth up 29%, EBITDA growth up 71%

### 12 November 2020

AGM



# COVID-19 Testing

- COVID PCR test
  - The gold standard for diagnosis – identifies viral genetic code
  - Sonic conducting high-volume PCR testing in >50 separate Sonic laboratories globally
  - Using a range of PCR testing methods
- COVID Antigen test
  - Faster, cheaper – identifies viral surface protein
  - Less accurate than PCR – false-negatives and false-positives
  - Lab-based antigen testing expected to increase
- COVID Antibody test (serology)
  - Tests for immune response to coronavirus
  - Expected to increase with vaccine deployments – currently low-volume
- COVID-19 testing likely to remain important for foreseeable future
  - Infection detection – PCR test (the gold standard), Antigen test
  - Immunity detection following infection or vaccination – Antibody test
  - As part of routine respiratory virus testing, for years to come



# Frontline Work

- Sonic's businesses have remained fully operational throughout pandemic
  - Providing essential clinical and diagnostic services
- Handling of COVID specimens
  - Sonic labs handling thousands of COVID swabs every day
  - Meticulous COVID-specific safety measures in place
  - Collectors, couriers, pre-analytic staff, laboratory scientists
- Collection of COVID specimens
  - In Australia, COVID swab collection performed by Sonic staff
  - Collection centres – swabs taken under full PPE protection
  - Drive-through centres
  - Self-collection kits
- Aged Care Facility contract (Australia)
  - National contract awarded to Sonic in April 2020 – a massive project
  - Swab collection and testing in 2,700 aged care facilities in Australia
  - To date, >200,000 residents and staff have been tested, with almost 3,000 positive results (all but 3 in Victoria)



# Government Collaboration

- Sonic as a major laboratory player / COVID testing laboratory
  - Market leader in Australia, Germany, UK and Switzerland
  - Major player in the USA (#3) and Belgium (#2)
  - COVID testing is core to Sonic's business
- Pandemic control
  - Sonic's leaders in close, regular communication with federal and state government healthcare teams
  - Coordination of testing, documentation of positive cases (facilitating track and tracing)
  - Aged care facility testing
  - Procurement of testing equipment and supplies
- Recognition of laboratories by governments
  - Pandemic has highlighted the crucial value of lab testing
  - Sonic has played a leading role in working with public health authorities to coordinate and expedite testing



# Procurement

- Global shortage of PCR testing equipment and reagents
  - Extreme, urgent, worldwide demand for a single test!
- Personal Protective Equipment (PPE) in short supply in early months
- Sonic's global procurement teams in constant negotiation with suppliers
- Supply chain shortages of equipment, reagents and consumables
  - Allocations rationed by country
  - Allocations controlled by governments in certain instances
  - Conscious decision to diversify suppliers and platforms to mitigate risk
  - Innovations – in-house testing method (Sonic Australia), 3D printing of nasal swabs (Sonic USA)





# Innovation

- COVID PCR test
  - In-house, fully validated test, bypassing conventional supply chains (Sonic Australia)
  - Novel means to bypass RNA extraction step of PCR test – faster, solves supplier shortages (Sonic UK, published)
- COVID swabs
  - Validation of self-collection protocol for COVID PCR swabs – preferred by many, saves PPE (Sonic Australia, published)
  - In-house 3D printing of nasal swabs – cheaper, bypasses suppliers (Sonic USA)
  - In-house production of viral transport media (swab transport) – cheaper, bypasses suppliers (Sonic USA)
- IT solutions
  - Secure, multi-lingual online results transmission / real-time results feed into national COVID app (Sonic Germany)
  - System to facilitate laboratory and imaging ordering via telehealth – including request forms via mobile devices (Sonic Australia)
  - Electronic system to manage aged care facility database for testing and reporting to public health (Sonic Australia)
  - Software for immediate transmission of COVID-negative results to patients via SMS (Sonic Australia)
- Return-to-work testing protocols
  - First-to-market protocols for companies wishing to provide back-to-work testing for their staff (Sonic USA)



# Public Contracts and Awards

- **USA**
  - Sonic awarded US\$5 million of equipment by US Department of Health & Human Services (HHS) to rapidly increase PCR testing capacity
  - Sonic awarded US National Institutes of Health (NIH) contract to increase capacity to >150,000 PCR tests per day (funding of ~US\$21 million)
- **UK**
  - Sonic's Central London laboratory funded by NHS to expand PCR testing by 10,000 tests per day
  - Sonic working with University College London Hospital in the trial of the Oxford University COVID-19 vaccine
- **Australia**
  - Sonic awarded Federal Government aged care facilities contract – COVID testing of residents and staff in 2,700 facilities
- **Belgium**
  - Sonic's AML laboratory (Antwerp) selected by Belgian Government to conduct national COVID-19 immunity survey



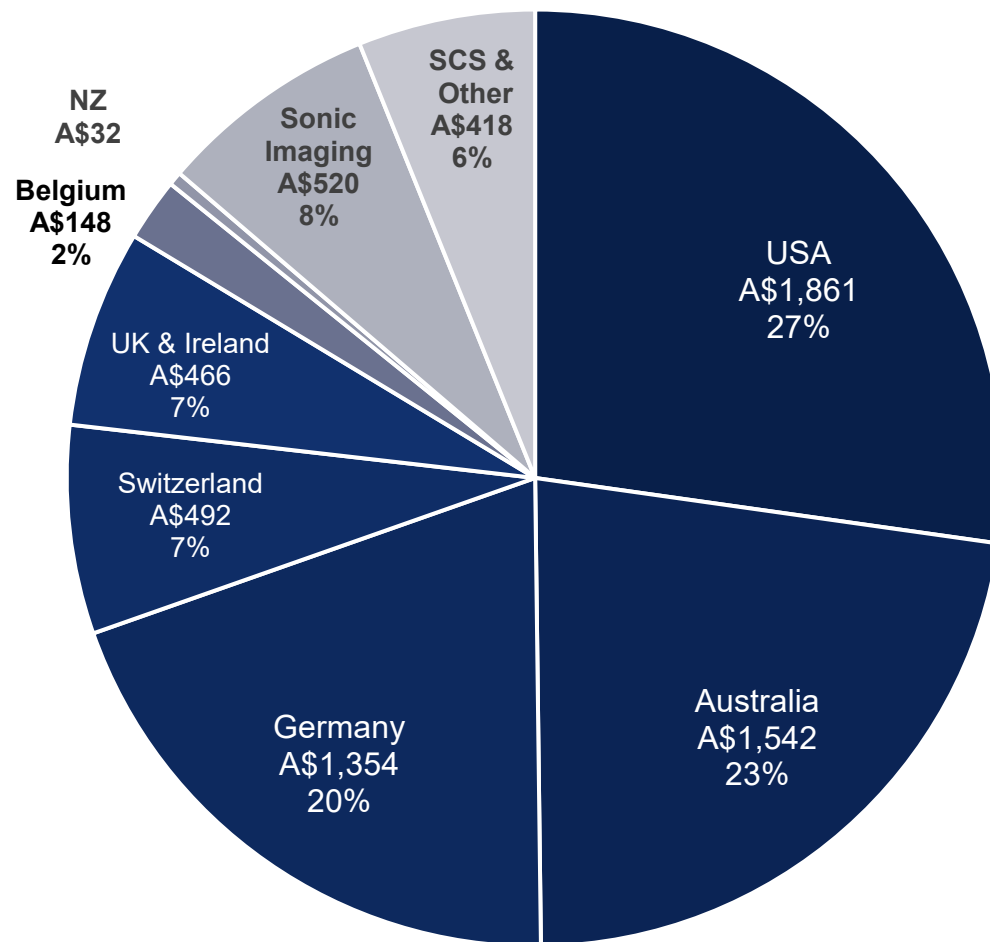
# FY 2020 Headlines

(as reported 20 August 2020)

- FY 2020 results (excluding lease accounting standard AASB 16)
  - Revenue A\$6,860 million (11% growth)
  - Underlying EBITDA A\$1,109 million (24 June trading update ~A\$1,075 million)
  - Underlying net profit A\$552 million (7% growth)
  - Pre-pandemic (8.5 months) performance in line with August 2019 guidance (6-8% constant currency underlying EBITDA growth)
- COVID-19 impact
  - Base business revenue severely impacted in March, April and May 2020, with accompanying margin contraction
  - Recovery of base business commenced in May 2020, with near normal revenue run rate by year end in most divisions
  - COVID-19 testing ramped up progressively from March 2020, partially offsetting base business revenue deficits
- Strong balance sheet
  - Available liquidity ~A\$1.4 billion
- FY 2020 final dividend maintained at A\$0.51 per share



# FY 2020 Revenue Split



SCS & Other = Sonic Clinical Services (IPN Medical Centres, Sonic HealthPlus, other clinical service entities) and other minor operations

Revenue in A\$M excluding impact of AASB 16, interest income and gain on sale of building



# Dividends

A\$	FY 2020	FY 2019	Growth
Interim Dividend	\$0.34	\$0.33	3.0%
Final Dividend	\$0.51	\$0.51	0.0%
Total Dividends	\$0.85	\$0.84	1.2%

- Final dividend maintained at A\$0.51, supported by strong balance sheet, earnings and cashflows
- Franked to 30% (interim dividend franked to 30%)
- Record Date 8 September 2020
- Payment Date 22 September 2020
- Dividend Reinvestment Plan suspended



# Capital Management

		30 June 2020	30 June 2019
Net interest-bearing debt	A\$M	2,022	2,299
Equity	A\$M	5,664	5,492
Gearing ratio	%	26.1	29.5
Interest cover	X	11.5	10.5
Debt cover	X	1.8	2.1

- *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*
- *Net interest-bearing debt excludes AASB 16 impact*

- Current total weighted pre-tax average cost of debt is ~2.5%
- Debt cover ratio lowest in 20 years
- Current available headroom ~A\$1.4 billion



# Outlook for FY 2021

## (as issued 20 August 2020)

- FY 2021 earnings guidance not provided due to COVID-19 related unpredictability
- Outlook dependent on potential fluctuations in base business and COVID-19 testing revenues
- In general, COVID-19 related falls in base business associated with increases in COVID-19 testing volumes
- Base laboratory business revenue (excluding COVID-19 testing) up on prior year levels in most countries, with negative but improving growth in USA and UK
- Strong COVID-19 testing volumes currently augmenting growth
- Market update to be provided at AGM



# Trading Update

## Q1 FY 2021 (released 14 October 2020)

A\$M	Q1 FY 2021	Q1 FY 2020	Growth
Revenue	2,144	1,661	29%
EBITDA	580	340	71%

## AGM Update (released 12 November 2020)

- October 2020 revenue ~33% higher than October 2019
- Pandemic second waves in Europe and USA
  - Base business showing less impact than first waves
  - COVID testing at record levels
- Australia – pandemic under control
  - Australian base revenue in positive growth
  - COVID testing at ~50% of prior peak levels

- *Includes the impact of AASB 16 Leases in both periods*
- *Actual average currency exchange rates used in both periods*
- *Based on unaudited management financial reports*





# Sonic Healthcare and COVID-19

- **Operations**
  - Sonic Healthcare responding magnificently to the call to combat COVID-19
  - Sonic facilities remain staffed and fully operational throughout pandemic
  - Mobilisation of resources and infrastructure to provide high-volume, rapid turnaround COVID-19 testing
  - Sonic's pandemic response a function of long-term capital and other investments – labs, equipment, systems, staff
- **Staff**
  - Medical Leadership culture galvanising Sonic's 37,000 staff to fill frontline pandemic roles – unsung heroes
  - Leveraging Sonic's international expertise to optimise medical and operational response to pandemic
  - Parallel requirement to maintain essential *non*-COVID-19 diagnostic and clinical services
- **Contribution**
  - Sonic's core business is the provision of essential diagnostic and clinical healthcare services
  - Sonic playing a central role in pandemic testing, enabling treatment, contact tracing and quarantining
  - Sonic's Medical Leaders working hand-in-hand with governments and public health authorities
  - ~11 million COVID-19 PCR tests completed globally to date





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**Thank you**