

17 December 2021

SONIC HEALTHCARE ACQUIRES PROPATH

Sonic Healthcare (ASX: SHL; ADR: SKHHY) is pleased to announce that it has acquired 100% of ProPath, a high quality, medically led anatomical pathology (AP) company based in Dallas, Texas.

ProPath's annual revenue is ~US\$110 million, and with its ~50 pathologists, serves over 1,000 physicians and more than 20 hospital groups across 45 States. ProPath was established as an AP practice in 1966. Growth has largely been organic, including the addition of clinical laboratory services from 2017. In early 2020 ProPath acquired New England Tissue Issue, an AP company located in Massachusetts.

The acquisition of ProPath is a very significant additional step in the ongoing development of Sonic's AP and clinical laboratory operations in the US, and is part of Sonic's long-term strategy of integrating the disciplines of anatomical pathology and clinical laboratory testing together as a seamless service in the USA, with consequent revenue and cost synergies and service enhancement for referrers and patients. The US anatomical pathology market is estimated to be in excess of US\$10 billion per annum (in addition to the >US\$70 billion clinical laboratory market) and Sonic is already one of the largest participants following previous acquisitions, including the Aurora Diagnostics transaction in 2019.

ProPath is highly regarded as a pre-eminent AP company, with an exceptionally strong brand, reputation and leadership team. The acquisition of ProPath fits well with and broadens Sonic's existing US footprint, deepens its talent pool, and offers potential revenue and cost synergy benefits, including the possibility of leveraging existing relationships to provide new opportunities to partner with hospitals and healthcare networks. ProPath's culture is fully aligned with and will enrich Sonic's culture of Medical Leadership. ProPath's pathologists will join as colleagues with Sonic's existing group of 330 pathologists in the US and more than 1,300 pathologists worldwide. It is envisioned that ProPath's leadership team will hold senior roles within Sonic Healthcare USA into the future.

Sonic Healthcare's CEO, Dr Colin Goldschmidt said: "Together with Dr Jerry Hussong, CEO of Sonic Healthcare USA, I am delighted to warmly welcome the entire ProPath team to Sonic Healthcare. ProPath has an outstanding reputation as a top-quality pathology company, with outstanding pathologists, managers and staff who have driven strong organic growth over decades based on clinical expertise and focus on physician and patient satisfaction. The cultural alignment between ProPath and Sonic, centred on Medical Leadership, will ensure the success of the integration and promote positive outcomes for the whole of Sonic Healthcare USA."

The acquisition was funded from cash and available debt lines and will be immediately earnings per share accretive. The return on capital invested is expected to exceed Sonic's cost of capital in the first year, and is enhanced as the vast majority of the purchase price will be deductible for US income tax over a 15-year amortisation period.

Whilst an important strategic step for Sonic Healthcare USA, the transaction is not considered to be material for Sonic Healthcare Limited. This announcement has been authorised by Sonic's Managing Director. For further information regarding this announcement, please contact:

Dr Colin Goldschmidt
CEO and Managing Director
Sonic Healthcare

Telephone: +61 2 9855 5333
Email: colgold@msn.com.au

Chris Wilks
CFO and Finance Director
Sonic Healthcare

Telephone: +61 2 9855 5404
Email: cdwilks@bigpond.com