



# Annual General Meeting

22 November 2017



# Agenda

Sonic Healthcare Annual General Meeting 2017

- 2017 is Sonic Healthcare's 30<sup>th</sup> anniversary!
- Sonic's position today is strong and stable, with growth ahead
- Sonic's service excellence and Medical Leadership continue to drive the company's success

## PART 1

Review of FY 2017

## PART 2

The Sonic Difference – Sonic's commitment to people, culture and medical excellence



# FY 2017 Headlines

## Financials

- FY 2017 result in line with guidance
- Headline results (underlying, constant currency)
  - EBITDA growth 5.3%
  - Revenue growth 5.8% to A\$5.3 billion
  - Net profit growth 4.4%
- Dividends
  - Final dividend up 4.5% to A\$0.46 per share
  - Full-year dividend up 4.1% to A\$0.77 per share
- Strong earnings growth in Laboratory and Imaging divisions
- Accretive acquisitions and hospital laboratory joint ventures augmenting ongoing strong organic growth



# FY 2017 Summary

## Financials

A\$ M	STATUTORY			UNDERLYING CONSTANT CURRENCY		
	FY 2017	FY 2016	Growth	FY 2017	FY 2016	Growth
Revenue	<b>5,122</b>	5,052	1%	<b>5,308</b>	5,018	6%
EBITDA	<b>869</b>	880	(1)%	<b>923</b>	876	5%
Net profit	<b>428</b>	451	(5)%	<b>459</b>	440	4%
Earnings per share (A\$)	<b>1.02</b>	1.09	(7)%	<b>1.10</b>	1.07	3%

- Statutory revenue and earnings growth negatively impacted by:
  - Foreign currency headwind
  - Significant non-recurring items in FY 2016
- Underlying constant currency results adjusted for:
  - ~4% foreign currency headwind
  - A\$35 million after tax capital gain on sale of building in FY 2016
  - Non-recurring costs – acquisitions, lab relocations and restructures (FY 2017 = A\$21 million, FY 2016 = A\$31 million)



# FY 2017 Summary (cont.)

## Financials

- Underlying revenue growth 6%
  - Laboratory division (global) 6%, organic ~4%
  - Imaging division 5%, organic ~4%
- Underlying earnings growth
  - Laboratory division (global) 8% EBITDA growth, margin accretion 25 basis points
  - Imaging division 7% EBITDA growth, margin accretion 30 basis points
- Strong cash generation
  - Cash generation from operations A\$736 million, up 4% on comparative period
  - 103% conversion of EBITDA to gross (pre-interest and pre-tax) operating cash flow



# FY 2018 Guidance

## Financials

- FY 2018 guidance confirmed after 4 months' trading
- Guidance as issued 16 August 2017
  - EBITDA
    - 6-8% growth on underlying FY 2017 EBITDA of A\$889 million (constant currency FY 2017 FX rates)
    - No regulatory changes assumed, including proposed US Medicare fees (potential FY 2018 impact <1%)
    - Excludes future acquisitions
  - Interest expense
    - Expected to increase by 10-15% (constant currency)
    - Current base rates assumed to prevail
  - Tax rate
    - Expected at ~25%
  - Capital Expenditure
    - Expected to be significantly lower in FY 2018, following completion of major infrastructure projects



# FY 2017 Dividends

## Financials

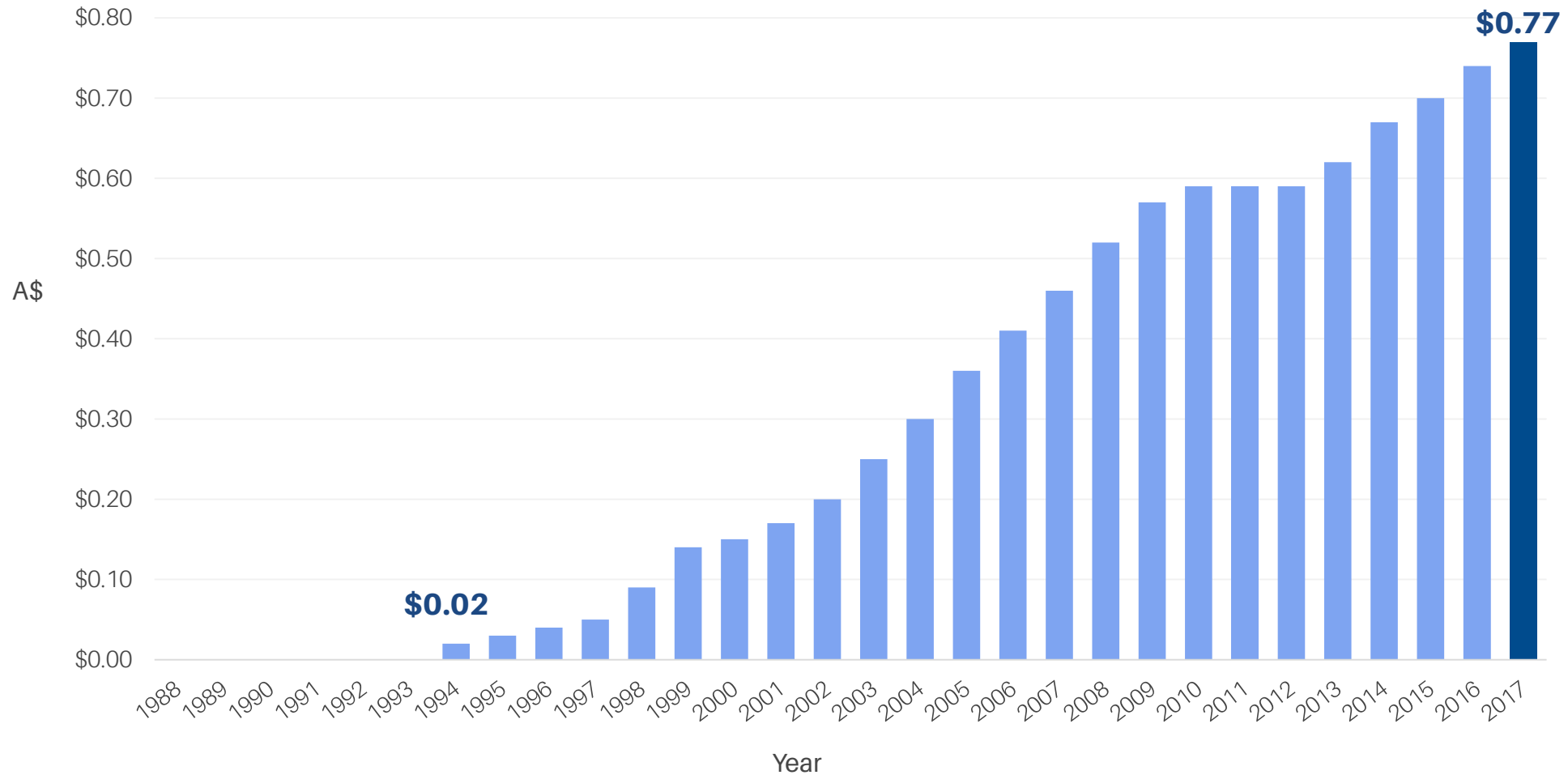
- Progressive dividend policy maintained
- Dividends franked to 20%
- Dividend Reinvestment Plan (DRP) operated for both dividends
  - Shareholders representing 29% of issued capital participated
  - Shares issued at discount of 1.5%
  - DRP used to fine tune capital structure following acquisitions

A\$	FY 2017	FY 2016	Growth
Interim Dividend	<b>\$0.31</b>	\$0.30	3.3%
Final Dividend	<b>\$0.46</b>	\$0.44	4.5%
Total Dividends	<b>\$0.77</b>	\$0.74	4.1%



# Full-year Dividend History

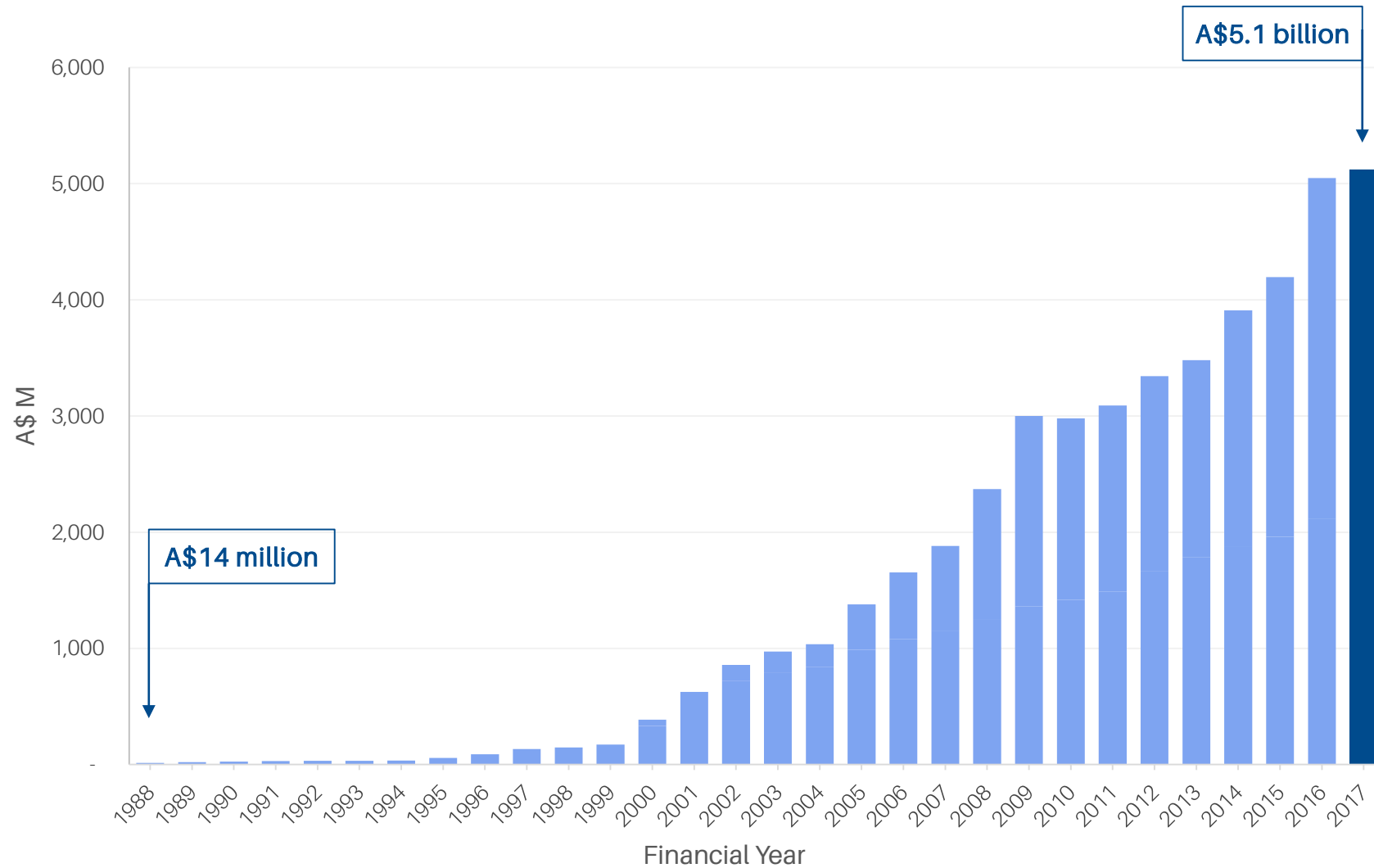
Financials





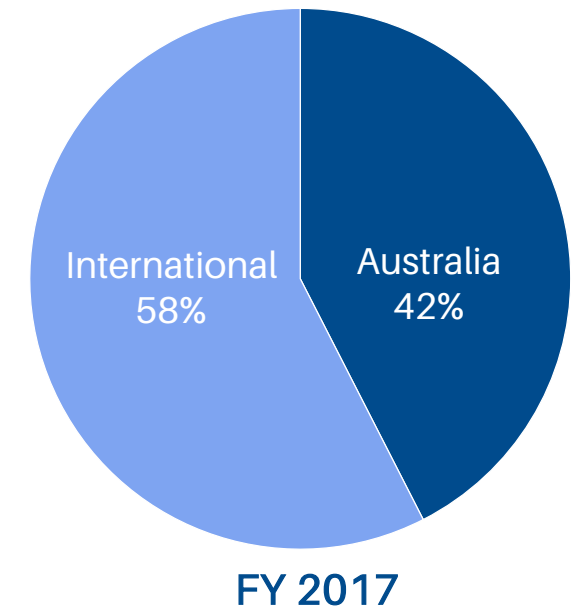
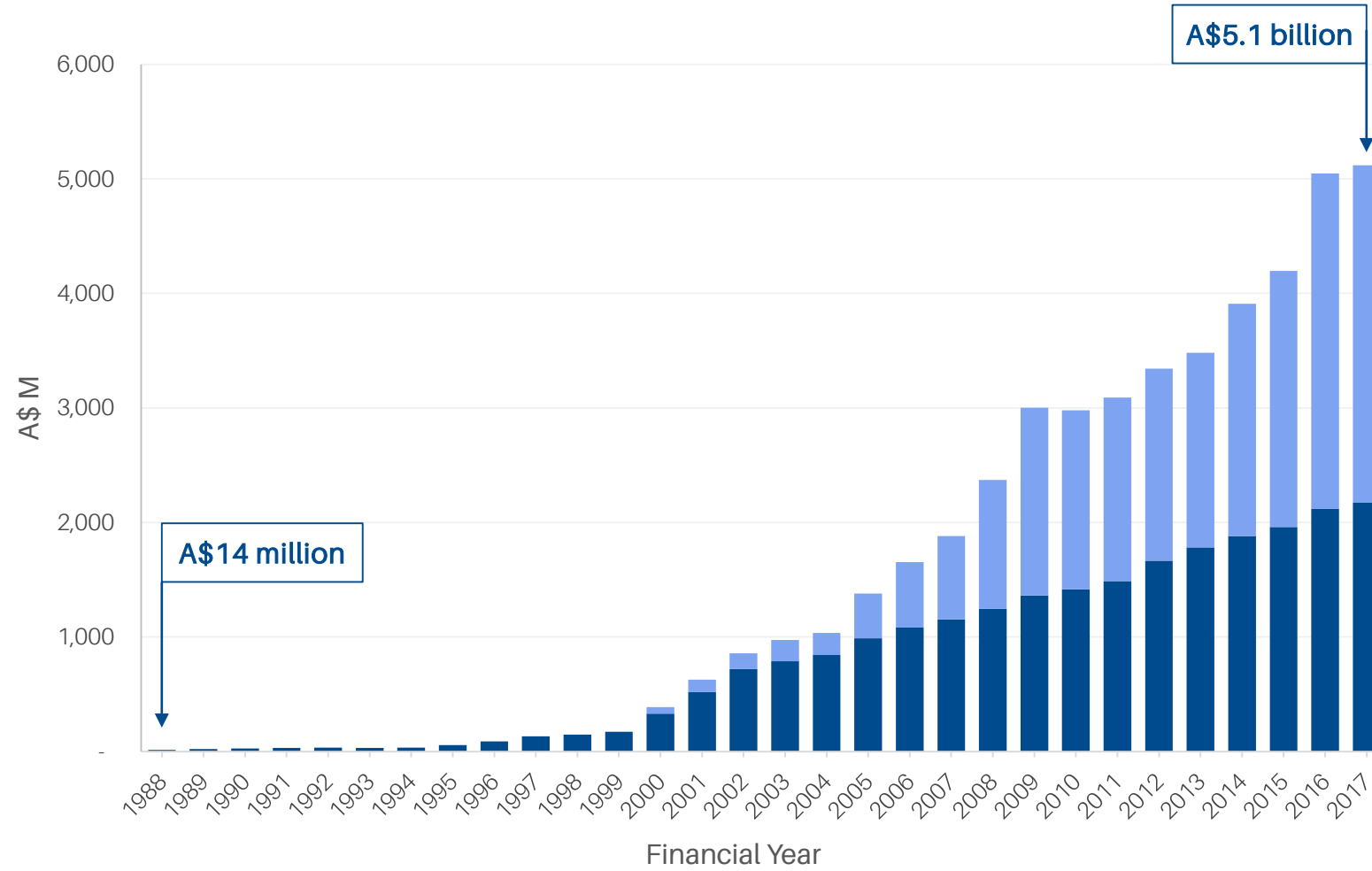
# Revenue History

Financials



# Revenue History

Global Business

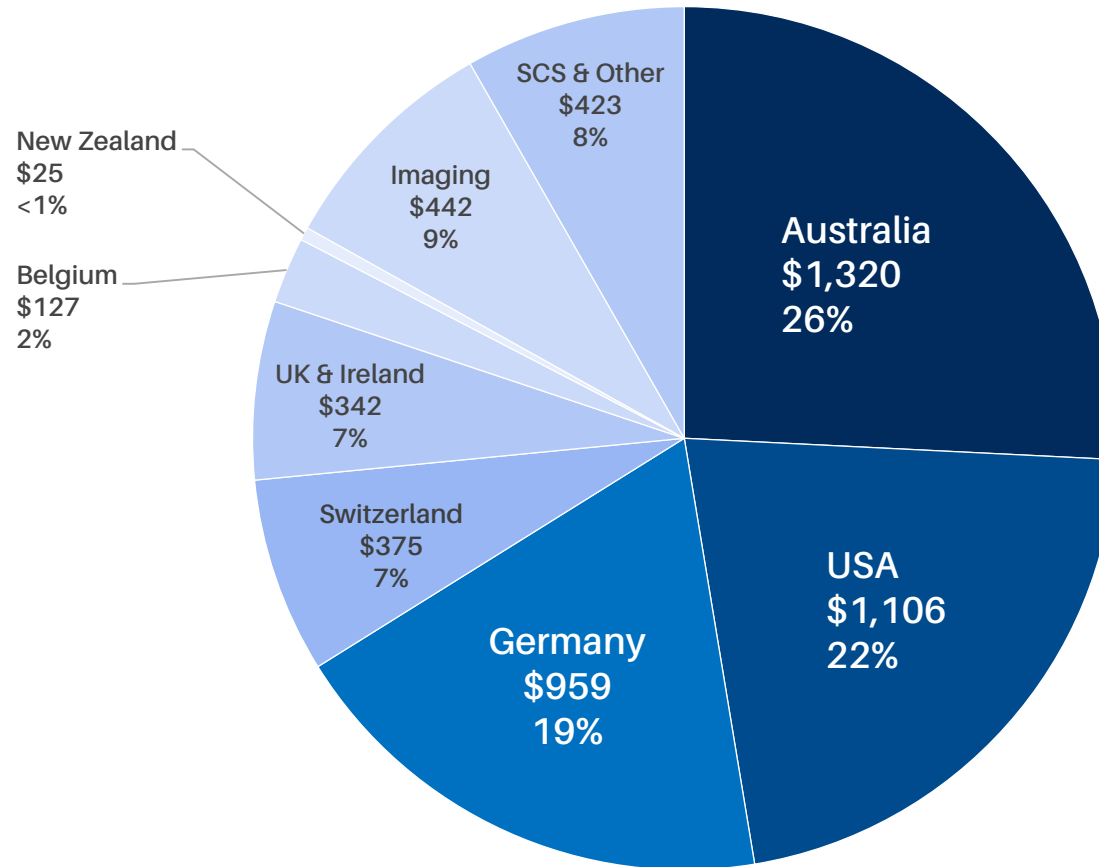


Australia  
 International



# FY 2017 Revenue Split

Global Business



Group revenue FY 2017  
**A\$5.122 billion**

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

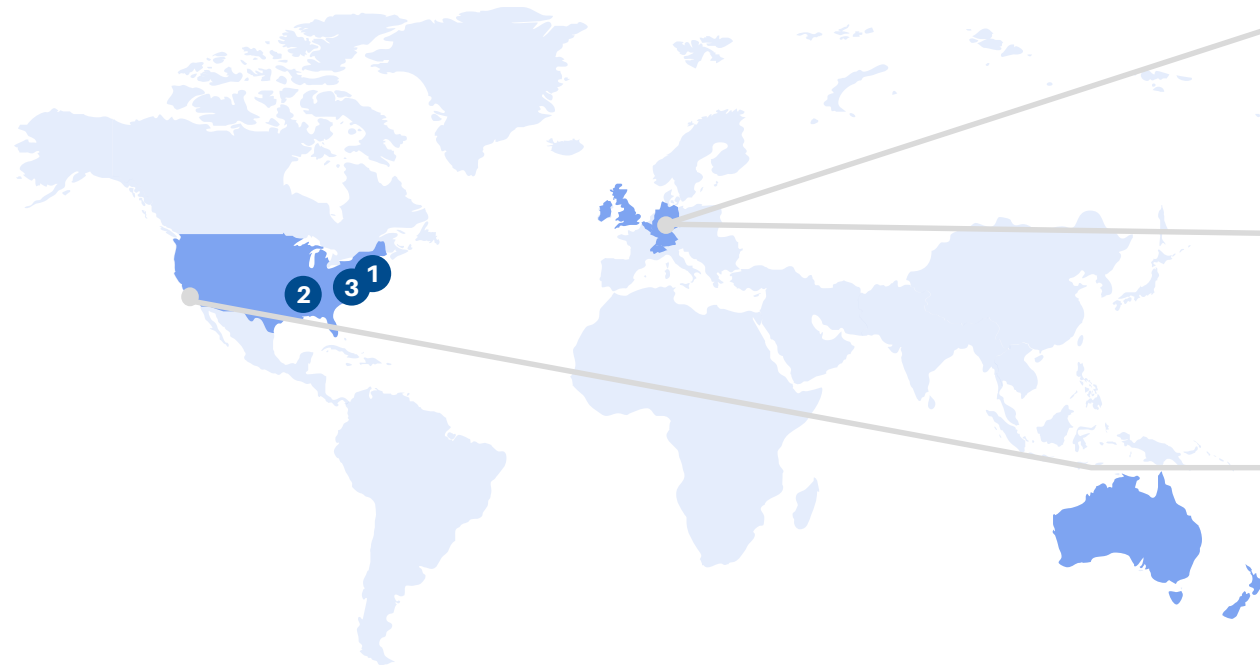
- Statutory revenue in A\$ M
- Chart excludes interest income (\$3 M)




# International Expansion

## Global Business

- 1987  Australia
- 1999  New Zealand
- 2002  United Kingdom
- 2004  Germany
- 2005  United States
- 2007  Switzerland
- 2010  Belgium  
 Ireland
- 2017 New acquisitions & JV's




Completed January 2017 



Completed July 2017 



Completed January 2017 

### US HOSPITAL LABORATORY JOINT VENTURES

1. Western Connecticut Health Network (commenced April 2017)
2. Baptist Memorial Health Care (commenced April 2017)
3. New York University (NYU) Langone Health hospital system (commenced October 2017)



# Global Perspective

Global Business

Laboratory medicine accounts for **83%** of Sonic's business globally

Sonic operates businesses in **8** countries



# Global Perspective

Global Business

Sonic is the **market leader** in laboratory medicine in **4** countries of operation





# | The Sonic Difference

People, Culture & Medical Excellence

# | Business Strategy

## The Sonic Difference

- Consolidation of fragmented medical laboratory markets
  - Synergistic acquisitions in suitable markets/countries
  - Aim to be Top-3 player in each market
  - Strong organic growth to leverage embedded infrastructure
- Synergy capture
  - Economies of scale, reduce duplication, purchasing power, pooling resources, sharing/leveraging global expertise etc
- Focus on core business
  - Reduces risk and drives value and return on investment
- Maintain appropriate gearing/debt level
  - Optimise return on equity
  - Investment grade balance sheet





# Culture / Ethos

## The Sonic Difference

- Focus on highest quality healthcare services – and the people who deliver them – financial success will follow
- Medical Leadership
  - A deep understanding of doctors and the medical profession
  - Business decisions are made from a medical/doctor/patient perspective
  - Resonates deeply with staff – direction, passion, loyalty
  - Resonates within the healthcare sector
  - Delivers high-quality “good medicine” and best patient outcomes
  - Builds company strength and resilience
  - Drives organic and acquisitional growth
  - Generates substantial shareholder value as a by-product
- Federated structure
  - Respect for acquired staff
  - Preserves established brands, management, local flavours
  - Protects purchased goodwill



# Culture / Ethos

The Sonic Difference

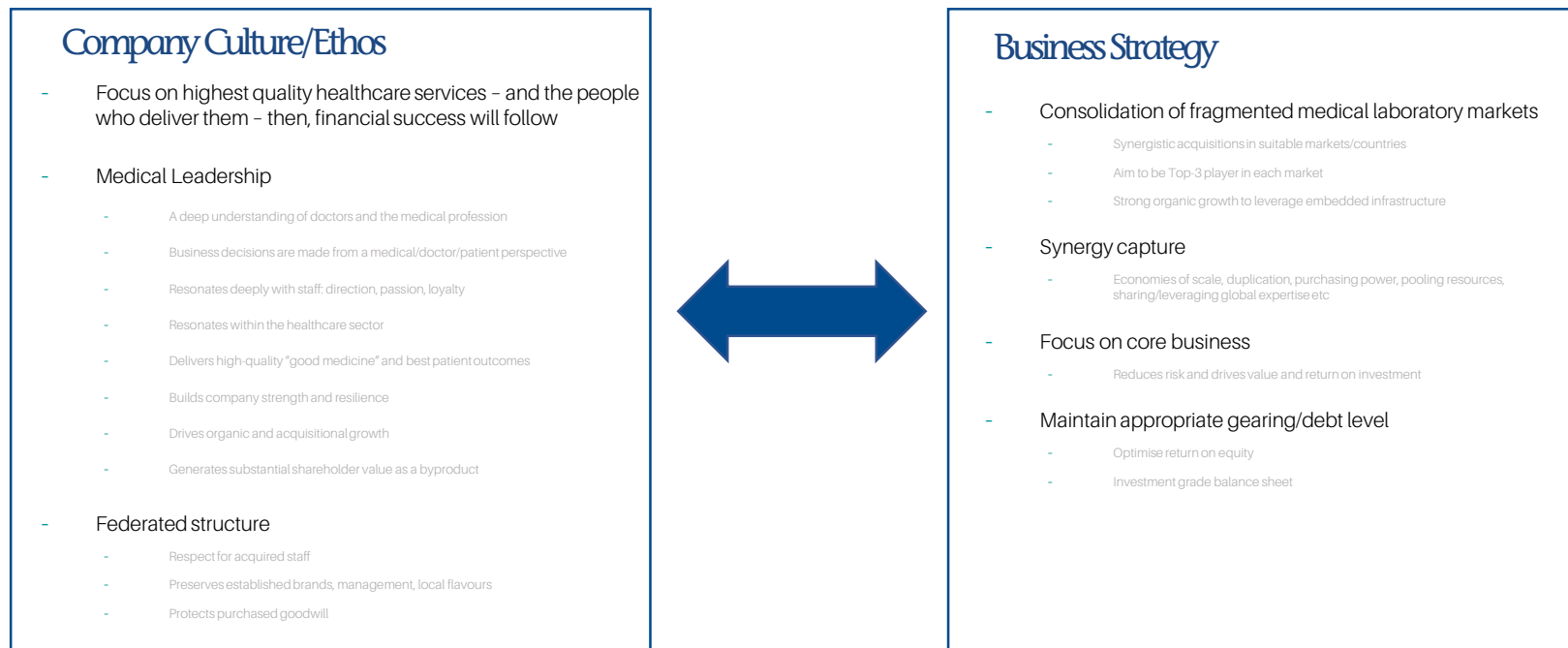
Medical Leadership is the dominant force behind Sonic's success and continues to strengthen as the company grows



# Culture vs Strategy

## The Sonic Difference

- Sonic Healthcare is a people business
- Company culture and ethos resonate strongly with Sonic's people
- Business strategy provides the framework and company direction





# Commitment to Patients

The Sonic Difference

## Patient consultation

- Our unit of business
- The reason for our existence
- Involves doctor, patient and clinical need

## Sonic's business – what we do and why

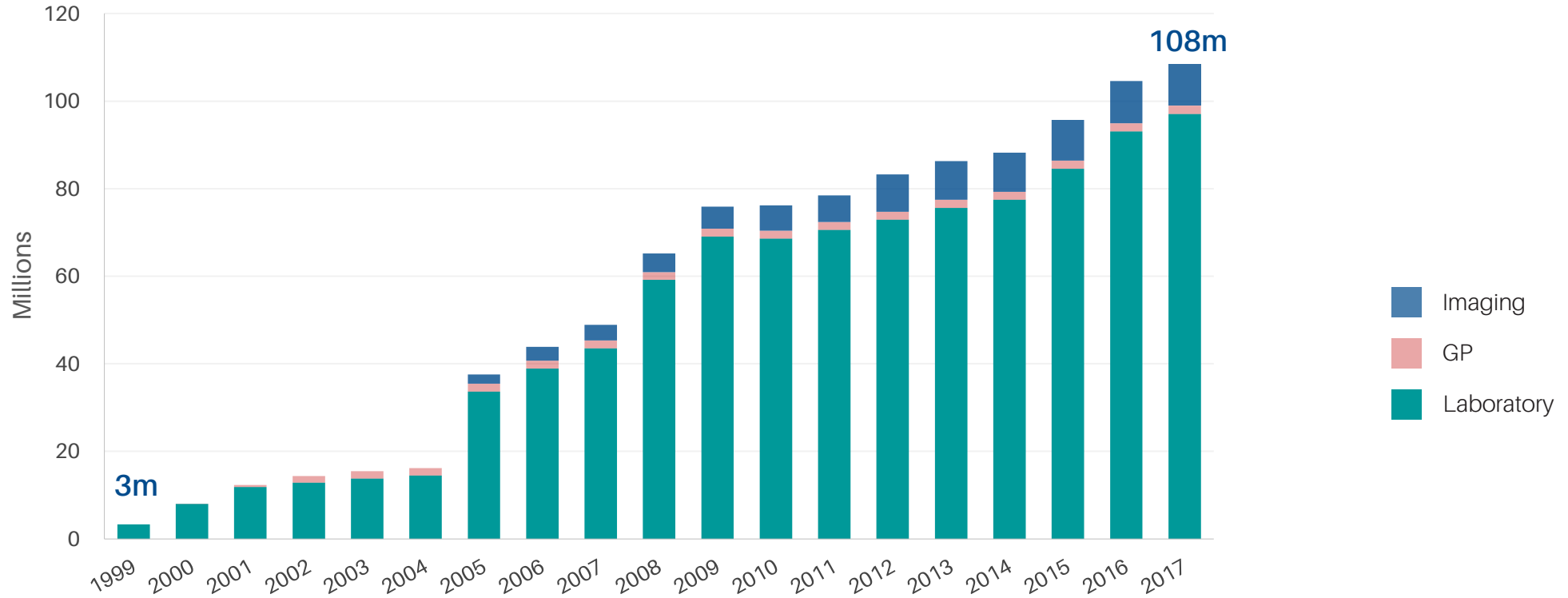
- We service doctors, patients and clinical needs
- We provide essential healthcare services
- We strive for optimal patient outcomes



# Commitment to Patients

The Sonic Difference

Patient Consultations  
More than 1 billion consultations since 1999





# 108 million patient consultations in FY 2017

The Sonic Difference



Our principal commitment  
is to patients



# Commitment to Operational Excellence

The Sonic Difference



## Bioscientia - Germany

- One of Sonic's largest laboratory companies
- State-of-the-art newly expanded central laboratory in Ingelheim
- 1,600 staff, 53 pathologists, 72 PhDs, 7 geneticists
- Servicing 350 hospitals
- 50,000 patient consultations per day
- Leading private human genetics practice in Germany
- International division serving >500 referrers in Middle East and North Africa



# Commitment to Operational Excellence

The Sonic Difference

## Dianalabs – Sion, Switzerland

- One of Sonic's smallest laboratories
- A division of the Medisupport Group
- Located in the Rhone Valley, canton of Valais
- 19 staff, 250 patient consultations per day
- Routine and fertility testing only, other tests referred to larger sister labs in Geneva and Bern



# Commitment to Operational Excellence

The Sonic Difference

- Sonic operates >250 medical laboratories worldwide
- ~400,000 laboratory patient consultations per day

**Bioscientia**     Ingelheim, Germany

**Dianalabs**     Sion, Switzerland

- Regardless of size, both labs deliver high-quality essential services to the communities they serve
- Staff at both labs show the same dedication to the referring doctor, the patient and the clinical need
- **Sonic is the sum of its operating parts, with global staff strongly united via a culture of medical excellence**



# Commitment to Operational Excellence

The Sonic Difference



## National Bowel Cancer Screening Program

- Sonic wins exclusive Australian Government contract, after competitive tender process
- 3-year contract, with possible extensions, commencing January 2018
- Sonic will provide end-to-end service – build and ship test kits, perform testing, transmit results
- 2018 – 3 million Australians will receive test kits
- 2020 – 4 million Australians will receive test kits
- Early detection of bowel cancer saves lives



# Commitment to Staff

## The Sonic Difference

- Sonic employs >33,000 people who are committed to operational excellence

Country	Employees 30 June 2017
 Australia	16,197
 USA	6,925
 Germany	6,923
 UK	1,812
 Switzerland	1,029
 Belgium	497
 New Zealand	183
 Ireland	70
<b>TOTAL</b>	<b>33,636</b>



# Commitment to Staff

## The Sonic Difference

- Sonic employs >33,000 people who are committed to operational excellence
- Women comprise 75% of the workforce and 53% of senior leadership positions

## Employees by Gender

	2017	2016	2015
Women in Senior Leadership Positions	53%	51%	50%
Women within the total workforce	75%	76%	77%

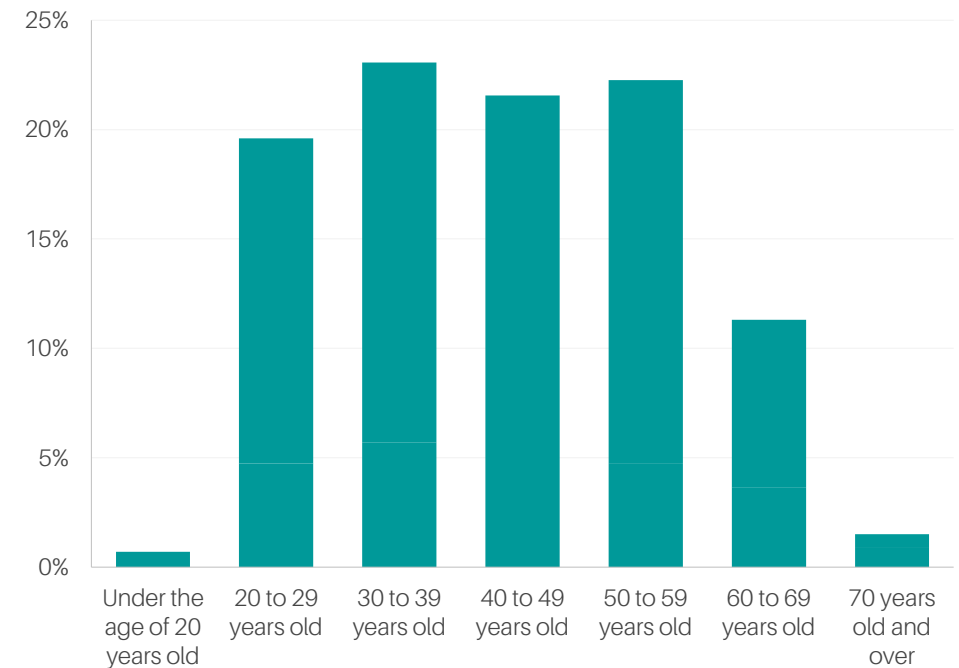


# Commitment to Staff

## The Sonic Difference

- Sonic employs >33,000 people who are committed to operational excellence
- Women comprise 75% of the workforce and 52% of senior leadership positions
- Employee numbers are evenly distributed across age groups between the ages of 20 to 59

## Employees by Age Bracket



# Commitment to Staff

## The Sonic Difference

- Sonic employs >33,000 people who are committed to operational excellence
- Women comprise 75% of the workforce and 52% of senior leadership positions
- Employee numbers are evenly distributed across all age groups between the ages of 20 to 59
- Low employee turnover rate, particularly in senior leadership positions
- Almost one third of the workforce has been with Sonic for >10 years
- ~700 people have been with Sonic businesses for >30 years

## Employee turnover in global workforce

	2017	2016	2015
Senior leadership turnover rate	7%	6%	7%
Total employee turnover rate	16%	16%	17%







# Commitment to Education

## The Sonic Difference

- Teaching is deeply embedded within Sonic's Medical Leadership culture
  - A proud history of direct involvement with medical schools, educating the next generation of medical professionals
  - In 2017 alone, 650 students, registrars and Fellows received formal training at various Sonic practices
  - More than 1,500 graduate and postgraduate students have attended Sonic facilities as part of their coursework this year
- In 2017, 2,500 GPs participated in Sonic's continuing education workshops



# Internal Culture, Learning & Development

## The Sonic Difference

- **SonicConnect** established in 2004
- To propagate Sonic's global ethos and culture
  - Medical Leadership
  - Emotional intelligence in the workplace
- Focused on Sonic's culture and the promotion of a positive work environment
- SonicConnect programs
  - Emotional Intelligence
  - High Performing Teams
  - Conflict Management
  - Change Management
- More than 5,000 staff have participated in SonicConnect workshops globally over the past 10 years (> 15% of all staff)





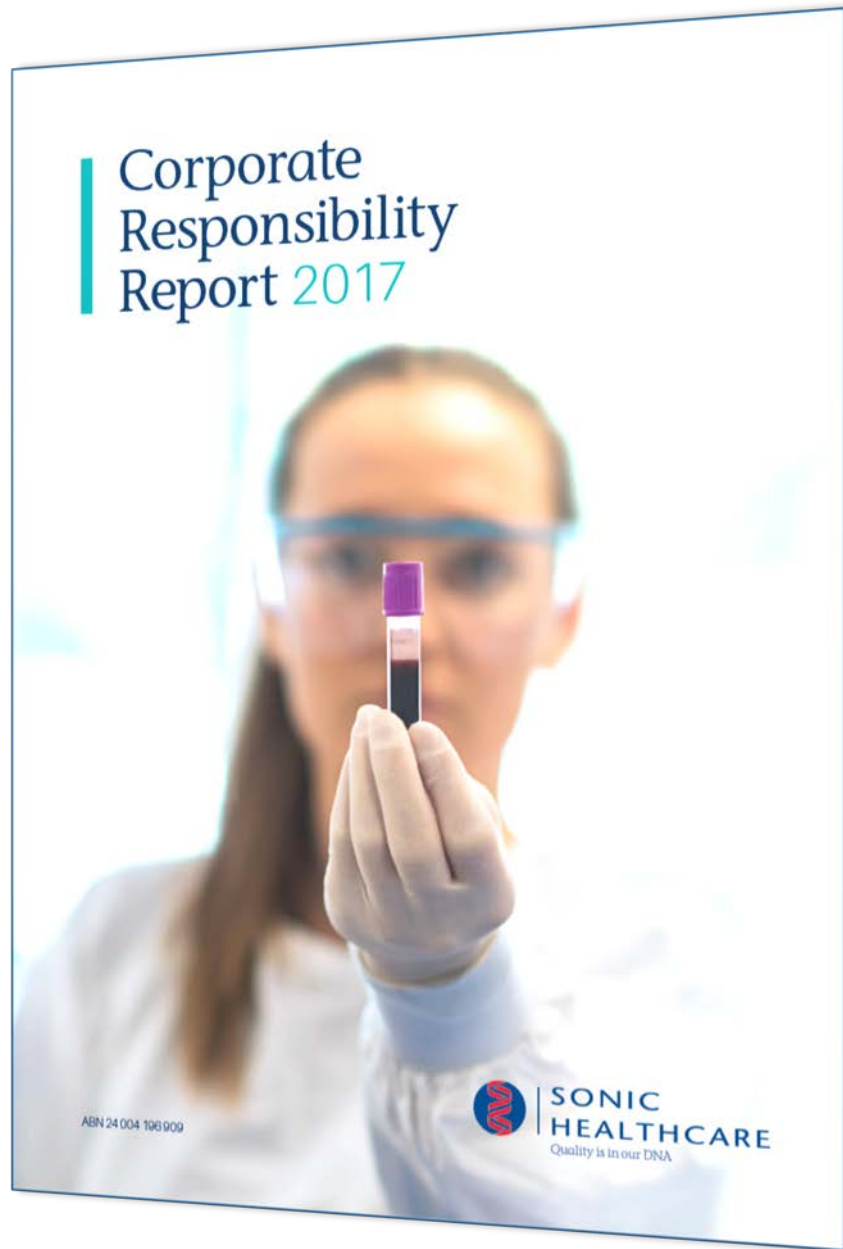
# Commitment to Others

The Sonic Difference

## The Catalyst Program

- The cornerstone of Sonic's philanthropic activities
- Sonic's support of HEAL Africa is now in its 10<sup>th</sup> year, operating in the Democratic Republic of the Congo, Ethiopia and South Sudan
- Expanding into other regions
  - **East Timor** - supporting a local program providing medical clinics and laboratory services for women and children
  - **Australia** - involvement with Clontarf Foundation, which aims to improve the education, discipline, life skills, self-esteem and employment prospects of young Aboriginal and Torres Strait Islander men





# Corporate Responsibility Report 2017

- Captures the essence of Sonic Healthcare
- Profiles Sonic's ESG (environmental, social and governance) and ethical investment credentials
- Documents the attributes responsible for Sonic's inclusion in the FTSE4Good Index
- Hard copy available today or view the report online at [sonichealthcare.com/corporate-responsibility](https://sonichealthcare.com/corporate-responsibility)

# Conclusion

Sonic Healthcare Annual General Meeting 2017

- Over 30 years, Sonic has cemented and enhanced its commitment to Medical Leadership
- Medical Leadership resonates strongly within the healthcare sector
  - Clinicians – the model is favoured because it insists on optimal patient care
  - Staff – drives passion and fulfilment, attracts and retains top pathologists, radiologists, medical professionals
  - Acquisitions – attracts high-quality, like-minded companies to Sonic, on cultural grounds
  - Tenders, joint ventures and contracts – provides competitive advantage
- Sonic is privileged to play a vital role in the health of many communities across the globe
- Sonic enjoys an outstanding global reputation for integrity and excellence in healthcare
- Sonic's unique company ethos and business strategy form a solid foundation for future success



Thank you.

