



SONIC  
HEALTHCARE

# Investor Briefing

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# Earnings Update 20 May 2010

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- ▶ Sonic's original earnings guidance for FY 2010
  - ▶ 10-15% NPAT growth on base of A\$315 million
  - ▶ Growth on constant currency basis
- ▶ Sonic's updated earnings forecast for FY 2010
  - ▶ ~A\$315-320 million NPAT (constant currency)
- ▶ Expected shortfall on original guidance
  - ▶ ~A\$30-35 million NPAT (constant currency)

A\$315-320 million "constant currency" = A\$290-295 million "reported"

# FY 2010 Earnings Shortfall relative to Guidance

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- ▶ NPAT shortfall of ~A\$30-35 million
- ▶ Queensland pathology ~A\$12 million
- ▶ Australian pathology market volumes ~A\$10 million
- ▶ Radiology ~A\$ 8 million

*Based on actual results to April 2010 and forecasts to June 2010*

# Queensland Pathology

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- ▶ Billing policy changes to offset Government fee cuts
  - ▶ Uniform patient co-payments (excluding pensioners)
  - ▶ Temporary significant GP market share loss as a result
  - ▶ Initially successful with referrers' support
  - ▶ Patient resistance and competitor activity undermined strategy
  - ▶ Staged reversal strategy carefully implemented to recover lost volume
- ▶ Volumes almost back to pre-billing change levels
  - ▶ Strength of Sonic's brand
  - ▶ Average fee still reduced due to 1 November 2009 fee cuts
  - ▶ Strategies to lift average fee in train

# Australian Pathology Market

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- ▶ National market volume growth abnormally low
  - ▶ Since November 2009 Government fee cuts
  - ▶ Normal market growth had been expected for FY 2010 guidance
  - ▶ Likely causes: publicity around billing changes, concerns about patient co-payments
- ▶ Australian Medicare volume growth data
  - ▶ March quarter - 7.2%
  - ▶ March quarter (excl. Queensland) - 6.8%
  - ▶ Rolling 6 months (to March 2010) - 3.5%
  - ▶ Rolling 9 months (to March 2010) + 0.4%
- ▶ Negative growth over such an extended period is unprecedented

# Sonic Australian Pathology

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- ▶ Sonic's Australian volume growth (excl. Queensland)
  - ▶ Low positive growth March quarter vs negative market growth (minus 6.8%)
  - ▶ Suggests market share gains
- ▶ Sonic pathology – average fee per patient
  - ▶ Fee cuts have been offset (excl. Queensland) – evidenced by average fee growth
  - ▶ Focus on specialist and hospital markets
- ▶ Ongoing focus on cost control
- ▶ Future growth
  - ▶ Normal drivers of pathology growth remain unchanged (ageing of population, preventative medicine, new tests etc)
  - ▶ Strong growth expected from November 2010 – growth on low volume base
  - ▶ Collection centre deregulation likely to drive additional demand
  - ▶ Normal growth in Sonic's other global markets
  - ▶ Sonic's outstanding brands an advantage in deregulated market
  - ▶ Sonic's volumes in recent weeks suggest improving growth trend

# Radiology

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- ▶ Sonic radiology performance against FY 2010 guidance
  - ▶ Shortfall represents loss of expected earnings growth
  - ▶ Flat earnings growth now expected for H2 FY 2010 vs H2 FY 2009
  - ▶ Competition has impacted volumes and pricing
- ▶ Volume impacts
  - ▶ Some market share loss to bulk-billing competitors (no patient co-payment)
- ▶ Pricing impacts
  - ▶ Fee increase of November 2009 only applicable to bulk-billed services
  - ▶ Sonic has converted limited services to bulk-billing in order to protect market share
  - ▶ Conversion to bulk-billing has reduced average fee vs original guidance

# Dividend – FY 2010

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- ▶ Final dividend per share expected to be at least at prior year's level
- ▶ Rationale
  - ▶ No loss of profits in FY 2010 on constant currency basis
  - ▶ Temporary nature of profit impacts



# FY 2011 Guidance

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- ▶ NPAT growth of 10-15% on reported FY 2010 NPAT
  - ▶ Reported FY 2010 NPAT expected to be A\$290-295 million
  - ▶ A\$290-295 reported = A\$315-320 million constant currency
- ▶ FY 2011 guidance on constant currency basis (i.e. using FY 2010 rates)
- ▶ Guidance excludes new acquisitions
- ▶ Assumes resumption of normal volume growth of Australian pathology market
- ▶ Includes estimated revenue and costs associated with collection centre deregulation
- ▶ No further regulatory changes anticipated in FY 2011
- ▶ Ongoing strong offshore earnings



Thank You

