



# Interim Results

## 6 Months to 31 December 2002

Colin Goldschmidt  
Managing Director

26 February 2003

# Sonic Half Year Summary

(1 July – 31 Dec 2002)

- 1<sup>st</sup> half EBITA guidance forecast
  - *Achieved*
- Full year guidance forecasts
  - *Revenue, EBITA, margins all on target*
- 2<sup>nd</sup> Half performance to date
  - *January EBITA above budget*
  - *February volumes strong*
- Sonic operations
  - *Integration initiatives progressing well*
  - *Solid organic growth*
  - *UK pathology performing well*

# 2003 Guidance Unchanged

		<b>Sonic Guidance</b>	<b>Sonic Actuals</b>
<b>1st Half 2003</b>	EBITA	\$80 - 82M	\$82.4M
<b>Full Year 2003</b>	Revenue	\$970 - 980M	} (On track after 7 months)
	EBITA	\$172 - 176M	
	EBITA %	17.75 - 18.00%	

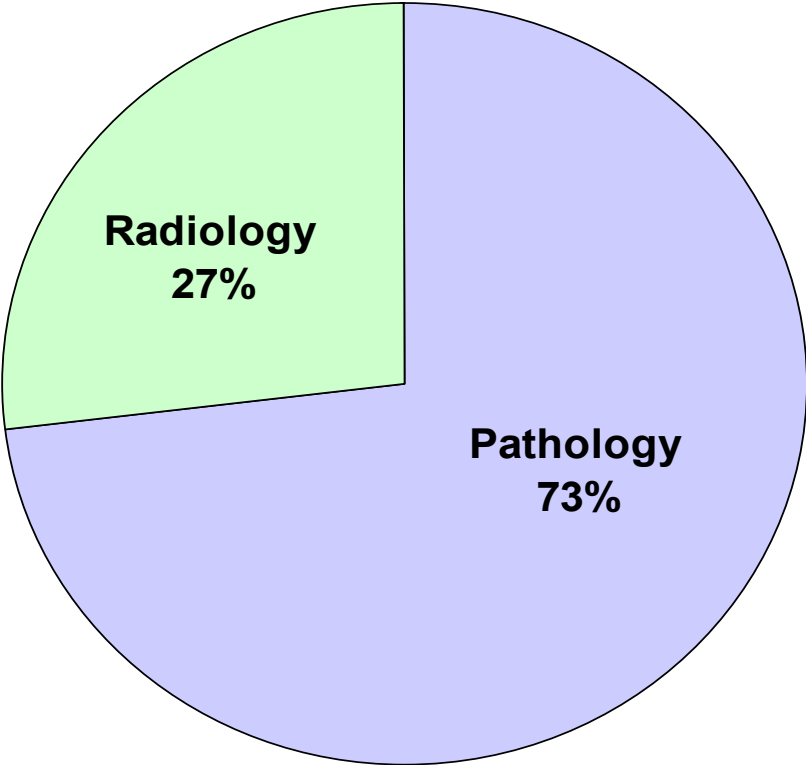
# Revenue

	6 Months ended <b>31.12.02</b> \$'000	6 Months ended <b>31.12.01</b> \$'000	Movement %
Total Revenue	485,531	406,634	19.4%

- Acquisitions have contributed to revenue growth
  - Clinipath (Aug 2001), SKG (Nov 2001), TDL (April 2002)
- Organic revenue growth = ~6%  
*(excludes acquisitions)*
  - Australian pathology revenue ahead of industry growth
  - Australian radiology revenue in line with industry growth

**Revenue guidance for full year : \$970 – 980 million**

# Sonic Revenue Split



# Earnings Growth

		6 Months ended 31.12.02	6 Months ended 31.12.01	Movement %
<b>EBITA</b>	(\$'000)	82,356	63,711	29.3%
<b>NPAT</b>	(\$'000)	19,101	12,088	58.0%
<b>Core NPAT</b>	(\$'000)	48,506	34,711	39.7%
<b>Core EPS</b>	(cents)	18.5	14.6	26.8%
<b>Cash Generation</b>	(\$'000)	66,167	41,878	58.0%

EBITA guidance for full year : \$172 – 176 million

- 2<sup>nd</sup> Half seasonally stronger than 1<sup>st</sup> half
- 2<sup>nd</sup> half devoid of SciGen effect

Core = Before Amortisation of Intangibles

# EBITA Margins

Sonic	6 Months ended 31.12.02	6 Months ended 31.12.01
EBITA Margin	17.0%	15.7%
EBITDA Margin	21.2%	19.8%

- Margin expansion continues
  - Revenue growth with marginal profit
  - Entity cost initiatives
  - Sonic Amalgamation initiatives
- On track to achieve full-year EBITA margin guidance (17.75-18.00%)

# Pathology Margins

Sonic Pathology	6 Months ended <b>31.12.02</b>	6 Months ended <b>31.12.01</b>
EBITA Margin	18.9%	17.6%

- Solid margin performance for half year
- Sonic amalgamation initiatives
  - Benchmarking
  - Purchasing
  - IT
- All pathology entities performing strongly
- Margin expansion set to continue



# Radiology Margins

Sonic Imaging	6 Months ended 31.12.02	6 Months ended 31.12.01
EBITA Margin	17.9%	18.3%

- Sonic Imaging entities performing well
- Excluding SKG, margins have increased
  - SKG : lower margin acquisition, with margin dilution
  - Acquired in November 2001
  - Excellent Perth-based practice
  - Margins now increasing

# Interim Dividend

	2003	2002	Movement %
Interim Dividend	\$0.08	\$0.04	100%
Final Dividend (Forecast)	\$0.16	\$0.16	0%
Full Year Dividend (Forecast)	\$0.24	\$0.20	20%

- Dividend fully franked at 30%
- Record Date
  - 11 March 2003
- Payment Date
  - 25 March 2003
- Dividend Reinvestment Plan remains suspended

# Balance Sheet Summary

		6 Months to 31.12.02	6 Months to 31.12.01
Receivables (current)	\$M	100.3	101.2
Intangibles (net)	\$M	1,170.6	1,041.7
Amortisation of Intangibles	\$M	29.4	22.6
Total Interest-bearing Debt	\$M	608.7	409.1
Interest Cover (EBITA / Net Interest)	X	4.5	3.8
Equity	\$M	838.1	837.5
Gearing (Net I.B. Debt / Equity)		0.69	0.45

Undrawn senior debt facilities - \$73.7 million (31.12.2002)

# Interest and Amortisation Guidance

	2003 Financial Year Range (\$M)
Interest Expense	\$36.8 – 37.3M
Amortisation	\$59.0 – 59.5M

- Interest increase for H1, 2003 (~\$1.5 M)
  - Acquisitions
  - \$30 million equity injection into SciGen prior to demerger
- Guidance assumes no further acquisitions

# UK Pathology - TDL

- Business progressing well
- Solid growth in revenue and earnings
- Negotiations with NHS progressing
- Relocation of laboratory within months
  - Harley Street District of Central London
  - Modern, more efficient design and workflow

# Recent Sonic Initiatives

- **Sonic Clinical Institute**
  - Esoteric Testing laboratory
  - Established at Sonic's North Ryde, Sydney facility
  - Separate corporate entity, headed by Sonic's Robyn Winton
  - First Trimester Screening Division – Prof Michael Sinosich
  - Molecular Genetics Division – Dr Brian McDonald
  - Access to new testing markets in Australia, Asia and elsewhere
  - Financial impact not material initially
- **Sonic IT**
  - A major division within Sonic, headed by Dr Alan Lloyd
  - In-house development and roll-out of pathology IT system (Apollo)
  - In-house development and roll-out of radiology IT system (RIS)
  - Major cost benefits anticipated

# Pathology Funding Agreement

- Agreement Term : 1 July 1999 – 30 June 2004
  - 3 year term, extended by 2 years at 5% growth p.a.
- 42 month data to 31 December 2002
  - Total Medicare pathology spend - \$3,498 million
  - Cumulative pathology overspend - \$ 13 million
  - Agreement has +/- 0.5% tolerance margin
- No fee reductions anticipated
- Negotiations to commence in 1<sup>st</sup> half 2003/4

# Radiology Funding Agreement

- Negotiations currently in progress
- Industry expenditure tracking close to agreed parameters
- No fee reduction envisaged
- Agreement expires 30 June 2003
- Industry and Government anticipate new “cap” agreement



# Medicare Data

## GP, Specialist, Pathology, Radiology

(6 Months Ended 31.12.02)

	Episode Volume Growth	Medicare \$ Growth
GP Consultations	(1.7%)	4.8%
Specialist Consultations	1.5%	2.9%
Pathology Referrals	3.7%	5.8%
Radiology Referrals (excl. MRI)	3.5%	4.8%

- GPs seeing fewer patients but longer consultations
- Pathology and Radiology referrals unaffected by lower GP volumes (or by increased private billing)

# Sonic Referral Analysis

## Question

***Are pathology or radiology volumes affected by reduced GP consultations or by increased private billing by GPs?***

## Pathology

- GP referral growth to pathology strong
- GPs are referring more pathology than Specialists

## Radiology

- Specialist referral growth to radiology very strong (study included X-Ray, Ultrasound and CT only)
- Specialists are referring more radiology than GPs

## Conclusion

***Total pathology and radiology referrals are not affected by GP volume growth or by changes in GP billing practices***

# IPN

(formerly Foundation Healthcare)

- Ongoing strong revenue flows from IPN Medical Centres
  - New collection centres in all States
  - Major growth in Queensland and South Australia
- Sonic holding in IPN increased to ~18.5%
  - Equity parcel purchased from Michael Boyd interests at 5% discount to market
  - 61.4 million shares @ \$0.0795 per share
  - External advice sought from Allens Arthur Robinson on related party issues
  - Sonic has gained a strategic stake in an important source of its revenue

# SciGen Demerger

- Transaction Summary
  - De-merged 27 November 2002
  - Listed on ASX 28 November 2002
  - Reduction in Sonic capital \$38.8 million (14.8 cents per share)
  - Sonic retained 11.6% of SciGen equity
- Impact for Sonic
  - Equity injection of \$30 million, increasing debt level
  - Improved EBITA position for Sonic with elimination of SciGen losses
  - Carrying value for balance of holding \$3.4 million (~7 cents per share)
- Impact for Sonic shareholders
  - No apparent effect on Sonic share price value
  - “Free” interest in late stage Biotechnology company

# Sonic Management

- Stable management team
- Experienced, with industry expertise
- Dedication to customer service
- Outstanding Pathologists and Radiologists
- “Medical Leadership” culture

# Summary

- Solid first half result
- Strong start to second half
- On track to achieve full year guidance
  - Revenue
  - Earnings
  - Margins
- Dependable business model
  - Revenue drivers
  - Profit drivers
- Strong and stable management team

