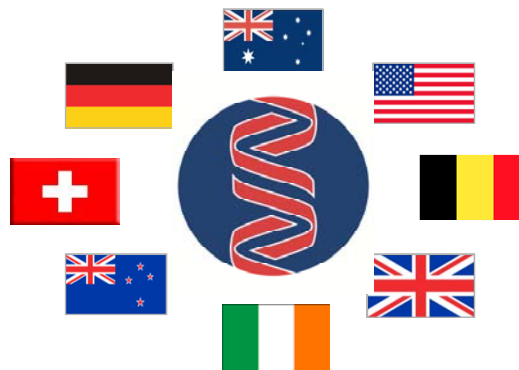




# Annual General Meeting

22 November 2012



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## **Forward-looking statements**

This presentation may include forward-looking statements about our financial results, guidance and business prospects that may involve risks and uncertainties, many of which are outside the control of Sonic Healthcare. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made and which reflect management's current estimates, projections, expectations or beliefs and which involve risks and uncertainties that could cause actual results and outcomes to be materially different. Risks and uncertainties that may affect the future results of the company include, but are not limited to, adverse decisions by Governments and healthcare regulators, changes in the competitive environment and billing policies, lawsuits, loss of contracts and unexpected growth in costs and expenses. The statements being made in this presentation do not constitute an offer to sell, or solicitation of an offer to buy, any securities of Sonic Healthcare. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Sonic Healthcare). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward-looking statement will be achieved. Actual future events may vary materially from the forward-looking statements and the assumptions on which the forward-looking statements are based. Given these uncertainties, readers are cautioned to not place undue reliance on such forward-looking statements.

The information provided in this presentation is based on and should be read in conjunction with the Appendix 4E released to the ASX on 21 August 2012 and Sonic 's 2012 Annual Report and includes earnings figures restated on a "constant currency" basis (current period earnings calculated using the same currency exchange rates as used in the comparative period to translate offshore earnings).

# Highlights FY '12

<b>Growth</b>	<b>Constant Currency</b>	<b>Statutory</b>
Revenue	11%	8%
EBITDA	12%	9%
Net Profit	10%	7%
Operating cashflow	N/A	19%

- ▶ Full-year guidance met
- ▶ Strong revenue growth
- ▶ Margin expansion 30 bps
- ▶ ROIC accretion 90 bps
- ▶ Ongoing synergy capture, particularly procurement
- ▶ Strong and stable operations

Constant currency: FY '12 results restated using FY '11 currency exchange rates

# Financial Summary FY '12

		FY '12 Constant Currency	Growth FY '12 v FY '11 Constant Currency	FY '12 Statutory	Currency Translation Effects
Revenue	A\$M	3,423	11%	3,346	(77)
EBITDA	A\$M	639	12%	624	(15)
Net Interest Expense	A\$M	78	20%	74	4
Net Profit	A\$M	323	10%	316	(7)
Earnings per Share (EPS)	cents	82.5	9%	80.7	(1.8)

- ▶ EBITDA margin expansion 30 bps
  - ▶ Pathology division – 30 bps
  - ▶ Imaging division – 90 bps
  - ▶ Positive margin contribution from Australian and German laboratory operations
  - ▶ Some margin dilution from US laboratory operations
- ▶ Operating cash flow – A\$487 million, 107% of cash profit
  - ▶ Amount and timing of tax payments
- ▶ Earnings impacted by A\$4 million of acquisition-related expenses

# Dividends and DRP

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	<b>FY '12</b>
Interim Dividend	A\$0.24
Final Dividend	A\$0.35
Total Dividend	A\$0.59

- ▶ Final dividend franked to 45%
- ▶ Record Date 7 September 2012
- ▶ Payment Date 9 October 2012
- ▶ Dividend Reinvestment Plan activated
  - ▶ Fine-tuning of capital structure
  - ▶ ~\$37 million raised



# Return on Invested Capital (ROIC)

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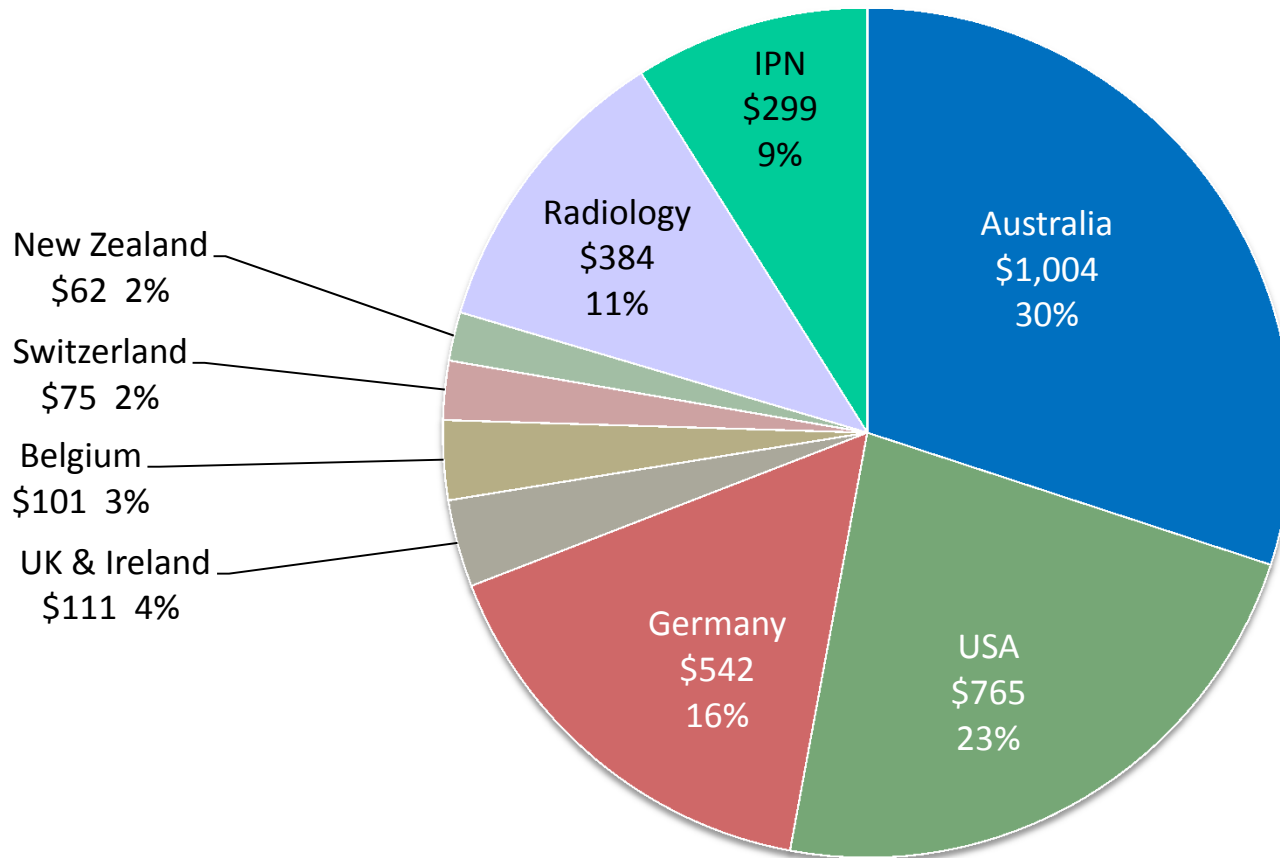
	FY '12	FY '11	Change
ROIC	9.8%	8.9%	90 bps

- ▶ Improvement driven by:
  - ▶ Organic revenue and earnings growth
  - ▶ Synergy capture
  - ▶ Synergistic acquisitions
  - ▶ No beachhead acquisitions – critical mass achieved in major markets
- ▶ ROIC accretion to continue

ROIC calculated as EBIT less tax paid divided by average invested capital

# Revenue Split

## FY '12



Statutory revenue in A\$ M



# FY '13 Guidance Update

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- ▶ EBITDA growth of 5-10%
  - ▶ EBITDA growth rate after 4 months of FY '13 in line with guidance
  - ▶ German and Australian fee changes broadly in line with expectation
  - ▶ USA market factors: continuing low market growth, unbudgeted anatomical pathology fee cuts and hurricane 'Sandy'
- ▶ Interest expense to decrease by 10-15%
  - ▶ Previously guided to 5-10% decrease
- ▶ Effective tax rate ~26%
- ▶ Based on constant currency (FY '12 FX rates)
- ▶ Guidance includes Healthscope WA acquisition
  - ▶ Minimal post-synergy contribution in FY '13





# Australian Pathology

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- ▶ Solid organic revenue growth continues
- ▶ Acquisition of Healthscope pathology businesses
  - ▶ WA acquisition completed 18 October 2012, integration proceeding well
  - ▶ NSW and Queensland acquisitions abandoned due to ACCC issues
- ▶ Pathology Funding Agreement (PFA)
  - ▶ PFA requires recovery of FY '12 cap overspend
  - ▶ Mechanism of recovery: 0.67% cut to all Medicare items plus \$3.50 cut to Vitamin D item (from 1 Jan '13)
  - ▶ Represents ~1.1% cut to Sonic's Australian pathology revenue
- ▶ Collection centre deregulation
  - ▶ Government is proceeding with a formal review
  - ▶ Review to analyse rents and impact on competition (completion by April 2013)



# USA

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- ▶ Organic industry volume growth remains subdued
- ▶ Hurricane 'Sandy'
  - ▶ Sonic infrastructure unaffected
  - ▶ Volumes in northeast division low in weeks following storm
- ▶ Regulatory Environment
  - ▶ Medicare revenue represents ~22% of Sonic's total USA revenue
  - ▶ ~5% Medicare fee cut from Jan/Feb 2013 (~1% p.a. cut on total USA revenue)
  - ▶ Medicare anatomical pathology fee cuts from Jan 2013 (~0.8% p.a. cut on total USA revenue)
  - ▶ Non-Medicare fee revenue (~78% of total) unaffected
  - ▶ Industry conditions driving further consolidation, to Sonic's advantage
  - ▶ Potential upside of additional ~30 million insured lives (Obamacare) from 2014



# Germany

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- ▶ Organic revenue growth remains strong
- ▶ Synergy capture gaining momentum
  - ▶ Procurement, mergers, courier integration, centralisation etc
- ▶ National funding structure for statutory fees (EBM)
  - ▶ Commenced 1 October 2012
  - ▶ EBM fees ~50% of Sonic's German revenue
  - ▶ Strong industry growth prompted capped industry spend ("quotas")
  - ▶ Q2 FY '13 quota: 95.4% cap to EBM fees (in line with Sonic guidance)
  - ▶ Q3 and Q4 FY '13 quotas: expected to be roughly similar to Q2, to be announced in Dec '12
  - ▶ Reimbursement adjustments partly offset by increase in pathologists' fee
  - ▶ Fees to self-referral labs reduced significantly, presents opportunity for Sonic



# Europe

## Belgium, Switzerland, UK & Ireland

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- ▶ **UK & Ireland**
  - ▶ FY '12 revenue growth 23% – includes BMI and Ramsay contracts and organic growth
  - ▶ North West London Hospital Trust contract implementation underway
  - ▶ Currently participating in major NHS tenders
  - ▶ Bowel cancer screening contract win in Ireland
- ▶ **Belgium**
  - ▶ FY '12 revenue growth 16% - includes prior year acquisitions and organic growth
  - ▶ ~3% fee increase from January 2012
  - ▶ Successful integration of acquisitions early in financial year
- ▶ **Switzerland**
  - ▶ FY '12 organic revenue growth 5%
  - ▶ Synergy capture and tight cost control



# Sonic Imaging Medical Centres (IPN)

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- ▶ **Sonic Imaging**
  - ▶ FY '12 organic revenue growth 6%
  - ▶ Tight cost control
  - ▶ Additional full and partial MRI licences from November 2012
  - ▶ Radiologist leadership and engagement
  - ▶ Stable workforce and business
- ▶ **IPN**
  - ▶ FY '12 revenue growth 35%, including acquisitions and organic growth
  - ▶ Some margin dilution from greenfield start-up centres
  - ▶ Allied and Matrix acquisitions seamlessly integrated
  - ▶ National occupational health business (Kinetic Health) tracking well
  - ▶ Synergies with pathology operations
  - ▶ GP morale and engagement at all-time high



# Sonic Healthcare - Overview

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- ▶ Global medical diagnostics service provider
- ▶ Top-3 market position in laboratory medicine in 8 countries
  - ▶ Australia #1
  - ▶ USA #3
  - ▶ Germany #1 or 2
  - ▶ UK/Ireland #1
  - ▶ Belgium #2
  - ▶ Switzerland #3
  - ▶ New Zealand #2
  - ▶ Australian radiology #2
  - ▶ Australian medical centres #1
- ▶ Consistent, successful model over 25 years
  - ▶ Strong culture and values
  - ▶ Medical Leadership philosophy
  - ▶ Superior quality and service
  - ▶ Management depth and stability
  - ▶ Enhancing shareholder value



# Outlook

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- ▶ Consistent application of proven model
- ▶ ROIC and EPS accretion
- ▶ Market share gains in major markets
- ▶ Cost control and efficiency gains
- ▶ Leverage existing infrastructure for synergies and earnings growth
- ▶ Prudent acquisition and expansion strategies
- ▶ Sonic in attractive industry – strong growth drivers

*ROIC – Return on invested capital*  
*EPS – Earnings per share*



Thank You

