

SONIC HEALTHCARE

Financial and Operational Review
For the year ended 30 June 2015



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18 August 2015

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 18 August 2015 and may include earnings figures restated on a "constant currency" basis.



Headlines

- ▶ Result in line with July 2015 earnings update
- ▶ FY '15 revenue growth of 7.3%
- ▶ Forecast FY '16 EBITDA growth ~20%
- ▶ Accretive acquisitions bolster future growth
- ▶ Full-year dividend up 4.5%



Summary

A\$ M	FY '15	FY '14	Growth
Revenue	4,201	3,913	7.3%
EBITDA (before expensing non-recurring costs)	731	738	-1.0%
Net profit (after expensing non-recurring costs)	363	385	-5.6%

- ▶ Revenue growth
 - ▶ Organic growth ~5%, enhanced by accretive acquisitions
 - ▶ Strong growth in Germany, UK and Switzerland
 - ▶ US growth strengthening
 - ▶ Australian pathology growth impacted by 1 November 2014 fee changes
- ▶ Operating costs
 - ▶ Impact of Australian collection infrastructure costs
 - ▶ Recent successful cost-out and restructure at CBLPath (NY)
- ▶ Non-recurring costs (~A\$14 million)
 - ▶ CBLPath restructure costs, New Zealand contract exit costs, acquisition costs



Dividends

A\$	FY '15	FY '14	Growth
Interim Dividend	\$0.29	\$0.27	7.4%
Final Dividend	\$0.41	\$0.40	2.5%
Total Dividends	\$0.70	\$0.67	4.5%

- ▶ Final dividend franked to 55%
- ▶ Record Date 11 September 2015
- ▶ Payment Date 22 October 2015
- ▶ Dividend Reinvestment Plan (DRP) to operate for final dividend



Dividend Reinvestment Plan (DRP)

- ▶ **DRP**
 - ▶ 1.5% discount, 20 day pricing period (16 Sept to 13 Oct)
 - ▶ DRP applications due by 14 September
- ▶ **DRP Shortfall Placement Agreement**
 - ▶ CBA Equities will subscribe for up to 100% of shortfall in DRP participation
 - ▶ No guarantee that full DRP shortfall will be funded
- ▶ **DRP and DRP Shortfall Placement**
 - ▶ Fine tune capital structure following acquisitions in July 2015
 - ▶ Reset Sonic's balance sheet for further growth

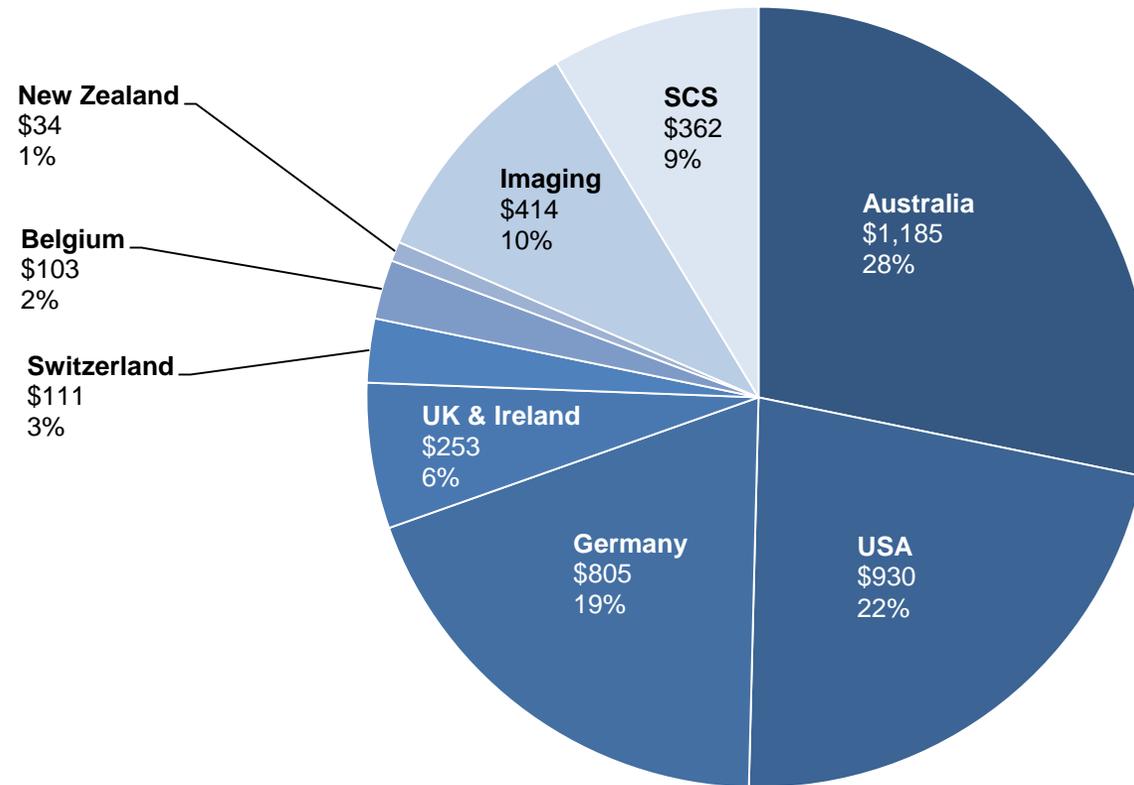


FY '16 Guidance

- ▶ EBITDA
 - ▶ A\$850-875 million at current exchange rates
 - ▶ ~20% growth over FY '15 reported EBITDA (A\$717 million)
 - ▶ A\$815-840 million at constant currency rates (FY '15 FX rates)
 - ▶ Excludes future acquisitions
- ▶ Interest expense
 - ▶ Expected to increase by 5-10% (constant currency) due to acquisitions completed in July 2015
 - ▶ Current base rates assumed to prevail
- ▶ Tax rate
 - ▶ Expected at ~25%



FY '15 Revenue Split

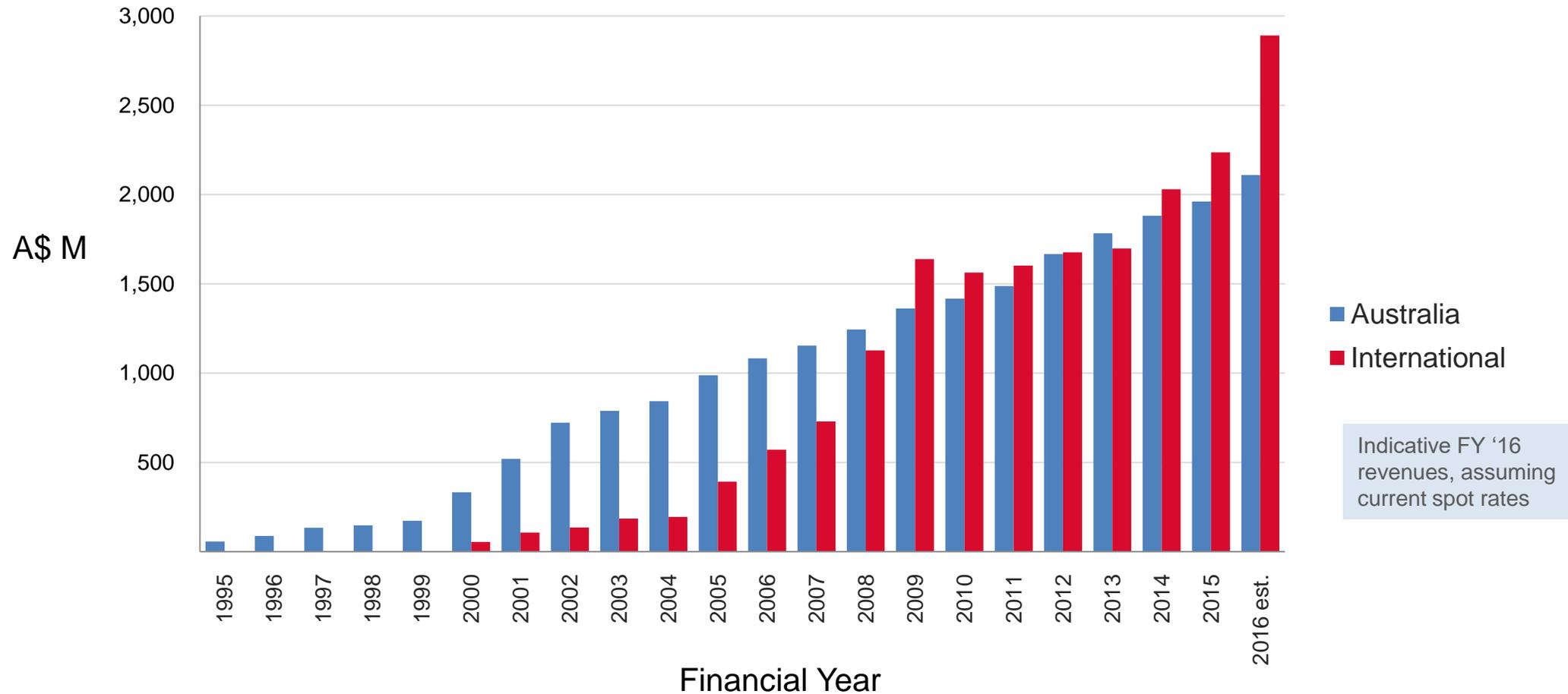


Statutory revenue in A\$ M

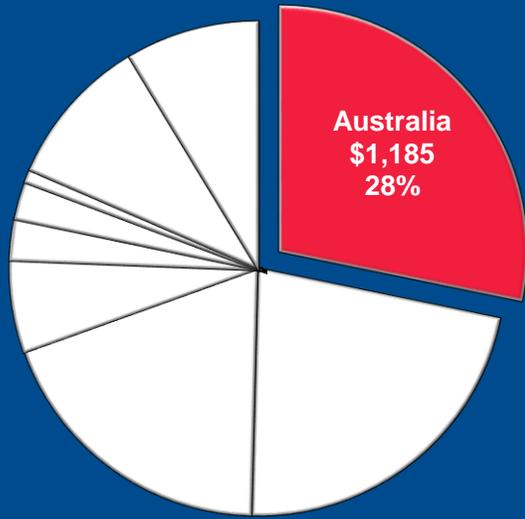
SCS = Sonic Clinical Services (IPN Medical Centres, occupational health and other clinical service entities)



Revenue Split – Australia vs International



Australian Pathology



▶ Revenue

- ▶ 5% growth, including SAN Pathology acquisition (added 50 bps)
- ▶ Strong growth in specialist referrals and esoteric tests
- ▶ Fees and volumes impacted by Medicare changes 1 November 2014
- ▶ Sonic growth substantially stronger than Medicare market data

▶ Earnings

- ▶ Negative earnings growth in FY '15
- ▶ Impact of Medicare fee cuts and specimen collection infrastructure costs

▶ FY '16

- ▶ Range of cost and efficiency initiatives in train – IT, centralisation, data entry etc.
- ▶ Contribution from SAN Pathology acquisition
- ▶ Cycle through Medicare fee cut from 1 November 2015
- ▶ Ongoing strong growth in specialist, esoteric and hospital markets
- ▶ Growth in expanding genetics division, linked to global offering of Sonic Genetics



USA

▸ Revenue

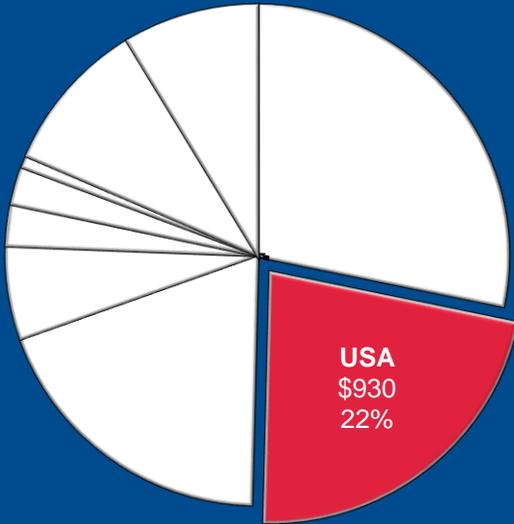
- Full-year revenue growth 2% (1% in H1, 3% in H2)
- Market volume growth improving

▸ Earnings

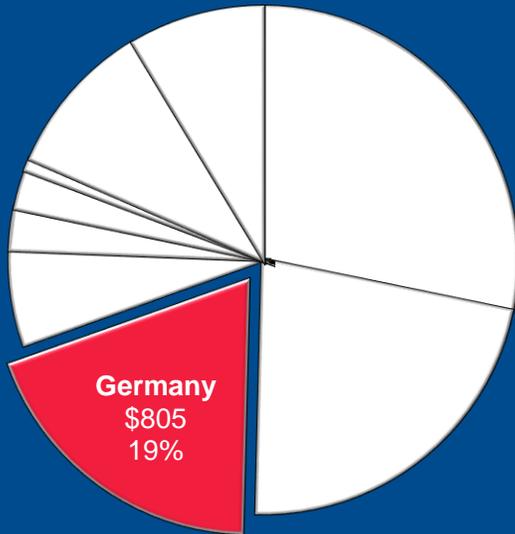
- Negative earnings growth in FY '15, largely CBLPath-related
- Major restructure of CBLPath successfully completed
- CBLPath recurring annual savings >US\$10 million achieved

▸ FY '16

- Large procurement tenders launched
- Billing initiatives to drive revenue and cash collection
- Increased centralisation and in-sourcing of esoteric tests
- CBLPath turnaround
- Renewed focus on cost reduction and efficiency gains
- Market growth returning towards long-term trend rates
- Strong earnings growth forecast



Germany



▶ Revenue

- ▶ 11% growth, 6% organic, well above market growth
- ▶ Continued market share gains in all segments of operation
- ▶ Investments in IT, new tests and innovative technologies driving growth

▶ Acquisitions and integration

- ▶ Labco integration completed successfully
- ▶ 4 small bolt-on acquisitions, now completely merged

▶ Regulatory environment

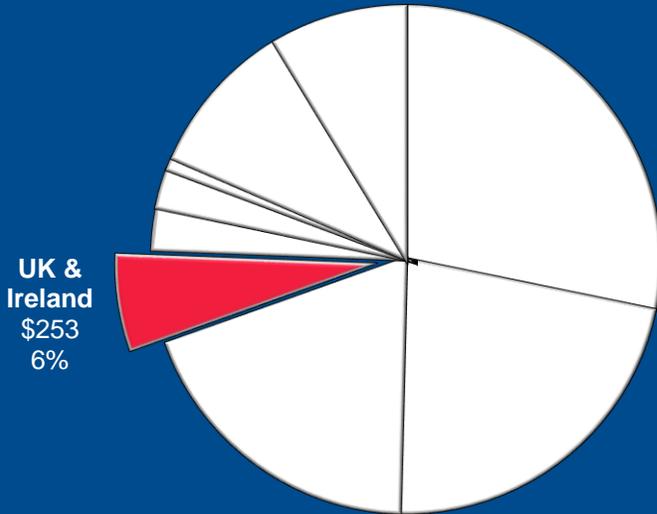
- ▶ EBM fee quota to remain unchanged to end of calendar year
- ▶ No major changes expected

▶ Operations

- ▶ Sonic Healthcare established as high-quality brand in German lab industry
- ▶ Stable management teams in head office and all operating entities
- ▶ Berlin-based head office team's responsibilities extended to include Belgium and Switzerland



UK

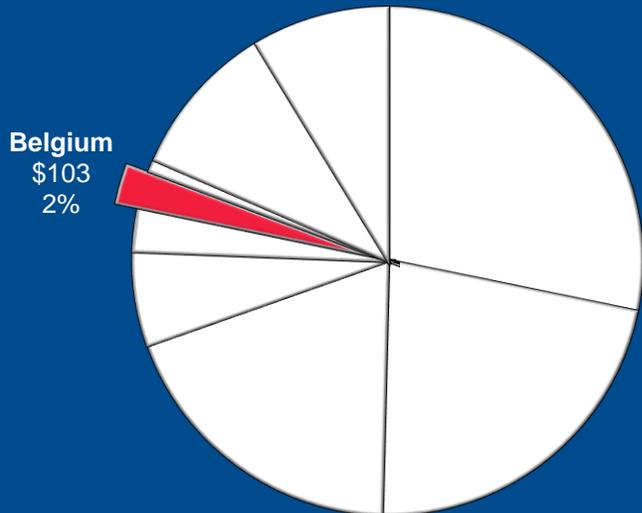


- ▶ Revenue growth 25%
 - ▶ Includes 3 months of JV with UCLH and Royal Free
 - ▶ Strong private market growth
 - ▶ FY '16 revenue growth ~40% expected – includes full year of JV
- ▶ JV with University College London Hospital / Royal Free
 - ▶ Commenced 1 April 2015
 - ▶ Includes North Middlesex University Hospital as customer
 - ▶ Transition of staff and services completed seamlessly
 - ▶ Relocation to new laboratory building expected H2 calendar 2016
 - ▶ Targeting further NHS outsourcing opportunities

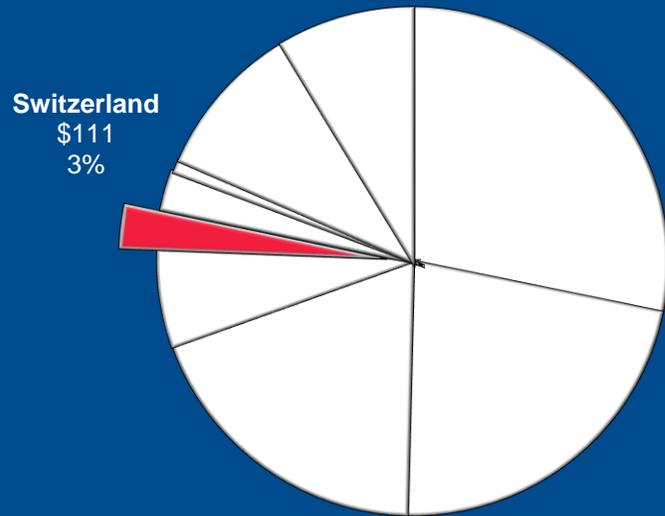


Belgium

- ▶ Revenue growth returns after cycling through November 2013 fee cut
- ▶ KLD acquisition successfully closed 3 July 2015, integration commencing
- ▶ Stable regulatory outlook



Switzerland

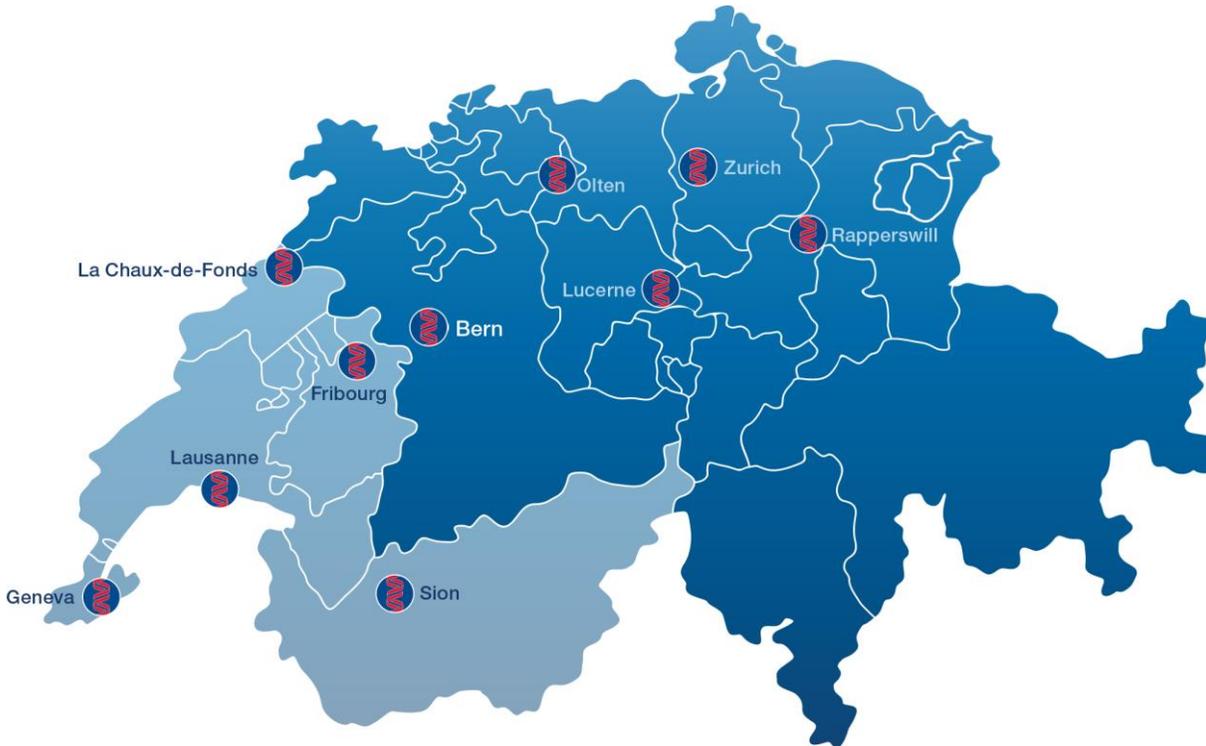


- ▶ Revenue growth 5%
- ▶ Strong earnings and margin growth
- ▶ Stable regulatory environment
- ▶ Medisupport acquisition closed 2 July 2015
- ▶ Sonic now clear #1 player in Switzerland
- ▶ Well placed for growth and further acquisitions



Switzerland

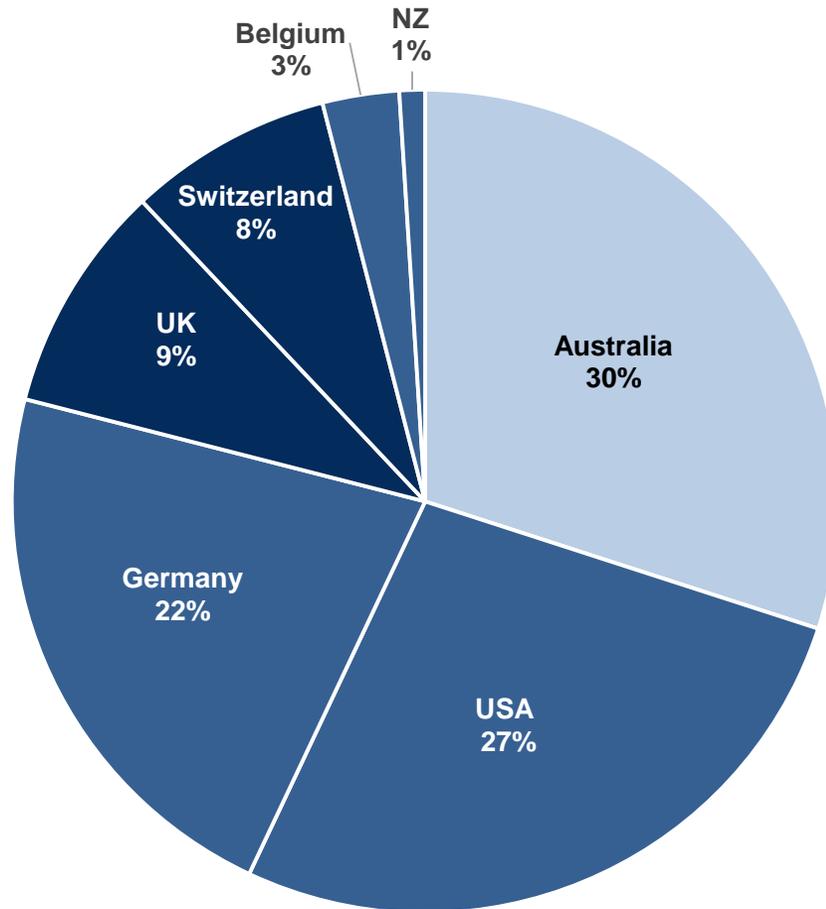
Medisupport Acquisition



- ▶ **Strong market position**
 - ▶ Covering both French and German speaking regions
 - ▶ Laboratories in 10 cities
 - ▶ Attractive mix of routine and esoteric testing
 - ▶ Excellent genetics capabilities, including next generation sequencing
- ▶ **Good cultural fit**
 - ▶ Values based on Medical Leadership, quality and service
 - ▶ Federated structure, akin to Sonic's
 - ▶ Experienced, committed management team
- ▶ **Transaction details**
 - ▶ Annual revenues ~CHF160 million (~A\$225 million)
 - ▶ Initial EPS accretion 8%, increasing further with synergies
 - ▶ ROIC accretive in FY '16



FY '16 Indicative Laboratory Revenue Split



- Strong total laboratory revenue growth in FY '16
- UK – strong revenue growth with JV with UCLH/Royal Free
- Switzerland – strong revenue growth with Medisupport acquisition
- Healthy organic revenue growth in all divisions
- Australia ~30% of total Sonic laboratory revenue

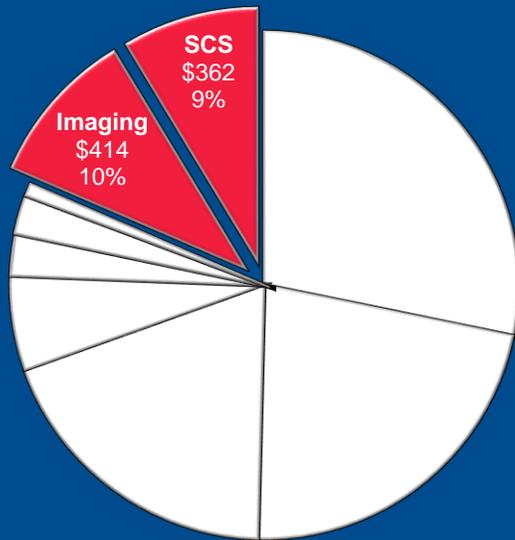
Laboratory revenue excludes
Imaging and SCS revenues

Assumes current FX rates



Sonic Imaging

- ▶ Australian Imaging: revenue growth 3%, margin up 10 bps
- ▶ Total imaging revenue and margin impacted by 2014 sale of NZ business
- ▶ Imaging division performing solidly



Sonic Clinical Services (SCS)

- ▶ Includes IPN Medical Centres and Occupational Health
- ▶ Revenue growth 4%
- ▶ Medical Centre operations strong, revenue growth 6%
- ▶ Occupational Health business impacted by decline in resources sector
- ▶ Unmatched infrastructure provides future growth opportunities



Debt Metrics

		30 June '15	30 June '14
Net interest-bearing debt	A\$ M	1,976	1,739
Gearing ratio	%	37.2	35.9
Interest cover	X	11.2	10.7
Debt cover	X	2.6	2.4

- ▶ Available headroom at 30 June 2015 ~A\$630 million
- ▶ Metrics above prior to acquisitions of Medisupport and KLD (July 2015)
- ▶ Medisupport acquisition funded largely by new debt facility

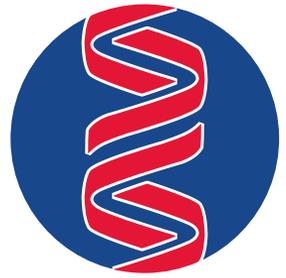
- ▶ Gearing ratio = Net debt / Net debt + equity (bank covenant limit <55%)
- ▶ Interest cover = EBITA / Net interest expense (bank covenant limit >3.25)
- ▶ Debt cover = Net debt / EBITDA (bank covenant limit <3.5)
- ▶ Formulas as per bank facility definitions



Summary and Outlook

- ▶ Sonic poised for significant growth
 - ▶ Revenue and earnings growth of ~20% forecast for FY '16 (refer guidance)
 - ▶ Ongoing strong organic growth in all major markets
 - ▶ Targeting additional acquisitions and contract opportunities
 - ▶ FX tailwind expected in FY '16
- ▶ Company strength
 - ▶ Strong position in all markets, #1 position in Australia, Germany, UK, Switzerland
 - ▶ Medisupport acquisition adds substantial scale to Sonic in Switzerland and Europe
 - ▶ Performance turnaround in USA
 - ▶ Dividend growth 4.5% FY '15, committed to ongoing dividend growth
 - ▶ Sonic's unique Medical Leadership culture driving ongoing value for all stakeholders





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Thank you

