



SONIC  
HEALTHCARE

# Financial and Operational Review

For the year ended 30 June 2021

Colin Goldschmidt  
CEO, Sonic Healthcare  
23 August 2021

# 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, unexpected growth in costs and expenses and the progress of the COVID-19 pandemic. 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 23 August 2021 and may include earnings figures restated on a "constant currency" basis.



# Headlines

- FY 2021 results
  - Revenue A\$8.8 billion (28% growth)
  - EBITDA A\$2.6 billion (81% growth)
  - Net profit A\$1.3 billion (149% growth)
- Balance sheet set for growth by acquisition
  - Gearing at record low level
  - Available liquidity ~A\$1.5 billion
- Progressive dividend strategy maintained
  - Final dividend \$0.55 per share (franked to 65%)
- Strong performance driven by Medical Leadership culture and heroic efforts of 38,000 global staff



# COVID-19

- Sonic's COVID testing capability continues to play a crucial role in pandemic control
- Sonic contributing essential healthcare services
  - ~138 million patients served globally in FY 2021
  - ~30 million COVID PCR tests performed from March 2020 to date in ~60 Sonic laboratories globally
  - Australia's largest non-government COVID vaccination provider
- Sonic's pandemic contribution supported by
  - Medical Leadership culture
  - Decades of investment in people and infrastructure
- Significant revenue and earnings contribution from COVID testing in FY 2021
- COVID PCR test volumes lower in H2 vs H1 FY 2021, now increasing with spread of Delta variant
- Outstanding achievement by Sonic's global staff, working in unrelenting and difficult conditions

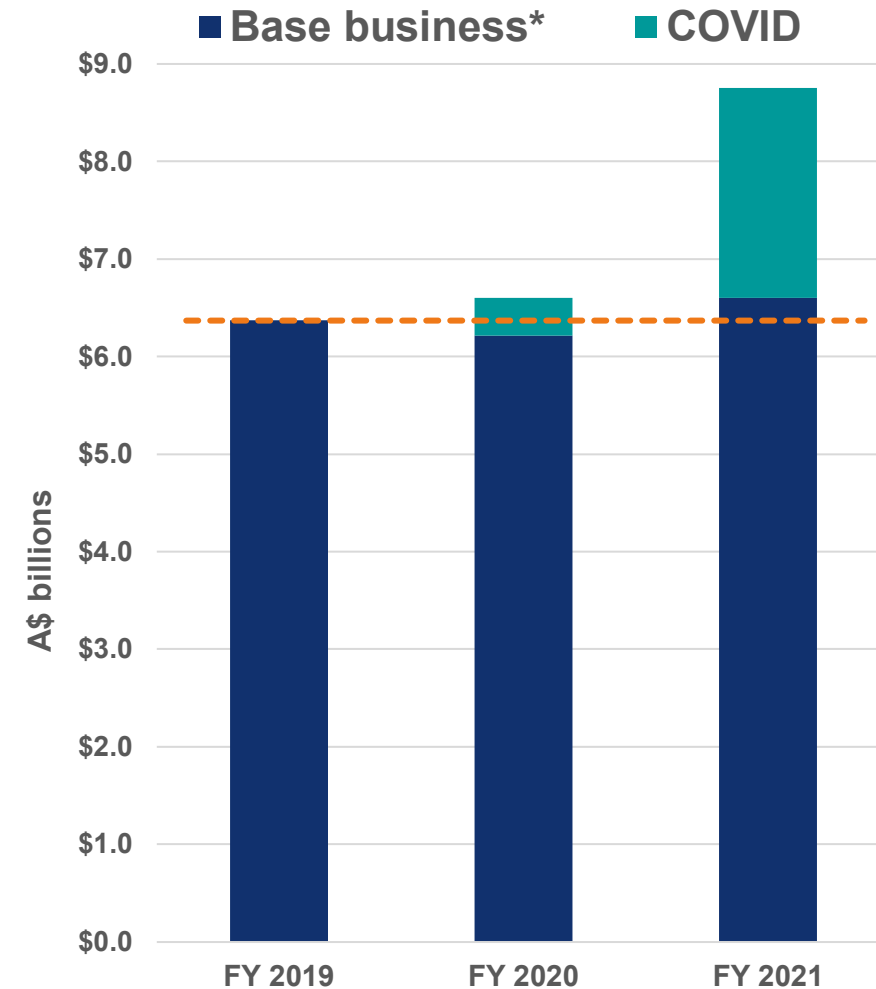


# Revenue

- FY 2021 base business revenue\*
  - Up 6% on FY 2020
  - Up 4% on FY 2019 (pre-pandemic)
- Expect ongoing growth of base business, despite pandemic – underlying growth drivers unchanged
- Expect significant ongoing COVID testing revenue into foreseeable future

## \* Base business revenue

- Total revenue excluding COVID revenue
- FY 2019 and FY 2020 base business revenues normalised for:
  - Currency exchange rates
  - Acquisitions (Aurora, Epworth Medical Imaging etc)
  - Disposals (GLP Systems, Ireland)
  - Non-recurring gains



# Financial Summary

A\$M Actual Currency	FY 2021	FY 2020	Growth
Revenue	8,754	6,832	28%
EBITDA	2,560	1,412	81%
Net profit	1,315	528	149%
Gross operating cash flow*	2,485	1,592	56%

**\* Gross operating cash flow:**

Net cash inflow from operating activities before interest and tax (refer Cash Flow in Appendix 4E)

- Revenue and earnings

- Result demonstrates strong operating leverage in both laboratory and imaging divisions, with significant margin expansion
- COVID testing enabled by historical investments in people and infrastructure (expertise, equipment, facilities, IT, supply chain, etc)

- Cash generation

- 97% (FY 2020 113%) conversion of EBITDA to gross operating cash flow
- Growth impacted by reversal of FY 2020 working capital benefits



# FY 2022

- FY 2022 earnings guidance not provided due to COVID-related unpredictability
- COVID testing ongoing, with Delta variant driving substantial recent increases in COVID volumes
- Global base business increasingly resilient to impacts of pandemic waves – underlying healthcare growth drivers unchanged, fluctuations mitigated by geographical and business sector diversity
- Acquisition opportunities currently under consideration



# Dividends

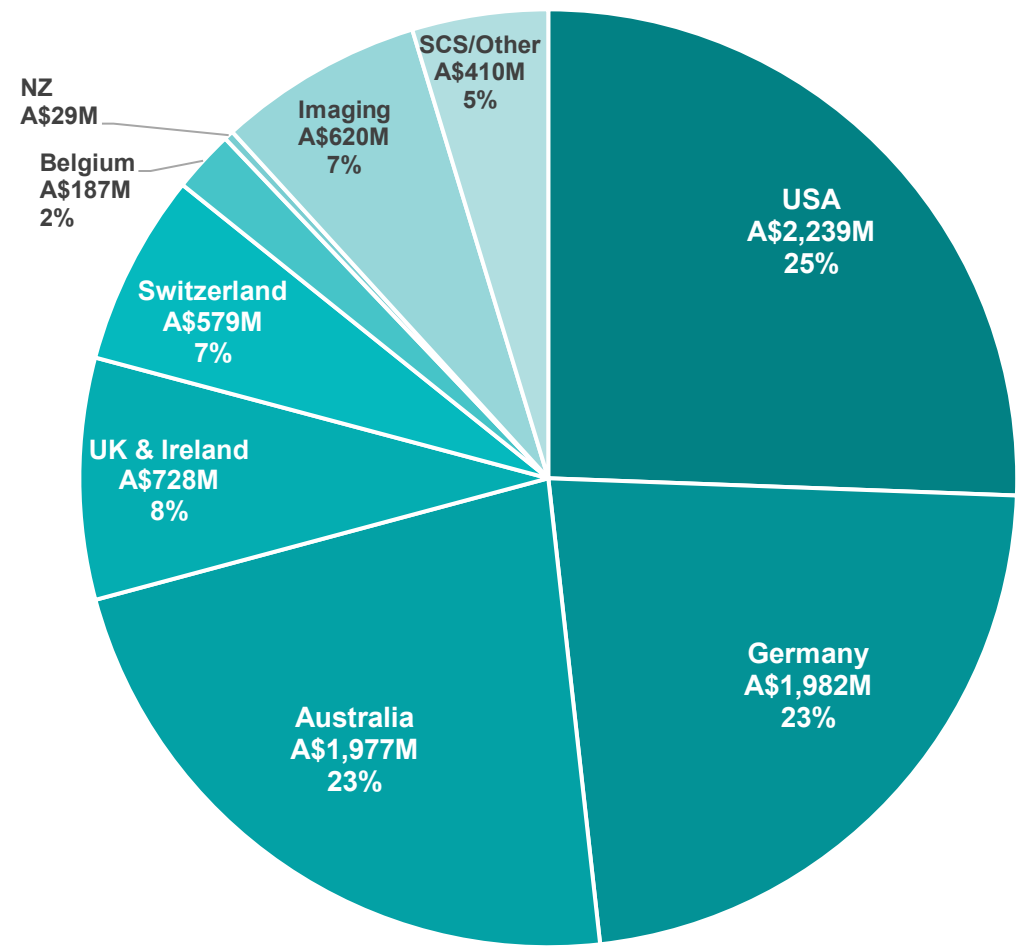
A\$	FY 2021	FY 2020	Growth
Interim Dividend	\$0.36	\$0.34	5.9%
Final Dividend	\$0.55	\$0.51	7.8%
Total Dividends	\$0.91	\$0.85	7.1%

- Progressive dividend policy maintained
- Final dividend franked to 65% (previously 30%)
- Record Date 8 September 2021
- Payment Date 22 September 2021
- Dividend Reinvestment Plan remains suspended





# FY 2021 Revenue Split



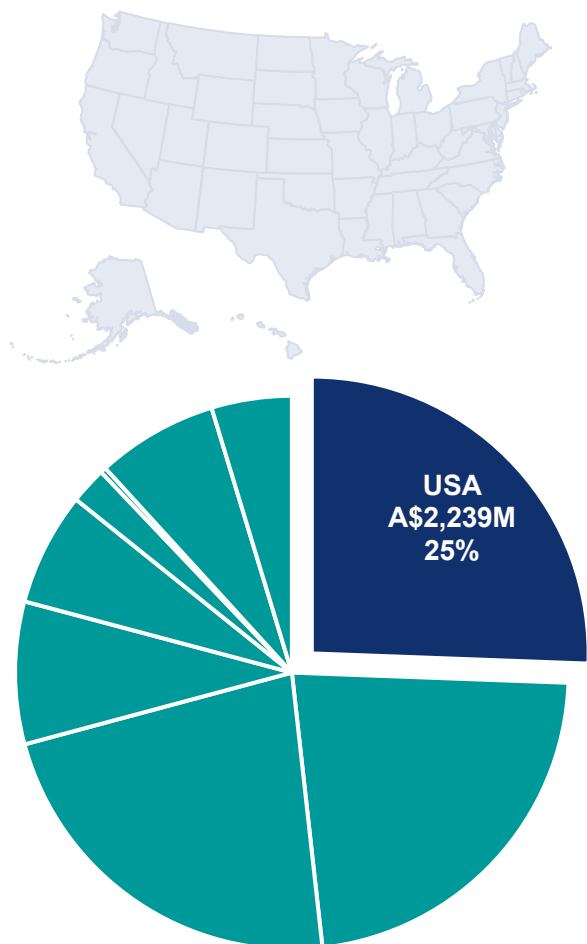
Revenue in A\$ millions

Total Revenue A\$8,754 million (including A\$3 million interest)

SCS / Other = Sonic Clinical Services (IPN Medical Centres, Sonic HealthPlus, other clinical service entities) and other minor operations



# USA



- FY 2021 revenue

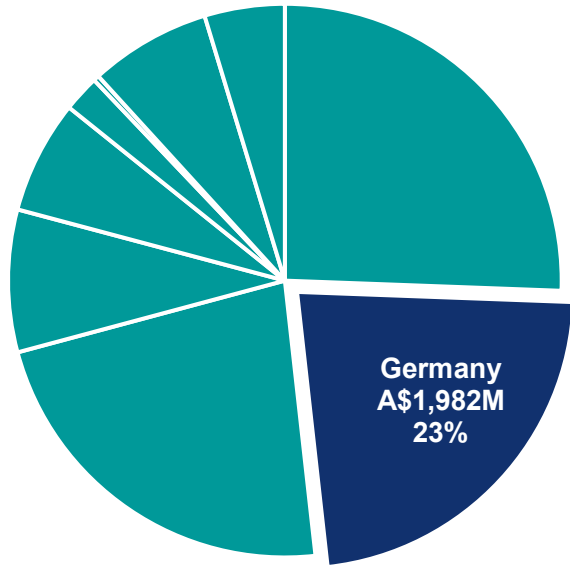
- 34% organic growth, constant currency
- Base business growth 5%
- Government grants (US\$26 million in total) repaid in February 2021

- Operations

- High volume COVID PCR and serology tests in 12 laboratories across the country
- COVID testing volumes declined through H2 FY 2021, now increasing with Delta variant
- Increasing opportunities for commercial COVID testing (travel testing and others)
- Potential US Medicare fee reductions (PAMA legislation) from January 2022, estimated FY 2022 revenue impact ~US\$8 million
- Maintainable labour savings achieved from changes implemented at start of pandemic



# Germany



- FY 2021 revenue

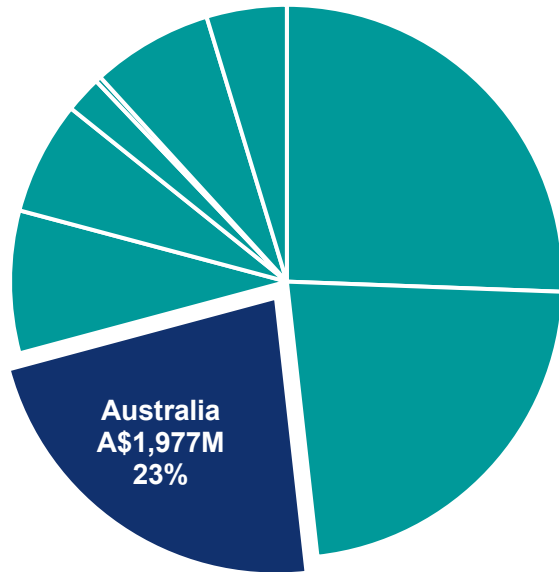
- 50% organic growth, constant currency
- Base business growth 5%
- No government subsidies received

- Operations

- Largest provider of COVID testing in Germany, performed in 30 Sonic laboratories nationwide
- Participating in government testing programs, including for schools and aged care facilities
- Continued SARS-CoV-2 whole genome sequencing program supporting mutation identification and tracking
- Customised IT solutions for COVID results, serving patient apps, travel passes etc
- New laboratory in Giessen commissioned to facilitate regional laboratory mergers
- Ongoing strong growth in anatomical pathology division, including cervical screening



# Australian Pathology



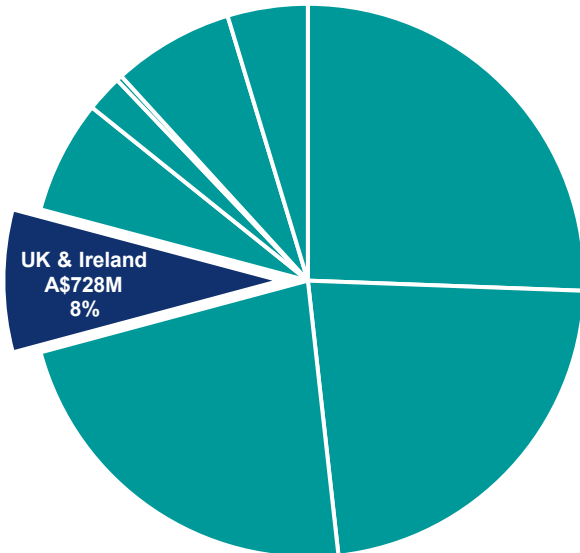
- FY 2021 revenue
  - 28% organic growth
  - Base business growth 9%
  - No government subsidies (e.g. JobKeeper) received
- Operations
  - Sonic is a leading provider of COVID testing in Australia
  - Federal Government contract to provide COVID testing for Australia's aged care facilities continuing
  - Ongoing innovation to meet challenges of pandemic, including IT system enhancements for COVID drive-through centres, data entry, results via SMS, travel certificates and telemedicine
  - New, state-of-the-art laboratory facility for Southern.IML (Wollongong, NSW)
  - Awarded contract by Australian Bureau of Statistics for National Health Measures Study
  - National Bowel Cancer Screening contract renewed, higher volumes due to increasing participation



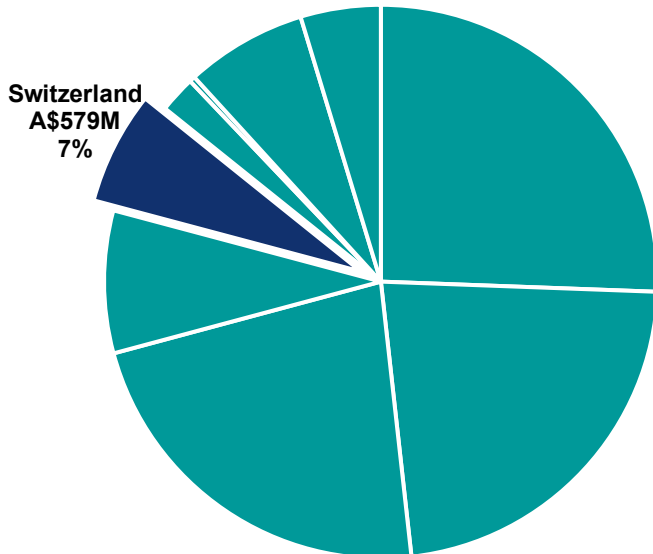
# UK & Ireland



- FY 2021 UK revenue
  - 62% organic growth, constant currency
  - Base business growth 9%
- Operations
  - COVID testing ramped up through the year, volumes remain high
  - COVID PCR surge lab opened December 2020, augmenting volumes
  - Assisting NHS England to determine key COVID variants by genetic sequencing
  - New Manchester 24/7 hub laboratory facility now operational
  - Laboratory at new Cleveland Clinic London hospital to open mid-FY 2022
  - Subscale Irish laboratory business sold in H2 FY 2021, small gain on sale



# Switzerland



- FY 2021 revenue

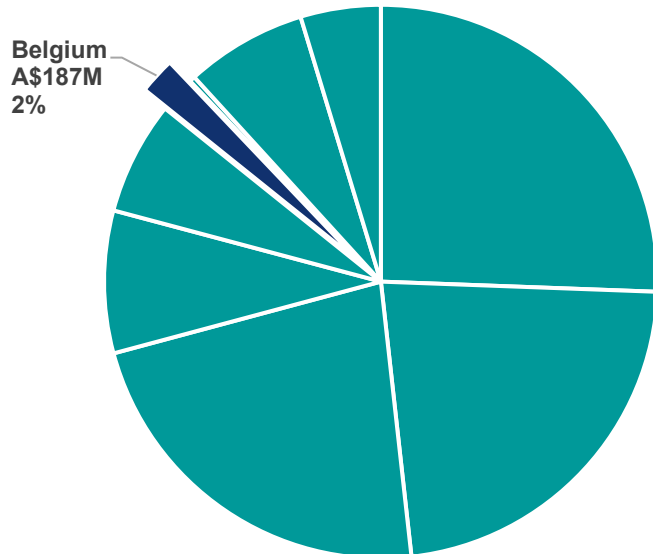
- 22% organic growth, constant currency
- Base business growth 8%

- Operations

- Ongoing participation in COVID testing programs, including school testing
- Substantial additional COVID testing capacity established
- Zurich central laboratory modernisation and workflow automation project completed



# Belgium



- FY 2021 revenue

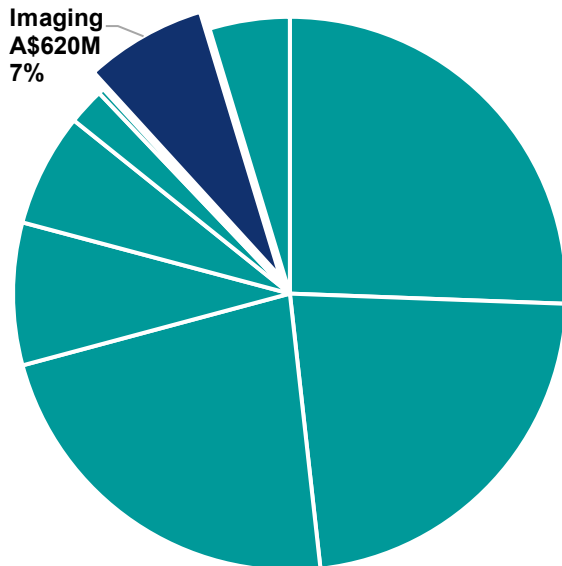
- 30% organic growth, constant currency
- Base business down 3%, recovering slowly

- Operations

- Significant COVID testing volumes in H1, lower in H2, now increasing with Delta variant outbreak
- Ongoing growth in molecular and genetics testing, including pre-natal testing (NIPT)
- Major project to upgrade laboratory automation and IT systems completed



# Sonic Imaging

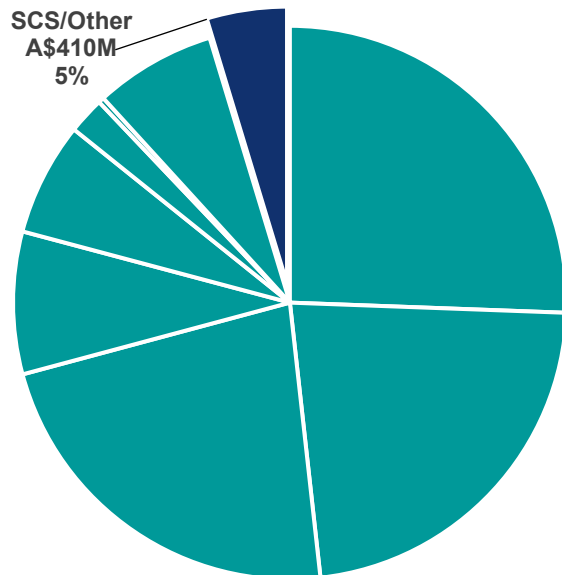


- FY 2021 revenue and earnings
  - 19% revenue growth, including Epworth Medical Imaging (EMI, Melbourne)
  - 15% organic revenue growth
  - 24% EBITDA growth
  - No government subsidies (e.g. JobKeeper) received
- Operations
  - Moved to majority (80%) ownership of EMI, annual revenue ~\$45 million (from March 2021)
  - Acquisition of Canberra Imaging Group, annual revenue ~A\$60 million, completion 1 September 2021
  - Opened 4 greenfield sites in FY 2021, with 5 additional sites planned for FY 2022





# Sonic Clinical Services (SCS)



- FY 2021 revenue and earnings
  - Consultation volumes and revenue slightly down on prior year, pandemic related
  - Earnings maintained at prior year level
  - No government subsidies (e.g. JobKeeper) received
- Sonic Healthcare Vaccinations
  - SCS playing important role in Australia's national COVID vaccination program
  - Australia's largest non-government COVID vaccination provider, via medical centres, aged care facilities and mass vaccination hubs
  - Vaccination service facilitated by dedication of Sonic's people, using national infrastructure and supported by St John Ambulance Australia
  - Vaccination activities to increase in FY 2022 and beyond



# Capital Management

		30 June 2021	30 June 2020
Net interest-bearing debt	A\$M	940	2,022
Equity	A\$M	6,504	5,664
Gearing ratio	%	12.5	26.1
Interest cover	X	33.8	11.5
Debt cover	X	0.4	1.8

- Gearing ratio = Net debt / Net debt + equity (covenant limit <55%)
- Interest cover = EBITA / Net interest expense (covenant limit >3.25)
- Debt cover = Net debt / EBITDA (covenant limit <3.5)
- Formulas as per facility definitions, excluding AASB 16
- Net interest-bearing debt excludes AASB 16 impact

- Reduction in net debt of A\$1,082 million driven by strong operating cashflows and A\$79 million exchange rate impact
- Gearing lowest in more than 20 years
- Current available headroom ~A\$1.5 billion (before final dividend and settlement of Canberra Imaging Group)
- Well positioned for ongoing value-accretive acquisitions and other growth opportunities



# Sustainability

- Leadership
  - Further strengthening global executive team to oversee sustainability initiatives
  - Appointments: Sustainability Manager/Director/Steering Committee
- Environmental responsibility
  - Ongoing focus on emissions and energy reduction programs
  - Setting targets for renewable energy use and Sonic's pathway to achieving net zero greenhouse gas emissions
- Social responsibility
  - Sonic's core purpose is the provision of high-quality, safe and accessible medical services to urban, rural and remote communities
  - Catalyst Program: establishing and supporting laboratory and imaging services in Africa, contributing to indigenous and other charities
- Responsibility for our people
  - Focus on employee health, safety and wellbeing, particularly during pandemic
  - Maintaining Sonic's longstanding impeccable staff safety record
  - Strengthening formal goals for diversity, inclusion, training and development



Sonic's 2021 Corporate Responsibility Report will be available on the Sonic Healthcare website prior to Sonic's Annual General Meeting in November 2021



Detailed



Global Index | Australia 30 Index



Prime



Rating A

# Outlook

- Sonic making ongoing material contribution to the health of communities served
  - Providing essential healthcare services and critical national infrastructure in 7 countries
  - Leveraging long-term investments in people, equipment, facilities and supply chain for community benefit
  - Supporting global pandemic effort through high-volume COVID testing
  - Vaccination services in Australia
- Organic growth
  - Base business increasingly resilient to pandemic waves, with strong underlying drivers of demand for healthcare services
  - Expect demand for COVID PCR testing to continue into foreseeable future, volumes increasing with Delta variant
  - Geographical diversification providing increased opportunities for expansion and risk mitigation
- Acquisition, contract and joint venture growth
  - Supported by very strong balance sheet
  - Currently pursuing significant opportunities in Australia, USA and Europe
- Medical Leadership culture and committed staff guiding Sonic through pandemic





SONIC  
HEALTHCARE

**Thank you**