

SONIC HEALTHCARE

Financial and Operational Review For the year ended 30 June 2018



Colin Goldschmidt
CEO, Sonic Healthcare
16 August 2018

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 16 August 2018 and may include earnings figures restated on a "constant currency" basis.



Headlines



- FY 2018 result in line with guidance – underlying EBITDA growth 6.4% (constant currency)
- Underlying EBITDA growth 8.3% to A\$962 million (actual currency)
- Revenue growth 8.2% to A\$5.5 billion
- Net profit growth 11.2% to A\$476 million
- Final dividend up 6.5% to A\$0.49 per share (full-year dividend up 5.2% to A\$0.81)
- Strong earnings growth in both Laboratory and Imaging divisions
- Growth momentum continues at organic, acquisition and hospital laboratory JV levels



FY 2018 Summary

A\$M Statutory	FY 2018	FY 2017	Growth
Revenue	5,541	5,122	8%
Underlying EBITDA	962	889	8%
Non-recurring items (acquisition/restructure costs)	14	20	
EBITDA	948	869	9%
Net profit including US net tax benefit	476	428	11%
One-off non-cash US net tax benefit	20	-	
Net profit excluding US net tax benefit	456	428	7%
EPS (cents)	112	102	10%

- Revenue and earnings
 - Strong organic growth enhanced by accretive acquisitions and joint ventures
 - Adjusted for working days, Laboratory division showed margin accretion of 30-40 bps
 - Minor currency translation benefit
- US tax benefit in H1 FY 2018
 - Restatement of net deferred tax liabilities to new 21% tax rate
- FY 2018 guidance (EBITDA growth 6-8%, constant currency)
 - Guidance achieved: 6.4%
 - Excluding impact of US and German fee cuts, EBITDA growth ~7.5%



FY 2019 Guidance

- **Guidance**

- EBITDA growth 3-5% on underlying FY 2018 EBITDA of A\$962 million (constant currency)
- Equivalent to EBITDA growth ~5-7% using current exchange rates
- Interest expense to increase by ~4% (constant currency)
- Effective tax rate ~25%

- **Key guidance considerations**

- Incorporates known fee reductions (Germany and USA) equivalent to ~2% of EBITDA
- Guidance range reflects German volume growth volatility following April 2018 regulatory changes
- No other regulatory changes assumed (positive or negative)
- Current interest rates assumed to prevail
- Excludes future acquisitions



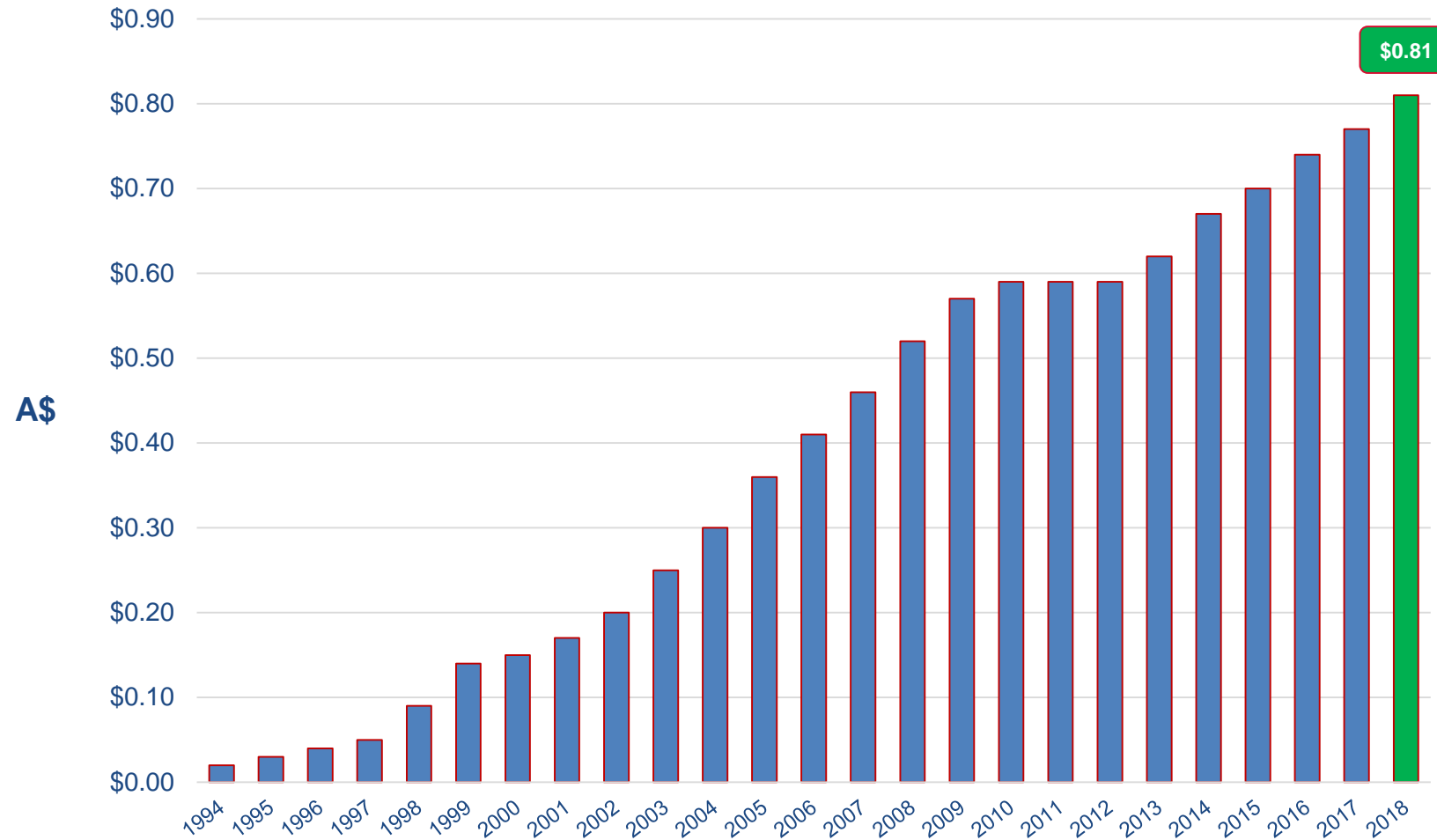
Dividends

A\$	FY 2018	FY 2017	Growth
Interim Dividend	\$0.32	\$0.31	3.2%
Final Dividend	\$0.49	\$0.46	6.5%
Total Dividends	\$0.81	\$0.77	5.2%

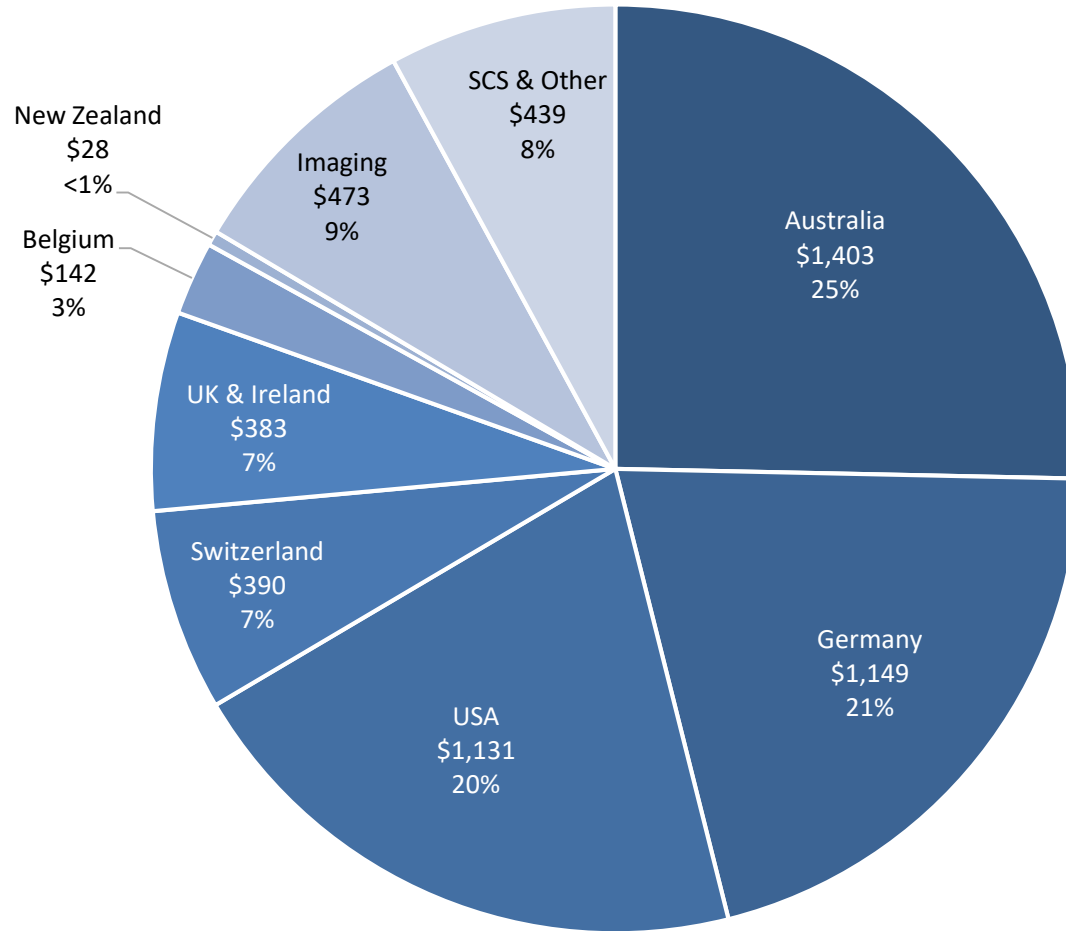
- Final dividend franked to 30% (previous dividend 20%)
- Record Date 13 September 2018
- Payment Date 27 September 2018
- Dividend Reinvestment Plan suspended



Full-year Dividend History



FY 2018 Revenue Split

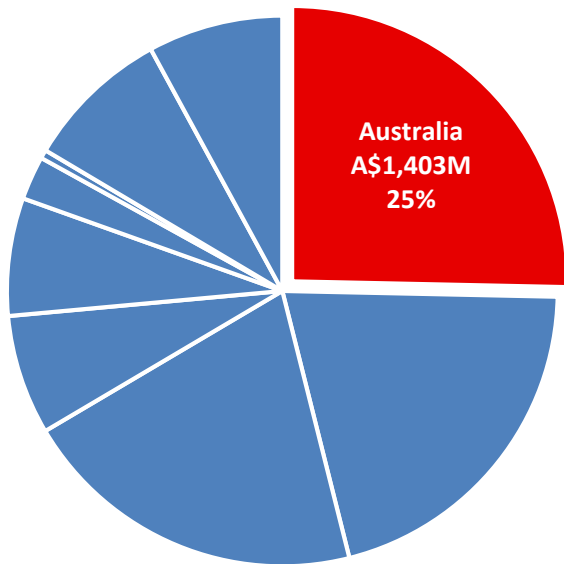


SCS & Other = Sonic Clinical Services (IPN Medical Centres, Sonic HealthPlus, other clinical service entities), GLP Systems and other minor operations

- Statutory revenue in A\$M
- Chart excludes interest income (\$3M)



Australian Pathology



- **Financials**

- Organic revenue growth ~6%
- Earnings growth and margin accretion ongoing
- Collection centre costs stabilised
- Disciplined cost management

- **National Bowel Cancer Screening contract**

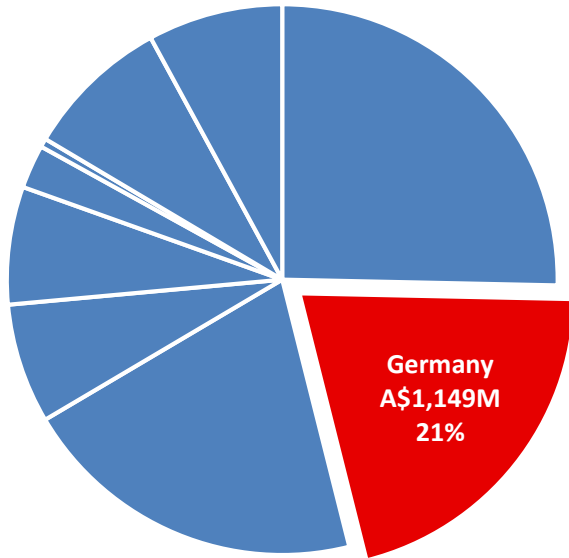
- Launched 2 January 2018, tracking to plan
- Annual revenue ~A\$30 million per annum



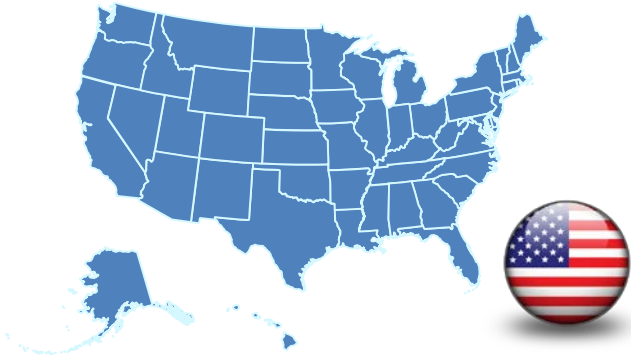


Germany

- Revenue
 - 12% revenue growth (constant currency)
 - 3% organic revenue growth, normalised for working days, after impact of April 2018 EBM (statutory insurance) fee changes
 - Minor volume growth volatility following regulatory changes to EBM referrer “bonus” from April 2018
 - EBM billing represents ~40% of total revenue
- Operations
 - Multiple laboratory integrations ongoing, following Staber acquisition
 - Ongoing focus on efficiency gains, including procurement initiatives
- Synergistic acquisitions
 - Medical Laboratory Bremen acquired July 2017, integration well advanced
 - Pathologie Trier acquired July 2018, revenue ~€20 million, EPS accretive in FY19
 - Further acquisitions in pipeline



USA



■ Revenue

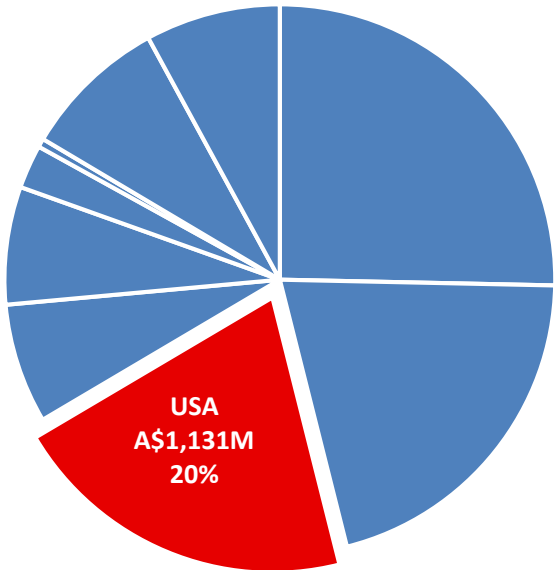
- 5% revenue growth (constant currency)
- Organic revenue growth ~2%, after impact of PAMA fee cuts from January 2018

■ Acquisitions and hospital laboratory joint ventures

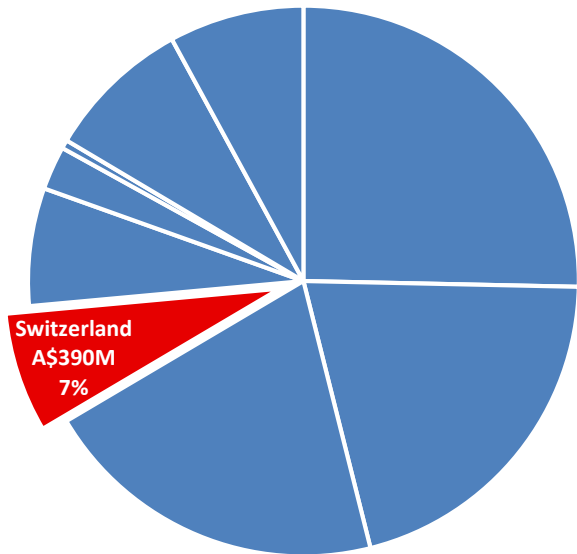
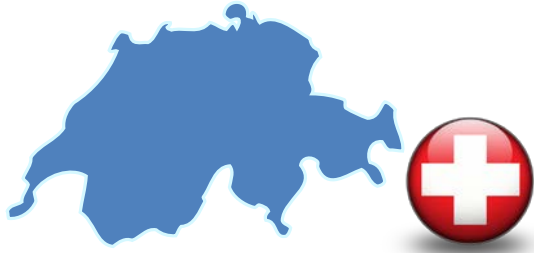
- New ProMedica joint venture signed, to commence September 2018
- Existing joint ventures performing strongly
- Further opportunities in pipeline

■ Operations

- Optimisation of laboratory and other infrastructure ongoing
- Project underway to improve billing systems and processes



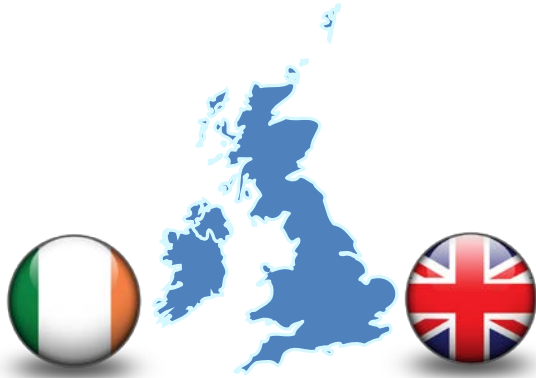
Switzerland



- Revenue
 - 5% revenue growth (constant currency)
- Operations
 - Ongoing strong performance
 - Zug Cantonal Hospital contract won by Medisupport, commencing 1 January 2019
 - Small acquisition completed in Zurich (January 2018), fully integrated into Medica
- Regulatory environment stable



UK and Ireland

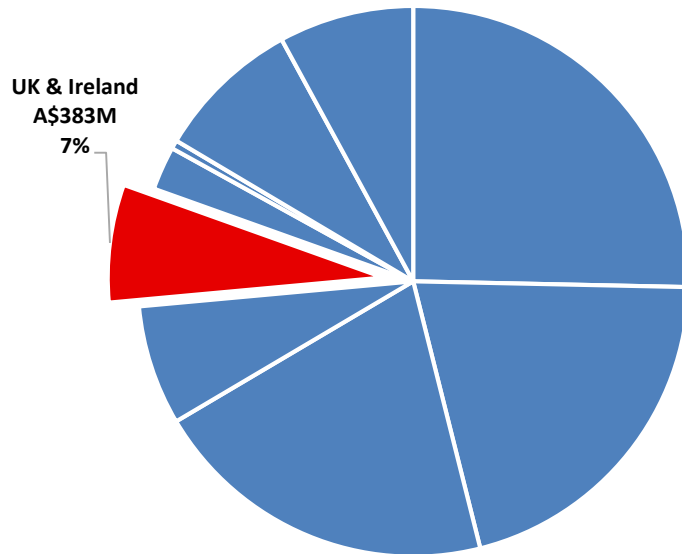


■ Revenue

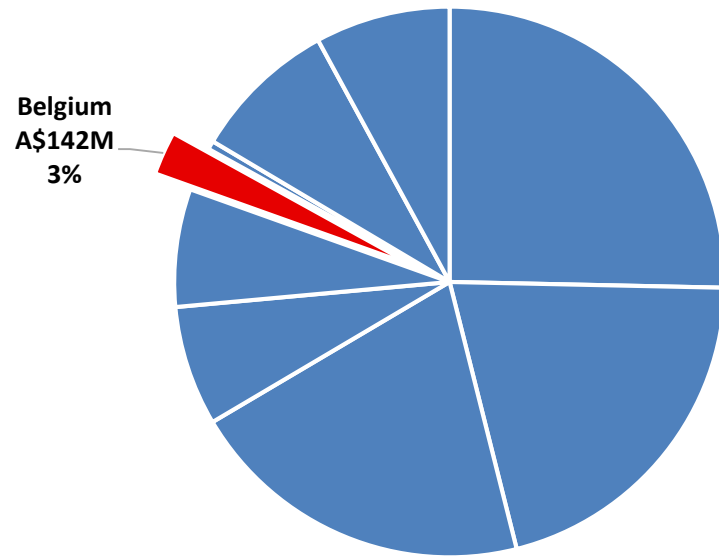
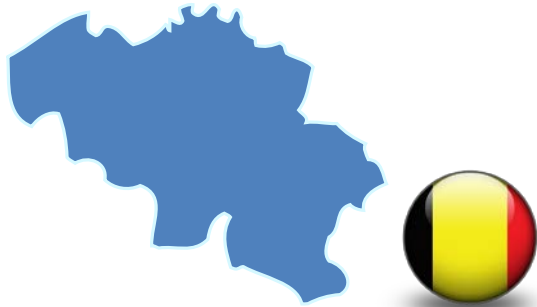
- 8% organic revenue growth (constant currency), including Barnet / Chase Farm hospital contract (commenced October 2017)

■ Operations

- Relocation to new Halo building completed
- Operational optimisation ongoing
- Further laboratory outsourcing opportunities in pipeline



Belgium



- Revenue
 - 4% revenue growth (constant currency), including small fee increase January 2018
- Operations
 - Strong growth in genetics and molecular testing
 - Focus on efficiencies and integration of recent acquisitions
- Regulatory environment stable



Sonic Imaging



- **Financials**

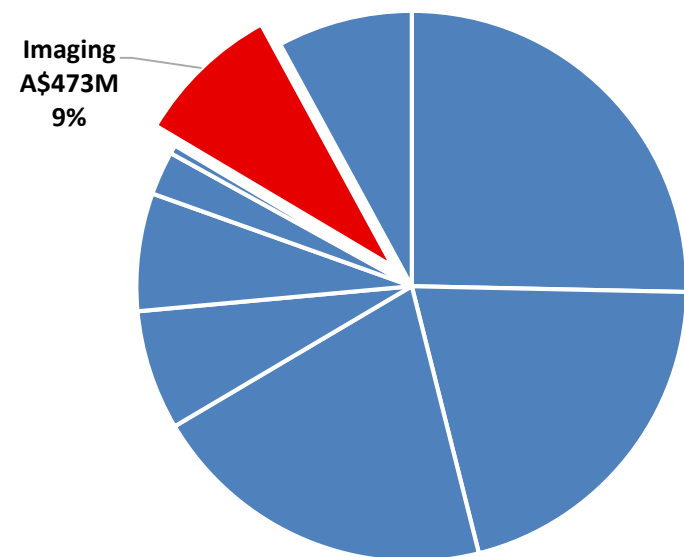
- 7% organic revenue growth
- Strong earnings and margin growth

- **Operations**

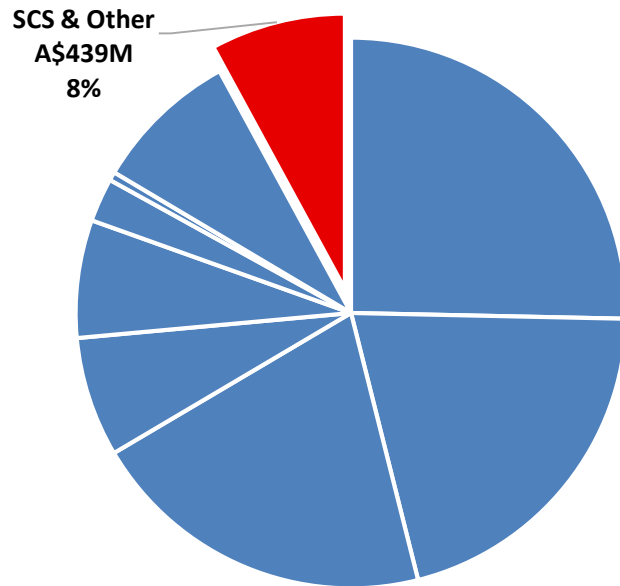
- Expansion via greenfield and new modality opportunities
- Ongoing efficiency initiatives
- Investment in technologies to improve workflow and patient experience

- **Regulatory environment stable**

- Government to implement partial fee indexation from 2020



Sonic Clinical Services (SCS)



- SCS includes medical centres (IPN) and occupational health (Sonic HealthPlus)
 - Australia's largest primary care and occupational health provider
 - 238 centres and ~2,300 GPs
- Financials
 - 3% revenue growth
 - Modest earnings growth for period
- Operations
 - Ongoing successful doctor recruitment and retention
- Regulatory outlook
 - Government implementing fee indexation, main impact from July 2018



Capital Management

		30 June 2018	30 June 2017
Net interest-bearing debt	A\$M	2,483	2,435
Equity	A\$M	4,283	3,926
Gearing ratio	%	36.7	38.3
Interest cover	x	10.1	10.8
Debt cover	x	2.5	2.7

- Increase in debt of A\$48 million (A\$112 increase due to exchange rate changes, offset by A\$64 million of net cash generated)
- Current total weighted pre-tax average cost of debt is ~2.6%
- Current available headroom ~A\$650 million (after FY 2018 final dividend)

- 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



Corporate Responsibility



- Caring for our people
 - Core Values, culture, diversity, career development
- Improving healthcare services for communities in need
 - Catalyst Program: laboratory/radiology equipment, supplies and training in Africa
- Infrastructure designed to minimise environmental impact
- Corporate Responsibility Report
 - 2018 report available on Sonic Healthcare website on 17 September 2018
- External validations
 - Continued inclusion in the FTSE4Good Index
 - Australian Council of Superannuation Investors (ACSI)

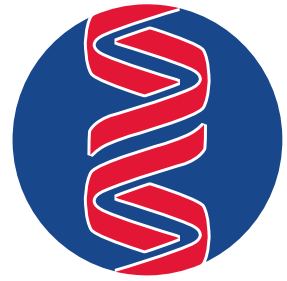


Outlook



- Continued strong organic growth
- Stable regulatory environments
- Geographical diversification provides growth opportunities and risk mitigation
- Pipeline of acquisition, joint venture and contract opportunities
- Strong balance sheet with headroom for expansion
- Continuation of progressive dividend policy
- Stable and dynamic global management teams
- Procurement and other synergy initiatives delivering ongoing benefits
- Technology and innovation driving efficiencies
- Core commitment to corporate responsibility principles
- Respected brands, Medical Leadership culture and quality services





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Thank you

