



SONIC  
HEALTHCARE

# Financial and Operational Review

For the Year Ended 30 June 2020

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20 August 2020

# 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 20 August 2020 and may include earnings figures restated on a "constant currency" basis.



# Sonic Healthcare and COVID-19

## ■ Contribution

- Sonic's core business is the provision of essential diagnostic and clinical healthcare services
- Sonic playing a central role in pandemic testing, enabling treatment, contact tracing and quarantining
- Sonic's Medical Leaders supporting national initiatives in partnership with governments and public health authorities
- ~6 million COVID-19 PCR tests completed globally to date

## ■ Staff

- Sonic's 37,000 staff operating at frontline of pandemic response – unsung heroes in COVID-19 pandemic
- Focus on staff and patient safety and well-being – infective specimens and patients
- Staff working 24/7 to provide COVID-19 testing internationally and COVID-19 swab collections in Australia
- Leveraging international expertise to optimise medical and operational response to pandemic
- Parallel requirement to maintain essential *non*-COVID-19 diagnostic and clinical services

## ■ Operations

- Sonic facilities remain staffed and fully operational throughout pandemic
- Management teams and staff have responded and adapted rapidly to a new operating environment
- Mobilisation of resources and infrastructure to provide high-volume, rapid turnaround COVID-19 testing
- Managing supply chain challenges amidst global shortages



# Headlines – FY 2020

- FY 2020 results (excluding lease accounting standard AASB 16)
  - Revenue A\$6,860 million (11% growth)
  - Underlying EBITDA A\$1,109 million (24 June trading update ~A\$1,075 million)
  - Underlying net profit A\$552 million (7% growth)
  - Pre-pandemic (8.5 months) performance in line with August 2019 guidance (6-8% constant currency underlying EBITDA growth)
- COVID-19 impact
  - Base business revenue severely impacted by social restrictions and fear of infection in March, April and May 2020, with accompanying margin contraction
  - Recovery of base business commenced in May 2020, with near normal revenue run rate by year end in most divisions
  - COVID-19 testing ramped up progressively from March 2020, partially offsetting base business revenue deficits
- Strong balance sheet
  - Available liquidity ~A\$1.4 billion
- FY 2020 final dividend maintained at A\$0.51 per share



# Financial Summary – FY 2020

A\$M Actual Currency	FY 2020	FY 2019	Growth	FY 2020 AASB 16
Revenue	6,860	6,184	11%	6,832
EBITDA (underlying)	1,109	1,052	5%	NA
EBITDA	1,117	1,075	4%	1,412
Net profit (underlying)	552	518	7%	NA
Net profit	558	550	1%	528
Cash generated from operations	1,067	847	26%	1,360

- Lease accounting standard change (AASB 16) – effective 1 July 2019
- Revenue and earnings (excluding AASB 16)
  - Margins impacted by rapid, deep falls in base business revenues (March/April/May), partially offset by rising COVID-19 testing revenues
  - Growth augmented by Aurora acquisition (acquisition date 30 January 2019)
  - Net profit growth reduced by non-recurring items (after tax), including A\$50 million profit on sale of GLP Systems in prior year
- Cash generation (excluding AASB 16)
  - Strong cash generation assisted by prepayment of US Medicare testing fees (A\$63 million) and cash preservation initiatives



# FY 2021

- FY 2021 earnings guidance not provided due to COVID-19 related unpredictability
- Revenue growth in July and August 2020 substantially higher than historical rates
- Due to uncertain environment, current revenue growth rates may not be sustained
- Strong COVID-19 testing volumes currently augmenting growth
- Base laboratory business revenue (excluding COVID-19 testing) in July ~5% up on prior year levels in most countries, with negative but improving growth in USA and UK
- Outlook dependent on potential fluctuations in base business and COVID-19 testing revenues
- In general, COVID-19 related falls in base business associated with increases in COVID-19 testing volumes
- Market update to be provided at AGM, November 2020



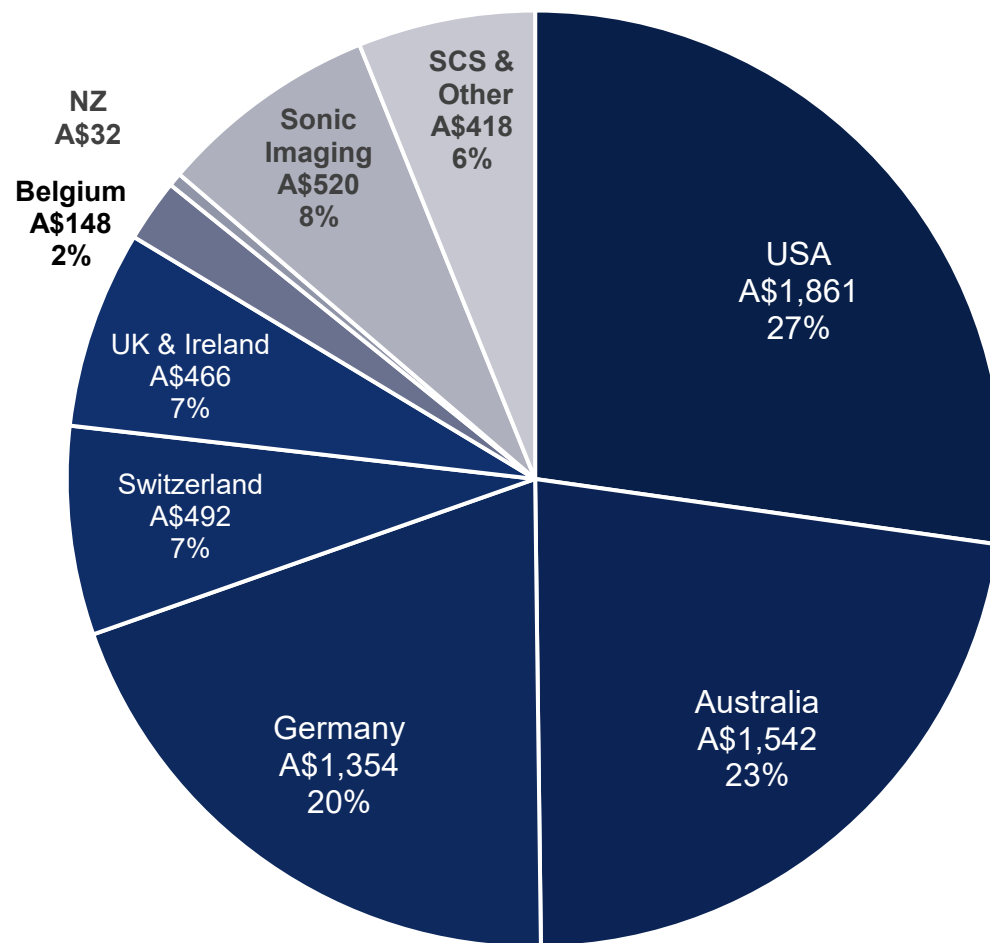
# Dividends

A\$	FY 2020	FY 2019	Growth
Interim Dividend	\$0.34	\$0.33	3.0%
Final Dividend	\$0.51	\$0.51	0.0%
Total Dividends	\$0.85	\$0.84	1.2%

- Final dividend maintained at A\$0.51, supported by strong balance sheet, earnings and cashflows
- Franked to 30% (interim dividend franked to 30%)
- Record Date 8 September 2020
- Payment Date 22 September 2020
- Dividend Reinvestment Plan suspended



# FY 2020 Revenue Split



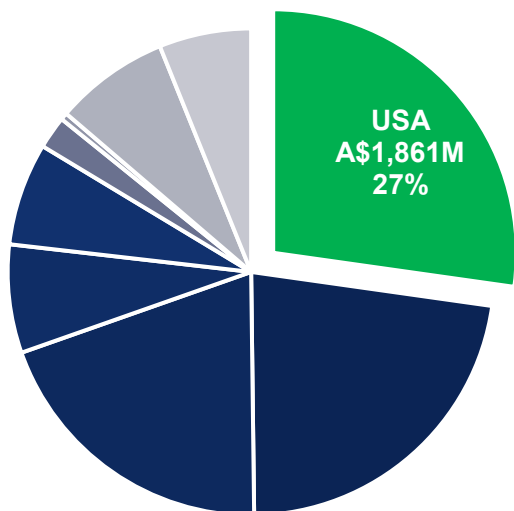
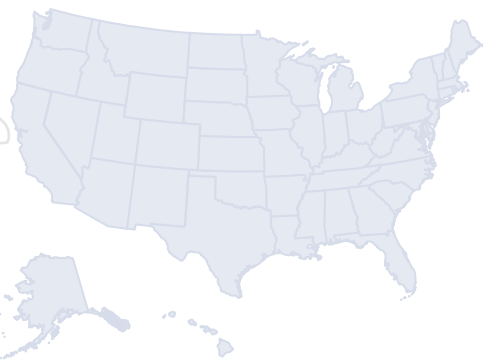
SCS & Other = Sonic Clinical Services (IPN Medical Centres, Sonic HealthPlus, other clinical service entities) and other minor operations

Revenue in A\$M excluding impact of AASB 16, interest income and gain on sale of building





# USA



- FY 2020 revenue

- 29% revenue growth
- 21% constant currency revenue growth, including extra 7 months of Aurora acquisition
- 3% organic revenue growth, constant currency
- Government grants to maintain essential services in pandemic (~US\$20 million)

- COVID-19 response

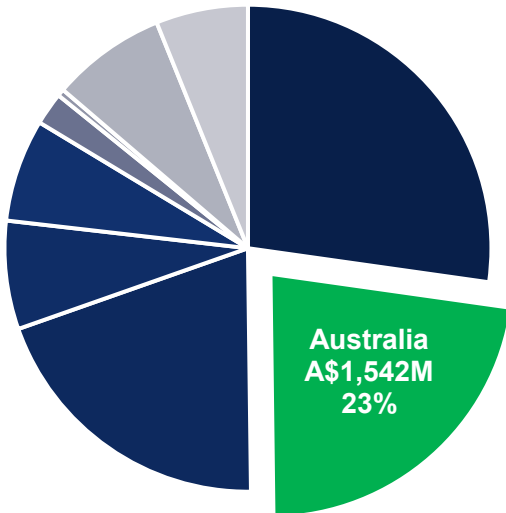
- ~3 million COVID-19 PCR tests performed to date, with market-leading turnaround times
- Testing in 12 Sonic labs, using multiple platforms to mitigate global supply chain risks
- Further expansion of testing capacity in progress, in collaboration with federal agencies

- Operations

- Thyroseq national sales strategy and build-out of dedicated laboratory in NY on track
- PAMA fee reductions deferred to January 2022
- Industry lobbying against proposed changes to Medicare anatomical pathology fees from January 2021 (maximum impact ~US\$7 million p.a.)



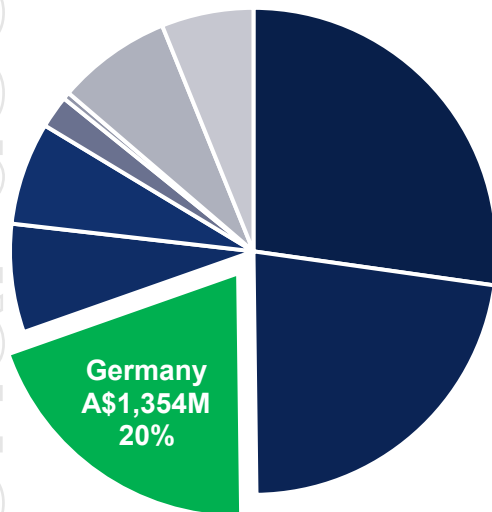
# Australian Pathology



- FY 2020 revenue
  - 5% organic revenue growth
  - No government subsidies received
- COVID-19 response
  - Testing performed in 8 Sonic laboratories, capacity continuing to expand
  - >1 million COVID-19 PCR tests performed to date representing ~20% of national testing
  - National contract to service Aged Care Facilities, >60% of all facilities tested to date, massive logistics exercise supporting aged care residents and staff
  - Collection of COVID-19 specimens a special challenge for Sonic in Australia – patient service centres, drive-through facilities
- Operations
  - National roll-out of total lab automation system (GLP Systems) now complete
  - Ongoing strong growth in genetic testing, including pre-natal testing (NIPT)
  - Increasing participation rates in National Bowel Cancer Screening Program



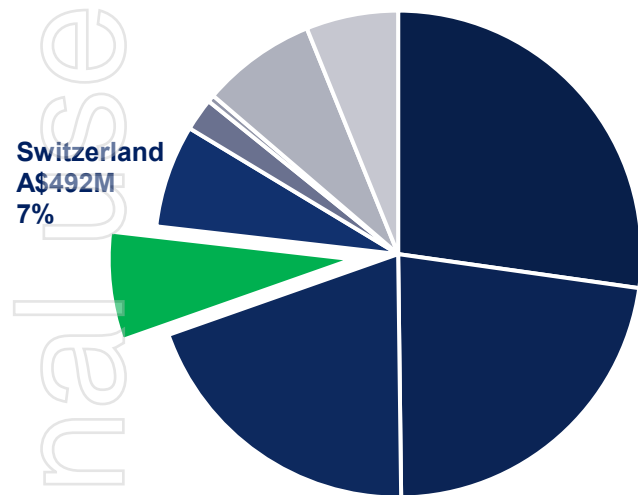
# Germany



- FY 2020 revenue
  - 10% revenue growth
  - 6% organic growth constant currency
  - No government subsidies received
- COVID-19 response
  - Sonic amongst the first laboratories in Europe to commence COVID-19 testing
  - COVID-19 testing now in 24 Sonic laboratories, progressive ramp up in capacity
  - ~1.6 million COVID-19 PCR tests to date, representing ~20% of national testing
- Operations
  - New laboratory in Giessen nearing completion - internal merger and synergy capture
  - Strong organic growth in anatomical pathology division augmented by acquisition of Pathologie Hamburg, completed 1 April 2020
  - Revised national cervical HPV screening program driving growth



# Switzerland



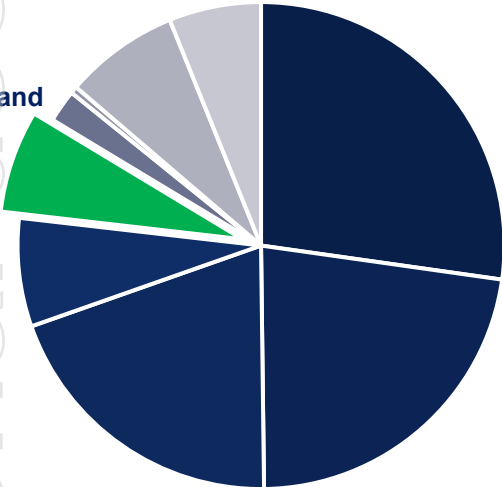
- FY 2020 revenue
  - 14% revenue growth
  - 5% organic revenue growth constant currency
- COVID-19 response
  - Significant ramp up of COVID-19 testing volumes from late FY 2020
- Operations
  - New Lausanne laboratory includes clinical, anatomical and genetic pathology
  - Hospital laboratory projects in Zug successfully implemented



# UK



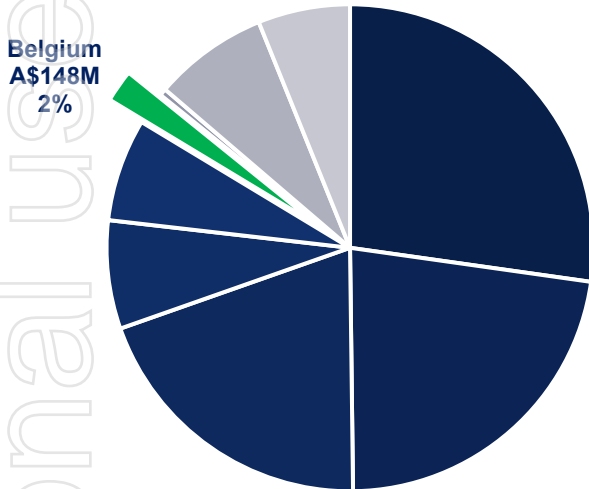
UK & Ireland  
A\$466M  
7%



- FY 2020 revenue
  - 9% revenue growth
  - 5% organic growth, constant currency
  - Government support to maintain essential services in pandemic (~£6.5 million)
- COVID-19 response
  - Base business impacted by relatively high hospital weighting (re-purposed for COVID-19 patients)
  - Relatively late involvement of private sector in COVID-19 testing due to restrictions
  - Significant ramp up of COVID-19 testing volumes post-30 June 2020
  - Central laboratory servicing public and growing private sector demand
- Operations
  - New laboratory at Barnet and Chase Farm hospital completed
  - Largest anatomical pathology laboratory in UK now fully operational
  - Exclusive contract with Cleveland Clinic London signed



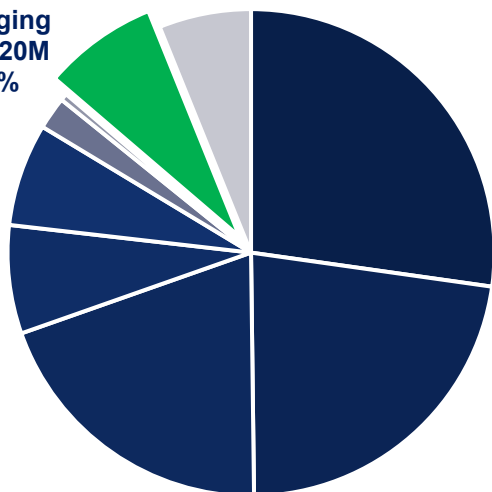
# Belgium



- FY 2020 revenue
  - 1% revenue growth
  - -2% organic revenue growth, constant currency, impacted by pandemic
- COVID-19 response
  - COVID-19 testing implemented in Antwerp laboratory, relatively low volumes in FY 2020, now increasing
- Operations
  - Two internal laboratory mergers successfully completed in H1
  - Strong growth in molecular and genetics testing, including pre-natal testing (NIPT)



# Sonic Imaging



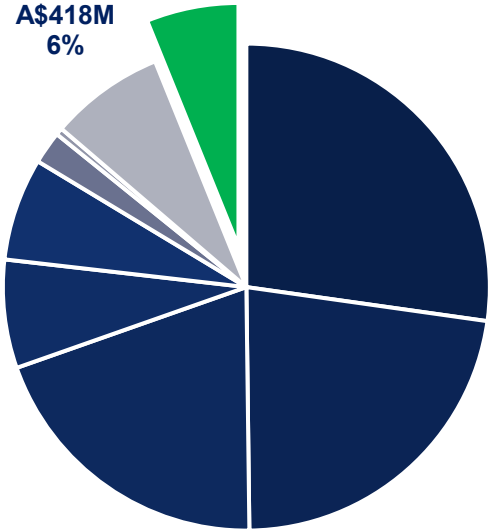
- FY 2020 revenue and earnings
  - 4% revenue growth
  - 6% EBITDA decline (excluding AASB 16)
  - No government subsidies received
- COVID-19 response
  - Severe COVID-19 impact on revenues in March, April and May
  - COVID-19 driven cost management, including temporary voluntary downsizing and other cost reductions
- Operations
  - July and August 2020 revenues and earnings significantly above historical growth rates
  - Indexation of most Medicare fees from 1 July 2020



# Sonic Clinical Services



SCS & Other  
A\$418M  
6%



- FY 2020 revenue
  - Revenue growth flat
  - No government subsidies received
- COVID-19 response
  - Rapid, widespread introduction of telehealth consultations following government introduction of new Medicare fee
  - Adaptation of medical centre operations to ensure patient and staff safety
- Operations
  - Australia's largest primary care and occupational health provider
  - 227 medical centres and ~2,460 GPs
  - Ongoing focus on centre rationalisation and other efficiencies





# Capital Management

		30 June 2020	30 June 2019
Net interest-bearing debt	A\$M	2,022	2,299
Equity	A\$M	5,664	5,492
Gearing ratio	%	26.1	29.5
Interest cover	X	11.5	10.5
Debt cover	X	1.8	2.1

- *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*
- *Net interest-bearing debt excludes AASB 16 impact*

- Current total weighted pre-tax average cost of debt is ~2.5%
- Debt cover ratio lowest in 20 years
- Current available headroom ~A\$1.4 billion (before FY 2020 final dividend)



# Summary

## ■ COVID-19

- Sonic Healthcare responding magnificently to the call to combat COVID-19
- Medical Leadership culture galvanising Sonic's 37,000 staff to fill frontline pandemic roles
- Leveraging deep investments in infrastructure to community benefit at a critical time in world history
- Providing 24/7 essential healthcare services – COVID-19 testing and normal healthcare services

## ■ Outlook

- Demand for Sonic's services increasing, non-cyclical in nature
- Geographical diversification providing risk mitigation and opportunities for growth
- Experienced and committed leadership teams in all countries of operation
- Strong balance sheet underpinning global operations and future growth
- Ongoing focus on organic and acquisitional growth
- Sonic well placed for future success





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**Thank you**

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