



SONIC  
HEALTHCARE

# Financial and Operational Review

Half-year ended 31 December 2023

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20 February 2024

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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 4D released to the ASX on 20 February 2024 and may include earnings figures restated on a "constant currency" basis.



# Headlines

A\$M (Statutory)	H1 FY 2024	H1 FY 2023	Change
Base business* revenue	4,267	3,703	15%
COVID revenue	39	379	(90)%
Total Revenue	4,306	4,082	5%
EBITDA	737	920	(20)%
Net Profit	202	382	(47)%
Cash generated from operations	452	785	(42)%
Earnings per share (A\$ cents)	42.6	80.9	(47)%

- H1 FY 2024 EBITDA in line with guidance provided at 2023 AGM
- On track to achieve full-year EBITDA guidance, more likely towards lower end of guidance range
  - Comparison with H1 FY 2023 impacted by marked reduction in COVID-related revenues
- Strong base business organic revenue growth\*\* 6.2%
- Cost reduction programs well advanced
- ~A\$500 million of new annual revenue secured from acquisitions and contract wins
- Further acquisition and contract opportunities under consideration

\* **Base business excludes COVID revenue**

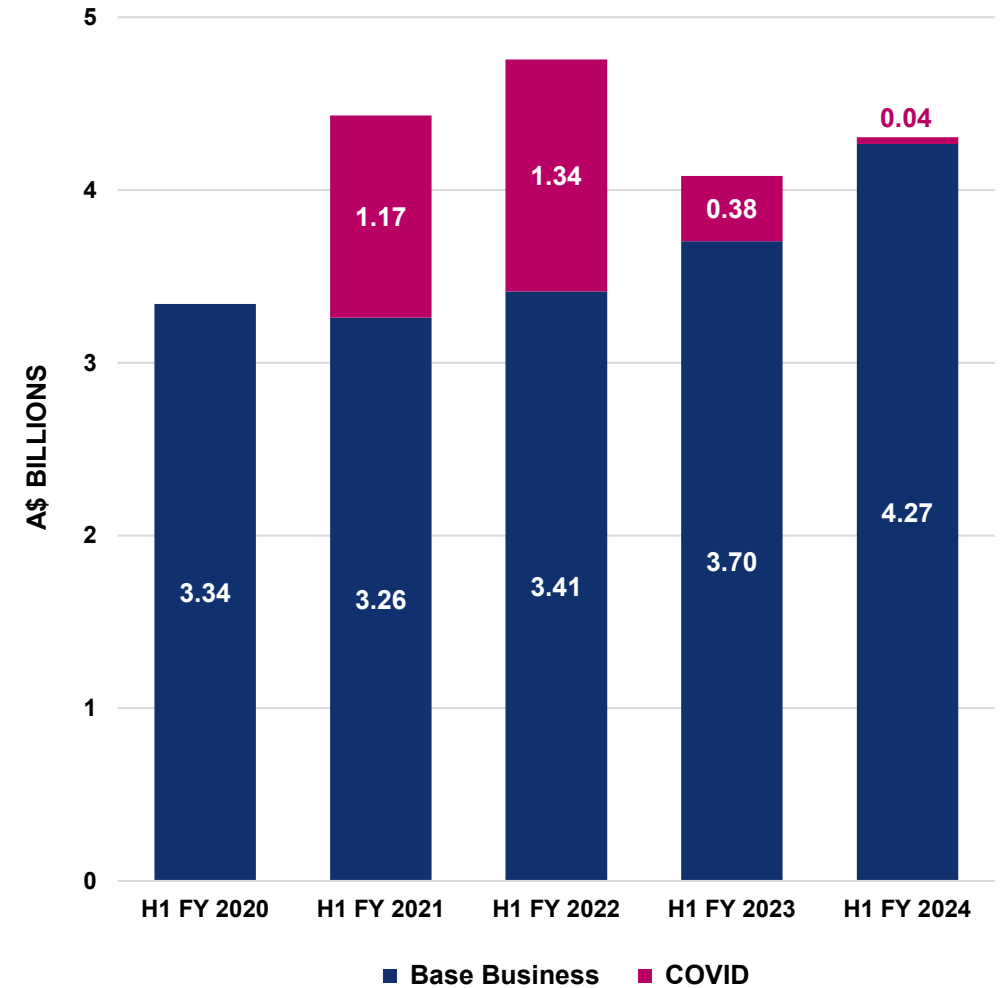
\*\* **Base business organic revenue growth**

Growth in base business revenues normalised for working days, currency exchange rates and acquisitions/disposals



# Revenue

- H1 FY 2024 base business revenue organic growth
  - Up 6% on H1 FY 2023
  - Up 14% on H1 FY 2020 (pre-pandemic)
- COVID revenue down 90% on H1 FY 2023
- Base business growth set to continue, strong underlying drivers
- January 2024 base business revenue organic growth
  - Up 6% vs January 2023
  - Up 15% vs January 2020 (pre-pandemic)



# FY 2024 Guidance

- EBITDA guidance maintained as issued August 2023: A\$1.7 – 1.8 billion
  - More likely towards lower end of guidance range
  - Belgian fee cut from 1 January 2024
  - Currency exchange headwinds vs August 2023 rates
  - Acquisition of initially loss-making PathologyWatch in January 2024
  - Positive impact of US PAMA fee cut delay
- Net interest expense ~A\$125 million
  - Higher than August 2023 forecast due to additional acquisitions, increased base interest rates, AASB 16 leasing adjustments due to higher interest rates and rents
- Effective tax rate ~27%
- Assumes current exchange rates and interest rates prevail



# Accentuated H2 Earnings in FY 2024

- Underlying normal earnings seasonality accentuated by:
  - Strong organic revenue growth in setting of tight labour cost control
  - Ongoing workforce reduction programs to right-size company post-pandemic
  - Synergies from Synlab Suisse, MLD and Diagnosticum acquisitions
  - Additional 3 months of Diagnosticum acquisition (settled October 2023)
  - Contributions from recent smaller acquisitions
  - Specific large procurement deals
  - Rationalisation of collection centre infrastructure in Australia
  - Initial contribution from enhanced revenue collection system in USA
  - Acquisition costs of A\$8 million in H1



# Recent Acquisitions and Major Contracts

~A\$500 million new annual revenue

Acquisition / Contract	~ Annual Revenue (A\$M)	Timing
<b>Germany</b>		
Medical Laboratories Duesseldorf (MLD)	85	Leading laboratory in Duesseldorf, settled July 2023
Diagnosticum Laboratory Group	110	Laboratories across Eastern Germany, settled October 2023
Smaller acquisitions (4)	70	Highly synergistic, signed or settled since July 2023
<b>Switzerland</b>		
Synlab Suisse	175	Settled July 2023
Pathologie Enge	15	Anatomical pathology practice, Zurich, settled January 2024
<b>UK</b>		
Whittington Health Trust	20	10-year NHS outsource contract, commencing April 2024
<b>USA</b>		
PathologyWatch	25	Proprietary digital dermatopathology platform with AI, settled January 2024
<b>TOTAL</b>	<b>500</b>	



# Earnings Drivers FY 2025 and Beyond

- Ongoing strong base business organic revenue growth and consequent operating leverage
- Additional revenue and earnings secured from recent acquisitions and contract wins
- Synlab Suisse – significant synergy and earnings upside from current low-margin position
- PathologyWatch – significant revenue growth and efficiency gains from digital platform deployment
  - Synergistic diagnostic technology investments with material future earnings potential, including PathologyWatch, Harrison.ai/Franklin.ai, Microba
- Rollout of enhanced revenue collection system in USA in progress, material upside expected from FY 2025
- Fee indexation in various markets and contracts, including Radiology, UK, Belgium and SCS





# Interim Dividend

A\$	H1 FY 2024	H1 FY 2023	Growth
Interim Dividend	\$0.43	\$0.42	2%

- Progressive dividend strategy maintained
- FY 2024 interim dividend unfranked (following fully-franked FY 2023 dividends)
- Record Date 4 March 2024
- Payment Date 21 March 2024

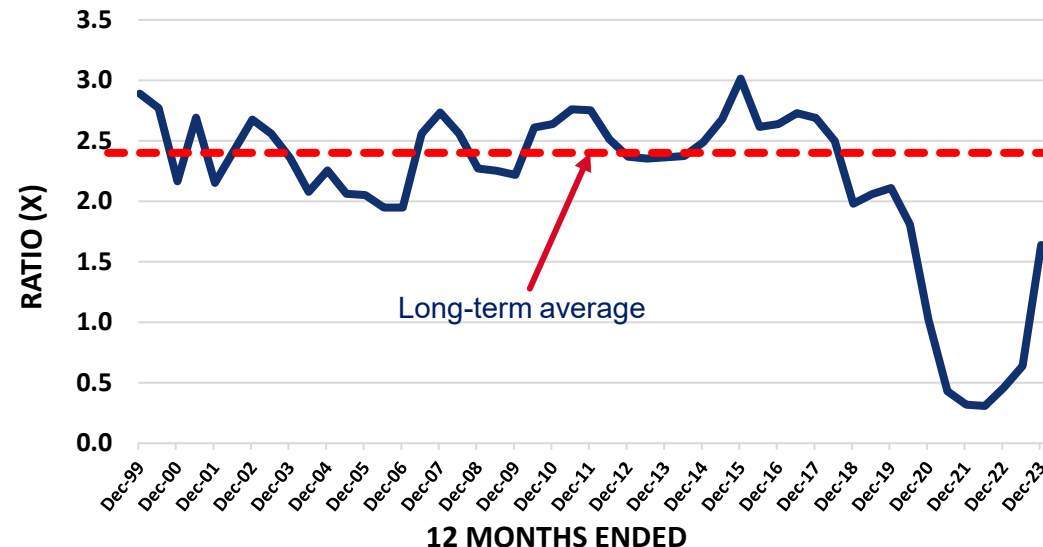


# Capital Management

		31 December 2023	30 June 2023
Net interest-bearing debt	A\$M	1,936	886
Equity	A\$M	7,902	7,922
Debt cover	X	1.6	0.6
Gearing ratio	%	19.5	9.9
Interest cover	X	19.1	29.4

- Increase (A\$1.05 billion) in net debt largely related to acquisitions (~A\$0.9 billion)
- Current available headroom ~A\$1.5 billion (before interim dividend)
- Well-positioned to fund future acquisitions and other growth opportunities

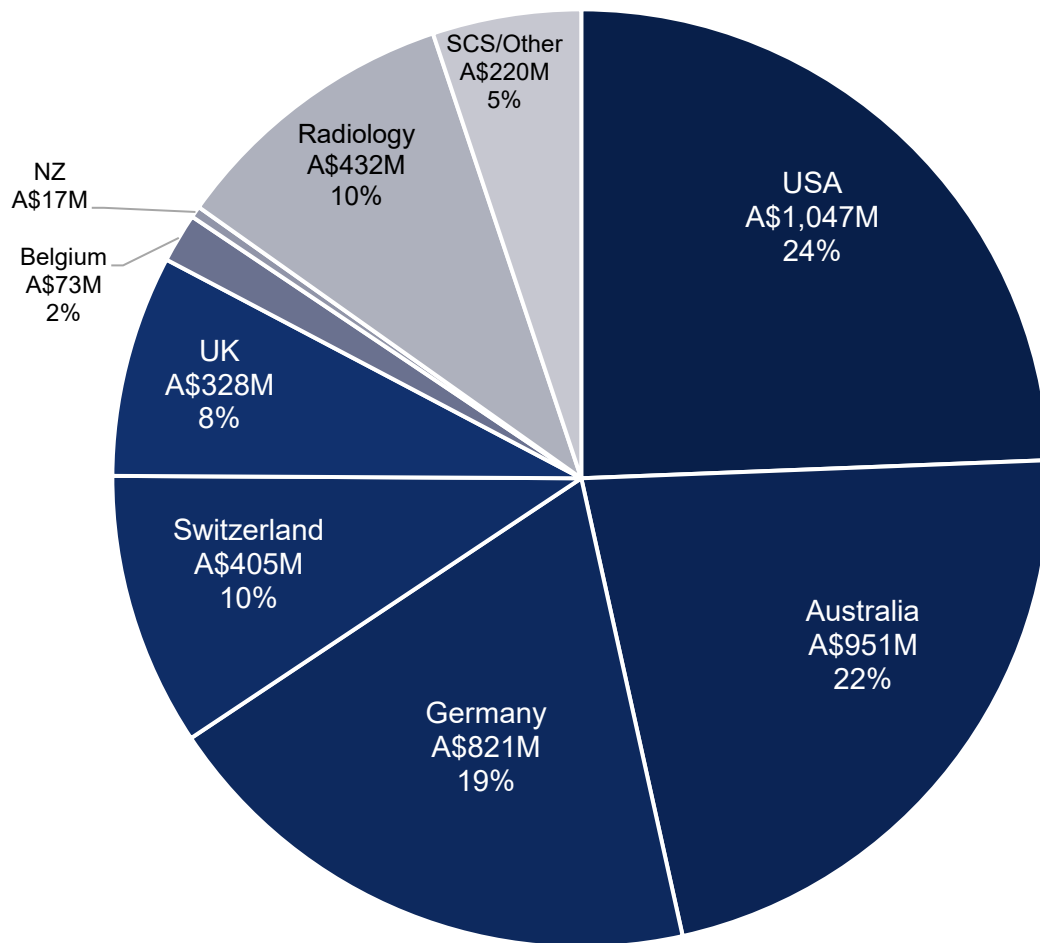
## Debt Cover History



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



# H1 FY 2024 Revenue Split



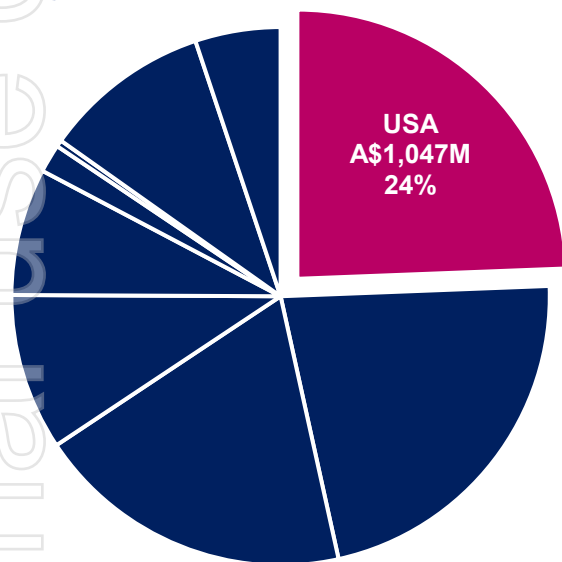
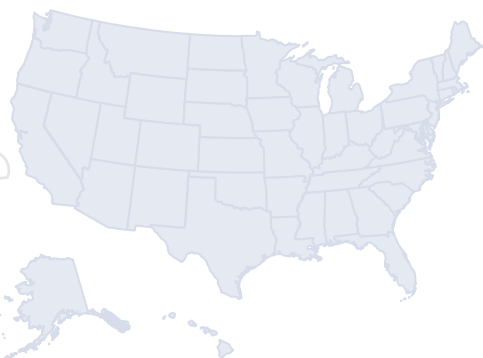
Revenue in A\$ millions

Total Revenue A\$4,306 million (including A\$12 million interest)

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



# USA



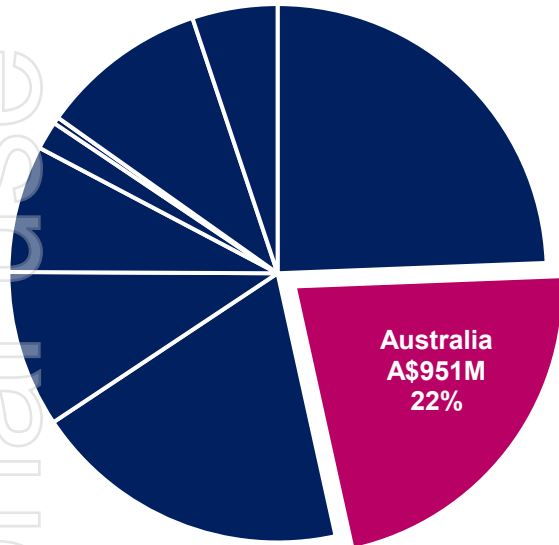
- H1 FY 2024 revenue (constant currency)
  - Base business organic growth 4%
- Operations
  - Implementation of enhanced revenue collection system, national roll-out commenced with smaller divisions, earnings gains to date as expected
  - Ongoing strong growth of ThyroSeq® (exclusively licensed thyroid cancer genetic test)
  - PathologyWatch – initial focus to deploy into Sonic USA dermatopathology operations (combined current USA dermatopathology revenue ~A\$200 million p.a.)



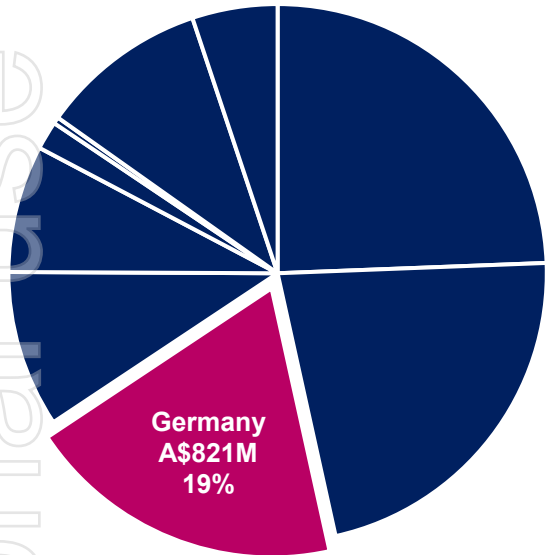
# Australian Pathology



- H1 FY 2024 revenue
  - Base business organic growth 9%
- Operations
  - Base business revenue growth outperforming historical rates, with market share gains
  - Pre-eminent position in specialist referrals and complex testing, driving growth
  - Strong growth in genetic testing, including reproductive carrier screening test, now Medicare funded
  - New contract to provide laboratory services at Ramsay Healthcare's Pindara Private Hospital, Gold Coast, Queensland
  - Rationalisation of collection centre infrastructure in progress
  - Industry lobbying Government for indexation of Medicare fees



# Germany



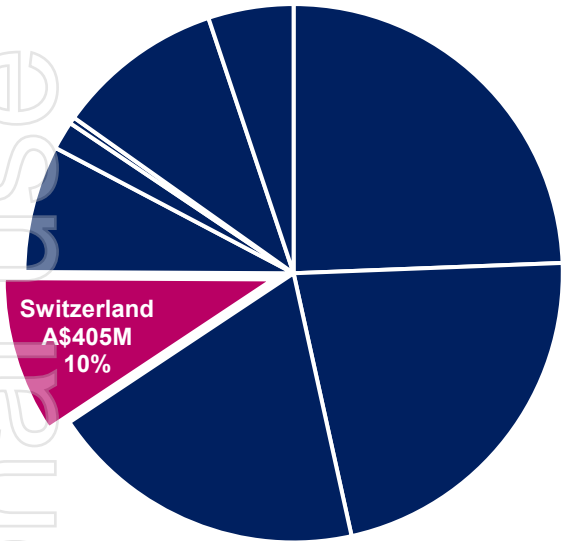
- H1 FY 2024 revenue (constant currency)
  - Base business organic growth 8%
- Operations
  - Continued strong growth from specialists and hospitals, including anatomical pathology, molecular, microbiome and genetic testing
  - Strong growth in Oncotype DX® breast cancer genetic test revenues
  - Acquisition integration workstreams to achieve synergies commenced and proceeding to plan
  - Strategy to consolidate anatomical pathology market proceeding, including focus on synergies from automation and transition to digital pathology and AI
  - Several procurement projects successfully completed



# Switzerland



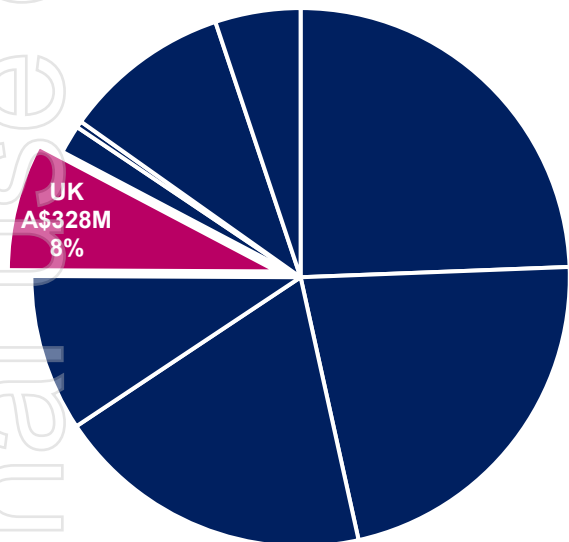
- H1 FY 2024 revenue (constant currency)
  - Base business organic growth 4%
  - Revenue growth impacted by fee cut from 1 August 2022
- Operations
  - Acquisition integration proceeding as planned, rebranding of Synlab Suisse laboratories completed (to MEDISYN)
  - Integration and harmonisation across entire Sonic Switzerland operations, covering wide spectrum of projects



# UK

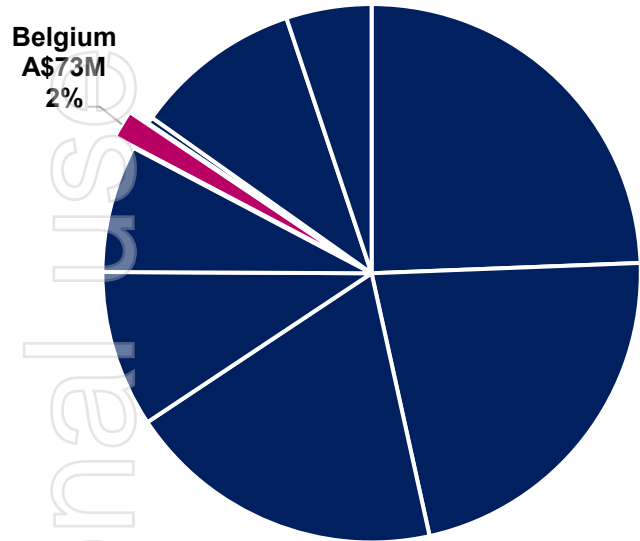


- H1 FY 2024 revenue (constant currency)
  - Base business organic growth 13%
- Operations
  - Ongoing strong private and NHS base business growth
  - Sonic awarded 10-year laboratory contract for the Whittington Health NHS Trust
  - Sonic preferred bidder for large 15-year NHS laboratory contract (Hertfordshire and West Essex), contract execution imminent
  - Currently bidding for further NHS contracts





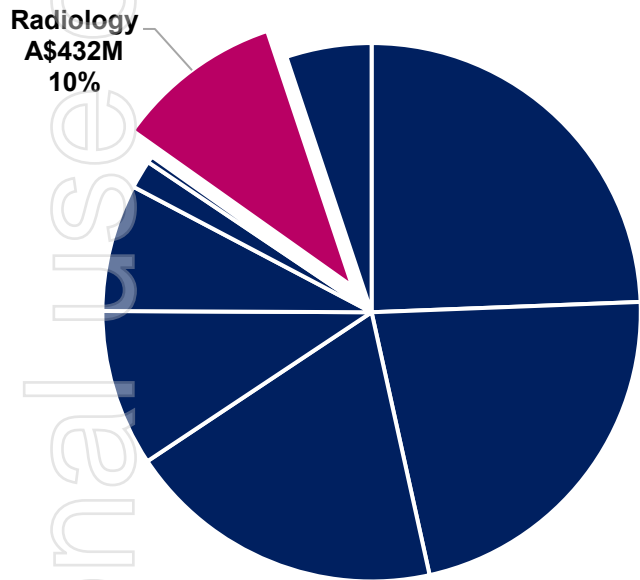
# Belgium



- H1 FY 2024 revenue (constant currency)
  - Base business underlying organic growth 6%
- Operations
  - 15% cut to national fee schedule, partially offset by fee indexation of 6%, both effective 1 January 2024
  - Mitigations include price increases for tests not on fee schedule and increased focus on automation and efficiency gains



# Radiology



- H1 FY 2024 revenue and earnings

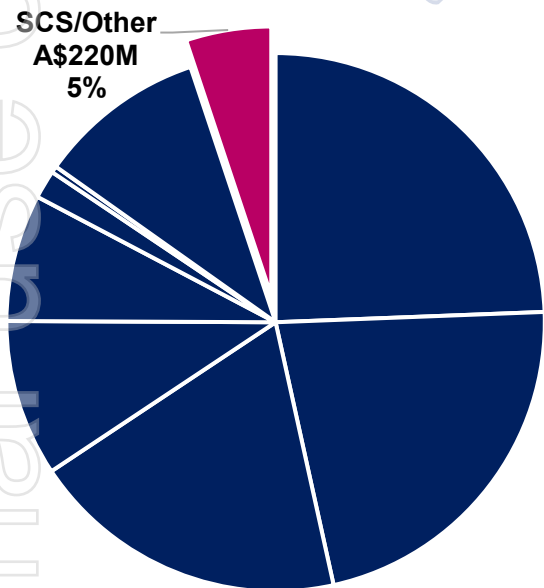
- Organic revenue growth 11%
- EBITDA growth 19%
- Margin expansion 160 basis points

- Operations

- Ongoing investment and growth in higher-value modalities with strategic greenfield and brownfield expansion
- Commissioned a new PET CT site in Brisbane in H1 with another three planned for H2
- Five new comprehensive greenfield sites planned for H2
- AI applications enhancing workflows and clinical outcomes



# Sonic Clinical Services (SCS)

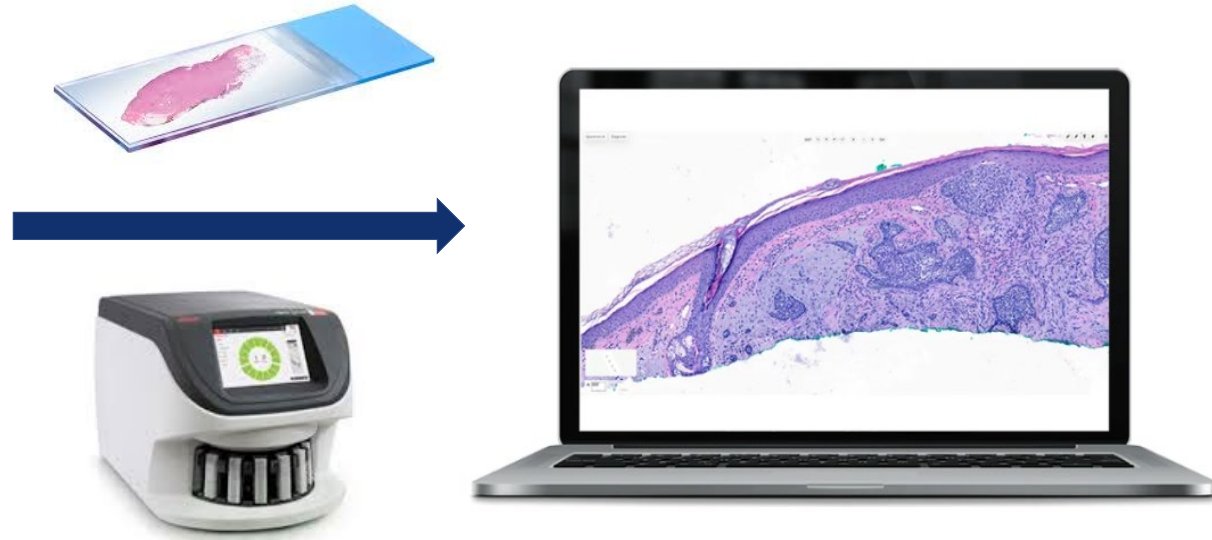


- H1 FY 2024 revenue and earnings
  - Revenue growth 12%, organic growth 4%
  - EBITDA growth 9%
- Operations
  - Organic revenue growth reflects increased GP private billing and Government funding increases (indexation from 1 July 2023, targeted fee increase from 1 November 2023)
  - Ramping up of new Australian Defence Force contract for pre-recruitment medicals



# Digital Pathology and AI

- Anatomical pathology is the study of organs and tissues to determine the cause and effect of disease
- Anatomical pathology is required for the diagnosis of all cancers
- Digital pathology is the digitisation of anatomical pathology workflow
- Digital pathology and AI are set to transform anatomical pathology through step-change gains in efficiency, quality, capacity and workflow optimisation



# Digital Pathology and AI Strategy

- Digital pathology
  - Sonic Healthcare is one of the world's largest anatomical pathology (AP) providers with annual AP revenue >A\$1 billion and employing >1,000 anatomical pathologists
  - Sonic is making significant investments in digital pathology and AI to unlock upside opportunities
- PathologyWatch
  - Unique end-to-end digital pathology platform – laboratory information system, digital pathology viewer, image storage and AI algorithms
  - Sonic USA Dermatopathology Division – network of specialist laboratories deploying PathologyWatch digital platform
  - Acceleration of Sonic's transition to digital pathology globally – commencing with dermatopathology
  - Prognostic AI algorithm for melanoma in development pipeline
  - Synergies with Franklin.ai to accelerate AI commercialisation and adoption
- Franklin.ai joint venture
  - JV leveraging synergies between Sonic (medical) and Franklin (AI) teams
  - Validation studies and launch of first anatomical pathology AI product in 2024, supported by Sonic pathologists globally
  - Franklin.ai products to be deployed within Sonic and sold globally





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**Thank you**

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