



**SONIC  
HEALTHCARE**

22 August 2024

The Manager – Listings  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir / Madam

**CEO PRESENTATION – FULL YEAR RESULTS TO 30 JUNE 2024**

At 10:00am AEST today, Dr Colin Goldschmidt, Chief Executive Officer, will host a presentation of Sonic Healthcare's results for the full year ended 30 June 2024. The slides for the presentation are enclosed.

The release of this announcement was authorised by the Board of Sonic Healthcare Limited.

Yours faithfully  
**Sonic Healthcare Limited**

A handwritten signature in black ink, appearing to read 'Paul Alexander', with a long horizontal flourish extending to the right.

**Paul Alexander**  
Company Secretary

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HEALTHCARE

# Financial and Operational Review

Year ended 30 June 2024

Dr Colin Goldschmidt  
CEO, Sonic Healthcare  
22 August 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 or unexpected growth in costs. 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 22 August 2024 and may include earnings figures restated on a "constant currency" basis.



# Headlines

A\$M (Statutory)	FY 2024	FY 2023	Change
Base business* revenue	8,905	7,684	16%
COVID revenue	62	485	(87)%
Total Revenue	8,967	8,169	10%
EBITDA <i>(excluding gain related to sale of West division USA)</i>	1,602	1,708	(6)%
Net Profit	511	685	(25)%

- FY 2024 EBITDA in line with most recent guidance (May 2024)
- Revenue and earnings comparisons with FY 2023 materially impacted by reduction in COVID revenue
- Base business organic revenue growth\*\* 6%
- ~A\$655 million p.a. of new revenue secured from acquisitions through the year, plus additional revenue from new contract wins
- EBITDA margin in H2 FY 2024 vs H1 FY 2024 demonstrates return to margin expansion
- Post-pandemic headcount reduction nearing completion
- Cash generation: 95% conversion of EBITDA to gross operating cash flow
- Final dividend A\$0.63 per share, full-year dividend up 2% to A\$1.06



\* **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

# FY 2025 Guidance

## ▪ Guidance

- EBITDA A\$1.70 – 1.75 billion (constant currency)
- Guidance reflects up to ~10% EBITDA growth on FY 2024
- July 2024 EBITDA in line with budget
- Depreciation expense (including on leased assets) as a percentage of revenue expected to be similar to FY 2024
- Interest expense to increase by ~25% (constant currency), reflecting acquisitions completed in FY 2024
- Effective tax rate 26-27%

## ▪ Key guidance considerations

- Includes completed acquisitions only
- Incorporates A\$15 million impact of potential PAMA fee reductions in USA from January 2025, although expected to be deferred
- No other regulatory changes assumed
- Incorporates initial ~A\$10 million loss in FY 2025 from Hertfordshire & West Essex contract in UK, profitable from FY 2026 onwards
- Base year FY 2024 EBITDA included A\$14 million acquisition expenses
- Assumes current interest rates prevail



# Recent Acquisitions and Major Contracts

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 laboratory acquisitions (4)	70	2 anatomical and 2 clinical pathology, settled through FY 2024
<b>Switzerland</b>		
Medisyn (formerly Synlab Suisse)	175	Settled July 2023
Pathologie Enge	15	Anatomical pathology practice, Zurich, settled January 2024
Dr Risch Group	175	Settled March 2024
<b>USA</b>		
PathologyWatch	25	Proprietary digital dermatopathology platform with AI, settled January 2024
<b>TOTAL</b>	<b>655</b>	
<b>UK – NHS Contracts</b>		
Whittington Health Trust	20	10-year NHS outsource contract, commenced April 2024
Hertfordshire & West Essex Trusts	<i>Commercial in confidence</i>	15-year NHS outsource contract, commencing Q4 FY 2025



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# Earnings Growth FY 2025 and Beyond

## ▪ Ongoing

- Strong base business organic revenue growth, tight cost control and consequent margin expansion
- Benefit of annual fee indexation in various markets and contracts, including Radiology, UK, Belgium, SCS and Australian Pathology (partial from July 2025)
- Optimisation of fees where Sonic is able to set / negotiate pricing (representing a significant portion of revenue in each of Sonic's major markets)

## ▪ FY 2025 specific

- Post-pandemic headcount reduction programs (excluding acquisitions / contract wins) to right size company nearing completion
- Sale of West division USA (March 2024) – elimination of ~A\$15 million operating loss over the 9 months in FY 2024
- Early synergies from FY 2024 acquisitions – Switzerland, Germany and PathologyWatch

## ▪ FY 2026 weighted

- Swiss acquisitions, Medisyn and Dr Risch Group, significant synergy and earnings upside from current low-margin positions
- Synergy benefits from recent German acquisitions
- Hertfordshire & West Essex contract (UK), expected ~A\$10 million loss in FY 2025, profitable from FY 2026 onwards
- Continuing rollout of enhanced revenue collection system in USA, expected uplift of ~US\$10 million in FY 2025, additional US\$20 – 25 million in FY 2026 and further benefits in FY 2027
- Inflationary pressures on labour costs annualising into H1 FY 2025, then easing – headline inflation rates in Sonic's markets now in the range of 1.3% – 3.8%
- PathologyWatch – US dermatopathology rollout during FY 2025 to promote revenue growth and efficiencies into FY 2026 and beyond

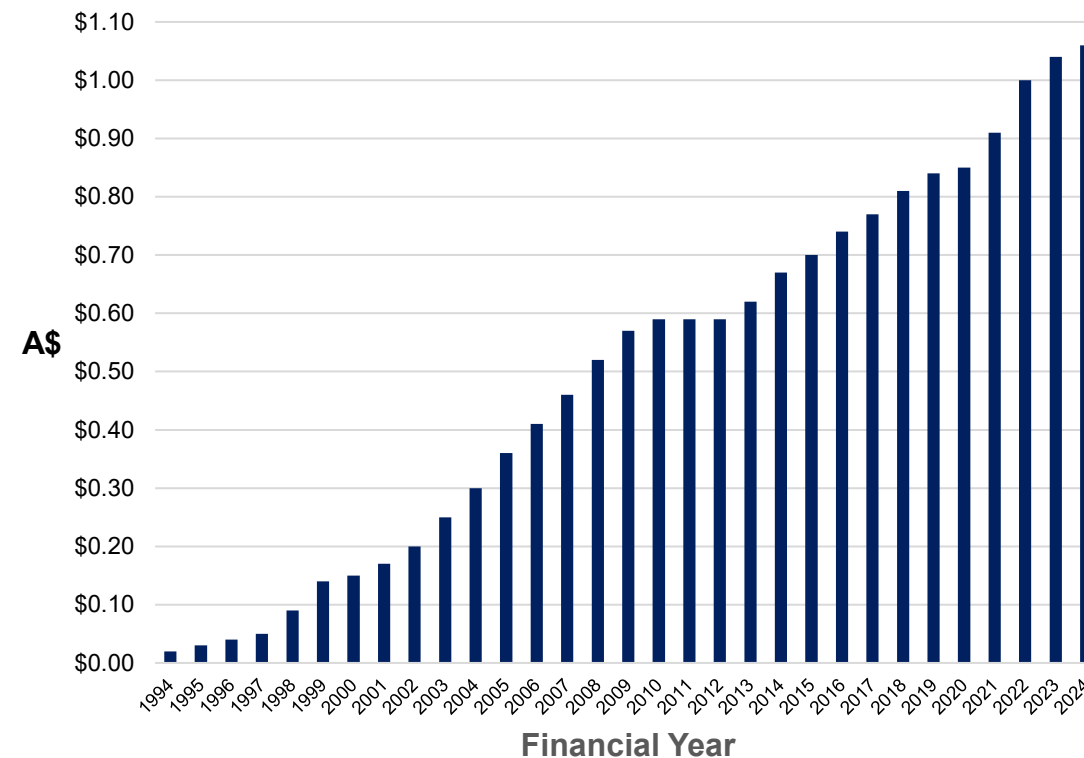


# Dividends

A\$	FY 2024	FY 2023	Growth
Interim Dividend	\$0.43	\$0.42	2%
Final Dividend	\$0.63	\$0.62	2%
Total Dividends	\$1.06	\$1.04	2%

- Final dividend unfranked
- Record Date 5 September 2024
- Payment Date 19 September 2024
- Future earnings growth expected to support progressive dividend strategy following high payout ratio in FY 2024

## Dividend History



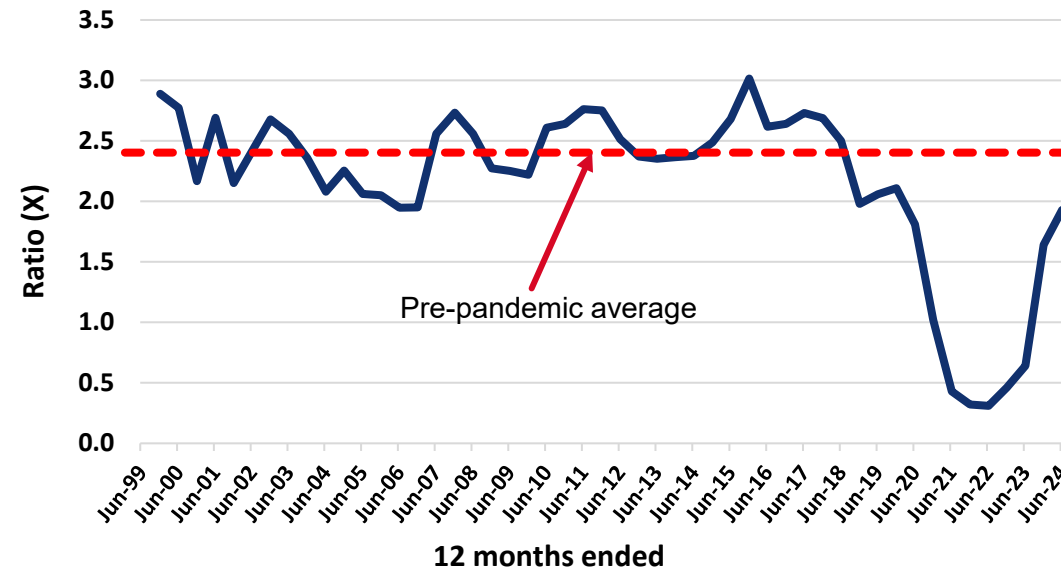


# Capital Management

		30 June 2024	30 June 2023
Net interest-bearing debt	A\$M	2,349	886
Equity	A\$M	8,075	7,922
Debt cover	X	1.9	0.6
Gearing ratio	%	22.3	9.9
Interest cover	X	12.0	29.4

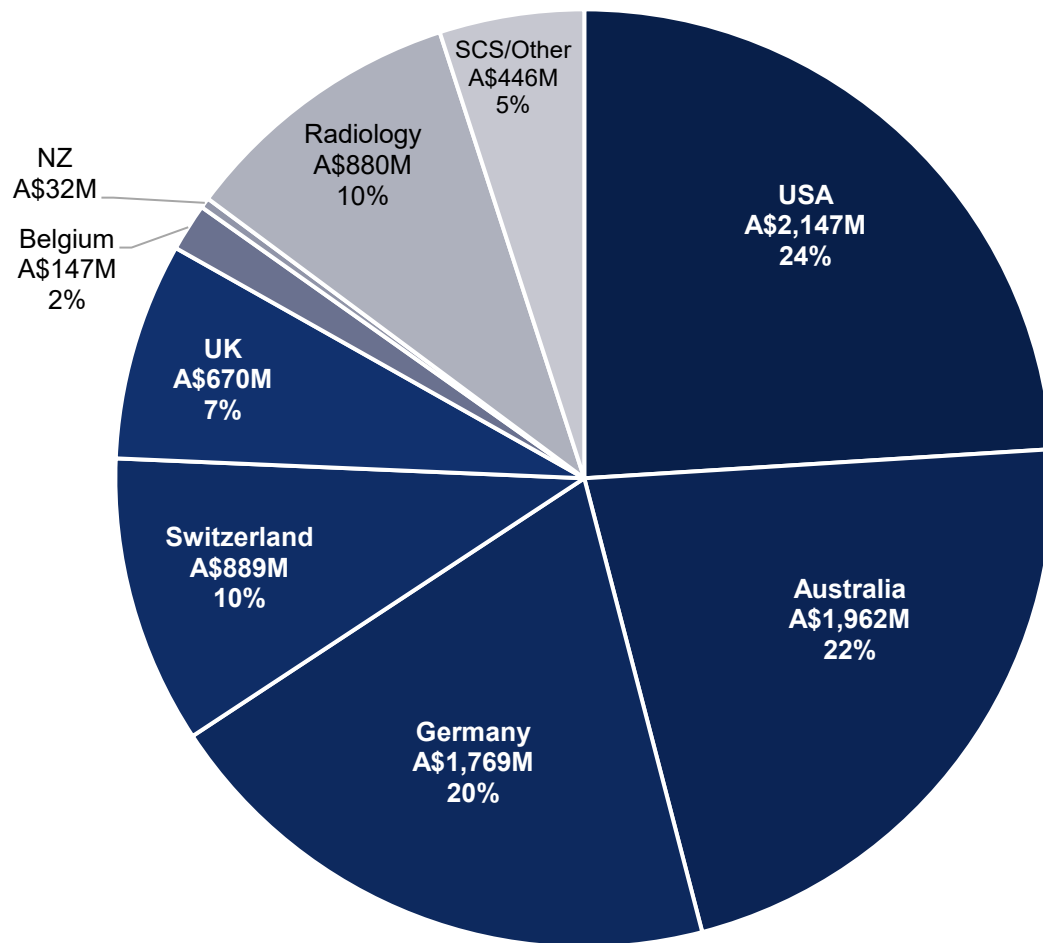
- Increase in net debt reflects acquisitions completed in the year
- Gearing returning towards pre-pandemic average, to be maintained at investment grade level
- Available headroom at 30 June 2024 ~A\$1.5 billion (before final dividend)

## 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

# FY 2024 Revenue Split



Revenue in A\$ millions

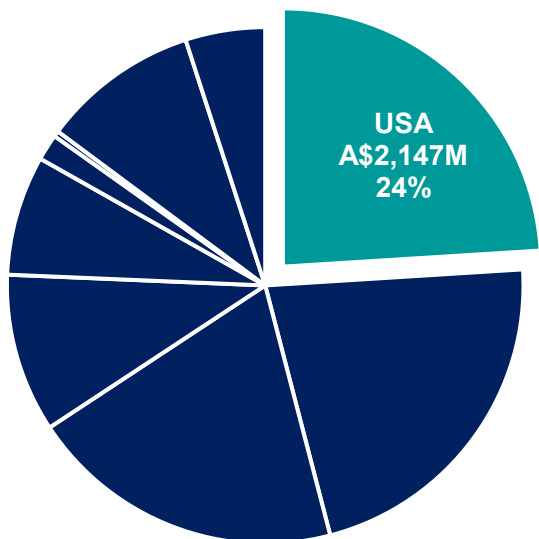
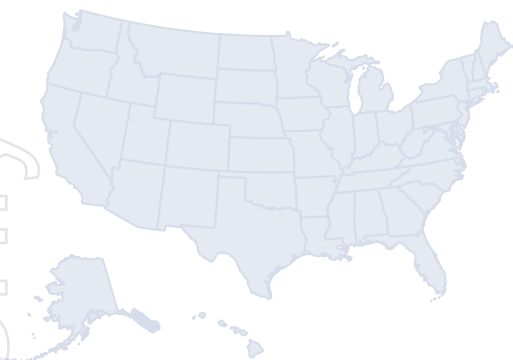
Total Revenue A\$8,967 million (including A\$25 million interest)

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

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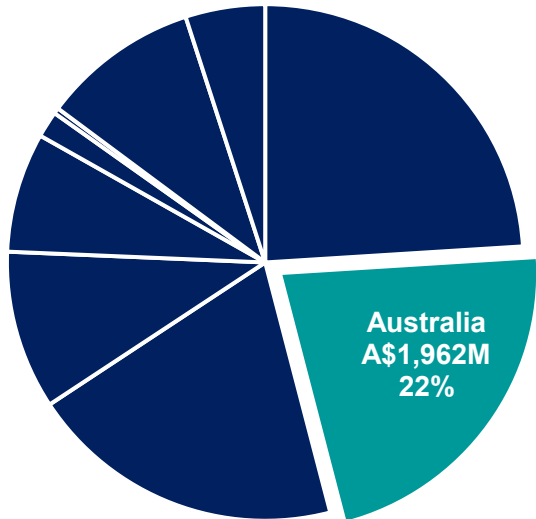
# USA



- FY 2024 revenue
  - Base business organic growth 3%
- Operations
  - Formation of new dermatopathology division to integrate PathologyWatch business and proprietary digital pathology platform
  - Aggressive rollout of digital dermatopathology system in progress, driving growth and cost efficiencies
  - Divisional restructure of US operations to integrate anatomical and clinical pathology services facilitating cross-sell and cost savings
  - Additional ~120 headcount reduction in Q1 FY 2025
  - Rollout of enhanced revenue collection system continuing, with expected earnings uplift in FY 2025 – FY 2027
  - PAMA Medicare fee cuts scheduled for 1 January 2025 expected to be deferred again; draft legislation (SALSA) to reduce cuts still pending
  - Sale of loss-making (~A\$20 million p.a.) West division completed March 2024



# Australian Pathology



- FY 2024 revenue

- Base business organic growth 10%, including market share gains
- Strong growth from specialists, driving complex tests, anatomical pathology and genetics, including newly Medicare-funded reproductive carrier screening test
- Equivalent strong growth in GP referred revenue

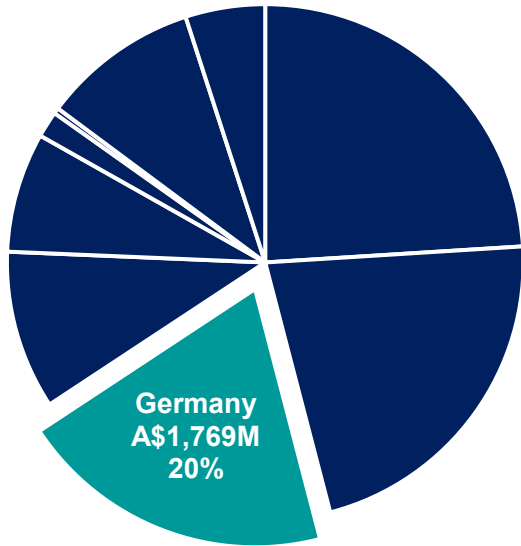
- Operations

- Full-time equivalent staff numbers reduced by ~400 since COVID-related peak in January 2022 (~150 in FY 2024) while still supporting strong base business growth
- Rationalisation of collection centre infrastructure continuing, ~50 net closures in last 12 months
- Annual indexation to ~30% of Medicare fees to be implemented from 1 July 2025
- Targeted private billing initiatives in train



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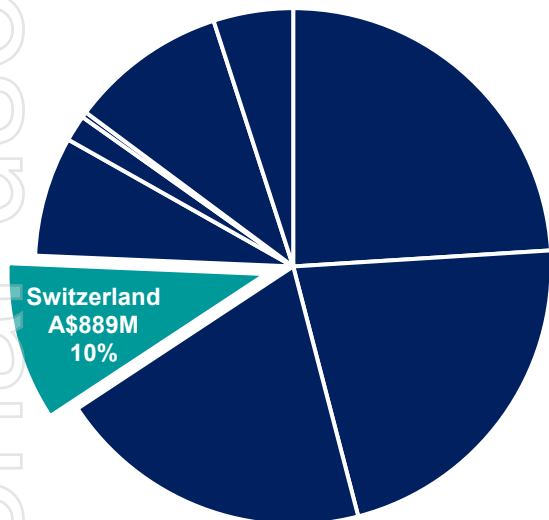
# Germany



- FY 2024 revenue
  - Base business organic growth 7%
  - Strength in specialist and hospital segments driving growth in complex testing, including anatomical and molecular pathology, Oncotype DX®, genetic and microbiome testing
- Acquisitions
  - MLD and Diagnosticum integration workstreams well underway
  - Four additional synergistic acquisitions completed in Bonn, Wuerzburg, Cologne and Duesseldorf
- Operations
  - New Munich and Hamburg laboratory buildings successfully commissioned during H2, facilitating three regional mergers to date with a fourth to follow in FY 2025
  - Newly formed anatomical pathology division performing strongly with focus on synergy capture and IT / workflow innovation
  - Proposed reforms of statutory insurance fee schedule (EBM) from January 2025, expected net neutral impact to Sonic



# Switzerland



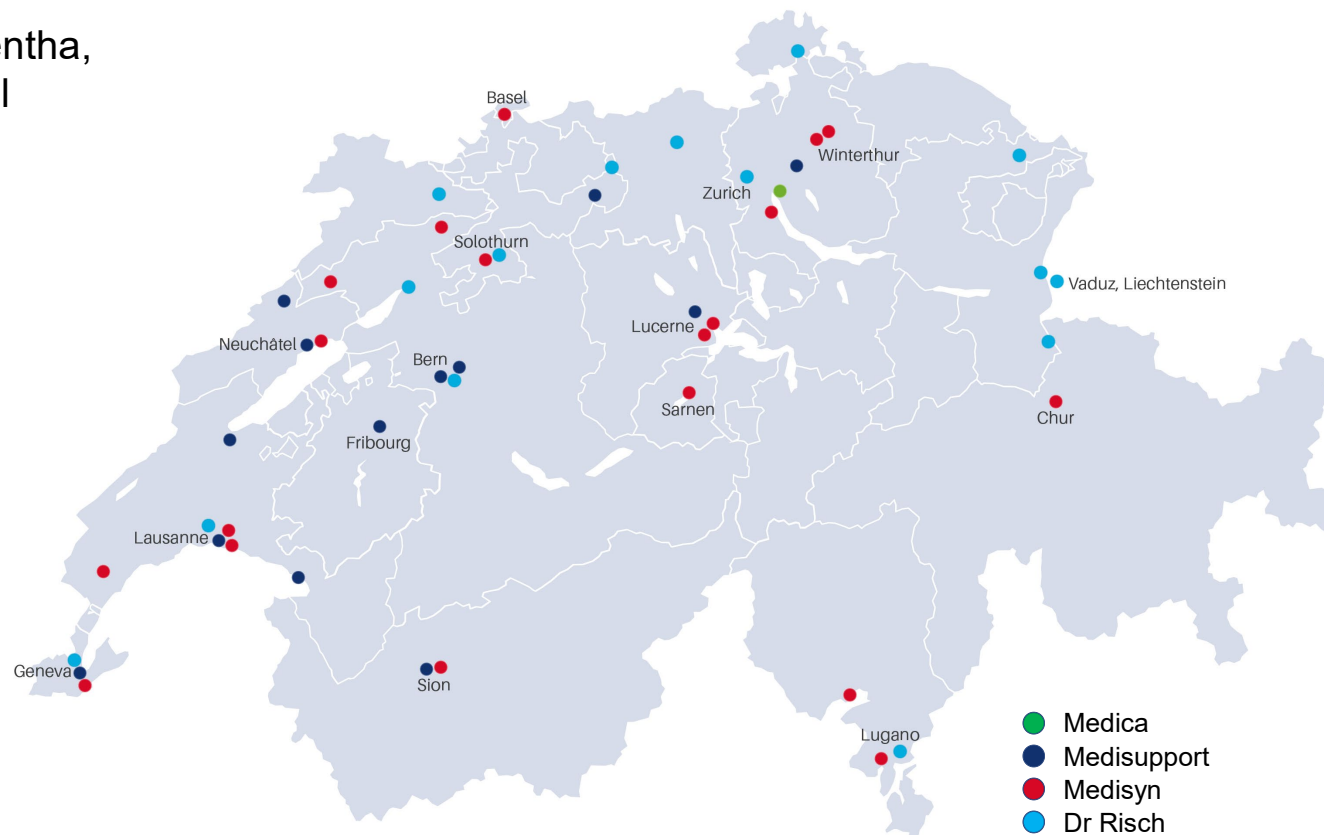
- FY 2024 revenue
  - Base business organic growth 5%
- Acquisitions
  - Dr Risch Group completed March 2024
    - Revenue ~CHF94 million p.a. (Switzerland), ~CHF8 million p.a. (Liechtenstein)
    - Purchase price CHF117 million, including CHF30 million in Sonic shares
    - ~650 staff, 13 laboratories in Switzerland, 1 in Liechtenstein
    - Founder family pathologists now in senior management roles in Sonic Suisse
  - Pathologie Enge completed January 2024 – revenue ~CHF10 million p.a., anatomical pathology laboratory in Zurich
  - Medisyn (formerly Synlab Suisse) completed July 2023 – revenue ~CHF100 million p.a.



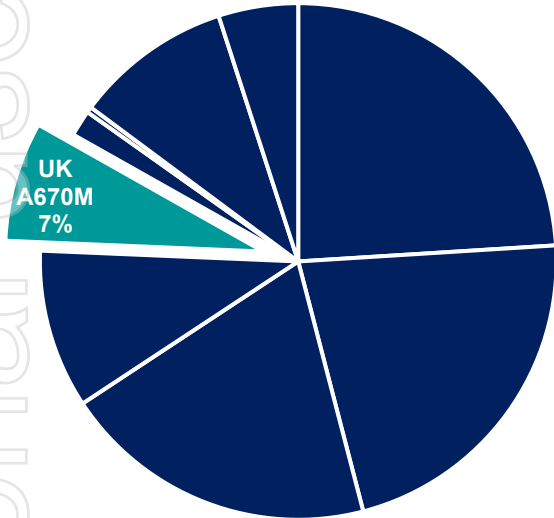
# Sonic Suisse

- Integration of Medisupport, Medica, Medisyn and Dr Risch Group forming new unified national group
- Sonic Suisse management team, led by CEO Blaise Mentha, with representatives from all four entities coordinating all central management functions for Switzerland
- Retention of local brand names, services and goodwill
- Major synergy workstreams commenced
  - Multiple laboratory mergers
  - Procurement
  - IT integrations
  - Logistics
  - Corporate services
- Significant earnings upside, weighted to FY 2026 and beyond

**Sonic Suisse**  
Laboratory locations, including hospital sites



# UK



## ■ FY 2024 revenue

- Base business organic growth 9%
- Strong private and NHS base business growth including contract fee indexation and private market fee increases

## ■ Operations

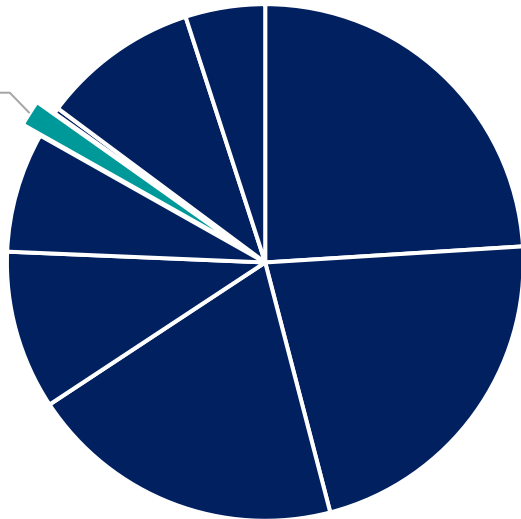
- Whittington Health NHS Trust 10-year outsource contract successfully commenced April 2024
- Hertfordshire and West Essex NHS 15-year outsource contract to start in Q4 FY 2025, planning progressing well with fitout of new hub laboratory property about to commence
- Currently bidding for further NHS contracts



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# Belgium



- FY 2024 revenue

- Base business organic growth flat, impacted by fee cut
- 15% cut to national fee schedule, partially offset by fee indexation of 6%, both effective January 2024
- Mitigations include price increases for tests not on fee schedule and increased focus on automation and efficiency gains

- Operations

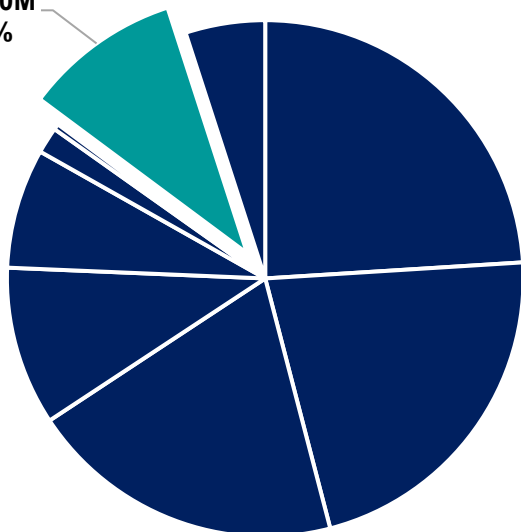
- National cervical cancer screening program converting to primary HPV test from January 2025, Sonic's AML Antwerp lab well positioned as national HPV reference centre
- Expanding test menu in areas of microbiome, molecular and toxicology testing



# Radiology



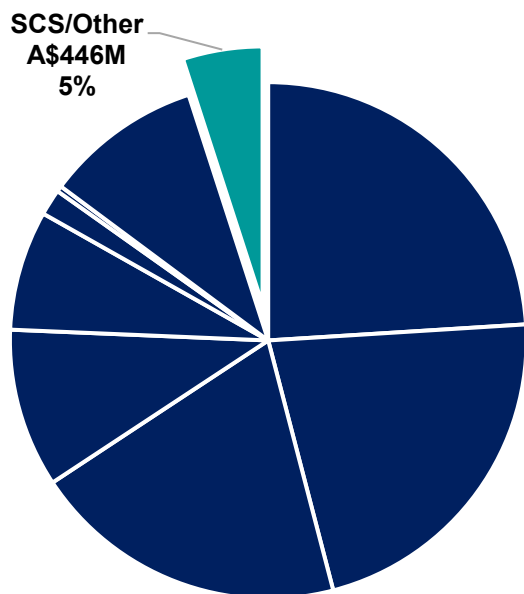
Radiology  
A\$880M  
10%



- FY 2024 revenue and earnings
  - Revenue growth 11%
  - Organic revenue growth 10%
  - EBITDA growth 14%
  - Margin expansion of ~70 bps
- Operations
  - Ongoing trend to higher value modalities along with expansion of private fees
  - Annual indexation of Medicare fees: 3.5% from 1 July 2024
  - 6 greenfield sites established in FY 2024, with a further 7 planned for FY 2025
  - 6 additional MRIs and 4 additional PET CTs commissioned in FY 2024
  - Continued investigation and deployment of AI tools to enhance quality and productivity



# Sonic Clinical Services (SCS)



- FY 2024 revenue and earnings

- Revenue growth 13%, organic growth 5%
- EBITDA growth 9%

- Operations

- Organic revenue growth reflects increased Government funding and private billing for GP services
- Annual indexation of GP Medicare fees: 3.5% from 1 July 2024
- Continued ramp up of capacity for Australian Defence Force pre-recruitment medical assessment contract



# Digital Pathology and AI Update

- Digital pathology (digitisation in anatomical pathology)
  - Anatomical pathology undergoing revolutionary transformation due to automation, digitisation and the use of AI tools
  - Sonic investing in digital pathology infrastructure to unlock material upside from gains in efficiency, quality and capacity
- PathologyWatch
  - Proprietary AI-enabled digital dermatopathology platform, acquisition completed January 2024
  - Currently being rolled out in Sonic's US Dermatopathology division
- Franklin.ai
  - A joint venture for pathology AI, with Sonic's ownership 49% direct, plus 9% indirect
  - Development and testing of first anatomical pathology AI product ("Prostate Digital"), now complete, with excellent results
  - Deployment for clinical evaluation in first Sonic laboratory (Sydney) to commence Q2 FY 2025 with other labs to follow
  - Prostate Digital to be launched at European Congress of Pathology conference in September 2024
  - Regulatory applications in Australia and EU in progress
- Annalise.ai
  - A radiology decision-support AI solution, Sonic's ownership interest 18% via parent company, Harrison.ai
  - Annalise.ai has launched Chest X-ray and CT brain products, with wins across Australia, Asia, Europe and the UK
  - Chest X-ray and CT brain products now in use by Sonic and I-MED, the two largest radiology providers in Australia
  - Won 80% of recent NHS England tenders for chest X-ray AI, soon to be analysing one third of England's chest X-rays
  - Annalise.ai CT brain finding to be reimbursed by US Medicare from later this year



# FY 2024 Sustainability Report

To be published November 2024



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# Outlook

- Leading market positions, particularly in specialist and hospital market segments
- Strong organic base business revenue growth ongoing, underpinned by Medical Leadership and brand differentiation, reputation and high-quality services
- Margin expansion supported by ongoing revenue growth, cost control and operating leverage
- Future earnings and margins augmented by specific drivers – synergies from M&A, new contracts, lower inflation, technology investments etc
- Further acquisition and contract opportunities under consideration





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**Thank you**

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