



**SONIC  
HEALTHCARE**

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

*Via electronic lodgement*

Dear Sir / Madam

**CEO PRESENTATION – HALF-YEAR RESULTS TO 31 DECEMBER 2022**

At 10.00am AEDT today, Dr Colin Goldschmidt, Chief Executive Officer, will host a presentation of Sonic Healthcare's results for the half-year ended 31 December 2022. The slides for that presentation are enclosed.

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

Yours faithfully

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

**Paul Alexander**  
Company Secretary  
Telephone: +61 2 9855 5404  
Email: paul.alexander@sonichealthcare.com.au

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# Financial and Operational Review

Half-year ended 31 December 2022

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Dr Colin Goldschmidt  
CEO, Sonic Healthcare  
16 February 2023

# 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 4D released to the ASX on 16 February 2023 and may include earnings figures restated on a "constant currency" basis.



# Headlines

A\$M (Statutory)	H1 FY 2023	Change vs H1 FY 2022	Change vs H1 FY 2020 (pre-pandemic)
Base business* revenue	3,703	9%	11%
COVID-19 revenue	379	(72)%	n/a
Total Revenue	4,082	(14)%	22%
EBITDA	920	(40)%	33%
Net Profit	382	(54)%	50%
Cash generated from operations	785	(25)%	47%
Earnings per share (A\$ cents)	80.9	(53)%	52%

- Comparison with H1 FY 2022 impacted by reduction in COVID-19 related revenues (A\$379 million vs A\$1.3 billion in prior period) – see Appendix for more detail
- Base business revenue growth 11% vs H1 FY 2020, 8% organic growth\*\*
- Base business organic revenue growth gaining momentum, with January 2023 up 10% vs January 2020 (pre-pandemic), particularly strong in Australian Pathology division (up 16%)
- Base business margins in line with pre-pandemic levels as labour costs transition to post-pandemic environment
- Earnings per share up 52% vs H1 FY 2020 (pre-pandemic)
- Cash generation: 116% conversion of EBITDA to gross operating cash flow
- Currently progressing several acquisition and contract opportunities

\* **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



# Interim Dividend

A\$	H1 FY 2023	H1 FY 2022	Growth
Interim Dividend	\$0.42	\$0.40	5%

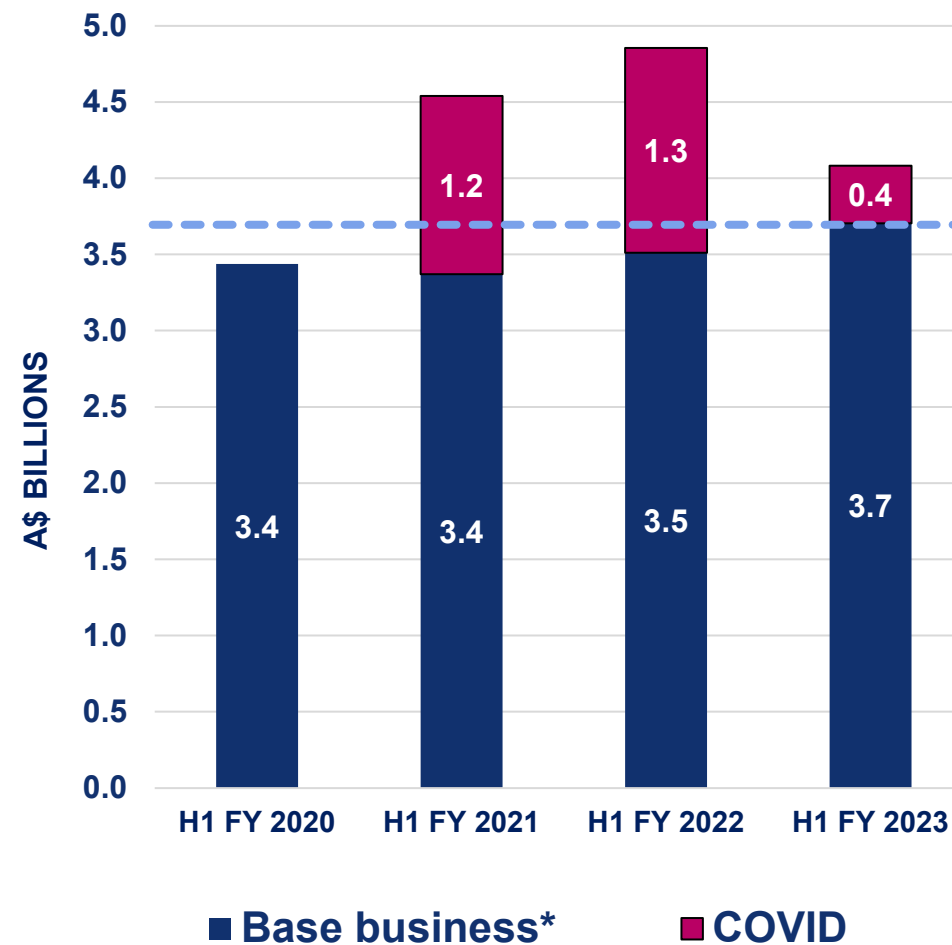
- Progressive dividend strategy maintained
- Franked to 100%
- Record Date 8 March 2023
- Payment Date 22 March 2023



# Revenue

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- H1 FY 2023 base business revenue organic growth
  - Up 6% on H1 FY 2022
  - Up 8% on H1 FY 2020 (pre-pandemic)
- COVID revenue down 72% on H1 FY 2022
- Base business growth to continue, strong underlying drivers enhanced by post-pandemic catch-up testing
- Expect ongoing COVID testing revenue, fluctuating by geography
- January 2023 COVID revenue A\$32 million
- January 2023 base business revenue organic growth
  - Up 14% vs January 2022
  - Up 10% vs January 2020 (pre-pandemic)
  - Growth vs 2020 particularly strong in Australian Pathology (16%)



\* **Base business**  
Prior period base business revenues normalised for working days, currency exchange rates and acquisitions/disposals



# Cost Management

- Major focus on costs, base business margins remaining strong and in line with pre-pandemic levels
- Base business labour cost as a % of base business revenue in line with pre-pandemic levels
- Labour cost growth (H1 FY 2023 vs H1 FY 2022) of 7.5% includes acquisition-related labour costs of ~4%
- Post-pandemic labour cost control ongoing, reductions in COVID-related overtime/casual/contractor hours
- Continued focus on automation and efficiency gains
- Consumable costs reduced as a % of revenue in H1 FY 2023 (vs H1 FY 2022), expect procurement savings to continue
- Inflationary pressures impacting minor cost categories of utilities and transport, mitigating where possible

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# Growth Strategy

- Organic revenue growth
  - Ongoing focus on organic revenue growth, assisted by strong underlying industry drivers and enhanced by post-pandemic catch-up testing
  - Sonic's Medical Leadership culture drives market share growth, especially in the specialist and hospital referrer sub-markets
  - Sonic in position to capitalise on trend to higher value tests/modalities in both laboratory medicine and radiology
  - Ongoing strong growth expected in genetic testing, including prenatal tests, and through exclusive or limited provider tests such as ThyroSeq®, Oncotype DX®, microbiome testing, etc.
- Acquisitional growth
  - Sonic has a long and successful track record of acquiring/investing in businesses to add value to the company
  - Growth by acquisition continues to be a core strategy of the company, in addition to organic market share growth
  - Currently progressing several acquisition opportunities, with a rich pipeline
- Outsource contract growth
  - Accelerating trend for hospitals and other healthcare providers to outsource or joint venture laboratory services
  - Sonic is an experienced and trusted partner of governments and hospital groups
  - Currently pursuing several contract opportunities, including late-stage negotiations for a large UK NHS outsource contract

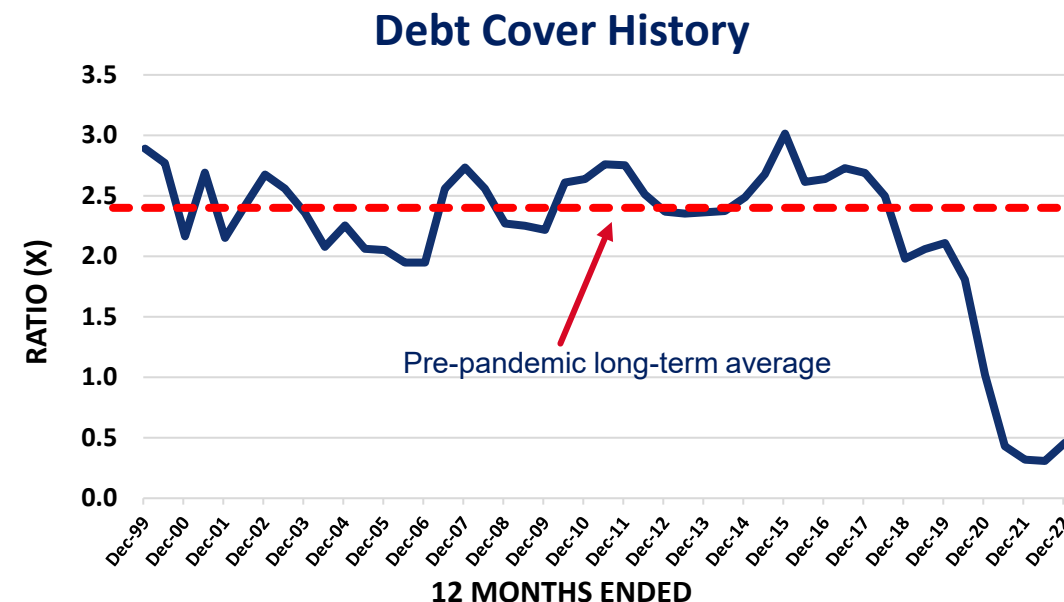




# Capital Management

		31 December 2022	30 June 2022
Net interest-bearing debt	A\$M	902	812
Equity	A\$M	7,558	7,428
Debt cover	X	0.5	0.3
Gearing ratio	%	10.5	9.7
Interest cover	X	36.9	47.3

- Increase (A\$90 million) in net debt largely related to currency exchange movements (A\$64 million)
- On-market share buy-back of up to A\$500 million, A\$425 million completed to date
- Current available headroom ~A\$1.5 billion (before interim dividend)
- Well positioned to fund value-accretive acquisitions and other growth opportunities

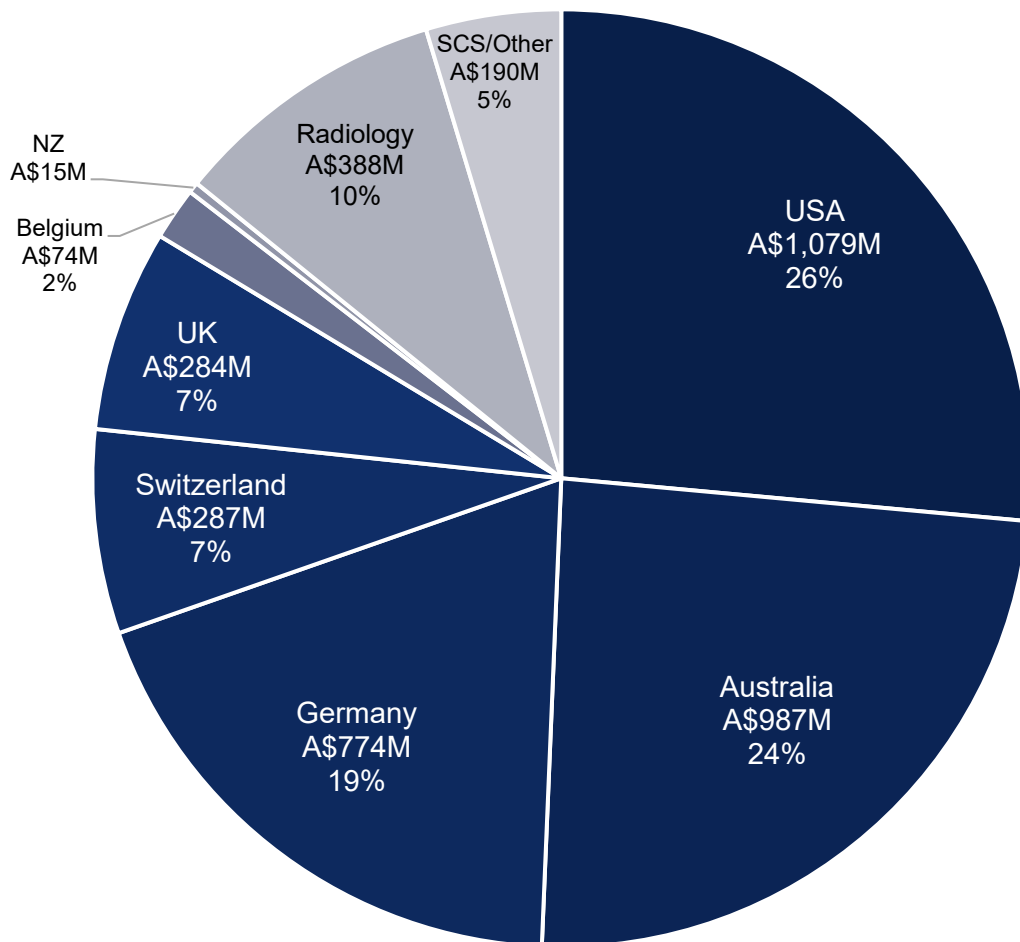


- Debt cover = Net debt / EBITDA (covenant limit <3.5)
- Gearing ratio = Net debt / Net debt + equity (covenant limit <55%)
- Interest cover = EBITA / Net interest expense (covenant limit >3.25)
- Formulas as per facility definitions, which exclude impacts of AASB 16



# H1 FY 2023 Revenue Split

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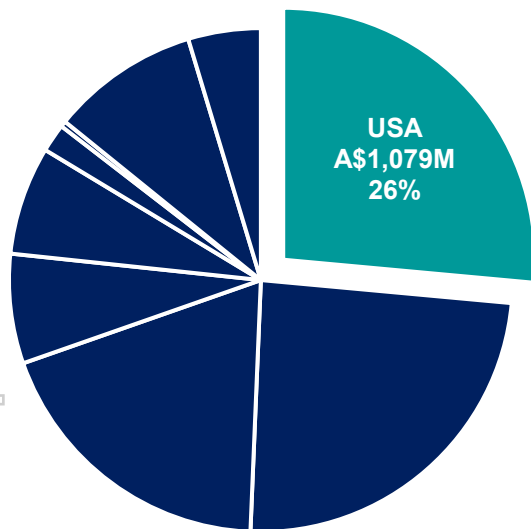
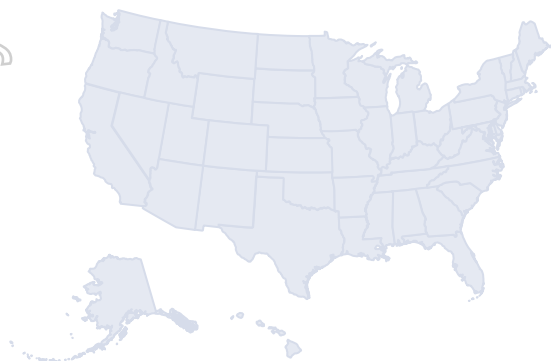
Revenue in A\$ millions

Total Revenue A\$4,082 million (including A\$4 million interest)

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



# USA



- H1 FY 2023 revenue (constant currency)
  - Base business organic growth 6%
  - COVID revenue down 78%
- Operations
  - PAMA Medicare fee cuts (Sonic impact ~US\$15 million p.a.) deferred until calendar 2024, draft legislation (SALSA) to delay and reduce cuts still pending
  - Continued strong growth of ThyroSeq (exclusive licensed thyroid cancer genetic test), revenue growth >25% with run rate revenue of ~A\$55 million
  - Ongoing strategy to integrate anatomical and clinical pathology operations providing cross-sell and cost synergy opportunities

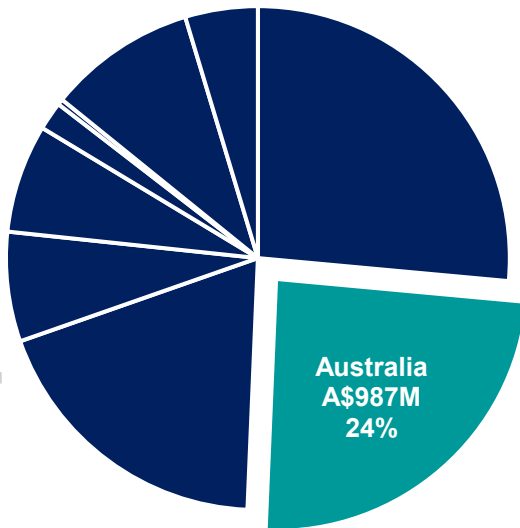
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# Australian Pathology



- H1 FY 2023 revenue
  - Base business organic growth 8%
  - COVID revenue down 76%
- Operations
  - Current Medicare fee for COVID PCR testing extended until at least 31 December 2023
  - National Aged Care COVID PCR testing contract extended until at least 30 April 2023
  - Cervical cancer screening program entering second 5-year period, expected to enhance growth through FY 2024
  - Strong growth in genetic testing and specialist/hospital referrals
  - Ongoing market share gains in base business Medicare-funded testing



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# Germany

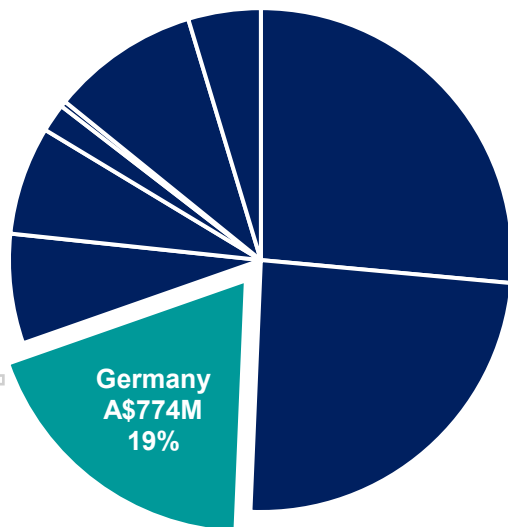


- H1 FY 2023 revenue (constant currency)

- Base business organic growth 5%
- COVID revenue down 54%

- Operations

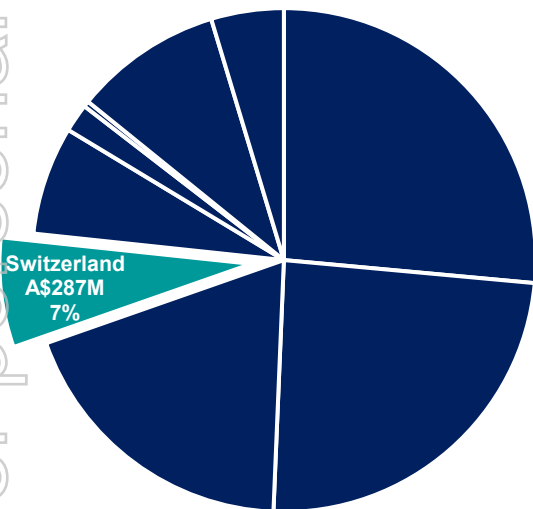
- New laboratory building projects to facilitate growth and consolidation of testing to provide efficiencies in Hamburg, Munich and Limburg (Limburg: Biovis laboratory focused on microbiome sequencing and other specialised testing)
- Growing anatomical pathology division creating synergy opportunities, including workflow optimisation, digital pathology and procurement
- Oncotype DX<sup>®</sup> breast cancer genetic test revenues continue to grow strongly (Sonic is the exclusive provider in Germany and only testing lab in Europe)



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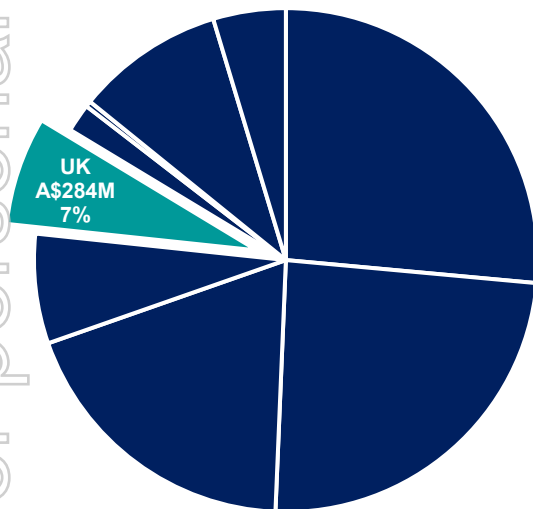
# Switzerland



- H1 FY 2023 revenue (constant currency)
  - Fee cut from 1 August 2022, impact on Sonic's Swiss revenue ~7% p.a.
  - H1 base business organic revenue growth flat, reflecting strong volume growth offsetting fee cut
  - COVID revenue down 71%
- Operations
  - High-quality services and trusted brands driving market share gains
  - Continued investment in IT solutions to enhance services and drive efficiencies
  - Medica (Zurich) CEO succession completed seamlessly during period



# UK



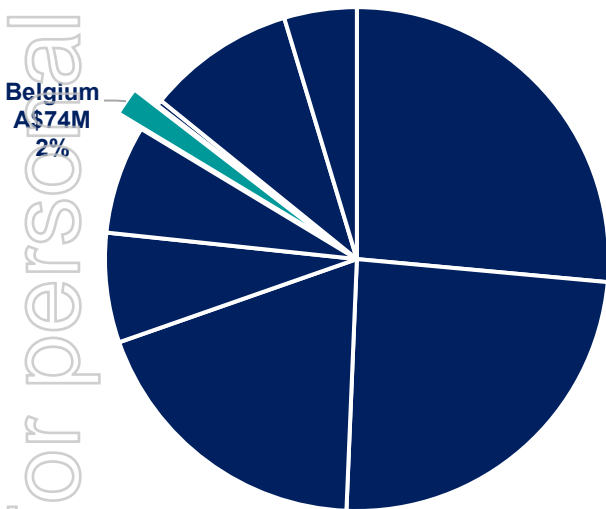
- H1 FY 2023 revenue (constant currency)
  - Base business organic growth 5%
  - Strong private and NHS base business growth, including from developing private GP market
  - COVID revenue down 77%
- Operations
  - Sonic awarded preferred bidder status for large 15-year UK NHS laboratory contract (Hertfordshire and West Essex), final contract documentation underway
  - Currently bidding for two additional smaller NHS hospital lab contracts in North Central London



# Belgium



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- H1 FY 2023 revenue (constant currency)
  - Base business organic growth 11%
  - COVID revenue down 88%
- Operations
  - Indexation of 6% to national fee schedule effective 1 January 2023
  - Harmonisation of instrument platforms across laboratory network to be completed in second half
  - CEO succession completed seamlessly during period





# Radiology

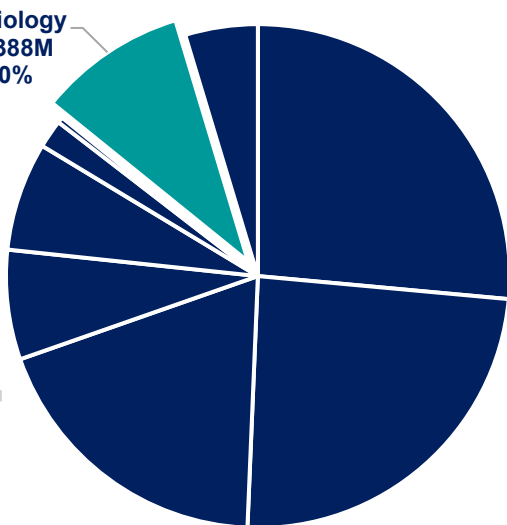


- H1 FY 2023 revenue and earnings

- Revenue growth 10%, including contribution from Canberra Imaging Group acquisition
- Organic revenue growth 8%
- EBITDA growth 12%
- Margin expansion of 50 bps

- Operations

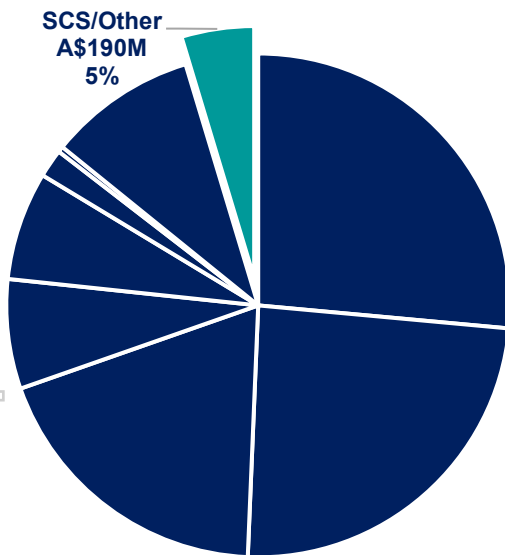
- Continuing growth in higher-value modalities (CT, MRI and PET scans)
- Full Medicare funding at 6 additional MRI sites commenced during the period
- Two new PET CT sites commissioned
- Chest X-ray AI tool (Annalise.ai) successfully deployed in all centres, brain CT tool to follow soon



# Sonic Clinical Services (SCS)



- H1 FY 2023 revenue and earnings
  - Revenue down 13%, mainly due to cessation of COVID-related services
  - Decline in earnings reflecting lower revenue
- Operations
  - Primary care market conditions challenging in post-pandemic environment
  - Level of GP private billing increasing
  - Occupational Health revenue recovering and will be bolstered by new Defence contract in FY 2024

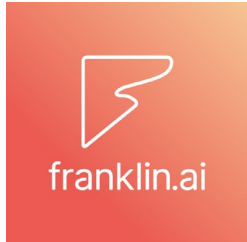


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# Artificial Intelligence

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- **Franklin.ai**

- Sonic's JV with Harrison.ai to develop best-in-class AI diagnostic tools for pathology
- Further expansion of expert team focusing on engineering, clinical research, and product development
- Histopathology slide digitisation and AI annotation operating at high capacity
- Critical milestones achieved for first histopathology solution release within next 18 months
- Sonic to use Franklin products in-house to enhance efficiency and quality in its global operations
- Franklin's strategy is to sell AI solutions into global markets
- Powerful synergy between Sonic (medical) and Franklin (AI) teams



- **Harrison.ai**

- Sonic's 20% strategic (non-controlling) equity stake in Harrison.ai acquired H1 FY 2022
- Harrison.ai has an existing joint venture, Annalise.ai, a market leader in radiology AI
- Annalise.ai chest X-ray product is the world's most comprehensive, capable of detecting 124 findings, in use in Sonic radiology centres, regulatory approval achieved in 35 countries to date
- Brain CT scan product launched, detects 130 findings, regulatory approval achieved in 8 countries to date
- Chest CT and other modalities to follow



# Strategic Partnership with Microba

- Investment in Microba Life Sciences Limited (ASX: MAP)
  - 19.99% shareholding acquired for A\$17.8 million, with option over additional 5% equity position
  - Strategic partnership to deliver Microba's microbiome testing services in Sonic's global markets
- Microbiome diagnostics
  - Microbiome testing and therapeutics is a rapidly growing field of personalised, precision healthcare
  - Microbiome testing utilises next-generation genetic sequencing (metagenomics) to analyse microorganisms within the body that contribute to disease or promote wellness
  - Demand for testing by clinicians and consumers is expected to grow
  - Microba's analytical platform provides best-in-class diagnostic technology and bioinformatics

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# Sustainability

Key goals and achievements, as detailed in Sonic's Sustainability Report, November 2022

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	Key Goals	FY 2022 Key Achievements
Environment	<ul style="list-style-type: none"> <li>Net-zero by 2050</li> </ul>	<ul style="list-style-type: none"> <li>Global scope 1 &amp; 2 emissions baseline complete</li> <li>Scope 3 inventory commenced</li> </ul>
	<ul style="list-style-type: none"> <li>Reduce scope 1 and 2 GHG by 43% by 2030</li> </ul>	<ul style="list-style-type: none"> <li>Renewable energy transition commenced</li> <li>5% reduction in global emissions intensity</li> <li>1.1 M kWh solar electricity generated</li> <li>10.3% hybrid/electric vehicles in global fleet</li> </ul>
Our people	<ul style="list-style-type: none"> <li>40:40:20 gender diversity at senior executive level by 2030</li> <li>Average 10 hours' training per employee p.a.</li> </ul>	<ul style="list-style-type: none"> <li>38% female representation at senior executive level</li> <li>144,000 training courses globally in FY 2022</li> </ul>
	<ul style="list-style-type: none"> <li>Injury rates (LTIFR) at or below relevant industry benchmark</li> </ul>	<ul style="list-style-type: none"> <li>Injury rate 3.3 (benchmark 4.0)</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Quality accreditation at 100% of facilities</li> </ul>	<ul style="list-style-type: none"> <li>100% of our facilities quality-accredited in FY 2022</li> </ul>
	<ul style="list-style-type: none"> <li>Charitable donations of at least 5% p.a. of the Sonic Healthcare Foundation's total assets by 2024</li> </ul>	<ul style="list-style-type: none"> <li>Sonic Healthcare Foundation established with initial contribution of \$40 million</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Demonstrate improvement in Cybersecurity Framework maturity scores (NIST)</li> </ul>	<ul style="list-style-type: none"> <li>FY 2022 independent NIST audit completed</li> </ul>
	<ul style="list-style-type: none"> <li>Publish annual Modern Slavery Statement</li> </ul>	<ul style="list-style-type: none"> <li>2022 Modern Slavery Statement published</li> </ul>





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**Thank you**

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# Appendix – Financial Summary

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A\$M (Statutory)	H1 FY 2023	H1 FY 2022	H1 FY 2020 (pre-pandemic)	Growth H1 FY 2023 v H1 FY 2022	Growth H1 FY 2023 v H1 FY 2020
Base business revenue	3,703	3,413	3,341	9%	11%
COVID-19 revenue	379	1,344	-	(72)%	n/a
Total revenue	4,082	4,757	3,341	(14)%	22%
EBITDA	920	1,540	690	(40)%	33%
EBITDA margin (%)	22.5%	32.4%	20.7%	(990) bps	180 bps
Net profit	382	828	254	(54)%	50%
Cash generated from operations	785	1,041	534	(25)%	47%
Working days	127	129	129	(2)%	(2)%

