

21 May 2024

SONIC HEALTHCARE EARNINGS UPDATE

Sonic Healthcare Limited ('Sonic') (ASX: SHL ; ADR: SKHHY) advises that it is now forecasting (with two months' trading outstanding) Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') for FY 2024 of approximately A\$1.6 billion on revenues of approximately \$8.9 billion.

Organic revenue growth* continues to be strong at 6% for the 4 months to 30 April 2024 (following 6% in H1 FY 2024). However, profit growth has been lower than expected, in part due to inflationary pressures on the business, and exacerbated by currency exchange headwinds. In addition, a number of margin improvement initiatives planned for completion in H2 FY 2024 have been slower to deliver than expected and will contribute to further earnings growth in FY 2025. The inflationary pressures are expected to ease going forward, with headline inflation rates in Sonic's main markets already reduced to a range of 1.4% to 3.6%.

Based on preliminary forecasts, on a FY 2024 forecast constant currency basis, Sonic expects to achieve EBITDA of approximately A\$1.70 – 1.75 billion in FY 2025. The FY 2025 forecast includes the negative impacts of the potential USA PAMA fee cut (A\$15m), initial losses on the UK Hertfordshire & West Essex NHS contract (A\$10m), and an equity accounted loss for Franklin.ai (A\$5m). Guidance for FY 2025 will be updated/confirmed at Sonic's full year results' release in August 2024.

Sonic Healthcare's CEO, Dr Colin Goldschmidt said: "The 2024 financial year has been one of transition for Sonic Healthcare, moving away from pandemic conditions into a more normal business environment. Our current robust topline growth, organic and non-organic, in a setting of inflationary cost pressures, have combined to delay the completion of our programs to align labour costs more closely with post-pandemic conditions. These unique business conditions have also made forecasting our earnings unusually difficult this year.

"FY 2024 has also been a year of investment for future growth. In particular, the sizeable acquisitions of SYNLAB Suisse and Dr Risch (Switzerland), PathologyWatch (USA) and the Hertfordshire & West Essex contract win (UK), while initially earnings and/or margins dilutive, will all yield strong earnings growth and returns on investment into the future.

"Overall, the company remains in a very strong position, both financially and in terms of market positioning. We remain well set for growth in revenues and earnings going forward, including realising over the next two years the synergies and enhanced returns from the investments made this year. In managing our costs, especially labour costs, we have been mindful to protect our brands and to support our ongoing strong growth and the high quality of essential services we provide."

* Organic revenue growth in base business revenues (excluding COVID revenue) normalised for working days, currency exchange rates and acquisitions/disposals

This announcement has been authorised by Sonic's Board of Directors. For further information regarding this announcement, please contact:

Dr Colin Goldschmidt
CEO and Managing Director
Sonic Healthcare
Telephone: +61 2 9855 5333
Email: colin.goldschmidt@sonichealthcare.com

Chris Wilks
CFO and Finance Director
Sonic Healthcare
Telephone: +61 2 9855 5404
Email: chris.wilks@sonichealthcare.com