

17 November 2022

TRADING UPDATE: RESULTS FOR 4 MONTHS TO OCTOBER 2022

Sonic Healthcare (ASX: SHL; ADR: SKHHY) continues to help protect the populations of its seven countries of operation by providing COVID-19 pandemic related testing (including PCR tests, serology testing and whole genome sequencing to aid identification of variants) and immunisations, in addition to our normal essential healthcare services.

Sonic has not provided earnings guidance for FY2023 due to COVID-19 related unpredictability and so is updating the market with trading results from the first 4 months of the financial year.

Headline financial results for the four months to 31 October 2022 ('YTD Oct 2022') are presented below, compared to the same period in both FY2022 and FY2020 (pre-pandemic).

A\$M	YTD Oct 2022	YTD Oct 2021	YTD Oct 2019 (pre- pandemic)	Growth Oct 2022 v 2021	Growth Oct 2022 v 2019
COVID-19 revenue	280	795	-	(64.8)%	n/a
Base business revenue	2,446	2,292	2,254	6.7%	8.5%
Total revenue	2,726	3,087	2,254	(11.7)%	20.9%
EBITDA	621	991	468	(37.3)%	32.7%
EBITDA margin	22.8%	32.1%	20.8%	(930) bps	200 bps
Working days	85	86	88	(1.2)%	(3.4)%

Revenue from COVID-19 related services by month:

A\$M	Jul 22	Aug 22	Sep 22	Oct 22
COVID-19 revenue	94.6	72.0	55.6	57.7

Notes:

- Base business revenue = total revenue excluding revenue from COVID-19 related services
- EBITDA = Earnings before interest, tax, depreciation and amortisation
- bps = basis points of margin
- Actual average currency exchange rates used for each period
- Based on unaudited management financial reports

To assist interpretation of the numbers above:

- As COVID-19 testing largely utilises the infrastructure of Sonic's base business, the marginal profit on that revenue is higher than for the base business alone. The change in the level of COVID-19 related revenues between periods therefore has a disproportionate impact on EBITDA and margins.
- The level of marginal profit on COVID-19 revenue has reduced in the current period versus the prior year due to significantly lower testing volumes and fee reductions in several markets.
- Sonic's operations have intentionally maintained surplus COVID-19 testing capacity (including staffing) in case of new waves/strains. Costs are being gradually wound down to reflect recent volume levels.

- The difference in working days between periods makes a significant difference to earnings/margins as the majority of costs are still incurred with minimal revenue on non-working days.

Base business (excluding COVID-19 related services) revenues grew by 3.5% versus the equivalent period in FY2021, and 7.8% versus the equivalent period in FY2020 (pre-pandemic), with the comparative periods normalised for currency exchange rates, acquisitions and disposals of businesses, and working days.

The pandemic continues to cause fluctuations across Sonic's markets in both COVID-19 related revenues and, to a lesser extent, base business. Sonic's base business has become increasingly resilient to impacts of pandemic waves and benefits from the essential nature of its services, as well as geographical and business diversification. The strong underlying growth drivers for diagnostic healthcare services remain unchanged.

UK Contract

Sonic's UK subsidiary, Health Services Laboratories (HSL), has been awarded preferred bidder status for the Hertfordshire and West Essex ICS Pathology Transformation Procurement. Subject to the contract being finalised, HSL will provide pathology services for a period of 15 years starting in 2024 for each of:

- The Princess Alexandra Hospital NHS Trust
- East and North Hertfordshire NHS Trust
- West Hertfordshire Teaching Hospitals NHS Trust
- NHS Hertfordshire and West Essex Integrated Care Board

HSL will transform the existing services to a new hub and spoke laboratory network, with essential service laboratories, including cellular pathology services, at each of the acute hospital sites. Further information will be provided after the contract is signed.

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

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