



9 December 2024

ACQUISITION OF THE LADR LABORATORY GROUP IN GERMANY

Sonic Healthcare Limited ('Sonic') (ASX: SHL ; ADR: SKHHY) is pleased to announce that it has signed binding agreements to acquire LADR – Laboratory Group Dr. Kramer & Colleagues ('LADR') – one of the 'Top 5' medical laboratory groups in Germany.

In CY 2024 LADR's revenues will be ~€370 million (~A\$610 million) with EBITDA (post-AASB 16 Leases) of ~€50 million (~A\$82 million). The agreed cash and debt free Enterprise Value ('EV') for LADR is €423 million and will be satisfied by the issue of Sonic Healthcare ordinary shares¹ to the sellers with a maximum value equivalent to ~€222 million, with the balance through cash. The cash component will be funded in Euro from Sonic's existing cash and debt facilities.

The transaction is expected to be immediately earnings per share (EPS) accretive, reaching high single-digit percentage accretion after 3 years (including synergies). The return on invested capital (ROIC) will significantly exceed Sonic's cost of capital once synergies are achieved, with a ROIC in excess of 11% p.a. expected after 3 years.

With strong cultural and operational alignment between Sonic Healthcare Germany and LADR, significant synergy potential exists in multiple areas of operations including procurement, laboratory overlaps, specialised testing, logistics, equipment maintenance and the supply and distribution of medical consumables. Synergies will develop incrementally and are expected to reach their full level within 3 years of settlement.

Since its establishment in 1945, LADR has been owned by the Kramer family, now in its third generation. LADR is a highly reputable market participant with more than 2,800 full-time equivalent staff with its central laboratory located in the town of Geesthacht, to the East of Hamburg. LADR is a national laboratory participant, providing high-quality testing services delivered through a network of stand-alone and hospital-based laboratories throughout Germany.

In addition to its predominant German laboratory operations, LADR also has a presence in Poland and a small joint-venture interest in Finland. The Polish laboratory is majority owned by the LADR group (with founders/local management owning the balance) and operates under the brand 'badaj.to'. Founded in 1991, it operates in the Silesian region of Southern and South-Western Poland, with annual revenue of ~€30 million. LADR has been a shareholder since 2009 and badaj.to is believed to be the fourth largest laboratory group in Poland, with a strong market share in its region of operation.

Medical laboratory revenue represents over 80% of LADR's group revenue and over 90% of its profit, with the remainder of group revenue derived from a medical supplies trading and logistical services business, and a clinical services division in Northern Germany focussed mainly on women's health.



Included within the EV noted above is a 15% interest in a separate German medical laboratory business, with annual revenue of ~€25 million. Through the acquisition of LADR, Sonic will inherit a put/call structure for the remaining 85% of equity in this group and is therefore likely to acquire the balance based on a similar EBITDA multiple to that applicable to the LADR transaction. The expected cash outflow for this transaction will be ~€55 million by CY 2027.

The integration of LADR with Sonic's existing German operations will be led collaboratively by the experienced senior leadership teams of both Sonic Healthcare Germany and LADR. Prof. Jan Kramer (CEO and Medical Director), Dr. Tobias Kramer (Medical Director - Infection Prevention and Control) and Mr. Thomas Wolff (CFO) have all agreed to long-term, ongoing employment with Sonic.

Sonic's CEO, Dr. Colin Goldschmidt said: "The partnership between LADR and Sonic Healthcare Germany is an important and substantial step for Sonic in Germany and Europe. We are honoured and excited to commence our collaboration with the Dr. Kramer family and their many local colleagues, teams and partners. Our closely aligned respective cultures, both based on a commitment to Medical Leadership and high-quality medicine, augur well for a successful integration which will further strengthen our service offering to clinicians and patients, and which will also enhance efficiencies in our operations. I warmly welcome the pathologists, clinicians and staff of LADR into the global Sonic Healthcare group."

The transaction is subject to customary closing conditions, including antitrust clearance, and is expected to close in H1, CY 2025.

This announcement has been authorised by Sonic's Managing Director. For further information regarding this announcement, please contact:

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¹ The sellers have agreed to a specific percentage split of the net purchase price at settlement (as opposed to the EV) between Sonic shares and cash, with a cap on the Euro value of the share component. The number of Sonic shares to be issued will be determined prior to closing using the lower of the volume weighted average trading price of Sonic shares over a five-day trading period prior to signing of the transaction (\$28.4695) and a five-day trading period in the lead up to the closing date. The shares will be issued at closing, and will be subject to a 12-month escrow. Shareholder approval is not required for the issue of the shares.