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Sonic Healthcare (SHL)

Intelligent Pathology

Recommendation
Buy (Initiation)
Price
26.22
Target (12 months)
$33.70 (initiation)

Sector

Healthcare Equipment and Services

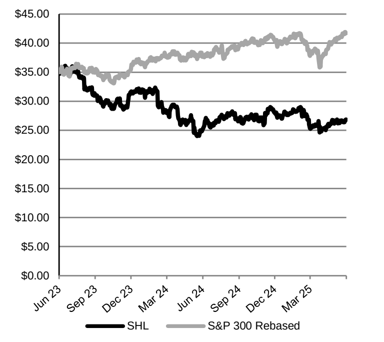
Expected Return	
Capital growth	**28.5%**
Dividend yield	**4.2%**
Total expected return	**32.7%**

Company Data & Ratios	
Enterprise value	**$14.9bn**
Market cap	**$12.6bn**
Issued capital	**480.4m**
Free float	**99.6%**
Avg. daily val. (52wk)	**$33.6m**
12 month price range	**$24.41 - $29.35**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	26.5	26.8	25.0
Absolute (%)	1.4	0.1	7.5
Rel market (%)	-2.4	-7.3	-1.2

Absolute Price



SOURCE: IRESS

Global Pathology Leader

SHL is a global Pathology company operating in several European markets as well as Australia, US and NZ, holding leading positions in Australia, Germany, Switzerland, UK, Belgium and the #3 position in the US. Pathology is an essential healthcare service with mandated growth, but the international network has been developed over decades via dozens of acquisitions in select markets. Pathology comprises of c.85% of group revenue, followed by the 3rd largest Australian radiology business (by number of clinics / radiologists, but 2nd largest by market share) comprising c.10% of revenue and the balance via a domestic clinical services business.

FY25 – Moving Beyond the COVID Hangover

SHL should return to growth, with c.7.9% / c.9.1% / c.9.7% revenue, EBITDA and Normalised NPAT growth. We expect EBITDA margins to begin to recover in FY25 and deliver c.110bp improvement through to FY27. Growth is being driven by right sizing the business, the impact of acquisitions in FY24 and normalising organic operations post COVID. Our estimates are broadly in line with consensus.

Innovation Drives Future Growth

Between PathologyWatch and Franklin.ai, SHL is setting the scene for speeding up diagnostic processes and improving diagnostic accuracy. While genetic testing is <10% of revenue now, expected CAGR of c.22% over the next decade is expected to drive material improvement in performance over time.

Investment View: Initiate with BUY, TP of $33.70 / sh

We adopt a blended valuation across DCF, EV/EBITDA & PE methodologies. The TP represents a c.28% premium to the current price, in addition to an expected dividend yield of c.4%. SHL typically trades at a c.27% premium to the XJO, but this has narrowed to c.13%. Short-term catalysts include completing the LADR acquisition and the forthcoming FY25 results to at least meet consensus expectations.

Earnings Forecast

June Year End (A$m)	FY24	FY25e	FY26e	FY27e
Revenues	8,942.6	9,646.7	10,469.0	11,041.8
EBITDA ($m)	1,602.2	1,748.8	1,960.9	2,095.3
NPAT (reported) ($m)	543.8	563.5	678.5	745.3
NPAT (normalised) (Post MI) ($m)	478.8	525.5	640.5	707.3
EPS normalised (Post MI) (cps)	99.7	109.4	131.3	142.8
EPS growth %	-31.2%	9.8%	20.0%	8.8%
PER (x)	26.3	24.0	20.0	18.4
FCF yield (%)	5.3%	7.0%	1.2%	7.6%
EV/EBITDA (x)	18.1	16.0	13.5	12.5
Dividend (cps)	106.00	107.00	109.00	111.00
Franking	0.0%	0.0%	0.0%	35.0%
Yield %	4.0%	4.1%	4.2%	4.2%
ROE %	6.3%	6.9%	7.8%	8.4%

SOURCE: BELL POTTER SECURITIES ESTIMATES

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Investment Thesis

UNDERVALUED: Our Target Price (TP) of **$33.70** / sh is based on an evenly weighted blended valuation of DCF, EV / EBITDA and a PE valuation. Our TP represents a c.28% premium to the current share price and combined with the forecast dividend yield of c.4.0%. In our view, SHL is trading c.13% below the long-term mean EV / EBITDA, and the premium over the ASX200 has narrowed to c.13% relative to the long-term premium of c.27%.

EBITDA MARGINS ON UPWARD PATH: The COVID-19 period artificially elevated margins, which declined dramatically as the COVID period moved into the rearview mirror, and the pandemic period was replaced by an inflation spike. As inflation has moderated and management have moved to right size the business, as well as engage in efficiency initiatives and digitalisation of the anatomical pathology business, SHL seems destined to improve margins progressively over the medium-term. We forecast a c.110bp improvement in margins over the FY25e – FY27e.

POSITIVE GROWTH PULSE: We forecast mid-to-high single digit revenue growth and a three-year CAGR of c.7.3%. Demand has several structural market drivers that relate to aging of the population, healthcare spending, technological advances and the rise of personalised and precision medicine.

ARTIFICIAL INTELLIGENCE: Advancements in technology have set the scene for speeding up diagnostic processes and improving accuracy. A suite of technologies is now being brought to bear to improve both operational performance and efficiency, that should flow through to margins over time. Two recent examples include Franklin.ai and Pathology Watch. Addressing efficiency and accuracy through technology also seeks to mitigate workforce shortage and labour inflation over time.

GENETIC TESTING: Since the mapping of the human genome in 2003, genetic testing has exploded into a global c.US$11.9bn industry. There are now over 76,000 genetic tests being performed, and market estimates over the next decade suggest CAGR of c.22.6% and a TAM of c.US$91.9bn by 2034. While SHL's genetic testing business is currently <10% of total revenue, the expected growth rates of this segment suggest genetic testing should materially increase its portion of revenue over time and potentially drive SHL's growth beyond what it otherwise could be.

ACQUISITIVE GROWTH: Over the course of SHL's long history, it has acquired in the order of a hundred businesses to establish its international footprint. As a result, SHL is now one of the largest international pathology operators. Recent acquisitions across FY23 / FY24 have added over A$650m in annual revenue (or c.6% of FY25e revenue), and investors can expect further acquisitions in existing and new markets to build its network and earnings base.

BALANCE SHEET CAPACITY TO FUND GROWTH: On all of SHL's key covenant metrics, the company remains well within its capacity. Cash reserves are expected to end FY25 at >$800m and cumulative free cash flow over FY25e – FY27e is estimated at c.A$2bn. The Debt Cover ratio also provides significant scope to entertain material acquisitions should opportunities arise, with funding head room of c.A$1.7bn.

Key Risks

CURRENCY RISK: SHL's revenues and earnings are exposed to multicurrency risk, in that it reports its financial results in AUD, but it operates in five different currencies (USD, EUR, GBP, CHF and NZD). Fluctuations in exchange rates (FX) may impact reported results. SHL uses FX debt as a partial and natural hedge against this FX exposure.

GOVERNMENT / PAYER RISK: In most markets, the majority of SHL's revenue is based on prices that are subject to fee schedules set by Government bodies, and in the US insurance companies. Funders will occasionally use cuts to fee schedules to limit the growth in outlays. SHL mitigates this risk through geographic and line of business diversification. SHL also focuses on being one of the largest and most efficient operators in its chosen markets, to protect against adverse market changes. This dovetails into SHL's strategy of combining organic growth with acquisitive growth to capture synergies and economies of scale.

REGULATORY RISK: Changes in regulation may impact the business via reducing revenue or increasing costs. SHL uses market leadership to aid in shaping the markets it operates in, and is actively involved in the sector within the different jurisdictions it operates in. SHL is active in industry and other professional organisations and seeks to take leadership positions in colleges. SHL uses market consolidation, size and efficiency to mitigate the impact of regulatory change relative to other smaller operators. A subset of this risk relates to market access and the potential for loss of licensing / accreditation. Given SHL's quality and medical leadership focus, this risk is considered relatively low.

ACQUISITION RISK: A key driver of SHL's strategy is to grow through acquisition and JV. This can give rise to underperformance and unexpected liabilities. SHL engages in detailed due diligence to assess opportunities, as well as using warranties and indemnities in acquisition and contract documentation to mitigate various acquisition risks.

COMPETITION RISK: This typically relates to aggressive behaviour from existing / new competitors, that may include a new development in testing or new categories of tests that could impact demand for SHL's offering.

TECHNOLOGY INNOVATION RISK: Although new tests need to achieve regulatory approvals and be included on Government fee schedules as well as being authorised by other payers, there are inherent delays due to the slow pace of industry change, which enables operators like SHL to respond. SHL's broad range of tests, c.3,000 in total, also serves to protect SHL against new tests.

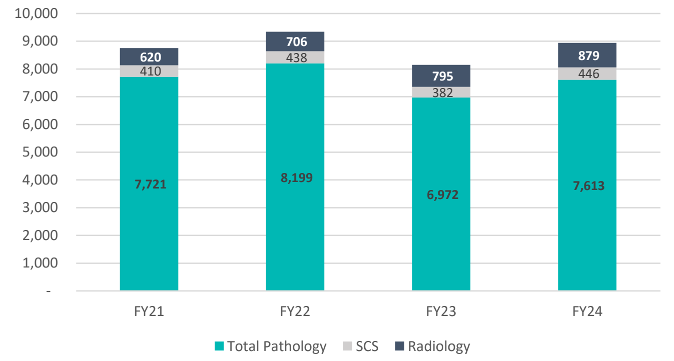
REFERRER RISK: Relationships with referring physicians and hospitals with whom SHL contracts to provide services is pivotal to SHL's success. Behaviour that damages SHL's reputation, could cause a loss of business to competitors.

IT SYSTEM RISK: A disruption to the core IT platform, such as a cyber security breach, could have material operational, financial and reputational impacts to SHL. The company has a multi-layered approach to reviewing and improving its protection systems on an ongoing basis.

INTEREST RATE RISK: SHL has c.A$3bn in gross debt and a leverage ratio of c.1.9x. While the use of gearing serves to lower SHL's cost of capital and improve EPS, movements in interest rates can have material impacts on earnings, particularly on debt rollover events. SHL has a sophisticated treasury policy overseen by a Treasury management Committee to manage such risks.

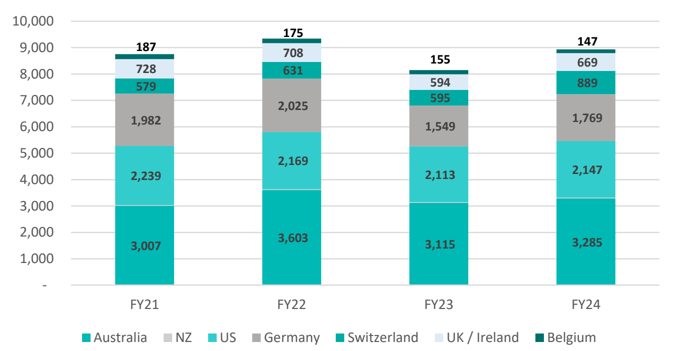
Key Charts

Figure 1 -Historical Divisional Revenue ($m)



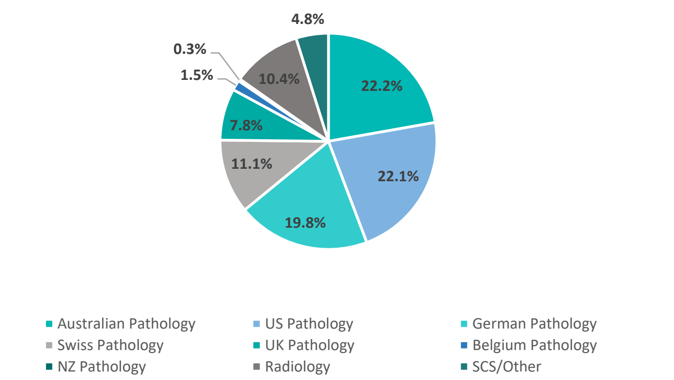
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 2 – Geographic Revenue ($m)



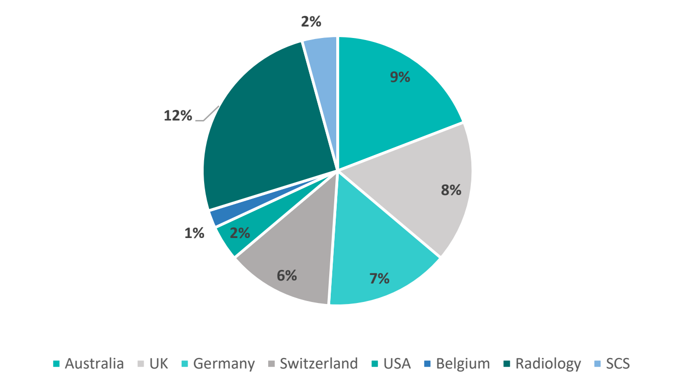
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 3 – 1H25 Revenue Composition



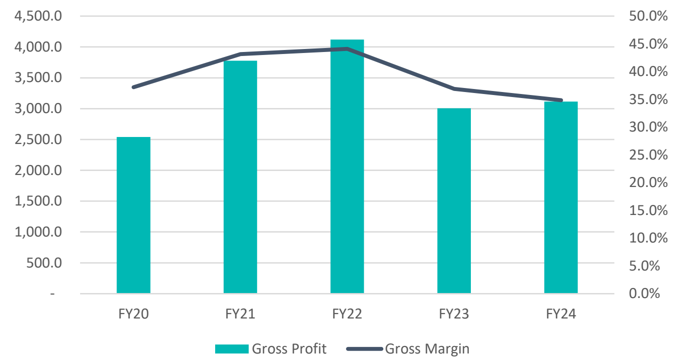
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 4 – 1H25 Source of Organic Revenue Growth



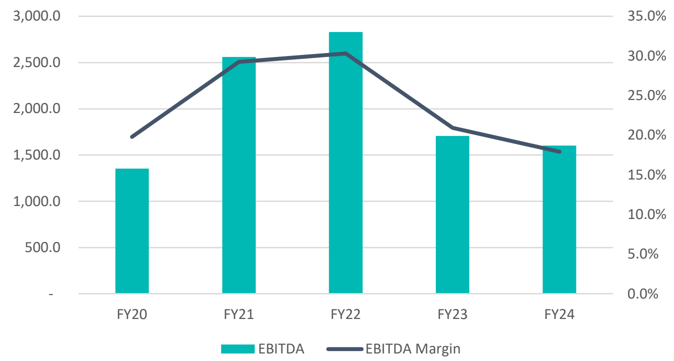
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 5 – Gross Profit / Margin



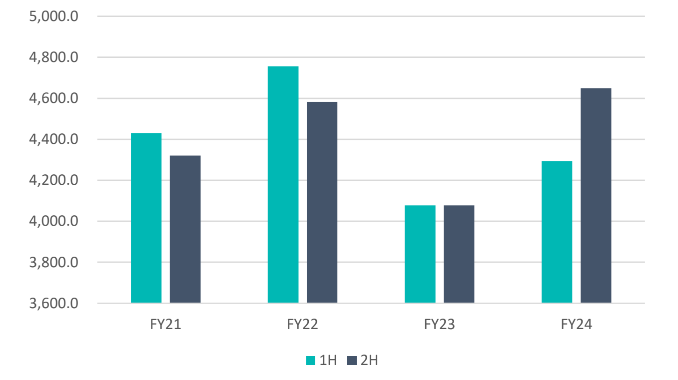
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 6 – EBITDA / Margin



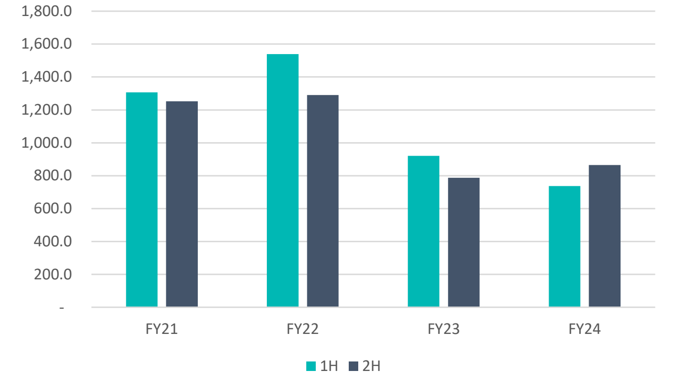
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 7 – Historical Half-Year Revenue Splits



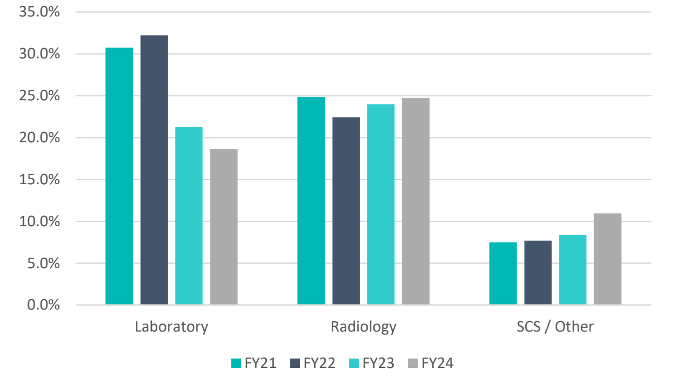
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 8 – Historical Half-Year EBITDA Splits



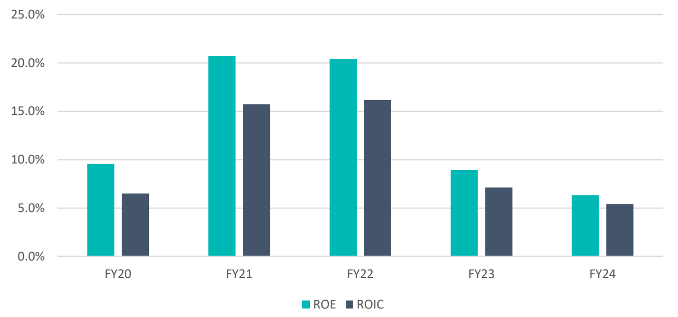
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 9 – Historical Divisional EBITDA Margins



SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 10 – Historical ROE / ROIC



SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Sonic Healthcare Overview

Company Description

SHL is the largest provider of laboratory medicine / pathology services in Australia, Germany, Switzerland and UK, the third largest operator in the US, while also having a significant presence across parts of Europe. It is also the third largest radiology provider in Australia by clinic / radiologist number (No.2 market share by revenue) as well as operating an Australian clinical services business.

The Sydney based business listed on the ASX in 1987 and generates c.36% of its revenue in Australia, c.21% in the US, c.22% in Germany, c.11% in Switzerland and c.8% in the UK.

SHL is a top 50 ASX company with growth occurring through a combination of organic growth and acquisitions. SHL has acquired dozens of businesses over its 38 years as a listed company.

SHL employs more than 42,000 staff including more than 17,000 scientists, radiographers, sonographers, technicians and nurses. SHL employs more than 1,450 pathologists and over 300 radiographers. The pathology business operates over 1,900 collection centres, and it operates more than 80 laboratories in Germany.

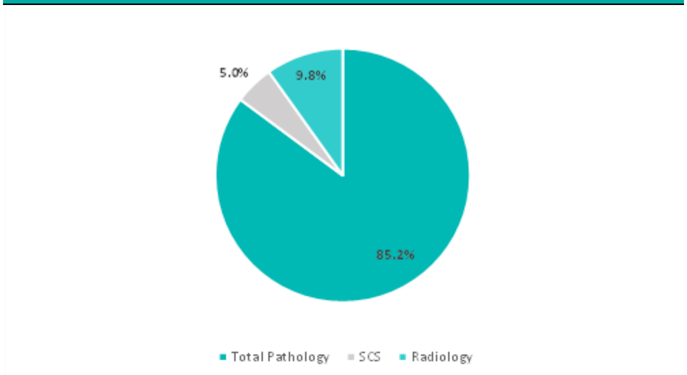
Divisions

PATHOLOGY

SHL's Pathology business is the primary revenue / earnings generator of the group, consisting of c.85% of FY24 revenue. The network of pathology operations includes:

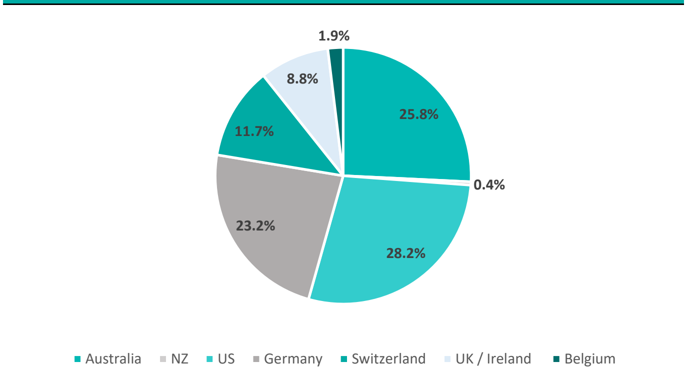
- The Australian business consists of over 1,900 collection centres across 11 brands,
- The US business encompasses over 35 pathology operations,
- The German division operates 80 laboratories,
- The Swiss business operates 40 laboratories,
- The UK business operates a network of 50 laboratories,
- The Belgian business has four offices, and
- The NZ business three laboratories and eleven points of presence[1].

Figure 11 – Pathology Dominates SHL's Profile



SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 12 – Pathology Division Revenue Source (FY24)



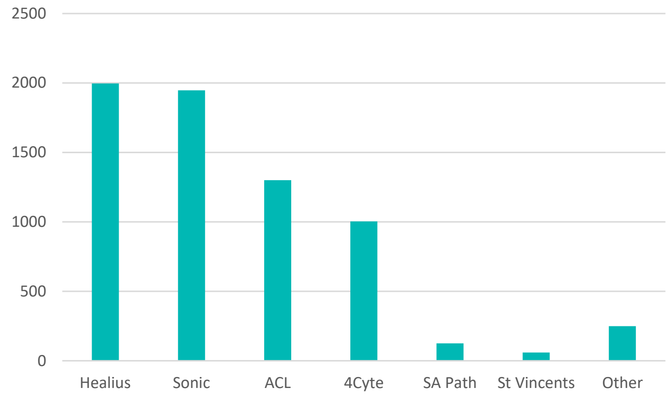
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Note, that while SHL has a c.29% share of collection centres in Australia, this does not equate to a market share of revenue. The pathology market extends well beyond the

[1] www.sonichealthcare.com

Medicare market to include a range of other sources for revenue including private insurance, government contracts, hospital contracts, corporate work, clinical trial work and private pay situations. Further, the vast majority of collection centres are co-located in GP medical centres and therefore relate to GP-referred testing only.

Figure 13 – Australian Pathology Sector – Key Operators



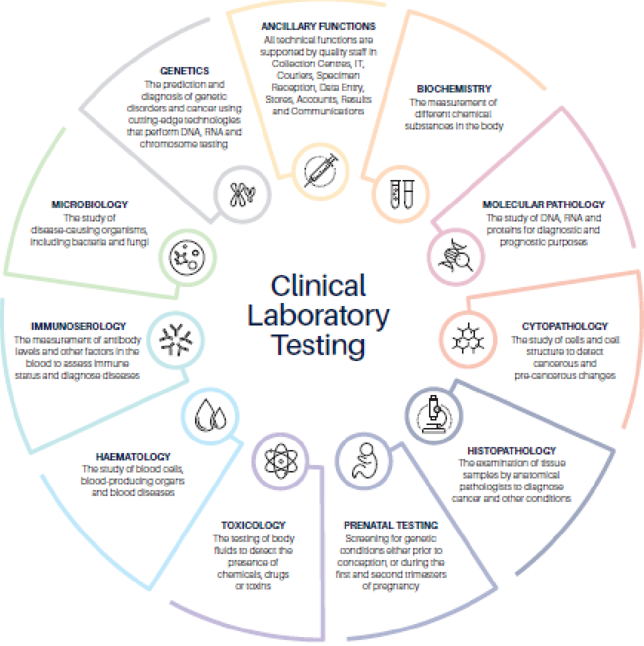
SOURCE: MEDICARE - APCC REPORT

Pathology is the branch of medicine that studies samples of blood, urine, tissue and bodily fluids to identify patients at risk of disease. To determine cause and nature of disease, and to guide and monitor treatment and progress of disease management. Pathology results provide clinicians with the information they need to manage patients in a timely and appropriate way, enabling optimal health outcomes for the individual as well as community.

Pathology informs almost every aspect of modern medicine and is necessary in c.70% of all medical diagnoses, and in every single cancer diagnosis. Providing doctors with pivotal information about the patient, to enable a determination of the best course of action. This can range from selecting antibiotics for a particular infection or guiding a surgeon to ensure complete removal of a tumour.

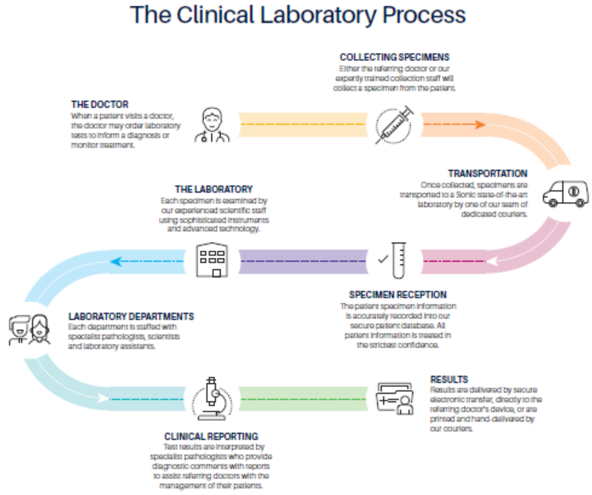
SHL's laboratories are highly sophisticated, providing a broad menu of complex tests, in addition to state-of-the-art automation for accurate and rapid turnaround of routine tests. SHL offers over 3,000 tests across eleven different categories, providing a comprehensive menu of diagnostic testing options. SHL's laboratories reach or exceed tertiary teaching hospital laboratory standards and are recognised for their specialised testing expertise, such as in anatomical pathology, genetic and molecular testing.

Figure 14 – Comprehensive Testing Menu



SOURCE: COMPANY DATA

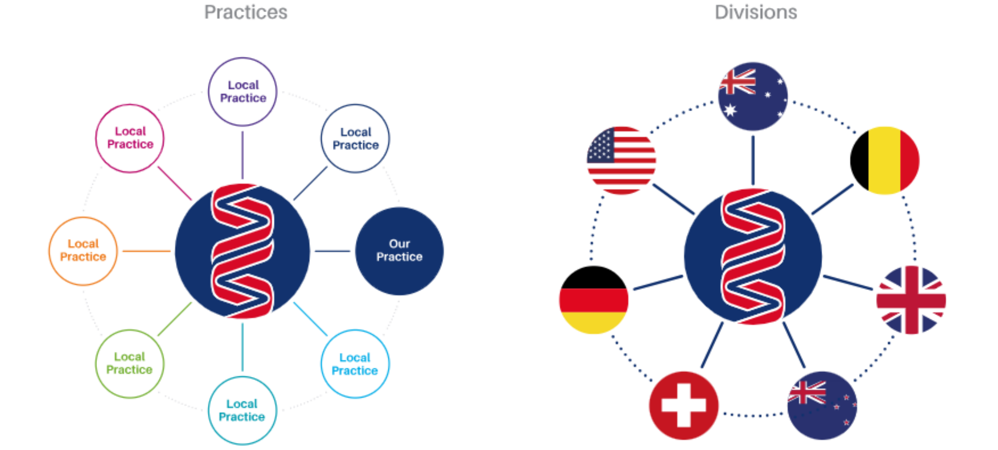
Figure 15 – Pathology Workflow



SOURCE: COMPANY DATA

Federated Model. SHL adopts a federated business model which enables local management teams to operate with autonomy and local branding and goodwill, yet supports local operations with global resources, vision and a corporate culture. SHL believe this model empowers practices to share knowledge and develop synergistic best practices. Detailed benchmarking within the Group leads to best practice group purchasing, IT, E-Health, quality system sharing and centralisation of testing.

Figure 16 – Federated Business Model



SOURCE: COMPANY DATA

Medical Leadership is a key principle by which SHL has governed itself over time. Medicine is a complex profession with patient care and clinical outcomes the first priority. SHL's view is that Medical Leadership facilitates the highest standards of clinical and operational excellence for doctors and patients, reflecting the special complexities, obligations and privileges of medical practice. SHL's medical leadership principles provide a governance framework that facilitates SHL's engagement with its various external stakeholders.

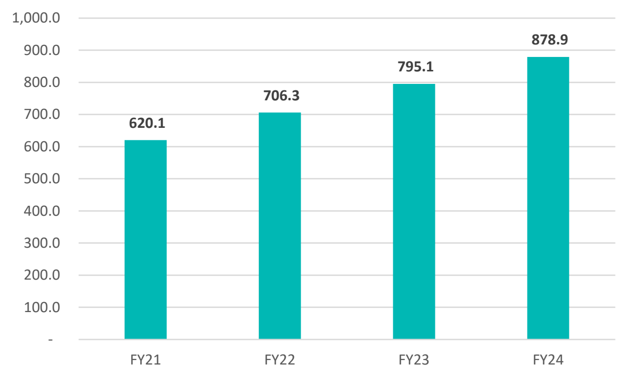
Medical leadership also means that each operation is viewed as a specialist medical practice rather than being part of a corporate business. Beyond driving organic growth, this approach has also seen SHL become a preferred acquirer when pathology / radiology practice founders / owners wish to exit and realise practice value.

Acquisitive Growth. SHL has built its international portfolio through a wide range of acquisitions. SHL entered the US market in 2005, the Swiss market in 2007 and the German market in 2004. It has entered other EU markets over time and continues to look for opportunities to expand. Recent examples include the recent €423m LADR acquisition in Germany announced in December 2024 with completion on 1 July 2025, the CHF117m acquisition of Dr. Risch in March 2024, and the US$130m acquisition of PathologyWatch in the US.

RADIOLOGY

SHL's Australian radiology business accounts for c.10% of revenue and encompasses 128 radiology centres and over 300 specialist radiologists across eight practice groups, making SHL the third largest provider in Australia by that metric, although it holds 2nd position by revenue market share.

Figure 17 – SHL's Historic Radiology Revenue ($m)



SOURCE: COMPANY DATA, BELL POTTER SECURITIES

SHL's radiology revenue was c.41% larger in FY24 than FY21, growing at consistent double-digit rates. Acquisitions of Canberra Imaging Group and Epworth Medical Imaging in Victoria in 2021, have propelled the business, which is closing in on c.$1bn in revenue.

While the business sits in third place behind I-Med and IDX by the number of centres / radiologists, it has a higher revenue base than IDX.

Radiology uses non-invasive technology to create images of bones, tissues and organs within the human body. These images are interpreted by a radiologist or nuclear medicine physician to identify or monitor diseases or injuries. The findings are then included in a written report to the referring doctor.

Radiology is central to the practice of modern medicine. It is used for the diagnosis of many serious and life-threatening conditions, including cancer, neurological disorders and orthopaedic soft tissue injuries. The information contained in the image and radiologist's report expands the referring doctor's knowledge of the disease process and guides the treatment of the patient.

There are various types of radiology techniques that include:

- Magnetic Resonance Imaging (MRI)
- Computed Tomography (CT)
- Ultrasound
- X-ray
- Mammography
- Nuclear Medicine
- PET CT
- Interventional Procedures
- Bone Mineral Densitometry (BMD)

SONIC CLINICAL SERVICES (SCS)

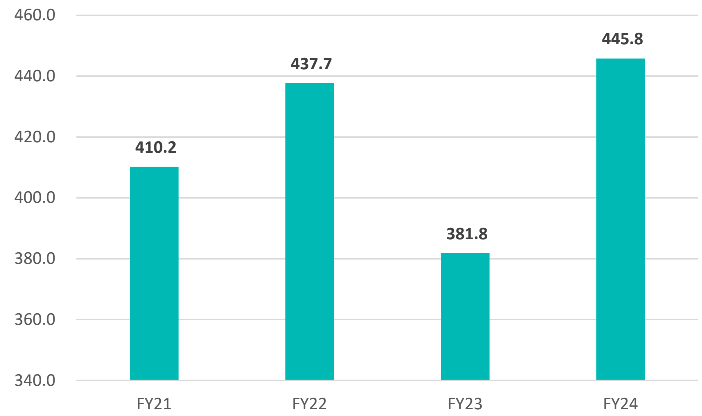
SHL's SCS division accounts for c.5% of revenue and consists of partnering with 2,000 general practitioners across more than 200 accredited medical centres. The SCS division encompasses a broad spectrum of health services including clinics and after-hours GP services, occupational health services, remote health services, community and home nursing services, primary care research programmes, health assessment technologies, clinical trials and chronic disease management programs. The network includes the following brands:

- IPN Medical Centres
- Sonic Health Plus
- Australian Skin Cancer Clinics

The division also includes a technology company that delivers software to healthcare providers and patients to improve patient outcomes by developing solutions for practitioners that focus on end-to-end management of complex health needs.

Approximately 70% of Australians live within 10km of one of the branded medical centres.

Figure 18 - SHL's Historic SCS Revenue ($m)



SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Market Drivers

General Drivers Influencing Pathology Services

Aging Population – The growing elderly population across SHL's key markets requires more frequent and comprehensive diagnostic testing. The prevalence of chronic diseases (e.g. cancer, cardiovascular and diabetes) and its increasing prevalence.

Healthcare Trends – The rise in demand for personalised medicine and treatment plans based on precise diagnostic results, gives rise to increased awareness and emphasis on early detection and prevention.

Healthcare Spending – Trends in healthcare lead to greater demand for healthcare spending and subsequently healthcare budgets that flow onto supporting the growth of pathology services.

Budgetary Pressures – The overall high cost of healthcare leads to strained financial resources and the need to lower costs. The increasing adoption of advanced diagnostic technologies such as digital pathology and molecular testing require significant investment.

Technological Advancements – Innovations in technologies seek to improve accuracy and efficiency also seek to address budgetary restraints. The gradual integration of AI seeks to enhance capability and workflow efficiency, leading to better patient outcomes at a lower unit cost.

Workforce Shortages – Across SHL's different markets, there is a shortage of skilled pathologists and lab staff, exacerbated by retirements and the preference for higher-paying jobs outside the laboratory. Workforce shortages are impacting workload with increasing case volume driving burnout and resignations. The challenge of labour shortages is being addressed through a multi-layered approach involving enhanced training and recruitment programs, improving remuneration and working conditions, and adopting technological advances to streamline workflows and relieve the case load burden on pathologists.

Regulatory Environment – Navigating complex regulatory environments for new diagnostic tests and be time-consuming and costly. Maintaining high-quality standards and certifications to enhance trust and reliability, requires continuous effort and resources.

Market Competition. – Competition from traditional sources (Hospitals and physician practices tied to hospitals) can lead to pricing and margin pressure. Competition from non-traditional sources such as Government agencies, employer groups in the US establishing their own clinical laboratory testing services, consumer-initiated testing or financial operators (Private Equity), can impact the competitive landscape and pricing outcomes as a result.

Digital Pathology

The combination of workforce pressures, budgetary constraints and technological innovation is being brought to bear through various technologies that collectively are referred to as Digital Pathology.

Digital Pathology refers to a suite of technologies that aim to speed up diagnostic processes, enhance collaboration through remote consultations and accessibility, powering image analysis to improve diagnostic accuracy, secure storage of digital pathology data, integrate with Laboratory Information Systems (LIS), and more.

SHL is engaged in two initiatives to deploy advanced technologies to improve its operations and efficiency of service delivery, which we describe below.

FRANKLIN.AI

In June 2022, SHL formed a Joint Venture (JV) with Harrison.ai, in which SHL would own 49% of Franklin.ai to develop best-in-class AI tools for Pathology. The first product is a decision support tool for the clinical evaluation of Prostate Cancer, with initial deployment occurring in 2QFY25 in Australia, with the aim that in time “Prostate Digital” be marketed globally. Regulatory applications in Australia and Europe are in progress.

Pathologists are responsible for diagnosing 100% of cancers, and according to Global Cancer Statistics, it is predicted that cancer cases will increase by c.77% to 35m by 2050[2]. Given the case load is expected to significantly increase, and it can take up to 10 years to train a Pathologist, decision support AI tools like Franklin.ai aim to streamline routine tasks, support diagnostic decisions and improve overall workflow efficiency, without compromising quality or control.

Franklin.ai Digital enhances diagnostic accuracy and workflow efficiency in computational pathology. By pre-analysing cases, the Decision Support AI tool flags the most severe specimens, allowing pathologists to navigate through cases with far greater efficiency.

Once new cases have been processed through a whole slide image scanner, Franklin AI Digital Prostate can be configured to pick up those new cases that require analysis. The AI model will then analyse each slide, looking to identify various findings and calculate measurements before finally pre-populating the synoptic reports with Gleason grading and other prognostic information.

This is all designed to happen before a pathologist starts work for the day, and help them decide which cases to start with, and then which specimens within a case to look at first.

Franklin.ai indicates that research shows:

- Pathologists produce more accurate Prostate PCB (Prostate Core Biopsies) and TURP (Transurethral Resection of the Prostate) reports when assisted by Franklin AI Digital Prostate.
- Detailed ontology, covering 45 findings enabling malignancies, prognostic factors and benign findings to be detected and displayed for pathologist review.
- Pre-filled reports including involvement and grading quantification exportable into downstream lab information systems, saving administrative time

Other highlights include:

- Franklin AI Digital Prostate performs across various slide scanners.
- Franklin AI Digital Prostate performs across different labs[3].

[2] Global Cancer statistics 2022: GLOBOCAN estimates of incidence and mortality worldwide for 36 cancers in 185 countries

[3] https://www.franklin.ai/franklin-ai-digital

- Pathologists using Franklin AI Digital Prostate report that it supports clinical decision-making, helping them make more confident and informed diagnoses.
- **Pathologists using the platform experience an average c.30% improvement in efficiency compared to working without AI assistance.**
- Pathologists using Franklin AI Digital Prostate have reported workflow improvements and greater efficiency, helping them dedicate more time to patient care.

PATHOLOGY WATCH

Building upon the Franklin.ai initiative, in November 2023, SHL announced the acquisition US based Pathology Watch (PW) for US$130m (completed January 2024), with run-rate annual revenues at the time of c.US$15m and the business was still pre-earnings.

PW had developed and was in early commercialisation of an integrated end-to-end digital pathology platform for skin pathology (dermatopathology). SHL believes PW can accelerate its own transition into digital pathology, provide a competitive advantage in dermatopathology itself, promote synergies with Franklin.ai, and expand into other fields of pathology.

Digital Pathology focuses on anatomical pathology (examining organs and tissues), which is a c.A$1bn business inside the SHL Group[4]. It involves scanning glass slide-mounted tissue sections to create a digital whole slide image that can be accessed and reported by a pathologist located remotely using a computer screen or mobile device.

Workflow efficiencies from digital pathology are due to the elimination of the physical handling of glass slides, enhancing accuracy and the ability to distribute images from multiple sites to pathologists in any location, and to expedite second opinions from experts. Digital Pathology may also enable the use of AI in anatomical pathology to further increase the efficiency of pathologists, while improving quality and case turnaround times.

SHL employs over 1,000 expert anatomical pathologists covering almost every sub-specialty in medicine and is particularly strong in its core markets of Australia, the US, Germany and Switzerland. SHL is therefore well placed to benefit from a digital transformation of its anatomical pathology business that extends to efficiency, capacity, recruitment and retention.

The PW end-to-end system is called “DOT” (Dermatopathology Optimisation Tool) which incorporates a laboratory information system, digital pathology viewer, image storage and AI algorithms.

SHL sees a number of opportunities from the acquisition:

- To move beyond dermatopathology to apply digital pathology workflows across all anatomical sub-specialties globally.
- Cost synergies from optimising laboratories, expediting pathologist reporting times and case load distribution across the global anatomical pathology network.
- Increased dermatopathology revenue opportunities from the appeal of the PW system to dermatology clients, and the improved collaboration between dermatologist and pathologist, resulting in increased referral business back to SHL.
- Synergies with Franklin.ai, as the PW platform facilitates integration of Franklin’s AI applications and accelerate AI deployment into SHL’s anatomical pathology practices.
- The integration of PW with Franklin.ai has the potential to simplify and accelerate the adoption of both digital pathology workflows and AI in global markets.
- Potential future value from a prognostic AI algorithm for melanoma, where the algorithm may predict the probability of metastases following a primary diagnosis of melanoma.

[4] SHL ASX announcement on 16 November 2023 regarding the acquisition of Pathology Watch

Franklin.ai may augment the development work and if successful, a test could be marketed globally.

We estimate that a c.30% efficiency improvement (but could grow over time) applied to all anatomical pathology case volumes and c.A$1bn in annual revenue, could generate a c.70bp improvement in SHL's EBITDA margin, relative to the expected outcome for FY25.

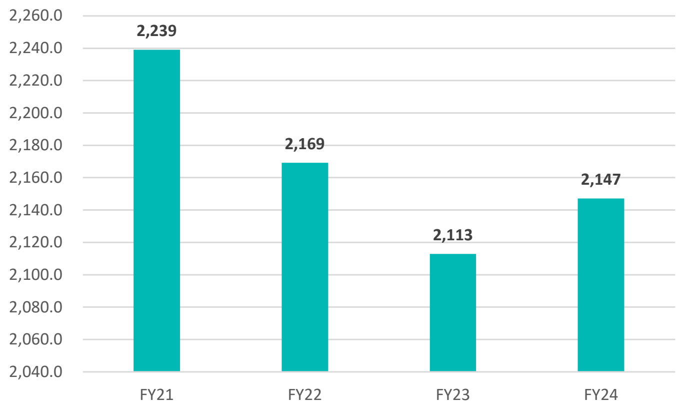
Radiology Getting in on the Digital Transition Too.

SHL's c.12% full diluted interest in Harrison.ai, gives it exposure to a radiology decision support AI solution, Annalise.ai. A Chest X-ray and CT brain products have been launched and at the 1H25 result, SHL noted that the product had secured contracts across Australia, Asia, Europe and the UK. These products are now in use by both SHL and I-Med in Australia. SHL, advise it has also won c.80% of recent NHS England tenders for chest X-ray AI, which should soon be approaching over 30% of all chest X-rays in England. The CT brain product has commenced US reimbursement.

US Reimbursement

US Pathology represents >22% of FY25e revenue, and the business is intimately exposed to the US reimbursement system.

Figure 19 – US Pathology Revenue (A$m)



SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Key Elements of US Reimbursement

- **Public and Private Insurance**: Both public payers (e.g., Medicare, Medicaid) and private payers cover pathology tests. Each payer has its own coverage policies and reimbursement rates.
- **Clinical Laboratory Fee Schedule (CLFS):** Medicare reimburses most clinical diagnostic laboratory tests based on the CLFS, which is updated every three years using private payer rates. The Protecting Access to Medicare Act (PAMA) influences these rates, ensuring they reflect the market rates paid by private insurers.
- **Coding and Billing**: Pathology tests must be correctly coded using Current Procedural Terminology (CPT) codes. Accurate coding is crucial for reimbursement, as it determines the payment amount.
- **Evidence and Value Proposition**: For new and innovative diagnostic tests, demonstrating clinical utility and cost-effectiveness is essential. Insurers require evidence that the test improves patient outcomes and is cost-effective compared to existing alternatives.
- **Out-of-Pocket Costs**: Patients may have out-of-pocket costs depending on their insurance plan, including deductibles, co-pays, and co-insurance.

CLFS, PAMA & SALSA – A Brief History Lesson.

The Protecting Access to Medicare Act (PAMA) was passed into law in 2014, and has had a significant impact, particularly in how clinical laboratory services are reimbursed under Medicare. While PAMA aimed to modernise the payment system by tying lab test reimbursement rates to market data, the implementation has been challenging. The US Congress is revisiting PAMA with bipartisan calls for reform that could shape the future of diagnostic testing and access to timely care[5].

[5] Quest 2024 Annual Report

PAMA's Purpose

PAMA was designed to create a more accurate, market-based pricing model for clinical laboratory tests. By collecting private payer rates from a sample of laboratories, the Centres for Medicare & Medicaid Services (CMS) would set Medicare reimbursement rates that better reflect the actual market value of lab services[6].

However, the data collection process under PAMA has been criticised for being both incomplete and unrepresentative. Large national labs dominated the data submissions, while many smaller and hospital-based labs, where a significant portion of testing occurs, were not included. As a result, CMS reimbursement rates have plummeted for many essential lab tests, putting smaller labs at financial risk and potentially limiting patient access to critical diagnostics.

Delays in Data Reporting and Reimbursement Cuts: A Legislative Lifeline

Acknowledging the difficult rollout of the data collection process, the US Congress has repeatedly stepped in to delay upcoming data reporting requirements and postpone associated reimbursement cuts. The temporary relief to the clinical laboratory industry has created space and time to pursue permanent reforms.

Originally, PAMA required applicable laboratories to report private payer data every three years, with each reporting period leading to updated, and potentially lower payment rates. However, the COVID-19 pandemic and growing bipartisan concerns over the fairness of the system led Congress to pass several delays.

Additional delays passed in late 2023 suspended further reductions and postponed the next data collection deadline, which was expected to trigger another round of cuts. Without these interventions, laboratories **could have seen reimbursement slashed by up to 15%** for hundreds of common diagnostic tests, notwithstanding the need to recover from the COVID-19 pandemic.

The industry body, the American Clinical Laboratory Association (ACLA) is seeking long-term stability to the PAMA framework that require structural changes, which move beyond legislative band aid actions. This manifests through pursuing enactment of the **Saving Access to Laboratory Services Act (SALSA)** which aims to:

- Establish a more statistically valid and representative approach to data collection,
- Protect labs from steep annual cuts to reimbursement, and
- Ensure better oversight and transparency in how rates are determined.

While there is bipartisan support for SALSA, the likely cost to the federal government associated with enactment of comprehensive reform pushes against deferral budgetary pressures. By contrast, yearly short-term legislative delays in data reporting and reimbursement cuts have resulted in budget savings. Congress has stepped in six times to delay the data reporting period and five times to delay further cuts.

Without action, clinical labs will again face reimbursement cuts of up to 15% on January 1, 2026. While enactment of comprehensive reform to PAMA continues to be a top priority for the industry, given legislative history and congressional pressure to limit budget outlays, Congress is again most likely to pass another short-term patch to prevent the impending cuts.

SHL has referred to this issue in its FY25 guidance and expected a c.A$15m impact for 2H25. However, the delays referred to above have meant this has not been realised for the current year and may not even occur in 2H26.

[6] https://chamberhill.com/that-said/reforming-pama-a-critical-step-toward-fairer-lab-reimbursements-and-improved-patient-care

Genetic Testing, Future Growth Driver

Genetic testing refers to the analysis of DNA, RNA, chromosomes, proteins or metabolites to detect heritable or acquired genetic abnormalities. Initially confined to rare disease diagnosis and newborn screening, its application has expanded into areas such as ancestry tracing, oncology, reproductive health, pharmacogenomics, and personalised wellness[7].

In 2014 SHL launched Sonic Genetics to oversee all genetic testing throughout SHL and give doctors and patients access to an extensive range of genetic tests through its network of Australian and international laboratories.

In Australia, SHL offers c.50 genetic tests, out of an overall total of c.3,000 tests. In Australia, tests typically cost between $300 - $400 and c.90% of tests are not reimbursed. SHL has a strong genetic testing presence in Germany and Switzerland.

Germany has a wider offering of genetic testing than Australia. In Germany, SHL is the exclusive provider and only testing lab in Europe of Oncotype DX, a breast cancer gene expression test. This test is owned by Exact Sciences (in the US) and is included on the German EBM schedule as long as the test is performed within Germany.

In the US, Thyroseq, is a test that is an exclusively licensed thyroid cancer genomic test. This test was developed between the University of Pittsburg Medical Centre and Sonic's CBL Path, which is a thyroid Centre of Excellence.

Reimbursement differs between countries. The NIPT (Non-invasive Pre-Natal Test) is included on the fee schedule in Germany and Switzerland, however, is not included on the Australian Medicare fee schedule. The growth from the addition of the 3 Gene Carrier Screen test to the Medicare fee schedule back in November 2023 has been significant, with NIPT the fastest growing test in the SHL panel, in a post-COVID environment.

Since the mapping of the human genome in 2003, there has been an explosion of genetic tests worldwide and we anticipate that genetic testing will become a major growth driver of pathology generally and expect SHL to participate in that growth.

We provide a brief overview of the genetic testing landscape.

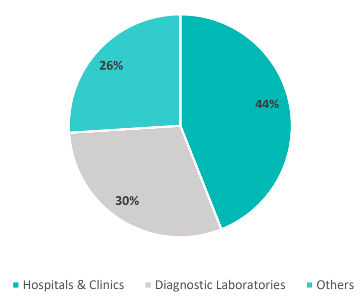
Booming Market

The global genetic testing market has been valued at c.US$11.9bn in 2024 and is expected to grow at a CAGR of c.22.6% to reach c.US$91.9bn by 2034. The diagnostic laboratory segment constitutes c.30% or c.US$3.6bn as at 2024[8], but at the current penetration rate, would grow over 6x over the decade to reach c.US$27.6bn by 2034.

Figure 20 – Global Genetic Testing Market (US$bn)

SOURCE: NOVA 1 ADVISOR

Figure 21 – End-Use Share of Genetic Testing – 2024



SOURCE: NOVA 1 ADVISOR

[7] https://www.novaoneadvisor.com/report/global-genetic-testing-market

[8] https://www.novaoneadvisor.com/report/global-genetic-testing-market

The Genetic Testing Registry in the US was developed by the National Centre for Biotechnology Information (NCBI) under the guidance of the National Institute of Health (NIH) to provide transparent information on genetic tests and the corresponding laboratories.

As of November 2022, there were a total of 129,624 / 197,779 genetic tests that had been developed in the US / Globally, with over 90% being for clinical rather than research purposes. Of these tests, 37,271 / 76,302 were current across the US / Globally. The US testing number has increased from 197 tests in 2012[9].

The vast majority of tests are also developed for diagnostic purposes and therefore tailor made for the pathology industry.

A Diverse Range of Tests

Genetic tests can be utilised for one or more of the following purposes:

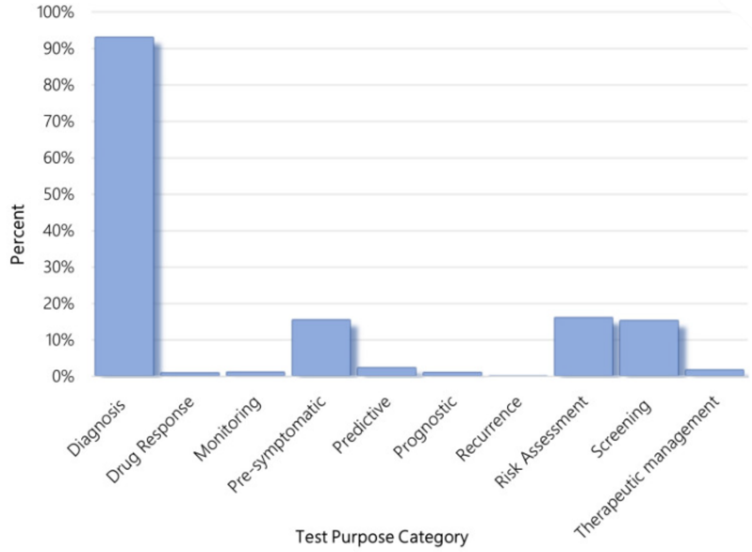
- **Diagnostic** tests aid in the indication or confirmation of disease, when symptoms present.
- **Presymptomatic** tests are performed on asymptomatic individuals at risk of developing a disease.
- **Predictive** tests are performed to determine the treatment response relative to cancer biomarkers.
- **Prognostic** tests are applicable to cancer biomarkers and can predict the aggressiveness and overall outcome of the disease at the time of diagnosis.
- **Screening** tests are often used among patients in a target population affected by the genetic condition or by those who have the potential to transmit disease to their offspring.
- **Recurrence** tests determine disease recurrence in patients who have been diagnosed with cancer and have been treated.
- **Drug response** tests are pharmacogenetic tests that evaluate a patient’s response to medications.
- **Therapeutic management** tests are used to determine therapeutic decision making.[10]

The breadth of these tests shows how this segment of pathology testing has exploded over two decades and is destined to continue rapid growth over the next decade.

[9] https://pmc.ncbi.nlm.nih.gov/articles/PMC10142561

[10] https://pmc.ncbi.nlm.nih.gov/articles/PMC10142561

Figure 22 – Portion of Current Genetic Tests by Category



SOURCE: JOURNAL OF PERSONALISED MEDICINE

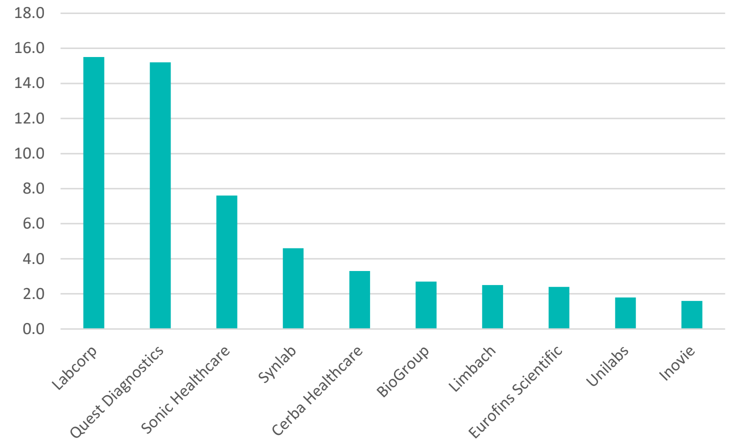
Key Drivers

- Through the **advent of precision medicine**, rapid technological innovations like Next Generation Sequencing (NGS), and increasing awareness among consumers, genetic testing is changing how individuals and healthcare systems approach disease prevention, early detection, and treatment optimisation.
- The **global burden of genetic and chronic diseases**, rising investments in genomics, the increasing availability of genomic databases, and growing collaborations between biotechnology firms and healthcare providers are major factors driving the market forward.
- **Consumers** are increasingly seeking **genetic insights** through DTC channels, fuelling partnerships between biotech companies and retail pharmacy chains.
- **AI-powered algorithms** are accelerating genomic interpretation, risk prediction, and personalised health recommendations.
- Rising **awareness about inherited disorders** is prompting more couples to opt for genetic testing during pregnancy and family planning.
- **Personalised drug therapies** based on individual genetic profiles are gaining traction in oncology, cardiology, and psychiatry.
- Consumers are now using genetic tests to **understand nutrition compatibility, athletic potential, and behavioural traits**.
- As consumer genomic data grows, companies are **enhancing privacy protocols** and transparency to gain user trust.
- Countries are launching **national genomic databases** and integrating genetic testing into public health programs.[11]

[11] https://www.novaoneadvisor.com/report/global-genetic-testing-market

Key Geographic Segments

Figure 23 – Top Ten Global Labs (US$m)



SOURCE: COMPANY DATA. UNILABS DATA WAS FOR 2022.

Australian Pathology Market (c.22% of Revenue)

The Australian Pathology market is valued at c.A$5.4bn as of 2025 (Ibisworld) and revenue has been relatively flat at a CAGR of 0.2% over the past five years, with revenue materially impacted by the COVID period. There are approximately 500 businesses in the Australian market, with business number growth at a CAGR of 6.4%. SHL's expected pathology revenue in FY25 constitutes c.39% of the domestic market.

Pricing is driven by the Medicare fee schedule, and until 2025, there had never been indexation. As of July 2025, indexation of 2.4% pa will apply to nearly 30% of Medicare pathology items.

The Australian market also consists of the third largest radiology business by number of clinics / radiologists but second largest based on revenue. The radiology business represents c.10% of revenue at over c.A$900m. The Australian business also consists of a clinical services division that generates over A$500m or c.6% of revenue.

US Market (c.22% of Revenue)

The US Pathology addressable market was valued at c.US131bn in 2024 (Grandview Research) and is expected to grow at a CAGR of c.7.6% through to 2030, by which time the TAM should reach over c.US$200bn.

The US market represented c.34% of the global market, with the two leading operators Quest and Labcorp, each holding a c.10% market share, followed by SHL at c.3%.

German Market (c.20% of Revenue)

Germany is the largest clinical laboratory services market in Europe with a total value of c.€10.6bn in 2023 (excl. COVID), of which the private laboratory market is estimated to be c.€5.7bn, with a CAGR of c.3% - c.3.5% through to 2028.

In Germany, General Practitioners (GPs) are responsible for collecting samples, and free to perform tests themselves which are mostly routine tests. Germany also has a strong hospital outsourcing model, with clinical laboratory firms, having the testing capacity, logistics networks, and ability to meet turnaround times, with availability from specialty laboratory doctors.

Volume growth is driven by typical demographic trends, and pricing is expected to be stable through to 2028. Staff shortages and energy prices are expected to influence margins.

Fee pressure may be a medium-term threat, but fee reform would most likely take years to implement. An eventual cut of c.10% seems possible.

The German market is more concentrated than other European markets, with the top three operators constituting c.41% of the accessible market and top 5 operators covering c.54% of the market, as at 2022. SHL is understood to hold >20% share of the market post the LADR acquisition.[12]

Swiss Market (c.11% of Revenue)

The Swiss market for clinical laboratory testing is understood to be valued at c.€3.2bn in 2024 and has been growing at a CAGR of c.6%.

The Swiss market is relatively consolidated with the top four players controlling a dominant share of the market, with SHL holding a c.25% share. Approximately 70% of revenues are driven by Government fee schedules and c.30% of the pie rests with the private market.

UK Market (c.8% of Revenue)

The UK laboratory services market was estimated at c.€4.4bn in 2023, of which the accessible market for private laboratories amounted to c.€0.7bn (or c.16% of the total market). The private market is expected to grow at a CAGR of 6% to c.€1.0bn by 2028. Excluding COVID, growth has been increasing over the past decade.

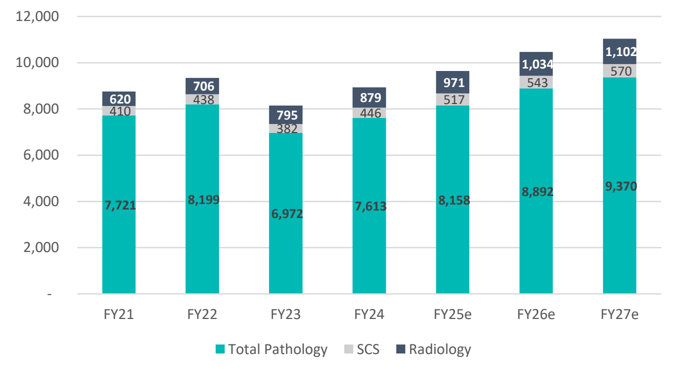
The National Health Services (NHS) dominates the total market for clinical laboratory services, and the private market consists of outsourced NHS work as well as private, individual, hospital group and corporate spending. As a cost initiative, the NHS has for some time aimed to decrease spending on diagnostic testing with potential outsourcing to the private sector. It also serves to address systemic waiting times and backlogs.

SHL won a NHS 15-year outsource contract with Hertfordshire and West Essex (HWE) which commenced 1 March 2025, and was awarded a 11-year NHS contract to service the Royal National Orthopaedic Hospital in London, which commences November 2025. SHL is also bidding for more NHS contracts and private work.

[12] Synlab 2024 Annual Report

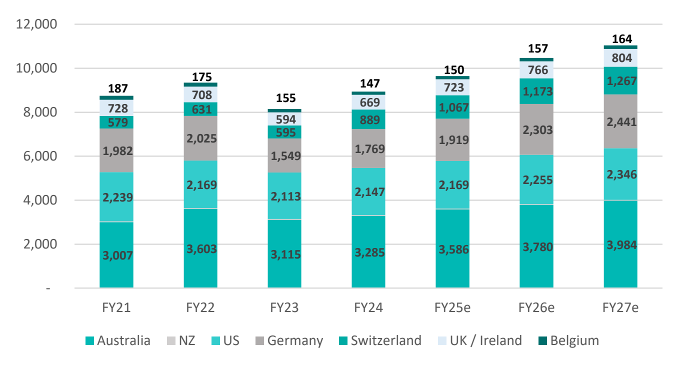
Financial Forecasts

Figure 24 – Divisional Revenue Forecasts (A$m)



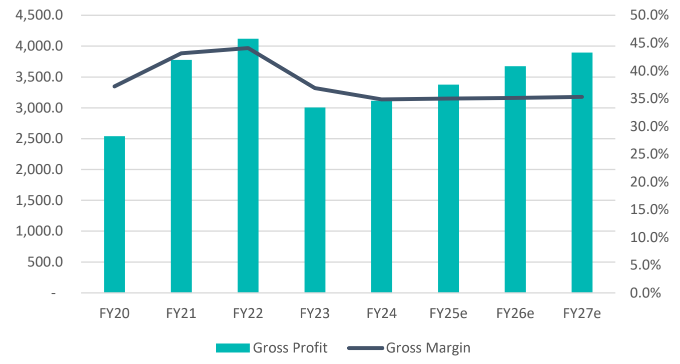
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 25 – Geographic Revenue Forecasts (A$m)



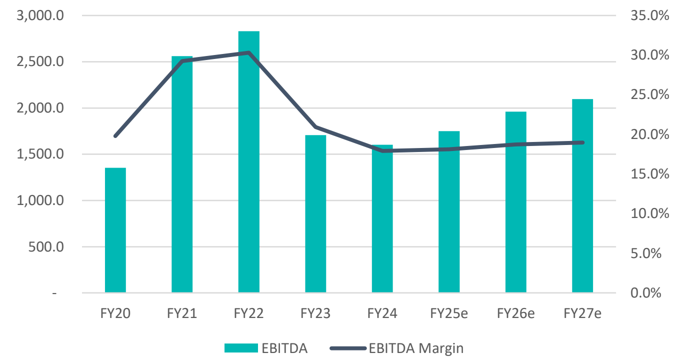
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 26 – Gross Profit Forecasts (A$m / %)



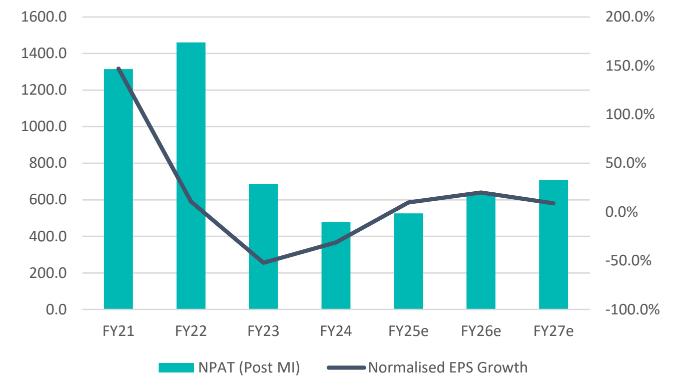
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 27 – EBITDA Forecasts (A$m / %)



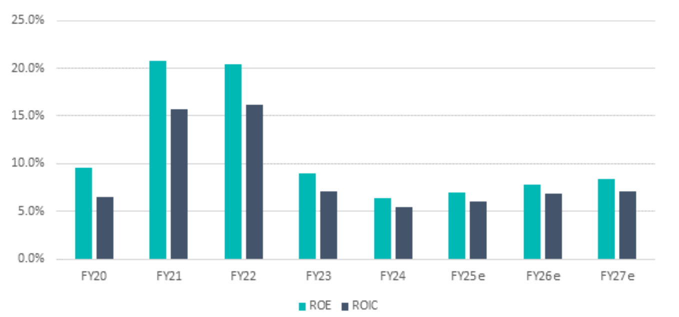
SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 28 – NPAT / EPS Growth Forecasts (A$m / %)



SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Figure 29 – ROE / ROIC Forecasts (%)



SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Key Points

Forecasts are prepared on a $A constant currency basis.

- **Mid-to-High single digit revenue growth consistent with consensus**. We forecast a CAGR over three years of c.7.3% FY25e-FY27e, with each year being just below VA consensus.
- **EBITDA growth at high-single digits**. We forecast a CAGR over three years of c.9.4% FY25e-FY27e, with the individual years at or just below VA consensus. We forecast EBITDA margins rising c.110 bp over three years from c.17.9% to c.19.0% by FY27e, in which we consider the combination of right sizing the company and efficiency gains from digitalisation bearing results. Labor costs as a % of revenue declined c.50bp in 1H25.
- **Pathology dominates revenue profile, but radiology has the most attractive margin profile.** EBITDA margins improved c.60bp in 1H25, but improvement would have been c.90bp if not for the acquisitions of Dr Risch Group and Pathology Watch that were acquired with zero-margin. Radiology have consistently delivered the highest margins and were c.25.8% at 1H25. Laboratory margins have been volatile due to adjusting to the post-COVID environment, SCS has structurally low margins. Our margin assumptions for FY26e+ incorporate the LADR acquisition in Germany where trailing margins were c.13% (local currency).
- **Normalised NPAT (Post MI) to generate double-digit growth.** We forecast a CAGR over three years of c.13.9%, with c.10%+ in each year. Our forecasts are just below VA consensus in FY25e / FY27e and just above in FY26e.
- **Low single-digit growth in dividends**. In FY24, SHL reported a dividend payout ratio of c.100%, but DPS only increased c.2%. We forecast dividend growth at c.1% - c.2% until the payout ratio declines back to below 80%, which we expected to be achieved by FY27e.
- **Balance Sheet remains conservatively positioned.** Despite the contribution of approximately ten acquisitions that contributed to the FY24 result, with annualised revenue of over c.A$600m, SHL's balance sheet is well positioned and sits comfortably within its debt covenants. Given cash reserves of >$800m and free cash flow over FY25e – FY27e of c.A$2bn cumulatively, SHL has ample capacity to continue to acquire growth, and further build out its operational network.

Figure 30 – Performance Against Debt Covenants Remains Sound

Debt Covenants	Threshold	FY23	FY24	1H25
Net Debt / EBITDA (Debt Cover)	**<3.5x**	0.6	1.9	2.0
EBITA / Net Interest (Interest Cover)	**>3.25x**	29.4	12.0	10.5
Net Debt / (Net Debt + Equity) (Gearing)	**<55.0%**	9.9%	22.3%	24.0%

SOURCE: COMPANY DATA, BELL POTTER SECURITIES

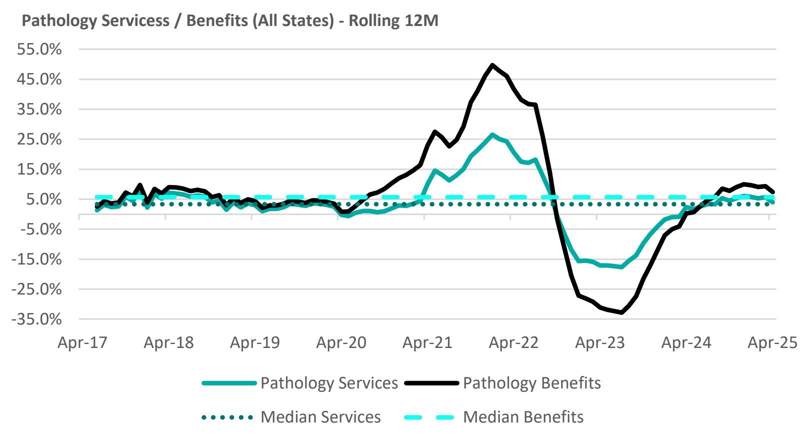
- **REO / ROIC building again.** As per figure 29, SHL's ROE / ROIC has declined dramatically post the COVID-19 period. As the business normalises and strives to achieve efficiency gains, we consider that it can return to at least earnings its cost of capital again over the next couple years and then begin to generate a spread over its WACC beyond that.

Figure 31 – Annual Revenue Contribution in FY24 from Acquisitions Equates to c.$660m

Acquisitions	~ Annual Revenue (A$M)	Description/Timing
Germany		
Medical Laboratories Düsseldorf (MLD)	84	Leading laboratory in Düsseldorf, settled July 2023
Diagnosticum Laboratory Group	110	Laboratories across Eastern Germany, settled October 2023
Smaller acquisitions (4)	70	2 anatomical and 2 clinical pathology, settled through FY2024
Switzerland		
Medisyn (formerly Synlab Suisse)	175	19 laboratories across Switzerland, settled July 2023
Pathologie Enge	15	Anatomical pathology practice, Zurich, settled January 2024
Dr Risch Group	175	13 clinical laboratories across Switzerland, plus 1 in Liechtenstein, settled March 2024
USA		
Pathology Watch	25	Proprietary digital dermatopathology platform with AI, settled January 2024

SOURCE: COMPANY DATA

Figure 32 – Australian Pathology Benefits Recovered to Just Above Long-Term Median Growth at c.7.4% R12M for May v Median of c.5.7%



SOURCE: MEDICARE

Figure 33 – Forecast P&L (A$m)

Year ended 30 June	FY23	FY24	1H25	FY25e	FY26e	FY27e
Operating Revenue	**8,155.3**	**8,942.6**	**4,656.7**	**9,646.7**	**10,469.0**	**11,041.8**
Revenue Growth	-12.7%	9.7%	8.5%	7.9%	8.5%	5.5%
VA Consensus				9,679.1	10,591.4	11,074.9
BPe v Consensus (%)				-0.3%	-1.2%	-0.3%
Gross Profit	**3,007.2**	**3,115.9**	**1,613.9**	**3,376.4**	**3,674.6**	**3,897.7**
GP Growth	-27.0%	3.6%	9.6%	8.4%	8.8%	6.1%
GP Margin	36.9%	34.8%	34.7%	35.0%	35.1%	35.3%
VA Consensus				3,438.6	3,805.6	4,043.2
BPe v Consensus (%)				-1.8%	-3.4%	-3.6%
Operating Expenses	(2,002.6)	(2,291.0)	(1,190.0)	(2,443.7)	(2,570.6)	(2,702.2)
% of Revenue	24.6%	25.6%	25.6%	25.3%	24.6%	24.5%
EBITDA	**1,707.5**	**1,602.2**	**827.3**	**1,748.8**	**1,960.9**	**2,095.3**
EBITDA Growth	-39.7%	-6.2%	12.3%	9.1%	12.1%	6.9%
EBITDA Margin	20.9%	17.9%	17.8%	18.1%	18.7%	19.0%
VA Consensus				1,751.7	1,949.3	2,100.3
BPe v Consensus (%)				-0.2%	0.6%	-0.2%
D&A	(702.9)	(777.3)	(403.3)	(816.2)	(857.0)	(899.8)
EBIT	**1,004.6**	**824.9**	**424.0**	**932.7**	**1,104.0**	**1,195.5**
Net Interest	(73.4)	(127.1)	(75.1)	(160.8)	(174.6)	(174.6)
Pre Tax Profit	**931.0**	**730.6**	**348.9**	**771.9**	**929.4**	**1,021.0**
Tax Expense	(223.3)	(186.8)	(93.5)	(208.4)	(250.9)	(275.7)
NPAT- Reported	**707.7**	**543.8**	**255.4**	**563.5**	**678.5**	**745.3**
Non Recurring Items Net of Tax		(32.3)				
NPAT - Normalised (Pre MI)	707.7	511.5	255.4	563.5	678.5	745.3
MI	22.9	32.7	18.7	38.0	38.0	38.0
NPAT - Normalised (Post MI)	684.8	478.8	236.7	525.5	640.5	707.3
VA Consensus				528.2	627.0	720.5
BPe v Consensus (%)				-0.5%	2.1%	-1.8%
Normalised EPS (cps)	144.9	99.7	49.3	109.4	131.3	142.9
EPS growth (%)	-52.1%	-31.2%	15.3%	9.8%	20.1%	8.8%
DPS	104.0	106.0	44.0	107.0	109.0	111.0
Franking	71.7%	0.0%	0.0%	0.0%	0.0%	35.0%
Payout Ratio	71.7%	99.6%	97.8%	97.8%	83.0%	77.7%

SOURCE: COMPANY DATA, BELL POTTER SECURITIES, VISIBLE ALPHA

Valuation

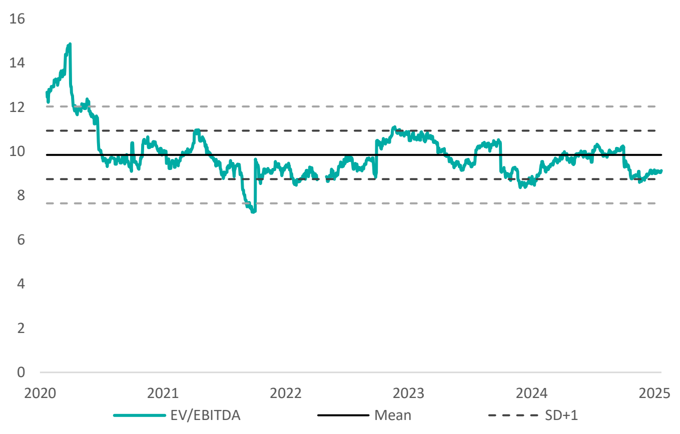
We adopt a blended valuation approach comprising EV / EBITDA, PER and DCF, with an even split across the three methods.

Multiples

EV / EBITDA – we are informed by the historical trading ranges and the international peer group comparisons. SHL's 5-yr Mean is c.10x and the international peers are trading between 9.5 – 11.0x on a 1 yr forward basis. We consider that SHL deserves a premium to its domestic peers that are trading on a Mean of c.7x, given its strong international profile and scale, and therefore have selected a multiple of **10x** of the average of FY26e / FY27e EBITDA in our valuation calculations. This translates to **$36.86** as per figure 38.

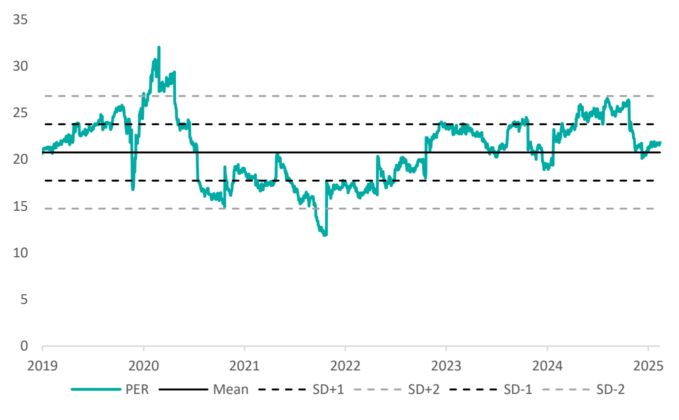
PER – The 5-yr Mean PER of SHL is c.19.9x and SHL is trading just above this level. For considerable periods over the past six years, SHL has traded at a 1x standard deviation above the Mean. Given the gradual improvement in margins post COVID and elevated inflation that is now moderating, we assume that SHL can return toward the upper bound of its historical trading range. We therefore apply the current PER for FY25e of **c.24.0x**. We use an average of EPS for FY26e / FY27e, to arrive at a valuation of **$32.85**.

Figure 34 – 1 yr Fwd EV / EBITDA Trend (x) – 8.7x below 5-yr Mean



SOURCE: BLOOMBER, BELL POTTER SECURITIES

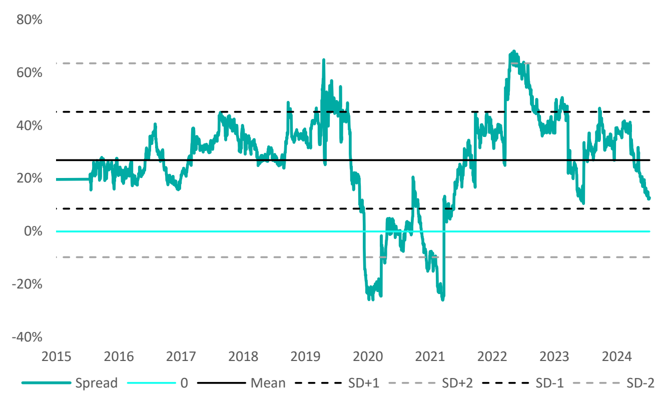
Figure 35 – 1 yr Fwd PER Trend (x) – 20.8x just above 5-yr Mean



SOURCE: BLOOMBERG, BELL POTTER SECURITIES

Note that historically, SHL had traded at a premium to the ASX200 as high as c.60%, and the 10-yr Mean at a premium of c.27%. The current premium has narrowed to c.13%, which leads to the view that SHL is trading in "value territory".

Figure 36 -SHL PE v ASX200 (%) – Premium over XJO has Narrowed to 13%



SOURCE: BLOOMBERG, BELL POTTER SECURITIES

Figure 37 – SHL Peer Group Comps

	Last	Currency	Market Cap (bn)	Ent. Value (bn)	FY26 EV / Sales	FY27 EV / Sales	FY26 EV/EBITDA	FY27 EV/EBITDA	FY26 PER	FY27 PER	FY26 Sales Growth	FY27 Sales Growth	FY26 EBITDA Margin
Domestic Comps													
Healius	1.07	AUD	775	2,059	1.5	1.4	7.4	6.7	53.2	26.4	4.6%	4.5%	19.8%
Australian Clinical Labs	3.00	AUD	592	887	1.1	1.1	4.1	3.9	14.4	13.1	4.8%	4.5%	27.6%
Integral Diagnostics	2.44	AUD	909	1,410	1.8	1.7	8.4	7.6	18.9	15.6	27.0%	6.1%	21.3%
Average					**1.5**	**1.4**	**6.6**	**6.1**	**28.8**	**18.3**	**12.1%**	**5.0%**	**22.9%**
Median					**1.5**	**1.4**	**7.4**	**6.7**	**18.9**	**15.6**	**4.8%**	**4.5%**	**21.3%**
Sonic Healthcare	**26.55**	**AUD**	**12,755**	**15,097**	**1.4**	**1.4**	**7.7**	**7.2**	**20.5**	**18.9**	**8.5%**	**5.5%**	**18.7%**
International Peers													
US Comps													
Quest Diagnostics	172.48	USD	19,255	25,751	2.3	2.2	11.2	10.7	16.0	14.8	4.0%	3.8%	20.4%
Labcorp	242.37	USD	20,286	26,451	1.8	1.7	10.5	10.1	13.8	12.8	4.8%	4.7%	17.3%
Average					**2.1**	**2.0**	**10.9**	**10.4**	**14.9**	**13.8**	**4.4%**	**4.2%**	**18.9%**
Median					**2.1**	**2.0**	**10.9**	**10.4**	**14.9**	**13.8**	**4.4%**	**4.2%**	**18.9%**
European Comps													
Eurofin Scientific	54.66	EUR	9,957	13,999	1.8	1.7	7.8	7.2	13.3	11.6	6.6%	6.3%	22.6%
Medicover	242.00	EUR	37,359	4,581	1.7	1.5	11.0	9.6	401.3	303.8	12.5%	10.2%	15.4%
Average					**1.7**	**1.6**	**9.4**	**8.4**	**207.3**	**157.7**	**9.5%**	**8.3%**	**19.0%**
Median					**1.7**	**1.6**	**9.4**	**8.4**	**207.3**	**157.7**	**9.5%**	**8.3%**	**19.0%**

SOURCE: BLOOMBERG, BELL POTTER SECURITIES

Figure 38 – EV / EBITDA & PER Valuations

	Avg. (FY26e / FY27e EBITDA	EV/EBITDA	Value ($m)	Net Debt / (Cash)	Equity Value	Value / Share
EV / EBITDA (pre-AASB16)	1,587.7	10.0	15,876.9	2,378.4	18,255.3	$ **36.86**

	FY24	FY25e	FY26e	FY27e	FY26/27 avg
Normalised EPS	99.7	109.4	131.3	142.8	137.1
Applied PER		24.0	24.0	24.0	24.0
		$ **26.22**	$ **31.47**	$ **34.24**	$ **32.85**

SOURCE: BELL POTTER SECURITIES

DCF – We forecast a 10-yr cash flow to generate our Present Value calculation, with the 10-yr cash flow equating to c.34% of the total equity value, and the terminal value at c.66% of the valuation. We use a discount rate of **8.3%** to arrive at our **$32.39** DCF valuation.

Figure 39 – Forecast Cash Flows / DCF Valuation

	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	
Time Discount Factor	0.03	1.03	2.03	3.03	4.03	5.03	6.03	7.03	8.03	9.03	10.03	
Operating Cash Flow	1370.6	1521.8	1642.3	1750.9	1861.2	1999.2	2129.0	2257.3	2392.5	2534.7	2684.2	
Capex + Payments for Intangibles	-483.0	-1362.9	-652.0	-684.6	-718.8	-754.7	-792.5	-832.1	-873.7	-917.4	-963.3	
Free Cash Flow	887.6	158.9	990.3	1066.4	1142.4	1244.5	1336.5	1425.2	1518.8	1617.3	1721.0	**30,126**
Present Value of Cash Flows	885.3	146.3	842.3	837.5	828.5	833.4	826.5	813.9	800.9	787.6	773.9	**13,547**

Sum of 10 yr PV of CF	7,490.9	35.6%
Terminal Value	13,547.4	64.4%
Sum of Present Values	**21,038.2**	
Net Debt/(Cash) + Lease Liability	3,965.3	
Equity Value	**17,073.0**	
Shares on Issue	495.2	
Warrants / Options	31.9	
Fully Diluted Shares on Issue	527.1	
Equity Value per Share (A$)	**$ 32.39**	

SOURCE: BELL POTTER SECURITIES

Figure 40 – DCF Valuation Parameters

WACC calculation	
Risk Free Rate	4.5%
Market Risk Premium	5.5%
Beta	0.96
Borrowing Rate	6.5%
Tax Rate	30.0%
Target Gearing	28.3%
Cost of Equity	9.8%
Cost of Debt	4.6%
WACC	**8.3%**
Terminal Growth Rate	**3.5%**

SOURCE: BELL POTTER SECURITIES

Figure 41 – DCF Valuation Sensitivities

		WACC				
		9.3%	8.8%	8.3%	7.8%	7.3%
Terminal Growth	2.5%	26.16	27.47	28.85	30.30	31.81
	3.0%	27.65	29.04	30.49	32.01	33.61
	3.5%	29.38	30.85	32.39	34.00	35.69
	4.0%	31.41	32.97	34.61	36.33	38.14
	4.5%	33.83	35.50	37.26	39.11	41.04

SOURCE: BELL POTTER SECURITIES

Note that in our sensitivity table, a 50bp change in the base WACC results in a c.5% change in the valuation, whereas a 50bp change in the terminal growth rate moves the valuation by c.7.4% to the upside and c.6.2% to the downside.

Price Target

The combination of the three valuation methods combines into an evenly split blended valuation and target price of **$33.70/sh**, representing a c.28% premium to the current share price. When combined with the expected divided yield of c.4%, the total expected return is c.32% and therefor leads to our initiation recommendation of BUY.

Figure 42 – Blended Valuation / Target Price

Blended Valuation Methodology	Valuation	Multiple (x)	% weight	Final Valuation Contribution
DCF	$ 32.39		33%	$ 10.69
EBITDA (1 yr Fwd)	$ 36.86	10.0	33%	$ 12.16
PE (1 yr Fwd)	$ 32.85	24.0	33%	$ 10.84
				$ 33.70
Current Price				$ 26.22
Premium / (Discount)				**28.5%**

SOURCE: BELL POTTER SECURITIES

Transaction Multiples – SHL Buys Well!

We have collated a sample of pathology transactions from before and since the COVID period. While SHL has not pursued large transactions over the past decade, preferring to acquire bolt-on businesses – relative to its size – SHL has managed to acquire business at relatively attractive prices, even as multiples have declined in the post COVID period. SHL is trading on a current EV / EBITDA of c.11.3x, a relatively low rating based on historical levels.

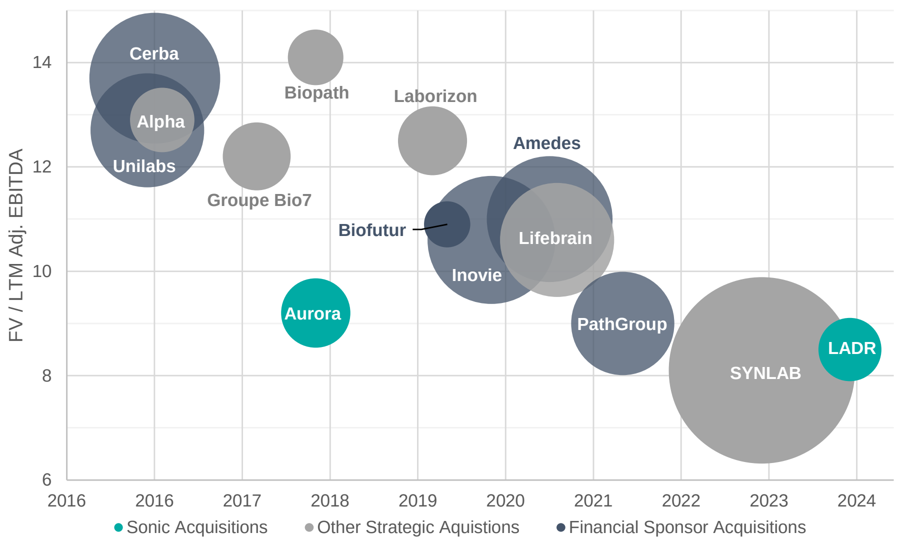
We envisage further strategic acquisitions where SHL could build scale in new markets, such as Poland, because of the LADR acquisition or the opportunity to build out an existing position such as the US, where it has a modest c.3% share, despite being the third largest operator in that market.

Figure 43 – Valuation Multiples for Acquired Pathology Companies

Region	Date	Target	Acquirer(s)	Buyer Type	Firm Value (US$m)	FV / LTM Adj. EBITDA
EU	Dec-24	LADR Der Laborverbund Dr. Kramer & Kollegen	Sonic Healthcare	Strategic	447	8.5x
EU	Dec-23	SYNLAB	labcorp	Strategic	3,900	8.1x
US	May-22	PathGroup	GTCR	Sponsor	1,200	9.0x
EU	Aug-21	life brain	Cerba HealthCare	Strategic	1,462	10.6x
EU	Jul-21	amedes	OMERS, Goldman Sachs, AXA	Sponsor	1,779	11.0x
EU	Nov-20	Inovie	ARDIAN	Sponsor	1,840	10.6x
EU	May-20	BiOfutur	OMNES	Sponsor	239	10.9x
EU	Mar-20	laborizon	Biogroup	Strategic	534	12.5x
US	Nov-18	BIOPATH	Unilabs	Strategic	346	14.1x
US	Nov-18	AURORA DIAGNOSTICS	Sonic Healthcare	Strategic	540	9.2x
EU	Mar-18	GROUPE BIO7	Cerba HealthCare	Strategic	518	12.2x
EU	Feb-17	ALPHA MEDICAL	Unilabs	Strategic	465	12.9x
EU	Jan-17	Cerba HealthCare	Partners Group, PSP	Sponsor	1,922	13.7x
EU	Dec-16	Unilabs	Apax	Sponsor	1,457	12.7x

SOURCE: COMPANY DATA

Figure 44 - Timeline of Pathology M&A: Multiples vs. Deal Size



SOURCE: COMPANY DATA, BELL POTTER SECURITIES

Board Management

Professor Mark Compton | Independent Non-Executive Chairman

Appointed to the Board in 2014 and Chair since 2015, Professor Compton brings extensive leadership experience in healthcare and life sciences. He is currently a Non-Executive Director of HCF, Adjunct Professor at Macquarie University, and Chair of St Luke's Care and the Order of St John. Previous executive positions include CEO of St Luke's Care, Immune Systems Therapeutics, the Royal Flying Doctor Service, SciGen, and Alpha Healthcare. Professor Compton has held multiple non-executive directorships across the healthcare and life sciences sectors, serves on Sonic's Audit and Remuneration & Nomination Committees, and is a Member of the Order of Australia.

Dr Colin Goldschmidt | CEO & Managing Director, Executive Director

Dr Goldschmidt was appointed CEO and Managing Director of Sonic Healthcare in 1993 and has led the company's global expansion for over 30 years. A qualified medical doctor and pathologist, he is a member of Sonic's Risk Management Committee and holds memberships across a range of industry, medical and laboratory associations.

Christopher Wilks | CFO and Finance Director, Executive Director

Appointed to the Board in 1989, Mr Wilks became Finance Director and CFO of Sonic Healthcare in 1993. He has a background in chartered accounting and investment banking, including as a former partner in a private investment bank. He has held directorships in several public companies and currently serves as a Non-Executive Director of Silex Systems Limited, a listed company divested by Sonic in 1996.

Emeritus Professor Christine Bennett |-Independent Non-Executive Director

Appointed in September 2022, Professor Bennett is a paediatrician with over 40 years' experience in the healthcare industry. Ms Bennett currently serves as a Non-Executive Director of Regis Healthcare, Patron of Research Australia, and Convenor of the Champion of Change Health Group. Her prior executive roles include Chief Medical Officer of MBF/Bupa, Partner at KPMG, and Dean of Medicine at the University of Notre Dame Australia. She has also held non-executive directorships with Telstra Health, HeartWare, and Symbion Health, and chaired the Sydney Children's Hospital Network. Ms Bennett is a member of Sonic's Risk Management Committee.

Dr Katharine Giles | Independent Non-Executive Director

Appointed in September 2022, Dr Giles is a medical doctor and life sciences executive. Ms Giles is currently CEO and Managing Director of OncoRes Medical and a Venture Partner at Brandon Capital Partners. Her background includes roles in medical technology start-ups and venture investment. Dr Giles also serves on the Curtin University Commercialisation Advisory Board and the board of the National Reconstruction Fund.

Professor Susanne Crowe | Independent Non-Executive Director

Appointed in April 2020, Professor Crowe is an infectious diseases medical specialist and physician-scientist with a distinguished career in clinical medicine, research, and clinical governance. Professor Crowe is currently a Non-Executive Director of Avita Medical and Emeritus Professor at Monash University. Her previous roles include Principal Specialist at The Alfred Hospital, Associate Director at the Burnet Institute, and Non-Executive Director of St Vincent's Health Australia. Ms Crowe served as an advisor to the World Health Organization for 25 years and chairs Sonic's Risk Management Committee and a member of the Remuneration & Nomination Committee.

Kate Spargo | Independent Non-Executive Director

Appointed in July 2010, Ms Spargo is an experienced company director with a legal background in private practice and government. Ms Spargo is currently a Non-Executive Director of Bapcor Limited, CIMIC Group Limited, the Future Fuels Cooperative Research Centre, and the Geelong Football Club. Previous roles include Non-Executive Directorships with Fletcher Building, Xenith IP Group, Adairs, and Sigma Healthcare. Ms Spargo chairs Sonic's Remuneration and Nomination Committee and is a member of the Audit Committee.

Neville Mitchell | Independent Non-Executive Director

Appointed in September 2017, Mr Mitchell is a Chartered Accountant with international healthcare and finance experience. Formerly CFO and Company Secretary of Cochlear Limited, he is currently a Non-Executive Director and Audit Committee Chair of Fisher & Paykel Healthcare and Sigma Healthcare. He previously served as a Director of Osprey Medical and QBiotics Group. Mr Mitchell chairs Sonic's Audit Committee and is a member of the Risk Management Committee.

Nicola Wakefield Evans | Independent Non-Executive Director

Appointed in February 2025, Ms Wakefield Evans is a lawyer and experienced company director with a 30-year international career in law, business strategy, and governance. Ms Evans was previously a partner at King & Wood Mallesons, where she held senior leadership roles in Sydney and Hong Kong. Ms Evans is currently a Non-Executive Director of Viva Energy, the Clean Energy Finance Corporation, and several foundations, and sits on the Takeovers Panel.

Corporate Profile

Figure 45 – Top 20 Shareholders

Shareholders	Shares	Held(%)
State Street Global Advisors, Inc.	35,419,922	7.38
BlackRock, Inc.	33,677,845	7.01
The Vanguard Group, Inc.	24,058,158	5.01
Jardvan Pty Ltd.	15,109,474	3.15
Guinness Asset Management Ltd.	11,165,301	2.33
BNP Paribas Arbitrage Sa, Asset Management Arm	8,796,938	1.83
Norges Bank Investment Management	8,157,253	1.70
Dimensional Fund Advisors LP	7,596,431	1.58
Veritas Asset Management LLP	6,430,322	1.34
Netwealth Investments Ltd.	5,135,220	1.07
Argo Investments Limited	3,726,053	0.78
Geode Capital Management, LLC	3,364,940	0.70
Australian Foundation Investment Company Limited	3,320,000	0.69
Baillie Gifford & Co.	3,111,218	0.65
BetaShares Capital Limited	3,045,570	0.63
Sarasin & Partners LLP	2,991,620	0.62
Evenlode Investment Management Limited	2,832,479	0.59
Washington H. Soul Pattinson and Company Limited	2,326,857	0.48
IOOF Investment Management Limited	1,914,028	0.40
Gerhard Risch	1,864,163	0.39
Top 20 total	**184,043,792**	**38.33**

SOURCE: COMPANY DATA, IRESS

Figure 46 – Directors' Interests

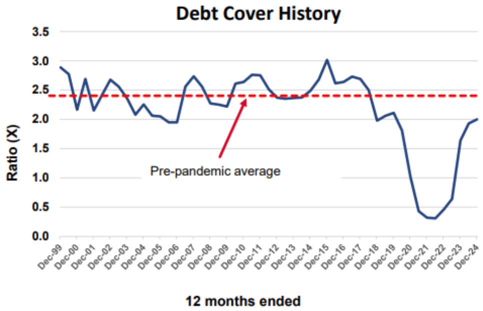
Director	Shares	Options	Performance rights
Colin Goldschmidt	991,383	2,284,149	182,000
Christopher Wilks	626,805	531,986	75,994
Mark Compton	15,516		
Christine Bennett	7,100		
Suzanne Crowe	7,548		
Katharine Giles	3,600		
Neville Mitchell	9,770		
Kate Spargo	27,500		
Nicola Wakefield Evans	4,000		

SOURCE: COMPANY DATA

Capital Structure

At 1H25, SHL held c.A$2.7bn in net interest bearing debt and a further c.A$1.6bn in lease obligations. SHL was comfortably within all its debt obligations and had a further c.A$1.7bn of headroom before allowing for the interim dividend and the LADR acquisition for which we incorporate c.A$500m in additional debt.

Figure 47 – Debt Cover History Shows SHL has Further Scope for Growth Initiatives



SOURCE: COMPANY DATA

Sonic Healthcare
as at 18 June 2025

Recommendation	Buy
Price	26.22
Target (12 months)	$33.70

Table 1 - Financial summary

Profit & Loss (A$m)	FY23	FY24	FY25e	FY26e	FY27e
Year Ending 30 June					
Operating Revenue	**8,155.3**	**8,942.6**	**9,646.7**	**10,469.0**	**11,041.8**
Revenue Growth	**-12.7%**	**9.7%**	**7.9%**	**8.5%**	**5.5%**
COGS	(5,148.1)	(5,826.7)	(6,270.4)	(6,794.4)	(7,144.0)
Gross Profit	3,007.2	3,115.9	3,376.4	3,674.6	3,897.7
GP Margin	**36.9%**	**34.8%**	**35.0%**	**35.1%**	**35.3%**
Operating Expenses	(2,002.6)	(2,291.0)	(2,443.7)	(2,570.6)	(2,702.2)
EBIT	1004.6	824.9	932.7	1104.0	1195.5
Add back D&A	702.9	777.3	816.2	857.0	899.8
EBITDA	**1,707.5**	**1,602.2**	**1,748.8**	**1,960.9**	**2,095.3**
Interest Expense	(87.0)	(151.8)	(180.8)	(194.6)	(194.6)
Interest Income	13.6	24.8	20.0	20.0	20.0
Net Interest	(73.4)	(127.1)	(160.8)	(174.6)	(174.6)
Pre Tax Profit	931.0	730.6	771.9	929.4	1,021.0
Tax Expense	(223.3)	(186.8)	(208.4)	(250.9)	(275.7)
NPAT- Reported	**707.7**	**543.8**	**563.5**	**678.5**	**745.3**
Non Recurring Items Net of Tax	-	(32.3)	-	-	-
NPAT - Normalised (Pre MI)	707.7	511.5	563.5	678.5	745.3
MI	22.9	32.7	38.0	38.0	38.0
NPAT - Normalised (Post MI)	**684.8**	**478.8**	**525.5**	**640.5**	**707.3**

Cashflow (A$m)	FY23	FY24	FY25e	FY26e	FY27e
EBITDA	1,707.5	1,602.2	1,748.8	1,960.9	2,095.3
Working Capital Movement	173.6	(80.4)	(9.0)	(13.6)	(2.8)
Gross Cashflow	1,881.2	1,521.9	1,739.8	1,947.3	2,092.5
Net Interest	(70.1)	(120.7)	(160.8)	(174.6)	(174.6)
Income Tax Paid	(340.0)	(329.7)	(208.4)	(250.9)	(275.7)
Operating Cash Flow	1,471.0	1,071.5	1,370.6	1,521.8	1,642.3
Maintenance Capex	-389.1	-470.6	-339.9	-536.9	-563.8
Capitalised R&D	11.7	-99.1	0.0	0.0	0.0
Acquisitions	-82.4	-1346.0	0.0	0.0	0.0
Internally Generated Intangibles	-107.9	-40.2	-143.1	-826.0	-88.2
Free Cash Flow	903.3	(884.5)	887.6	158.9	990.3
Proceeds from Issuance	84.3	194.4	0.1	389.2	0.1
Movement in Borrowings	-3.1	1347.1	223.5	353.0	0.0
Principal Repayment of Leases	-371.2	-389.8	-409.2	-429.7	-451.2
Dvidends Paid (common stock)	-480.4	-499.4	-514.0	-525.3	-544.3
Change in Cash Held	132.9	(232.2)	188.0	(54.0)	(5.1)
Cash at Beginning of Period	780.0	798.0	645.0	832.9	779.0
FX Adjustment	0.0	-11.5	0.0	0.0	0.0
Cash at Year End	**798.0**	**645.0**	**832.9**	**779.0**	**773.9**

Balance Sheet (A$m)	FY23	FY24	FY25e	FY26e	FY27e
Cash	798.0	645.0	832.9	779.0	773.9
Receivables	1,022.2	1,362.2	1,469.4	1,594.7	1,681.9
Other Current Assets	113.8	137.0	150.7	165.8	182.3
Inventory	199.2	208.8	224.8	244.0	255.8
Property, Plant and Equipment	1,510.9	1,656.5	1,681.5	1,887.8	2,104.4
Intangibles	7,789.6	9,126.2	9,182.2	9,916.8	9,909.1
Right of Use Assets	1,287.2	1,395.4	1,390.4	1,385.2	1,379.8
Investments	175.8	198.3	198.3	198.3	198.3
Other non Current Assets	117.7	97.4	157.7	171.9	171.8
Total Assets	13,014.4	14,826.7	15,288.1	16,343.5	16,657.2
Trade Payables	960.0	1,240.5	1,338.2	1,452.2	1,531.7
Current Tax	220.6	27.5	27.5	27.5	27.5
Debt	1,673.4	2,987.9	3,211.4	3,564.4	3,564.4
Lease Liabilities	1,427.1	1,527.3	1,586.9	1,586.9	1,586.9
Other	811.6	968.2	998.5	1,030.3	1,063.6
Total Liabilities	5,092.7	6,751.4	7,162.4	7,661.3	7,774.1
Net Assets	7,921.8	8,075.4	8,125.7	8,682.2	8,883.2
Share Capital	3,842.4	4,140.9	4,141.8	4,545.2	4,545.2
Minority Interests	185.4	157.5	157.5	157.5	157.5
Retained Earnings	3,554.0	3,552.5	3,601.9	3,755.0	3,956.0
Reserves	340.0	224.5	224.5	224.5	224.5
Shareholders Equity	7,921.8	8,075.4	8,125.7	8,682.2	8,883.2

Growth Ratios	FY23	FY24	FY25e	FY26e	FY27e
Operating Revenue	-12.7%	9.7%	7.9%	8.5%	5.5%
Gross Profit	-27.0%	3.6%	8.4%	8.8%	6.1%
EBITDA (post-AASB16)	-39.7%	-6.2%	9.1%	12.1%	6.9%
NPAT - Normalised	-53.1%	-30.1%	9.8%	21.9%	10.4%

Profitability Ratios	FY23	FY24	FY25e	FY26e	FY27e
EBITDA Margin (Post-AASB16)	20.9%	17.9%	18.1%	18.7%	19.0%
EBITDA Margin (Pre-AASB16)	16.4%	13.6%	13.9%	14.6%	14.9%
EBIT Margin	13.1%	9.3%	9.7%	10.5%	10.8%
ROE	8.9%	6.3%	6.9%	7.8%	8.4%
ROA	5.9%	4.1%	4.5%	4.9%	5.2%
ROIC	7.1%	5.7%	6.0%	6.8%	7.1%

Valuation Ratios (A$m)	FY23	FY24	FY25e	FY26e	FY27e
Reported EPS (cps)	145.0	106.4	109.4	131.3	142.9
Normalised EPS (cps)	144.9	99.7	109.4	131.3	142.9
EPS growth (%)	-52.1%	-31.2%	9.8%	20.1%	8.8%
EV / EBITDA (post- AASB16)	9.0	9.5	8.7	7.8	7.3
EV / EBITDA (pre- AASB16)	11.4	12.6	11.4	10.0	9.3
EV / EBIT (x)	15.2	18.5	16.4	13.8	12.8
PE(x)	**18.6**	**27.0**	**24.6**	**20.5**	**18.9**
P/NTA (x)	96.0 -	12.3 -	12.3 -	10.8 -	13.0
Book Value Per Share (cps)	1,682.6	1,681.0	1,691.4	1,754.5	1,795.2
Price/Book (x)	1.6	1.6	1.6	1.5	1.5
DPS (cps)	104.0	106.0	107.0	109.0	111.0
Payout ratio %	71.7%	99.6%	97.8%	83.0%	77.7%
Dividend Yield %	3.9%	3.9%	4.0%	4.0%	4.1%
Franking %	72%	0.0%	0.0%	0.0%	35.0%
FCF per Share (cps)	211.9	139.7	184.8	32.1	200.1
FCF Yield %	7.9%	5.2%	6.9%	1.2%	7.4%
Net Debt / (Cash)	875.4	2,342.9	2,378.5	2,785.4	2,790.5
Net Debt / Equity	29.1%	29.0%	29.3%	32.1%	31.4%
Net Debt / Assets	17.7%	15.8%	15.6%	17.0%	16.8%
Gearing	22.5%	22.5%	22.6%	24.3%	23.9%
Net Debt / EBITDA (x) (pre-AASB16)	1.7	1.9	1.8	1.8	1.7
Interest Cover (x)	23.3	12.6	10.9	11.2	12.0

Revenue Analysis	FY23	FY24	FY25e	FY26e	FY27e
Pathology					
Australia	1,938.3	1,960.4	2,097.6	2,202.5	2,312.7
NZ	28.8	31.8	33.7	34.7	35.4
USA	2,112.8	2,147.2	2,168.6	2,255.4	2,345.6
Germany	1,549.5	1,768.9	1,919.3	2,303.1	2,441.3
Switzerland	594.7	888.9	1,066.6	1,173.3	1,267.2
UK / Ireland	593.5	669.2	722.7	766.1	804.4
Belgium / Netherlands	154.7	146.8	149.8	156.5	163.6
SCS	381.8	445.8	517.2	543.0	570.2
Radiology	795.1	878.9	971.2	1,034.3	1,101.6
Total Revenue	**8,154.9**	**8,942.6**	**9,646.7**	**10,469.0**	**11,041.8**

Interim Results	1H23	2H23	1H24	2H24	1H25
Revenues	4077.8	4077.5	4293.2	4649.4	4656.7
EBIT	574.6	430.0	353.0	537.4	424.0
NPAT	392.3	315.4	218.2	293.3	255.4

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

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