Sonic Healthcare

Ⓤ **Underperform**

Pulling the pieces together

Health Care Equipment & Services
Australia

SHL AU	Underperform
Price (at 24 Jul 2023)	**AUD35.50**
12-month target	**AUD33.50**
12 month TSR (%)	**(2.5)**
Volatility Index	**Medium**
Market Cap (Local) (m)	16,728
Market Cap (USD) (m)	11,259
30-day avg turnover (AUD)(m)	31.8

Key Points

- A disaggregation of base business revenue/EBITDA highlights the positive impact of acquisitions over time, with modest organic growth.
- While noting balance sheet capacity for further acquisitions, we see a larger earnings base as limiting accretion/contributions to growth.
- With SOTP valuations highlighting downside to the current share price and our FY24/25 EPS forecasts below VA consensus, we retain an UP rating.

- **A look at acquisition contributions:** We have updated forecasts to incorporate recently announced acquisitions in Germany and Switzerland. In addition, we have reviewed the composition of growth for SHL over time as well as capacity for further acquisitions. Key takeaways:
  ⇒ The purchase prices for recent German acquisitions imply price/revenue multiples of 2.9x and 3.6x, above the historic average of 1.8x.
  ⇒ We calculate that acquisitions accounted for ~35% of base business revenue growth between FY09-19 and ~50% of EBITDA/EPS growth.
  ⇒ Our FY24 forecasts imply ND/EBITDA of 1.2x. Assuming target gearing of 2.5x, we calculate this to imply up to A$2.5bn for further acquisitions. Assuming an EBITDA multiple of 12x, we estimate that every A$500mn would provide EPS accretion of ~1% (pre-synergies).

- **Our forecasts sit below consensus:** Following the incorporation of acquisitions into forecasts, our FY24/25 revenue sits +4%/+5% ahead of Visible Alpha (VA) consensus, with EBITDA in line; higher net interest costs account for the majority of variation at the NPAT level (-4%/-6%).

- **Downside to the share price on a SOTP basis:** We estimate that SHL currently trades on 12.3x our FY24 group EBITDA forecast (pre-AASB16). Further, we calculate an implied multiple of 13.1x for base pathology. Applying an EBITDA multiple of 11.5x (average 11.6x over CY13-19) for base pathology provides a valuation of A$31.10, implying ~12% downside to the current share price.

Earnings changes: EPS revisions of -3%/+4%/0% in FY23/24/25 reflect the incorporation of acquisitions, adjustments to operational assumptions, updated FX and revised buy-back assumptions.

Valuation: TP moves to $33.50 (from A$32.00) due to EPS changes.

Catalyst: FY23 result (17 August); potential acquisitions.

Investment Thesis and Recommendation

While noting balance sheet capacity for further acquisitions, we see a larger earnings base impacting accretion/growth. Further, our analysis highlights modest historic organic growth which informs our medium-longer term forecasts. Combined with current valuations, we retain an Underperform rating.
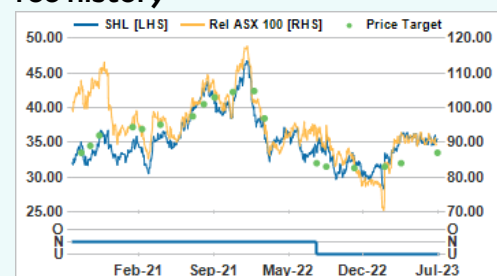
Investment Fundamentals

Year end 30 Jun	2022A	2023E	2024E	2025E
Revenue (m)	9,338	8,170	8,733	9,122
EBITDA (m)	2,830	1,779	1,832	1,915
EBITDA growth (%)	10.6	(37.1)	2.9	4.6
EBIT (m)	2,155	1,082	1,096	1,146
EBIT growth (%)	12.3	(49.8)	1.2	4.6
Reported profit (m)	1,461	709.6	695.6	722.0
Adjusted profit (m)	1,461	709.6	695.6	722.0
EPS adj (¢)	302	150	148	153
EPS adj growth (%)	10.7	(50.3)	(1.7)	3.8
PER adj (x)	11.7	23.6	24.0	23.1
PER rel (x)	0.8	1.6	1.6	1.6
Total DPS (¢)	100	96.0	110	115
Total DPS growth (%)	9.9	(4.0)	14.6	4.5
Total div yield (%)	2.8	2.7	3.1	3.2
Franking (%)	100.0	100.0	100.0	100.0
ROA (%)	17.7	8.6	8.2	8.1
ROE (%)	21.4	9.6	9.1	9.2
EV/EBITDA (x)	6.2	9.8	9.5	9.1
Net debt/equity (x)	10.7	11.8	22.8	23.3
P/BV (x)	2.3	2.2	2.2	2.1

SHL AU rel ASX 100 performance, & rec history

Source: FactSet, Macquarie Research, Jul 2023 (all figures in AUD unless noted, TP in AUD)

For important disclosures and analyst certification, refer to page 11 or go to www.macquarie.com/research/disclosures.

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Pulling the pieces together

- We update forecasts to incorporate recent acquisitions (Diagnosticum Laboratory Group, Medical Laboratories Duesseldorf/MLD - Germany; Synlab Suisse - Switzerland).

## Multiples ahead of previous acquisitions

- The purchase prices for Diagnosticum and MLD imply price/revenue multiples of 2.9x and 3.6x, respectively. These are ahead of Synlab Suisse at 1.5x which we see as likely reflecting differences in profitability (noting fee cuts were introduced in Switzerland in Aug-22). Compared to previous transactions for SHL, the implied revenue multiples for Diagnosticum and MLD are above the historic average of 1.8x, with Synlab Suisse below.

Figure 1 - SHL: recent acquisitions

Acquisition	Country	Currency	Price (mn)	Revenue (mn)	Price/ revenue (x)
Diagnosticum Laboratory Group	Germany	EUR	190	65	2.9x
Medical Laboratories Duesseldorf	Germany	EUR	180	50	3.6x
Synlab Suisse	Switzerland	CHF	150	100	1.5x

Source: Company data, Macquarie Research, July 2023

### Figure 2 - SHL acquisitions - price/revenue multples
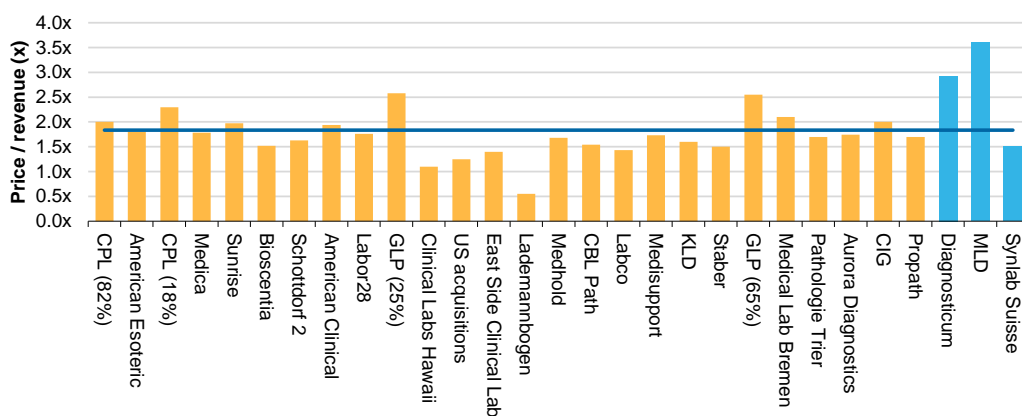
Source: Company data, Macquarie Research, July 2023

A look at SHL revenue

- COVID-19 testing underpinned strong group revenue in FY21/22, more than offsetting weaker base business volumes. For FY23/24, our forecasts assume lower COVID-19 revenues (reduced volumes, reimbursement), but with improved base business contributions (including acquisitions).

### Figure 3 - COVID-19 testing benefits expected to moderate
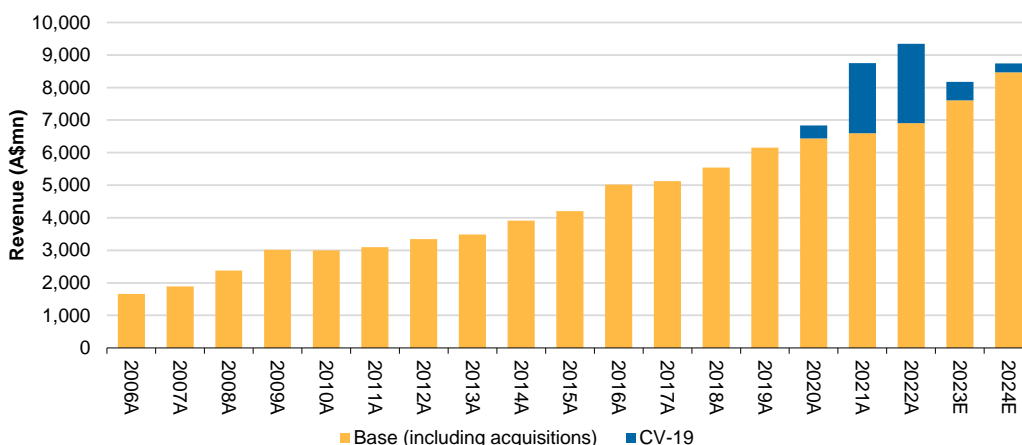
Source: Company data, Macquarie Research, July 2023

Disaggregating base revenue

- In assessing the drivers of base business revenue for SHL, our approach is to estimate contributions from acquisitions in order to calculate organic growth. More specifically, we deduct estimated acquisition revenue contributions from group results each year on a time-weighted basis (i.e. considering the timing of the transaction completion). We also remove the impacts of currency in order to derive constant currency growth. This analysis shows:

   ⇒ Base business organic, constant currency revenue growth sits below reported revenue growth (Fig 4). This approach excludes the incremental contributions from acquisitions and currency each year.

   ⇒ Acquisitions have supported group revenue over time (Fig 5). This calculation captures cumulative revenue contributions over time, including an assumption of growth for acquired businesses.

Figure 4 - Organic, constant currency growth more modest vs reported…
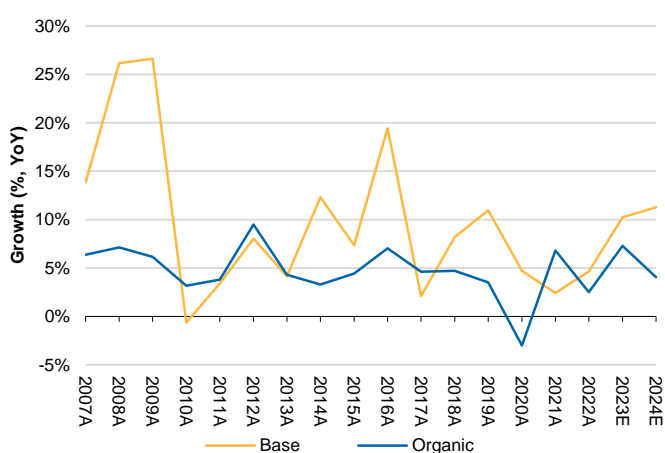
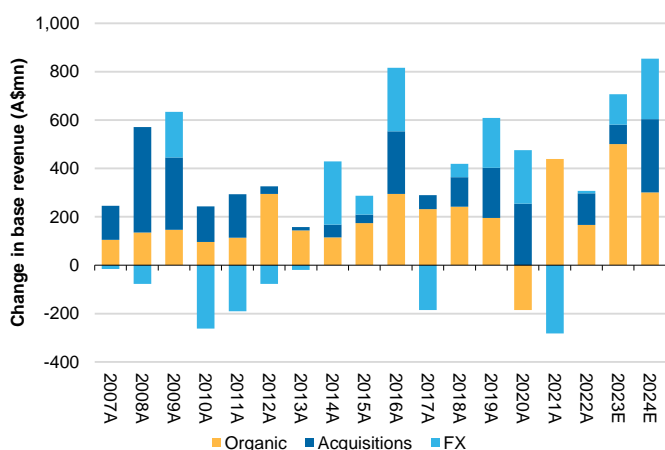Source: Company data, Macquarie Research, July 2023

Figure 5 - …acquisitions a key driver of base revenue over time
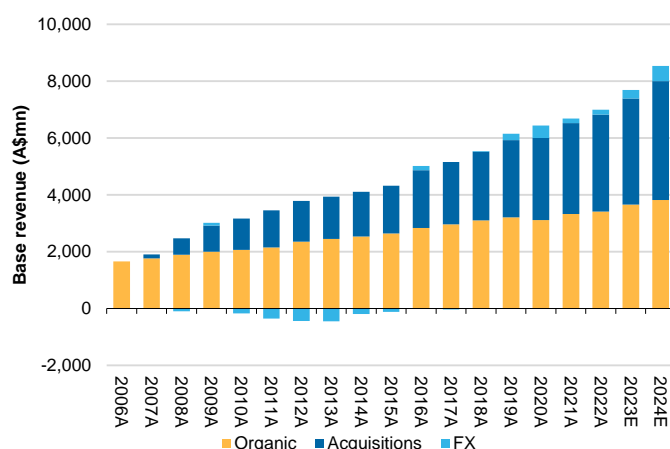
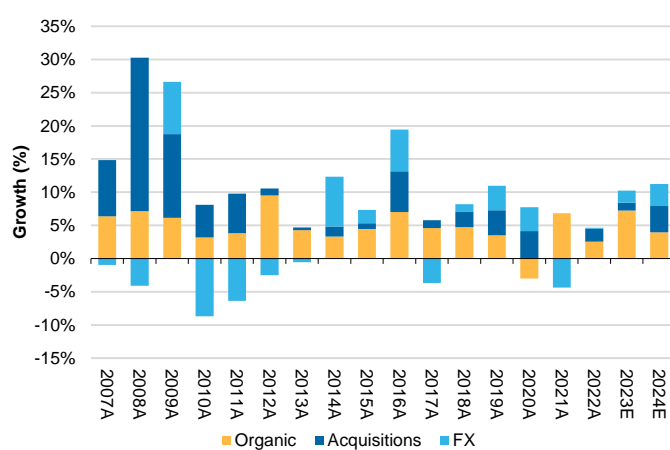Source: Company data, Macquarie Research, July 2023

- Looking ahead, our FY23 and FY24 forecasts capture a recovery in organic revenue, as well as positive contributions from acquisitions and currency (N.B. acquisition revenue is assumed to become organic after 12 months). Notably, while the combined revenue change in FY24 is the highest in any year from FY07 (Fig 6), growth is more moderate relative to prior years (Fig 7), reflecting a larger revenue base.

Figure 6 - Acquisitions and FX a benefit for FY23/24…

Source: Company data, Macquarie Research, July 2023

#### Figure 7 - …organic growth in line with historical averages

Source: Company data, Macquarie Research, July 2023
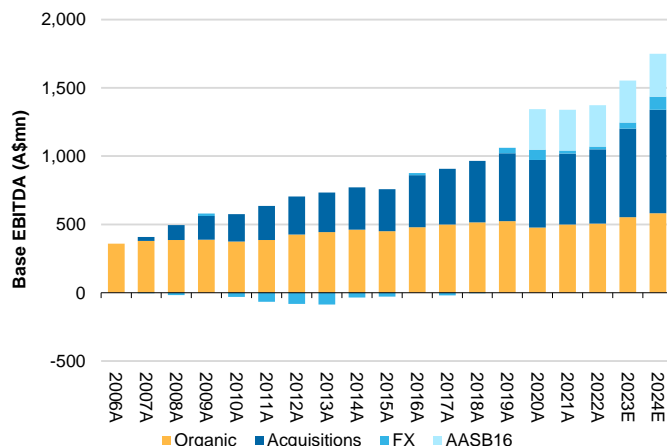
A look at EBITDA forecasts

- We have applied a similar approach in disaggregating group EBITDA for SHL from FY06. This analysis shows:
  - ⟹ Substantial contributions from COVID-19 testing in FY21/22 (Fig 8).
  - ⟹ The combined impact of acquisitions over time as well as accounting changes (AASB16) on base business EBITDA from FY20 (Fig 9).

Figure 8 - Lower COVID-19 benefits from FY23...
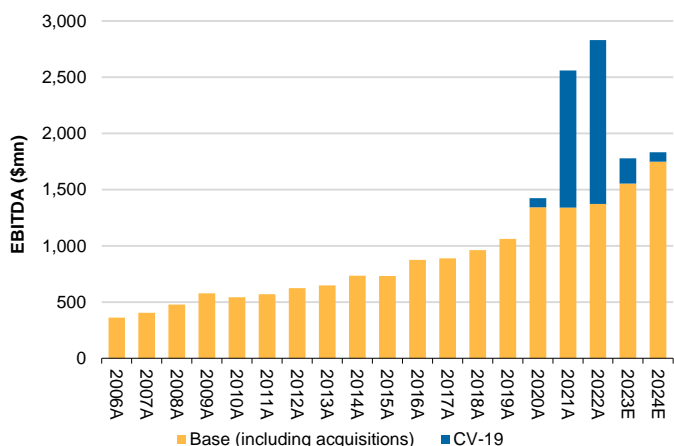
Source: Company data, Macquarie Research, July 2023

Figure 9 - ...but improved base business trends

Source: Company data, Macquarie Research, July 2023

- For FY23/24, our base business EBITDA forecasts capture positive organic contributions as well as incremental benefits from acquisitions and FX (Fig 10). Combined with our base business revenue forecasts, this provides an FY24 EBITDA margin largely in line with pre-COVID-19 levels, excluding the impact of AASB16 (Fig 11).

Figure 10 - Organic growth the key driver of EBITDA for FY23/24...
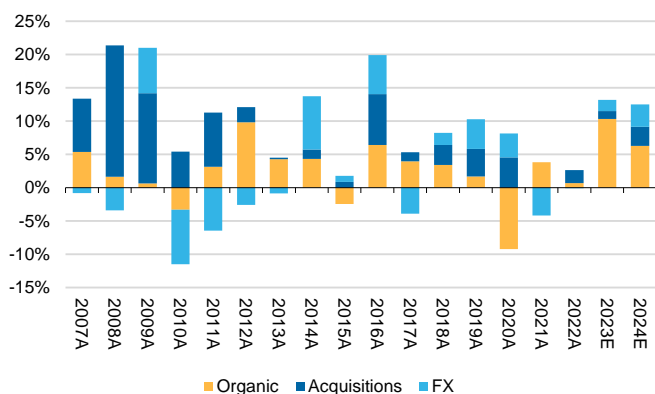
Source: Company data, Macquarie Research, July 2023

Figure 11 - ...base business EBITDA margins (pre-AASB16) around FY19 levels in FY24 (pre-AASB16)
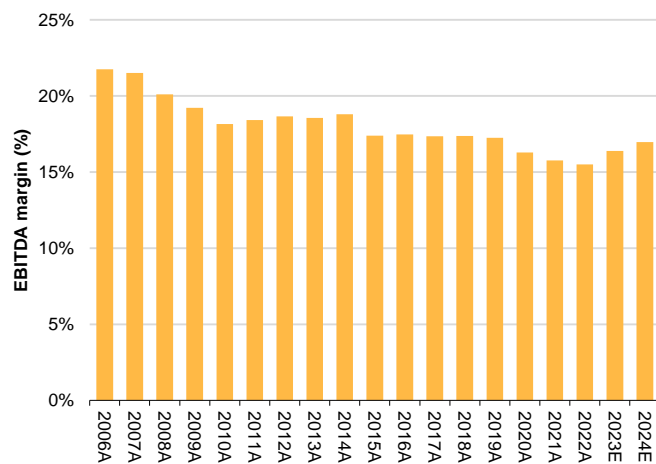
Source: Company data, Macquarie Research, July 2023

Acquisitions a solid contributor to growth for SHL

- In aggregate, our analysis highlights that acquisitions accounted for ~35% of base business revenue growth between FY09-19 and ~50% of EBITDA and EPS growth. We reduced reimbursement in a number of regions as a driver of modest organic growth, impacting both margins and ROE (see our previous note here).

Figure 12 - Conributions to SHL revenue, EBITDA and EPS growth - FY09-19
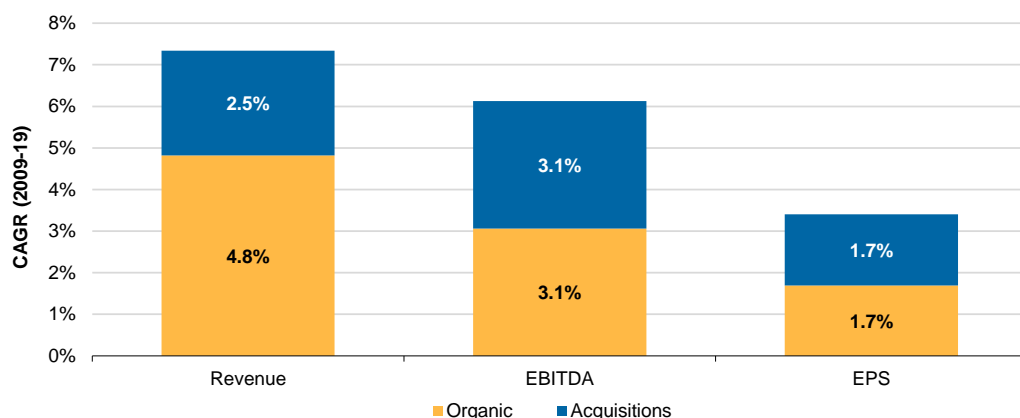
Source: Company data, Macquarie Research, July 2023

Balance sheet capacity for further acquisitions

- Our forecasts imply FY24 ND/EBITDA of 1.2x, below a historic average of ~2.5x (FY06-19). As such, we see scope for further acquisitions.

Figure 13 - Gearing (ND/EBITDA) below historical average (2006-2019)
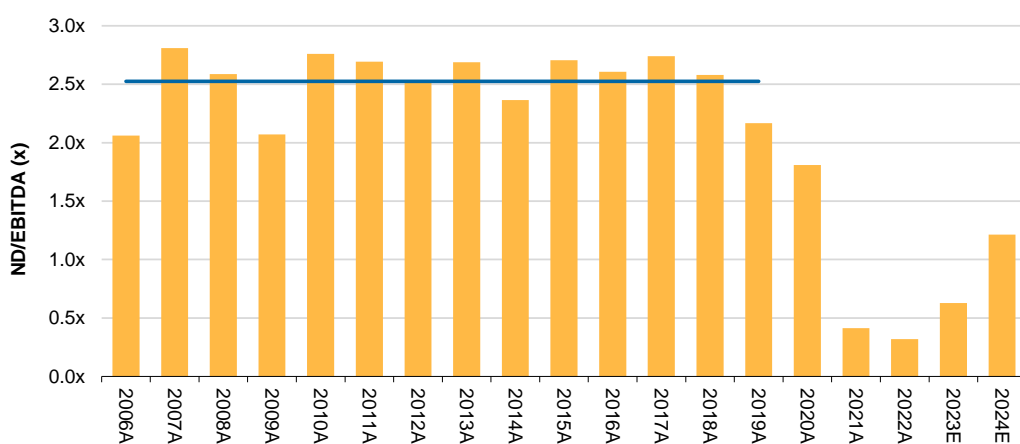
Source: Company data, Macquarie Research, July 2023

- In assessing potential earnings accretion from further acquisitions, we assume:
  - ⟹ An EBITDA margin of 21% (excluding potential synergy benefits);
  - ⟹ An interest rate of 4%; and
  - ⟹ A tax rate of 27%.
- The sensitivity of FY24 EPS based on acquisition value and multiple is presented in Fig 14 and implied gearing based on the value of acquisitions in Fig 15.

Figure 14 - Acquisition EPS accretion based on value and multiple

		Multiple (x)				
		10x	**11x**	**12x**	**13x**	**14x**
	2,500	9.5%	7.7%	6.2%	4.9%	3.8%
	2,000	7.6%	6.1%	4.9%	3.9%	3.0%
Value (A$mn)	**1,500**	5.7%	4.6%	3.7%	2.9%	2.3%
	1,000	3.8%	3.1%	2.5%	2.0%	1.5%
	500	1.9%	1.5%	1.2%	1.0%	0.8%

Source: Company data, Macquarie Research, July 2022

Figure 15 - ND/EBITDA based on the value of capital deployed

Source: Company data, Macquarie Research, July 2022

A look at valuations

- In assessing current valuations for SHL, our approach is to focus on FY24 EBITDA (pre-AASB16). Further, we focus on base pathology given its contribution to group earnings. Based on our forecasts, we calculate the current share price as implying a group EV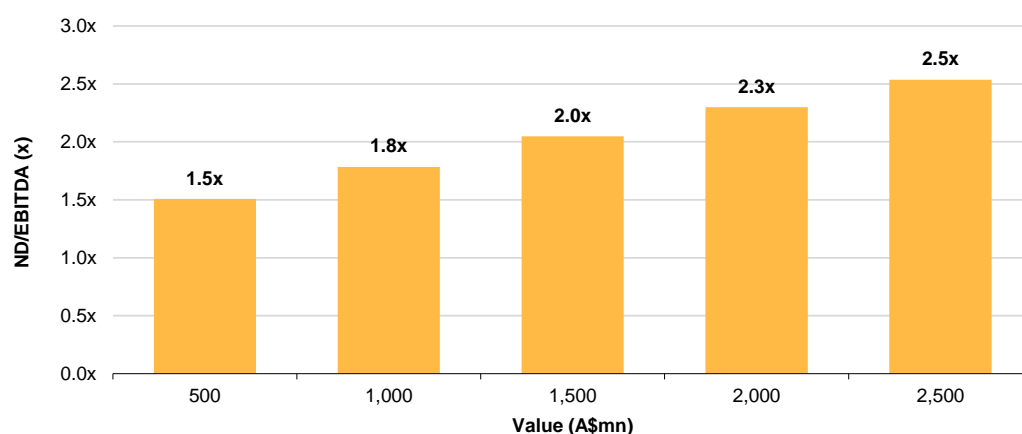/EBITDA multiple of 12.3x. To assess the market implied value for SHL base pathology, we estimate an enterprise value (EV) for various segments. This assumes EBITDA multiples of:
  - ⟹ 2.8x for COVID PCR testing (calculated as the NPV of COVID PCR earnings contributions relative to our FY24 EBITDA forecast).
  - ⟹ 11.0x for Imaging (based on historical trading multiples for IDX).
  - ⟹ 9.0x for SCS (MRE assumption).
- From this, we calculate an implied EV of ~A$16.2bn for SHL base pathology, with an implied EBITDA multiple of 13.1x. Applying a multiple of 11.5x for base pathology (group average 11.6x over 2013-19), holding all else equal, would provide a value/share of A$31.10, ~12% below the current share price (as at 21-July 2023).

Figure 16 - SHL SOTP valuation

	Current market valuation			Lower base pathology multiple		
	FY24 EBITDA	**Multiple**	**Value**	**FY24 EBITDA**	**Multiple**	**Value**
Base	1,235	13.1x	16,215	1,235	11.5x	14,208
COVID-19	83	2.8x	230	83	2.8x	230
Imaging	186	11.0x	2,050	186	11.0x	2,050
SCS	2	9.0x	21	2	9.0x	21
Total	**1,507**	12.3x	**18,515**	**1,507**	11.0x	**16,508**
Net debt			1,806			1,806
Equity value			**16,709**			**14,702**
SOI			473			473
Value per share			**35.34**			**31.09**

Source: Company data, Macquarie Research, July 2023

Earnings changes, variance to consensus

- The incorporation of acquisitions, adjustments to operational assumptions, updated FX and revised buy-back assumptions have driven EPS changes of -3%/+4%/0% in FY23/24/25.

Figure 17 - SHL earnings changes

| | 2023E | | | 2024E | | | 2025E | | |
	Old	New	Chg%	Old	New	Chg%	Old	New	Chg%
Total Revenue	8,201	8,170	0%	8,293	8,733	5%	8,657	9,122	5%
EBITDA	1,802	1,779	-1%	1,751	1,832	5%	1,848	1,915	4%
NPAT	727	710	-2%	655	696	6%	708	722	2%
EPS	155	150	-3%	142	148	4%	154	153	0%

Source: Company data, Macquarie Research, July 2023
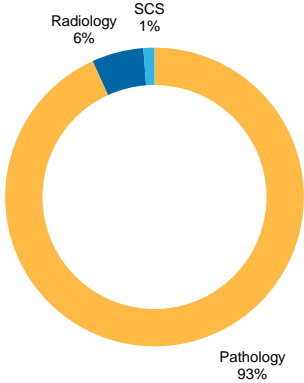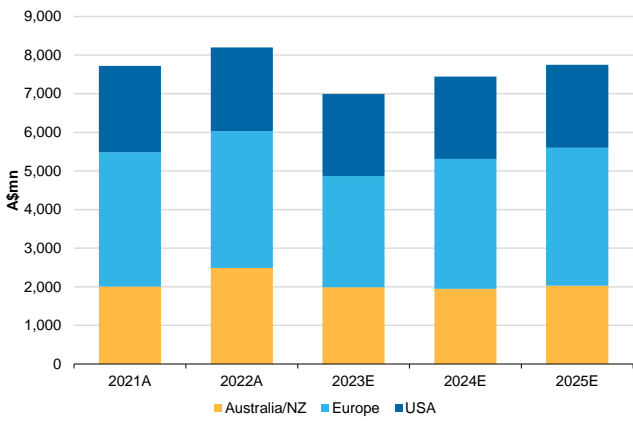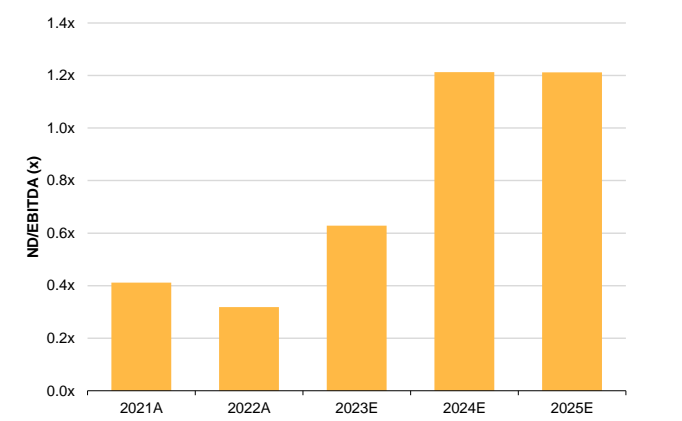
- Compared to Visible Alpha (VA) consensus, our EBITDA forecasts for FY25 are largely in line, but with NPAT and EPS below, primarily reflecting higher net interest costs.

Figure 18 - Macquarie vs VA consensus

| | MRE | | | VA | | | MRE vs VA | | |
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue	8,170	8,733	9,122	8,121	8,384	8,684	1%	4%	5%
EBITDA	1,779	1,832	1,915	1,809	1,828	1,911	-2%	0%	0%
NPAT	710	696	722	732	721	769	-3%	-4%	-6%
EPS	150	148	153	155	153	163	-3%	-3%	-6%

Source: Visible Alpha, Macquarie Research, July 2023

Figure 19 - SHL Financial Summary

SHL	June Year-End				
Income Statement (A$mn)	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Total Revenue	**8,752**	**9,338**	**8,170**	**8,733**	**9,122**
Operating expenses	6,192	6,508	6,391	6,902	7,207
EBITDA	**2,560**	**2,830**	**1,779**	**1,832**	**1,915**
D&A	642	675	697	736	769
EBIT	**1,918**	**2,155**	**1,082**	**1,096**	**1,146**
Net interest	90	78	78	102	115
PBT	**1,829**	**2,077**	**1,004**	**994**	**1,031**
Tax	481	562	271	268	278
Minority Interest	33	55	24	30	31
Underlying NPAT	**1,315**	**1,461**	**710**	**696**	**722**
Abnormals (post-tax)	0	0	0	0	0
Reported NPAT	**1,315**	**1,461**	**710**	**696**	**722**

Segmental (A$mn)	2021A	2022A	2023E	2024E	2025E
Australia	1,977	2,459	1,958	1,918	1,995
New Zealand	29	32	30	30	32
USA	2,239	2,169	2,129	2,129	2,150
Germany	1,982	2,025	1,584	1,826	1,969
Switzerland	579	631	570	758	772
UK/Ireland	728	708	567	614	657
Belgium	187	175	157	166	175
Total Pathology	**7,721**	**8,199**	**6,996**	**7,442**	**7,749**
Radiology	**620**	**706**	**780**	**858**	**918**
SCS & Other	**410**	**433**	**394**	**434**	**455**
Total Segment Revenue	**8,751**	**9,338**	**8,170**	**8,733**	**9,122**
Pathology	2,375	2,638	1,561	1,582	1,647
Radiology	154	158	191	215	230
SCS	31	34	28	35	38
Total Segment EBITDA	**2,560**	**2,830**	**1,779**	**1,832**	**1,915**

EBITDA Composition (FY22)

Pathology revenue (A$mn)

	Price Target: $32.00		Rating: Underperform		
Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Adjusted EPS (cps)	273	302	150	148	153
Growth (%)	141%	11%	-50%	-2%	4%
DPS (cps)	91	100	96	110	115
Growth (%)	7%	10%	-4%	15%	5%
Yield (%)	3%	3%	3%	3%	3%
Payout ratio (%)	33%	33%	64%	74%	75%
ND/EBITDA (x)	0.4x	0.3x	0.6x	1.2x	1.2x
ROIC (%)	19%	20%	9%	8%	9%
ROE (%)	22%	21%	9%	9%	9%
EBITDA Margin (%)	29%	30%	22%	21%	21%
EBIT Margin (%)	22%	23%	13%	13%	13%

Balance Sheet (A$mn)	2021A	2022A	2023E	2024E	2025E
Cash	900	780	737	712	652
Receivables	1,089	1,217	985	1,065	1,125
Inventory	224	216	201	215	225
Fixed Assets	1,258	1,321	1,454	1,828	1,984
Intangibles	6,712	7,361	7,605	8,349	8,430
Other	1,577	1,656	1,698	1,763	1,853
Total Assets	**11,761**	**12,552**	**12,680**	**13,932**	**14,268**
Short Term Debt	229	0	0	0	0
Creditors	1,027	1,019	891	933	925
Long Term Debt	1,592	1,577	1,645	2,518	2,550
Other Liabilities	2,409	2,528	2,467	2,546	2,658
Total Liabilities	**5,257**	**5,124**	**5,003**	**5,997**	**6,132**
Net Assets	**6,504**	**7,428**	**7,677**	**7,934**	**8,136**
Net Debt	**921**	**797**	**908**	**1,806**	**1,898**

Cash Flow (A$mn)	2021A	2022A	2023E	2024E	2025E
EBITDA	2,560	2,830	1,779	1,832	1,915
- Inc. in Working capital	120	129	-120	52	78
- Net Interest Paid	100	75	76	102	115
- Tax Paid	342	378	373	268	278
+ Other	144	70	1	0	0
Operating cash flow	**2,043**	**2,226**	**1,452**	**1,410**	**1,444**
- Capex	274	287	345	382	414
+ Other	-113	-702	-218	-1,145	-260
Investing cash flow	**-387**	**-989**	**-563**	**-1,527**	**-674**
- Dividends Paid	426	471	484	482	520
+ Equity Movements	54	-254	-112	0	0
+ Debt Movements	-1,254	-280	-26	881	0
+ Other	-328	-344	-343	-313	-310
Financing cash flow	**-1,955**	**-1,349**	**-966**	**86**	**-830**
Opening Cash Balance	**1,230**	**900**	**780**	**737**	**712**
Net Cash Movement	-299	-113	-77	-32	-60
+ Net FX Differences	-32	-7	8	0	0
Closing Cash Balance	**900**	**780**	**737**	**712**	**652**

ND/EBITDA (x)

Source: Company data, Macquarie Research, July 2023

Key Risks to Investment Thesis

- The key upside risk to our earnings, target price and rating primarily relate to organic growth assumptions and contributions from acquisitions over the forecast period. Downside risks include higher-than-expected cost inflation.

Company Description

Sonic Healthcare is a global healthcare services company with the bulk of its business being in the provision of pathology testing. Since becoming the market leader in the Australian pathology market, SHL has expanded its operations into the United States, Germany, United Kingdom, Switzerland and New Zealand. It also has smaller operations in Australasian radiology and Australian medical centres through its partly owned subsidiary IPN.

Key Quant Pick

The quant model currently holds a strong positive view on Sonic Healthcare. The strongest style exposure is Earnings Momentum, indicating this stock has received earnings upgrades and is well liked by sell side analysts. The weakest style exposure is Growth, indicating this stock has weak historic and/or forecast growth. Growth metrics focus on both top and bottom line items.

Macquarie Alpha Model: Key rankings

The Macquarie Quant's flagship Alpha model is a dynamic multi-factor model based on a staple of quant factors such as value, momentum, revisions, quality, and risk.

	Global	Market (Country)	Sector
	Whole Universe	Australia & NZ	Health Care Equip. & Services
Macquarie Alpha Model	**2330/17571**	**44/420**	**57/670**
Fundamental (Consensus) *	10416/17571	283/420	444/670

* based on Total Shareholder Return = Consensus Price target / Current Price

Current and Historical Alpha Model Rank

The chart shows the Macquarie Alpha model ranking against the company's peers and over recent history.

Drivers of Stock Return

Breakdown of 1-year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.
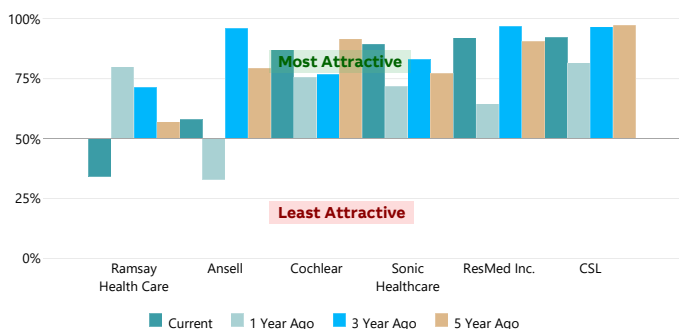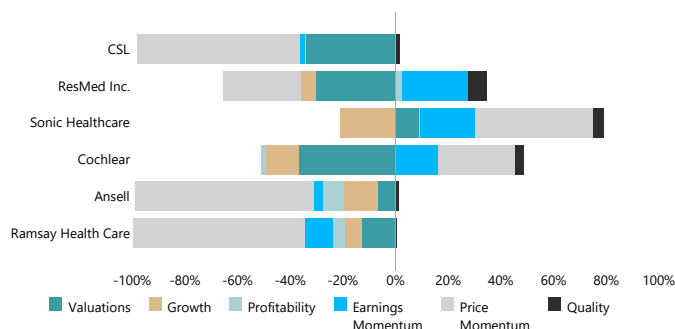

Alpha Model Decomposition

The Macquarie Alpha is decomposed into its sector and market relative factor & styles exposures (a higher/better percentile is coded in green, whilst lower in red).

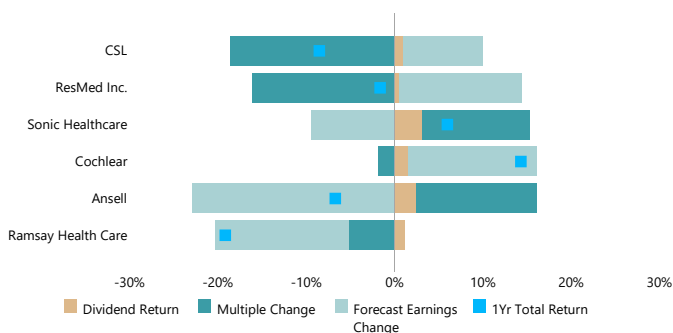| Factors / Styles	Percentile relative to		Core factors in definition
	sectors (/670)	market (/420)	
ALPHA	91%	90%	See all the styles below
VALUE	81%	67%	Book, CF, Yield, Earnings Multiples
ANALYST	82%	73%	Revisions (Earnings, Recommendations)
MOMENTUM	86%	77%	Price Momentum
GROWTH	39%	15%	EPS, Sales (Forecast, Historic)
PROFITABILITY	71%	72%	ROE, Margin, Asset Turnover
QUALITY	69%	85%	Accruals, Earn Stability, Cash Conversion
CAPITAL	86%	91%	Investment/Capex, Net share issuance
LIQUIDITY	82%	86%	Size, Turnover, Analyst Coverage
RISK	66%	79%	Beta, Volatility, Earn.Cert, Leverage
TECHNICAL	75%	64%	MACD, RSI, Bollinger, Williams R, etc

Factors driving the Alpha Model vs peers

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.

Macquarie Style Returns over last year

Recent performance to Macquarie style factors

Australia & NZ	Monthly Factor Long-Short Returns for												Last 5 Years (ann)	Last 10 Years (ann)
	Jun - 23	May - 23	Apr - 23	Mar - 23	Feb - 23	Jan - 23	Dec - 22	Nov - 22	Oct - 22	Sep - 22	Aug - 22	Jul - 22		
ALPHA	2%	1%	-3%	0%	0%	-1%	-1%	-3%	0%	4%	6%	-8%	-5%	0%
VALUE	4%	3%	-3%	-5%	-1%	-2%	1%	2%	-2%	4%	6%	-10%	1%	-2%
ANALYST	-1%	-1%	0%	-1%	0%	0%	-3%	-5%	-3%	5%	5%	0%	8%	5%
MOMENTUM	0%	-1%	-3%	1%	-4%	-4%	-2%	0%	-3%	2%	5%	-8%	-14%	-3%
GROWTH	2%	5%	-2%	0%	-3%	-4%	0%	-6%	3%	-1%	5%	0%	-9%	-1%
PROFITABILITY	6%	-1%	-4%	3%	-5%	4%	-3%	5%	-2%	4%	-3%	2%	3%	3%
QUALITY	1%	3%	-2%	-1%	0%	-2%	-1%	2%	-6%	0%	-2%	-1%	-11%	-8%
CAPITAL	1%	0%	-1%	4%	-3%	-2%	0%	1%	1%	-3%	1%	-3%	-2%	0%
LIQUIDITY	0%	0%	0%	1%	-9%	0%	2%	4%	1%	0%	1%	-5%	-2%	-1%
RISK	0%	3%	-1%	-4%	6%	-5%	0%	-2%	-3%	1%	0%	-6%	1%	0%
TECHNICAL	0%	1%	3%	4%	1%	3%	-1%	8%	4%	0%	3%	-3%	12%	10%

Source (all charts): FactSet, Refinitiv, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative Team: maccapequitiesresearchquantglobal@macquarie.com. Explanation for items on this page can be found at https://www.macquarieinsights.com/rp/d/r/p/OTUyMzg1

Important Disclosures

Recommendation definitions	Volatility index definition	Financial definitions
Macquarie – Asia and USA Outperform – expected return >10% Neutral – expected return from -10% to +10% Underperform – expected return <-10% **Macquarie – Australia/New Zealand** Outperform – expected return >10% Neutral – expected return from 0% to 10% Underperform – expected return <0% During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions. **Recommendations** – 12 months **Note**: Quant recommendations may differ from Fundamental Analyst recommendations	This is calculated from the volatility of historical price movements. **Very high** – highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative. **High** – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative. **Medium** – stock should be expected to move up or down at least 25–40% in a year. **Low** – stock should be expected to move up or down at least 15–25% in a year. * Applicable to select stocks in Asia/Australia/NZ **Note:** expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk	All "Adjusted" data items have had the following adjustments made: **Added back:** goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests **EPS** = adjusted net profit / efpowa* **ROA** = adjusted ebit / average total assets **ROA Banks/Insurance** = adjusted net profit /average total assets **ROE** = adjusted net profit / average shareholders funds **Gross cashflow** = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions for quarter ending 30 June 2023

	AU/NZ	Asia	USA	
Outperform	56.88%	63.90%	63.89%	(for global coverage by Macquarie, 2.58% of stocks followed are investment banking clients)
Neutral	36.88%	23.06%	33.33%	(for global coverage by Macquarie, 1.22% of stocks followed are investment banking clients)
Underperform	6.25%	13.04%	2.78%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

Company-Specific Disclosures

Company Name	Disclosure
Sonic Healthcare (SHL AU) **Underperform** 12-month target: AUD33.50 - DCF Valuation: AUD 33.48 - DCF (WACC 6.4%, beta 0.9, ERP 5.0%, RFR 2.4%, TGR 2.0%) Price: AUD35.50	Macquarie Group Limited together with its affiliates beneficially owns 1% or more of the equity securities of Sonic Healthcare Ltd. Macquarie Group Limited together with its affiliates owns a net long of 0.5% or more of the equity securities of Sonic Healthcare Ltd.

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Recommendation history

Company name	Date	Recommendation	Target price
Sonic Healthcare (SHL AU)	24-Jul-2023	Underperform	AUD 33.50
	6-Apr-2023	Underperform	AUD 32.00
	16-Feb-2023	Underperform	AUD 31.50
	17-Nov-2022	Underperform	AUD 31.30
	25-Aug-2022	Underperform	AUD 31.50
	27-Jul-2022	Underperform	AUD 32.00
	21-Feb-2022	Neutral	AUD 38.45
	21-Jan-2022	Neutral	AUD 42.40
	18-Nov-2021	Neutral	AUD 42.25
	24-Sep-2021	Neutral	AUD 41.50
	23-Aug-2021	Neutral	AUD 40.50
	21-Jul-2021	Neutral	AUD 38.75
	15-Apr-2021	Neutral	AUD 37.55
	19-Feb-2021	Neutral	AUD 36.90
	22-Jan-2021	Neutral	AUD 37.20
	14-Oct-2020	Neutral	AUD 36.00
	17-Sep-2020	Neutral	AUD 34.50
	21-Aug-2020	Neutral	AUD 33.50

Analyst Certification

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