

# Executive summary



Executive Summary Affiliation with more information about affiliation, research grants, conflict of interest and how to contact Overview: Sonic Healthcare is a decentralized federation of medically-led diagnostic practices with its head office in Sydney, Australia. Sonic Healthcare provides laboratory and radiology services to medical practitioners, hospitals, community health services and patients. It is now the third largest pathology company in the world with revenues of more than \$3bn. “ The EV/EBITDA ratio is a relevant market valuation rating. Sonic healthcare shows an EV/EBITDA ratio of 9. 86 for the next 12 months. This is higher than the median of its peer group: 8. 31. The company valuation of sonic healthcare according to these metrics is above the market valuation of its peer group” (Sonic Healthcare market valuation multiples (AU000000SHL7 - ticker: SHL), 2010). Sonic healthcare is solely dedicated to diagnostic services primarily in the field of pathology and recently in the field of radiology. With the aim of becoming the largest diagnostic company in the world Sonic Healthcare has enlarged its operations to around seven other big countries other than Australia. . Problem: “ Sonic Healthcare Ltd (ASX: SHL) has reported a 13 per cent drop in its first half net profit, and advised that full year profit is expected to fall at the lower end of its earlier guidance range” (Sonic Healthcare H1 profit drops, 2011). Owing to the regulatory issues in Australian pathology and the impacts of the recent severe weather the expected profit of Sonic Healthcare for the 2011 financial year is reported to rest at 5 to 15 percent range. Solution: To solve the problems faced by Sonic Healthcare an amalgamation team has been set up as part of broader rationalization. It is expected that significant benefits may flow as part of this initiative, particularly in the areas of purchasing and IT, and also radiology,

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where the process has only recently commenced. Opportunity: The opportunity for Sonic Healthcare lies in its acquisitions. Sonic Healthcare has completed two laboratory acquisitions in Belgium, KBL-BML-Unilabo Laboratory in Antwerp the Woestyn Laboratory, in Mouscron, and one in the USA, Physicians' Automated Laboratory in Bakersfield, California. The three acquisitions are expected to earn higher profits to the company. Competitive Advantages: " Sonic Healthcare's strong market position in the Australian private pathology market provides a significant competitive advantage and a unique platform for the company's diversification into radiology" (Sonic Healthcare Limited (SHL), 2011). The key point of differentiation for the new investors is the company's expansion into international markets. Diagnostic services are a recession-resistant business, making it attractive when economic conditions deteriorate. " SHL's main Australian competitors in pathology are Primary Healthcare (Symbion) and Healthscope. Major radiology competitors are private equity backed DCA Group (MIA/IMed) and Symbion" (Sonic Healthcare Limited (SHL), 2011). Business Model: Sonic Healthcare is a public company listed on Australian Securities Exchange, where it is listed as one of the top 100 companies of the country. Company acquires capital through the sale of shares. The main customers of Sonic Healthcare are ultimately the governments, which pay over half of the diagnostic fees. In the US 30% of the payment is made by the government. Sonic Healthcare provides personalized services to their customers. In the year to 30 June 2010 Sonic Healthcare generated a net profit of \$293. 8 million. Team: Sonic Healthcare currently employs over 23, 000 people in its operations. The team consists of over 500 specialist pathologist and radiologists and many hundreds of medical scientists and technicians. An

expert management team helps the company to deliver high-quality, diagnostic services. The team of Sonic Healthcare are Dr Colin Goldschmidt (CEO and Managing Director), Chris Wilks (Finance Director), Paul Alexander (Group Financial Controller and Company Secretary), Evangelos Kotsopoulos (CEO, Sonic Healthcare Germany and Business Development Director, Europe), Dr Gloria Armellin (Director of SonicConnect, Marketing Director), Virginia Lloyd-Tait (Operations Director), Robyn Winton (Procurement Director), Mr Peter Joseph (IT Manager, Sonic Healthcare Australia), Colin Jackson (Commercial Director), Mr David L. Schultz (Chief Executive Officer, Sonic Healthcare USA), and Dr Charles Miraglia (Chief Medical Officer, Sonic Healthcare USA). Financials: The recent figures show the revenue of Sonic Healthcare was \$2983. 2 million, net profit was \$293. 2 million and the price/earnings ratio was 15. 5. The percent of market share for Sonic Healthcare is 0. 3564. Funding Required: The funding for Sonic Healthcare is done by government as it is a public company. “ Analysts say until uncertainty surrounding Federal Government funding to the pathology sector is resolved, their earnings will be under a cloud” (Sonic Healthcare pathology funding, 2011). Reference List Sonic Healthcare pathology funding. (2011). Finnewsnetwork. Retrieved May 18, 2011, from [http://www.finnewsnetwork.com.au/archives/finance\\_news\\_network17164.html](http://www.finnewsnetwork.com.au/archives/finance_news_network17164.html) Sonic Healthcare Limited (SHL). (2011). InvestSMART. Retrieved May 18, 2011, from <http://www.investsmart.com.au/shares/asx/Sonic-Healthcare-SHL.asp> Sonic Healthcare H1 profit drops. (2011). Finnewsnetwork. Retrieved May 18, 2011, from <http://www.finnewsnetwork.com.au/MediaCenter/MediaCenter.aspx?LNID=17065&site=FNN235> Sonic Healthcare market valuation multiples (AU000000SHL7 - ticker: SHL). (2010). Infinancialsanalytics. <https://assignbuster.com/executive-summary-essay-samples-6/>

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