Purchase of Sonic Healthcare (ASX: SHL)

Across the Australian Equity component of your portfolio, we have bought Sonic Healthcare (ASX: SHL). Sonic Healthcare is a multinational provider of pathology & radiology services.

Sonic is a leading global pathology lab operator. It is the largest player in Australia, Germany, the UK and Switzerland, and is the third largest in the US. It is also the second largest radiology provider in Australia, with over 120 radiology centres.

We are attracted to Sonic for the following reasons:

- An extremely well-run business – retention of high calibre medical talent and long term shareholder returns have been driven by having Doctors and Medical Professionals running the business, combined with sound financial management.

- Sonic has a strong market position globally in an industry with high barriers to entry.

- Excess cash on the balance sheet allows for further acquisitions and potential buybacks.

- The business has defensive pathology and radiology revenues and is the leader in premium anatomical pathology tests for specialists.

Sonic has three key levers for value creation that we would like to highlight:

- The rollout of digital infrastructure, including AI technology will help drive efficiencies across the business. Sonic is also focused on rolling out it's AI businesses, Franklin & Harrison AI, and its new digital pathology platform from the pathology watch acquisition across its digital infrastructure internally. This digital infrastructure and AI technology has the potential to be sold globally in countries where Sonic does not operate.

- Sonic prefers to operate in specialist and hospital markets for pathology. The Medical Leadership Culture strengthens relationships with other medical professionals and this is a key competitive advantage for Sonic.

- The surge in covid-19 testing has left the business with a strong balance sheet that has excess cash. This can be deployed for acquisitions or to increase shareholder returns from additional dividends and buybacks.

We have funded the purchase of Sonic via the sale of Commonwealth Bank of Australia (CBA). Whilst we still see value in CBA, we believe on a risk adjusted basis, Sonic is relatively more attractive.

Your financial well-being is our top priority, we want to ensure that you feel fully informed and confident about your investment portfolio. Please do not hesitate to reach out with any questions or concerns you may have. We are here to provide personalized guidance and support every step of the way. Looking forward to assisting you further.