Ramsay Health Care Limited

Results Briefing

Half Year ended 31 December 2017

Craig McNally, Managing Director

28 February 2018

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AGENDA

1. Group Operational and Financial Highlights

2. Segment Operational and Financial Highlights

3. Growth Strategy Update

4. Outlook

Group Financial & Operational Highlights

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GROUP HALF YEAR FINANCIAL HIGHLIGHTS

- Core NPAT up 7.5% to $288.0 million
- Core EPS up 7.8% to 139.0 cents
- Group:
  - Revenue up 3.0% to $4.4 billion
  - EBIT up 1.5% to $470.4 million
- Australia/Asia:
  - Australia Revenue up 4.3% to $2.5 billion
  - Australia EBIT up 9.1% to $379.7 million
  - Equity accounted share of Asia JV net profits up 24.1% to $8.5 million
- United Kingdom:
  - Revenue down 4.8% to £206.2 million
  - EBITDAR down 4.6% to £49.4 million
- France:
  - Revenue down 1.1% to €1.1 billion
  - EBITDAR down 5.8% to €194.1 million
- Interim Dividend 57.5 cents fully franked, up 8.5%

HALF YEAR OPERATIONAL HIGHLIGHTS

Australian operations performed well

- Delivered 9.1% EBIT growth on the previous corresponding period as a result of above market volume growth and the ongoing benefits of cost efficiency programmes
- Government reforms announced in the period, which aim to improve affordability of private health insurance in Australia, will overall, impact positively on the industry

Ongoing challenging operating environment in UK / France

- In Europe, our operations held up well in an environment that is currently experiencing pricing constraints and volume pressures
- RGdS achieved above market volume growth thanks to strength of portfolio and diversity of our business in France
- Investing in a major transformation project in our French operations that will centralise non-core hospital resources and distinguish this business for the long term
- A positive tariff adjustment will take affect from 1 April 2018 in the UK however, NHS demand management strategies are currently impacting volumes significantly

Continuing investment in growth initiatives

- During the period a further $146M in hospital capacity expansions were approved by the Board
- $57M worth of brownfields were completed late in first half of FY18. $147M worth of developments will open in second half of FY18 and a further $156M in first half of FY19
- 23 pharmacies were added to the Ramsay Pharmacy Franchise Network in Australia (including 18 Malouf stores in December) bringing total number in the Network to 54

Group Financial Overview

Bruce Soden, Finance Director

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GROUP FINANCIAL PERFORMANCE

Six months ended 31 December	2017 $m	2016 $m	Increase
Revenue	4,445.8	4,317.6	3.0%
EBITDAR	872.5	841.1	3.7%
EBITDA	663.8	648.9	2.3%
EBIT	470.4	463.5	1.5%
Core NPAT attributable to members of the parent [1]	**288.0**	**267.8**	**7.5%**
Core EPS [2] (cents per share)	**139.0¢**	**128.9¢**	**7.8%**
Interim Dividend – fully franked (cents per share)	57.5¢	53.0¢	8.5%

Strong Australian operations / Challenges remain in France and UK

Notes*:*

All numbers are in Australian dollars unless otherwise stated

[1] Core NPAT attributable to members of the parent is before non-core items. The minority interests share of Ramsay Générale de Santé Core NPAT has been removed in arriving at Core NPAT attributable to members of the parent

[2] Core EPS is derived from core net profit after CARES dividends

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RECONCILIATION TO STATUTORY PROFIT

Six months ended 31 December	2017 $m	2016 $m	Increase/ Decrease
Core NPAT	**288.0**	**267.8**	**7.5%**
Net Non-core Items net of tax [1]			
• Restructuring charge RGdS	(23.9)	-	
• Other	(17.6)	(11.9)	
	(41.5)	**(11.9)**	
Reported Statutory Net Profit after tax attributable to members of the Parent	**246.5**	**255.9**	**(3.7%)**

[1] Net non-core items (net of tax)

	UK & Australia	France	2017 $m Group	2016 $m Group
Non-cash portion of rent relating to UK hospitals	(7.3)	-	(7.3)	(8.0)
Amortisation – service concession assets	(2.0)	-	(2.0)	(1.7)
Restructuring, acquisition, disposal, impairment, development costs, and profit/(loss) on disposal of non-current assets	(11.9)	(62.6)	(74.5)	14.8
Borrowing costs associated with refinancing	(0.4)	-	(0.4)	(11.7)
	(21.6)	(62.6)	(84.2)	(6.6)
Income tax on non-core items	2.8	18.0	20.8	5.2
Non-controlling interest in non-core items	-	21.9	21.9	(10.5)
Net non-core items (net of tax) attributable to members of the Parent	(18.8)	(22.7)	(41.5)	(11.9)

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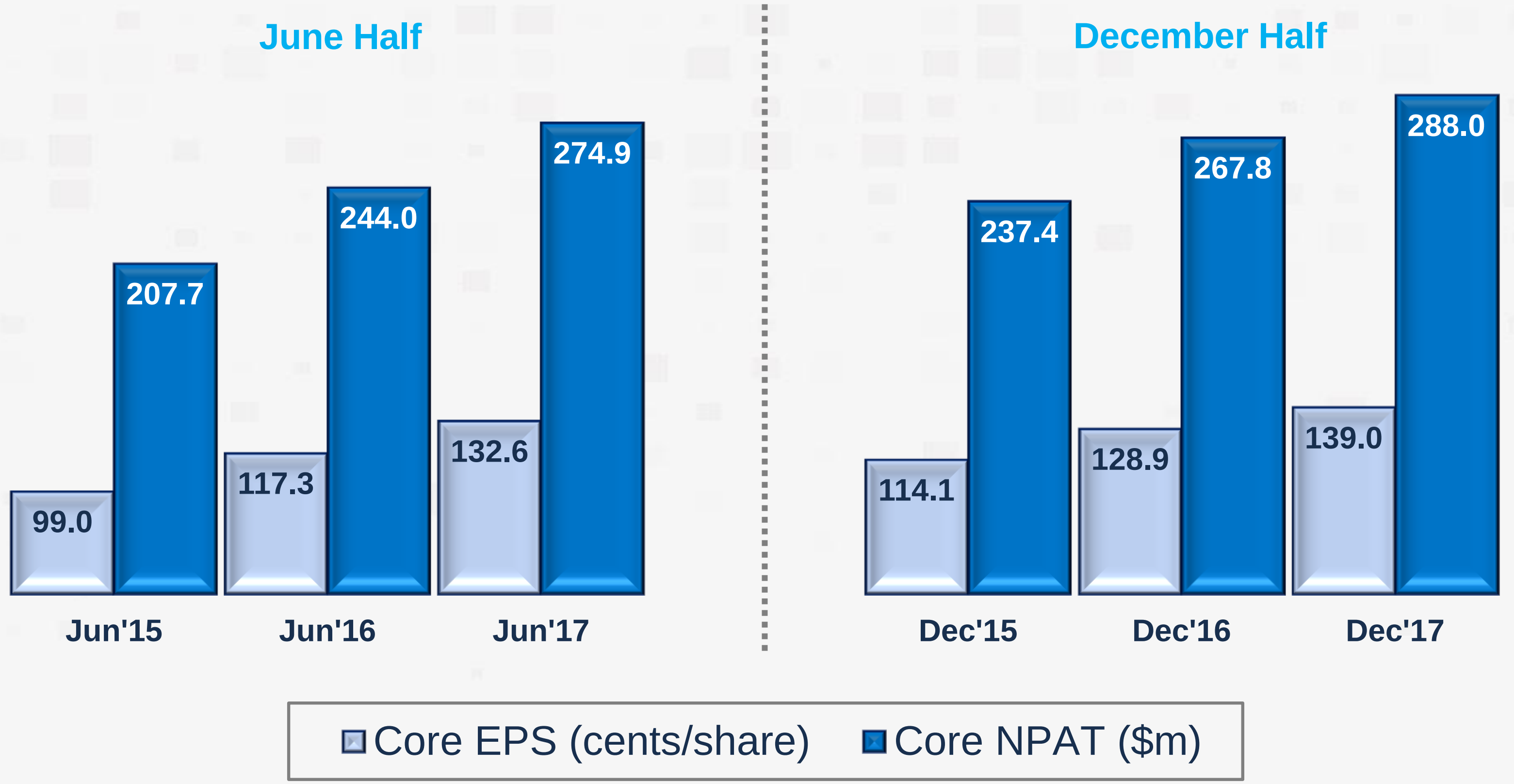
CORE NPAT AND CORE EPS



- Core NPAT up 7.5% to $288.0 million
- Core EPS up 7.8% to 139.0 cents

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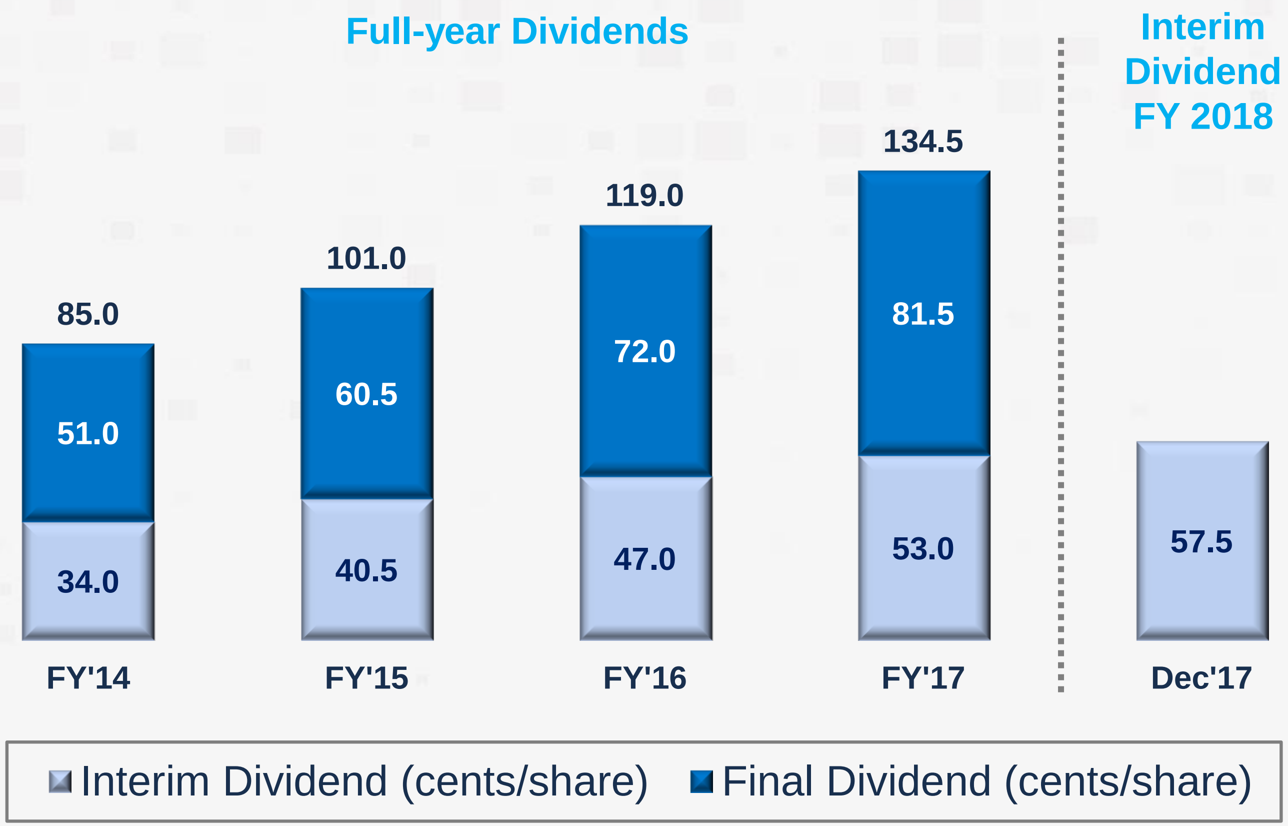
DIVIDEND GROWTH



- Strong, consistent growth in dividends
- Interim dividend fully franked, up 8.5% on previous corresponding interim dividend, more than matching the 7.8% increase Core EPS
- Intention to maintain full year dividend payout ratio of approximately 50% of Core EPS, balance reinvested into the business

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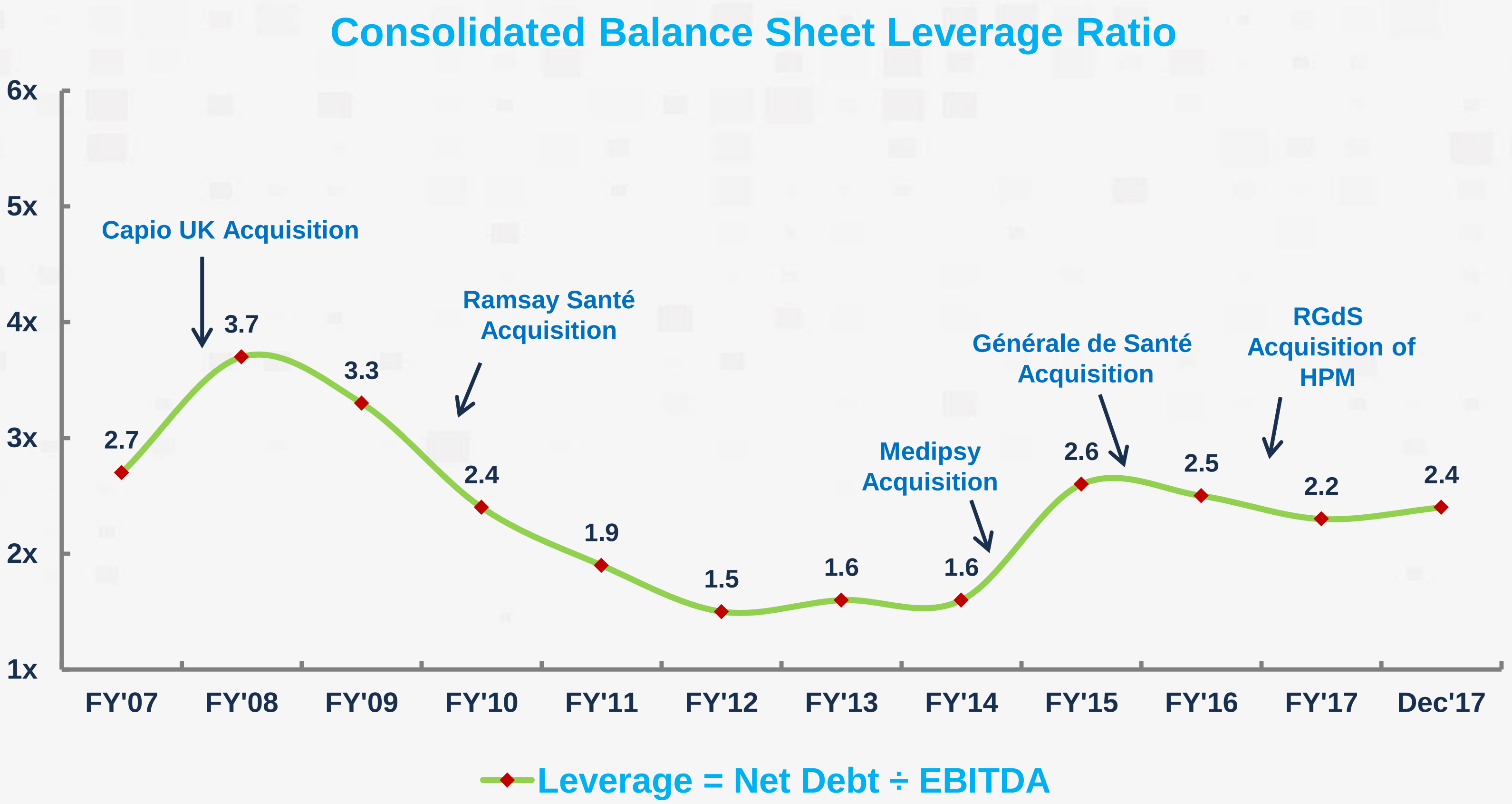
LEVERAGE AND CASH MANAGEMENT



- Strong operating cash flow with high cash conversion rate
- Strong balance sheet with financial flexibility to continue to fund:
  - the pipeline of brownfield capacity expansion
  - future acquisitions

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Segment Operational and Financial Highlights

FINANCIAL HIGHLIGHTS – AUSTRALIA & ASIA

Six Months ended 31 December	2017 $m	2016 $m	Increase
AUSTRALIA (1)			
Revenue	2,483.9	2,382.2	4.3%
EBITDAR	486.4	444.3	9.5%
EBITDA	458.5	422.3	8.6%
EBIT	379.7	348.1	9.1%
(1) The above figures include Head Office			
EBIT Margin (%)	15.3%	14.6%	+ 67 bps
ASIA			
Equity accounted share of net profits of joint venture	8.5	6.9	24.1%

Australia:

- Continued growth in admissions and procedural volumes in Ramsay's Australian business during the period
- Operational efficiencies continue to drive margin improvement due to cost restructuring programme implemented over last 2 years

Asia:

- Strong operational performance in Malaysia and Indonesia

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OPERATING ENVIRONMENT - AUSTRALIA

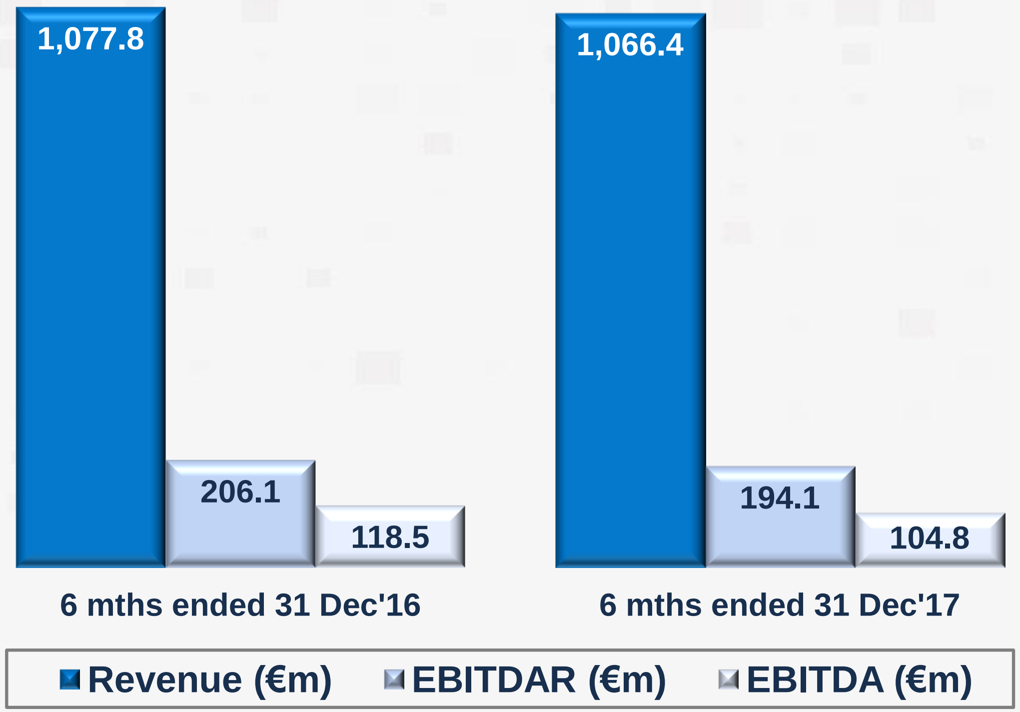
Current Operating Environment

- Reduction in PHI membership but increasing demand in key market demographic – the over 65s
- Private patients in public hospitals - unsustainable
- Recent focus on private healthcare and improving value and affordability will impact positively overall
- Stable reimbursement environment with majority of funding arrangements negotiated in FY17 with multiyear terms

Operational Outlook

- Volume growth continues to be driven by an ageing population rise in chronic disease and a growing mental health burden
- Non-hospital earnings growth opportunities emerging

FINANCIAL HIGHLIGHTS - FRANCE



Operating Highlights

- Revenue down 1.1% to €1.1 billion
  EBITDAR down 5.8% to €194.1 million
- Overall admissions growth, and strong cost management substantially mitigated the negative tariff setting

Operational Outlook

- March 2018 decrease in tariff lower than anticipated
- Significant centralisation programme underway in France – 3 year programme with annual recurring gains to RGdS estimated at €5M once fully implemented.
- Patient transport business continues to grow with new assets acquired during the period

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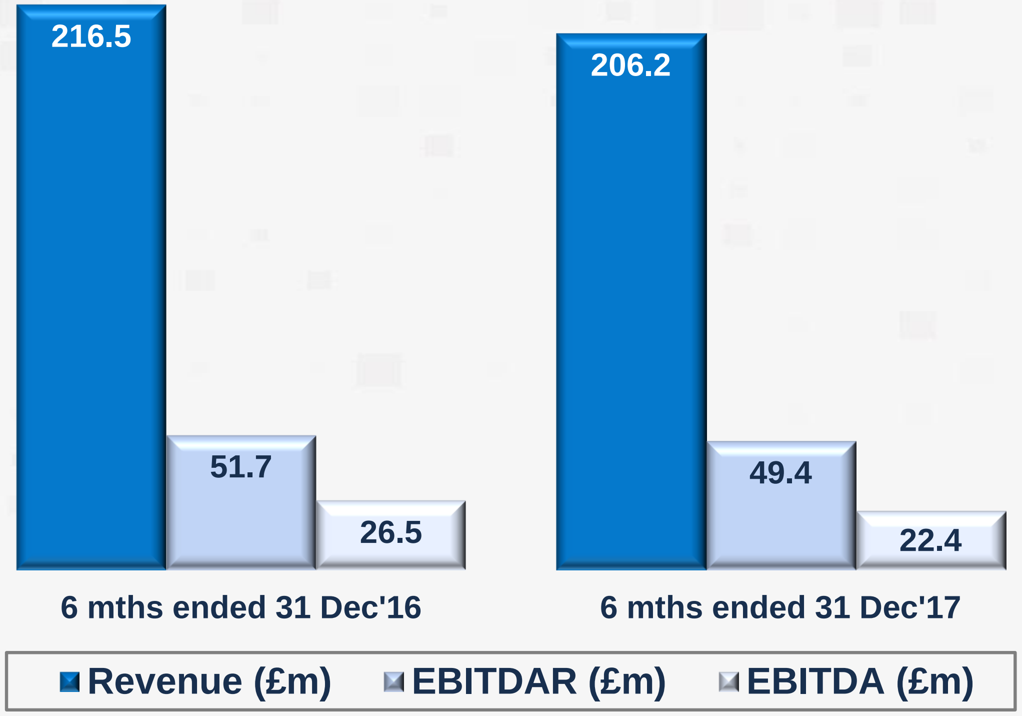
FINANCIAL HIGHLIGHTS – UNITED KINGDOM



Operating Highlights

- Revenue down 4.8% to £206.2 million
  EBITDAR down 4.6% to £49.4 million
- NHS demand management strategies significantly impacting volumes.

Operational Outlook

- Positive tariff adjustment will take affect from 1 April 2018 in the UK
- Burgeoning number of people waiting for treatment in the UK. Expect normal volume growth will return in the short to medium term

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Growth Strategy

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ATTRACTIVE & DIVERSIFIED ASSET PORTFOLIO

221
Hospitals

14
Healthcare & treatment facilities

25,000
Hospital beds

1,150
Operating theatres

39
Emergency departments

4,000
Mental health beds

54
Retail Pharmacy franchises (>150 hospital pharmacies)

60,000
Employees

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GLOBAL INDUSTRY FUNDAMENTALS

The number of people aged over **65** has increased to more than **656 million**, or **11.5%** of the total population

Globally, the number of people with diabetes is expected to rise from the current **415 million to 642 million by 2040**

Depression is the leading cause of ill health and disability worldwide. More than **300 million** people are now living with depression, an increase of more than **18**% between 2005 and 2015

- In all regions, health spending is rising as populations grow and age, technologies improve and patients become better informed
- Demand for health care is going to rise faster than the capacity of the sector itself

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DELIVERING ON OUR GROWTH STRATEGY

Continuing to create shareholder value through our focused strategy

ORGANIC GROWTH

Underpinned by demographics, quality portfolio of hospitals, ongoing business improvement and volume expansion.

BROWNFIELD CAPACITY EXPANSION

Local market knowledge drives business cases. We build capacity aimed at satisfying unmet demand. Apply strong financial discipline.

PUBLIC/PRIVATE COLLABORATIONS

Global focus on increasing private sector role in service provision for publicly funded patients.

ACQUISITIONS

Exploring acquisitions in existing and new markets. Ramsay has proven it can export its management model. Must add long-term value to shareholders.

INTEGRATED CARE

Opportunities arising to supplement our core strategy by developing and delivering integrated care to patients across an increasingly disperse health ecosystem.

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DEVELOPMENTS

During 1H FY18 the Board approved the following capacity expansions and investments:

$146M projects

167 beds

11 operating theatres

23 retail pharmacy franchises

BROWNFIELD DEVELOPMENTS

Expansions underway

- Albert Road Clinic (48 beds)
- Northside Clinic at St Leonards (gross 112; net 24 beds)
- Lake Macquarie (30 beds)
- Additional theatres/catheter laboratories at North Shore, Westmead, St George, Sunshine Coast, Baringa and Peninsula Private Hospitals
- St Andrew's Ipswich Private Hospital (81 beds, 2 theatres, plus new private ED)
- Warners Bay (39 beds)
- Northside Macarthur (14 beds)
- Major consulting suite developments at John Flynn (21 suites) and Greenslopes (30 suites)
- Tees Valley - UK (18 beds, 1 theatre)

Approved in 1H 2018 - $146M

- Beleura Private (46 beds)
- John Flynn (12 day oncology chairs)
- Hollywood Private (4 theatres)
- West Midlands UK (1 theatre)
- North Shore Private (4 theatres)
- Peninsula (70 beds, 2 theatres)
- Westmead Private (39 beds)

Pipeline

- **$147M** due to open 2H FY18
- **$156M** due to open 1H FY19
- **Over $500M** in business cases under consideration (inc major expansion of Joondalup Health Campus)

St Andrews Ipswich Hospital Expansion
(artist impression)

The New Northside St Leonards Clinic
(artist impression)

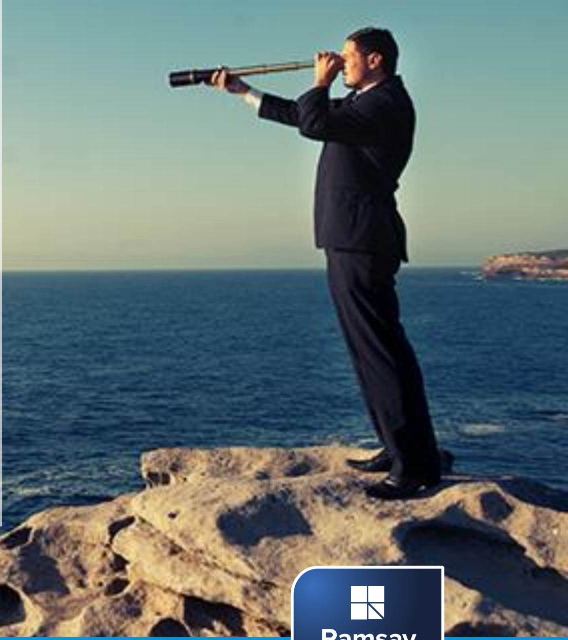
PHARMACY

- Ramsay Pharmacy franchise network is expanding – now 54 pharmacies
- Slower than expected expansion due to regulatory delays
- In December 2017, Ramsay added Queensland's 18 Malouf pharmacies to its Franchise network. Malouf was the largest privately owned pharmacy group in Queensland
- Flagship store opened in Melbourne CBD – Jan 2018
- Concentrating on sites close to hospitals so patients can benefit from receiving both medication and other integrated care services beyond the hospital walls
- Includes 4 x 24/7 community pharmacies in our major hospitals

Outlook

Outlook

- Attractive demographic sector fundamentals combined with Ramsay's geographic, casemix and reimbursement diversification as well as a consistent execution of Company strategy, will underpin our future growth.
- In addition to brownfield development growth, we remain acquisitive and are actively investigating opportunities across all markets.
- As the demand for healthcare rises in both traditional and non-traditional settings, we continue to investigate out-of-hospital opportunities where we can deliver innovative, cost-effective and patient-centred care to the community.
- Ramsay's scale and diversity will ensure it continues to deliver earnings growth in an ever-changing health economy.
- Strategic investments are being made in research and technology as well as shaping our workforce to ensure we remain at the forefront of healthcare delivery in the future.
- We expect the operating environment in Australia to remain positive and the environment in Europe to remain challenging. Barring unforeseen circumstances, we reaffirm our FY18 Core EPS growth of 8% to 10%.



Questions

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