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ASX ANNOUNCEMENT

30 August 2018

RAMSAY HEALTH CARE REPORTS 7.0% RISE IN FULL YEAR CORE EPS AND 6.8% RISE IN CORE NET PROFIT

Financial Highlights

- Core net profit after tax[1] (Core NPAT) up 6.8% to $579.3 million
- Core earnings per share[2] (Core EPS) up 7.0% to 279.8 cents
- Group:
  - Revenue up 5.4% to $9.2 billion
  - EBITDA up 6.2% to $1.4 billion
- Australia/Asia:
  - Australia revenue up 5.5% to $4.9 billion
  - Australia EBITDA up 12.1% to $896.0 million
  - Equity accounted share of Asian joint venture net profits of $16.8 million, up 27.7%
- France:
  - Revenue up 0.3% to €2.2 billion
  - EBITDAR down 0.6% to €445.7 million
- United Kingdom:
  - Revenue down 5.2% to £424.2 million
  - EBITDAR down 9.8% to £102.7 million
- Final dividend 86.5 cents fully franked, up 6.1% on the previous corresponding period, bringing the full-year dividends to 144.0 cents fully franked, up 7.1%

Overview

Ramsay Health Care today announced a Core Net Profit After Tax of $579.3 million for the year ended 30 June 2018, a 6.8% increase on the previous corresponding period.

Core NPAT delivered Core EPS of 279.8 cents for the year, an increase of 7.0% on the 261.4 cents recorded in the previous corresponding period and in line with the revised guidance provided in June 2018.

Directors have announced a fully-franked final dividend of 86.5 cents, up 6.1% on the previous corresponding period, taking the full year dividend to 144.0 cents fully-franked, up 7.1% on the prior year. The dividend Record Date is 6 September 2018 with payment on 28 September 2018. The Dividend Reinvestment Plan will remain suspended.

The Company's statutory reported net profit after tax and after net non-core items of $388.3 million, was down 20.6% on the prior year. Net non-core items of $191.0 million (net of minorities and net of tax) were recognised in the period. The non-core items were principally due to Ramsay UK recognising an onerous lease provision and asset write downs related to certain UK sites of $122.0 million (net of tax) and Ramsay Générale de Santé (RGdS) recognising restructuring costs of $29.9 million (net of minorities and net of tax).

[1] *Before non-core items*
[2] *Core net profit after CARES dividends*

Commentary on FY'18 Results

Ramsay Health Care Managing Director Craig McNally said the Company had delivered a solid result during the period in challenging circumstances.

"Despite the headwinds we faced in all our markets, Ramsay Health Care has delivered a good result driven by the quality, diversity and scale of our hospitals, which continue to achieve above market growth, as well as our disciplined cost management focus.

"As disclosed to the market in June, our FY'18 results were impacted by the significant downturn in NHS volumes in our UK business as well as softer growth rates in our Australian business and the decision to temporarily slow down the rollout of the Ramsay Pharmacy franchise network while we invest in infrastructure and resources to successfully scale this franchise business for the long term.

"Notwithstanding the positive tariff adjustment in the UK which came into effect in April 2018, demand management strategies had a negative impact on NHS volumes in our Ramsay UK hospitals during the year and particularly in the second half.

"In Australia, the business performed well despite industry headwinds. Our hospitals maintained admissions growth above the industry growth rate, which is currently being impacted by affordability concerns and the ongoing negative focus on private health insurance.

"EBIT growth in Australia was positively impacted by our disciplined cost management strategies and our focus on achieving further operational efficiencies as well as some one-off benefits."

He said the normal growth attributable to brownfields in Australia was lower in FY'18 as the Company concentrated on investing in upgrading existing accommodation and additional consulting suites, which will strategically position its hospitals for the future.

"In FY'18, projects with a gross capital investment of $171 million were completed, which included 208 gross beds consisting of 204 conversions or relocations, providing a net increase of four beds. Additionally, seven theatres as well as 21 consulting suites were completed. This is part of our ongoing investment to improve the standard of our amenities and patient experience.

"The Board approved a record $325 million in new projects during the year, which underscores the Company's confidence in the long term industry dynamics. These projects, including 229 net beds and 24 theatres, will deliver solid returns in future years."

In France, Mr McNally said RGdS performed in line with expectations given the negative tariff environment. As reported at the half year, RGdS commenced a programme to centralise non-core hospital functions to a separate shared service centre. This programme, which will take three and a half years, is on track.

In December 2017, Ramsay added Queensland's 18 Malouf pharmacies to its pharmacy franchise network bringing the total number of franchises to 54.

"In terms of procurement we continue to deliver savings. The joint venture with the US-based Ascension Health, announced during the period, has commenced operations."

Growth Strategy

Mr McNally said: "Despite the challenging circumstances which are currently impacting the rate of growth, long term industry fundamentals are positive.

“The Australian brownfield programme will deliver $242 million in completed projects in FY’19. These projects will include net 216 beds and 15 operating theatres, and are anticipated to contribute materially to growth beyond FY’19.”

He said the healthcare market was evolving and this required innovation including operational excellence via process and cost optimisation, as well as a strong commitment to delivering the highest quality services, leading technology and proactive advocacy to customers, specialists and staff.

“We are currently focused on differentiating our business and have increased our investment in a number of quality, digital, innovation and research initiatives which are aimed at ensuring we achieve industry-leading patient outcomes in all markets in which we operate.”

Finally, he said the Company remained committed to expanding its global portfolio and would continue to search for opportunities in new and existing markets that are a strategic fit and meet the Company’s rigorous financial hurdles.

To this end, in July 2018, Ramsay’s 50.9% owned French subsidiary, Ramsay Générale de Santé (RGdS), launched an unsolicited takeover bid for the Nasdaq Stockholm listed, pan-European healthcare company, Capio AB (Capio). The completion of the Offer is subject to conditions customary for public offers in Sweden, including, among others, antitrust and regulatory approvals and that the Offer is accepted by shareholders to such an extent that RGdS becomes the owner of more than 90% of the shares in Capio.

Balance Sheet and Cash Flow

Ramsay’s robust balance sheet and strong cash flow generation continue to provide the Company with the flexibility to fund the continuing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs. At 30 June 2018, the Group Consolidated Leverage Ratio was 2.3 times, well within our internal parameters.

Outlook

Mr McNally said: “In FY’19 we expect underlying earnings growth to be subdued driven by a combination of challenging circumstances in the UK, a slower rate of growth in Australia, and a neutral outlook in France.

“However, long term industry fundamentals are continuing to drive the market for healthcare. We expect growth initiatives including our brownfield programme and investments aimed at strengthening our business, to contribute strongly to earnings beyond FY’19.

“At the same time, our strong balance sheet provides headroom for expansion and we have increased our focus on investigating acquisition opportunities and new areas of growth.

“Based on current operating conditions in each of our core markets and barring unforeseen circumstances, in FY’19, Ramsay is targeting positive Core EPS growth of up to 2%, adversely impacted by anticipated higher interest and tax in FY’19. This corresponds to Core EBITDA growth for the Group of 4% to 6%.”

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Attachment: Summary of Financial Performance.

Ramsay Health Care

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Attachment:

Summary of Group Financial Performance

Year Ended 30 June
$ millions

	2018	**2017**	**% Increase (Decrease)**
Net Profit After Tax (NPAT)			
Operating revenue	9,176.2	8,702.5	5.4%
EBITDAR	1,839.4	1,705.9	7.8%
EBITDA	1,395.9	1,313.9	6.2%
EBIT	1,007.6	943.4	6.8%
Core NPAT attributable to members of the parent (1)	**579.3**	**542.7**	**6.8%**
Net non-core items, net of minorities and net of tax (2)			
-Restructuring- RGdS	(29.9)	-	
-Impairment – Ramsay UK	(122.0)	(1.3)	
-Other	(39.1)	(52.5)	
	(191.0)	(53.8)	
Statutory Reported NPAT	388.3	488.9	(20.6%)
Earnings Per Share (EPS), cents, attributable to members of the parent			
Core EPS (3)	**279.8**	**261.4**	**7.0%**
Statutory Reported EPS	185.6	234.9	(21.0%)
Dividends Per Share, cents			
Final dividend, fully franked	86.5	81.5	6.1%
Full-year dividends, fully franked	144.0	134.5	7.1%

Notes

(1) 'Core NPAT attributable to members of the parent' is before non-core items and from continuing operations. In accordance with the accounting standards Ramsay Générale de Santé (RGdS) is consolidated. The non-controlling interest's share of RGdS NPAT has been removed in arriving at the Core NPAT attributable to members of the parent.

(2) Refer to Appendix 4E Overview (a)(i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result).

(3) 'Core EPS' is derived from core net profit after CARES dividends.