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ASX ANNOUNCEMENT

29 August 2019

RAMSAY HEALTH CARE REPORTS 2.1% RISE IN FULL YEAR CORE EPS AND 2.0% RISE IN CORE NET PROFIT

Financial Highlights

- Core net profit after tax[1] (Core NPAT) up 2.0% to $590.9 million
  - Excluding Capio acquisition, Core NPAT up 2.5% to $593.9million
- Core earnings per share[2] (Core EPS) up 2.1% to 285.8 cents
  - Excluding Capio acquisition, Core EPS up 2.7% to 287.3cents
- Group:
  - Revenue up 24.4% to $11.4 billion[3] (ex Capio revenue up 5.3%)
  - EBITDA up 14.1% to $1.6 billion (ex Capio EBITDA up 6.5%)
- Australia/Asia:
  - Australia revenue up 4.1% to $5.2 billion
  - Australia EBITDA up 6.0% to $950.5 million
  - Equity accounted share of Asian joint venture net profits of $19.4 million, up 15.5%
- Continental Europe (inc Capio since 7 November 2018)
  - Revenue up 51.7% to €3.4 billion
  - EBITDAR up 32.6% to €590.9 million
- United Kingdom:
  - Revenue up 4.7% to £444.3 million[3]
  - EBITDAR down 2.8% to £99.8 million
- Final dividend 91.5 cents fully franked, up 5.8% on the previous corresponding period, bringing the full-year dividends to 151.5 cents fully franked, up 5.2%

Overview

Ramsay Health Care today announced a Core Net Profit After Tax of $590.9 million for the year ended 30 June 2019, a 2.0% increase on the previous corresponding period.

Core NPAT delivered Core EPS of 285.8 cents for the year, an increase of 2.1% on the 279.8 cents recorded in the previous corresponding period.

Directors have announced a fully-franked final dividend of 91.5 cents, up 5.8% on the previous corresponding period, taking the full year dividend to 151.5 cents fully-franked, up 5.2% on the prior year. The dividend Record Date is 6 September 2019 with payment on 30 September 2019. The Dividend Reinvestment Plan will remain suspended.

The Company's statutory net profit after tax, attributable to members of the parent (after adjusting for net non-core items after tax) of $545.5 million, was up 40.5% on the prior year.

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[1] *Before non-core items*
[2] *Core net profit after CARES dividends*
[3] *Revenue stated on a like-for-like basis excluding AASB15 uplift adjustment of £75.9 million/$137.6 million*

Overview continued

Ramsay Health Care Managing Director Craig McNally said the Company delivered slightly above guidance for FY'19 notwithstanding the acquisition of the pan European operator Capio, which was completed during the period.

"We strengthened our position as a major global healthcare company with the acquisition of Capio. Today, Ramsay Health Care operates across 11 countries, treating 8.5 million patients in circa 500 locations and employing almost 80,000 staff. Importantly, we continue to differentiate our business in terms of leadership, focusing on quality and clinical excellence and reinvesting in our business.

"In FY'19, a focus on growth and enhancing our operating model saw Australia and Continental Europe achieve earnings growth. We continue to be well placed in these markets with market leading positions in Australia, France and Scandinavia, which enables us to achieve improved economies of scale, best practice, cost leadership and innovation," Mr McNally said.

"In the UK, while Q1 was challenging and impacted overall earnings for H1, there was a recovery in NHS volume growth in H2 and we expect this will continue into FY'20. We were also positively impacted by an increase in tariff, which commenced on 1 April 2019."

He said Capio contributed to Ramsay Générale de Santé (RGdS) from 7 November 2018 resulting in increased revenue (up 51.7%) and EBITDAR (up 32.6%).

"Capio has a strong portfolio of healthcare facilities in Europe and is a good strategic fit for RGdS. The combined group is now uniquely positioned in the private European healthcare sector with a geographic footprint spanning six countries. It has strong underlying growth fundamentals, and will further contribute to making Ramsay a leading global provider of healthcare services."

Segment Results

Australia

In FY'19, Ramsay's Australian operations delivered overall EBITDA growth of 6.0% on the previous corresponding period.

"This was a positive result given the volatility of the period, which included a Federal election and the uncertainty created by the potential for private health insurance (PHI) premium caps and a productivity commission review, as well as the implementation of the tiering of PHI policies (gold, silver, bronze, basic)," Mr McNally said.

"Ramsay Australia's private admissions growth remains above the industry growth rate, demonstrating our market leading position with high quality, strategically located hospitals as well as the success of our investment strategy."

He said the Australian business had experienced significant volume growth in some specialty areas like cardiac services, cancer care and mental health during the year. "The expansion of some of our major mental health facilities combined with the reforms put in place by the Federal Government which enables patients with limited cover to upgrade without serving a waiting period for access to higher benefits for psychiatric care, contributed to strong growth in our mental health volumes.

"In response to increased cost pressures across the industry, we commenced a programme of restructuring our operating model in the Australian business which had a positive impact on our overall performance and will position the business well for the future. This programme is focused on improving quality and efficiencies, driving standardisation, digitalising our hospitals and building our care coordination capabilities through the development of integrated models of care.

"As previously indicated, we slowed the roll-out of the Ramsay Pharmacy franchise network as we continued to focus on enhancing the capability of the network through investments in infrastructure notably IT and resources. This resulted in only five new retail sites added in FY'19."

Continental Europe

Excluding Capio, RGdS delivered a full year result in line with expectations, with revenue up 2.6% and EBITDAR up 1.8%. In terms of activity, RGdS finished the year up on last year across all areas including medical, surgical, rehabilitation, mental health, dialysis, emergency presentations and chemotherapy.

“The result was assisted by tariff increases which took effect from 1 March. This is the second year of improvement in tariff - a sign of positive sentiment for the sector in this region.

“The large scale restructuring programme to centralise non-core hospital functions in RGdS is on track.

“As previously foreshadowed, Capio contributed a negative Core NPAT of $3.0 million to the Ramsay Group result, after factoring in interest costs from Capio’s debt and interest expense associated with the debt funding of this acquisition.

“While Capio had a dilutionary impact on Core NPAT in its first eight months of ownership, we are in the advanced stages of implementing our integration plan and we are confident that identified synergies will be realised. The new executive governance structure for Capio has been established and we are in the process of harmonising operations in France, divesting non-strategic assets and securing the relevant procurement and other identified synergies.”

United Kingdom

After a poor start to the year, Ramsay UK’s performance has continued to strengthen with the second half of the year showing good revenue and EBIT growth, helped by a return to volume growth and improved NHS tariff pricing which came into effect from 1 April 2019.

For the full year, admissions were up, driven by growth in NHS volumes of 7.4% on the prior year.

“With the return to positive volume growth in the UK, we are now focused on recruitment and reducing our utilisation of agency staff. This, combined with increasing the complexity of our casemix, is a key focus for the UK business.”

Asia

Ramsay’s Asian joint venture (Ramsay Sime Darby) had an excellent year recording strong operating performances in both Malaysia and Indonesia and a 10% overall growth in admissions groupwide over the previous year.

“This increased demand is driving a pipeline of brownfield development opportunities across our hospitals in these regions. Ramsay Sime Darby continues its growth in Asia, opening its first day surgery in Hong Kong.”

Growth Strategy

“Ramsay’s Australian brownfield programme remains robust with a total of 16 projects completed in Ramsay’s Australian business during FY’19, totaling $242 million and consisting of 333 new beds (net 216), 15 operating theatres and 30 consulting suites. FY’20 is forecast to see completion of $170 million worth of brownfields.

“During the year, the Board approved a further $244 million in brownfield developments (196 net beds, 10 theatres, 51 consulting suites), which brings our total investment over 10 years in Australia, to almost $2 billion.”

Mr McNally said since the end of the financial year, two major projects had been approved at the company’s leading metropolitan hospitals - Greenslopes Private Hospital in Brisbane and Hollywood Private Hospital in Perth. “The Board has recently approved a $72m development at Greenslopes and a $68m development at Hollywood, demonstrating the strength of these hospitals in their respective marketplaces and the opportunity for further growth”.

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 financial hurdles.

Balance Sheet, Cash Flow and New Lease Standard

Ramsay's balance sheet and strong and reliable 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 2019, the Group Consolidated Leverage Ratio was 3.1 times. This credit metric will change as a result of the new lease accounting standard AASB16.

Ramsay will adopt this new lease accounting standard AASB16 effective 1 July 2019. Whilst the adoption of the standard will have no impact on net cash flow, debt covenants and debt facility headroom, it will have a significant non cash impact on the Consolidated Income Statement and Consolidated Statement of Financial Position for FY'20. The level of net debt as a result of the capitalisation of lease liabilities will increase by an estimated $4.5 to $5 billion on transition and Core NPAT is expected to decrease by $40 to $50 million. Further detail is provided in Appendix 4E. Ramsay intends to provide supplementary information in conjunction with our 1H'20 results announcement (being the first period under the new standard) to provide a bridge between the old and new lease accounting standard.

Given the impact of the new lease accounting standard on Core NPAT, Ramsay expects to modify the dividend payout ratio for future dividends, such that shareholders can expect at least the same cash dividends as they would have prior to the adoption of the standard.

Outlook

Mr McNally said FY'19 had consolidated Ramsay's position as a leading international healthcare service provider with a diversified and strategically located business portfolio.

"Our scale and size gives us the opportunity to explore greater efficiencies and to establish stronger partnerships, which will generate earnings growth along the healthcare value chain.

"At the same time, we are building our capabilities in terms of ensuring we have a workforce that is adaptable and forward thinking, that we are delivering what customers want, and we are delivering quality outcomes.

"Across all our markets strong industry fundamentals are continuing to drive increased demand. In FY'20, we are anticipating stronger volume growth, enhanced by our brownfield investment programme in Australia and the turnaround in NHS volumes in the UK.

"The changes we are making to our operating model across the business, will also contribute positively to earnings over the coming years.

"In FY'20, Ramsay is targeting Core EPS growth on a like-for-like basis of 2% to 4% This corresponds to negative Core EPS growth of -6% to -4% under the new lease accounting standard AASB16. This guidance is based on Core EBITDAR growth of 8% to 10%, which is unaffected by the new lease standard."

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Attachment: Summary of Group Financial Performance.

Ramsay Health Care

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Attachment:

Summary of Group Financial Performance

Year Ended 30 June
$ millions

	2019 (1)	2018	% Increase (Decrease)
Net Profit After Tax (NPAT)			
Operating revenue			
-ex AASB15 adjustment	11,415.2	9,176.2	24.4%
- AASB15 adjustment	137.6	-	
Total Operating Revenue	11,552.8	9,176.2	25.9%
EBITDAR	2,161.1	1,839.9	17.5%
EBITDA	1,592.1	1,395.9	14.1%
EBIT	1,108.0	1,007.6	10.0%
Core NPAT attributable to members of the parent (2)	**590.9**	**579.3**	**2.0%**
Net non-core items, net of tax (3)	(45.4)	(191.0)	
Statutory Reported NPAT attributable to members of the parent	545.5	388.3	40.5%

	2019 (1)	2018	% Increase (Decrease)
Earnings Per Share (EPS), cents,			
Core EPS (4)	**285.8**	**279.8**	**2.1%**
Statutory Reported EPS	263.3	185.6	41.9%

	2019 (1)	2018	% Increase (Decrease)
Dividends Per Share, cents			
Final dividend, fully franked	91.5	86.5	5.8%
Full-year dividends, fully franked	151.5	144.0	5.2%

Notes

(1) RGdS has consolidated the earnings of Capio since the acquisition date of 7 November 2018.

(2) '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.

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

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