Ramsay Health Care Limited

Results Briefing

Year ended 30 June 2019

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Bruce Soden, Group Finance Director

29 August 2019

ramsayhealth.com

Ramsay
Health Care

Agenda

Ramsay Health Care

Group Performance Overview

Ramsay Health Care

Group Highlights FY’19

Performance:

- 2.1% increase in Core EPS, 2.0% increase in Core NPAT
- Group revenue up 24.4%
- Australia delivered solid earnings growth
- Ramsay Générale de Santé (ex Capio) delivered in line with expectations
- Ramsay UK delivered solid EBIT & revenue growth in 2H following recovery in NHS volumes and tariff increase in April
- Maintained focus on enhancing our operating model in all regions which delivered positively to overall performance

Growth:

- 16 brownfield projects worth $242 million completed in Australia
- A further $244 million approved by the Board during the period and a strong brownfield pipeline
- Completed the acquisition of the pan-European healthcare company, Capio. Integration is well underway

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RAMSAY'S OPERATIONS TODAY

77,000
Employees

c500
Locations

8,500,000
Patient visits/admissions

11
Countries

Global Health Operator

- ✓ Economies of scale
- ✓ Best practice
- ✓ Cost leadership
- ✓ Speed to market
- ✓ Innovation

Market Leading Positions

#1 Australia
#1 France
#1 Scandinavia

Differentiated Business

- Scale
- Diversified portfolio
- Industry leading quality
- Deep and experienced leadership

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Group Performance FY'19

Ramsay Health Care Limited FY'19 performance:

- Core Net Profit After Tax of $590.9 million, up 2.0%
  - Excluding Capio acquisition, Core NPAT up 2.5% to $593.9 million
- Statutory reported net profit after tax and after non-core items of $545.5 million, up 40.5%
- Core EPS of 285.8 cents, up 2.1%
- Excluding Capio acquisition, Core EPS up 2.7% to 287.3 cents
- Group Revenue of $11.4 billion*, up 24.4%
- Group EBITDA of $1.6 billion, up 14.1%
- Fully-franked final dividend of 91.5 cents, up 5.8% (total full year dividend of 151.5 cents fully-franked, up 5.2%)

** Revenue stated on a like-for-like basis excluding AASB15 uplift adjustment of £75.9 million/$137.6 million*

Year ended 30 June	2019 (1) $m	2018 $m	Increase
Revenue	11.415.2	9,176.2	24.4%
EBITDAR	2,161.0	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%**
Core EPS (3) (cents per share)	**285.8¢**	**279.8¢**	**2.1%**
Final Dividend – fully franked (cents per share)	91.5¢	86.5¢	5.8%
Full Year Dividend – fully franked (cents per share)	**151.5¢**	**144.0¢**	**5.2%**

***Notes**:*

All numbers are in Australian dollars unless otherwise stated

(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. 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

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

Group Performance FY'19 (Pre and Post Capio)

	(Including Capio)			(Excluding Capio)	
Year ended 30 June	**2019 $m**	**2018 $m**	**Increase**	**2019 $m**	**Increase**
Total Revenue – ex AASB16 adjustment	**11,415.2**	**9,176.2**	**24.4%**	**9,659.5**	**5.3%**
EBITDAR	2,161.0	1,839.9	17.5%	1,941.6	5.5%
EBITDA	1,592.1	1,395.9	14.1%	1,487.9	6.5%
EBIT	1,108.0	1,007.6	10.0%	1,070.4	6.2%
Core NPAT attributable to members of the parent (1)	**590.9**	**579.3**	**2.0%**	**593.9**	**2.5%**
Core EPS (2) **(cents per share)**	**285.8¢**	**279.8¢**	**2.1%**	**287.3¢**	**2.7%**

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.

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

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

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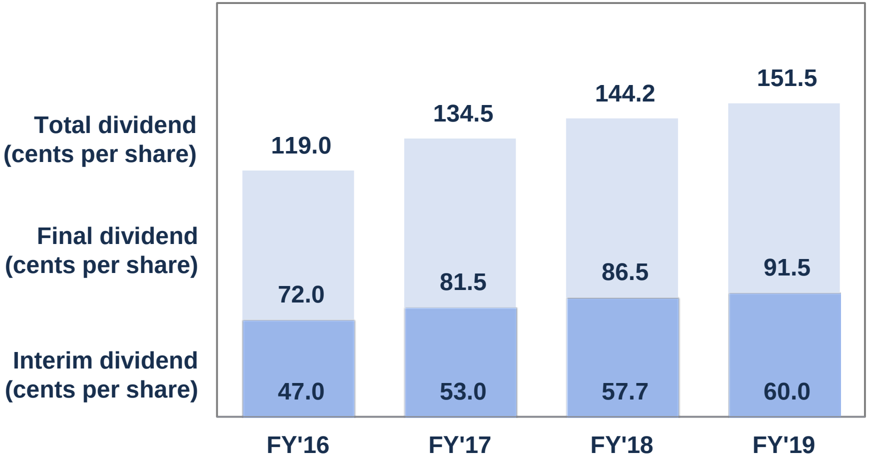
Reconciliation to Statutory Reported Net Profit

Year Ended 30 June	2019 $m	2018 $m	Increase/ (Decrease)
Core NPAT	590.9	579.3	2.0%
Net non-core items (net of minorities and net of tax) (1)	(45.5)	(191.0)	
Statutory Reported Net Profit after tax attributable to members of the Parent	545.4	388.3	40.5%

(1) Net non-core items (net of tax)	2019 $m	2018 $m
Non cash portion of rent expense relating to leased UK hospitals	(12.3)	(14.6)
Transaction Costs – Capio Acquisition	(28.5)	-
Restructuring, acquisition, disposal, impairment, development costs, and profit on disposal of medical suites	(41.9)	(150.4)
Non-cash unfavourable lease contracts expense	(9.2)	(122.2)
	(91.9)	(287.2)
Income tax on non-core items	28.4	62.0
Non controlling interest in non-core items (net of tax)	18.0	34.2
Net non-core items (net of tax) attributable to members of the Parent	(45.5)	(191.0)

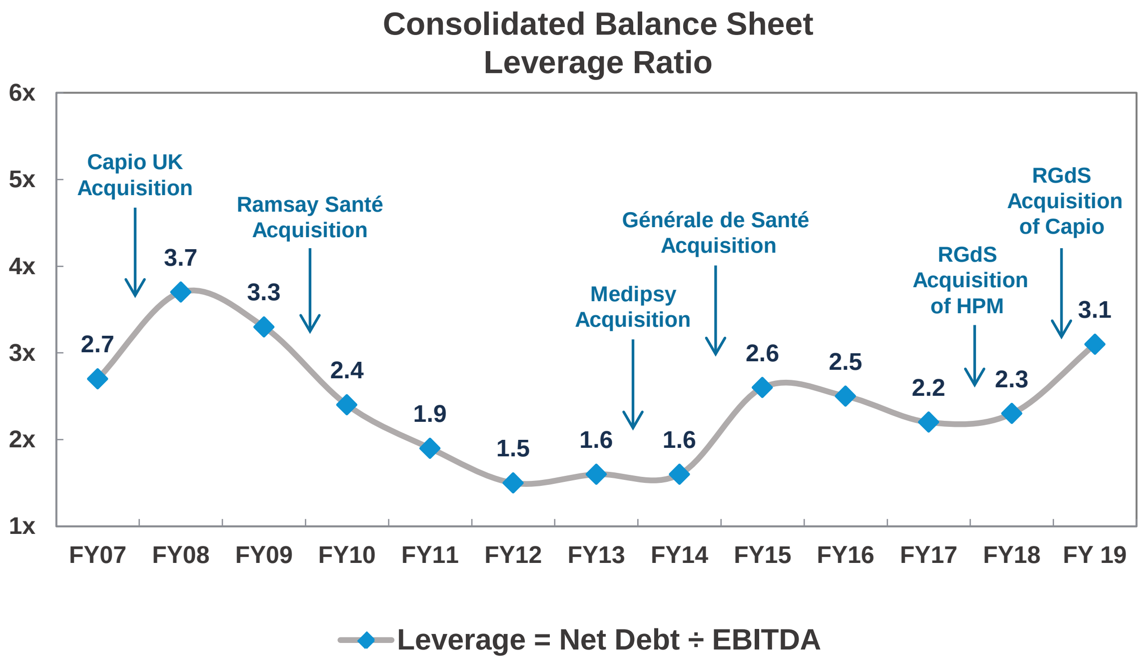
Dividend Growth

Total Dividend



- Final dividend fully franked up 5.8% on previous corresponding period
- Dividends for the full year up 5.2%, higher than the growth in Core EPS of 2.1%
- Full year dividend payout ratio of 53% of Core EPS, balance reinvested into the business
- Dividend policy for future dividends expected to be modified for the new lease standard AASB16

Leverage and Cash Management



- Balance sheet has financial flexibility to continue to fund:
  - the pipeline of brownfield capacity expansion
  - future acquisitions
- Leverage:
  - Consolidated Balance Sheet leverage ratio = 3.1x
  - ‘Wholly Owned Funding Group’ leverage ratio = 2.1x, provides capacity for growth
- Strong operating cash flow but cash conversion impacted by Capio acquisition and operational issues

Adoption of AASB16 Lease Standard in FY'20

– Overview

Implementation of AASB16 Lease Accounting Standard will have no impact on:

- Net cash flow
- Debt covenants and debt facility headroom
- Strategy

Significant non-cash impact on the Consolidated Income Statement and Consolidated Statement of Financial Position:

- NPAT and EPS decrease
- Ramsay expects to modify the dividend payout ratio such that Shareholders can expect at least the same cash dividends as they would prior to the adoption of AASB16

Ramsay will apply the modified retrospective method of adoption

Expect to provide supplementary information at half year to bridge the impact on the financial statements between the old and new standard

For further details refer to Appendix4E Overview Section (b) New Accounting Standards and Interpretations

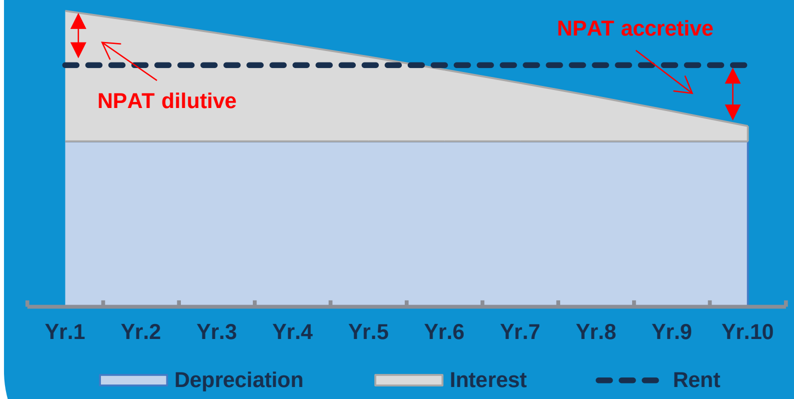
Adoption of AASB16 Leases in FY'20

- Impact on Income Statement

Core NPAT will decrease under AASB16 relative to what it would have been under the old lease standard

- Rental expense from leases replaced by an interest expense and a straight-lined depreciation expense
- Over the life of any lease, the total expense to the income statement is the same as total cash rental paid both pre and post AASB16
- AASB16 decreases NPAT (relative to old standard) at lease commencement and increases NPAT towards lease maturity
  - Impact exaggerated with longer lease profile
- EBITDA increases as the rental expense is removed
- EBIT increases as the rental expense is removed and only partially offset by increased depreciation
- FY'20 Estimated Impact:
  - Decrease in operating lease expenses by $450 - $500 million
  - Increase in EBITDA by $450 - $500 million
  - Increase in depreciation expense by $300 - $350 million
  - Increase interest costs by $200 - $250 million
  - Core NPAT expected to decrease by $40 - $50 million

Illustrative Changes in Costs in P&L for a Single Lease with a Fixed Inflator



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Adoption of AASB16 Lease Standard in FY’20

– Impact on Balance Sheet and Reported Cash Flows

Balance Sheet Impact:

- Under the new leasing standard both an asset and liability are brought on to the Balance Sheet
  - Lease asset: Right-of-Use (ROU) of underlying leased assets
  - Lease liability: Present value of lease payment obligation

- FY20 Estimated Impact:
  - Increase asset value by $3.75 - $4.25 Billion
  - Increase net debt/lease liability by $4.5 - $5 Billion
  - Lease liability and ROU asset will differ on transition with the variance accounted for in Retained Earnings

Cashflows:

- Reclassification of cash flows between operating and financing activities with no change in net cash flow

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Segment Summary

Australia

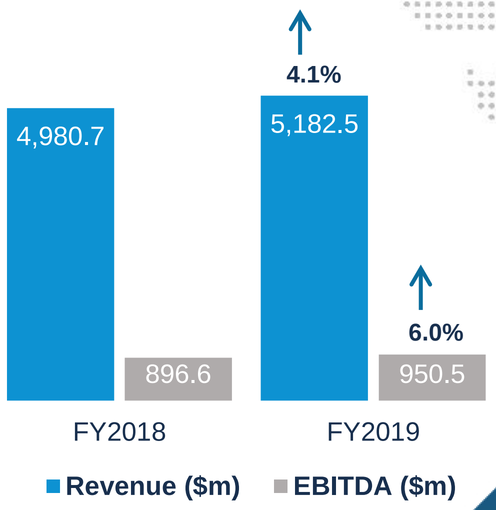
Australian operations delivered solid earnings growth. Admissions growth remains above industry growth rates demonstrating our market leadership with high quality, strategically located hospitals and the success of our investment strategy

Performance FY'19

- Delivered 6% overall EBITDA growth
- Private admissions growth above industry growth rate
- Strong growth in certain specialty areas like cardiology, cancer and mental health
- Downward trend in births seen in FY'18, has moderated
- Instability during the period driven by Federal election and implementation of new healthcare reforms (tiers for PHI policies)
- Implementation of new operating model contributed positively to overall performance
- Brownfield program delivered 16 new projects including 216 net beds

Outlook FY'20

- Short term headwinds but positive long term fundamentals
- Public ED & waiting list pressures will drive more private demand
- Strong pipeline of brownfield opportunities
- Market share growth will remain a key focus leveraging the quality and strategic location of our facilities
- Maintain focus on process improvement strategies and innovation (digitalizing our hospitals, building our care coordination capabilities)



Continental Europe

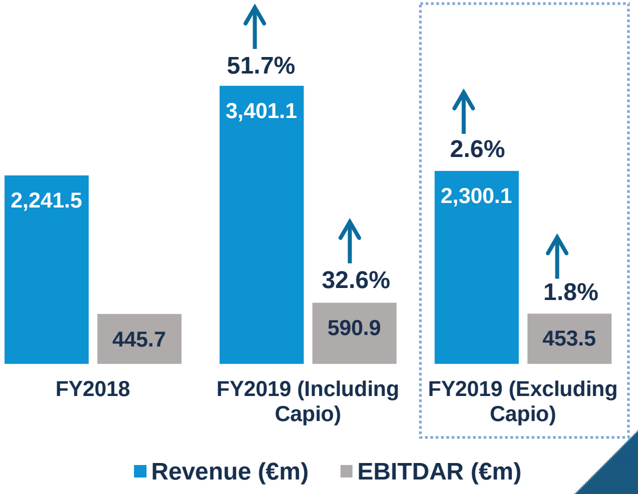
Acquisition of Capio completed during the period and we are in the advanced stages of integration

Performance FY'19

- Ramsay GdS (ex Capio) delivered full year result in line with expectations – revenue up 2.6% and EBITDAR up 1.8%
- Tariff increase in France took effect from 1 March 2019
- Overall admissions growth in RGdS across all areas
- Large scale restructuring programme in France to centralise non-core hospital functions is on track
- Capio contributed to Ramsay Group operating result translating to negative Core NPAT result of $3m after factoring interest costs

Outlook FY'20

- In advanced stages of integration
- Identified synergies will be realized
- New executive governance structure established and now in process of harmonizing operations in France and divesting non-strategic assets
- Capio is expected to be Core EPS accretive in the next two years



United Kingdom

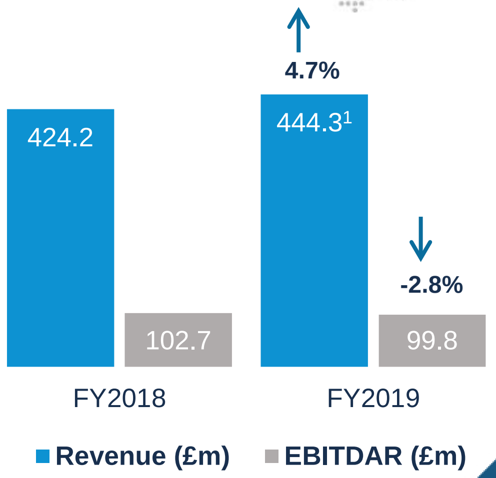
Return to NHS volume growth in 2H, tariff increase effective April 2019

Performance FY'19

- Performance strengthened after poor start to the year
- Strong revenue, EBITDAR and EBIT growth in 2H
- Return to volume growth for NHS work - increasing 7.4% on prior year
- Tariff increase effective 1 April 2019
- Ramsay UK remains market leader in electronic GP referrals
- Focused on achieving clinical leadership & cost efficiencies

Outlook FY'20

- Expect strong volume growth to continue into FY'20
- Focused on recruitment and reducing utilisation of agency staff
- Increasing the complexity of our casemix, is a key focus for the UK business
- Maintain focus on quality and outcomes



[1]Revenue stated on a like for like basis excluding AASB15 adjustment of £75.9 million

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Asia

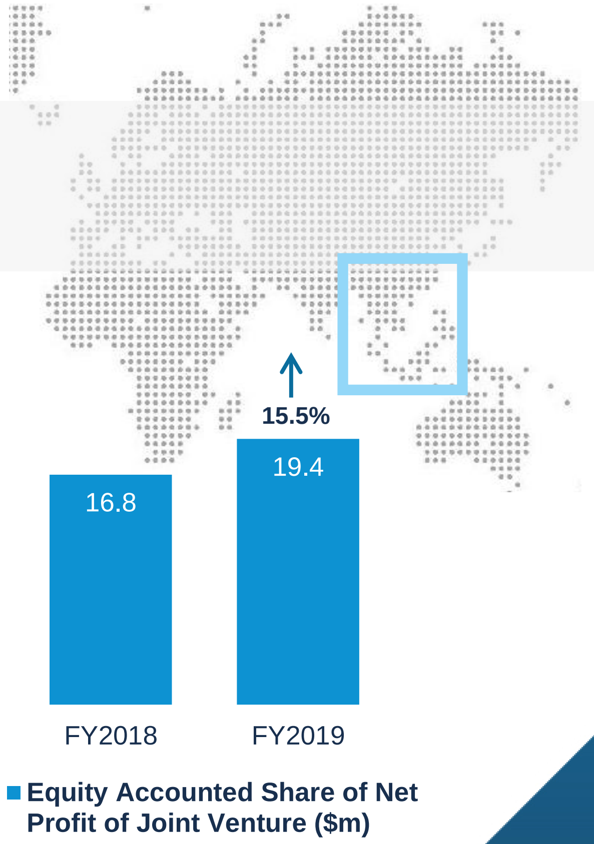
Strong operating performance for the year

Performance FY'19

- Strong operating performance in both Malaysia & Indonesia
- 10% growth in admissions
- Cost controls a key focus area
- New developments targeting universal healthcare patients (BPJS) opened at two of our Indonesian facilities
- Ramsay Sime Darby opened a day surgery in Hong Kong

Outlook FY'20

- Brownfield pipeline
- Exploring acquisitions, partnerships and bolt-on opportunities



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Strategy Update

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Group Strategy

Continuing to create shareholder value through our focused strategy

Growth		Efficiency	Sustainability
Driving stronger growth from the core	**Developing new growth platforms**	**Strengthening the core**	**Building a more sustainable organisation**
Organic Growth	Acquisitions	Operational Excellence	Patient & Doctor Experience
Brownfield Capacity	Integrated Care	Digitalisation	Clinical Excellence
Public/Private Collaboration	New Models of Care	Global Procurement	Innovation
			Global Talent

…while behaving in accordance with the Ramsay Way 'People caring for People'

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FY'19 Completed Brownfield Projects

During FY'19 the following projects were completed and opened:

$242.0m gross capital investment

30 consulting suites

333 Gross beds
117 Conversions
216 Net beds

15 operating theatres[1]

Major Completed Projects

St Andrews
- New ED, net 81 beds, 2 operating theatres

Warners Bay
- Net 31 beds, MHU, single room strategy

Greenslopes Private Hospital
- New consulting suite complex
- Day Surgery including 2 operating theatres

Westmead
- Maternity and Surgical Expansion (net 30 beds), incl. SCN, Birthing Suites and single room conversion

Albert Road
- Mental Health redevelopment (net 48 beds)

Hollywood
- 4 operating theatres

Wollongong
- Separate Day Surgery – 2 operating theatres and 1 cath lab

1) Includes all hybrids, theatres, procedure rooms and cath labs.

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Brownfields Forecast for Completion in FY’20

Most benefits expected from FY’21 onwards

$169.7m gross capital investment

85 consulting suites

254 Gross beds
157 Conversions
97 Net beds

3 operating theatres

Peninsula Private Hospital, Victoria

FY’19 Approved Projects

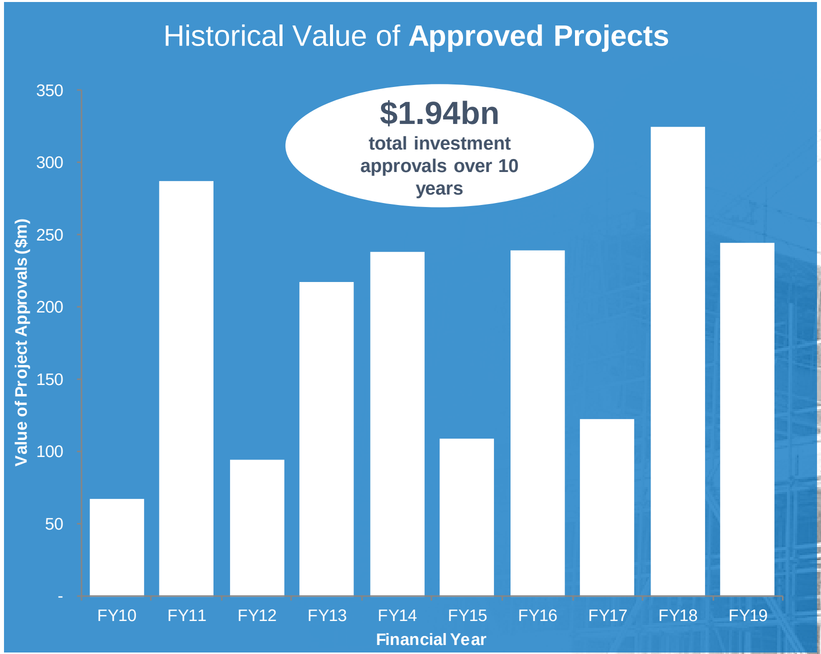
During FY’19 the following projects were approved & have not been completed:

$244.0m gross capital investment

51 consulting suites

306 Gross beds
110 Conversions
196 Net beds

10 operating theatres[1]



**Australian approvals only*

1) Includes all hybrids, theatres, procedure rooms and cath labs.

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Major Capital Investment – FY’20 Approval

Greenslopes Private Hospital

Surgical, Medical & Emergency Centre Expansion

Opening in FY’22

$72.34m Investment

66 beds

64 beds
2 ICU beds

3 theatres

3 procedure rooms

13 ED **Bays**

(expanded ED)

Major Capital Investment – FY20 Approval

Hollywood Private Hospital

New Emergency Department & Beds

$67.7m Investment

New ED

Opening FY'22

90 Beds

Staged opening from FY'22

Capio Acquisition

Acquisition completed November 2018. Compulsory acquisition of minority shares completed May FY’19

- Good underlying growth fundamentals and strategic fit – quality provider and a leader in driving value-based healthcare, digitalisation and specialisation
- In advanced stages of integration including identification of all the relevant procurement and other synergies. Harmonising operations with France
- Capio contributed to the Ramsay Group operating result (EBIT) but this translated to a negative Core NPAT result of $3 million after factoring interest costs from Capio’s debt and interest expense associated with debt funding of this acquisition.
- Divestment of non-strategic assets has commenced
- Capio had a dilutionary impact in first 8 months of ownership but we expect it to be core EPS accretive in the next 2 years

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Capio covers many segments of healthcare

The acquisition of Capio allows us to accelerate our strategic transformation from being a leading private hospital operator in France to being a leading provider of integrated care in Continental Europe.

Proximity Care

Primary care centers

(Only outpatient care)

- Sweden
- Norway

Specialist Clinics

Eye

Psychiatry

Orthopedics

(Mainly outpatient care)

- Sweden
- Norway
- Denmark
- France
- Germany

Hospitals

Local hospitals

Emergency hospitals

(In- and outpatient care)

- Sweden
- Norway
- Denmark
- France
- Germany

Elderly

Geriatrics

Palliative care

Advanced homecare

Rehabilitation

(In- and outpatient care)

- Sweden
- France

Outlook

Outlook

- FY’19 consolidated Ramsay’s position as a leading international healthcare service provider with a diversified business portfolio
- Scale and size provides opportunity to drive greater efficiencies and establish stronger global partnerships
- Industry fundamentals are continuing to drive increased demand
- Anticipate stronger volume growth in FY’20 enhanced by brownfield investment programme in Australia and turnaround in NHS volumes in the UK
- Changes to operating model will contribute positively to earnings in 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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Questions

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