Ramsay Health Care

ASX ANNOUNCEMENT

11th November 2022

TRADING IMPROVES AS COVID CASES DECLINE, RAMSAY REMAINS WELL POSITIONED FOR GROWTH IN VOLUMES OVER THE MEDIUM TO LONG TERM

HIGHLIGHTS

- Activity levels improved across all regions over the course of 1QFY23 compared to the pcp, reflecting the decline in COVID cases in the community. The positive momentum in activity levels continued into October
- Profit improved across the quarter as the estimated financial impact of the COVID environment in Australia and the UK combined declined from an estimated $44m in July to $5.9m in September. The total impact across the quarter in Australia and the UK is estimated to have been $64.4m
- The Ramsay Santé EBITDA result for the quarter declined 16.4% compared to the pcp reflecting a €14m lower contribution from COVID related government revenue and cost support and the direct effect of inflation and higher labour costs due to staff shortages
- Ramsay is focused on negotiating improved terms with payors to reflect higher staffing costs related to labour shortages and inflationary pressures more generally. The Company finalised satisfactory new agreements with a number of private payors over the quarter
- Ramsay's lending group has agreed to increase the maximum allowable leverage ratio within the WOFG[1] banking covenants from 3.5x to 4x to take into account the short-term impact of COVID. We expect gearing levels to reduce as activity improves
- The weighted average cost of debt for the Consolidated Group at the current time is 3.24% (excluding CARES). Approximately 45% of consolidated debt is hedged at an average cost of 1.94% until the end of FY23. Interest rate hedging steps down over the next 4.5 years. The WOFG weighted average cost of debt at the current time is 3.57% (excluding CARES)
- The outlook for the Group remains strong as the business is well placed to take advantage of the positive long-term dynamics driving the healthcare industry. Ramsay expects a gradual recovery through FY23 and more normalised conditions from FY24

RAMSAY HEALTH CARE GROUP

Unaudited Earnings for the three months to 30th September 2022

3 months ended 30th September 2022 A$'m	2022	2021	Chg%
Total Revenue	3,445.4	3,229.7	6.7
EBITDA	410.6	420.3	(2.3)
EBIT	171.9	197.4	(12.9)
Profit before tax	**81.1**	**107.2**	(24.3)
Minority interests*	7.9	(8.6)	191.9
Net profit after tax attributable to owners of the parent	**57.4**	**58.1**	(1.2)

* Change in minority interests reflects the decline in the contribution from Ramsay Santé

[1] Wholly Owned Funding Group – excludes Ramsay Santé and Ramsay Sime Darby joint venture

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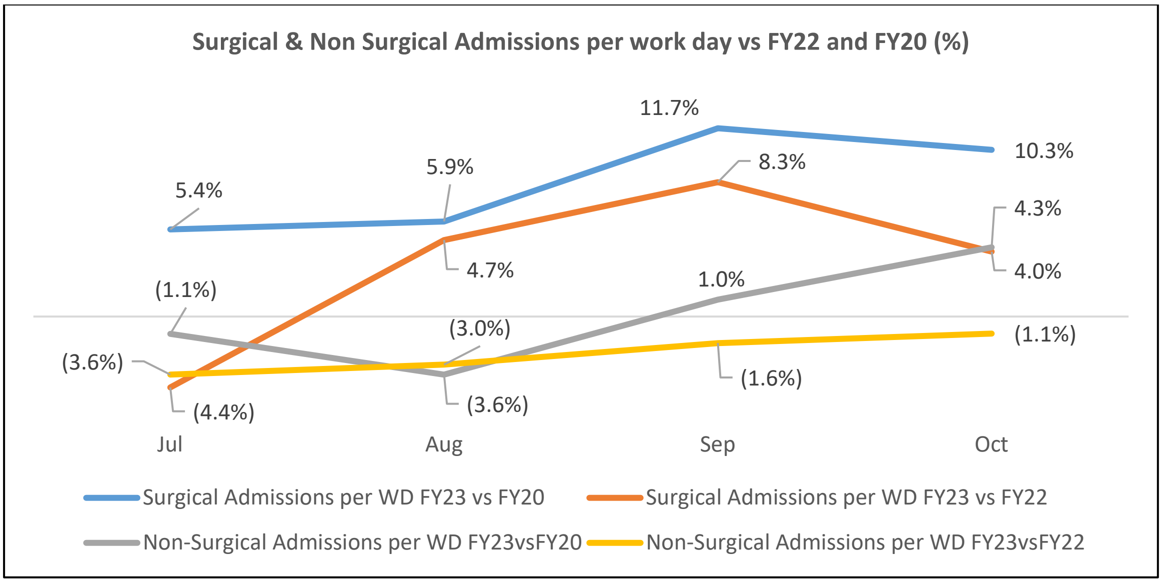
ASIA PACIFIC

Unaudited Earnings for three months to 30th September 2022

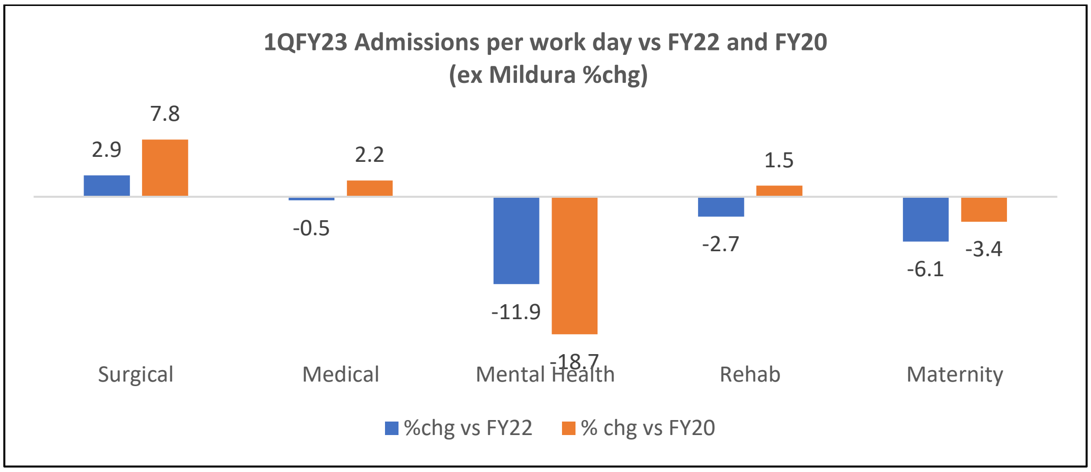
3 months ended 30th September 2022 A$'m	2022	2021	Chg%
Total Revenue	1,422.5	1,372.7	3.6
EBITDA	198.6	196.0	1.3
EBIT	136.6	136.9	(0.2)

Australia

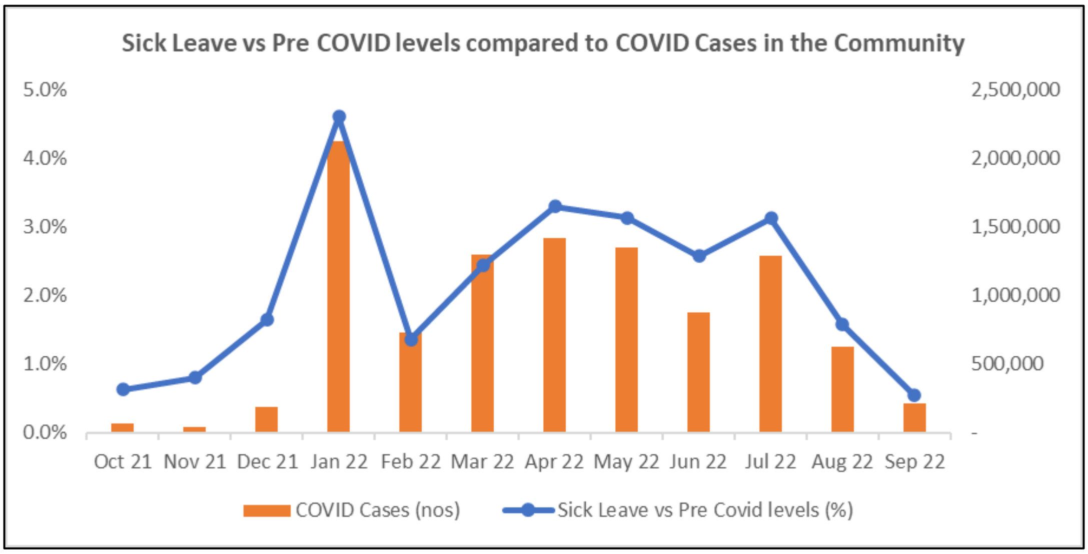
- The operating environment improved across the quarter as COVID and severe flu cases in the community declined, driving an improvement in activity levels and a reduction in the costs associated with patient and doctor cancellations and staff sick leave. The estimated impact of the disruption caused by COVID in the September quarter was $57.7m ($56.8m net of viability payments) (estimated impact in the pcp $55m)
- The monthly financial impact reduced across the quarter from $38.7m in July to $6.1m in September and the impact in October is estimated to have been lower again. Ramsay expects to experience some level of financial impact while COVID cases continue to circulate in the community
- Earnings in 1QFY23 were also adversely impacted by the additional public holiday in September for the memorial of Queen Elizabeth II's passing. The estimated impact in lost activity and higher staffing costs was $7m
- Activity trends improved across the quarter in line with the reduction in COVID cases in the community. While overall admissions per workday for 1QFY23 were flat against pcp (up 3.2% in 1QFY20), the trend improved across the quarter and into October (refer graph below)



- The rate of growth in admissions against prior periods across the **September quarter** improved in most categories (refer graph below). Surgical admissions in the **month of September** increased 8.3% on the pcp (increased 11.7% vs FY20) and medical admissions increased 1.5% on the pcp (5.2% increase versus FY20). Recovery in mental health has been slower but Ramsay is seeing an improvement in October



- In terms of sequential monthly growth, surgical admissions per work-day in October 2022 were 14.2% higher than admissions in July 2022 and non-surgical admissions in October 2022 were 7.7% higher than in July 2022 (Note monthly admissions in the normal course are subject to seasonal factors this is a guide only)
- Day admissions continue to recover more quickly than overnight admissions with day surgical admissions increasing 4.3% for the quarter on the pcp (10.3% increase vs FY20) while overnight surgical admissions increased 0.4% for the quarter on the pcp (3.1% up on FY20)
- Staff absenteeism has declined materially from peak disruption periods in January, April, May and July aligning with the decline in COVID and severe flu cases in the community (refer graph below). Staff turnover and overtime have also declined from peak levels



- Labour efficiency has continued to improve as absenteeism and activity levels have normalised. The business is maintaining a disciplined focus on labour utilisation as the operating environment improves
- Workforce shortages continue to impact Ramsay's ability to return to normal activity levels in some hospitals. A range of measures have been introduced to improve recruitment and retention with a particular focus on critical skills gaps. Longer-term initiatives continued during the quarter, including the continuation of an expanded international recruitment campaign, the onboarding of the August graduate cohort, and the launching of a new cadetship program, with 140 cadet positions already filled
- Negotiations have been completed with a number of health funds during the quarter including BUPA, HBF, Nib, AHSA and HCF. Negotiated rates of indexation and contract terms are reflective of the inflationary environment
- Following the recent expiry of the COVID viability agreements, Ramsay has been working with state governments on commercial terms for public contract work moving forward. Given the large backlog of public work Ramsay expects increasing demand from the public sector in the coming years
- The business continues to focus on the delivery of its strategy, including:
  - Further brownfield developments, with 8 additional theatres (including 1 procedure room) and 6 oncology chairs approved during the quarter within our hospitals at Cairns, Caloundra, Nowra and Wollongong
  - Further investment in mental health, with the opening of the new Ramsay Clinic Thirroul, as well as commencement of works on an adolescent unit at Ramsay Clinic Albert Road and adolescent and young adult unit at New Farm.
  - Opening two more psychology clinics during the quarter, including entry into the Victorian market
  - Continued progress on the delivery of the digital and data strategy

Ramsay Sime Darby (RSD)

3 months ended 30 September MYR'm	**2022**	**2021**	**Chg %**
Net Operating Revenue	328.4	294.4	11.5
EBIT	54.7	39.6	38.1

- Ramsay's 50:50 joint venture in Asia, RSD, reported strong growth in revenue in the quarter compared to the pcp reflecting a strong rebound in activity in Malaysia in local and foreign admissions, offsetting the decline in COVID related testing and vaccination activities
- Activity in Indonesia is starting to pick up albeit at a slower rate than Malaysia as COVID in the community declines. COVID testing and vaccination of outpatients remained a key activity in the quarter
- Margins improved over pcp as activity levels lifted and COVID related costs declined
- RSD's equity accounted contribution to the Asia Pacific earnings for the quarter was $6.1m compared to $4m in the pcp

UNITED KINGDOM

Unaudited Earnings for three months to 30th September 2022

3 months ended 30th September 2022 £'m	2022	2021	Chg%
Ramsay UK	146.7	139.7	5.0
Elysium	109.3	-	-
Total Revenue	**256.0**	**139.7**	83.2
Ramsay UK	17.3	9.8	76.5
Elysium	10.7	-	-
EBITDA	**28.0**	**9.8**	nm
Ramsay UK	4.1	(2.1)	nm
Elysium	6.2	-	-
EBIT	**10.3**	**(2.1)**	nm

Nm = movements of >100%

Ramsay UK

- The operating environment improved progressively over the quarter as COVID cases in the community declined and COVID related operating rules in the hospital environment were relaxed. Admissions in July were 2% below the pcp improving to 7% above the pcp in the month of September (increasing 5% for the quarter compared to the pcp)
- EBITDA margins improved from 9.2% in July to 11.7% in September reflecting progressively lower COVID related costs, including the impact of patient cancellations and improved procurement benefits to help mitigate the impact of the inflationary pressure in the market. The impact of COVID during 1QFY23 is estimated to have been £5.7m (£1.5m in September) with 3,270 patient cancellations as a direct result of COVID across the quarter (870 cancellations in September)
- The prior period result includes £2.4m of transaction costs associated with the Spire transaction. Removing the impact of these costs EBITDA and EBIT increased 41.8% and 12.7% on the pcp respectively (in local currency)
- Reflecting the weakness in the pound cross rates, Ramsay UK EBIT result in Australian dollars increased 275% to A$7m
- Ramsay has continued to engage with NHS England on strategies to reduce waiting lists. The business continues to receive the highest number of referrals through the electronic referral system (eRS) of any independent sector provider
- Activity levels have continued to improve in October however there has been a rise in COVID and flu cases in the community that may impact trading conditions moving into the northern hemisphere winter. Ramsay is encouraging all staff to receive COVID booster shots and flu shots

Elysium Healthcare

- Revenue for the quarter increased 15.4% on the pcp reflecting a 12.3% increase in average occupied beds across the quarter to 2,034 (reflecting new developments coming online), a small increase in the daily fee and a 42.5% increase in specialing revenue

- Earnings were impacted by lower-than-expected occupancy rates, as the ramp up of new facilities has been slowed by staffing shortages; inflationary pressures; and higher use of agency staff over the period. EBITDA was 32.9% down on the pcp (in local currency)
- In September Elysium acquired two freehold properties for £40m for the provision of services for child and adolescent mental health services (CAMHS). The first site is an existing fully operational site in Ebbw Vales in Wales (21 beds) and the second site is a new facility in Redditch, England (18 beds including 6 beds for young adult with eating disorders) which is expected to open in December 2022. The facilities have established relationships with NHS Wales and England and are consistent with the UK government's strategic objective to deliver care closer to home and reduce the length of stay for young people and young adults
- The key focus of the business remains integrating new acquisitions, improving occupancy rates and addressing labour shortages with new recruitment programs

RAMSAY SANTÉ

Unaudited Earnings for three months to 30th September 2022

3 months ended 30th September 2022 €'m	**2022**	**2021**	Chg%
Total Revenue	1,072.0	994.2	7.8
EBITDA	110.2	131.8	(16.4)
EBIT	11.0	40.3	(72.7)

- The French Government has issued the decree extending the revenue guarantee from 1st July 2022 to 31st December 2022 providing stability to the French acute hospital business while the operating environment remains unpredictable
- The increase in revenue for the quarter reflects growth across all services in France in particular MSO (medical surgical and obstetrics). MSO admissions continue to be skewed to day admissions with inpatient admissions declining 3.8% compared to the pcp and day patients increasing 4.4% compared to the pcp
- Revenue in the Nordics region increased 19.9% on the pcp reflecting a 9.6% increase in MSO admissions as activity ramped up post the vacation period; and an increase in specialty care services reflecting recent acquisitions
- On a like for like basis revenue increased 4.9% on the pcp primarily driven by proximity and specialist care patients in Sweden and Denmark
- Earnings were impacted by mix issues, the direct effect of inflation and higher personnel costs, including increased interim staff costs as staffing shortages continued to impact the business
- Government funded COVID related revenue and cost subsidies booked for the quarter were €14m lower than the pcp primarily due to lower COVID cost compensation grants in France
- In Australian dollars EBIT declined 73% on the pcp to A$17.7m
- Activity levels in October have continued to improve as doctors and patients return from the vacation period and COVID cases in the community, while rising, remain at manageable levels. The business continues to work closely with governments in its regions to monitor and manage COVID cases as it moves into the northern hemisphere winter

- Labour shortages in France have gradually improved over 2022 following the introduction of a series of measures earlier in the year however upward pressure on staffing costs remains
- The focus in the Nordics region remains on the integration of recent acquisitions, in particular GHP and capturing a share of the elective surgery backlog that has resulted in long wait times in the region

GROUP OUTLOOK

- Ramsay has invested approximately $2.7 billion over the past two financial years to expand and upgrade its facilities and broaden its service base. This investment is underpinned by: demographic trends driving strong demand for healthcare services in western countries; advances in clinical practice improving patient outcomes and extending life expectancy; the elective surgery backlog created by the pandemic combined with an increase in demand for some non-surgical services; and increased Government focus on the importance of investment in maintaining strong, efficient healthcare systems
- Ramsay will accelerate investment in its digital and data strategy aimed at delivering a more integrated patient experience, improved clinical outcomes and productivity improvements
- Underlying earnings growth for the remainder of FY23 will benefit from the additional capacity created over the last few years combined with full year contributions from Elysium and recent acquisitions in Europe. The focus remains on driving the synergies, realising the growth opportunities and improving returns
- In the near term, the industry continues to be impacted by COVID cases in the community combined with restrictive guidelines around the patient pathway together with the resultant impact on the availability of the workforce, impeding a recovery in volumes and productivity
- Our partnership and relationships with governments in each of our markets have developed over the last few years. Ramsay believes there are meaningful opportunities for the private sector to partner with governments. Given our global health care capabilities and proven reliability as a private sector operator Ramsay is uniquely qualified to be a core healthcare partner
- Given inflationary and COVID related pressures on costs, Ramsay is focused on negotiating improved terms with payors to reflect this, (both health funds and governments) leveraging the Group's global scale in procurement and driving efficiency and productivity improvements where the operating environment allows
- Ramsay believes the outlook for the Group remains strong. The Company's world class hospital network combined with its outstanding people and clinicians give it confidence that the business is well placed to take advantage of the positive long-term dynamics driving the healthcare industry. Ramsay expects a gradual recovery through FY23 and more normalised conditions from FY24 onwards

A webcast hosted by CEO and Managing Director Craig McNally and CFO Martyn Roberts will be held at 9.30am today to answer any questions regarding the update. To pre-register for the webcast please click on the following link:

Ramsay Health Care link to register for the webcast

For further details please contact:

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The release of this announcement has been authorised by the Ramsay Health Care Board of Directors

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