RAMSAY HEALTH CARE

1HFY23 Result Presentation

6 months ended 31st December 2022

Managing Director & CEO - Craig McNally
Group Chief Financial Officer - Martyn Roberts




People caring for people

Important Information

The information in this presentation is general background information about Ramsay Health Care Limited and its subsidiaries (Ramsay Group) and their activities and is current as at 23rd of February 2023. It is in summary form and is not necessarily complete. It should be read together with the Company's unaudited consolidated financial statements lodged with the ASX on 23rd February 2023

The information in this presentation is general information only and is not intended to be relied upon as advice to investors or potential investors and does not take into account your objectives, financial situation or needs. Investors should consult with their own legal, tax, business and/or financial advisers in connection with any investment decision.

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The Ramsay Group undertakes no obligation to update any forward looking statement to reflect events or circumstances after the date of this presentation, subject to disclosure obligations under the applicable law and ASX listing rules.

Ramsay Health Care

Agenda

Ramsay Health Care

KEY THEMES - Business trends improve as COVID impact abates

Operating results improved progressively over the six-month period to December 2022, driven by an **improvement in surgical activity levels** across all regions reflecting the decline in COVID cases, **the reduction in surgical restrictions** and **better management of the disruption caused by COVID** as teams adjust to living with the virus

Results improved Q2 over Q1 despite a temporary slowing in December as a result of another wave of COVID cases. **February has seen a return to positive momentum in activity levels**

The healthcare industry globally continues to be **impacted by staff shortages and rising labour costs**. Ramsay has implemented a range of initiatives which are gradually **driving down vacancies across the regions**. Recruitment and retention of employees remains a key focus

The Company finalised satisfactory **new agreements with key private payors in Australia and the UK that more reflect the recent higher cost environment.** Ramsay remains focused on improving productivity, efficiencies and procurement benefits to mitigate cost pressures

The business **is partnering with public health sectors under commercial contracts** in each region to assist with reducing backlogs and returning the system to the timely provision of quality healthcare. Activity levels will depend on the timing and quantum of funding available

Ramsay **continued to invest in its world class hospital network and new & adjacent services.** A further $179m was invested in brownfield, greenfield and growth projects and $41.2m in digital and data initiatives, driving growth in capacity to meet future demand and improve operating efficiency

The **outlook for the Group remains strong**. The business remains well placed to take advantage of the long-term dynamics impacting the healthcare sector, leveraging the benefits of global collaboration and insight to establish communities of best practice to adapt to local markets

OUR PEOPLE – Programs underway; recruitment and retention remain biggest business challenge

RECRUITMENT

Boosted recruitment campaigns

- Ramsay Australia made 4,000+ permanent appointments in 2022
- 490 new hires via Ramsay Australia's Employee Referral Program
- 28% increase in clinical placement offers by Ramsay UK
- 38 new starters via university partnerships in Malaysia
- Piloting an overseas nursing placement program in Australia

Targeting areas of clinical need:

- 600 undergraduate enrolled nurses and registered nurse cadets enrolled in Australian Cadetship Program
- 69 sponsored Malaysian students undergoing University of Wollongong nursing program
- 38% increase in apprenticeships at Ramsay Santé.

TRAINING & CAREERS

- Landmark new partnership with TAFE NSW guarantees nursing students a Ramsay internship and an interview after graduating.
- 590 Australian employees enrolled in Leadership Masterclass Series
- 160 leaders of the future attended Ramsay Executive Leadership Summit in September
- 110 Ramsay Santé managers trained at ESCP business school
- 84 student nurses, midwives and radiographers provided with study grants by Ramsay Santé

tied to working at Ramsay upon graduation

- Second cohort of 14 Global Corporate Graduates commenced two year program.

CULTURE

- Ramsay Santé is the first listed healthcare group to sign a Quality of Life at Work agreement. Initiatives include:
  - 2,200 managers trained on harassment
  - 20% increase in nursery places for employees' children
- Launched global Employee Value Proposition and framework for regional Alumni Programs
- 71% of employees in Denmark say the company is supporting a good work-life balance
- Launched The Ramsay Way Awards program in Australia to recognise employees promoting our values
- 490 UK employees participating in new flex leave scheme.

GROUP – 1HFY23 Result Overview

The result benefited from growth in surgical activity across all regions; activity was skewed more heavily to day surgery. Recovery in non-surgical activity has been inconsistent. **Mix changes impacted margins**

The direct impact of COVID declined from $66.8m to immaterial levels in Q2 with residual impacts expected to continue for the foreseeable future

Acquisitions in FY22 including Elysium and GHP **contributed $38.8m in EBITDA**

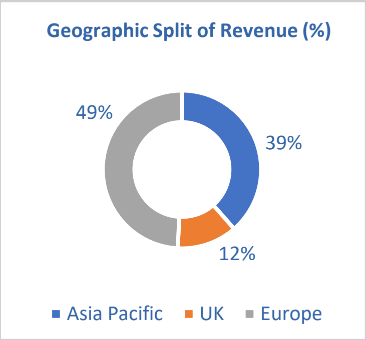
Clinical and non-clinical labour shortages and higher staffing costs **restricted capacity utilisation and slowed the recovery in earnings**

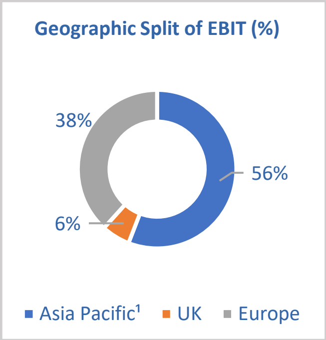
Profit after tax and minority interests includes a **positive contribution from non-recurring items of $34.4m** compared to a negative contribution $33.1m in the pcp

Fully franked dividend of 50 cps was determined, up 3% on the pcp

6 months ended 31 December A$'m	$'m	% chg on pcp	chg (%) cc[1]
Total revenue and other income (less interest income)	**7,380.8**	**10.4**	**13.6**
EBITDAR	**1,093.4**	**8.3**	**10.8**
EBITDA	**1,026.5**	**7.8**	**10.1**
EBIT	**549.6**	**12.3**	**13.2**
PBT	**338.5**	**11.5**	**9.6**
Minority interests attributable to non-controlling interests	(42.1)	15.6	17.8
Statutory Net Profit to owners	**194.4**	**22.3**	**19.8**
Interim dividend per share (DPS) (cps)	**50.0**	**3.1**	**-**
Fully diluted earnings per share (EPS) (cps)	**82.9**	**22.5**	**-**

1. Cc – constant currency





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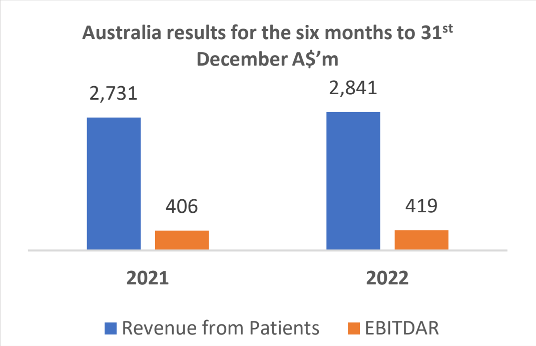
AUSTRALIA – Highlights & Outlook

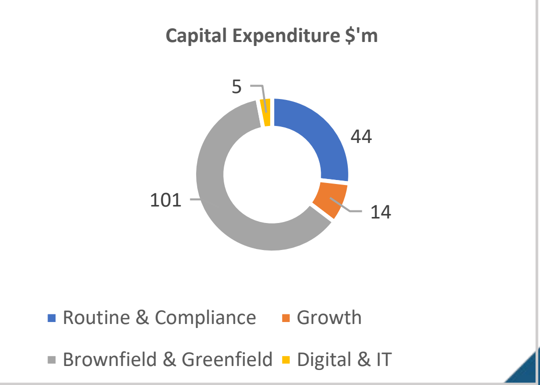
RESULT HIGHLIGHTS

- The operating environment across the six-month period improved as community COVID cases declined from the peak in July. A wave of cases in late November/December temporarily slowed the momentum in activity levels, however **Q2 was stronger than Q1**
- The estimated direct impact of COVID declined from $56.8m in Q1 to an immaterial impact in Q2. **The residual costs are expected to continue for the foreseeable future**
- **Growth in activity levels was driven by elective day surgery.** The recovery in non-surgical admissions, particularly mental health, remains patchy with ongoing COVID restrictions such as testing and mask wearing impacting the return of day admissions
- **Successful negotiations with a number of private payors were completed**, with rates that are more reflective of the current environment
- **Staff shortages in key areas continue to limit capacity** in some hospitals

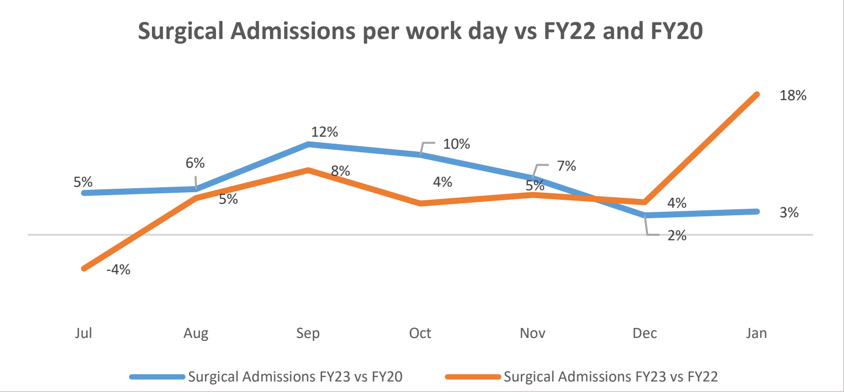
OUTLOOK

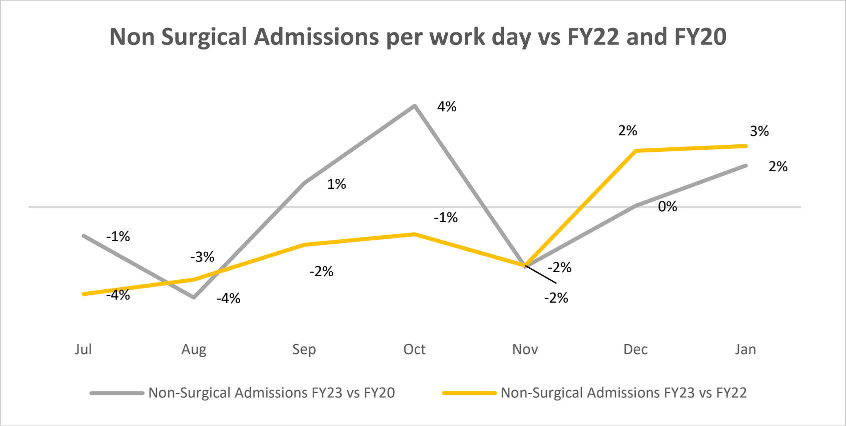
- COVID cases in the recent wave peaked in late December and the business has seen a decline in staff absenteeism and **an increase in activity in February, consistent with patterns in 1HFY23**
- Further investment is being made to address short and long-term workforce issues, with **nursing vacancies declining by approximately 20% since March 2022**
- Ramsay has **agreed new contracts with state governments** on commercial terms for public work moving forward to assist the public sector in reducing waiting lists
- The business continues to **focus on negotiations with health funds to ensure that rates of indexation and contract terms are more reflective of the inflationary environment.**
- Business growth focused on **hospital developments** including new private emergency centres under construction at Warringal and Wollongong, **building digital and data capabilities** and **extending out of hospital presence** in a broad range of preventative, post-operative and home care services

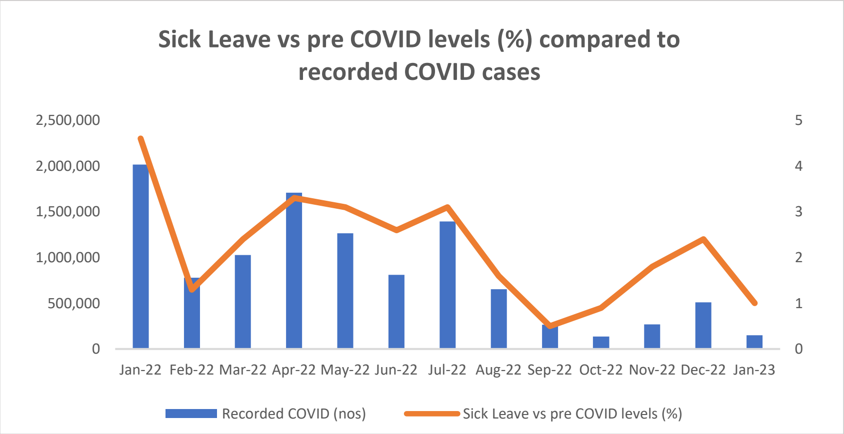


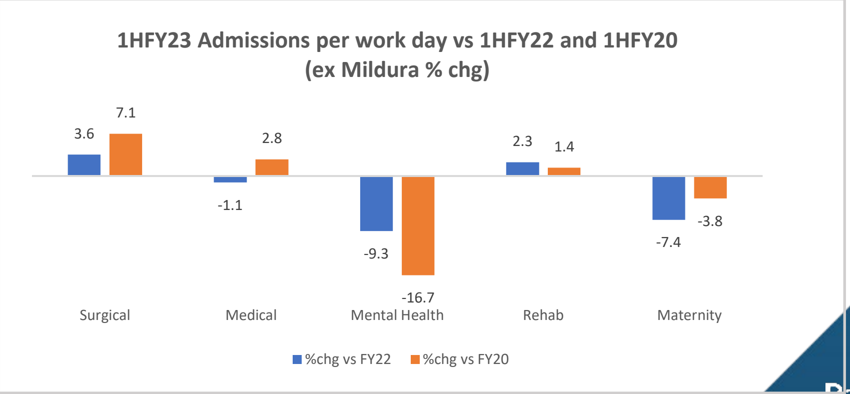


Trends in Admissions & COVID-related absenteeism









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AUSTRALIA – Investment Pipeline

1HFY23 INVESTMENT

- 1HFY23 brownfield/greenfield capex $101m
- Digital & data capex $5m
- Digital & data project operating expenses $4.6m

1HFY23 PROJECTS

Projects completed during the period at a net investment of $54.3m delivered:

- 22 net beds & 1 cath lab

Hospital projects completed include:

- Stage 1 redevelopment of Peninsula Hospital
- Expansion of Wollongong hospital

Digital & Data:

- Commenced electronic health records project
- Development of centralised patient data hub
- Investment focused on efficiencies and productivity

Out of Hospital:

- One Ramsay Health Plus[2]
- One pharmacy
- 3 psychology clinics

1. Costs net of benefits that are expected to start to flow in FY24
2. Allied health clinic

INVESTMENT PIPELINE - OUTLOOK

- 2HFY23 capex on greenfield and brownfield development pipeline expected to be ~$100m-130m
- FY24-FY25 investment in greenfield and brownfield development pipeline expected to be in the range $250m – $400m pa
- 2HFY23 digital and data project spend expected to be $16-18m
- Digital and data project spend is expected to be $70-80m in FY24 and $110-130m pa in FY25

Northern Private Hospital in Epping, Victoria. Stage 1 & 2 to open in 3QFY24 with 126 beds, six operating theatres and one cath lab.

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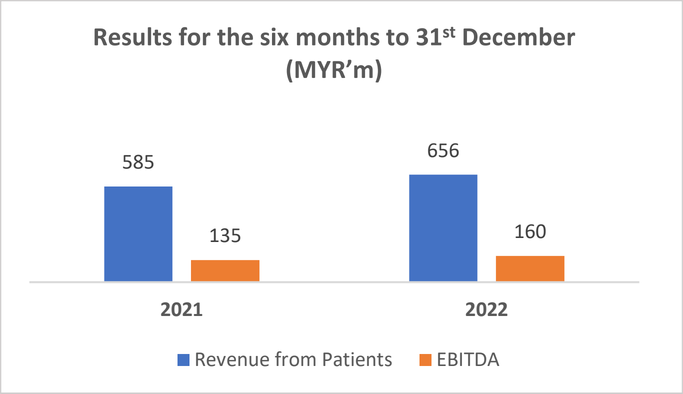
RAMSAY SIME DARBY – Highlights & Outlook

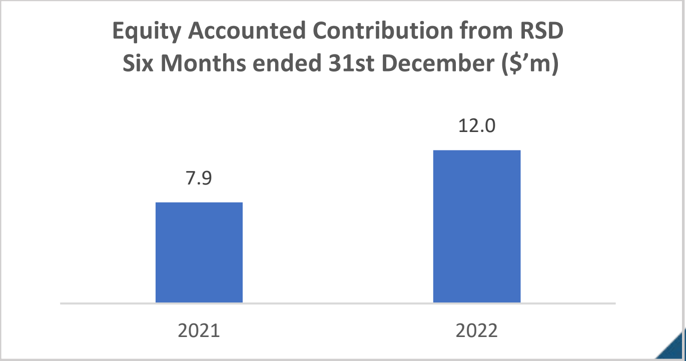
RESULT HIGHLIGHTS

- Ramsay's 50:50 Asian joint venture Ramsay Sime Darby (RSD) reported a 12% increase in revenue over the pcp (in local currency) for the six-month period reflecting increased inpatient activity in Malaysia offset to an extent by lower COVID related revenue streams in Indonesia
- EBITDA benefited from higher volumes combined with lower COVID related expenses including staff absenteeism
- The equity accounted contribution from the joint venture **increased 51.9%** on the pcp to $12m

OUTLOOK

- The 2H23 contribution is expected to be lower than 1H23 due to seasonality factors
- RSD is experiencing the impact of labour shortages across the healthcare industry





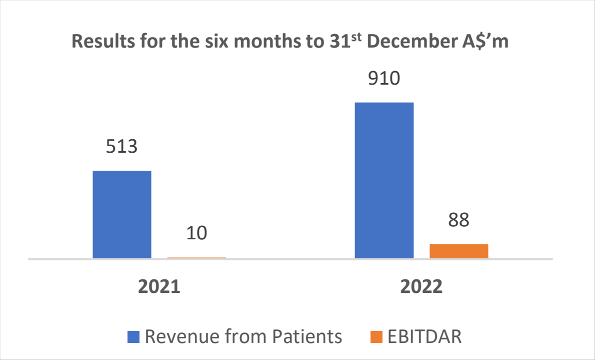
UNITED KINGDOM – Highlights & Outlook

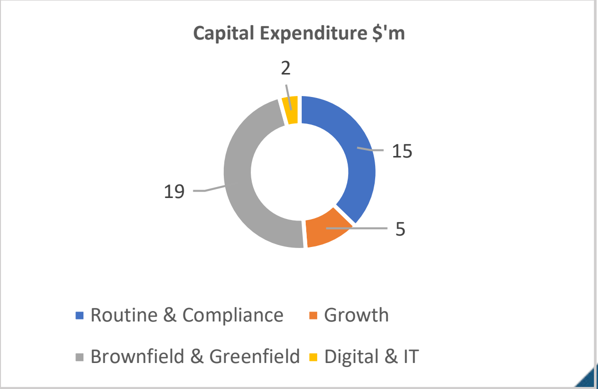
RESULT HIGHLIGHTS

- The acute hospital business reported a **turnaround in underlying results** driven by the improving operating environment combined with better management of COVID disruption, supply costs and recruitment efforts
- The impact of non-recurring items on EBIT was +$5.6m compared to -$24.9m in the pcp
- The estimated direct impact of COVID declined from $10m in Q1 to an immaterial impact in Q2. **The residual costs are expected to continue for the foreseeable future**
- Elysium's earnings were impacted by staffing shortages which hampered the ramp up of new facilities and resulted in the higher use of agency staff increasing labour costs.**The impact of industry wide staffing issues became more acute in Q2**
- Elysium acquired two CAMHS[1] facilities during the period for $68m
- Both **businesses were impacted by inflation** which is at a 40 year high in the UK

OUTLOOK

- **Demand for mental health services remains high**, Elysium continues to work on partnership opportunities with the NHS
- Elysium has launched a number of programs **to address staffing issues and costs across all sites.** Applications and appointments have increased significantly from January and as a result occupancy has started to improve
- Ramsay UK expects to benefit from the Government's commitment to reduce surgery waiting lists and improve access to medical services **utilising the private sector as a key partner**
- The business expects to continue to **benefit from the growth in private patients** and has been successful in open market tenders with a number of the private insurers over the last twelve months. The private pay business is being supported by investment in a campaign aimed at consumers through enhanced digital access





1. CAMHS – child and adolescent mental health facilities

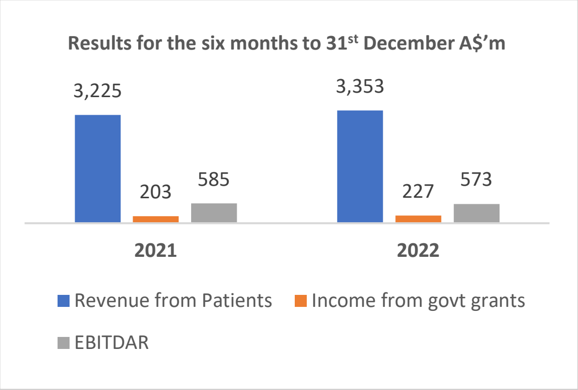
EUROPE – Highlights & Outlook

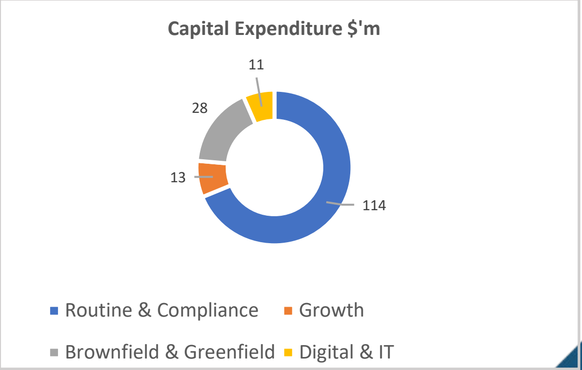
RESULT HIGHLIGHTS

- After a slow start, **activity in the region increased with surgical activity skewed to day surgery.** Non-surgical activity, in particular rehab, also increased on the pcp
- Support from governments in the region including to cover the increased costs of operating in the current inflationary environment was A$227m compared to A$203m in the pcp
- High inflation rates in Europe combined with increases in staff expenses increased costs beyond payor compensation
- EBIT included **non-recurring items of +$45.3m** compared to +$12.6m in the pcp
- A range of initiatives have been introduced in response to the industry wide critical staff shortages. **Vacancy rates have declined 69% since January 2022** however higher labour costs and staff shortages continued to impact the result
- The result included a six-month contribution from GHP and recent acquisitions in the Nordics of **revenue $177.9m and EBITDA $18.8m**
- The contribution from Ramsay Santé to Ramsay's NPAT after minority interests declined 22.9% (in local currency) to €24.3m

OUTLOOK

- Ramsay Santé will continue to implement strategies to meet the **dual challenges facing the sector created by the significant inflationary pressures and critical labour shortages**
- The business is focused on a range of efficiency measures to partially offset the inflationary pressures
- The French Government has indicated that it will **extend the revenue guarantee from 1st January to 31st December 2023.** This is yet to be confirmed by decree. The structure may not be the same as in prior periods
- Activity levels have started to increase as the recent wave of COVID cases has declined
- The Nordics will be focused on the integration of recent acquisitions and the development of an integrated digital platform





Ramsay Health Care

Ramsay cares

Ramsay is driving sustainability action through 3 pillars:
Healthier People, Stronger Communities and a Thriving Planet

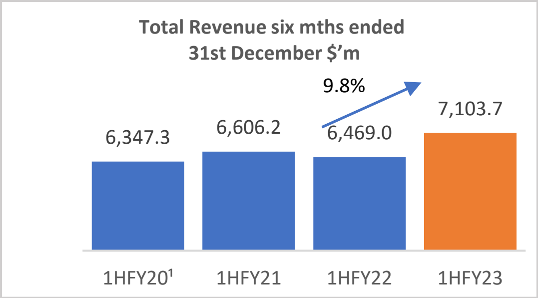
caring for our people	• **The Ramsay Way Awards** launched to recognise Australian employees sharing and advocating our values. • **People & Culture Forum** established for Ramsay UK employees to develop inclusion and diversity initiatives • **Gold standard accreditation awarded to four Ramsay Sime Darby Health Care hospitals** from the Joint Commission International (JCI)
caring for our planet	• **50 million single-use plastic items removed/replaced in Australia**, with a new target to swap out 75 million pieces by Dec 2023 • **Achieved over 50% of target to install 6.3MW renewable energy projects by 2026**. The systems have generated more than two-million kWh of electricity (as at Jan 23) • **Ramsay UK ceased using anaesthetic gas desflurane in Sep 2022**; all regions have reduced desflurane use in 'greener theatres' campaign to switch to more environmentally friendly options
caring for our community	• **Launched Global Responsible Sourcing Policy** • **Sustainability assessments (EcoVadis) achieved for over 40% of global spend** (target 80% by 2026) • **Ramsay Santé is the first listed healthcare group to become a *Mission Company*** under French (PACTE) law. Ramsay Santé's mission purpose is to "Improve health through constant innovation" • **Introduced a 'Giving Back Day'** to facilitate Ramsay UK employees volunteering at local charities • **Provided support for Cianjur earthquake victims at** Premier Jatinegara Hospital and Premier Bintaro Hospital, the two health facilities closest to the incident

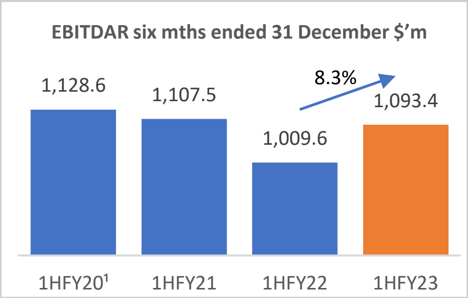
Ramsay
Health Care

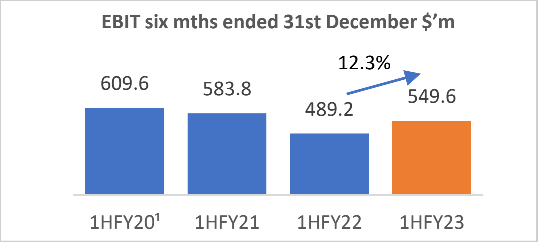
Group Financials
Martyn Roberts
Group CFO

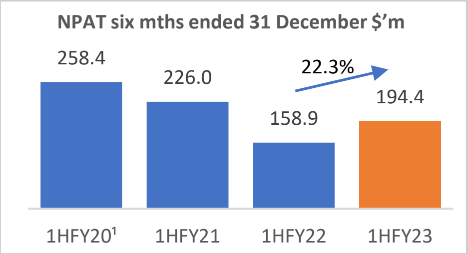
1HFFY23 – Group Performance

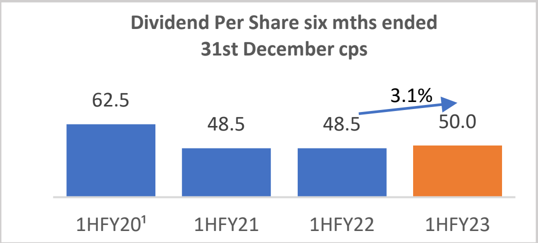
- Total revenue from patients and other revenue increased 9.8% reflecting improved elective surgery activity across all regions and the inclusion of Elysium, GHP and smaller Nordics acquisitions ($560m)
- Income from government grants in Europe increased 11.8% over the pcp and included compensation for salary increases and recognition of the inflationary environment
- Acquisitions contributed $38.8m in EBITDA
- Q2FY23 Group EBIT ex non-recurring items was 85% higher than Q1FY23 EBIT reflecting the momentum in activity levels across the six-month period and the timing and quantum of payments under government grants in Europe
- Non-recurring items after tax and minority interests were +$34.4m vs -$33.1m in the pcp. Includes profit on the sale of property in Europe of $19.3m after tax

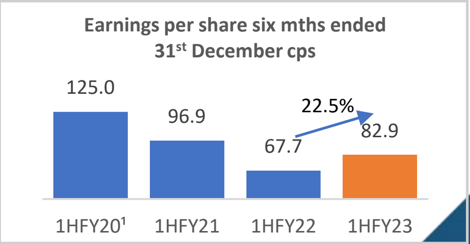












1. Pre Covid

Balance Sheet & Cashflow

Cashflow

Half Year ended 31 December A$'m	2022	2021	Chg (%)
EBITDA	1,026.5	952.6	7.8
Changes in working capital	(175.8)	(426.3)	58.8
Finance costs	(216.2)	(190.6)	(13.4)
Income tax paid	(126.5)	(133.5)	5.2
Movement in other items	(66.4)	(22.8)	(191.2)
Operating cash flow	**441.6**	**179.4**	**146.2**
Capital expenditure	(371.2)	(388.0)	(4.3)
Free cash flow	**70.4**	**(208.6)**	**(133.7)**
Net divestments/(acquisitions)	(20.9)	1,914.6	101.1
Interest & dividends received	6.6	1.6	312.5
Cash flow after investing activities	**56.1**	**1,707.6**	**(96.7)**
Dividends	(122.2)	(243.7)	49.9
Other financing cash flows	178.9	(1,771.9)	(110.1)
Net increase/(decrease) in cash	**112.8**	**(308.0)**	**136.6**
Interest cover (x) (EBITDA/finance charges)	4.7	5.3	(11.3)

Balance Sheet

A$'m	31/12/2022	30/06/2022	31/12/2021
Working capital	(169.4)	(345.2)	(368.5)
Property plant & equip	5,035.7	4,806.5	4,537.1
Intangible assets	5,961.9	5,822.7	4,320.6
Current & deferred tax assets	106.2	111.7	177.5
Other assets/(liabilities)	(68.6)	(169.7)	(305.0)
Capital employed (before right of use assets)	**10,865.8**	**10,226.0**	**8,361.7**
Right of use assets	4,735.4	4,627.7	4,315.8
Capital employed	**15,601.2**	**14,853.7**	**12,677.5**
Capitalised Leases (AASB16)	**5,645.6**	**5,482.4**	**5,182.0**
Net Debt (excl. lease liability debt & incl. derivatives)	5,241.0	4,845.1	2,985.9
Total shareholders funds (excl. minority interest)	4,070.1	3,933.5	3,958.3
Invested Capital	**9,311.1**	**8,778.6**	**6,944.2**
Funding Group Net Debt (excl. lease liability debt and incl derivatives) A$'m	2,601.8	2,416.8	840.7
Return on Capital Employed (ROCE) (%)	6.7	6.6[1]	8.5
Return on invested capital (ROIC) (%)	3.8	3.6[1]	5.5
Funding Group Leverage (Old Lease Standard AASB 117) (x)	3.5	3.3	1.0
Consolidated Group Leverage (New Lease Standard AASB 16) (x)	5.7	5.7	4.2

1. Proforma excluding funds in escrow for the Spire Transaction

- Key movements in the balance sheet and cashflow relate to the acquisition of two new facilities in Elysium ($68.1m) and the sale of property in Europe ($55.7m)
- The movement in working capital primarily relates to the increase in receivables due from governments for subsidies, paid to Ramsay Santé
- Net financing costs (ex IFRS 16) increased 31% over the pcp. Excluding the impact of swap mark to market movements in Ramsay Santé's financing in this year and last year, net financing costs increased 39% reflecting higher base rates and higher average drawn debt across the period compared to the pcp
- There is a deferred payment associated with the sale of the European property of $30.5m classified as a non-current asset

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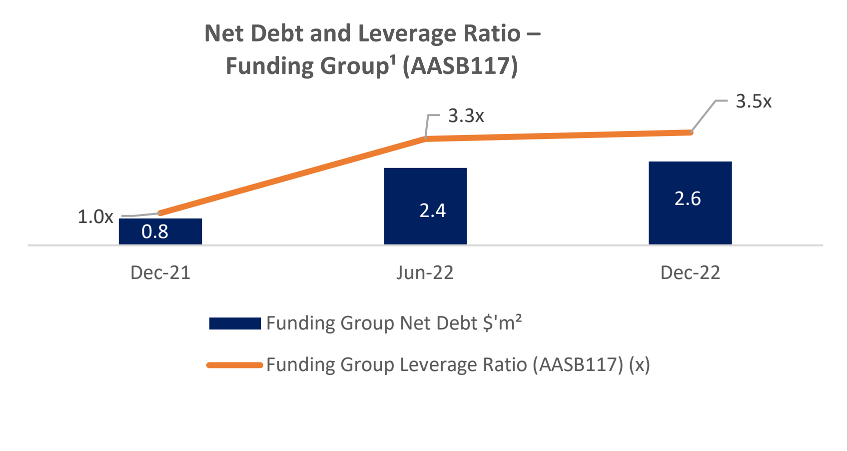
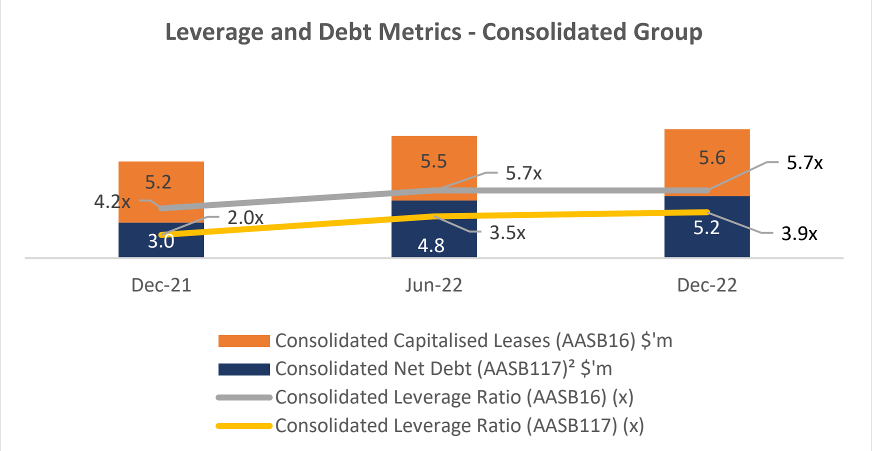
Leverage



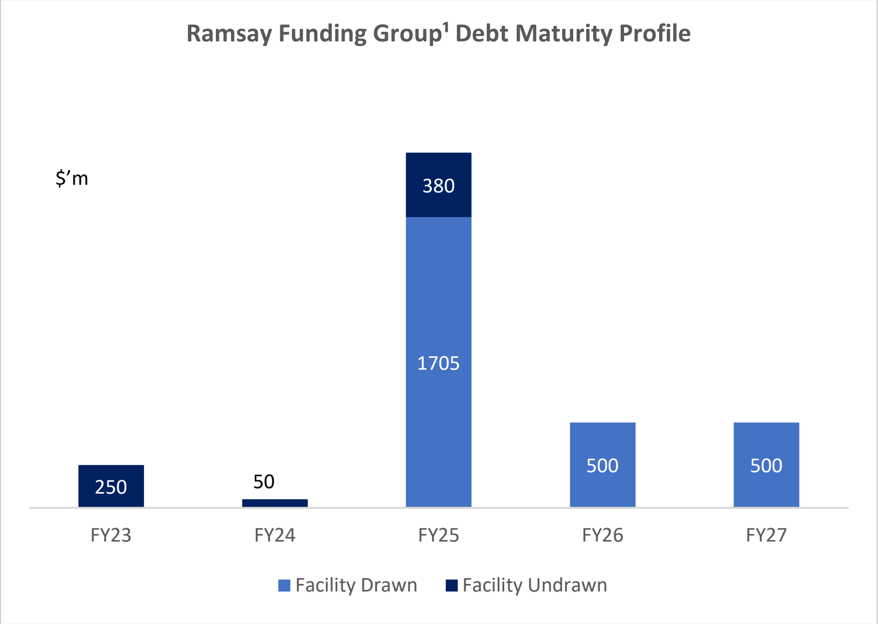


- Ramsay's lending group agreed to increase the maximum allowable leverage ratio within the Funding Group banking covenants from 3.5x to 4x to take into account the short-term impact of COVID. Leverage is expected to reduce as trading improves
- The weighted average cost of debt for the Consolidated Group at the current time is 4.30% (excluding CARES). Approximately 68% of the Consolidated Group debt is hedged at an average base rate (excluding lending margin) of 2.44% until the end of FY23.
- Interest rate hedging steps down over the next 4.5 years. The Funding Group weighted average cost of debt inclusive of margin at the current time is 4.26% (excluding CARES)

1. Funding Group – excludes Ramsay Santé (funded by standalone debt facilities). Banking covenants and Fitch rating based on the Funding Group earnings profile and net debt
2. Net debt (excl lease liability debt and incl derivatives)

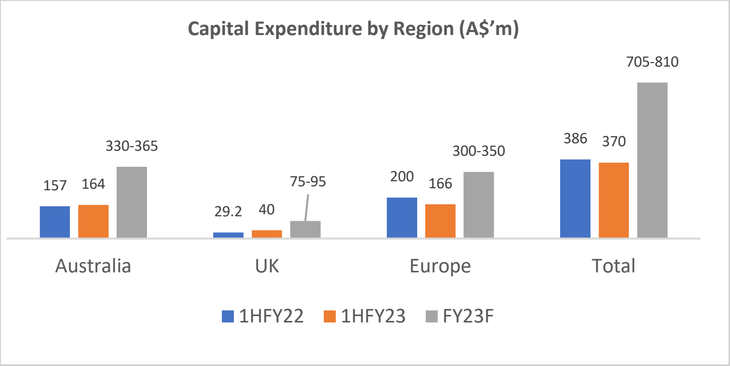
Funding

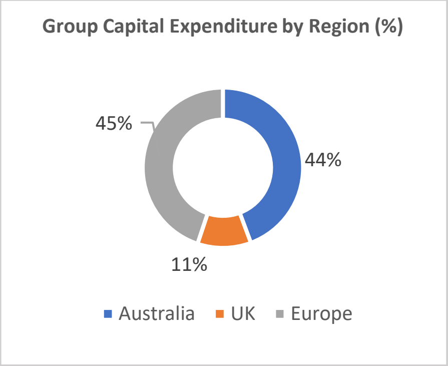
- As at 31 December 2022 the weighted average debt maturity (excl. CARES) was 2 years
- Ramsay continues to explore opportunities to diversify the Funding Group's sources of funding and extend the duration of its debt

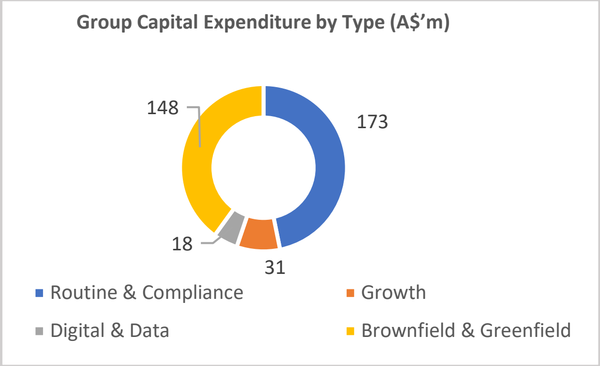


1. Funding Group – excludes Ramsay Santé and Ramsay Sime Darby (both funded by standalone debt facilities) . Banking covenants and Fitch rating based on the Funding Group earnings profile (EBITDA -AASB16 excluding non core items, proforma 12 month contribution from acquisitions) and net debt

Capital Expenditure







- Total Group capital expenditure of $370m was 4.2% lower than the pcp following the completion of a number of projects in the UK, a slow down in spend in Europe and delays in the approval and building tender processes in Australia
- Full year spend is expected to be lower than forecast at the beginning of the year due to the delays associated with the current operating environment including bottlenecks in the Australian building industry
- Total capital expenditure is expected to remain higher than pre COVID levels for the FY24-FY26 period
- Investment in the business will also include digital and data spend that will largely be treated as opex

Ramsay Health Care

STRATEGY & OUTLOOK

Craig McNally
Managing Director
& Group CEO

Ramsay
Health Care

Ramsay will continue to invest in its strategy to be a leading, integrated healthcare provider of the future

OUR VISION: To leverage our global platform and be a leading healthcare provider of the future

By growing, modernising and leveraging our **World Class Hospital Network**

- Organic growth
- Strategic expansion
- Strategic growth in key therapeutic areas

Integrated patient-centred care

And moving purposefully into **New & Adjacent Services**

- Extended patient pathway
- Broader digi-physical care delivery
- New services, existing regions
- Diagnostic and imaging services
- New payers and funding models

OUR MISSION: Creating a best-in-class, digitally enabled healthcare ecosystem - to change what is possible for your health

Operational Excellence *will deliver value for all stakeholders*

- Procurement
- Operational efficiencies
- Excellence in service delivery

Strong Organisational Foundations *will underpin our achievements*

- Digital and data transformation
- Clinical excellence
- Industry leading talent
- Ramsay Cares sustainability strategy
- Strategic partnerships and M&A capability

OUR PURPOSE: People caring for people

Group Outlook

Ramsay expects a gradual recovery through FY23 and more normalised conditions in FY24

- **Ramsay has invested approximately $3 billion since the start of CY2020 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 is **accelerating 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. Capacity utilisation is subject to our ability to cover labour force shortages in critical areas. The focus remains on **driving synergies, realising the growth opportunities and improving returns**
- Ramsay's relationships with governments in each market have developed over the last few years. The Company 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**
- Ramsay continues to **focus on negotiating improved terms with payors** to reflect the inflationary environment and COVID related costs, leveraging the Group's global scale in procurement and driving efficiency and productivity improvements where the operating environment allows
- The French Government has indicated that it will extend the revenue guarantee from 1st January to 31st December 2023. This is yet to be confirmed by decree. The structure may be different to prior periods
- **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.
- **The path out of COVID is not expected to be smooth** as the industry continues to be impacted by COVID combined with restrictive guidelines around the patient pathway, which together with the resultant impact on workforce availability, may slow the pace of recovery in volumes and productivity
- As the operating environment normalises, Ramsay will **target a dividend payout ratio in the range of 60-70% of Statutory Net Profit**

QUESTIONS

Ramsay
Health Care

Ramsay Health Care

ASX ANNOUNCEMENT

23rd February 2023

Ramsay Health Care 1HFY23 Interim Results - Presentation Speech

Slide 1 Front Cover

Good morning, everyone and thank you for joining us for our FY23 first half results presentation webcast. My name is Craig McNally, and I am the Managing Director & CEO of Ramsay Health Care, and I am joined by Martyn Roberts our Group Chief Financial Officer.

Slide 2 - Disclaimer for noting

Slide 3 Agenda

Today we will provide an overview of our performance for the six-month period, an update on our strategic direction, before covering off on the outlook for the Group.

Slide 4 Key Themes

As always, I would like to start by thanking Ramsay's people and clinicians who have delivered the results today. The focus has been on providing the highest quality care to our patients and supporting colleagues and local communities impacted by regional issues such as natural disasters and conflict. On behalf of the Board and senior management team I would like to recognise their contribution in a challenging environment and thank them for their ongoing efforts.

Turning to the key themes in the business at the current time.

The momentum in activity we reported in our first quarter trading update continued into the second quarter. While the December/ January trading period was impacted by the resurgence in COVID cases and a spike in flu cases in the northern hemisphere, combined with doctors taking extended summer leave in Australia, I am pleased to say that we have returned to a positive momentum in activity levels in late January and into February.

In response to the industry wide labour shortages, we have implemented a range of measures across the regions over the last eighteen months. There has been a particular focus on critical skills gaps and we are starting to see the benefits, with vacancy levels declining from their peaks, in particular in Ramsay Santé, where vacancy rates are down 69% from the peak in January 2022. While the situation has improved, recruitment, retention and development of employees remains a key focus.

During the six-month period we successfully completed negotiations with health funds both in Australia and the UK at rates that are more reflective of the current environment.

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We continue to work constructively with public health authorities in each of our regions to assist with reducing backlogs and returning systems to the provision of timely, quality healthcare. We are working with all stakeholders to ensure the higher costs of operating in the current environment are reflected in the setting of public sector tariffs.

We continued to invest in brownfield and greenfield expansion and redevelopment opportunities, although the pace has slowed due to bottlenecks in the planning and building sectors. We have also pursued our digital and data initiatives designed to drive growth in the business and enable transformation of business processes to improve operating efficiency.

We are in a strong position to take advantage of the long-term dynamics driving the healthcare sector, leveraging the benefits of global collaboration and insight to establish communities of best practise to adapt to our local markets.

Slide 5 Our People

As you can see from this slide each region has a range of initiatives running in parallel to reduce vacancy rates, tackle critical staff shortages and retain our key talent. It is pleasing to see that there has been an improvement in vacancy rates as a result. However, there is no easy fix to these issues which have been exacerbated by COVID and they will remain our primary focus for the foreseeable future.

Our priority areas include:

- providing flexible working conditions;
- more accessible learning and training opportunities;
- expanding our leadership programs; and
- investing in technology to simplify processes and allow our people to spend more time with our patients.

Slide 6 Group 1HFY23 Result Overview

Moving to the Group performance.

All our regions experienced growth in surgical activity over the six-month period, this continued to be more heavily skewed to day surgery primarily because a large proportion of deferred surgery during COVID was lower acuity day surgery and there has also been an acceleration of the trend towards day surgery in some elective specialities in France.

Non-surgical admissions have seen a more mixed picture with France and the UK seeing some growth and Australia still seeing a slower recovery, in particular in mental health day patients. The changes in mix compared to pre-COVID continued to impact margin recovery over the half.

The estimated direct impact of COVID on the results in Australia and the UK combined was $66.8m in the first quarter and this declined to an immaterial impact in the second quarter.

We expect there will be residual COVID related costs in the business while the virus continues to circulate in the community.

The result includes a number of non-recurring items which we have called out, the key one this period was a profit on the sale of a property in the Nordics portfolio, on an after tax and minority interest basis the contribution to the result was $19.3m.

The Board determined a fully franked interim dividend of 50 cents per share, up 3.1% on the pcp representing a payout ratio of just over 60%. You will also notice that we have reinstated the DRP as an additional option for shareholders. As we move towards a more normalised operating environment the Board is of the view that a target payout ratio range of 60-70% of statutory net profit is appropriate.

Slide 7 Australia- Highlights & Outlook

Moving to the result in Australia.

In Australia the operating environment improved progressively across the first five months of the period, driving an improvement in activity levels and importantly a reduction in the costs associated with patient and doctor cancellations and staff sick leave.

In line with the rest of the healthcare sector, the Australian business has continued to be impacted by staff shortages in selected hospitals and within specific critical skills. This has limited capacity utilisation in some hospitals. In response we have introduced several initiatives to address this challenge. These programs are having an impact with vacancies declining 20-30% since March 2022 and staff turnover is declining from the peaks.

We have completed negotiations on a number of health fund contracts during the period at rates that are more reflective of the current environment, ensuring that we are adequately reimbursed for higher costs across the business.

Turning to the outlook.

Following the expiry of the COVID viability agreements, Ramsay has agreed new contracts with state governments on commercial terms for public work moving forward. Given the large backlog of public work we expect increasing demand from the public sector in the coming years. While the amount of work we receive will depend on the funding provided to these programs, we believe these agreements will deliver additional volume and assist with managing theatre utilisation and labour costs.

COVID cases in the most recent wave peaked in late December and the business has seen a decline in staff absenteeism through January. We did see doctors take extended summer holidays after several years of COVID curtailed breaks however we are seeing an increase in activity in February.

In the medium term we will continue to focus on investing in our strategically important, high value hospital network to ensure that our facilities meet the future demand for healthcare services. We will also invest in our new and adjacent out of hospital services including our day surgery strategy, our Ramsay Psychology clinics, Ramsay Health Plus, our allied health clinics, Ramsay Pharmacy and in our in-community service Ramsay Connect. This strategy is designed to extend our relationship with the patient, making healthcare more seamless for them and creates a referral channel for our hospital network. Our digital and data strategy will support all of these channels to ensure they are as efficient and productive as they can be while also improving the patient outcome and experience.

Slide 8 Australia - Trends in Admissions

Given the impact of COVID in the first half of FY22 and in this half, a comparison of activity trends between the two periods is of only limited value. An assessment of the progress of the recovery in the market can be made to an extent looking at activity levels compared to 1HFY20 which was pre COVID.

Total admissions per workday for the six-month period increased 3.6% on 1HFY20 with day patients increasing 6.5%, recovering more quickly than overnight patients which declined 2.2% due to non-surgical overnight patients being down.

As you can see in the graphs surgical activity has rebounded more quickly than non-surgical activity increasing 7.4% compared to 1HFY20. Mental health admissions have been the biggest drag on non-surgical volumes due to a reluctance by both patients and psychiatrists to come back into a hospital setting. We are working on a number of initiatives to address this and are seeing some early success.

Total admissions per workday in January were 9.4% above the Omicron impacted pcp and 2.3% above FY20 with the trends improving across the month and as I have said we are seeing improving trends in February.

Slide 9 Australia - Investment Pipeline

Turning to the investment pipeline in Australia. Spend on projects during the period was $101m including on the Northern Hospital pictured here due for completion as planned at the end of the year. The business continued to invest in its development pipeline and while some projects scheduled to commence in FY23 have been delayed such as Wollongong, due to the impact of COVID on the building industry and external approval processes, the pipeline remains strong. There was a number of smaller projects completed in the half year period with a net investment of $54.3m.

We continue to expect the development pipeline to be elevated for the next few years with new projects recently approved including a $180m redevelopment of Warringal Hospital in Victoria which will see the facility almost double in size to be a 290-bed facility, stage one of the three stage project is expected to be completed in mid-2024 which will include 2 new operating theatres. We have also recently approved a $30m expansion of the Port Macquarie Hospital which will include a new operating theatre, on-site radiology services and new medical consulting suites.

We have commenced investment in our new digital and data strategy which has a number of streams, with the initial investment focused on building our foundations, improving efficiency and productivity and driving better outcomes for our staff, doctors and patients. Today we have provided you with estimates of the net cost of our initiatives over the next few years based on current investment plans. These investments will underpin the long-term growth of the business and will deliver significant benefits over time.

A number of large projects are already underway, while additional key projects are scheduled to be launched over the next 18 months. We have also delivered a number of smaller automation projects that create immediate value for the business.

The multi-year projects that have commenced include:

- An Electronic Health Record (EHR) project where we are currently short-listing vendors;
- A Patient Hub project which will build out a full end-to-end seamless digital admission process and patient experience; and
- A Predictive Insights project designed to improve our capability in AI[1] and machine learning to support improved decision making and scenario analysis. In FY23 the focus of this work is to deliver better clinical coding and improved theatre utilisation.

Slide 10 Ramsay Sime Darby Highlights and Outlook

Capping off the Asia Pacific region is our joint venture in South-East Asia, Ramsay Sime Darby which reported a strong half year result principally reflecting growth in inpatient activity in our Malaysian hospitals. The equity accounted after tax contribution increased 51.9% to $12m.

[1] AI- artificial intelligence

Slide 11 - United Kingdom - Highlights & Outlook

Turning to the UK.

Ramsay UK, our acute hospital business, reported a good turnaround in performance with the operating environment improving progressively over the period, despite further small waves of COVID and a severe flu season.

Admissions over the six-month period increased 10.3% over the prior period with growth in admissions in all payor channels. NHS volumes increased by 11%, and private volumes increased by 9%.

An impairment of $6.2m taken in FY18 relating to the performance of one of our hospitals, was reversed in the period due to a sustained improvement in performance over the past few years. The result in the prior year included a negative contribution from non-recurring transaction costs of $24.7m. Removing the impact of non-recurring items EBIT increased from a negative $10.7m to a $22.1m contribution.

Elysium, our UK mental health business, acquired on 31st January last year, performed in line with our expectations in the first six months of ownership. However while the business reported a 17.4% increase in revenue for the 1HFY23, it has been impacted by labour shortages which became more acute moving into the second quarter reflecting the skew of their staffing mix to lower paid non-clinical workers in demand by many businesses across the UK economy and allied health workers equally in short supply across the stretched UK health system. This has resulted in increased agency use with higher rates, as well as the one-off costs of addressing the recruitment structure. Elysium have invested in a series of initiatives over the last few months and position applications and appointments have increased significantly from January. In March the business will open a centralised recruitment and onboarding hub which is expected to accelerate the time taken to bring new people through the induction process and into the business.

Both our businesses have strong partnerships with the NHS which combined with the underlying market demand for acute hospital care and mental health services will drive growth in the medium term. Ramsay UK also expects to benefit from the growth in the privately insured market with success in open market tenders with a number of insurers over the last twelve months. Both businesses will continue to invest in their facility footprints where demand for new capacity is identified and repurpose or upgrade facilities to meet changes in the market.

In the short term we expect both businesses to improve as volumes continue to grow and the benefits of management initiatives start to flow through, despite the acute inflationary pressures in the UK and ongoing staff shortages.

Slide 12 – Europe - Highlights & Outlook

Turning to Ramsay Santé, where after a slow start post the northern hemisphere summer activity levels did pick up across the half.

The French result includes $93.8m in revenue guarantee payments which is flat on the prior period and $112.7m in cost support, an increase of $41.9m. The cost compensation includes additional salary increases for staff which Ramsay Santé passes through and partial support for the significant impact of inflation on general operating expenses.

The Nordics business received A$12.6m of government funded COVID **cost** support down on the A$25.2m of **revenue** and **cost** support in the pcp. The Nordics result was impacted by a decline in COVID related activities, such as testing, as well as lower volumes and average level of acuity at St Göran hospital. Absenteeism due to sickness, and staff shortages impacted capacity utilisation.

The recently acquired GHP business combined with a number of other small acquisitions made last year in the Nordics contributed $177.9m in revenue and $18.8m in EBITDA. GHP's results have a seasonal bias to the second half of the fiscal year. The business is currently trading in line with expectations at the time of the acquisition.

Ramsay Santé's EBIT result includes non-recurring items of $45.3m compared to $12.6m in the prior period. Removing the impact of non-recurring items, EBIT declined 27.2% on the pcp reflecting the inflationary pressures on costs, in particular labour costs, the impact of labour shortages on capacity utilisation, a change in the mix of activity and the decline in COVID related activities such as testing.

Turning to the outlook

In the short-term Ramsay Santé's primary focus will be to continue to develop strategies to meet the dual challenges facing the sector firstly the significant inflationary pressures and the critical labour shortages.

The French Government has indicated that it will extend the revenue guarantee from 1st January to 31st December 2023. This is yet to be confirmed by decree and the details of the structure are yet to be finally determined.

Activity levels are improving following the decline in COVID cases from a recent wave over the Christmas/New Year period.

The Nordics will be focused on the integration of recent acquisitions, the continued development of an integrated digital platform and resolving the performance of St Göran.

In the medium-term, Ramsay Santé will continue to focus on its strategy to become an integrated digi-physical health care business, attracting and retaining patents through the delivery of a contiguous health services pathway. This will encompass investment in new services including select investment in primary care, prevention services and outpatient and at home services as well as strengthening the base hospital network and exploring new payor opportunities.

Slide 13 – Ramsay Cares

We continue to make progress on many fronts within our Ramsay Cares sustainability strategy which has the strong support of our people. We have made good headway on our climate change targets which are incorporated into our sustainability linked loans. We launched our global responsible sourcing policy during the half and external sustainability assessments have now been achieved for over 40% of our global spend and we are on track to meet our target of assessments on 80% of our spend by 2026.

I will now hand you over to Martyn to run through the financials in more detail

Slide 14 – Group Financials

Slide 15 – Group Performance

Thanks Craig and good morning, everyone.

As Craig has outlined the 9.8% increase in revenue reflects improved surgical activity levels combined with the contribution from recently acquired businesses of $560m.

All regions felt the impact of high inflation, in particular labour costs, along with specific costs related to operating in a COVID environment including higher staff absenteeism and patient and list cancellations at short notice.

As Craig mentioned, the result includes non-recurring items which we have given you more detail on in the review of results of operations. The after tax and minority interest contribution this year was $34.4m compared to a negative $33.1m contribution in the prior period. The main components this year were the profit on the sale of property in Ramsay Santé and the non-cash mark to market of swaps in the Ramsay Santé debt facilities.

Slide 16 – Cashflow and Balance Sheet

Operating cashflow increased 146.2% on the pcp reflecting an improvement in the operating environment and the change in working capital.

Net financing costs (ex IFRS 16), excluding the impact of swap mark to market movements in in this year and last year, increased 39% reflecting higher base rates and higher average drawn debt across the period compared to the pcp. Full year total net interest expense (including AASB16 Leases) is currently forecast to be in the range of $430-460m subject to movements in base rates and mark to market movements in swaps.

Cashflow includes receipts from the sale of land and property in the Nordics of $55.7m and the acquisition by Elysium of two UK based child and adolescent mental health services facilities for $68.1m.

There is a deferred payment associated with the sale of property in the Nordics of $30.5m classified as a non-current asset.

Slide 17 – Leverage

Moving to leverage. On this slide we have given you the Funding Group net debt and leverage ratios on a AASB117 basis and the Consolidated Group leverage both pre and post AASB16. It is the Funding Group metrics which are used by our banks and Fitch.

As we noted in our first quarter results release, the Funding Group lenders agreed to increase the maximum allowable leverage ratio within the Funding Group banking covenants from 3.5x to 4x to take into account the short-term impact of COVID. We ended the six-month period at just over 3.5x and we expect that as the operating environment normalises our leverage ratio will decline.

Reflective of the current environment the weighted average cost of our consolidated debt has increased from 3.24% (excluding CARES) at the beginning of FY23 to 4.3% at the end of January 2023.

Slide 18 Funding

With regard to funding we continue to explore opportunities to diversify the Funding Group’s sources of financing and extend the duration of its debt.

Slide 19 – Capital Expenditure

Moving to capital expenditure in more detail. Total spend across the regions declined 4.2% on the pcp to $370m, driven by a decline in spend in Ramsay Santé and the acute hospital business in the UK after a high level of investment in the past two years. Spend in Australia was above the prior period but below our previous forecast due to the impact of building approval delays and other related bottlenecks.

Our full year spend is now expected to be lower than forecast at $705m to $810m. We continue to expect that capex will be at elevated levels for the next few years.

I will now hand you back to Craig for some comments on strategy and the outlook.

Slide 20 – Strategy and Outlook

Thanks Martyn

Slide 21– Group Strategy

We have continued to invest in and make progress against our strategy despite all the distractions of the difficult operating environment. We believe we are in a relatively unique position amongst our global healthcare competitors and this means we are well placed to win share and benefit from the growing demand for healthcare services across all delivery platforms.

Our strategy is divided into four pillars and is guided by our vision to be a leading integrated healthcare provider.

The first pillar is growing, modernising, and leveraging our world class hospital network to strategically grow our existing market share through organic growth, brownfield and greenfield expansion, and strategic acquisitions.

The second pillar is to move purposefully into new and adjacent services focused on moving along the patient pathway, retaining that patient relationship by providing coordinated care using our data and digital capabilities to improve the experience for our patients and clinicians.

The third pillar is about extracting the highest potential value from the business through operational excellence. Building on our strong global advantage in strategic sourcing will continue to be one of the key areas of focus.

And finally, the fourth pillar is about reinforcing Ramsay's strong organisational foundations to underpin the strategy and ensure we leverage our scale.

Slide 22 – Group Outlook

And now turning to the trading outlook.

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. Capacity utilisation is subject to our ability to cover labour force shortages in critical areas. The focus remains on driving the synergies from recent acquisitions, realising the growth opportunities and improving returns.

The path out of COVID is not expected to be smooth as the healthcare services sector continues to be impacted more than other industries.

Ramsay continues to focus on negotiating improved terms with payors to reflect the inflationary environment and COVID related costs, leveraging the Group's global scale in procurement and driving efficiency and productivity improvements.

I believe the outlook for the Group remains strong despite the short-term environment remaining variable. Our world class hospital network combined with our outstanding people and clinicians give us confidence that we are well placed to take advantage of the positive long-term dynamics driving the healthcare industry. We continue to expect a gradual recovery through FY23 and more normalised conditions from FY24 onwards.

We will now open for questions.

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