Ramsay Health Care

ASX ANNOUNCEMENT

3rd May 2023

MOMENTUM IN THE BUSINESS CONTINUES TO IMPROVE

HIGHLIGHTS

- Momentum in surgical volumes has returned following a slower December / January period
- Productivity is improving as disruption declines
- Workforce pressures starting to ease, investment in recruitment and retention remains a priority
- Payor discussions continue as inflationary pressures persist
- Ramsay continues to expect a gradual recovery in earnings through FY23 and more normalised conditions in FY24

RAMSAY HEALTH CARE GROUP

Unaudited Earnings for the nine months to 31st March 2023

9 months ended 31st March 2023 A$'m	2023	2022	Chg%
Total Revenue	11,242.3	10,136.6	10.9
EBITDA	1,468.6	1,375.3	6.8
EBIT	750.9	679.5	10.5
Net interest expense (including AASB16 Leases)	336.9	262.8	28.2
Profit before tax	414.0	416.7	(0.6)
Tax	(128.1)	(133.6)	4.1
Minority interests	(50.8)	(81.6)	37.7
Net profit after tax attributable to owners of the parent	235.1	201.6	16.6

- Growth in revenue for the nine months to 31st March 2023 reflects growth in surgical admissions and a recovery in non-surgical admissions, combined with contributions from Elysium Healthcare (acquired in January 2022) and acquisitions in Europe including GHP (acquired in May 2022) (contribution $761m vs $117m in the pcp)
- Revenue for 3QFY23 increased 12% on the pcp primarily due to an acceleration in top line growth in Australia and Ramsay UK in the quarter and the contribution from recent acquisitions
- Net financing costs (ex IFRS 16) increased 86.5% over the pcp reflecting higher base rates, higher average drawn debt and a reduction in the interest rate swap gain in Ramsay Santé compared to the pcp. Full year net interest expense (including AASB16 Leases) is expected to be towards the top of the forecast range disclosed at the 1HFY23 result of $430-460m
- Whilst all regions continue to be impacted by labour shortages in key areas and inflationary pressures the operating environment continues to improve

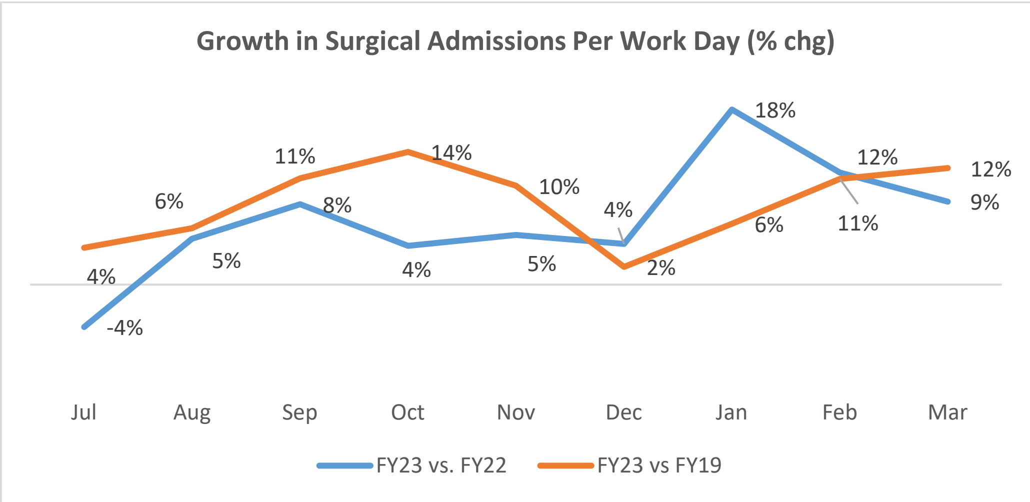
Ramsay Health Care Limited
ABN 57 001 288 768
Level 18, 126 Phillip Street
Sydney NSW 2000 Australia
Telephone: +61 2 9220 1000
Facsimile: +61 2 9220 1001
ramsayhealth.com

ASIA PACIFIC

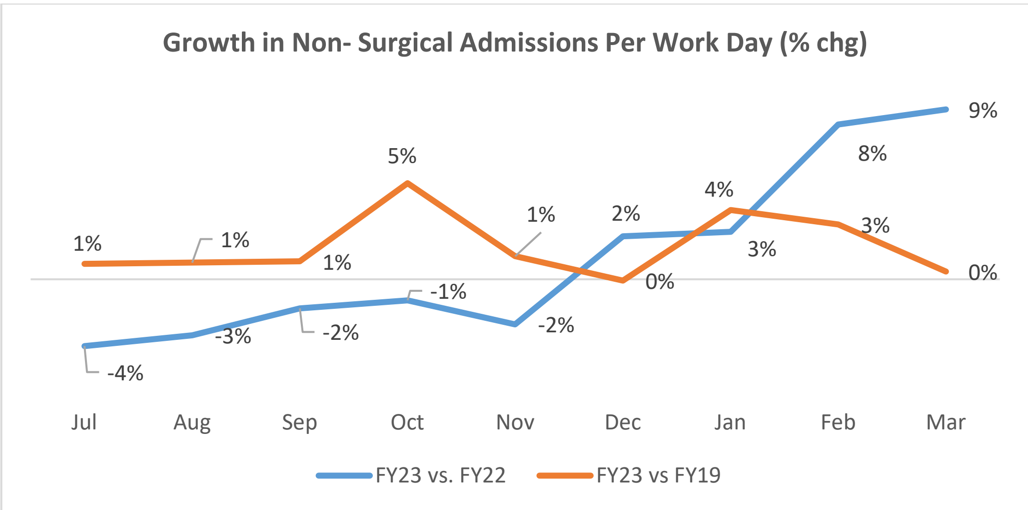
Unaudited Earnings for the nine months to 31st March 2023

9 months ended 31st March 2023 A$'m	2023	2022	Chg%
Total Revenue	4,222.5	3,997.3	5.6
EBITDA	594.4	555.0	7.1
EBIT	419.6	372.3	12.7

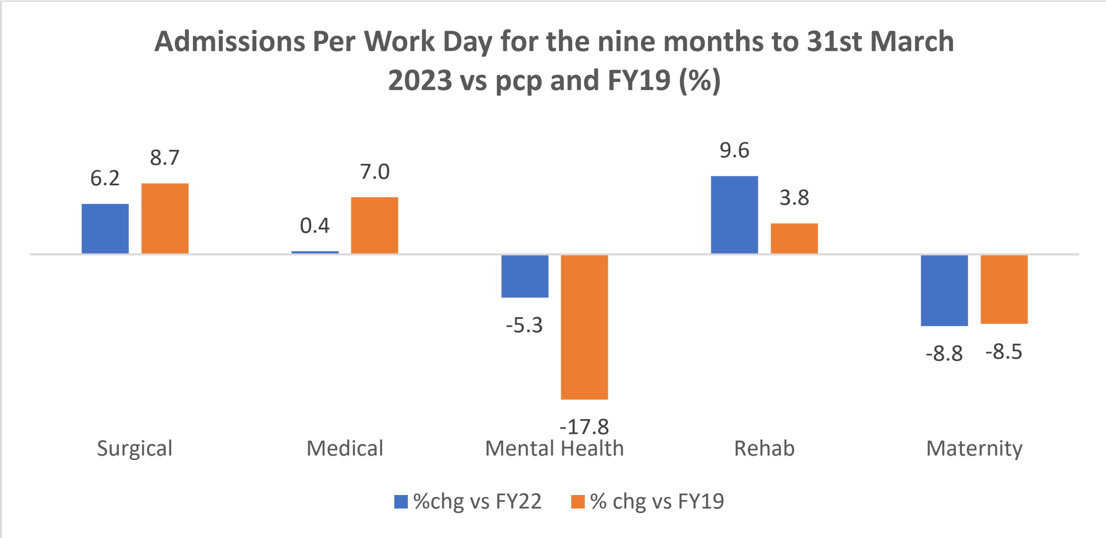
Australia



- The momentum in surgical admissions per work-day continues to improve after a slowdown in activity in December and the start of January. Surgical admissions continue to be skewed to day surgery given the backlog of surgeries is weighted to less complex elective surgery
- Activity levels in March, as measured by inpatient day admissions, were the second highest in five years



- The recovery in non-surgical admissions continues to be mixed with Medical and Rehab admissions gradually improving, while mental health admissions have been slower to recover, in particular day admissions, and maternity remains below prior periods
- The business has focused on growing mental health admissions through the recruitment of additional psychiatrists over the last twelve months and investment in 16 stand alone day psychology clinics with a further 4 sites to be opened in the next six months



- Workforce vacancies are reducing however access to certain skill sets, in particular theatre nurses, continues to restrict capacity in some hospitals. The business is investing in training to develop and build internal capability in areas where there are industry wide skill shortages
- The business continues to focus on improving productivity as sick leave declines to pre COVID levels and the use of agency falls
- The result for the nine month period includes $20m in additional operating expenses related to investment in digital and data. Total operating expenses related to digital and data in FY23 is expected to be approximately $28m
- Ramsay continued to invest in its brownfield and greenfield pipeline including its out of hospital strategy with $147.7m net investment for the nine month period in both hospital and out of hospital projects

Ramsay Sime Darby (RSD)

Unaudited Earnings for the nine months to 31st March 2023

9 months ended 31st March 2023 MYR 'm	2023	2022	Chg(%)
Net Operating Revenue	982.5	875.1	12.3
EBIT	150.4	123.9	21.4

- The equity accounted contribution from the RSD joint venture for the 9 months to 31st March 2023 was $16.2m an increase of 31.7% on the pcp

- The result was driven by a strong increase in revenue and profit from Malaysia offset to an extent by lower earnings from Indonesia reflecting the contribution from COVID outpatient related activities such as testing and vaccination in the prior period. Underlying activity in Indonesia is gradually improving as patients return to a hospital environment for consultations and treatments

UNITED KINGDOM

Unaudited Earnings for the nine months to 31st March 2023

9 months ended 31st March 2023 £'m	2023	2022[1]	Chg%
Ramsay UK	471.0	419.2	12.4
Elysium	325.8	62.3	nm
Total Revenue	**796.8**	**481.5**	65.5
Ramsay UK	65.6	8.7	nm
Elysium	14.9	6.5	nm
EBITDA	**80.5**	**15.2**	nm
Ramsay UK	29.7	(28.7)	nm
Elysium	0.3	3.2	(90.6)
EBIT	**30.0**	**(25.5)**	nm

1. Elysium was acquired on 31st January 2022. The 2022 period only comprises five months of earnings
2. Nm – movements >100%

Ramsay UK

- The UK acute hospital business continued to see a recovery in the operating environment in 3QFY23 with growth rates, compared to the pcp, in both NHS and private pay admissions accelerating in the 3Q versus 1HFY23. NHS admissions grew 15.4% compared to the pcp for the nine months to 31st March and private pay admissions grew 10.5% with stronger growth in PHI admissions due to complexity remaining higher than in the prior period
- Lower COVID cases in the community combined with improved management of the current environment drove a material turnaround in the operating results of the business over the period compared to the pcp. Margins continued to improve in the 3QFY23
- The EBIT result includes non-recurring items disclosed at the 1HFY23 result of A$5.6m, primarily the reversal of a prior period impairment of fixed assets as the performance of the hospital has improved. Non-recurring items in the pcp were (A$24.9m) primarily reflecting transaction costs
- Investment in workforce and recruitment & retention strategies has shown some improvements however the business continues to be impacted by labour shortages, reflected in higher than normal use of agency staff and inflationary cost pressures. The current published NHS Tariff is effective 1st April, however, this is expected to be revised once the current clinical staff strike action in the NHS has been settled and wage rates are confirmed

Elysium Healthcare

- Elysium's results started to improve in 3QFY23 compared to 2QFY23 with improved occupancy levels and higher revenue rates. Labour shortages and the high cost of agency workers continued to impact occupancy rates and the opening and ramp up of new facilities
- Labour shortages are starting to ease with the labour market in the UK improving as the economy softens and the benefits of targeted immigration programs start to flow. Building a sustainable

workforce recruitment and training platform remains the primary focus of the business supported by the recently opened centralised facility

- The results in the 3QFY23 continued to be impacted by inflationary cost pressures and the higher use of agency staff. The business will continue to discuss tariff arrangements with the NHS to attempt to offset higher costs in the system

RAMSAY SANTÉ

Unaudited Earnings for the nine months to 31st March 2023

9 months ended 31st March 2023 €'m	2023	2022	Chg.%
Total Revenue	3,652.9	3,341.2	9.3
EBITDA	473.4	505.2	(6.3)
EBIT	177.1	227.2	(22.1)

- Activity levels across France continued to improve with MSO (medical surgical obstetric) admissions increasing 3.3% for the nine months versus the pcp and FCR (follow up care and rehabilitation) admissions increasing 10.1% (excluding Psych activity) over the same period
- MSO admissions growth continued to be skewed towards day patients
- FCR activity increased across all areas including Rehab and Psych with stronger growth in day patients
- Activity levels in the Nordics (ex GHP acquisition made in May 2022) continue to improve with MSO patients increasing 10.9% for the nine months to 31 March compared to the pcp despite a slow recovery in higher acuity patients at St Göran in Sweden
- GHP contributed €121.9m in revenue and €7.8m in EBIT to the result for the nine-month period and is on track to achieve expectations at the time of acquisition
- The French acute hospital business remains underpinned by the revenue guarantee (modified structure compared to prior periods) until 31st December 2023. Activity is now at a level where the reliance on the guarantee has declined significantly with €66m revenue guarantee booked for the nine-month period (€139.1m in pcp) representing 2.8% of total revenue reported in France for the period
- Additional cost subsidies, including salary increases and the impact of inflation on consumables, in both the Nordics and France for the nine-month period declined from €97.2m in the pcp to €90.8m. Cost subsidies for the three months to 31st March declined from €34.9m to €5.1m, despite ongoing inflationary pressures on the business. The French Government has confirmed the 2023/24 MSO tariff for the year commencing 1st March 2023 at 5.4% and the FCR tariff at 1.9%
- Staffing shortages have eased from the peak however it remains a key issue for the business impacting personnel costs due to higher salaries and increased use of agency
- The business remains focused on its strategy to create a digi/physical integrated healthcare ecosystem to improve the patient experience. This includes investment in a digital roadmap that supports the existing business and the development of adjacencies and new sources of revenue

GROUP OUTLOOK

- Ramsay continues to expect a gradual recovery in earnings through FY23 and more normalised conditions in FY24
- 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 productivity, realising the growth opportunities and improving returns
- Ramsay continues to invest in its brownfield and greenfield pipeline encompassing both in and out of hospital activities. The Company is also focused on accelerating its investment in its digital and data strategy which is aimed at delivering a more integrated patient experience, improved clinical outcomes and productivity improvements
- 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 all payors to reflect the inflationary environment. A recovery in earnings for Elysium is dependent on the determination of an increased tariff applicable from 1st April 2023 from NHS England combined with increased occupancy and a reduction in the use of agency staff as a result of current recruitment initiatives. A failure to realise these factors would result in the deterioration of Elysium's financial outlook in the near-term and may adversely impact its valuation
- The business will continue to focus on 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.
- The path out of COVID is not expected to be smooth as the industry continues to be impacted by the 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

A webcast hosted by CEO and Managing Director Craig McNally and CFO Martyn Roberts will be held at 10am today to answer any questions regarding the update. To pre-register for the webcast please click on the following link:

Ramsay Health Care FY23 Business Update Webcast link

For further details please contact:
Kelly Hibbins
Group Head of Investor Relations
Ramsay Health Care
+61 414 609 192
HibbinsK@ramsayhealth.com

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

Disclaimer

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