

## ASX ANNOUNCEMENT

28 August 2014

### **RAMSAY HEALTH CARE REPORTS A 20.6% RISE IN FULL YEAR CORE EPS AND A 19.0% RISE IN CORE NET PROFIT**

#### Financial Highlights

- Core net profit after tax<sup>1</sup> up 19.0% to \$346.2 million
- Core earnings per share<sup>2</sup> up 20.6% to 163.9 cents
- Group:
  - Revenue up 17.6% to \$4.9 billion
  - EBIT up 19.6% to \$580.4 million
- Australia/Asia:
  - Revenue up 10.5% to \$3.8 billion
  - EBIT up 14.8% to \$480.2 million
- Europe:
  - UK
    - Revenue up 4.7% to £382.7 million
    - EBIT up 11.1% to £35.3 million
  - France
    - Revenue up 85.6% to €323.5 million
    - EBIT up 85% to €26.2 million
- Final dividend 51.0 cents fully franked, up 22.9% on the previous corresponding period, bringing the full-year dividend to 85.0 cents fully franked, up 20.6%
- Targeting Core NPAT and Core EPS growth for the Group of 14%-16% in FY15 (assuming 9 months of Générale de Santé)

#### Overview

Australia's largest private hospital operator, Ramsay Health Care, today announced a Group Core Net Profit After Tax (Core NPAT) of \$346.2 million for the year ended 30 June 2014, a 19.0% increase on the previous corresponding period.

Group Core NPAT delivered Core Earnings Per Share (Core EPS) of 163.9 cents for the year, a 20.6% increase on the 135.9 cents recorded a year ago and ahead of the upgraded guidance announced to the market in February 2014.

The Company's reported net profit after tax (after deducting non-core items) of \$303.8 million was up 14.0% on the prior year.

Directors are pleased to announce a fully-franked final dividend of 51.0 cents, up 22.9% on the previous corresponding period, taking the full year dividend to 85.0 cents fully franked, up 20.6% on the prior year. The dividend Record Date is 10 September 2014 with payment on 24 September 2014. The Dividend Reinvestment Plan will remain suspended.

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<sup>1</sup> Before non-core items

<sup>2</sup> Core net profit after CARES dividends

### 50th Year Landmark

2014 marks the 50 year anniversary of Ramsay Health Care which was established by Paul Ramsay in Sydney and today is one of the largest private hospital operators in the world.

Ramsay Health Care Managing Director Chris Rex said the Company's achievements over the 50 years could be attributed to its focused strategy, management philosophy, people and culture.

"We recognise that our people are our most important asset and in acknowledgement of the important contribution they make to the Company we were delighted to launch a free share plan in July 2013," Mr Rex said.

"This share plan is designed to give employees the opportunity to have an ownership interest in our Company and, at the same time, to recognise the vital role they play in our organisation."

He paid tribute to founder and Chairman Paul Ramsay who passed away in May 2014.

"Paul will forever be remembered for his major contribution to healthcare in Australia and the legacy he has left, which will be of enduring benefit to the Australian community through the Paul Ramsay Foundation.

"It is pleasing that it is the intention of the Paul Ramsay Foundation to remain a significant long term shareholder of Ramsay Health Care and that the Directors of this Foundation are aligned with Ramsay's growth strategy.

"Under Paul's guidance Ramsay Health Care hospitals focus on maintaining the highest standards of quality and safety, being an employer of choice and operating the business according to *The Ramsay Way* culture that he established. We will continue to operate the Company according to these values."

### Strategy & Operations

Mr Rex said the outstanding results, achieved in the 50<sup>th</sup> year of the Company's operations, were a reflection of the strength of its growth strategy.

"We are successfully delivering on our stated growth strategy - focusing on hospitals; reinvesting in our facilities; pursuing public/private opportunities; and making prudent acquisitions," Mr Rex said.

"Ramsay Health Care is now a truly global operator with a geographically diverse portfolio of hospitals across five countries and the impending acquisition of Générale de Santé (GdS) cements our position in the top five private hospital operators in the world."

He said while the Company had successfully delivered on its growth strategy it had remained focused on its existing business and ongoing investment in its Australian hospitals through its capacity expansion programme which continued to produce strong results.

During the year, Ramsay's Australian and Asian business achieved outstanding revenue growth of 10.5% and EBIT growth of 14.8%. Operating margins for the Australian business continue to grow.

Ramsay's European operations were solid contributors to the overall Company performance in 2014.

Ramsay's UK business performed strongly with EBIT growing 11.1% to £35.3 million. NHS admissions continue to grow and costs have been managed well as is evidenced again by the increase in EBITDAR margins from 25.5% to 25.7%.

In France, Ramsay Santé had an excellent year with EBIT increasing by 85% to €26.2 million due to the continued improvement of the existing operations coupled with the contribution from the Clinique de l'Union (acquired in June 2013) and the Medipsy psychiatric facilities (acquired mid December 2013).

"Both of these results demonstrate clearly the excellent growth opportunities that exist in European markets for experienced hospital operators."

#### Acquisitions

On 1 July 2013 Ramsay commenced its joint venture with Sime Darby Berhad. The new joint venture which combines Sime Darby's portfolio of health care assets in Malaysia (three hospitals and a nursing and health sciences college) with Ramsay's three Indonesian hospitals, has been successfully integrated.

In a major development for the Company, Ramsay Health Care announced it had acquired a controlling interest in Générale de Santé (GdS) in June 2014 which, when completed, will significantly expand Ramsay's French portfolio.

"The acquisition of GdS and its 61 hospitals (combined with the December 2013 acquisition of GdS's 30 Medipsy facilities) will make us the largest private hospital operator in France and will positively contribute to future earnings growth for the Company," Mr Rex said.

"This acquisition will make us the leading player in a country that has a strong, well-respected health system with a growing demand for health care services."

Ramsay will debt fund its equity interest in GdS and the transaction is expected to be EPS accretive immediately.

#### Brownfields Capacity Expansion

In the last financial year Ramsay Health Care approved a further \$172 million for capacity expansions in Australia.

In particular, brownfield developments approved at major hospitals including St George, Lake Macquarie, Pindara, Beleura and Peninsula Private Hospitals, are expected to drive admissions growth in these key strategically located hospitals into the future.

"We have a quality portfolio of hospitals that are strategically located in high growth areas and over the past decade, we have demonstrated our success in expanding these hospitals to meet demand.

"We anticipate ongoing growth in demand will continue to drive substantial capital investment in these facilities well into the future."

In FY14 Ramsay opened the Sunshine Coast University Private Hospital which has a public services contract for five years with Queensland Health. In its first six months of operation the hospital admitted over 8,000 patients.

"During the year, we recontracted with the Victorian State government to operate the Mildura Base Hospital until 2020 and we tendered for the Northern Beaches Hospital with the NSW government.

“Peel Health Campus, a public hospital in WA purchased in June 2013, has been successfully integrated into the Group and we are looking forward to further development of both public and private facilities at this campus in the near future.”

#### Balance Sheet and Cash Flow

Continuing strong operating cash flow and effective working capital management delivered a high cash conversion rate for the Group of more than 100% of operating profit (EBITDA) to gross operating cash flow.

During the year Ramsay took the opportunity to access favourable debt markets and is pleased to have executed an extension of the existing debt facilities to 1 July 2017 and 1 May 2019 (for the 3 and 5 year facilities respectively) with improved pricing and terms.

Ramsay’s strong balance sheet and strong cash flow generation provides us with the flexibility to fund the increasing brownfield capacity expansion programme, future acquisitions and ongoing working capital needs.

#### Outlook

Brownfield developments and prudent acquisitions, the hallmarks of Ramsay’s growth strategy, will remain a priority for the Company in FY15 while it maintains focus on improving performance at its existing hospitals.

“With the finalisation of the GdS acquisition expected in late September 2014, we look forward to becoming the premier private operator in France and integrating GdS into our global operations,” Mr Rex said.

“Ramsay Health Care has now established a strong position in a number of overseas markets. Our ability to manage hospitals across borders and cultures has been well demonstrated and this expertise is invaluable as we continue to canvas further opportunities in new and existing markets.

“We also look forward to producing increased benefits from our successful capacity expansion programme in Australia given the continuing strong demand for health services in this country.

“Given the strong industry fundamentals and the continuing implementation of our successful growth strategy, barring unforeseen circumstances, Ramsay is targeting Core NPAT and Core EPS growth for the Group of 14% to 16% for FY15 (assuming 9 months of Générale de Santé).”

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Attachment: Summary of Financial Performance.

**Attachment:**

**Summary of Financial Performance**

**Year Ended 30 June  
\$ 000's**

	FY2014			FY2013	% Increase
	Australia/ Asia	Europe	Group	Group	
<b><u>Net Profit After Tax (NPAT)</u></b>					
Operating revenue	3,749,352	1,159,962	4,909,314	4,174,535	17.6%
EBITDA	595,847	151,088	746,935	627,691	19.0%
EBIT	480,237	100,131	580,368	485,302	19.6%
<b>Core NPAT (1)</b>			<b>346,150</b>	<b>290,872</b>	<b>19.0%</b>
Non-core items, net of tax (3)			<u>(42,391)</u>	<u>(24,468)</u>	
Reported NPAT			303,759	266,404	14.0%

  

<b><u>Earnings Per Share, (EPS) cents</u></b>			
<b>Core EPS (2)</b>	<b>163.9</b>	<b>135.9</b>	<b>20.6%</b>
Reported EPS	143.0	123.9	15.4%

  

<b><u>Dividends Per Share, cents</u></b>			
Final dividend, fully franked	51.0	41.5	22.9%
Full-year dividend, fully franked	85.0	70.5	20.6%

**Notes**

- (1) 'Core NPAT is before non-core items and from continuing operations.
- (2) 'Core EPS' is derived from core net profit after CARES Dividends.
- (3) 'Non-core items, net of tax', include the non-cash portion of rent expense of \$17.4 million, net of tax, relating to the UK hospitals.