



RAMSAY  
HEALTH CARE



**Financial Results Briefing – 27 August 2007**

**Year ended 30 June 2007**

**Managing Director Pat Grier**



- Strong profit growth with hospital margin improvement
- Very pleasing result - Core EPS increase of 21% ahead of guidance of 15%-20% growth
- Hospitals performed strongly in every state over the year
- Growth achieved despite dilutionary impact of transition of veterans hospitals to private patients
- Integration of Affinity and realisation of synergies on track
- Brownfields expansion program advanced and progressing well
- Actively exploring acquisition opportunities



- Revenue from continuing operations up 6% to \$2.1 billion
- Core net profit from continuing operations up 21% to \$110.9 million
- Core EPS from continuing operations up 21% to 54.9 cents
- Basic EPS up 23% to 52.6 cents
- Group EBITDA margin from continuing operations increased to 13.0% from 12.8%
- Final dividend 16 cents, making 29 cents for the year, up 21% (fully franked)
- Dividend reinvestment plan to be reactivated at a 2.5% discount



	Year ended 30 June		
	2006	2007	
	\$m	\$m	% incr.
<b><u>Continuing Operations:</u></b>			
<b>Operating Revenue</b>	<b>1,978.0</b>	<b>2,105.9</b>	<b>6%</b>
<b>EBITDA</b>	<b>252.3</b>	<b>273.4</b>	<b>8%</b>
<b>EBIT</b>	<b>194.2</b>	<b>212.5</b>	<b>9%</b>
<b>Core NPAT – continuing operations</b>	<b>91.9</b>	<b>110.9</b>	<b>21%</b>
<i>Core NPAT – divested operations</i>	<i>1.3</i>	<i>(0.8)</i>	
<i>Less specific items and amortisation of intangibles (net of tax)</i>	<i>(5.7)</i>	<i>(3.1)</i>	
<b>Net Profit after Tax</b>	<b>87.6</b>	<b>107.1</b>	<b>22%</b>
<b>Core EPS – continuing operations</b>	<b>45.3c</b>	<b>54.9c</b>	<b>21%</b>
<i>(‘Core Net Profit after tax – continuing operations’ and ‘Core Earnings per Share – continuing operations’ are before specific items, amortisation of intangibles and divested operations)</i>			



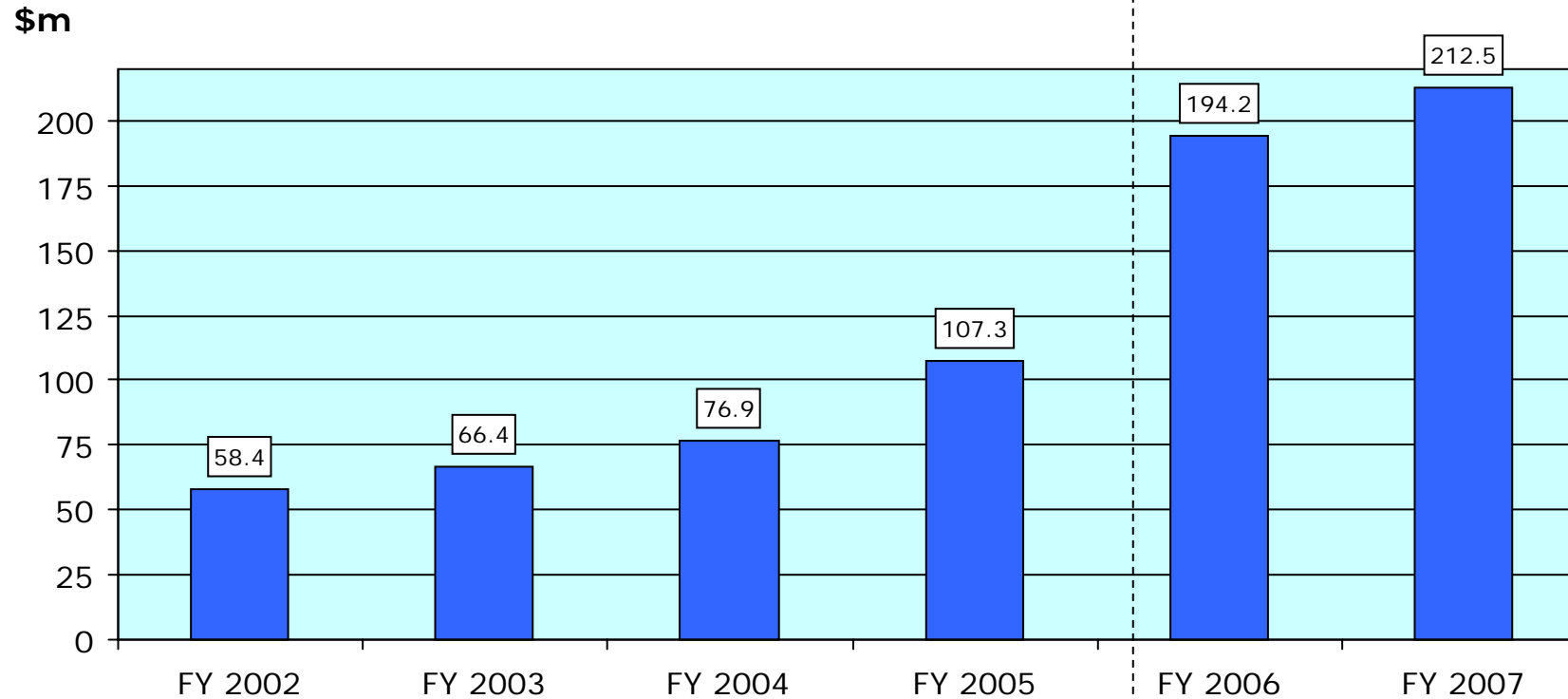
	Year ended 30 June		% incr.
	2006	2007	
<b><u>EPS:</u></b>			
<b>Core NPAT – continuing operations</b>	<b>\$91.9m</b>	<b>\$110.9m</b>	<b>21%</b>
<b>Core EPS – continuing operations</b>	<b>45.3c</b>	<b>54.9c</b>	<b>21%</b>
Basic EPS	42.7c	52.6c	23%

<b><u>Dividends:</u></b>			
Final dividend - fully franked	13.5c	16.0c	19%
<b>Full year dividend - fully franked</b>	<b>24.0c</b>	<b>29.0c</b>	<b>21%</b>
<i>(‘Core Net Profit after tax – continuing operations’ and ‘Core Earnings per Share – continuing operations’ are before specific items, amortisation of intangibles and divested operations)</i>			

# STRONG EBIT GROWTH



Slide No. 5

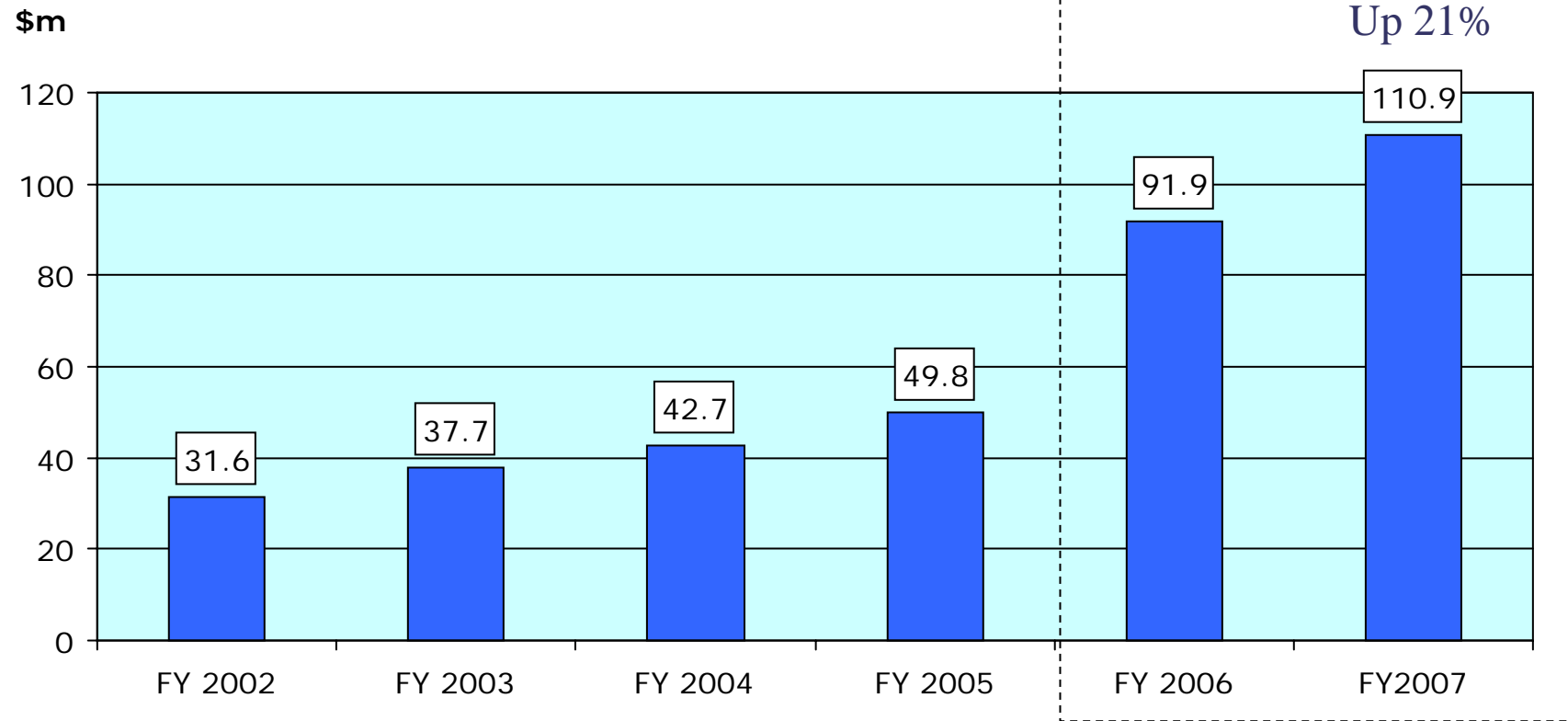


- EBIT up 9% for the year over and above the growth achieved in FY06
  - This growth is like for like
  - FY06 – increase of 80% over FY05, largely due to Affinity acquisition

# CORE NPAT GROWTH



Slide No. 6

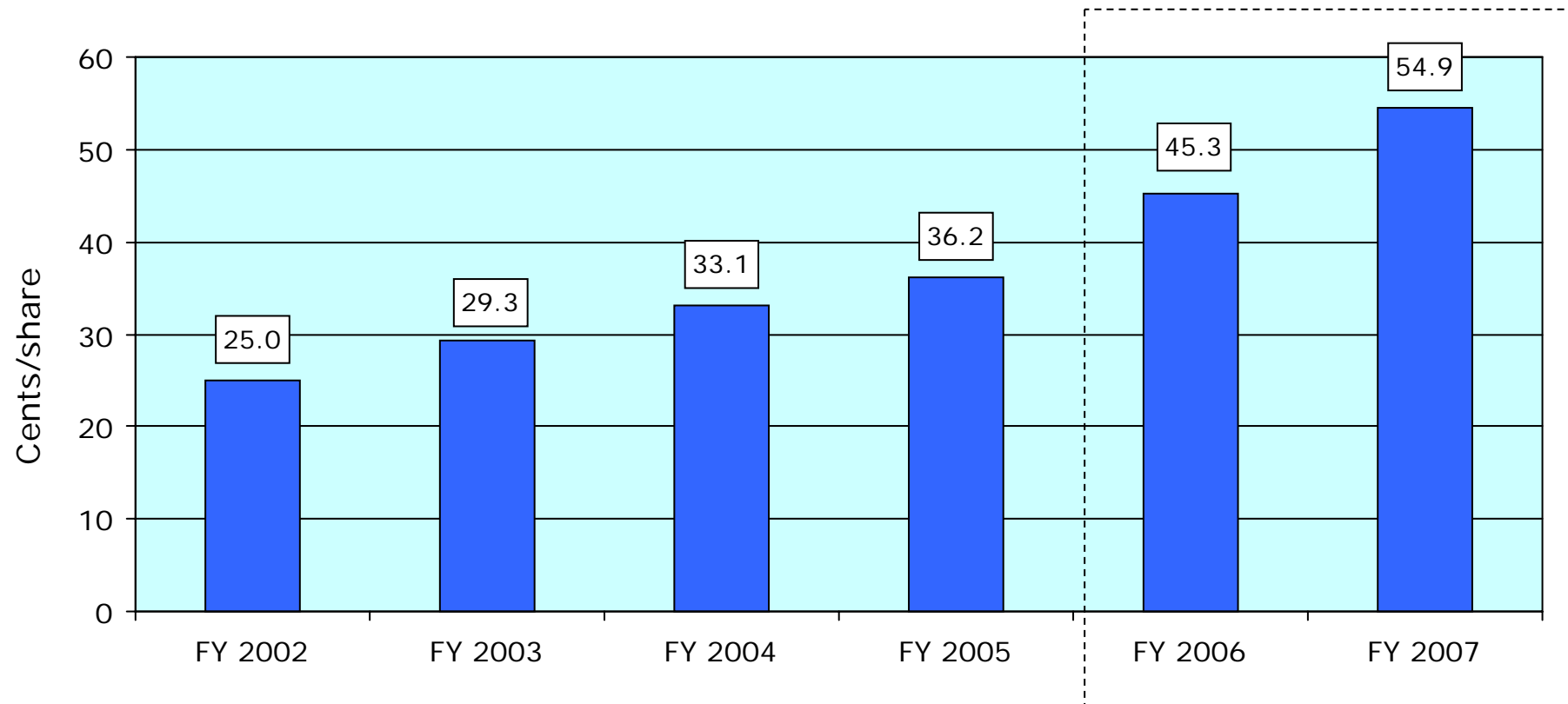


- Core NPAT from continuing operations up 21% for the year
  - FY06 – increase of 85% over FY05, largely due to Affinity acquisition

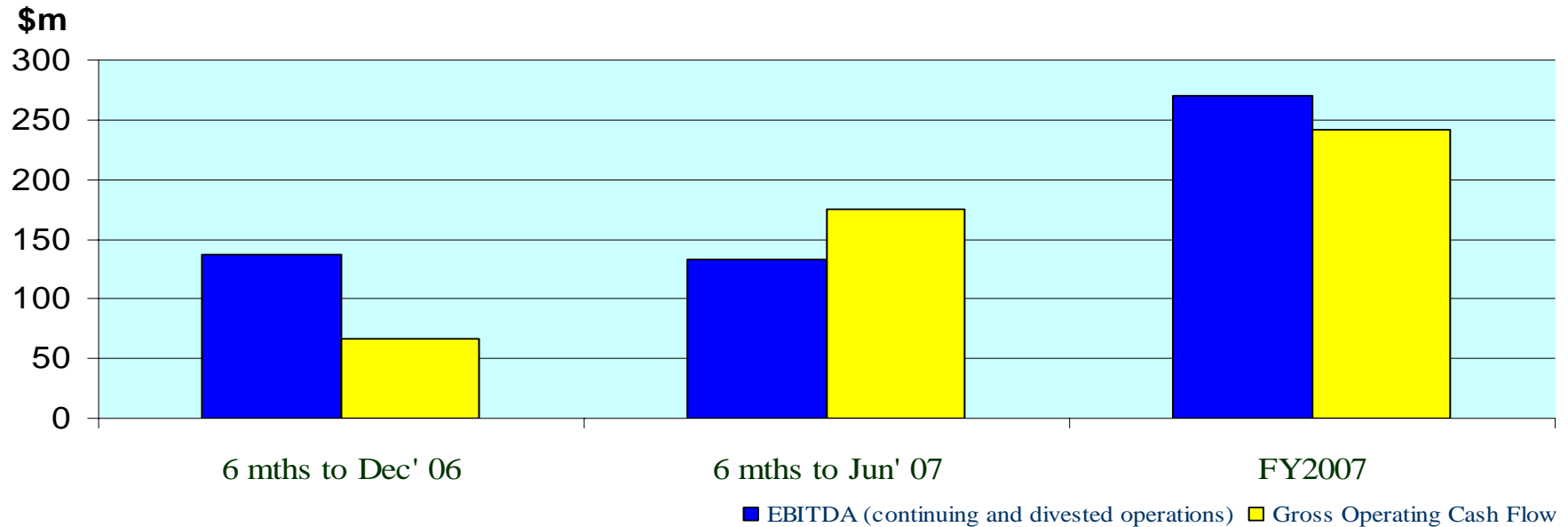
# CORE EPS GROWTH



Slide No. 7

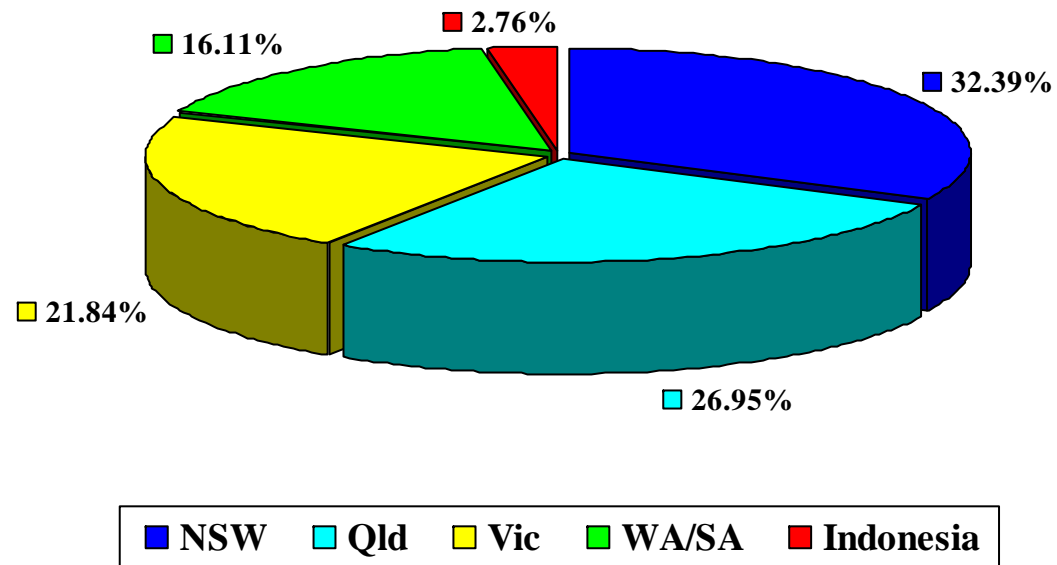


- Core EPS from continuing operations up 21% for the year
  - Exceeded upper end of the range of guidance
  - Average annual compound growth rate for continuing operations over 5 years of 17% (base year FY02)



## ■ Improvement in second half cash conversion:

- Gross operating cash flow of \$175 million exceeded EBITDA of \$133 million
- Surplus of \$42 million achieved through focus on working capital management and improved cash collections
- Full year cash flow virtually in line with EBITDA
  - taking into account one-off effect of billing practices as a result of change in DVA contract



- All states showed solid EBIT growth
  - Veteran hospitals represent 17% of total revenue
- Indonesian hospitals' EBIT flat. One-off access disruption effect at Mitra Hospital caused by construction at adjacent building



- Group EBIT increased 9% off vastly increased EBIT base following Affinity acquisition
- EBIT growth achieved despite dilutionary impact of veterans hospitals
- Strong EBIT growth across all states
- Group EBIT margin up to 10.1% from 9.8%
- Australian admissions up 4.2% in FY2007
  - number of hospitals now at full capacity and cannot meet demand



	Year ended 30 June		FY2007	
	2006	2007	1st Half	2nd Half
<b><u>Hospital Margins:</u></b>				
<b>Margins including prosthesis</b>				
EBITDA margin %	15.1%	15.4% Up	15.4%	15.3%
EBIT margin %	12.4%	12.6% Up	12.7%	12.4%
<b>Margins excluding prosthesis</b>				
EBITDA margin %	17.3%	17.5% Up	17.7%	17.4%
EBIT margin %	14.1%	14.3% Up	14.5%	14.1%

Hospital EBITDA margins up:

- Including prosthesis, margins up to 15.4% from 15.1%
- Excluding prosthesis, margins up to 17.5% from 17.3%
- Reflects efficient cost management and strategic profile of hospitals resulting in recovering cost increases from health funds (i.e. large nurse wage increase in Queensland, which makes up 27% of Ramsay business)
- 2nd half margins in line with normal seasonality



- Largely realised Affinity cost and revenue synergies identified at the time of the acquisition
  - Expect to slightly exceed \$50 million over the 3 year integration period ending FY08
- Exploring further business initiatives to leverage off scale and market presence in ancillary areas
  - e.g. pharmacy, radiology, pathology



- Major brownfields expansion plan accelerated and well progressed
- Developing large multi-service hospitals to attract increased referrals in major metropolitan areas
- Capacity increase aimed at satisfying unmet demand
- Approximately \$550 million capex approved
- Additional projects being considered.
- Lower risk, higher return on investment in our core business
- Based on track record of achieving ROI of 15% approximately 3 years after opening
  - Capital allocation and projects strictly prioritised by strategic benefit



- Hollywood (Perth)

- Stage 1

- Additional 2 theatres
    - Additional consulting suites
    - Additional car parking

- Stage 2

- 120 beds are being built – a net increase of 84 new beds
    - Additional 2 theatres
    - Day of Surgery Admission Unit
    - Endoscopy unit



- Greenslopes (Brisbane)
  - Outpatient department refurbishment
  - Additional 26 consulting suites accommodating over 50 doctors
  - Refurbishment of wards to private patient standard
  - Additional car parking
- North West (Brisbane)
  - Stage 1
    - 7 consulting suites, 5 sessional suites
    - Additional car parking
  - Stage 2
    - Additional 2 theatres
  - Stage 3
    - Expanded Day of Surgery Unit and additional beds



- The Avenue (Melbourne)
  - Cardiac/endovascular catherisation laboratory with new 18 bed cardiac unit
  - Rapid assessment unit
  - 8 telemetry beds, 5 medical beds
  - Ophthalmology, urology and IVF services have also been introduced
- Linacre (Melbourne)
  - New cardiac/endovascular catherisation laboratory
  - Redevelopment of inpatient medical beds to coronary care beds
  - Redevelopment of current consulting suites

# BROWNFIELDS EXPANSION

## Approved



Slide No. 17

- John Flynn (Gold Coast)
  - Relocation and development of 18 additional rehab beds and creation of an additional 20 orthopaedic beds
  - Work completed on 2 additional levels of consulting suites
- Joondalup (Perth)
  - Public:
    - Operated by Ramsay, to be significantly expanded and funded by the government
    - 10 year extension of public contract to 2028
    - New emergency department
    - Additional theatres and beds
    - Expanded ICU
    - Expanded mental health facility
  - Private:
    - New 165 bed hospital, incorporating 95 net additional beds and private mental health services



## Major Projects at Advanced Feasibility Stage

- Pindara (Gold Coast)
- North Shore (Sydney)
- Westmead (Sydney)
- St George (Sydney)
- Kareena (Sydney)
- Warringal (Melbourne)



# OUTLOOK



- Continue to grow earnings at hospital level
  - Organic growth
  - Strategy to manage veterans hospital transition
  - Realise remaining Affinity synergies
- Brownfields expansion
  - Leverage off demand for key hospitals operating near capacity which cannot currently meet demand
- Acquisitions
  - Exploring health care acquisitions close to core competency in Australia
  - Exploring opportunities to expand Ramsay hospital franchise offshore – UK, Europe, Asia
    - using Ramsay's proven and efficient hospital management model



- Ramsay, Australia's leading private hospital operator, well positioned to leverage off strong industry fundamentals
- Continue to apply Ramsay's financial discipline to brownfields developments and acquisitions to optimise shareholder value
- Targeting low double digit growth in FY08, over FY07  
Core EPS of 54.9 cents



RAMSAY  
HEALTH CARE



Questions