



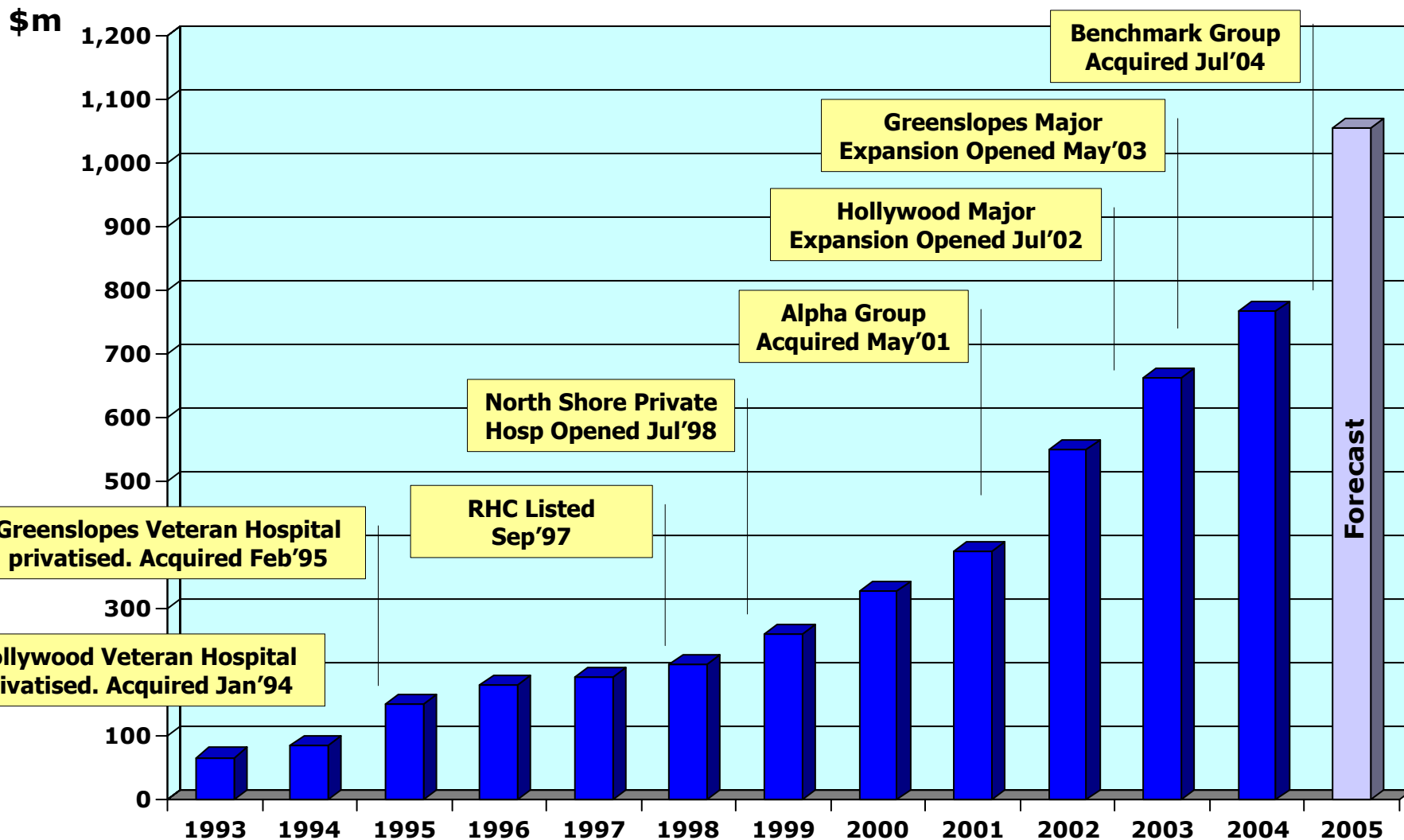
RAMSAY  
HEALTH CARE



UBS HEALTHCARE CONFERENCE – October 2004  
*Pat Grier (Managing Director)*



- Largest listed operator of private hospitals in Australia
  - A portfolio of 35 hospitals, located throughout Australia
  - Operating in all segments of the private hospital market.
  - 16% of the total private hospital market
  - Over 12,000 employees
  - Annual revenue expected to top \$1 billion in FY2005
  - Diversified payor mix and revenue stream
- Committed to growing a significant aged care business
- Proven management track record
- Quality and strategic positioning of assets





## ■ Growth strategy

- Organic growth through micro-management
- Target lower risk, higher returns through investment in capacity expansion of existing hospital portfolio
- Actively investigating growth opportunities within the:
  - Private hospital sector
  - Aged care sector
  - Other opportunities outside of hospitals, that are close to core competencies

## ■ Investment criteria

- Strategic fit
- Moderate to low operating risk
- EPS positive and 15% ROI in short-medium term



- Federal election campaign underscored bipartisan support for 30% health insurance rebate
- Re-election of Coalition Govt cements private hospitals role in balanced health care system
- Private hospitals perform
  - 56% of surgery in Australia
  - 50% of complex, high-end acute treatments
- Health insurance rebate to rise for over 65 year olds

- Health insurance industry outlook
  - Further rationalisation of health insurance sector (eg Grand United-Australian Unity merger)
  - Negotiation dynamics
- Industry outlook in the short-medium term
  - Ageing population – increased demand by privately insured patients
  - Expanding role for private hospitals
  - Rationalisation of private hospital industry to continue



	<u>Hospitals</u>	<u>Beds</u>	
<b>Public v Private Sectors</b> <i>(source: Australian Bureau of Statistics 2001/02)</i>			
Public Sector	749	52,200	68%
Private Sector	301	24,748	32%
<b>Totals</b>	<b>1,050</b>	<b>76,948</b>	
<b>Analysis of Private Sector</b> <i>(source: Australian Private Hospitals Association)</i>			
“For Profit”	183	13,573	55%
Religious or Charitable	118	11,175	45%
<b>Totals</b>	<b>301</b>	<b>24,748</b>	
<b>Analysis of “For Profit” Group</b>			
Affinity	50	5,367	39%
Ramsay Health Care	35	3,944	29%
Healthscope	30	2,400	18%
Other	68	1,862	14%
<b>Totals</b>	<b>183</b>	<b>13,573</b>	



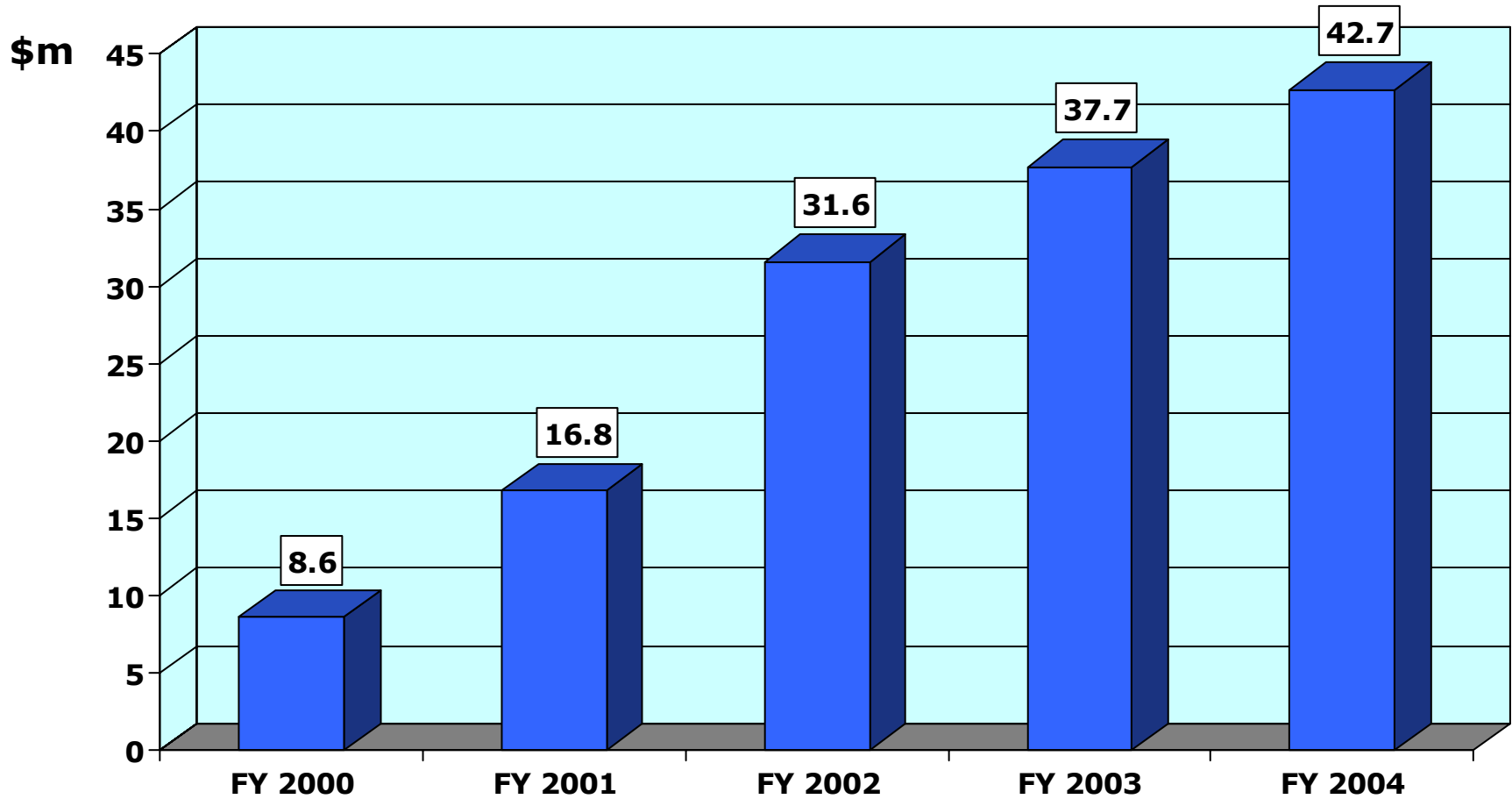
- Core net profit up 13%, building on strong profit growth of previous 3 years
- Delivered on forecast core profit growth of over 10%
- Effective cost management results in EBITA margin holding at 10%
- Organic profit growth continues, at least 5%
- Expansion program contributes to earnings growth as extra capacity comes onstream
- Post year-end, acquisition of Benchmark Hospital Group



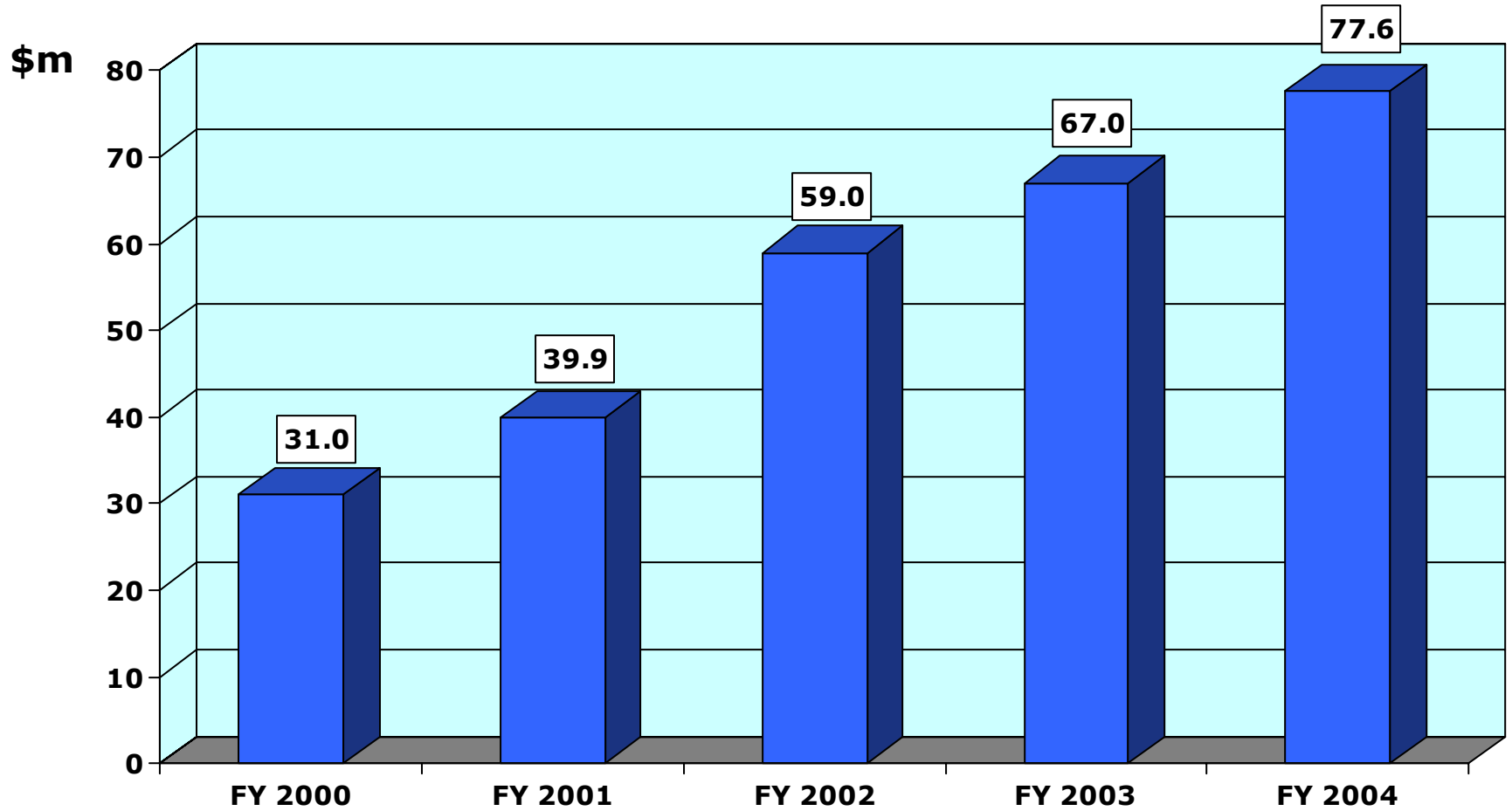
	Year ended 30 June		
	2003	2004	% Inc.
	\$m	\$m	
<b>Operating Revenue</b>	<b>662.2</b>	<b>768.1</b>	<b>16%</b>
<b>EBITDA</b>	<b>91.0</b>	<b>105.8</b>	<b>16%</b>
<b>EBITA</b>	<b>67.0</b>	<b>77.6</b>	<b>16%</b>
<b>Net Profit before tax</b>	<b>53.5</b>	<b>61.3</b>	<b>15%</b>
<b>Net Profit After Tax</b>	<b>37.1</b>	<b>42.0</b>	<b>14%</b>
<b>Core Net Profit After Tax <sup>(1)</sup></b>	<b>37.7</b>	<b>42.7</b>	<b>13%</b>
<b>(1) Notes</b>			
<ul style="list-style-type: none"> <li>■ <i>Before non-recurring items and amortisation of goodwill</i></li> <li>■ <i>Non-recurring items (net of tax) comprise</i> <ul style="list-style-type: none"> <li>➢ <i>Mayne bid costs written off</i> <span style="float: right;">-</span> <span style="float: right;">2.2</span></li> <li>➢ <i>Unamortised borrowing costs associated with the previous refinancing in 2001</i> <span style="float: right;">-</span> <span style="float: right;">1.5</span></li> </ul> </li> </ul>			
<i>Total non-recurring items</i>	-	3.7	
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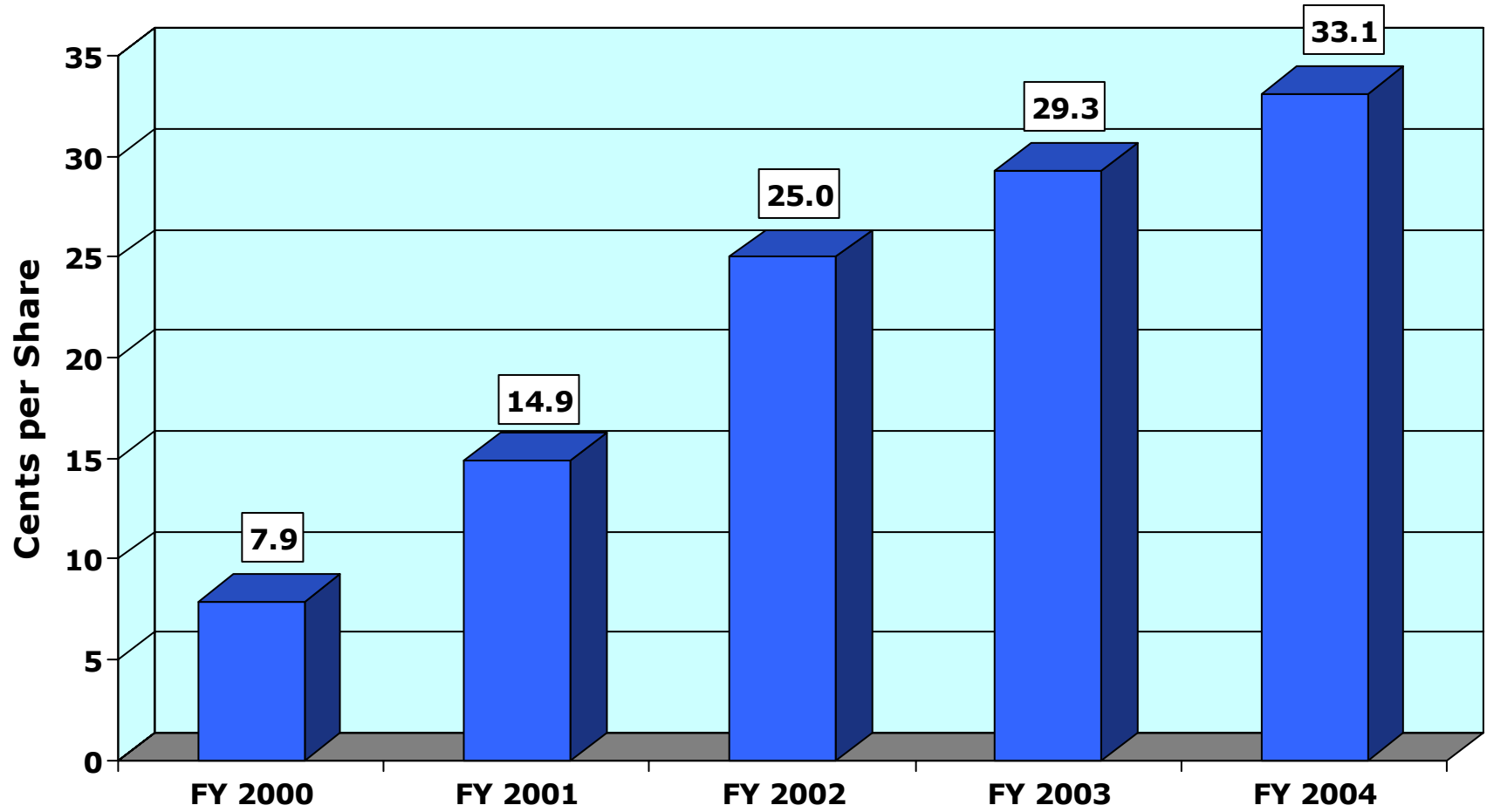


	Year ended 30 June		
	2003 cents/share	2004 cents/share	% Inc.
<b>Core EPS <sup>(1)</sup></b>	<b>29.3 ¢</b>	<b>33.1 ¢</b>	<b>13%</b>
<b>Full year dividend – fully franked</b>	<b>15.5 ¢</b>	<b>17.5 ¢</b>	<b>13%</b>
<i><sup>(1)</sup> Notes</i>			
▪ <i>Before non-recurring items and amortisation of goodwill</i>			
▪ <i>Reported EPS</i>	<b>28.9 ¢</b>	<b>29.8 ¢</b>	



# EBITA Growth



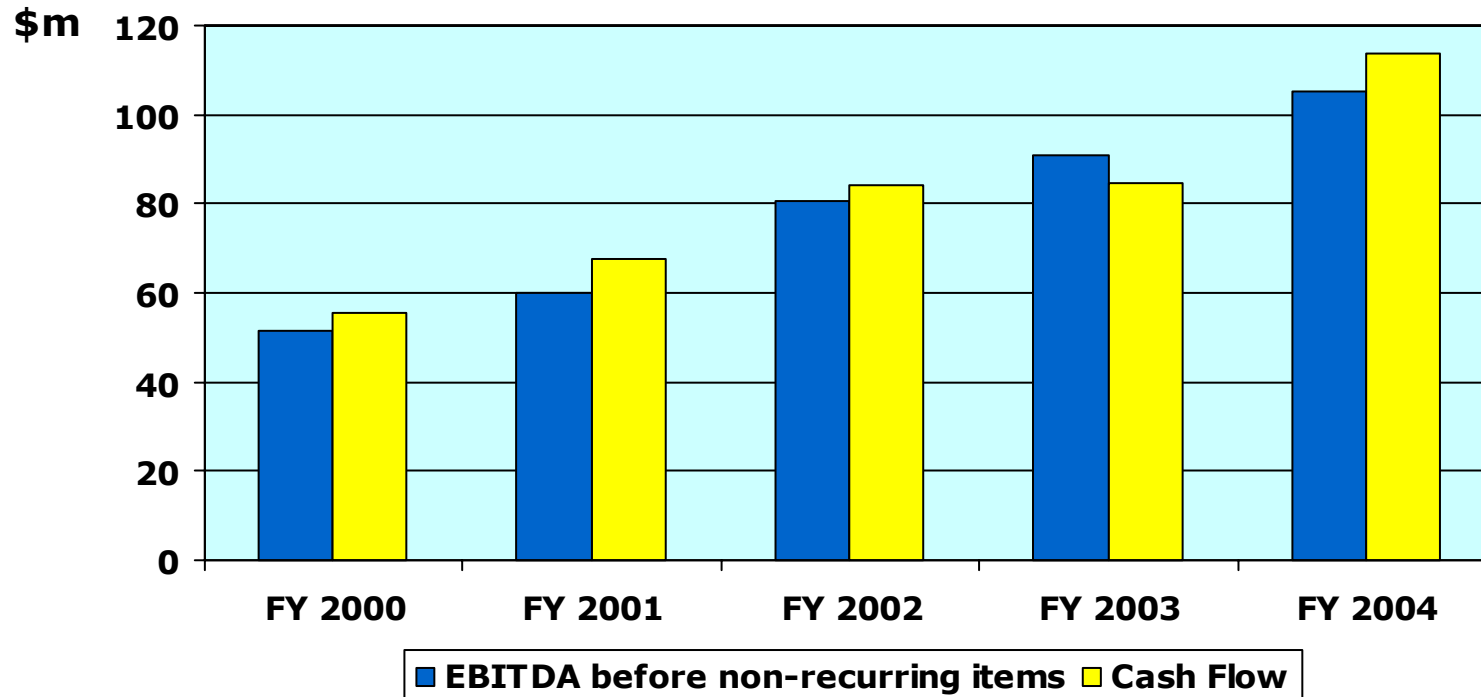




- Industry leader in operational margins
- EBITDA margin 14% for the year
- EBITA margin 10.1% for the year
- EBITA margin 10.2% excluding Silver Circle
- Benchmark hospital portfolio expected to be margin dilutive due to high proportion of leased facilities



## EBITDA/Cash Flow



- EBITDA translates into strong gross operating cash flow.
- Continuing effective cash flow management



	Year ended 30 June			
	2001 (1)	2002	2003	2004 (1)
<b>ROIC</b> <b>(EBITA/Funds Employed) %</b>	<b>10.4</b>	<b>14.9</b>	<b>13.9</b>	<b>15.2</b>
<b>ROE</b> <b>(NPAT/Shareholder Funds)%</b>	<b>8.0</b>	<b>13.9</b>	<b>14.6</b>	<b>15.5</b>
<i>Notes:</i>				
<i>(1) Calculated before non-recurring items</i>				



- **Strategically significant acquisition for Ramsay Health Care**
  - Increases market share in Victoria and South Australia, provides opportunity to make bolt-on acquisitions in those states
  - Strengthens position with private health funds
  - Ability to generate operating efficiencies – e.g. purchasing, recruitment, risk management and information technology
  - RHC taking conservative approach in 1<sup>st</sup> year of integration, significant contribution expected from 2<sup>nd</sup> year

## ■ Benchmark Hospital Group

- Well-run portfolio of 10 hospitals located in Victoria and South Australia
- 980 hospital beds, with 71 additional beds coming on stream in 2005
- 68 aged care beds

## ■ Operational update

- Confident purchase will meet our expectations after early experiences
- Existing expansion program on track
- Now planning for revamp, additional expansion to some facilities which will further benefit from ownership by committed, long term operator
  - Mitcham, The Valley, South Eastern, Beleura



- Long-term strategy based on acquisitions & greenfield development
- Focus on specific profitable sectors of the market, accommodation bonds and chargeable extra service – user pays
- Acquisition opportunities
  - Cautious approach - inflated price expectations
  - Looking at groups, as well as individual facilities
  - Identify facilities well placed in a competitive market and where value can be added
- Greenfield developments
  - Targeting 500-600 beds to be operational within 3 years
    - Queensland – Greenslopes, Chermside
    - NSW - Coffs Harbour, Shellharbour, Central Coast



- Portfolio of strategically positioned, quality facilities
  - Strong referral base
  - Facilities health fund members want to attend
- Remained focused on core hospital management expertise
- Not relying solely on acquisitions for growth – achieving growth organically and through investing in existing facilities
- Disciplined approach to all acquisitions
- Cautious approach to aged care expansion
- Delivering on forecasts



- Targeting at least 10% growth in FY 2005 core net profit, based on:
  - Strategically positioned, quality facilities – admission growth
  - Efficient hospital management – EBITA margin, ROI/ROE
  - Focus on cost containment, leveraging market position
  - Annual organic growth of at least 5%
  - Benefits of expansion program to further contribute to earnings – Greenslopes, Lake Macquarie, Mt Wilga
  - Realisation of upside benefits from Benchmark



- Profit growth target does not include the benefits of further acquisitions
- RHC continues to pursue strategic acquisitions
  - Hospitals (bolt-ons in South Australia & Victoria)
  - Aged Care

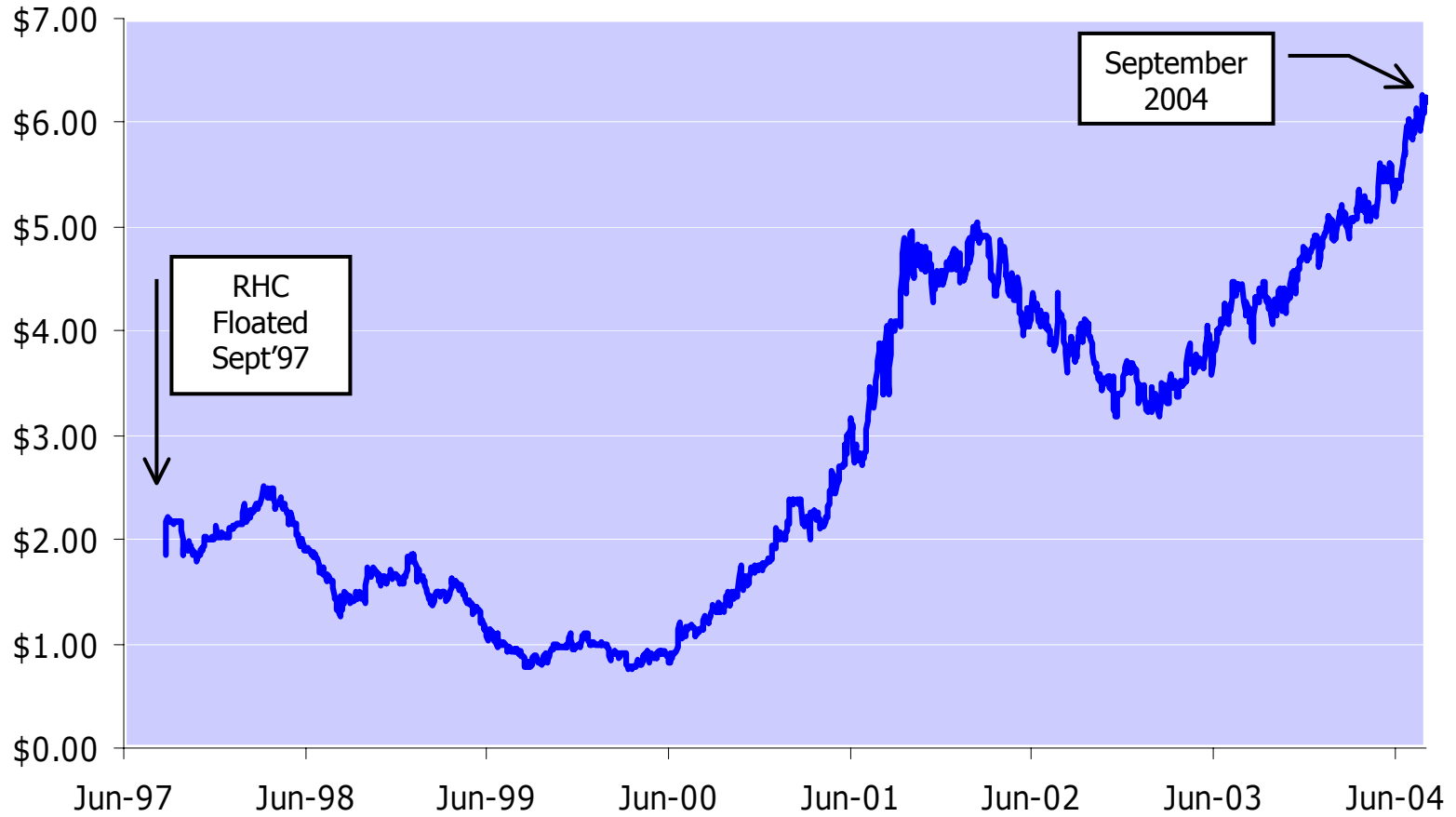


RAMSAY  
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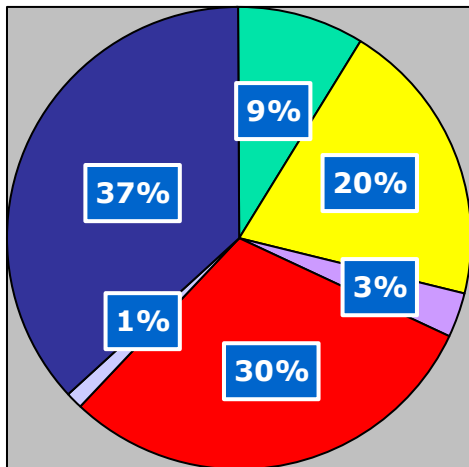
## Appendix

# RHC Share Price History

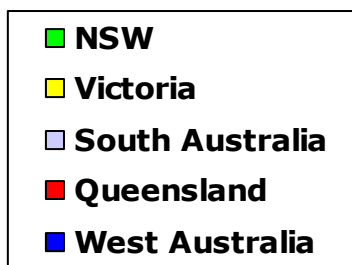
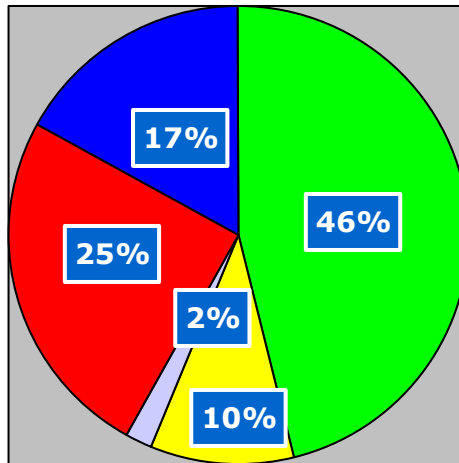




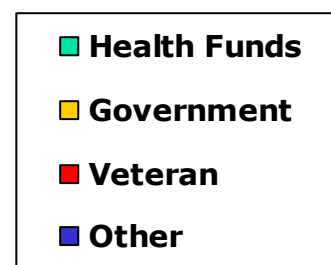
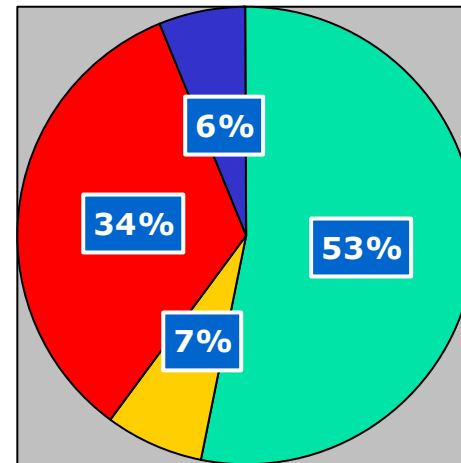
**Revenue by Division**



**Revenue by State**



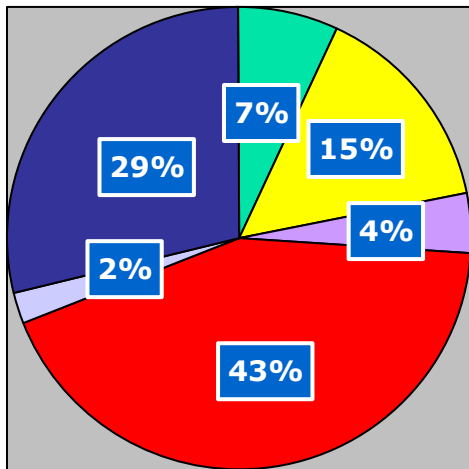
**Revenue by Payor Source**



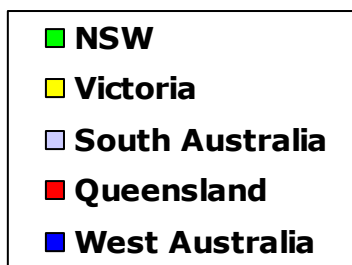
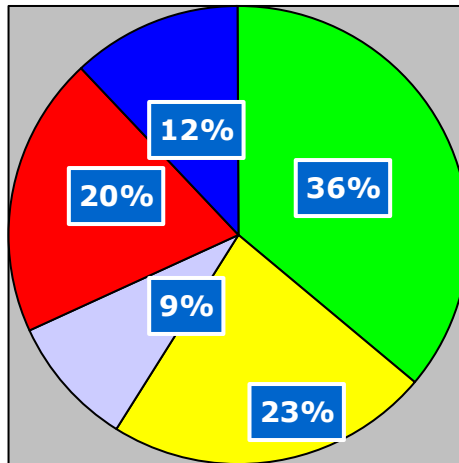
*Note: Analysis of revenue for FY 2004, does not include Benchmark*



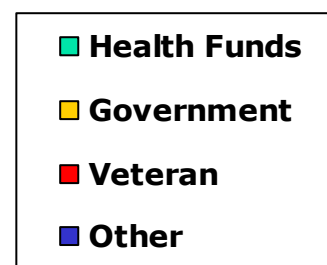
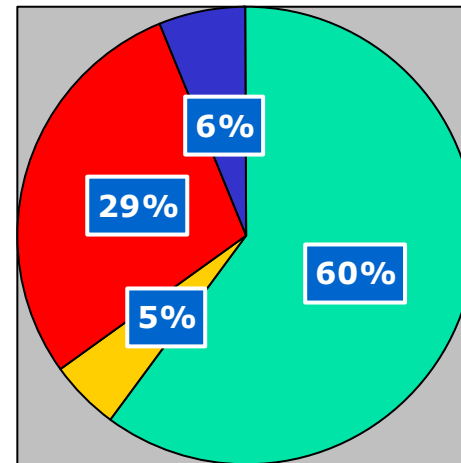
**Revenue by Division**



**Revenue by State**



**Revenue by Payor Source**



***Note:** Analysis based on forecast revenue for FY 2005 including Benchmark*



**Ramsay Health Care hospital locations**

**1 CAIRNS - QLD**

- Cairns Private Hospital

**2 BRISBANE - QLD**

- Greenslopes Private Hospital
- New Farm Clinic

**3 REGIONAL NSW**

- Albury Wodonga Private Hospital
- Baringa Private Hospital
- Coffs Harbour Day Surgery
- Lake Macquarie Private Hospital
- Tamara Private Hospital

**4 SYDNEY REGION - NSW**

- Berkeley Vale Private Hospital
- Evesham Clinic
- Hunters Hill Private Hospital
- Illawarra Private Hospital
- Lawrence Hargrave Private Hospital
- Mt Wilga Private Hospital
- North Shore Private Hospital
- Northside Clinic
- Northside West Clinic (*formally Wentworth Private Clinic*)
- Southern Highlands Private Hospital
- Westmead Private Hospital

**5 MELBOURNE - VIC**

- Albert Road Clinic
- Beleura Private Hospital
- Donvale Rehabilitation Hospital
- Mitcham Private Hospital
- Peninsula Private Hospital
- South Eastern Private Hospital
- The Valley Private Hospital

**6 REGIONAL VICTORIA**

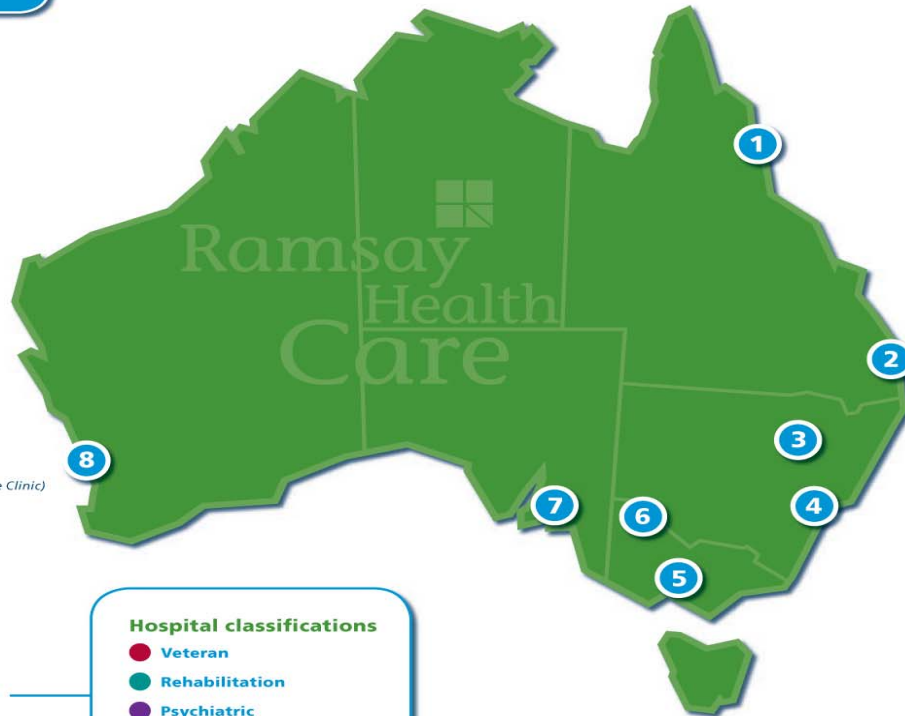
- Mildura Base Hospital

**7 ADELAIDE - SA**

- The Adelaide Clinic
- Central Districts Private Hospital
- College Grove Rehabilitation Hospital
- Fullarton Private Hospital
- Kahlyn Private Hospital
- North Eastern Community Hospital
- Wakefield Hospital

**8 PERTH - WA**

- Hollywood Private Hospital



**Hospital classifications**

- Veteran
- Rehabilitation
- Psychiatric
- Collocated
- Med/Surg



Operating Divisions	Number of Facilities <sup>(1)</sup>	Licensed Beds
Veteran	2	983
Co-located	3	379
Regional Medical/Surgical	17	1,742
Psychiatric	8	541
Rehabilitation	4	231
Aged Care	1	68
<b>Totals</b>	<b>35</b>	<b>3,944</b>

**Notes**

<sup>(1)</sup> Including Benchmark Hospital Group acquired 1 July 2004



RAMSAY  
HEALTH CARE

