



RAMSAY  
HEALTH CARE



Macquarie Securities Emerging Leaders Conference  
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Managing Director Pat Grier



## Australia's largest private hospital operator

- 70 hospital facilities in Australia and Indonesia
- More than 7,200 beds
- More than 20,000 employees
- 28% of private hospital admissions
- Over 750,000 patients per year
- Over 455,000 procedures per year
- Over 1,000 operations per day



## **Size and strategic position of our hospital portfolio brings market strengths and growth prospects**

- Economies of scale
- Operating and financial leverage
- Portfolio rationalisation and maximisation
- Relationships with stakeholders
- Strong influence in growing market
- Market leadership



## **Our strategy has guided our growth path and delivered results**

Focus on management of core hospital business

- Underwrites strong organic growth

Grow through investing in brownfields development

- Higher return on investment
- Expands capacity
- Enhances portfolio

Grow through acquisitions in the hospital sector

- Strict financial discipline and investment criteria
- Further stand-alone hospital acquisitions in Australia possible
- Explore expanding the Ramsay hospital franchise offshore

Investigate opportunities outside hospitals, close to core competencies

## **Environment and demographics support continuing strong demand for private hospital services**

- Balanced health care system
- Private health insurance membership remains at historically high levels
- Ramsay in strong position to manage industry challenges including cost, labour pressures



Solid profit rise in half year to Dec06, built on strong year ago profit level boosted by Affinity acquisition

- Half year core EPS growth tracking towards full year guidance for 15% - 20% increase in core EPS
- Pleasing results from Ramsay and former Affinity hospitals
- Integration of Affinity and realisation of synergies on track
- Brownfields expansion program advanced and progressing well



## Continuing operations:

- Revenue up 7% to \$1.06 billion
- Group EBIT up 10% to \$108.2 million
- Core Net Profit up 22% to \$56.0 million
- Group EBIT margin rises to 10.2% from 10.0%
  
- Core EPS up 21% to 27.9 cents
- 1<sup>st</sup> half dividend up 24% to 13.0 cents
  
- Basic EPS up 33% to 27.2 cents

*(Core Net Profit and Core EPS are before specific items, amortisation of intangibles and divested operations)*



On track to achieve growth in full year Core EPS in the range of 15% to 20% targeted at start of financial year



- Further benefits of Affinity acquisition expected
- Solid organic growth to continue
- Brownfields expansion
  - Approximately \$550 mln expansion capex underway, funded from cash flow and existing facilities
  - Lower risk, higher return investment in core business
  - Strict capital allocation and projects prioritised by strategic benefit
  - Aimed at meeting unmet demand
- Investigating acquisitions in Australia and offshore

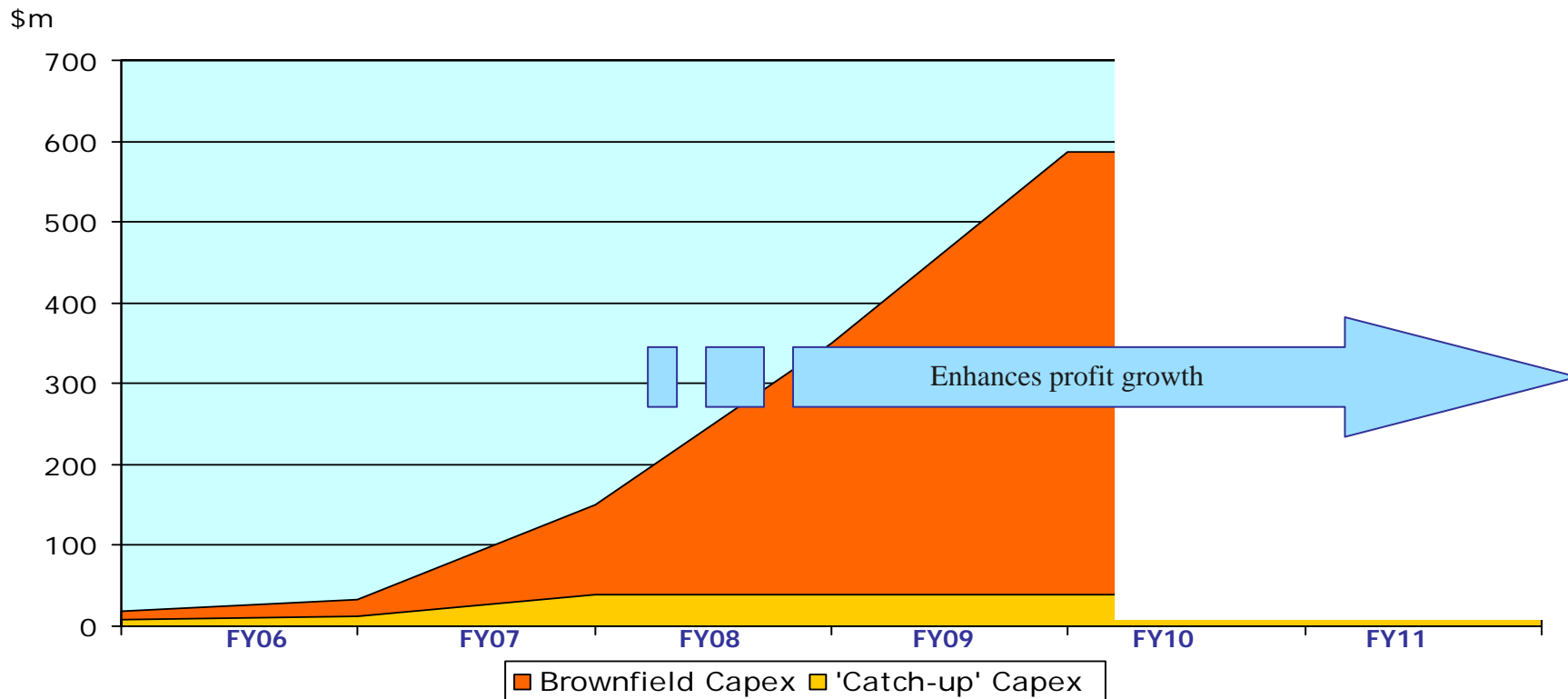


- Many brownfields projects are progressing well through the foundation and development phases
- Agreement with WA Govt re major redevelopment of Joondalup for both the public and private hospital
  - Ramsay commitment \$145 mln, WA Govt \$131 mln
  - New stand alone 165 bed private hospital, consulting suites, more than doubling current private bed capacity of 70
  - Redevelopment of public hospital including 237 additional beds taking total to 515, expanded emergency department, 10 new operating theatres, expanded diagnostics
  - New beds to open in phases, completion due mid-2010
  - Joondalup well positioned in major growth area of Perth
  - EPS accretive soon after opening

# FUTURE GROWTH: BROWNFIELDS EXPANSION



## Cumulative Capex Spend (Indicative)



- Average construction profile 18 months
- Ramp up to ROI of 15% on brownfields over 2 to 3 years, post construction completion
- 'One-off catch-up' capex mainly related to ex Affinity portfolio
- Brownfields to start enhancing profit growth from FY 2008



## Investigating acquisitions

- Further Australian hospital acquisitions in areas where there are no competition issues
- Opportunities to expand Ramsay hospital franchise offshore
- Other areas of health care close to core management competency
- Investment criteria based on Core EPS accretion over medium term



## Offshore Focus

- Asia
  - Strong growth outlook
  - Generally deregulated, not price controlled (supply and demand)
  - Acquisition opportunities limited, taking disciplined approach to valuations
  - Generally hospitals are full service providers, including diagnostics and pharmacy, which generate significant earnings



## Offshore Focus

- UK
  - Similar system to Australia
  - NHS looking to broaden provider base
  - Private providers to NHS patients an emerging trend
  - Health care assets in demand
  - RHC flexible in relation to structures, may be better to have partners



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Questions