



RAMSAY  
HEALTH CARE



Acquisition of Capio UK  
7 September 2007  
Managing Director, Pat Grier



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# Executive Summary





- Acquisition of Capio UK, 4th largest operator of private hospitals in the UK
- EU Commission directive necessitating divestiture of Capio's UK hospital portfolio
- Purchase price of £193 million<sup>(1)</sup> (\$474 million<sup>(2)</sup>)
- Acquired on attractive acquisition multiple
- Provides solid growth platform outside the Australian market
- Entry into market with significant upside due to shift in outsourcing NHS services to the private sector
- Great potential for efficiency gains using Ramsay's strong management skills
- Core EPS accretive in 2nd full-year and beyond
- Debt funded, retaining significant flexibility for further acquisitions and brownfields expansion

(1) Plus provisions of £7.0 million (\$17 million) as at 30 June, 2007

(2) Converted at an exchange rate of \$/£ 2.454



# Why the UK Hospital Sector?





- UK Healthcare market dominated by the National Health Service (“NHS”)
  - Accounts for estimated 85% of the total UK health expenditure
  - Total private sector services revenues of approx £5.4 billion in 2005, of which private hospitals represent approx £2.7 billion
- UK private acute healthcare market grown at over 9% pa for the past 10 years. Trend set to continue driven by:
  - Ageing population
  - Increasing personal wealth and growing acceptability of private health insurance leading to stable private health insurance sector and growth in self pay
- Changing Government policy to actively increase private sector participation
  - Increasing Government focus on improving UK healthcare system, with associated increase in funding



- Capio UK is well positioned and has strong relationships with Private Medical Insurance (“PMI”) providers
  - Broad national coverage
  - Size and scale
  - Strong relationships with consultants
  
- Stable PMI market volumes
  - 11% of the UK population has PMI
  - Market mainly driven by corporate purchasers
  - Underpins Capio UK’s core business



- NHS spending on private sector outsourcing grown significantly in recent years
  - Government policy to improve NHS services and drive down waiting lists
- Up to £1 billion pa of NHS outsourcing work expected to be available to the private sector by 2008
- Outsourcing introduced gradually over time
  - 24 Wave I Independent Sector Treatment Centres (“ISTCs”) introduced in 2003
    - £2 billion of revenues over 5 years
    - Capio UK awarded the largest “Spine Chain” or “GC4” £240 million contract for 9 ISTCs (initial 5-year contract awarded in 2004)
  - Spot contracts awarded to certain private operators to undertake large numbers of procedures and help bring down specific waiting lists
  - Wave II ISTCs introduced in 2007
    - Size / number of Wave II contracts still under discussion
    - Capio UK has been awarded preferred bidder status for a significant Wave II ISTC, “Cumbria and Lancashire”



- Patient Choice/Choose & Book initiative being introduced under the Government's Extended Choice Network scheme
  - Aims to provide choice of treatment facility to individual NHS patients and to address patient wait list reduction targets
  - Patients given the right to choose from NHS accredited provider (both public and private) as long as the provider can deliver the treatment within a nationally set "Tariff" price
  - All Capio UK hospitals accredited and able to accept Patient Choice referrals

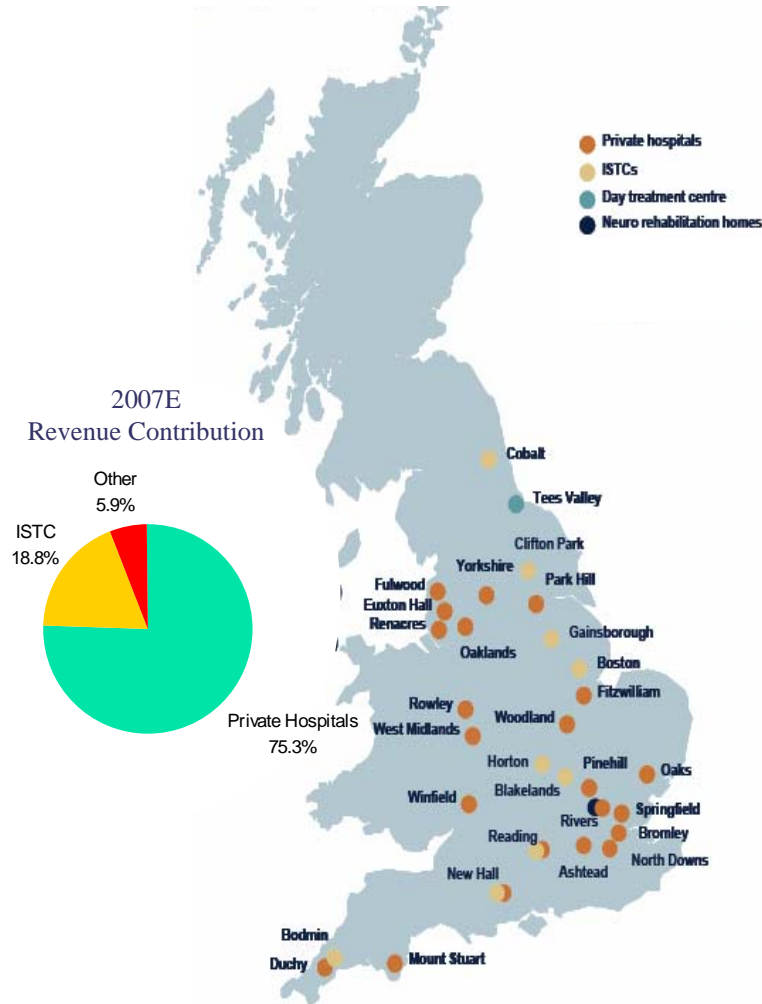


# Capio UK Business Overview





## Nationwide Coverage



### Private Hospitals

- Represents the core business
- 22 private hospitals across England
- 854 beds
- 48 operating theatres

### GC4 ISTC Contract

- 9 ISTCs servicing NHS outsourced volumes on a “Take or Pay” (guaranteed revenue) basis
- Awarded in 2004, commenced in 2005 for initial 5 year term
- Total revenue of £240 million

### Cumbria & Lancashire ISTC Contract

- Preferred bidder status – process on track
- Initial 5 year term
- Servicing NHS outsourced volumes through existing, subcontracted and joint NHS facilities

### Other Healthcare Services

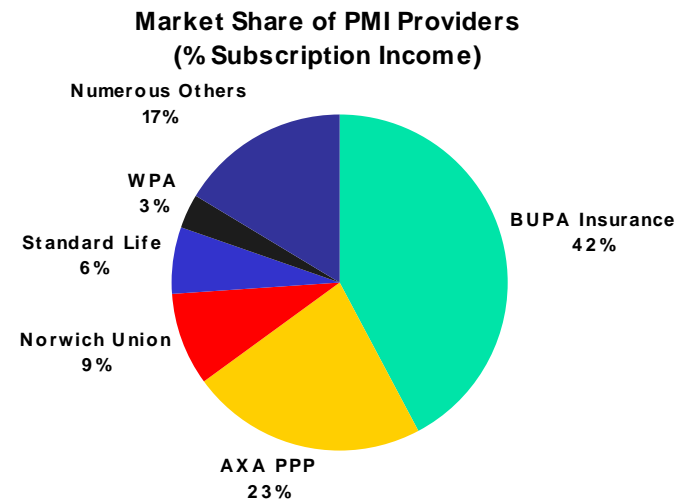
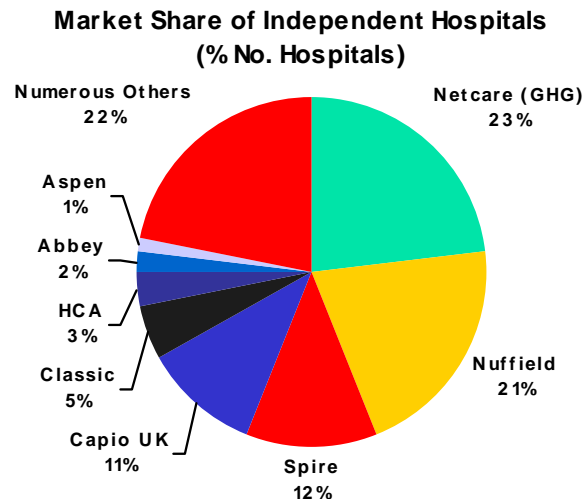
- 2 Neuro rehabilitation homes & 22 apartment retirement village on a private hospital campus
- In-hospital pathology services
- Fixed & mobile radiology units
- Day surgery unit
- Ophthalmology clinic – Harley Street, London

### Property

- Private hospitals leased on a 30-year term, expiring 2037 with option to extend for further 30 years
- ISTCs leased from the Department of Health



- The UK Private Acute Care market is dominated by five key operators, which together control 72% of the private market
  - GHG, Nuffield, Spire and Capiro UK each operate national networks with HCA focused entirely on the London market
  
- Capiro has good relationships with all PMI providers





- Strong market position – national network with good coverage of the UK market
  - 4th largest private provider of PMI and self-pay services
- One of the largest providers of NHS-contracted services
  - Well positioned for additional growth in NHS work
- High quality hospital portfolio
  - Majority are purpose built
  - Well equipped with latest diagnostic and treatment technologies
- Strong, self-sufficient management team with experience in winning government contracts
  - Senior management team will remain with the business
- Strong reputation for clinical excellence



- **Strong local competitive positioning**
  - Close relationships with key PMI funders (all Capio UK hospitals in leading PMI provider networks)
  - Established network of leading consultants
- **Potential for additional growth in the UK and into Europe**
  - Opportunities already identified by management
- **Potential for efficiency improvements**
  - Core Ramsay competency



# Transaction Overview



# ACQUISITION OF LEADING UK GROWTH PLATFORM



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- Capio UK is the 4th largest operator of private hospitals in the UK
  - 22 private hospitals spread throughout England together with 9 ISTCs servicing contracted NHS patient volumes
  - To be rebranded following integration into the Ramsay Group
- Acquisition provides Ramsay with a leading UK growth platform for expansion outside the Australian market
- Provides an entry point into the UK hospitals market which has significant potential for private operators
  - UK Government-led policy shift to create a market for outsourced NHS services to increase standards of patient care & choice, shorter waiting lists & reduce the burden on the public health system
- Stable core private health insurance business
  - Under-penetrated levels compared to the Australian market
- Opportunity for efficiency gains utilising Ramsay's strong management expertise



- Delivers a UK growth platform, within Ramsay’s area of core competency
  - UK market well understood and viewed as attractive by Ramsay management team
    - Historical track record of growth
    - Mix of private medical insurance and government outsourcing
    - Similar dynamics to Australian market
  
- Capio UK is well positioned in both the private and public hospital sectors
  - Incumbent operator of the largest single Government outsourcing contract, the £240 million “GC4” or “Spine Chain” Wave I ISTC contract
  - Preferred bidder status for a significant Wave II ISTC contract, “Cumbria and Lancashire”



- Experienced and self sufficient Capio UK management team will remain with the business
  - Local market expertise
  - Limited demands on Ramsay management time
  - Ramsay can lend its significant operating expertise to help improve the Capio UK operations
  
- Acquisition is expected to be core EPS accretive in 2nd full-year and beyond



# Financials





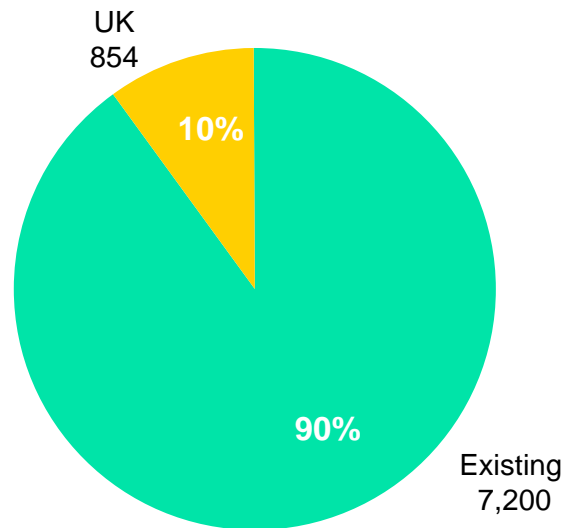
- Ramsay has agreed to acquire Capio AB's UK hospitals operations
  - Capio AB was acquired by funds advised by Apax Partners Worldwide, Nordic Capital Fund VI and by funds advised or managed by Apax France in October, 2006
  - Ramsay acquired Capio UK for cash payment of £193 million<sup>(1)</sup> (\$474 million)
  - Represents acquisition multiple of 8.0x CY2007 EBITDA / 6.9x FY2008 EBITDA
  
- Transaction expected to close Q2 FY2008
  - Subject to closing conditions including regulatory and government approvals and consents

(1) Plus provisions of £7.0 million (\$17 million) as at 30 June 2007

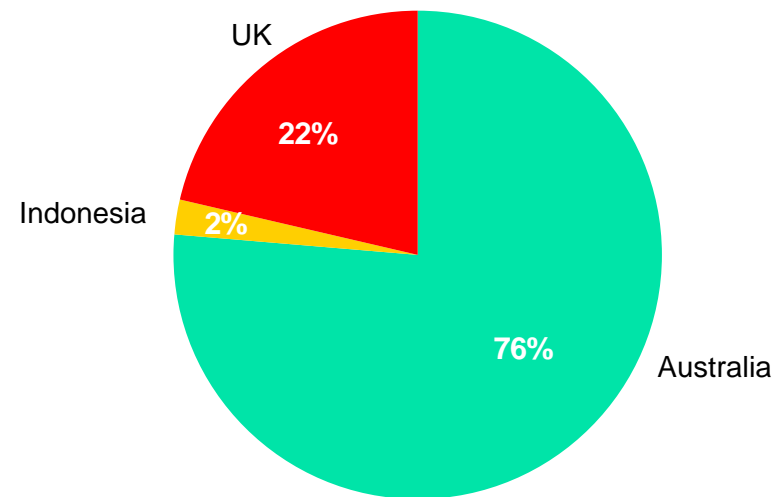


- Major step in international expansion plans
  - Ramsay’s first major overseas expansion into an attractive and well understood market with strong organic earnings growth potential
- Strong platform for further expansion in the UK and Europe

**FY2007 Ramsay Proforma Beds (8,054)**



**FY2007 Ramsay Proforma Revenue**





- Forecast for strong future growth with substantial improvement in margins anticipated
- Expected results for the year ended 31 December, 2007
  - Revenue ~£260 million
  - EBITDA ~£24 million
  - EBITDA margin (after rent) ~9%
  - EBITDAR margin (before rent) >20%
- Year to date trading indicates full year estimates will be achievable
- Year ended 31 December 2008 results will incorporate the full year impact of the Cumbria and Lancashire agreement



(\$ million) Year Ended 30 June 2007	Ramsay	Capio UK	Proforma	% UK Contribution
Revenue	2,105.9	601.2	2,707.1	22.2%
EBITDA	273.4	49.1	322.5	15.2%
EBIT	212.5	19.6	232.1	8.4%

- Maintenance capex for Ramsay core operations ~\$69 million in 2008 and \$74 million in 2009
- Capio UK maintenance capex of ~\$25 million (£10 million)
- Incremental one-off Capio UK capex of \$80 million (£32 million) and \$46 million (£18 million) in 2008 and 2009 for site developments, project spend and mandated Department of Health improvements



<b>Proforma Leverage</b>		
	<b>30 June 2007</b>	<b>30 June 2008</b>
Net Debt	\$1.3 bn	\$1.6 bn
Net Debt / EBITDA	4.0x	4.3x
EBITDA / Net Interest	3.4x	3.2x
Net Debt / (Net Debt + Book SHF)	60%	64%

- Ramsay's existing core operations highly cash flow positive
- Debt and leverage levels expected to peak in 2009 at conclusion of brownfields program
  - 15% EBIT ROIC approx. 3 years after opening
- Brownfields and Capio UK earnings growth will drive de-leveraging over medium term
- Proforma PP&E of over \$1.4 billion at 30 June 2007
- DRP has been re-activated, option exists (as per Affinity acquisition) for take up in the DRP to be underwritten over next 4 dividends to reduce leverage
- Ramsay has strong history of converting EBITDA to operating cash flow
- Cash flow generation capacity underpins ability to de-lever



# Compelling Proposition





- Within Ramsay's core competency of managing and operating hospitals
- Best opportunity of scale for Ramsay in the UK private hospital sector
- Platform for significant expansion opportunities in the UK and wider European market
- Attractive acquisition multiple
- Enhances top-line and operating earnings growth profile
- Forecast to be Core EPS accretive in 2nd full-year and beyond
- Debt funded with headroom for the announced brownfields program and significant flexibility for further expansion and acquisitions



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