

27 August 2002

RAMSAY HEALTH CARE ANNOUNCES RECORD YEAR NET PROFIT

**Highlights**

- Net Profit up 94% to \$31.1 million
- Revenue up 42% to \$549.8 million
- EBITDA of \$80.8 million up 35%
- Cash flow from operations of \$65 million up 25%
- EBIT up 48% to \$58.4 million
- EBIT margin rose to 10.6% from 10.2%
- Earnings per share increased 73% to 24.5 cents from 14.2 cents
- Final dividend of 6.5 cents, up from 5.0 cents, making the total dividend for the year 29.4% higher at 11 cents from 8.5 cents last year.

**Overview**

Leading private hospital operator Ramsay Health Care Limited announced today it achieved a record net profit of \$31.1 million for the 2002 financial year, a 94% increase from the previous year.

The profit rise came on a 42% rise in revenue to \$549.8 million. Earnings before interest and tax (EBIT) rose 48% to \$58.4 million and the EBIT margin improved to 10.6% from 10.2%.

Directors of Ramsay Health Care have declared a final dividend of 6.5 cents a share, unfranked, up from 5.0 cents for the previous corresponding half, taking the full year dividend to 11 cents, unfranked, from 8.5 cents the previous year.

Managing Director Pat Grier said the strong 2002 profit highlighted the ability of Ramsay Health Care management to maximise benefits from the continuing strength in the private hospital sector and the quality of the group's portfolio of hospitals.

“The integration of Alpha hospitals is exceeding expectations and delivering significant synergy benefits and competitive advantage to Ramsay in the key New South Wales private hospital sector,” Mr Grier said.

“In addition to Alpha performing well, existing Ramsay hospitals also performed strongly, with margins improving despite higher costs. EBIT from existing Ramsay hospitals rose 21% in the year, showing the strength of the underlying business,” Mr Grier said.

“The results endorse Ramsay’s management model and the priority given to strong staff and doctor relationships,” he said.

Ramsay’s \$70 million expansion program at existing hospital facilities, funded from strong cash flows, is proceeding well and on schedule, enabling the group to capitalise on the increased demand for private hospital beds. This program is in line with Ramsay’s strategy to give priority to adding capacity at existing hospitals, which provides the opportunity for higher returns in a shorter period of time.

Private health insurance membership remains at historically high levels and demand for the high quality care that Ramsay Health Care hospitals provide remains strong.

## **Operations**

All of Ramsay’s five operating divisions (Veteran, Regional Medical/Surgical, Co-located, Psychiatric and Rehabilitation) performed well and contributed to the 48% rise in EBIT.

Ramsay Health Care continues to expand through strategic acquisitions, finalising the purchase of the Lake Macquarie Private Hospital from the Medical Benefits Fund of Australia Limited in April.

The acquisition of the 76 bed private hospital, which specialises in cardio-thoracic and vascular surgery and interventional cardiology, gives Ramsay Health Care access to the Newcastle/Hunter region of New Wales and brings the total number of hospital facilities in the company’s portfolio to 23.

Profit at Sydney’s North Shore Private Hospital continued to improve significantly. Demand remains strong. In February, additional obstetric beds were added to the facility and were immediately filled.

Westmead is performing ahead of expectations and continues to experience strong demand. The hospital is currently in the process of adding capacity to the operating theatres to address that higher demand.

## **Cash Flow**

Cash flows from operating activities continued to strengthen in the year. Net operating cash inflow was up 25% to \$65 million in the year, highlighting the company's ability to maximise returns from its portfolio. Apart from dividends, funds were applied during the year to capacity expansion of \$37 million, \$11 million towards the acquisition of Lake Macquarie Private Hospital and debt reduction of \$15 million.

Return on assets has improved to 15%, but the company believes this is still short of its target.

## **Growth initiatives**

Ramsay Health Care is actively investigating further hospital acquisitions, as well as other opportunities closely allied to the private hospital sector.

Mr Grier said: "We've undertaken considerable work evaluating the aged care sector and our interest is firming."

"Any investment decision we make in aged care or any other acquisition will be in line with our strategy to only acquire businesses that are within our core competencies and are within our investment criteria."

## **Outlook**

Ramsay Health Care expects conditions to remain strong in the private hospital sector, particularly for the high quality service and facilities that Ramsay group provides. Mr Grier said "Ramsay Health Care management is focused on continuing to carefully manage costs, such as labour and higher insurance premiums, while still growing the business."

He said "the company is comfortable with consensus market expectations for net profit in the 2003 financial year, ranging from \$35 million to \$37 million. This is expected to be achieved through organic growth of the existing business and does not take into account the effect any acquisitions.

"We are cautiously optimistic for this financial year. The year after will be boosted by the benefits of the extra capacity coming on-stream. We believe we have the management and processes in place to meet challenges while capitalising on opportunities in the private hospital sector and beyond," Mr Grier said.

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Attachment: Summary of Financial Performance

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	<b>Year Ended 30 June 2002</b>		
	<b>\$000's</b>		
	<b>2002</b>	<b>2001</b>	<b>%</b>
Operating Revenue	<b>549,790</b>	<b>387,927</b>	<b>42%</b>
EBITDA	<b>80,835</b>	<b>59,951</b>	<b>35%</b>
EBIT	<b>58,365</b>	<b>39,559</b>	<b>48%</b>
Profit before tax and unusual items	<b>43,555</b>	<b>22,412</b>	<b>94%</b>
NPAT before unusual items	<b>31,071</b>	<b>16,466</b>	<b>89%</b>
Unusual Items (net of tax)	<b>-</b>	<b>(462)</b>	<b>-</b>
NPAT	<b>31,071</b>	<b>16,004</b>	<b>94%</b>

EBIT Margin	<b>10.6%</b>	<b>10.2%</b>
EPS (cents per share)	<b>24.5</b>	<b>14.2</b>
Dividend (cents per share)	<b>11.0</b>	<b>8.5</b>