



RAMSAY  
HEALTH CARE



Briefing – 26 February 2004

Financial results for the six-months ended 31 December 2003



- Strong half year result despite challenges
- Focus on cost containment delivers profit growth in line with year target before significant items
- EBIT margin above 10% despite cost pressures
- Organic profit growth continues at 5%
- Expansion program contributes to earnings growth as extra capacity comes onstream

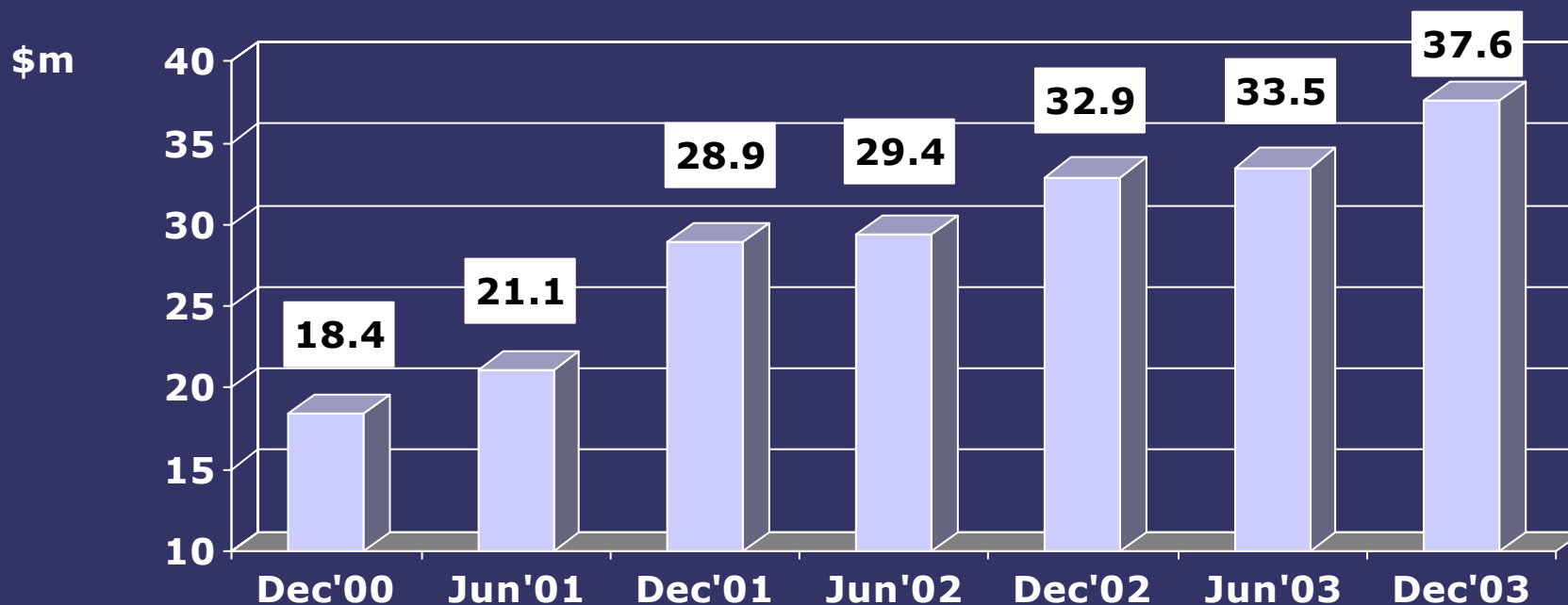


- NPAT up 14% to \$21m (before non-recurring charge)
- NPAT of \$18.8m after non-recurring charge (\$2.2m net of tax)
- Group revenue up 17% to \$374.1m
- Group EBIT up 14% to \$37.6m
- EBIT margin of 10.1%
- Underlying EPS of 16.3 cps, up 13%
- Interim dividend of 7.5 cps, fully franked, up 15%



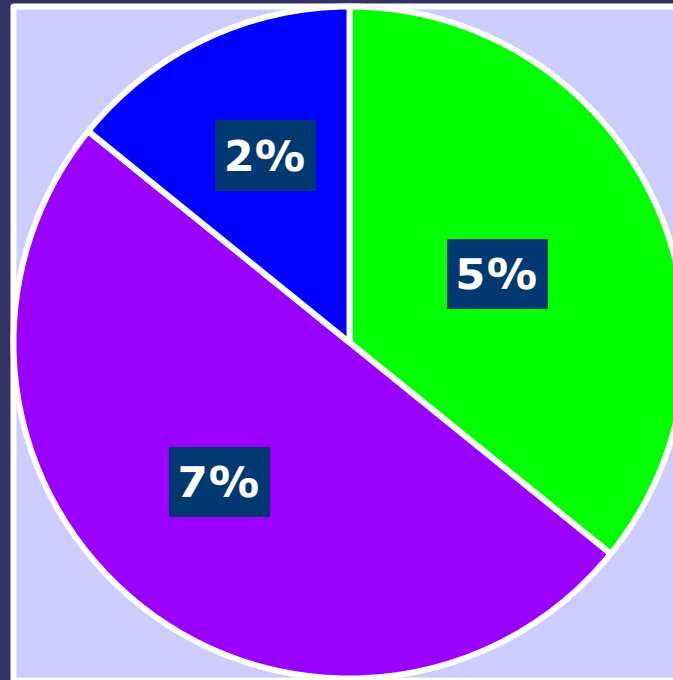
	Half-year ended 31 December		
	2002	2003	% Inc
	\$m	\$m	
<b>Operating Revenue</b>	<b>320.2</b>	<b>374.1</b>	<b>17%</b>
<b>EBITDA</b>	<b>45.1</b>	<b>51.7</b>	<b>15%</b>
<b>EBIT</b>	<b>32.9</b>	<b>37.6</b>	<b>14%</b>
<b>Profit before tax &amp; non-recurring charge</b>	<b>26.0</b>	<b>30.4</b>	<b>17%</b>
<b>NPAT before non-recurring charge</b>	<b>18.5</b>	<b>21.0</b>	<b>14%</b>
<b>Non-recurring charge</b>	<b>-</b>	<b>(2.2)</b>	
<b>NPAT</b>	<b>18.5</b>	<b>18.8</b>	<b>2%</b>
<b>EPS (cents/share)</b>	<b>14.4 ¢</b>	<b>14.6 ¢</b>	<b>2%</b>
<b>Underlying EPS (cents/share)</b>	<b>14.4 ¢</b>	<b>16.3 ¢</b>	<b>13%</b>
<b>Interim Dividend (cents/share)</b>	<b>6.5 ¢</b>	<b>7.5 ¢</b>	<b>15%</b>
	<i>Fully Franked</i>	<i>Fully Franked</i>	




# EBIT Growth



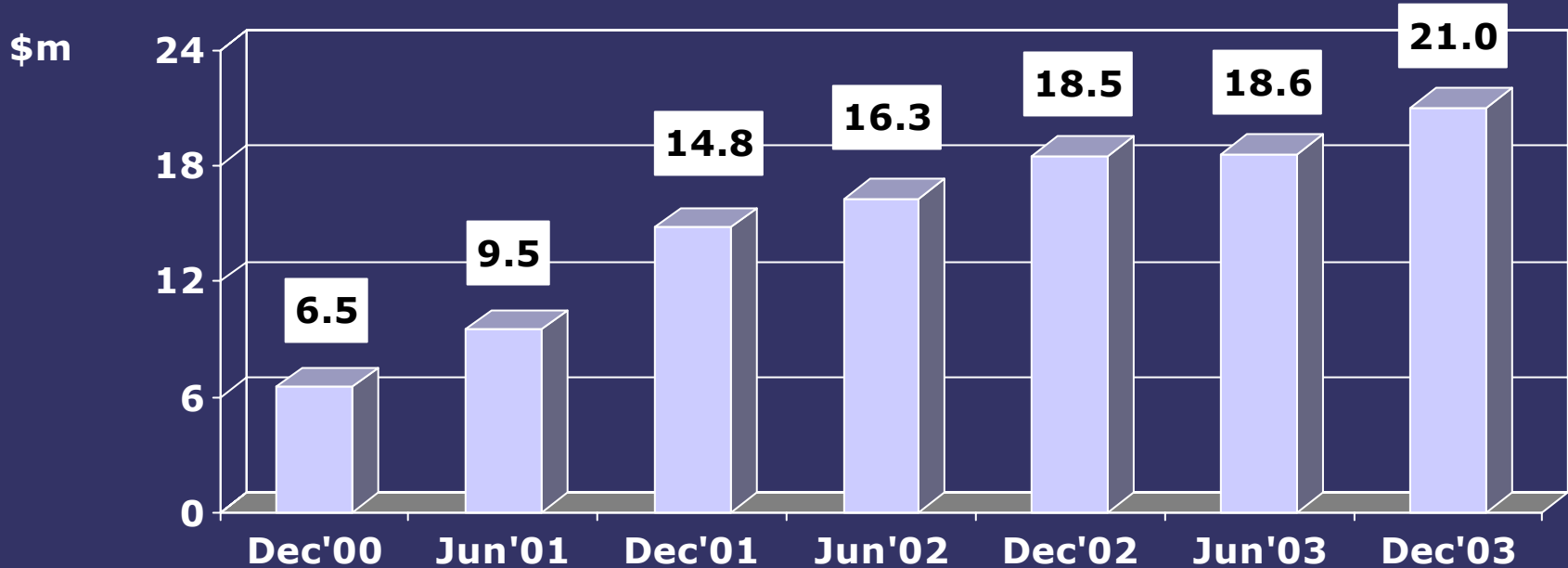
- Group EBIT up 14.4% for the half-year
- EBIT margin 10.1%
- EBIT margin, excluding Mildura, 10.7%
- ROIC (EBIT/Funds Employed) of 14.6%

# Breakdown of Group EBIT Growth, 14%



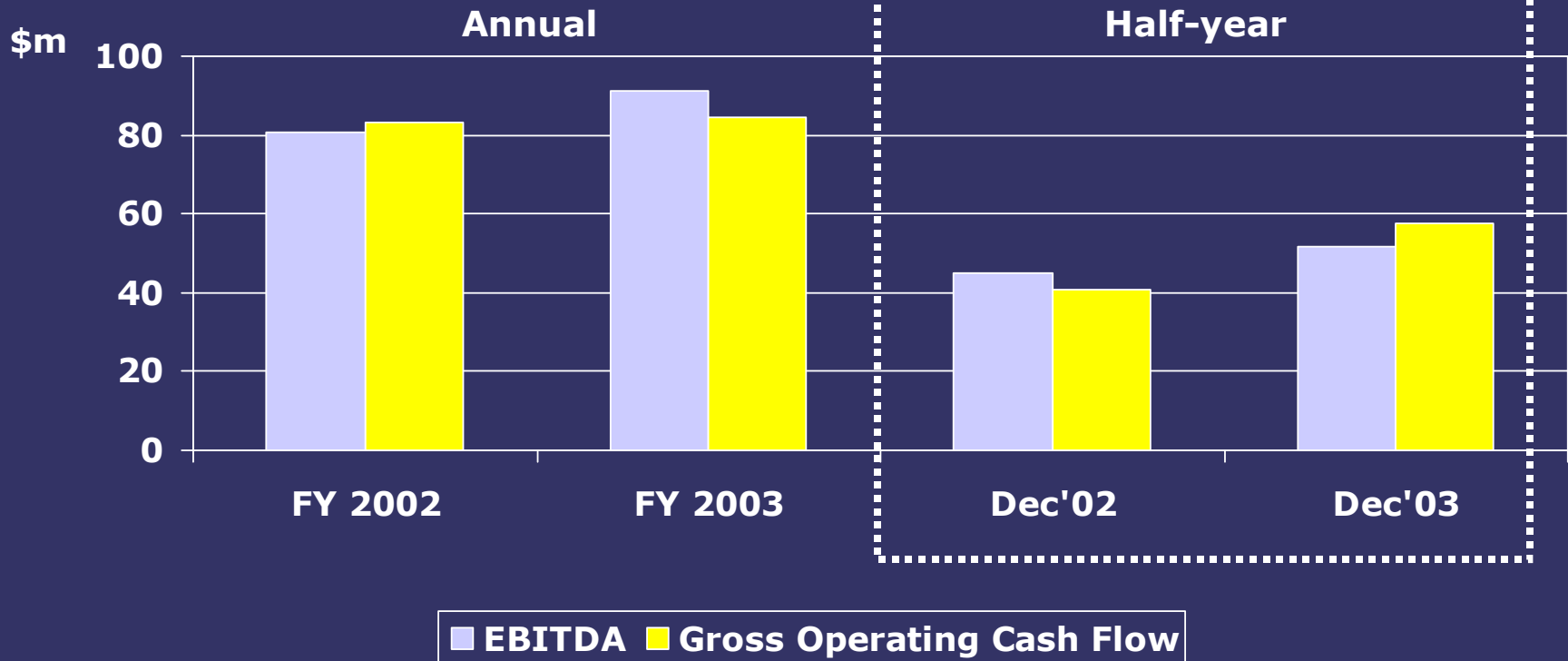
-  **Organic growth, 5%**
-  **Growth from expanded capacity, 7%**
-  **Growth from acquisitions, 2%**

# NPAT Growth



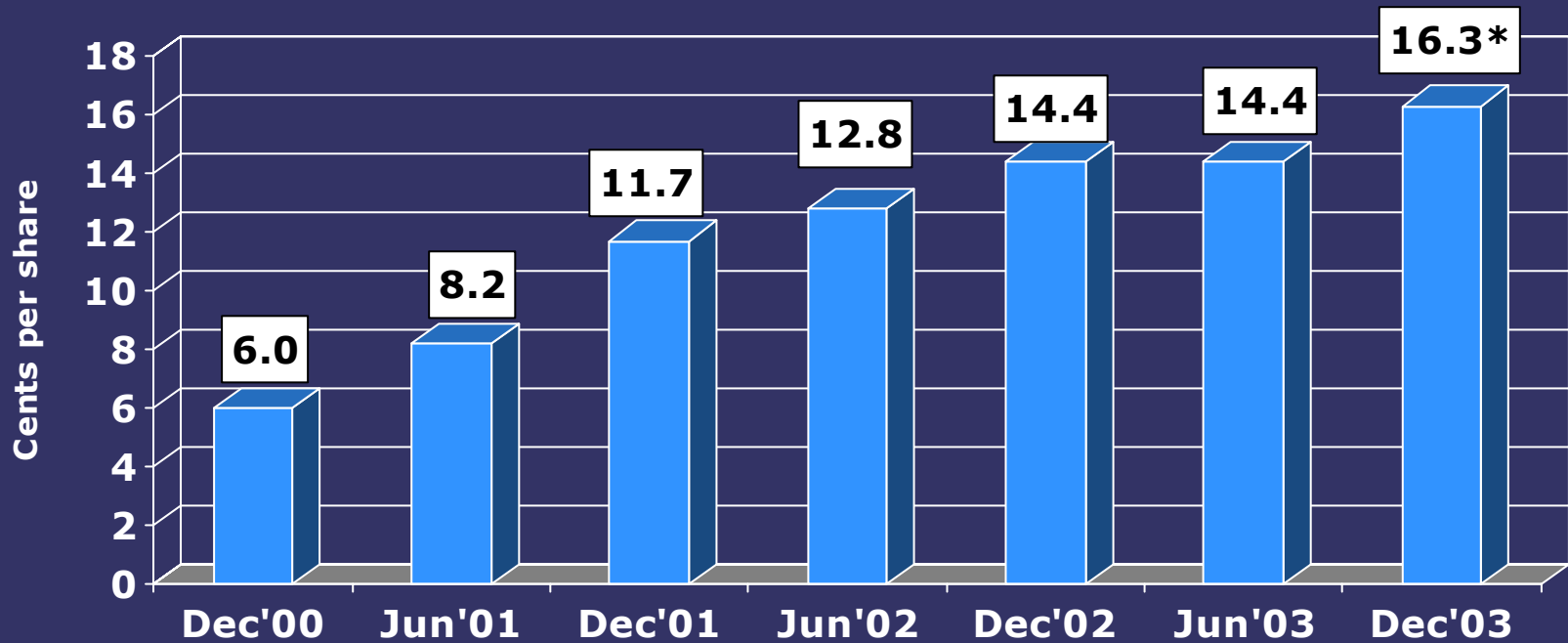
- Half year NPAT (before non-recurring charge) up 14%
- On track to meet market consensus forecasts for the full year
- ROE (NPAT/Shareholder Funds) 15.2% before non-recurring charge

# Cash Flow



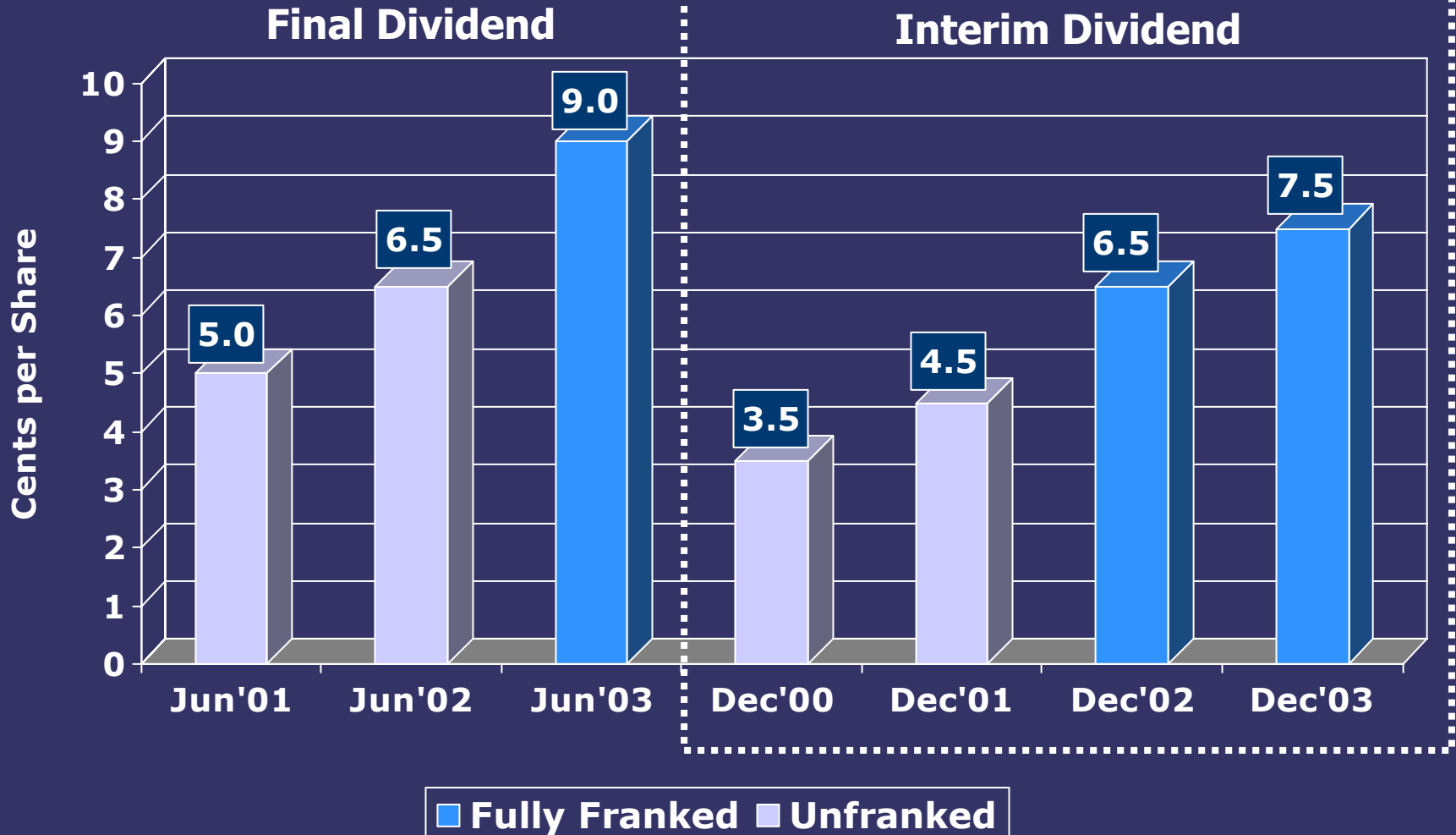
- Apart from working capital timing differences, half-year EBITDA translates into strong gross operating cash flow.
- Effective cash flow management has been maintained

# Earnings per Share

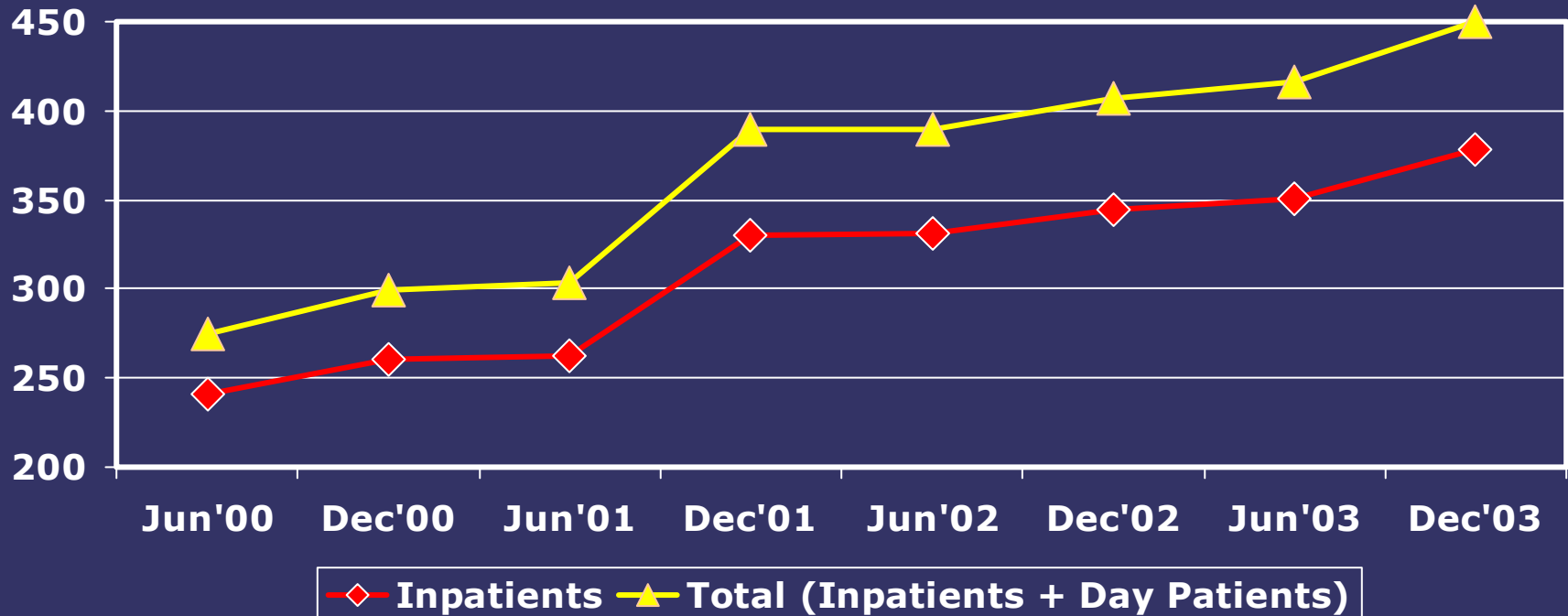


\* Underlying EPS 16.3 cents per share

# Increased Dividend



# Occupancy – Patient Days



- Solid increases achieved from already high occupancy levels.
- Admissions up 12% in half year



## **1. Operating Costs:**

- ✓ **EBIT margin 10.1%**
- ✓ **Revenue PPD has risen higher than total costs PPD**

## **2. Nursing shortage/ increased wages:**

- ✓ **Labour costs as a percentage of revenue has decreased in spite of wage increases**
- ✓ **Nursing vacancies down 25%**
- ✓ **Major emphasis on retention**
- ✓ **Successful overseas recruitment campaign**
- ✓ **Successful graduate nursing programs**
- ✓ **Agency hours down 18%**



### **3. Health Fund negotiations:**

- ✓ **Satisfactorily negotiated all health fund contracts**
- ✓ **Despite significant NSW nurse wage increase, EBIT margin maintained above 10%**

### **4. Medical indemnity insurance:**

- ✓ **Proactive risk management has resulted in minimal cost increase in indemnity insurance**

### **5. Project investment returns:**

- ✓ **Greenslopes expansion follows Hollywood with an investment return of 14% after just 7 months of operation**



- Organic growth
- Benefits of expansion program to flow through to 2<sup>nd</sup> half and FY 2005 earnings
  - Lake Macquarie expansion opens in H2
  - Greenslopes expansion ramp-up
- Continue to investigate hospital acquisition opportunities (not-for-profits, further industry rationalisation)
- Balance sheet capacity to make acquisitions
- Commitment to aged care



- Active investigation of acquisition opportunities continues
- Confident of finding further acquisitions
- Allocated 186 new residential places in the Annual Aged Care approval rounds bringing the total number of places to 206
- Greenfield sites to be developed to open places to the community, within 2 years
  - Greenslopes
  - Kedron Wavel, Brisbane
  - Coffs Harbour
- Purchased Silver Circle, Australia's largest private home care business



- Acquired the remaining 75% January'04
- Australia's largest private home care business:
  - Revenue approx \$25 m
  - Largely operating in Victoria
- Market growth to underpin demand for services
- Fragmentation provides opportunity for consolidation
- A bridge to aged care
- Expand to other states



- Barring unforeseen circumstances, comfortable with market consensus for 10% growth in underlying net profit before significant items for FY2004

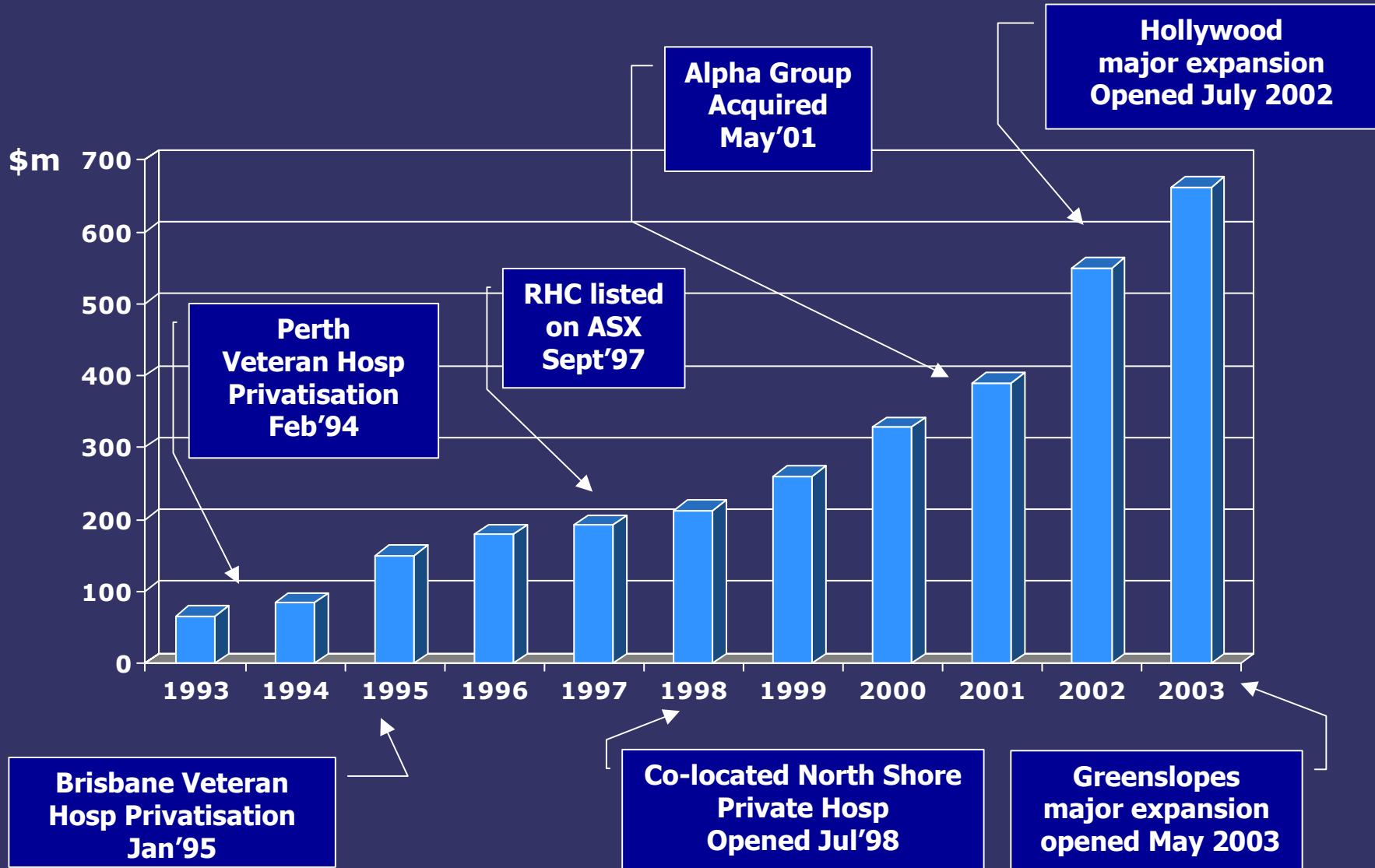


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## Appendix

# Revenue Growth Time Line





## Six months ended

	30 Jun'02	31 Dec'02 (1)	30 Jun'03 (1)	31 Dec'03
<b>ROIC <sup>(2)</sup></b> <b>(EBIT/Funds Employed) %</b>	<b>14.9</b>	<b>14.3</b>	<b>14.3</b>	<b>14.6</b>
<b>ROE <sup>(2)</sup></b> <b>(NPAT/Shareholder Funds) %</b>	<b>13.9</b>	<b>14.3</b>	<b>14.6</b>	<b>15.2 <sup>(3)</sup></b>

**Notes:**

***(1) Cairns excluded – acquired in Nov'02***

***(2) Calculated using rolling 12 months figures***

***(3) Calculated on NPAT before unusual items [14.3% after unusual items]***



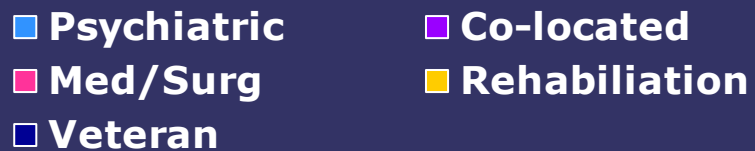
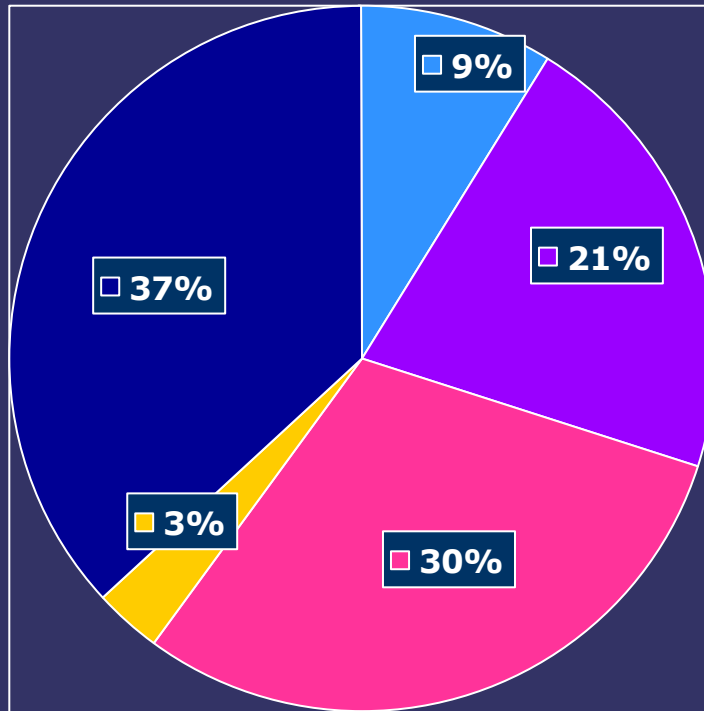
Operating Divisions	Number of Facilities	Licensed Beds
Veteran	2	953
Co-located	3	379
Regional Medical/Surgical <sup>(1)</sup>	10	885
Psychiatric	8	546
Rehabilitation	2	119
<b>Totals</b>	<b>25</b>	<b>2,882</b>

*(1) Including Coffs Harbour Day Surgery*

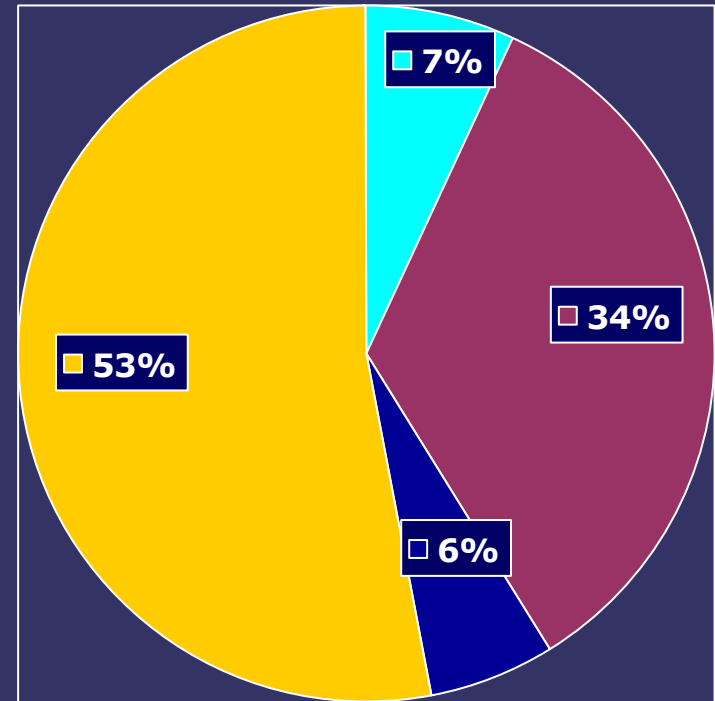
# Revenue Analysis



## Revenue by Division



## Revenue by Payor Source





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