



RAMSAY
HEALTH CARE



Austock Brokers Healthcare Seminar
24 March 2003

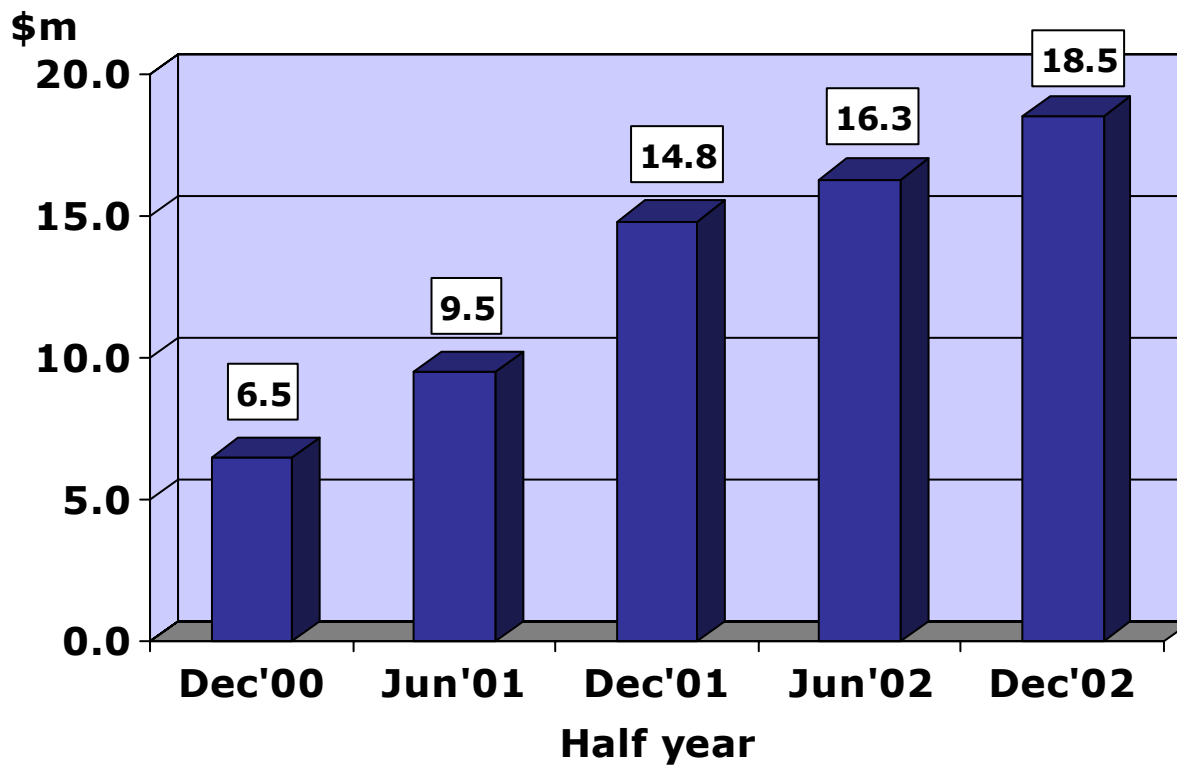


- NPAT up 25% to \$18.5m
- Group EBIT up 14% (almost 10% excluding new hospital acquisitions)
- All divisions contributed to strong EBIT growth
- EBIT Margin remains high at 10.5% (excluding new hospital acquisitions)
- Strong occupancy levels maintained:
 - admissions up 9%, compared with previous year (up 5% excluding Cairns and Lake Macquarie)
- Cautiously optimistic about outlook - double digit profit growth targeted for foreseeable future



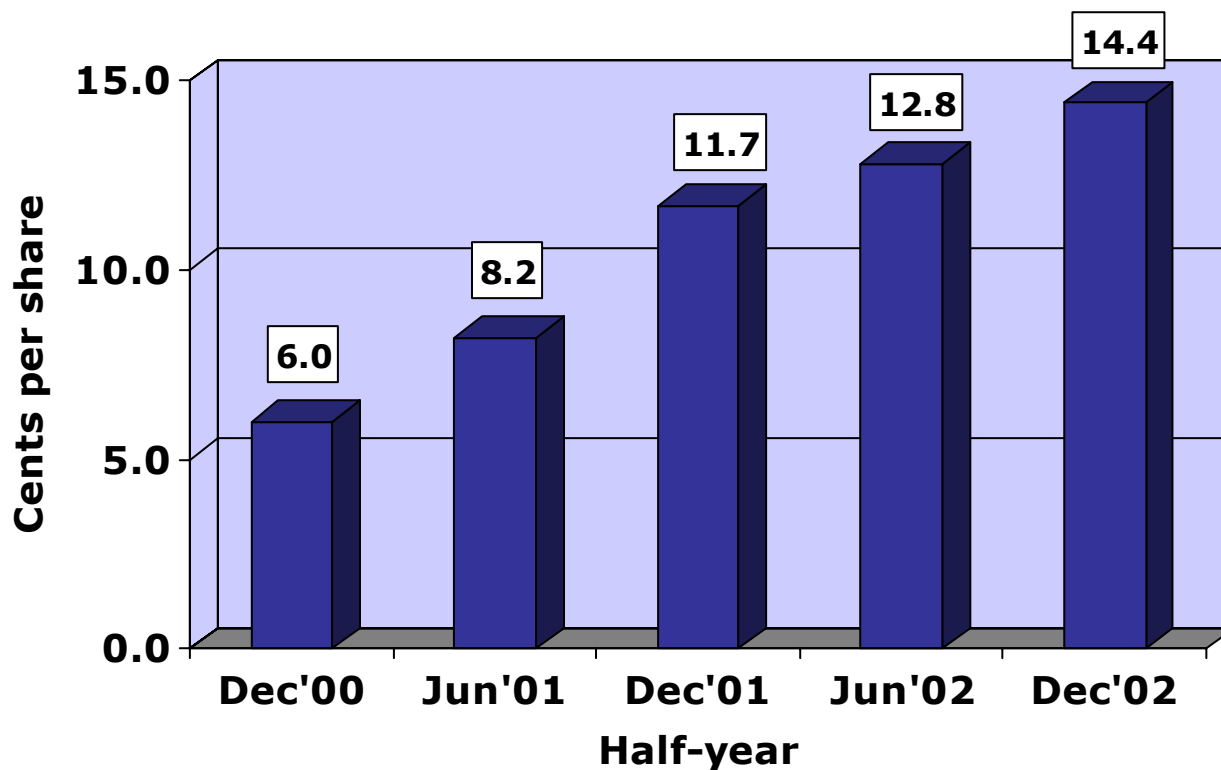
	<u>Half-year Ended 31 December</u>		
	2001	2002	% Inc.
	\$m	\$m	
Operating Revenue	264.8	320.2	21%
EBITDA	40.2	45.1	12%
EBIT	28.9	32.9	14%
Profit before tax	21.2	26.0	23%
NPAT	14.8	18.5	25%
EPS (cents/share)	11.7¢	14.4¢	23%
Int. Dividend (cents/share)	4.5¢ <i>(Unfranked)</i>	6.5¢ <i>(Franked)</i>	44%

Net Profit Growth



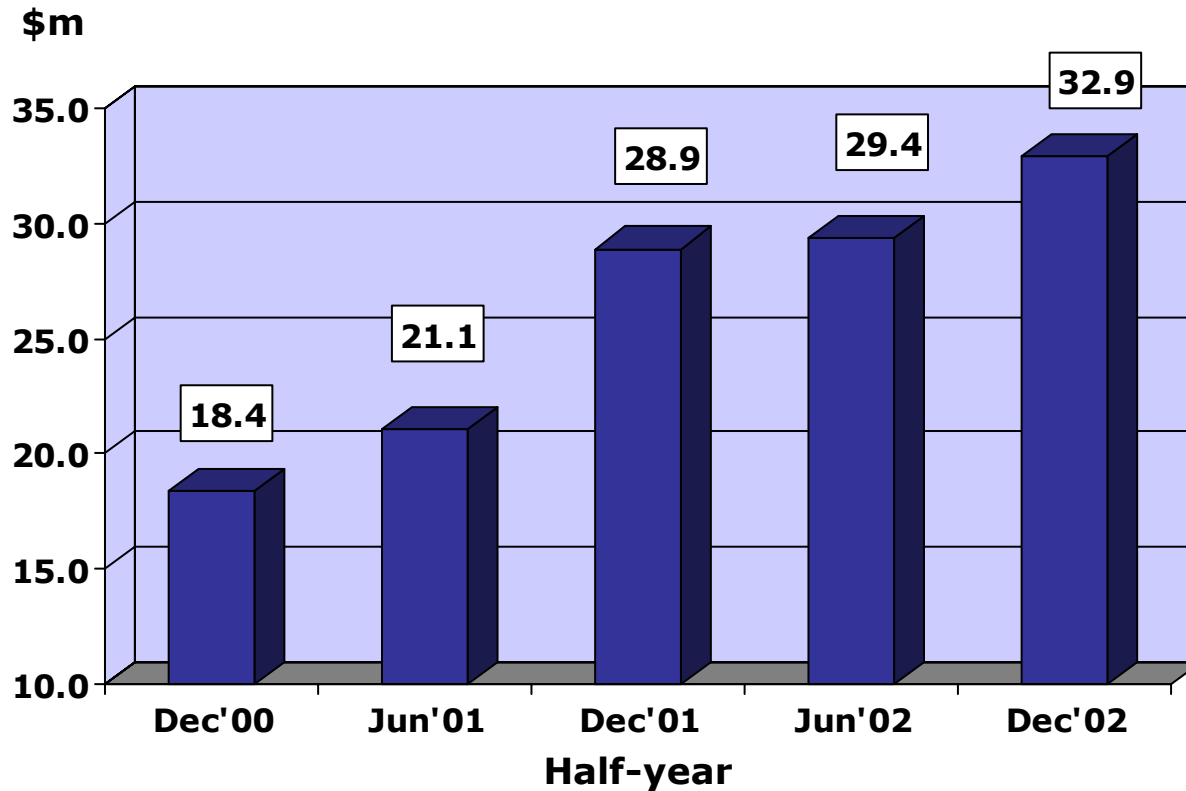
■ NPAT up 25% for half-year

Earnings per share

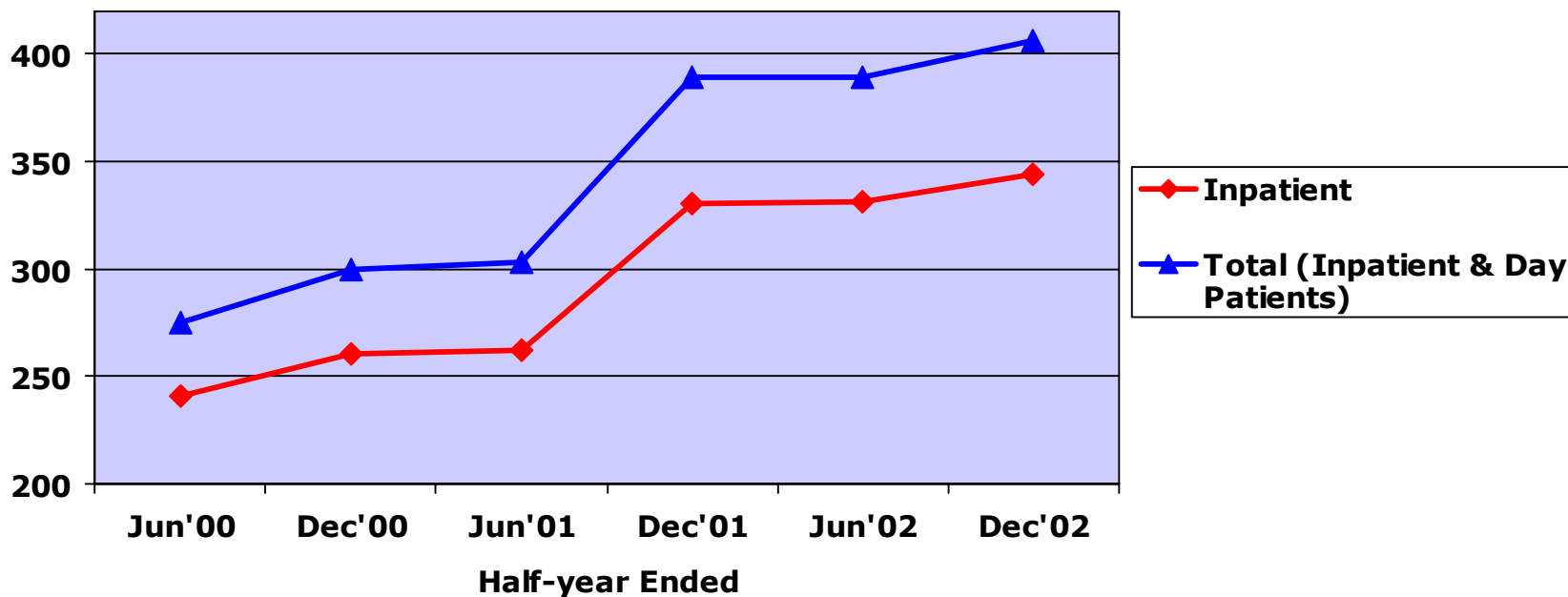


- Basic EPS up 23% for the half-year
- Double digit growth anticipated for the full-year

EBIT Growth



- EBIT up 14% for the half-year
- EBIT margin 10.5% (excluding new hospital acquisitions)



- Strong occupancy levels maintained with admissions up 9% (5% excluding new hospital acquisitions, Cairns and Lake Macquarie)

- ✓ *Why is Ramsay performing better than most?*
- ✓ *Why do we believe that the private hospital sector is still conducive to growth, for the better operators - despite industry challenges?*



- **Commitment to micro-management**
 - Appropriate decentralised management
 - Experience management team
 - Strong staff recruitment and retention programme
“The Ramsay Way”
 - Strong doctor and industry relationships
 - Focus on sustainable cost management
 - On going organic EBIT growth

- Developing a quality portfolio of strategically positioned hospitals
 - Priority to investing in existing business
 - Targeting 15% return on assets
 - Acquisitions based on strict investment criteria
 - Strategic fit
 - Moderate to low operating risk
 - EPS positive and 15% ROI in short-medium term
- Strong negotiating position with the Health Funds
- Exploring opportunities outside the private hospital sector, close to core competencies



Issue

- ❖ Nursing shortage & increased cost of wages:
- ❖ Increased cost of medical indemnity insurance:
- ❖ Health fund negotiations:
- ❖ Health Fund membership levels:

Response

- Preferred employer status, seek to recover higher wage costs from health funds.
- Emphasis upon risk management enhancement programme.
- Quality and strategic position of hospital portfolio, seeking to at least cover higher costs.
- Moved from 30% to 45.6% to 44%; minimal drop out – sustainable high demand in key areas



- Both political parties acknowledge that they cannot afford to fund the rising cost of health care
 - Aging population
 - Over 65 years old - usage is 5 x higher
 - Escalating cost increases
- Who pays? The answer - encourage user pays
- Australians prefer to be treated in a private hospital – by a ratio of two to one (*TQA research 2000*)
- 62% of Australians believe private hospitals should be given a greater role in the provision of overall health care. (*TQA research 2000*)



- In 2000/01 private hospitals treated an extra 245,000 patients
- Public hospital treatments fell by 5,000 patients, a reversal of all former trends
- In the same period public hospitals received an extra \$362 million
- All figures show a surge of private hospital usage:
 - e.g. between 1996 & 2001 an increase of 90% in separations for patients over 75 years vs. public increase of 30%



- Private hospitals are now performing the majority of surgery in Australia – 52%
- Together private hospitals and day surgeries treat 4 out of every 10 hospital patients in Australia
- Over 2000/01 capital investment by private hospitals grew to \$450 million – up 28% on the previous year
- Australia's private hospital sector are now providers of complex, high-end acute care; doing the bulk of the work in a number of services and specialties



- We believe that the private hospital sector is still conducive for growth for those operators with:
 - Good management
 - Focused strategic directions
 - A portfolio of hospitals in which Health Fund member demand, drives health fund negotiations



- Comfortable with market consensus for NPAT of approximately \$37m for FY 2003
- Scope exists for continuing organic growth of existing business
- Acquisitions provide opportunity to enhance growth and profit outlook
- Targeting double-digit growth foreseeable future
- Exploring opportunities outside the private hospital sector, close to core competencies



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Questions

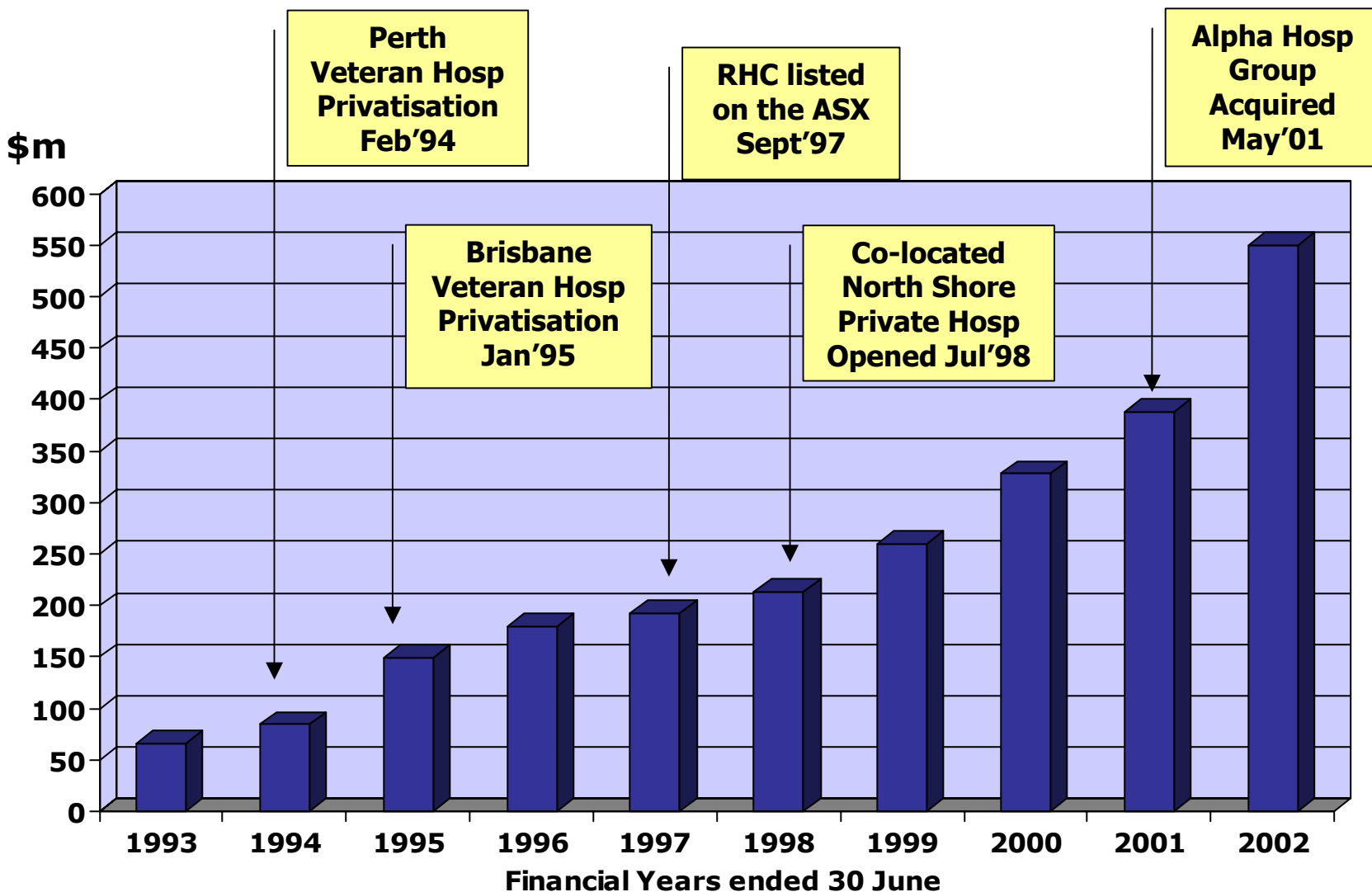


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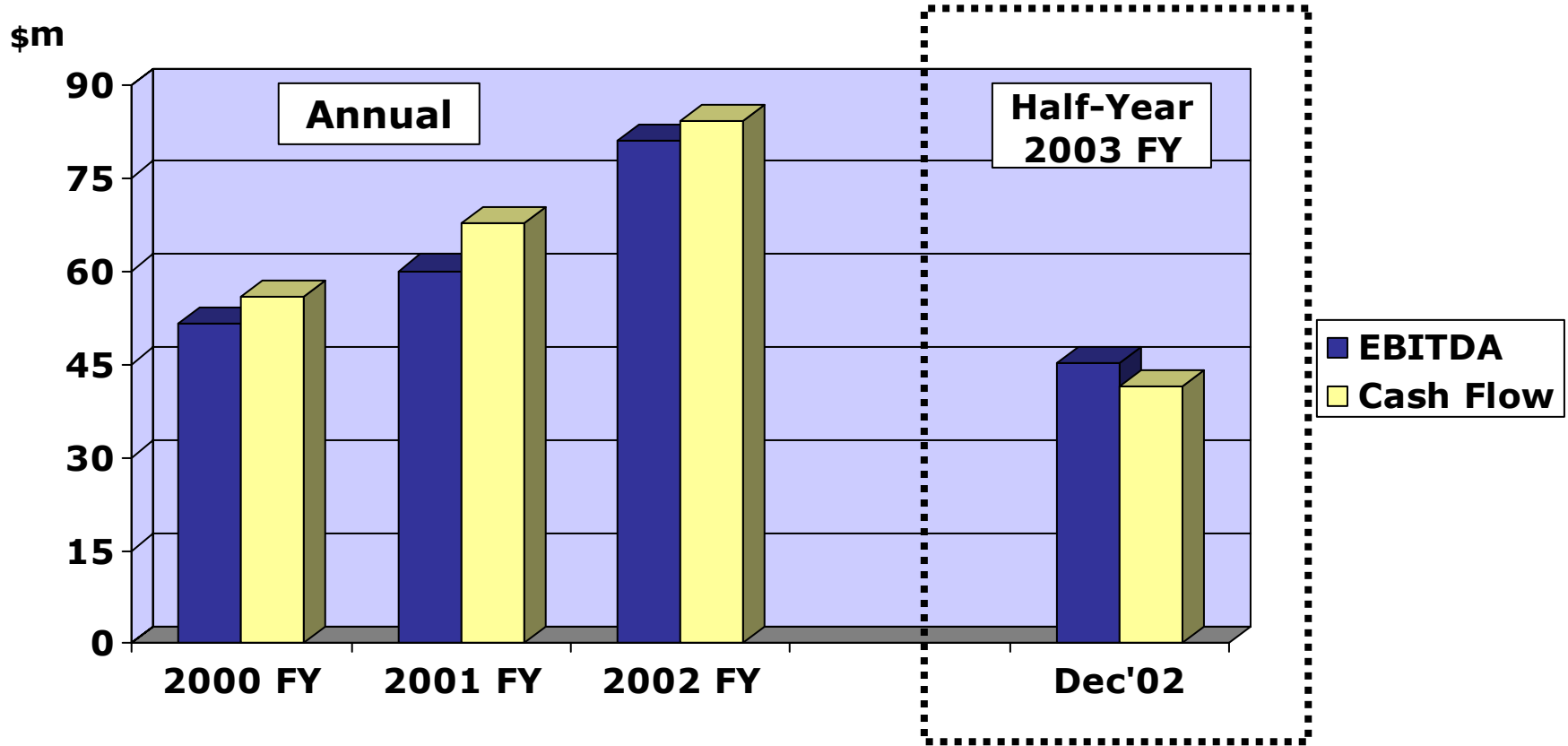


Appendix

Revenue Growth Time Line



Cash Flow



- Except for operating movements in working capital, the half-year EBITDA has translated into strong gross operating cash flow. The effective cash flow management is consistent with prior financial years.



Six months ended

	30 Jun'01 (1)	31 Dec'01	30 Jun'02	31 Dec'02 (2)
Net Gearing %	83	70	73	78
ROIC (3) (EBIT/Funds Employed) %	11.7	14.4	14.9	14.3
ROE (3) (NPAT/Shareholder Funds) %	8.0	12.1	13.9	14.3

- (1) **Alpha (acquired May'01) excluded as only one month of trading for the period**
- (2) **Cairns (acquired Nov'02) excluded as only one month of trading for the period**
- (3) **Calculated using rolling 12 months figures**

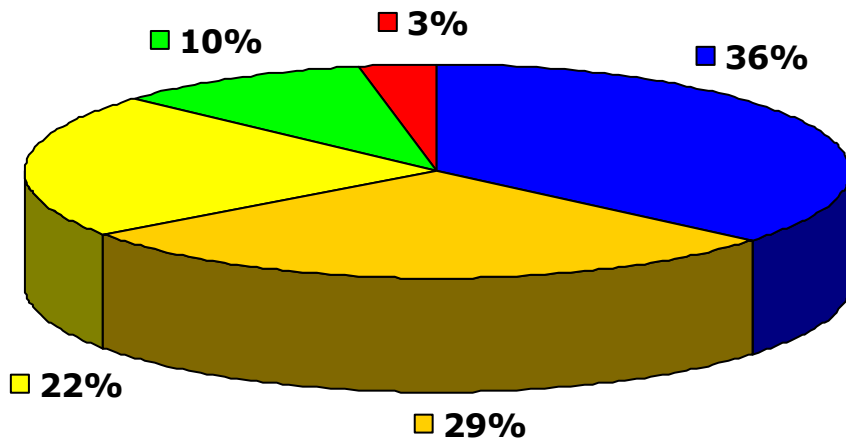


Operating Divisions	Number of Facilities	Licensed Beds
Veteran	2	830
Co-located	3	376
Regional Medical - Surgical	* 10	859
Psychiatric	8	552
Rehabilitation	2	119
Totals	25	2,736

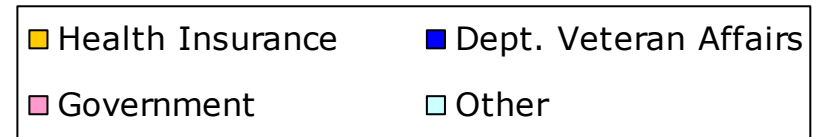
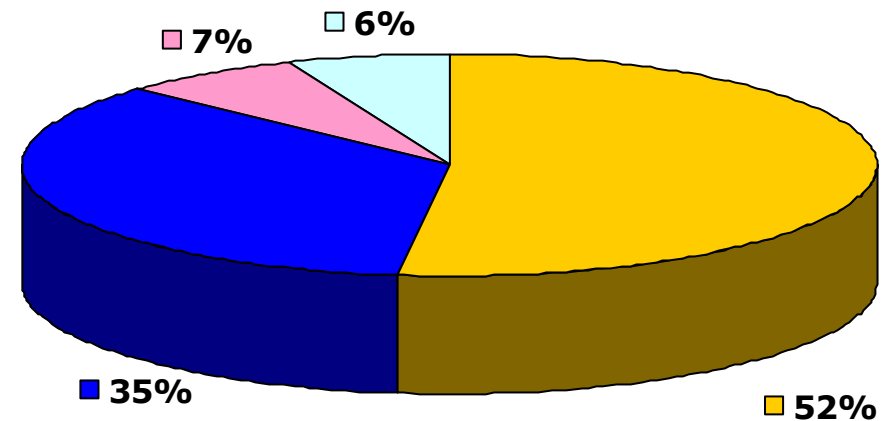
*** Including the Coffs Harbour Day Surgery**



Revenue by Operating Division



Revenue by Payor Source





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