



RAMSAY  
HEALTH CARE



**INTERIM RESULTS**  
**Briefing – 28 February 2002**



- A record half-year, NPAT increased 127%
- Increase in operating profit matched by rise in operating cash flow
- All divisions delivered strong growth - Alpha performed strongly, as did existing Ramsay hospitals
- Management has taken advantage of all opportunities to maximise profits and improve efficiencies
- Interim Dividend of 4.5 cents
- Trading environment remains conducive to growth
- Full benefits of improved environment still to flow through



## Targeted:

- Existing Ramsay Hospitals to perform well:
- Alpha to be a strong add-on business:
- North Shore Private profit growth to accelerate:
- Expand capacity to meet demand:
- Expect 50% profit growth for full year:
- Continue to investigate EPS positive acquisitions:

## Outcome:

- ✓ Existing Ramsay Group EBIT rose 31%
- ✓ Occupancy & profit above expectations
- ✓ EBIT - over 200% increase, off a low base
- ✓ \$55m brownfield expansion underway
- ✓ On track to significantly exceed this forecast
- ✓ Lake Macquarie Private Hospital purchase announced February



- NPAT up 127% to \$14.8m
- Group Revenue up 42%
- Group EBIT up 57%
- EBIT margin up to 10.9% from 9.9%
- Net operating cash flow up 40% to \$42.5m
- EPS up to 11.7 cents per share from 6.0 cents



	Half-year Ended 31 December		
	2000 \$m	2001 \$m	% Increase
Operating Revenue	186.5	264.5	42%
EBITDA	28.4	40.3	41%
EBIT	18.4	28.9	57%
Profit before tax	8.9	21.2	139%
NPAT	6.5	14.8	127%

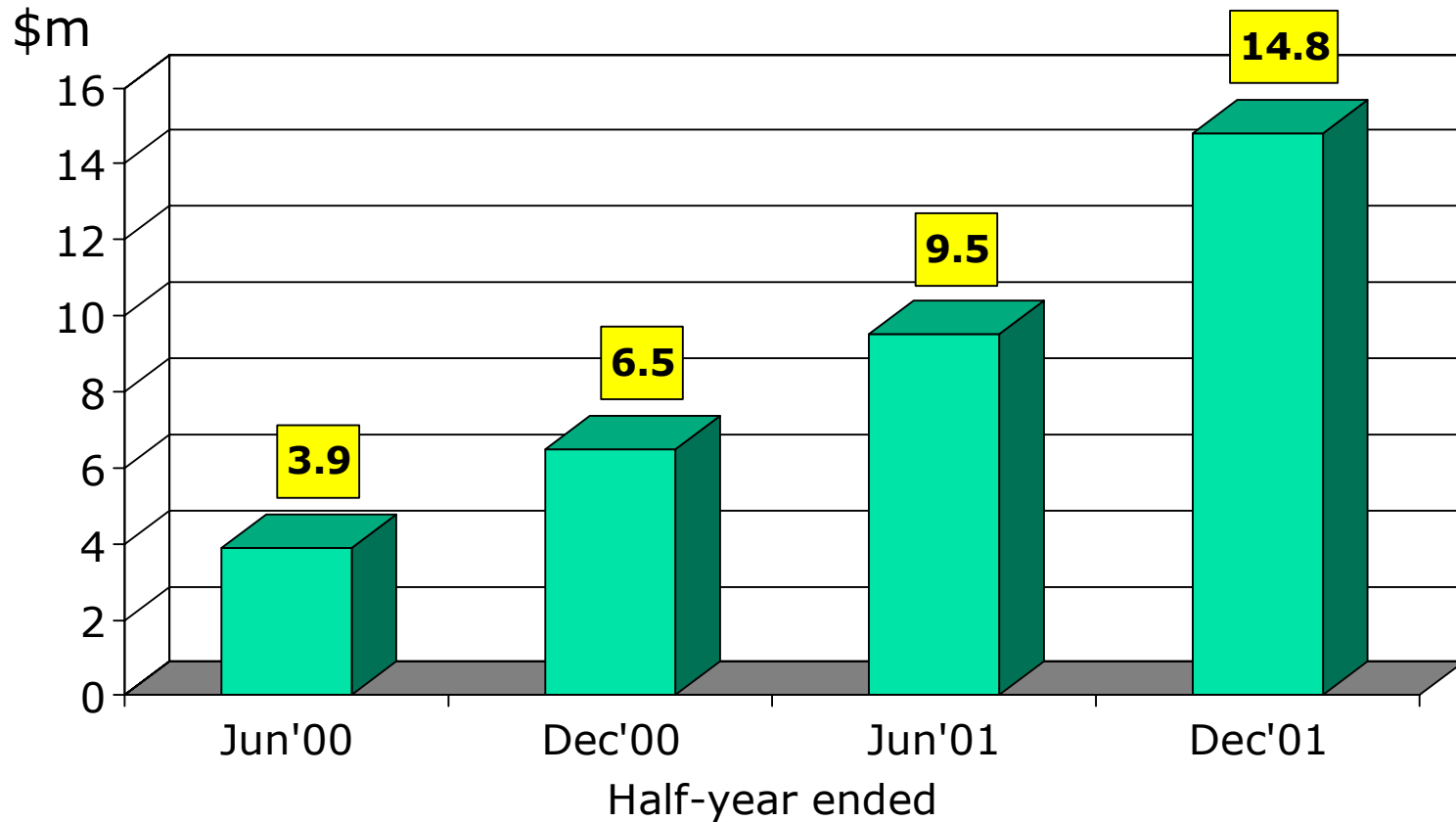
EBIT Margin	9.9%	10.9%
EBIT Margin (excl Mildura)	10.5%	11.7%
EPS (cents per share)	6.0¢	11.7¢
Int. Dividend (cps) – Unfranked	3.5¢	4.5¢



- Half-year EBITDA of \$40.3m has translated into strong net operating cash flow of \$42.5m
- Half-year free cash flow after scheduled debt amortisation, interest, dividends and routine capex was approximately \$16m
- Annualised FY 2002 free cash flow available to service voluntary debt payments and special capex, expected to be \$30m - \$35m (prior to any tax payment)

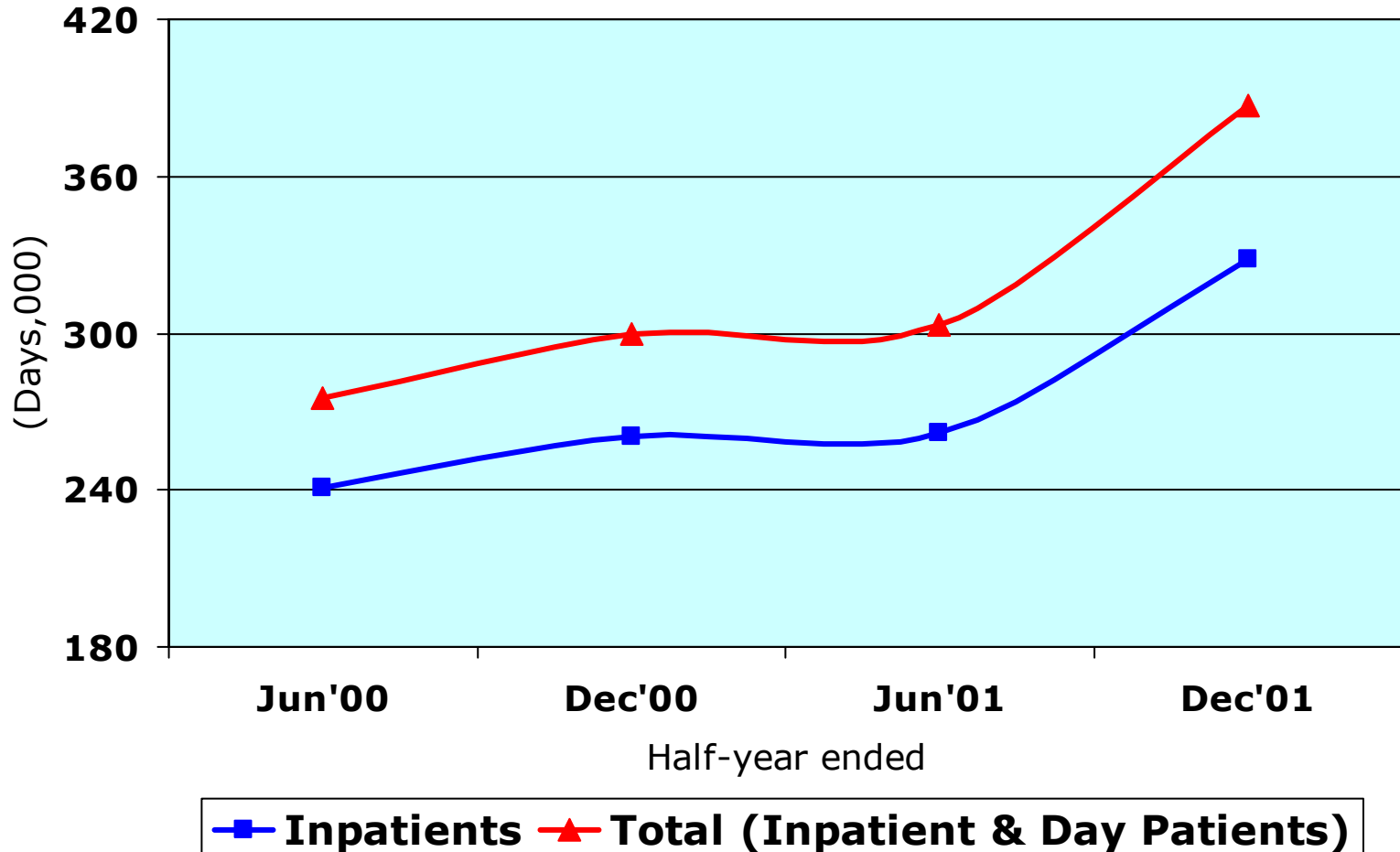


## NPAT Growth





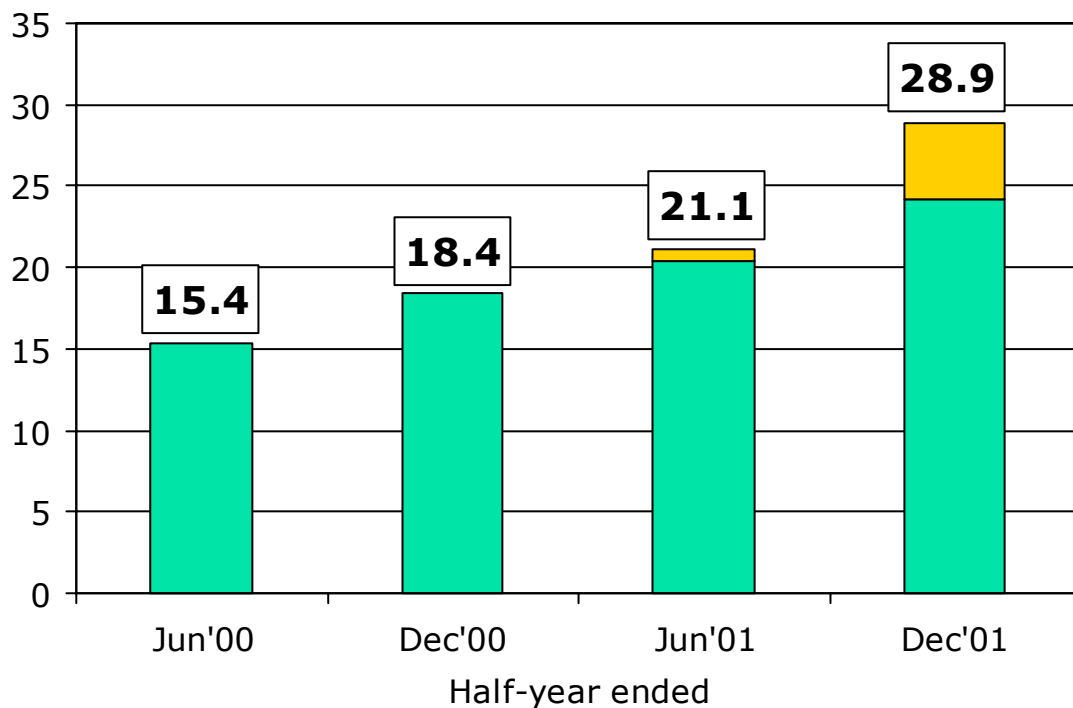
## Occupancy - Patient Days





## EBIT

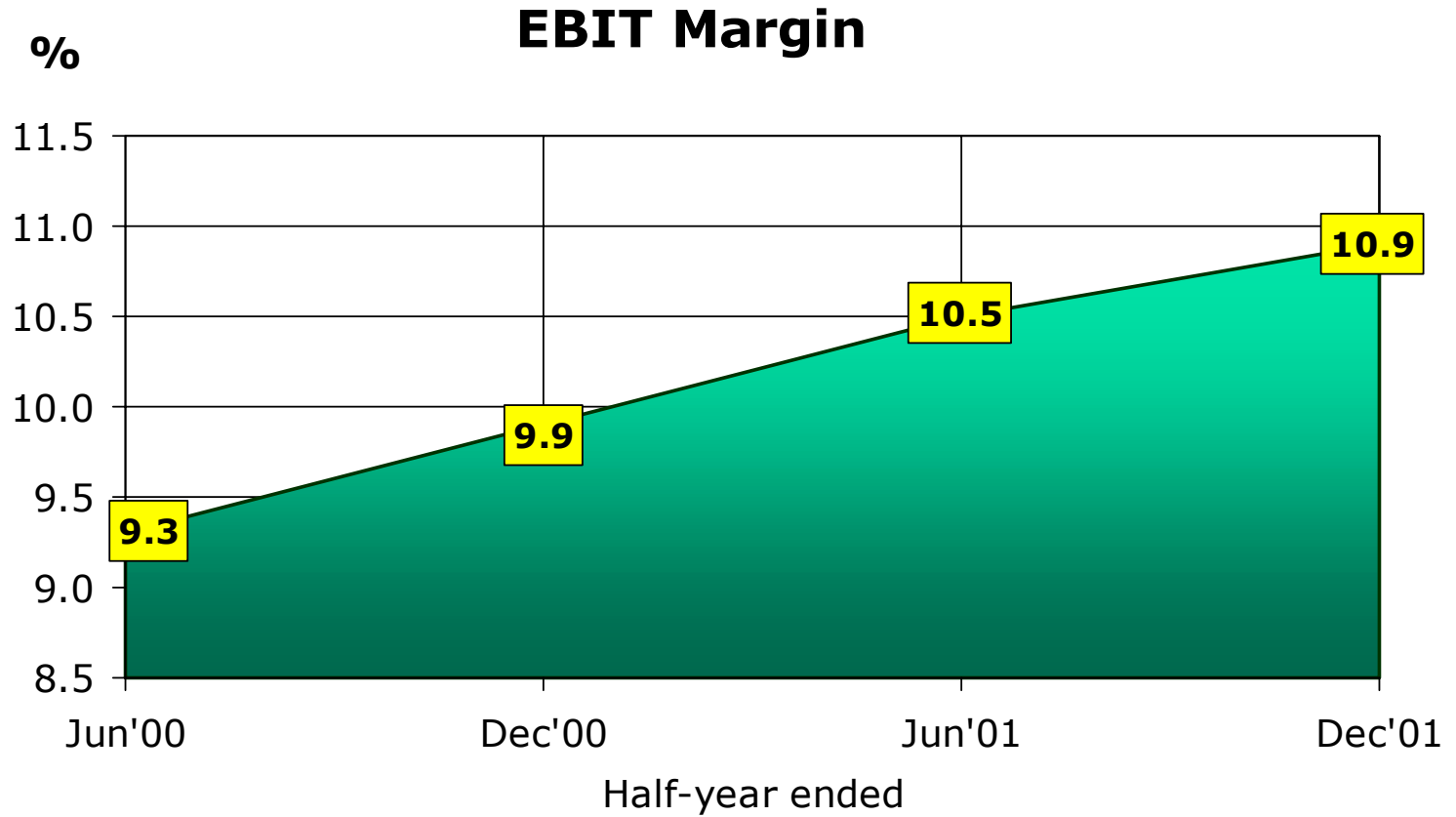
\$m



■ RHC ■ Alpha (acquired 31 May'01)

### % inc. over Dec'00

- **Group EBIT up 57%**
- **Existing Hospitals (excl. Alpha) up 31%**

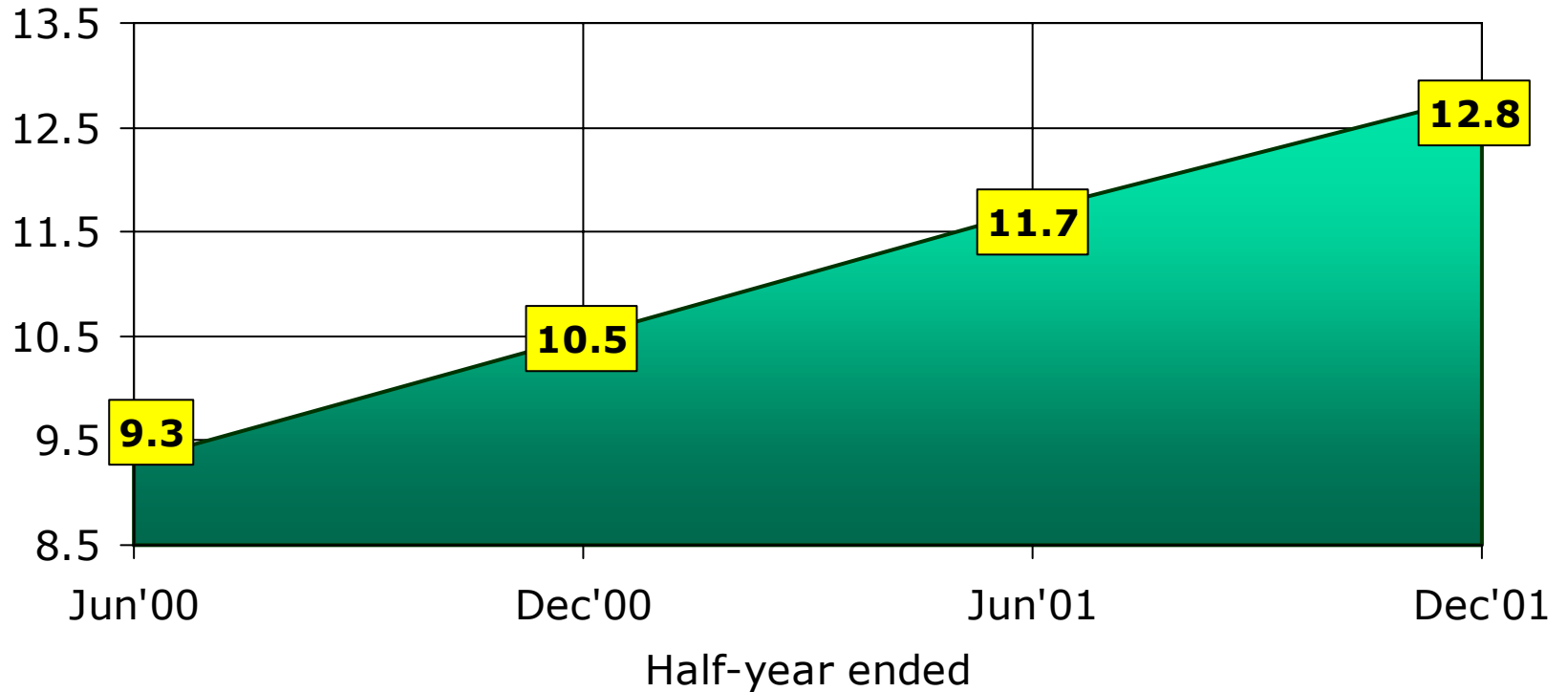




## EBIT Margin

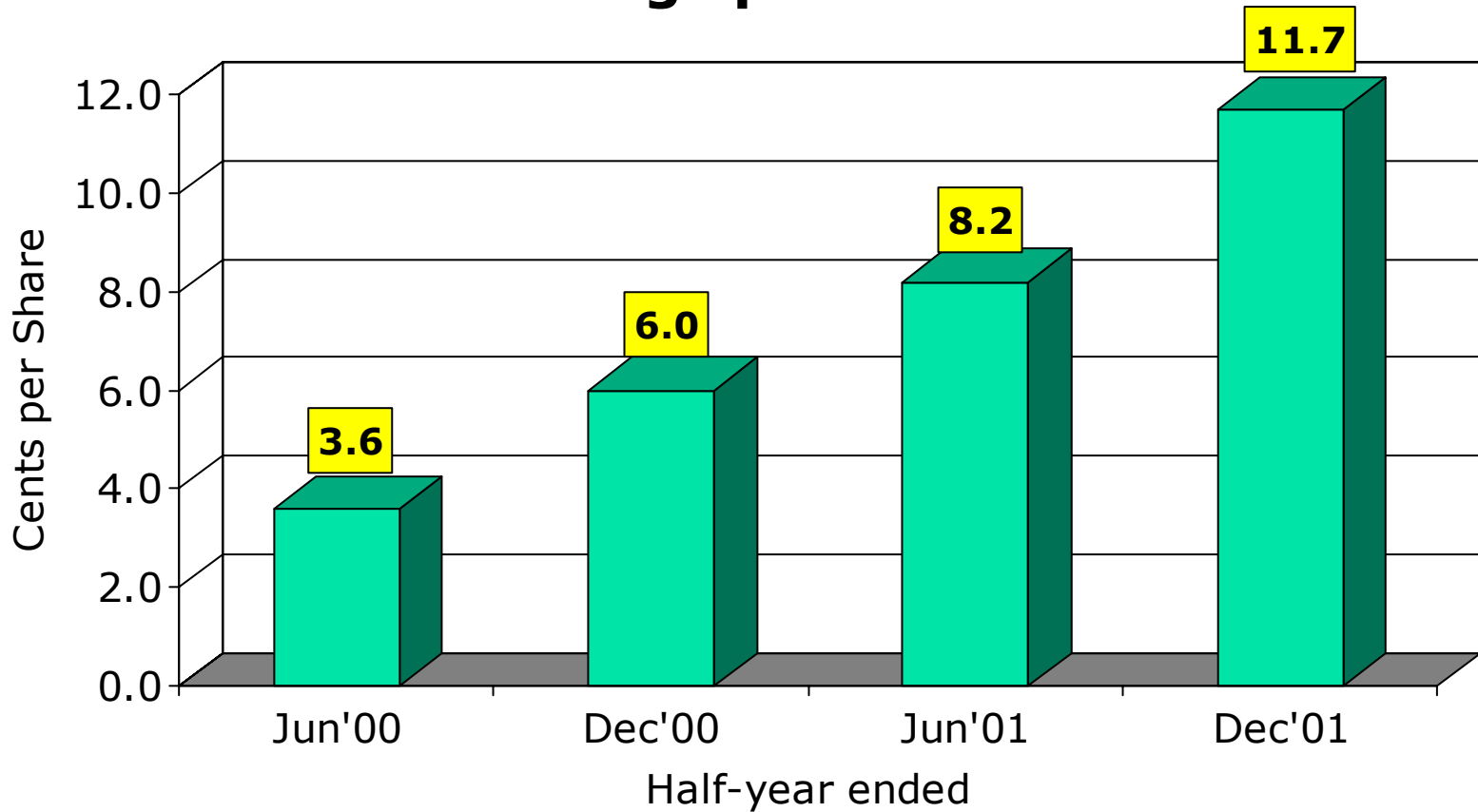
(Excluding Alpha & Mildura)

%





## Earnings per Share





## ■ **Organic growth based on:**

- Positive market conditions
- Maximising use of under-utilised capacity
- Leverage off strong management franchise
- Good relationships with health funds and strategic profile of hospital portfolio



## ■ **Medium to longer term growth:**

- Market conditions continue to support growth
- Additional investment in extra capacity comes on stream
- Further acquisition of hospitals
- Looking at opportunities outside hospitals, close to core expertise, that meet investment hurdles



<b>Issue:</b>	<b>Response:</b>
▪ <b>To maintain positive climate in private hospital market:</b>	➤ <b>Working with health funds to ensure quality of product at a reasonable price</b>
▪ <b>To maintain health fund membership:</b>	➤ <b>Lifetime cover will support health fund membership</b>
▪ <b>Demand for private hospital beds could have peaked:</b>	➤ <b>Occupancy at Ramsay hospitals likely to grow</b>
▪ <b>Nursing shortage, expected increase in wages:</b>	➤ <b>Manage through preferred employer strategy</b>
▪ <b>Hospitals may lose bargaining power with health funds:</b>	➤ <b>Ramsay hospitals well-placed to sustain reasonable health fund reimbursement rates</b>
▪ <b>Control of capex:</b>	➤ <b>Rigorous investment decision making and hurdle rates.</b>



- 2<sup>nd</sup> half net profit expected to at least match 1<sup>st</sup> half, despite seasonal effects
- The base has been set for strong EPS growth in the medium term
- Targeting double-digit growth in out years



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## Appendix





	Six Months Ended			
	30 Jun'00	31 Dec'00	30 Jun'01 **	31 Dec'01
<b>Net Gearing %</b>	<b>134</b>	<b>88</b>	<b>83</b>	<b>70</b>
<b>ROIC (* EBIT / Funds Employed) %</b>	<b>7.9</b>	<b>10.5</b>	<b>11.7</b>	<b>14.4</b>
<b>ROE (* NPAT / Shareholders Funds) %</b>	<b>4.1</b>	<b>6.3</b>	<b>8.0</b>	<b>12.1</b>

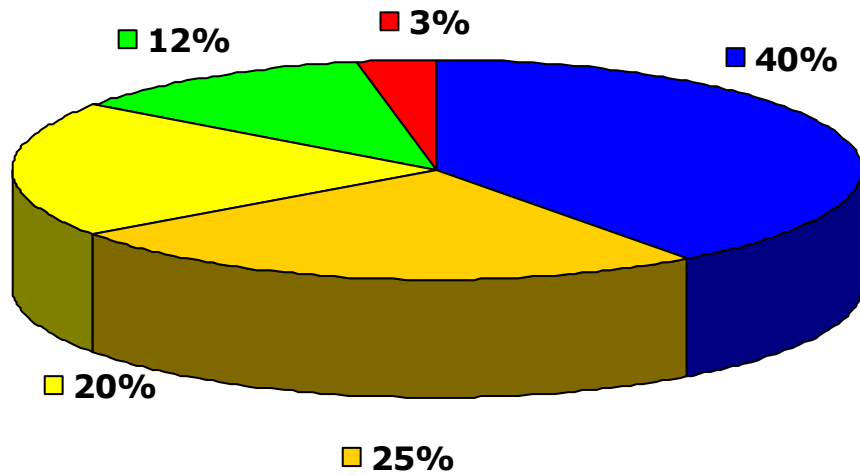
- \* Based on 12 months rolling average.  
(In the six month period ended 31 December 2001, Alpha 12 month rolling average taken to be twice the current period result)
- \*\* Alpha (acquired 31 May 2001) excluded as only one month of trading in the period.



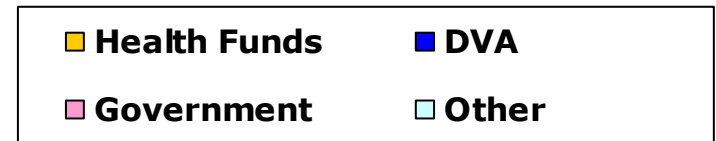
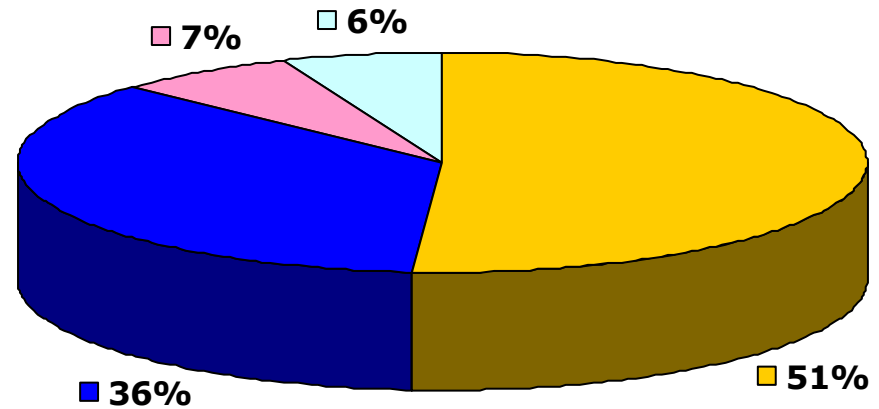
<b>Operating Division</b>	<b>Number of Hospitals</b>	<b>Licensed Beds</b>
<b>Veteran</b>	<b>2</b>	<b>787</b>
<b>Co-located</b>	<b>3</b>	<b>364</b>
<b>Regional Medical - Surgical</b>	<b>8</b>	<b>710</b>
<b>Psychiatric</b>	<b>8</b>	<b>538</b>
<b>Rehabilitation</b>	<b>2</b>	<b>131</b>
<b>Totals</b>	<b>23</b>	<b>2,530</b>



## Revenue by Operating Division

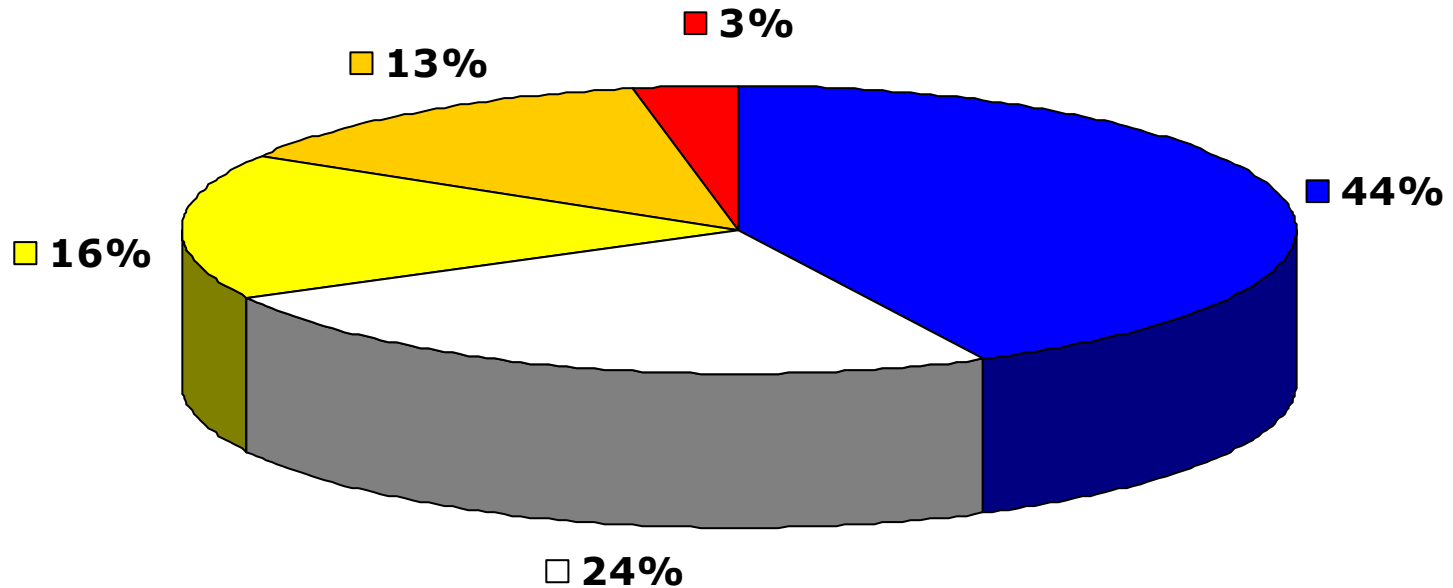


## Revenue by Payer Source





## EBIT by Operating Divisions



**■ Veteran** **□ Psychiatric** **■ Medical-Surgical** **■ Co-located** **■ Rehabilitation**



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