



RAMSAY HEALTH CARE

UBS WARBURG AUSTRALIAN HEALTHCARE CONFERENCE 2001

Factors Driving the Success
of Ramsay Health Care
Patrick Grier, Managing Director

Summary of Financial Performance – FY 2001

- NPAT before abnormal items up 95%
- Group revenue up 18%
- Group EBIT up 28%
- EBIT margin up from 9.4% to 10.2%
- Net operating cash flows up from \$32M to \$52M
- Gearing down from 130% to 80%



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Targeting at least a 50% increase in NPAT – FY 2002

Why?



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Is the Hospital Industry a Defensive Sector

- Ageing population
- Advancing technology
- Consumers attitude to healthiness
- Government initiatives to produce a balanced health care system
 - 30% rebate
 - Lifetime cover
 - Restructured health insurance industry
- Bipartisan approach
 - Labor affirm s itw illm aintain the 30% rebate



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Certainty of Earnings

- Large increase in potential markets
 - From 30% to 46% health insurance
- Shortage of quality hospitals beds
 - 2 million more bed days per year
 - Demand likely to increase
- Vastly improved viability of health insurance industry
 - Good operators moving towards price setters and partnering negotiations
- Potential for industry rationalisation, cost reduction and productivity gains



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Evidence of the Improved Environment - Ramsay Trends

- Double digit growth (excluding Alpha)
 - » *Revenue*
 - » *EBITDA*
 - » *EBIT*
 - » *Revenue per patient day*
- Group margins up over 12% (over 13% excluding Mildura)



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Differentiation of Ramsay Health Care Outlook

- Second biggest group
- Niche market players
 - Hospital operators only
 - Leaders in each market segment
 - First class, well positioned portfolio of hospital
 - Rectified loss makers
- Good stable management team
 - Benchmarked operational leaders
 - Good relationship with key industry players
 - Economies of scale
 - » 10% of industry
 - » 18% of NSW



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Differentiation of Ramsay Health Care Outlook cont...

- Good working relationship with Health Funds
 - Reasonable reimbursement rates from Health Funds
- Diversified income stream
 - 50% public contracts



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Differentiation of Ramsay Health Care Outlook cont...

- Significant potential from Alpha Healthcare
 - Lower reimbursement rates
 - Spare capacity
 - Also some areas need additional capacity
 - Complements our existing portfolio of hospitals
 - Position of strength in NSW
 - Westmead Private has the potential to be another North Shore Private



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Differentiation of Ramsay Health Care Outlook cont...

- North Shore Private still has large upside
- Additional \$50 million expansion program on the way to add capacity to existing hospitals
 - **At least 18% ROI**
- New debt funding structure gives additional capacity of \$90M
- Possible additional acquisitions that meet our investment criteria.



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