



RAMSAY  
HEALTH CARE



## **ANNUAL RESULTS**

**For the year ended 30 June 2002**

**Briefing - 27 August 2002**



- Record year result, NPAT increased 94%
- All divisions delivered strong growth
- Both Alpha and Ramsay hospitals performed strongly
- Ramsay has taken advantage of the positive environment to maximise profits, improve efficiencies
- Results endorse the Ramsay management model
- Final dividend increased to 6.5 cps, unfranked (full year dividend increased by 29% to 11 cps)
- Benefits of improved environment still flowing through to the bottom line



- Quality and strategic position of hospital portfolio:
  - Alpha integration, synergy benefits exceeding expectations
  - Strong organic growth at existing Ramsay hospitals
- Strong growth in operating cash flow continues
- Acquisition of Lake Macquarie Private Hospital boosts NSW presence
- Sustainable cost containment strategy
- Strength of key relationship with doctors and staff contributes to sustainable profit and business growth
- Strong occupancy maintained in 2<sup>nd</sup> half

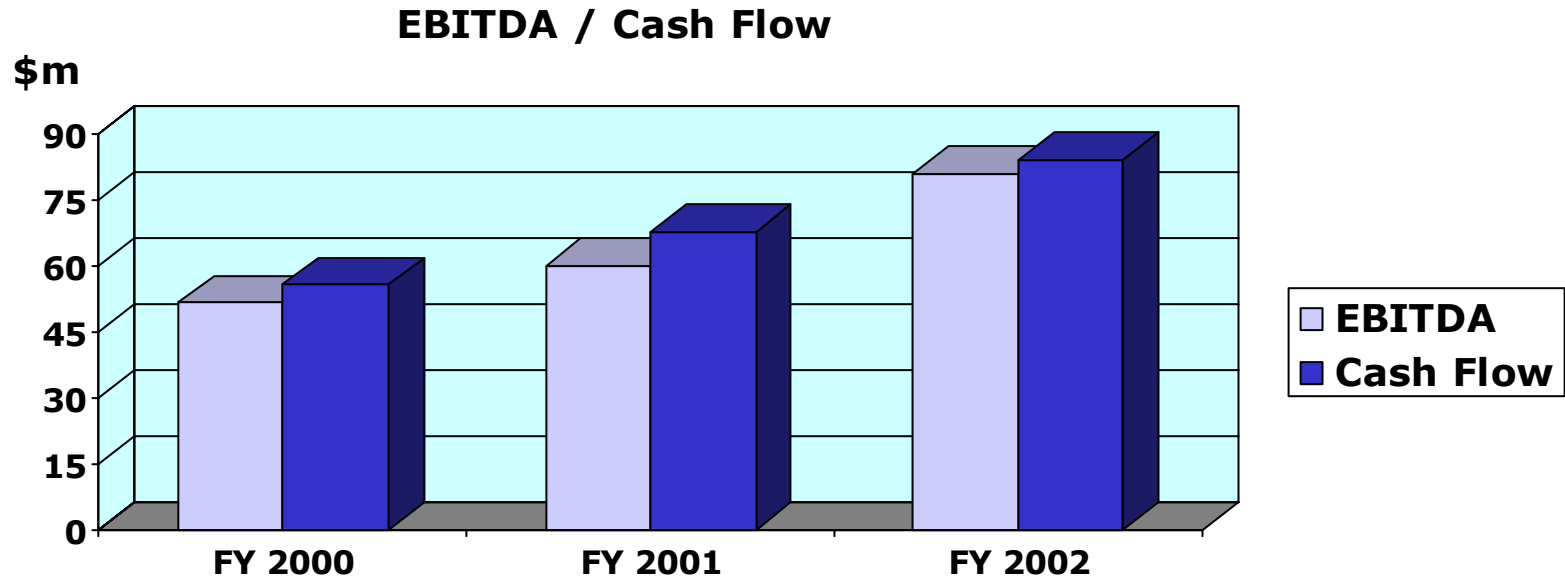


- NPAT up 94% to \$31.1m
- Group Revenue up 42%
- Group EBITDA up 35% to \$80.8m
- Net operating cash flow up 25% to \$65m
- Group EBIT up 48%
- Existing Ramsay hospitals EBIT up 21%
- EBIT margin up to 10.6% from 10.2%
- EPS up 73% to 24.5 cents per share

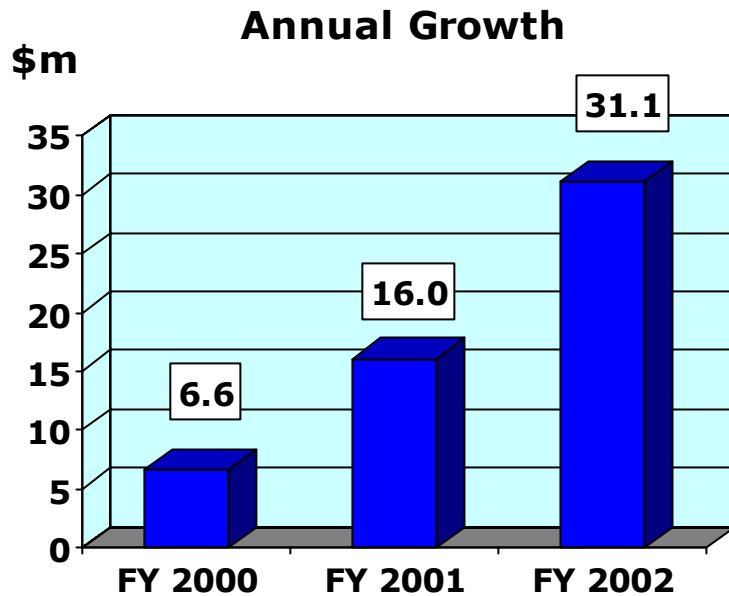


	Year Ended 30 June		
	2001 \$m	2002 \$m	% Increase
<b>Operating Revenue</b>	387.9	549.8	42%
<b>EBITDA</b>	59.9	80.8	35%
<b>EBIT</b>	39.6	58.4	48%
<b>Profit before tax and unusual items</b>	22.4	43.6	94%
<b>NPAT before unusual items</b>	16.5	31.1	89%
<b>Unusual Items</b>	(0.5)	-	-
<b>NPAT</b>	16.0	31.1	94%

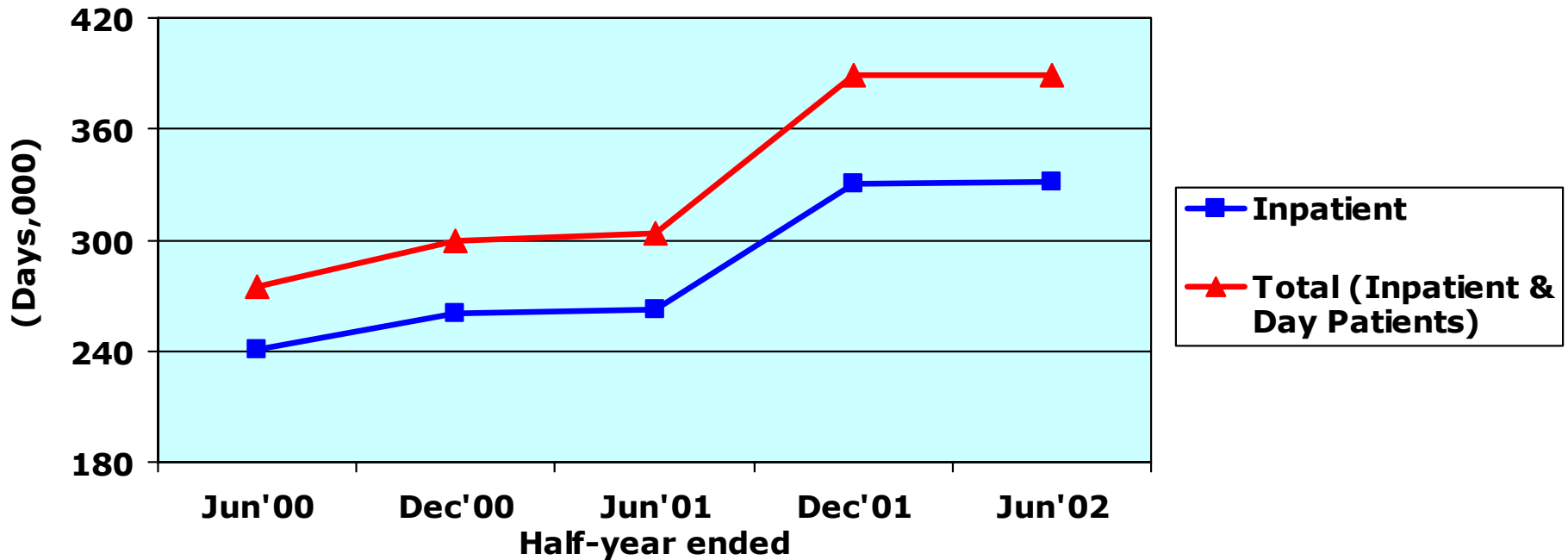
<b>EBIT Margin</b>	10.2%	10.6%
<b>EPS (cents per share)</b>	14.2¢	24.5¢
<b>Full Year Dividend (cps), Unfranked</b>	8.5¢	11.0¢



- Full year EBITDA of \$80.8m has translated into strong gross operating cash flow of \$84m
- Net operating cash inflow was up 25% to \$65m
- Apart from dividends, funds were applied to capacity expansion (\$37m), towards the acquisition of Lake Macquarie (\$11m), debt reduction (\$15m)

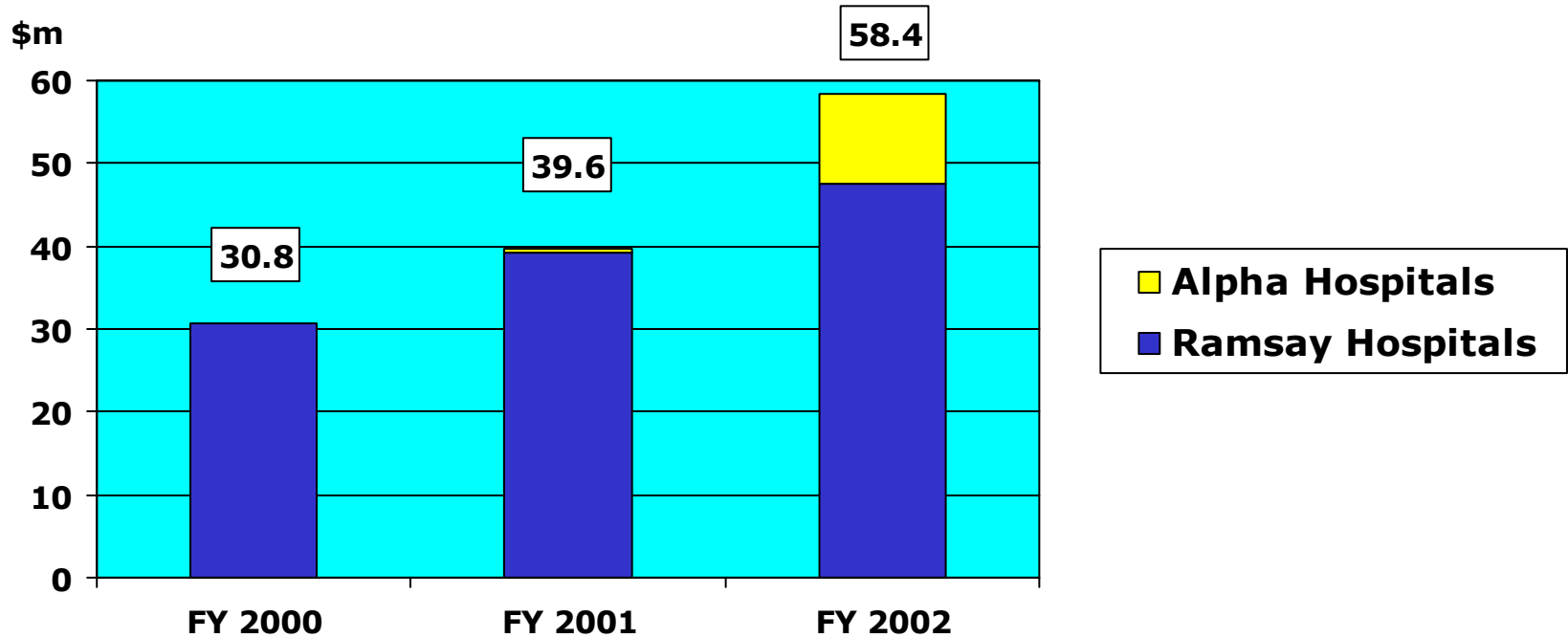


- Strong NPAT Growth, year on year
- Second half exceeded expectations of matching first half



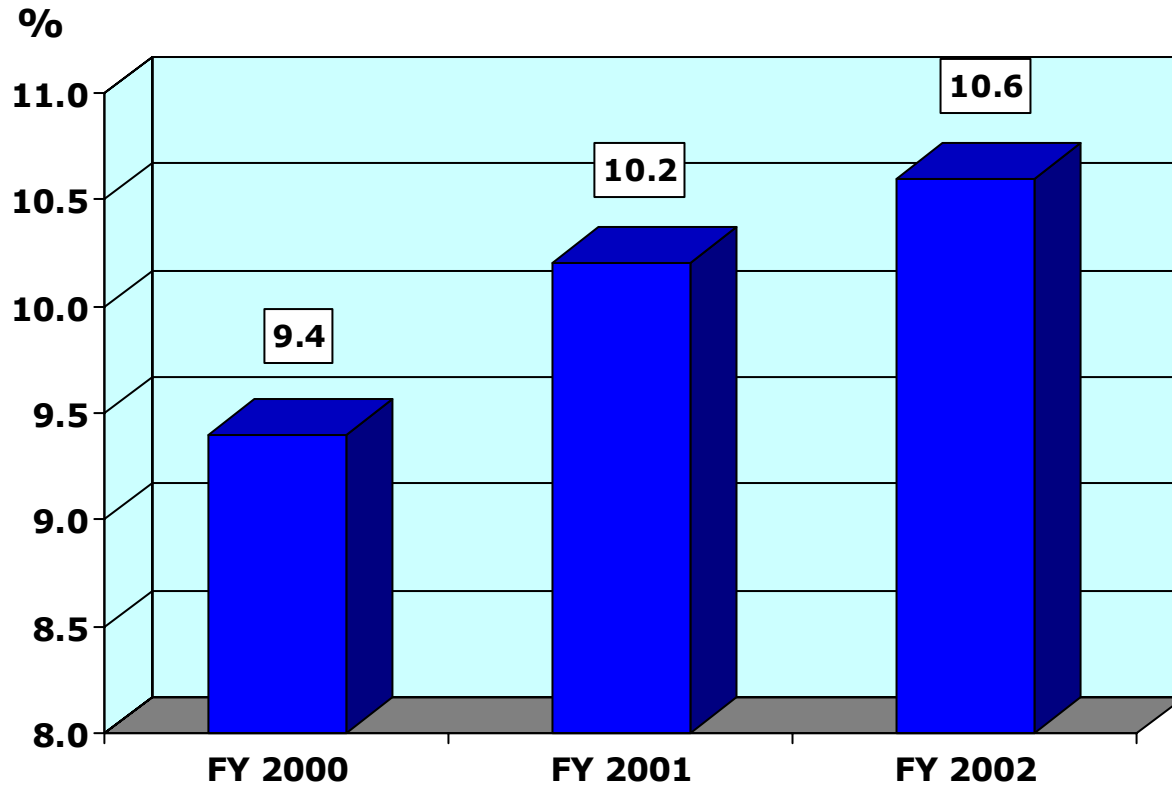
- Robust occupancy growth for the year – patient days up 29%
- Occupancy levels for the second half maintained despite seasonality

# Group EBIT



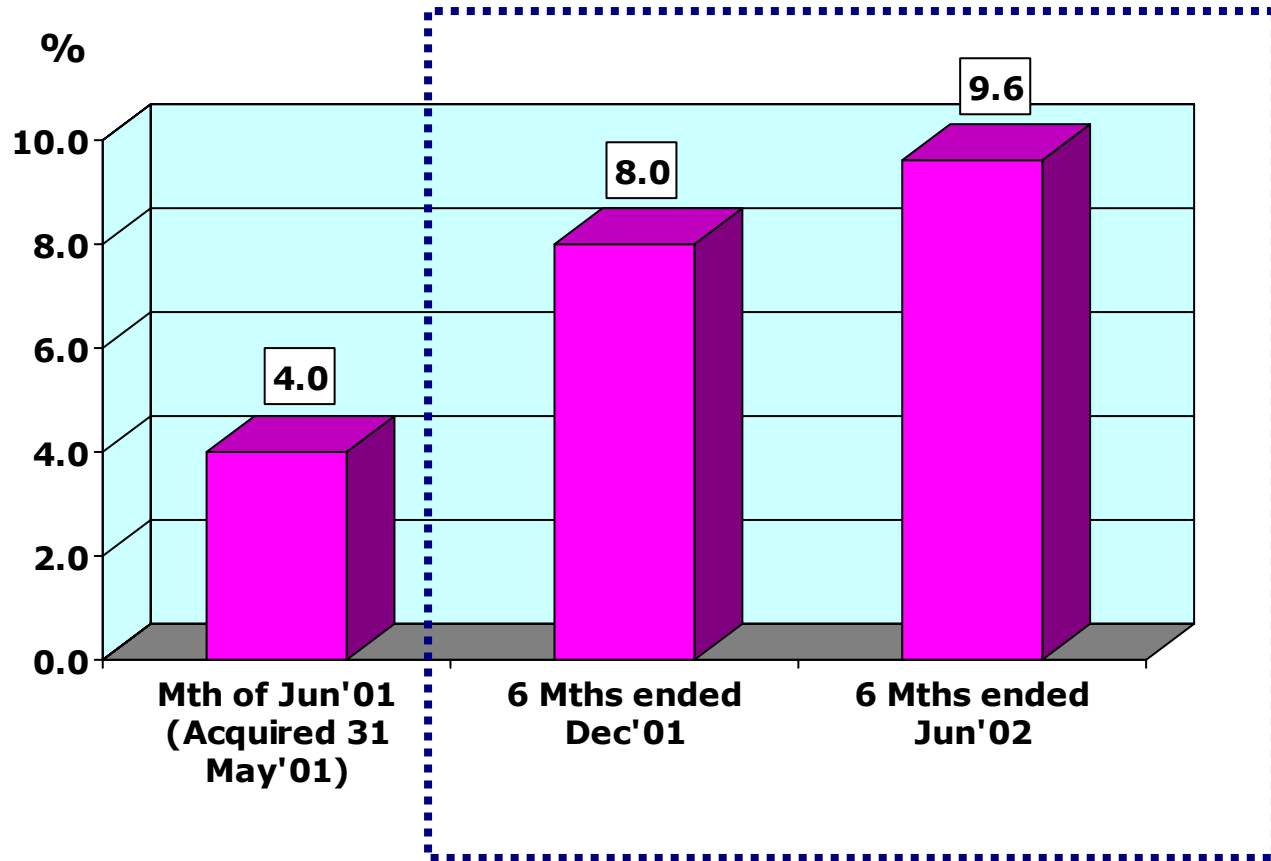
- Group EBIT up 48%
- Existing Ramsay hospital EBIT up 21%

# EBIT Margin



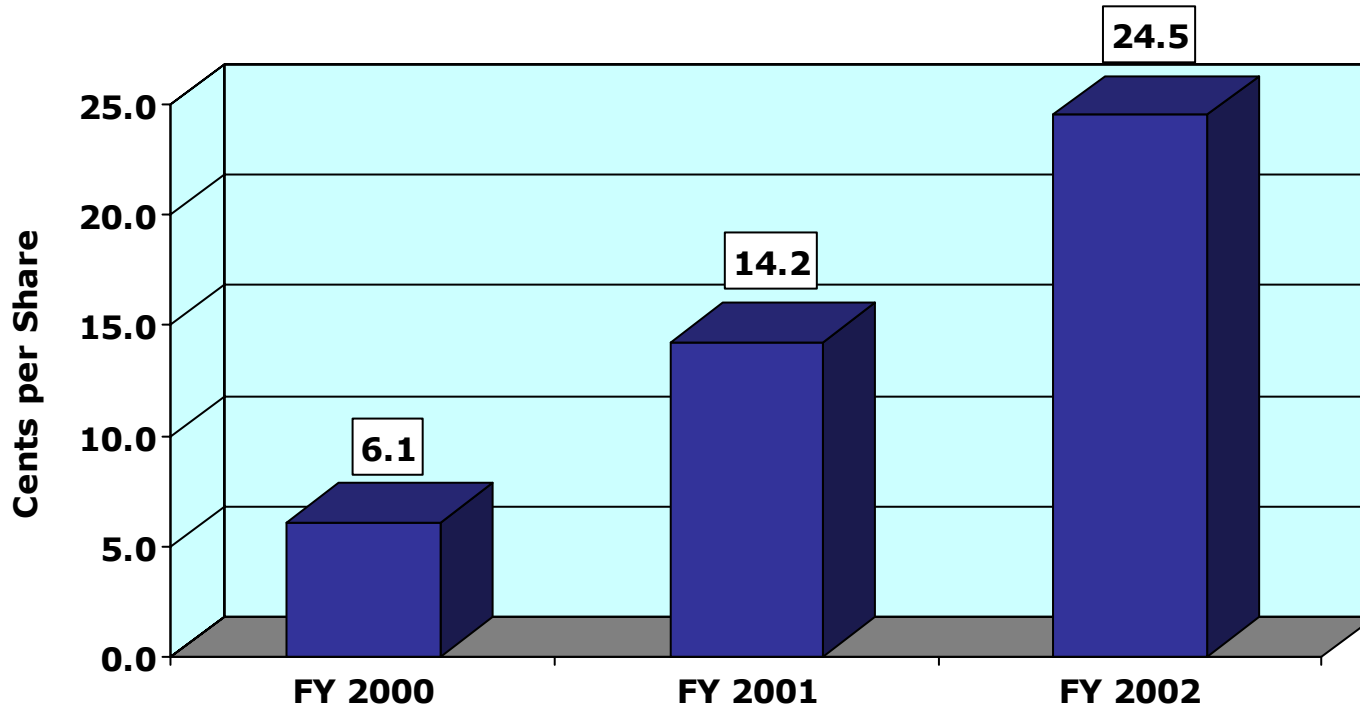
➤ Continued EBIT margin growth

# Alpha EBIT Margin



- Alpha EBIT margin continues to improve

# Earnings per Share



➤ EPS up 73% in the year

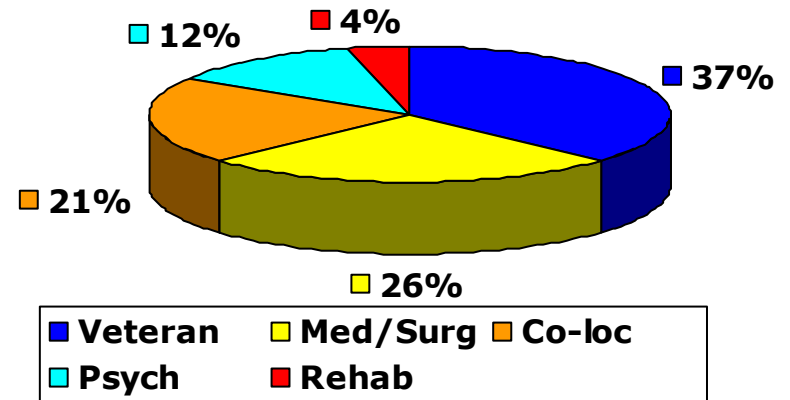


- **Environment remains positive for Ramsay**
  - Demand for quality private hospital beds to remain strong as impact of “lifetime cover” continues to flow through
  - Ramsay preferred employer status assists in management of nursing shortage
  - Medical indemnity insurance costs
    - Significant cost increase is being managed
    - Ramsay working with key stakeholders toward sustainable resolution
  - Strategically well positioned for tougher health insurance climate

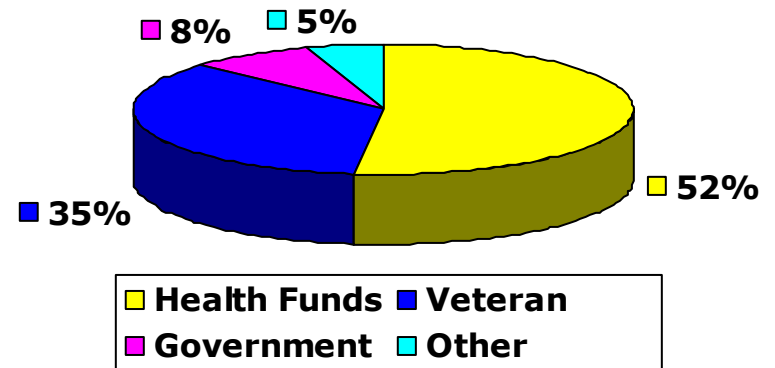


Hospitals Divisions	Number	Licensed Beds
Veteran	2	787
Co-located	3	376
Medical/Surgical	8	705
Psychiatric	8	552
Rehabilitation	2	119
<b>Total</b>	<b>23</b>	<b>2,539</b>

### Revenue by Division



### Revenue by Payor Source





- Organic Growth
- Major Expansion Programme
- Additional Opportunities:
  - Hospital Acquisitions
  - Other



- Organic Growth to continue
  - Continued positive market environment
  - Quality of hospital assets
  - Strong health fund and doctor relationships
  - Occupancy continuing at high levels
  - Management focus on sustainable cost containment
  - Scope for further capacity utilisation
    - Alpha Hospitals
    - Westmead Private Hospital
    - Rural Medical/Surgical Hospitals
    - Lake Macquarie Private Hospital
    - Psychiatric Hospitals



- Capacity expansion (\$70m) to deliver low risk higher returns
  - Greenslopes:
    - 90 bed development, 4 theatres, medical centre complex (completion by late 2<sup>nd</sup> half FY 2003)
  - Hollywood:
    - 70 bed development, 4 theatres, a second cath lab & new ICU (phased completion by Jun'03)
  - Albury Wodonga:
    - 10 bed development, theatre and day surgery expansion (complete in 1<sup>st</sup> half FY 2003)
  - North Shore Private:
    - 14 bed development (completed Mar'02)
  - Westmead Private:
    - additional theatre capacity (complete in 1<sup>st</sup> half FY 2003)
  - Lake Macquarie:
    - 48 bed development, theatre and day surgery expansion, medical centre complex (complete in 2<sup>nd</sup> half FY 2004)
- Scope for further capacity expansion



## ■ Additional opportunities

- ❑ Continue to actively explore hospital acquisitions (opportunities still available)
- ❑ Ramsay diligent in applying investment hurdles
- ❑ Focus remains on value and strategic fit
- ❑ Other opportunities close to core competencies
  - Focus on value for spend, applying management skills
  - Interest in aged care sector firming after extensive investigation and analysis



- 2002/2003
  - Continued organic growth
  - Some capacity expansion comes on-stream
  - Comfortable with market consensus expectations for 2002/2003 net profit of \$35m - \$37m



- 2003/2004
  - Market environment conducive to continued organic growth
  - Major benefits of expansion program flow through
  - Reasonable health fund reimbursement rates to continue based on quality of assets and strategic position
  - Targeting sustainable double-digit growth



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## Appendix





	Six months ended			
	31 Dec'00 %	*30 Jun'01 %	31 Dec'01 %	30 Jun'02 %
<b>Net Gearing</b>	<b>88</b>	<b>83</b>	<b>70</b>	<b>73</b>
<b>ROIC (EBIT/Funds Employed)</b>	<b>10.5</b>	<b>11.7</b>	<b>14.4</b>	<b>14.9</b>
<b>ROE (NPAT/Shareholder Funds)</b>	<b>6.3</b>	<b>8.0</b>	<b>12.1</b>	<b>13.9</b>

**\* Alpha (acquired 31 May'01) excluded as only one month of trading in the period**



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