Ramsay Health Care

60 YEARS people caring for people

1HFY24 Result Presentation

6 months ended 31st December 2023

Speakers:
Managing Director and CEO - Craig McNally
Group Chief Financial Officer - Martyn Roberts

People caring for people

Important Information

The information in this presentation is general background information about Ramsay Health Care Limited and its subsidiaries (together, the Ramsay Group), with respect to the Ramsay Group's business and operations, financial position and strategies and is current as at 29th February 2024.

No advice

This presentation is in summary form and is not necessarily complete. It should be read together with the Ramsay Health Care Limited's Appendix 4D and Review of results of operation lodged on 29th February 2024. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.

Forward looking statements

This presentation contains forward looking statements. While these forward-looking statements reflect Ramsay's expectations at the date of this presentation, they are not guarantees or predictions of future performance or statements of fact. These statements involve known and unknown risks and uncertainties. Many factors could cause outcomes to differ, possibly materially, from those expressed in the forward-looking statements. These factors include general economic conditions; changes in government and policy; actions of regulatory bodies and other governmental authorities such as changes in taxation or regulation; technological changes; the extent, nature and location of physical impacts of climate change; and geopolitical developments.

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No undue reliance

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Other information

This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of the Ramsay Group is available on our website: https://www.ramsayhealth.com/en/investors/.

Agenda

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Strategic and operational initiatives start to deliver results, further benefits expected

- 7.8% revenue growth in constant currency driven by improving activity across all regions and tariff and indexation uplift
- Some progress agreeing new terms with payors. In order to ensure long term sustainability, the industry in all regions must push for higher compensation as recent increases still do not address the impact of inflation over recent years
- Accelerated transformation programs in place to drive sustainable top line growth, productivity improvements and operating efficiencies
- Net profit after tax of $618m realised on the sale of Ramsay Sime Darby reflecting the commitment to disciplined portfolio management
- Balance sheet strengthened with strong support from existing and new banks, Funding Group leverage 2.28x within target range of <2.5x
- Continue to expect growth in NPAT (ex-net profit on RSD) in FY24 with earnings weighted to 2HFY24

GROUP – 1HFY24 Result Overview

Significant value realised through the sale of Ramsay's Asian joint venture with profit after tax of $618.1m, gross cash proceeds $938.4m

Revenue	EBIT[1]	Statutory NPAT
Increased 13.8[2] % to $8.1bn	**Declined 4.7%** to $512m	**Increased 290.2%** to $759m

EPS	Fully franked DPS	NPAT[1]
Increased 296% to 328.7cps	**40cps** Top end of payout ratio at 69%	**Declined 23%** to $140.4m

Note: All comparisons made to prior period unless otherwise stated

- Result positively impacted by weakness in AUD against the EUR and the GBP
- Revenue growth driven by improving activity levels with mid to high single digit growth in admissions in all regions
- Earnings from continuing operations reflect improving earnings in Australia and strong growth in the UK, offset by lower earnings from the European region combined with higher net financing costs
- Normalising for non-recurring items[3] EBIT and NPAT from continuing operations increased 5% and declined 3.1% respectively
- A fully franked interim dividend of 40cps determined representing a payout ratio[4] of 69% at the upper end of Ramsay's 60-70% band

1. From continuing operations. **2.** Revenue from patients **3.** Positive EBIT contribution of $6.9m vs positive contribution of $56.3m in pcp. Negative contribution to NPAT of $3.1m vs positive contribution of $34.4m in pcp **4.** Payout ratio calculated on earnings from continuing operations after tax

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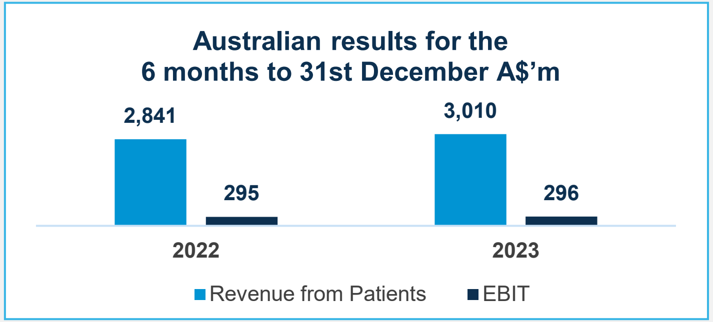
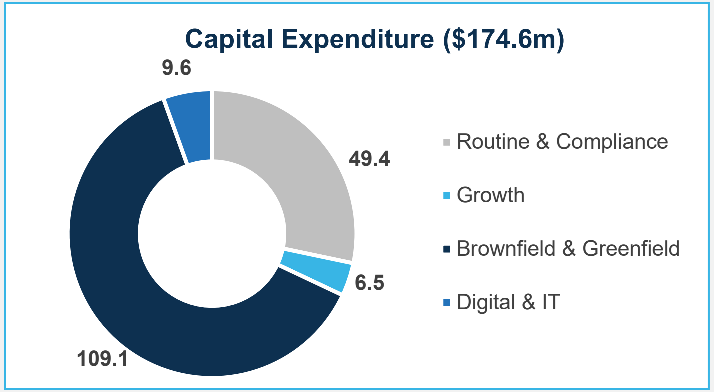
AUSTRALIA – Result Highlights





All comparisons made to prior period unless otherwise stated

RESULT HIGHLIGHTS

- Revenue from patients increased 6% primarily driven by a 4.7% increase in total admissions per work-day and improved revenue indexation
- EBIT includes an increase in digital and data and cyber security related opex of $21.8m. Removing the impact of this increase in spend, EBIT increased 7.8% to $317.9m
- A focus on reducing labour costs resulted in productivity improving to pre-covid levels. A performance acceleration program is underway, which together with a program to advance digital capabilities is expected to unlock more productivity benefits
- Improved revenue indexation negotiated with several private health funds and public payors during the half
- Workforce pressures have reduced, turnover has stablised and there has been a reduction in the use of agency personnel

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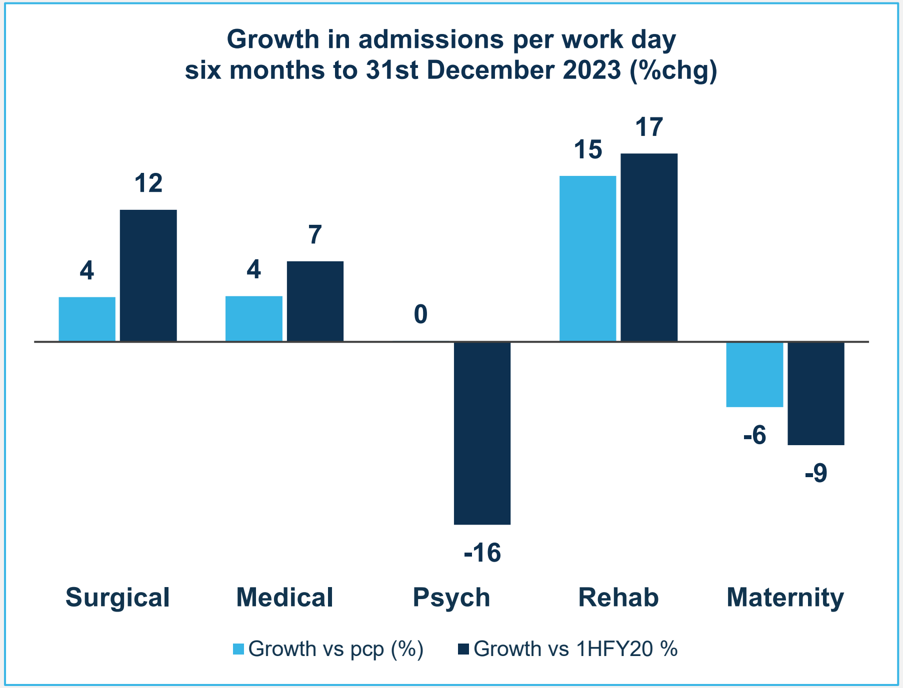
AUSTRALIA - Activity Trends Improving



Surgical and medical admissions continued to grow at rates above historical averages

- Strong growth in rehab activity reflecting above trend growth in orthopaedic surgery at some Ramsay facilities, new capacity and programs at some sites and the closure of a number of standalone competitors
- Maternity has continued to be soft reflecting a decline in births, in particular private births generally and the closure and consolidation of Ramsay's maternity services
- Psych admissions were flat overall, psych patient days increased 4% over the prior period reflecting an improved inpatient volume

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AUSTRALIA – Investment Pipeline Continues to Grow

1HFY24 INVESTMENT

- 1HFY24 brownfield/greenfield capex $109m
- Digital & data capex $6.5m
- Digital & data net opex $26.9m[1]
- Cyber security $7.5m opex, $0.2m capex

FY24 INVESTMENT PIPELINE

- FY24 capex on greenfield and brownfield development pipeline expected to be ~$210-260m
- In total expect 17 theatres to be delivered in FY24
- FY24 digital and data **capex** spend is now expected to be $12-18m[2]
- FY24 digital and data **net[3] opex** spend is now expected to be $55-65m
- FY24 cyber security opex is expected to be $15-20m

FY24 PROJECT COMPLETION

Projects expected to be completed in FY24 with a net investment of ~$250m include:

- Northern Hospital at Epping in Melbourne which opened in February 2024
- Stage 1 of the redevelopment of Lake Macquarie in northern NSW
- An expansion of St Andrews in Queensland including a new cancer centre & 2 new operating theatres
- Stage 1 of expansion of Warringal hospital

FUTURE INVESTMENT PIPELINE[6]

- FY25 investment in greenfield and brownfield development pipeline now expected to be in the range $250m – $300m pa
- FY25 digital and data **capex** spend expected to be $70-80m. Based on current plans digital and data capex peaks in FY25
- FY25 **net[3] digital & data** opex is expected to be $70-80m
- Based on current plans net opex is expected to peak in FY25 and become a net benefit in FY28[4]
- Benefits of digital and data investment are a mix of productivity, revenue growth and cost savings (cost reduction/avoidance)

1. Costs net of benefits of programs already established that are expected to start to flow in FY24 **2.** Excluding IT and cyber capex **3.** Net of benefits delivered by the programs **4.** The benefits of programs delivered outweigh the investment in new programs **5.** Allied Health **6.** The accounting treatment of major projects may change on vendor selection and accounting assessment

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AUSTRALIA- Outlook

OUTLOOK

- Expect EBIT in FY24 to improve driven by mid single digit volume growth combined with productivity improvements coming from labour management and cost saving initiatives
- Ramsay Australia is focused on a range of initiatives to accelerate the recovery in the business and improve performance including:
  - Driving growth in revenue both through improved indexation from payors and driving increased activity
  - Embedding operational excellence focusing on productivity across the business including through the use of technology, AI and robotic process automation
  - Accelerating cost control programs including through widening procurement programs
- The business will selectively invest in its facilities expansion program to strengthen its position and focus on growth in key specialty areas as well as its private emergency department strategy

An artist's impression of the recently approved $187m Joondalup private hospital expansion expected to be completed by the beginning of FY27 adding 58 beds, 6 theatres and 2 procedure rooms

All comparisons made to prior period unless otherwise stated

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UNITED KINGDOM – Highlights & Outlook

Ramsay UK

Result Highlights

- Revenue increased 28.5%[1] and EBIT increased 84%[1] driven by a 10% growth in admissions, a higher acuity mix and the initial benefits of productivity and efficiency programs put in place over the last 18 mths
- Inflationary pressures continue, in particular wage costs, as competition for staff in the market remains high

Outlook

- Expect high single digit volume growth in FY24, ongoing growth expected in both NHS and private pay volumes
- Continue to focus on strategies to mitigate ongoing inflationary pressures in particular labour costs

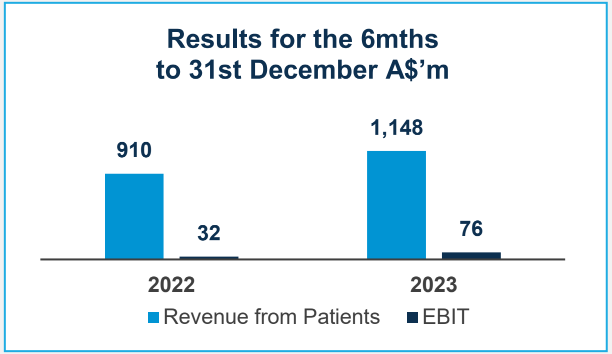
Elysium Healthcare

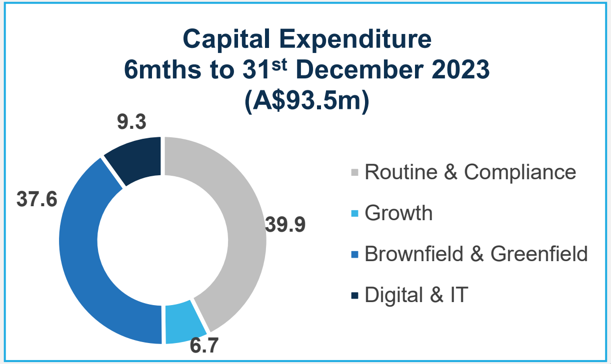
Result Highlights

- Significant turnaround in operating performance. Revenue increased 22.9%[2] and EBIT up 500%[2] driven by a focus on improving occupancy levels and reducing costs
- Occupancy increased 5 percentage points by the end of the period, remains below target for some services
- Reflecting the focus on recruitment and training, agency costs as a percentage of labour costs declined 6.6 percentage points and staff turnover declined

Outlook

- Expect ongoing improvement in the performance of the business with the focus on lifting occupancy and further progress on recruitment and training to reduce agency costs and turnover
- Focus will continue to be on retooling and development of services to match demand and select investment in new facilities based on demand from stakeholders





All comparisons made to prior period unless otherwise stated

1. Growth in constant currency 17.4% and 66.6%
2. Growth in constant currency 12.3% and 472.8%

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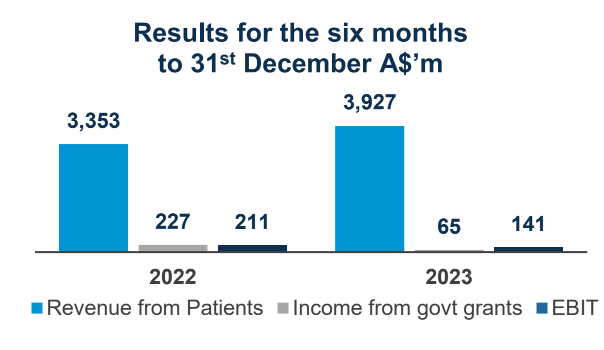
EUROPE – Highlights and Outlook

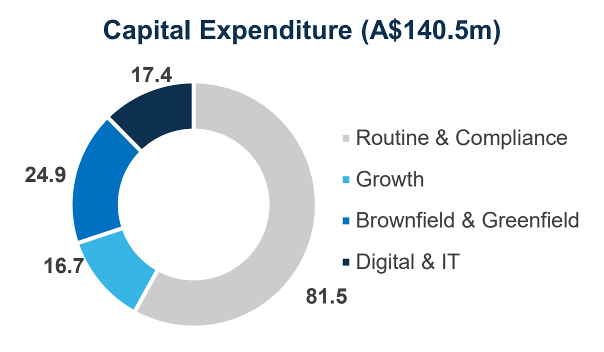
RESULT HIGHLIGHTS

- 17.1% growth in revenue[1] driven by a 5.4% growth in hospital admissions combined with significant growth in primary healthcare admissions and annual tariff and indexation increases
- The decline in EBIT reflects the inadequate annual tariff increase for the 2023/24 year[3] which did not compensate for the full impact of cost inflation over the last few years[2]
- The result reflects a return to pre-covid seasonality, with activity weighted to 2H
- EBIT includes a benefit from non-recurring items of $7.8m (1HFY23 $45.3m). Ex-non-recurring items EBIT declined 19.7%
- Interest costs included a negative non-cash mark to market of $19.6m (1HFY23 positive $22m)
- The result benefitted from the weakness of the AUD vs EUR however the result in EUR suffered from the weakness in the Swedish kroner versus the EUR

OUTLOOK

- Focus is on improving returns
- Expect top line volume growth of low to mid single digit increases in France and higher in the Nordic region driven by increased MSO activity and contributions from recently established facilities
- FY24 is expected to be significantly weighted to 2HFY24 reflecting the normal seasonality in activity and the benefit of the tariff increase for the 2024/25 year (commences 1st March)
- Inflationary cost pressures expected to continue. Ongoing dialogue with payors regarding cost compensation for the 2023/24 year and the level of tariff increases for the 2024/25 year.





All comparisons made to prior period unless otherwise stated

1. 7.4% in constant currency terms and 7.1% in local currency
2. One off compensation payments in 1HFY23 were A$133.2m (€85.7m)
3. Tariff year 1st March 2023-1st March 2024

Ramsay is driving action through 3 pillars: Healthier People, Stronger Communities and a Thriving Planet

caring for our people

- Conducted global employee engagement survey to update regional action plans.
- Ramsay Australia named in Forbes' top six global healthcare companies for women employees and named Prosple's #1 health company for graduates.
- ~700 AUS employees enrolled in round 1 Ramsay Leadership Academy programs.
- ~60 Ramsay Santé managers enrolled in twelfth cohort at ESCP Business School.
- Elysium launched employee wellbeing program focused on workplace, emotional, physical, financial and social wellbeing.
- Received $1m grant for Ramsay Connect to design and deliver culturally appropriate care for Aboriginal and Torres Strait Islander people in northern NSW.

caring for our planet

- Achieved FY24 renewable energy target and >75% of 2026 target to install 6.3MW renewable energy projects.
- Generated >6 million kWh of electricity via rooftop solar systems.
- 70.8M single-use plastics avoided/replaced by Ramsay Australia.
- 37,000+ LED lights installed at 39 AUS sites.
- Developing transition plan for Ramsay UK.
- Elysium adopted eco-friendly pest control in Wales, joined the Keep Britain Tidy campaign and opened more green spaces for clients.
- Updating global climate risk and opportunities assessment.

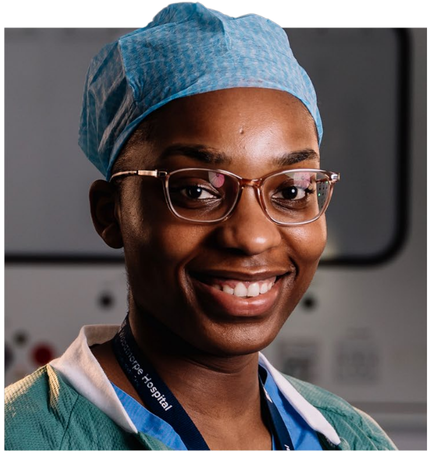
caring for our community

- Appointed inaugural Ramsay Santé Mission Committee*.
- Launched first Ramsay UK Social Impact Report at UK Parliament.
- Opened flagship grants scheme by Ramsay Hospital Research Foundation for projects addressing social determinants of health i.e. lifestyle, environment and education factors.
- ~200 Ramsay Australia employees took part in TriPink events for the national breast cancer foundation.
- On track to achieve 2024 target of sustainability assessments by 60% of global suppliers by spend and 80% by 2026.

*A Mission Company ("enterprise à mission") under the French PACTE Law allows a company to incorporate a purpose (raison d'etre) to their articles of association. The Mission Committee's role is to guide and verify the mission has been carried out properly.

Group Financials

Group Chief Financial Officer - Martyn Roberts



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1HFY24 – Group Performance

Half Year Ended 31st December A$'m	2023	2022	Chg (%)	Chg (%)cc[1]
Continuing Operations				
Revenue from contracts with customers	8,085.1	7,103.7	13.8	7.8
Total revenue and other income (less interest income)	**8,159.3**	**7,380.8**	10.5	4.7
Earnings before finance costs, tax, depreciation, amortisation and rent (EBITDAR)	**1,120.0**	**1,081.4**	3.6	(1.3)
Earnings before finance costs, tax, depreciation, amortisation and impairment (EBITDA)	**1,043.5**	**1,014.5**	2.9	(1.8)
Earnings before finance costs and tax (EBIT)	**512.3**	**537.6**	(4.7)	(6.7)
Financing costs associated with leases (AASB16)	(138.5)	(122.1)	(13.4)	(5.5)
Net other financing costs	(171.0)	(89.0)	(92.1)	(82.9)
Income Tax Expense	(67.3)	(102.0)	34.0	10.3
Net Profit after tax from continuing operations	**135.5**	**224.5**	(39.6)	(43.5)
Profit after tax from continuing operations (after minority interests)	**140.4**	**182.4**	(23.0)	(28.0)
Discontinued Operations				
Profit after tax from discontinued operations	618.1	12.0	-	-
Net profit after tax for the period	**753.6**	**236.5**	218.6	214.9
Attributable to non-controlling interests	4.9	(42.1)	111.6	110.7
Net Profit after tax attributable to owners of the parent	**758.5**	**194.4**	290.2	285.5

All comparisons made to prior period unless otherwise stated

1. Constant currency

- Result benefitted from the weaker AUD compared to the EUR and GBP
- Revenue driven by mid to high single digit growth in admissions in each region combined with tariff and indexation increases
- EBIT includes benefit from non-recurring items of $6.9m (1HFY23 $56.3m)
- Net financing costs increased 46.6% to $309.5m includes negative non-cash mark to market of $19.6m. Ex-mark to market increased 24.4% to $289.9m
- Effective tax rate 33.2% (1HFY23 31.2%)
- NPAT after minorities from continuing operations ex non-recurring items declined 3.1% on the pcp to $143.5m
- NPAT attributable to owners of the parent includes $618m net profit on the sale of RSD

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Balance Sheet and Cashflow

Balance Sheet

A$'m	31/12/2023	30/06/2023	31/12/2022
Working capital	(147.4)	(498.4)	(169.4)
Property plant & equip	5,343.3	5,238.1	5,035.7
Intangible assets	6,138.0	6,163.7	5,961.9
Current & deferred tax assets	95.3	89.8	106.2
Other assets/(liabilities)	(167.6)	(17.0)	(68.6)
Capital employed (before right of use assets)	**11,261.6**	**10,976.2**	**10,865.8**
Right of use assets	4,931.6	4,949.1	4,735.4
Capital employed	**16,193.2**	**15,925.3**	**15,601.2**
Capitalised Leases (AASB16)	**5,955.7**	**5,954.9**	**5,645.6**
Net Debt (excl. lease liability debt & incl. derivatives)	4,747.1	5,147.2	5,241.0
Total shareholders funds (excl. minority interest)	4,834.1	4,154.8	4,070.1
Invested Capital	**9,581.2**	**9,302.0**	**9,311.1**
Return on invested capital (ROIC) (%) AASB16 accounting methodology[1]	8.5	4.4	4.6
Return on invested capital (ROIC) (%) cash methodology[2]	18.1	11.2	12.1
Return on invested capital (ROIC) (%) from continuing operations (%) cash methodology[2]	12.0	11.2	12.1
Return on invested capital (ROIC) (%) from continuing operations (%) accounting methodology[1]	4.6	4.4	4.6

1. ROIC = 12 mth rolling EBIT*(1-tax)(based on AASB16)/average opening and closing invested capital
2. ROIC = 12mth rolling NOPAT (AASB 117)/average opening and closing invested capital

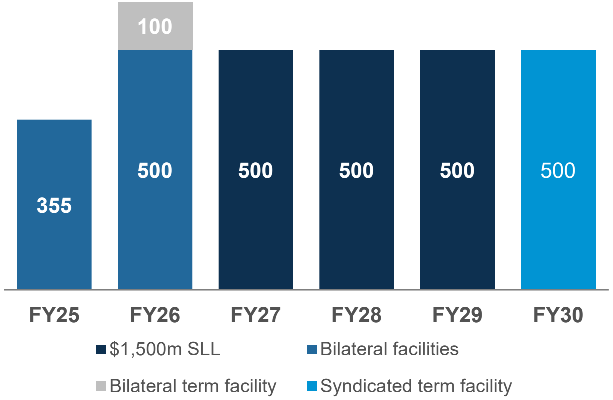
Cashflow Statement

Half Year Ended 31st December A$'m	2023	2022	Chg (%)
EBITDA excluding discontinued operations	1,043.5	1,014.5	2.9
Changes in working capital	(351.0)	(175.8)	(99.7)
Finance costs	(289.0)	(216.2)	(33.7)
Income tax paid	(75.6)	(126.5)	40.2
Movement in other items	(119.8)	(54.4)	(120.2)
Operating cash flow	**208.1**	**441.6**	**(52.9)**
Capital expenditure	(400.6)	(371.2)	(7.9)
Free cash flow	**(192.5)**	**70.4**	**(373.4)**
Net divestments/(acquisitions)	915.8	(20.9)	4,481.8
Interest & dividends received	5.0	6.6	(24.2)
Cash flow after investing activities	**728.3**	**56.1**	**1,198.2**
Dividends paid	(58.4)	(122.2)	52.2
Other financing cash flows	(979.8)	178.9	(647.7)
Net increase/(decrease) in cash	**(309.9)**	**112.8**	**(374.7)**

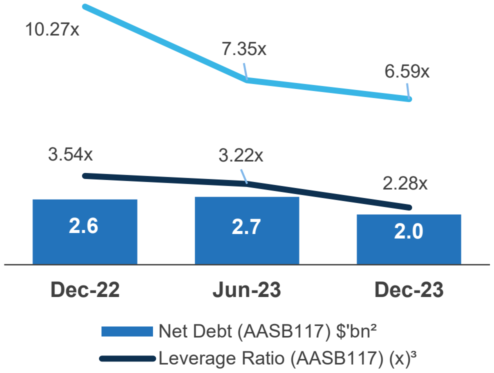
- Key changes in the balance sheet over the period reflect the sale of RSD and the reduction in net debt levels over the period, combined with the impact of foreign currency translation on the value of intangibles and right of use assets in France and the UK
- The cashflow statement reflects the $938.4m gross proceeds received from the sale of RSD less fees paid prior to 31st December of $1.7m

Funding Group[1] Debt Maturity Profile and Leverage

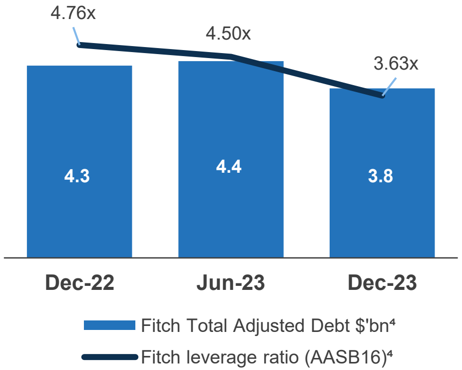
Funding Group[1] Debt Maturity Profile ($m) total facility limits $2,955m



Funding Group[1] – Bank Net Debt (AASB117)[2] Leverage Ratio[3] and Interest Cover Ratio[5]



Funding Group[1] – Fitch Adjusted Debt[4] and Leverage Ratio[4]

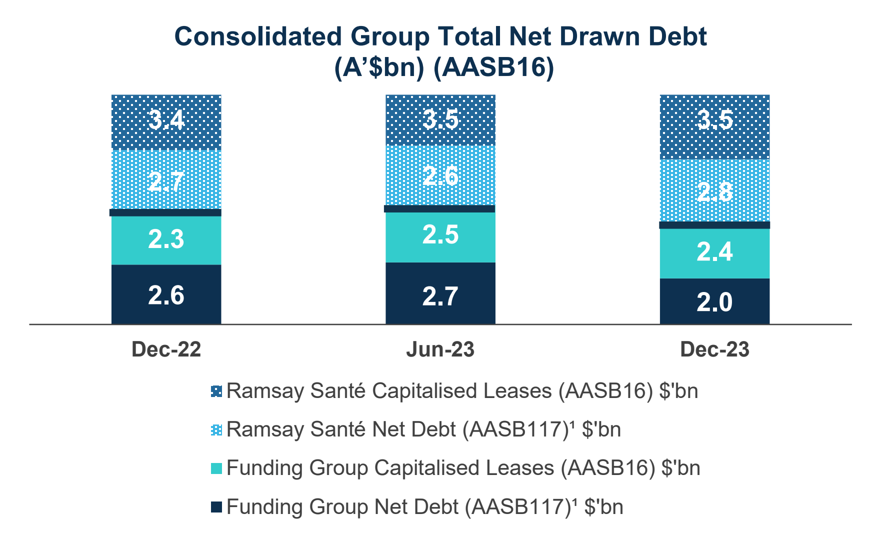


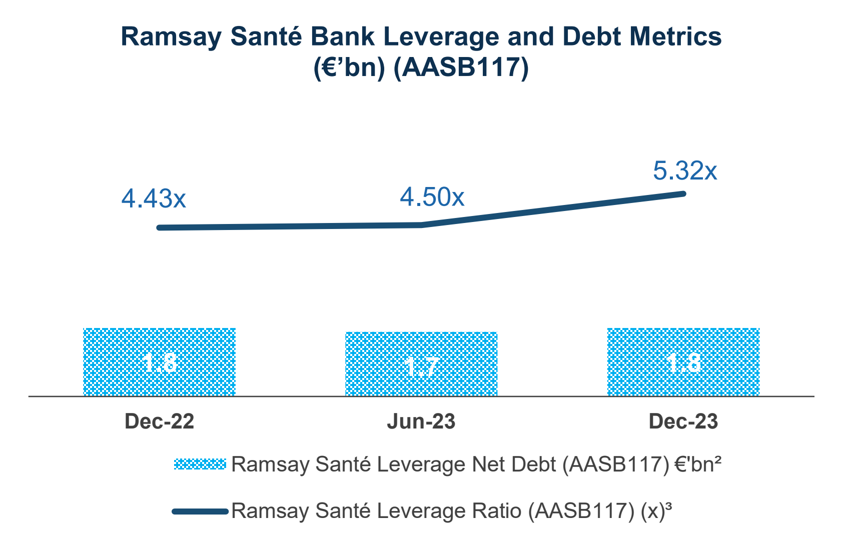
- The weighted average debt duration profile of the Funding Group has been extended from 1.7 years at 30 June 2023 to 3.4 years at 31 December 2023 with a more orderly maturity profile due to new, cancelled and extended facilities
- Following the receipt of A$938.4m proceeds from the sale of RSD, Ramsay repaid debt and terminated facilities

- The Funding Group leverage ratio at the end of the period was 2.28x down from 3.22x at 30 June 2023 (target Funding Group leverage <2.50x)
- The weighted average cost of debt for the Funding Group at 31 December 2023 was 4.86% (excluding CARES)
- At 31 December 2023 approximately 93% of the Funding Group debt was hedged at an average base rate (excluding lending margin) of 3.16%

1. Funding Group – excludes Ramsay Santé (funded by standalone debt facilities). Banking covenants and Fitch rating based on the Funding Group earnings profile and net debt **2**. Bank Net debt (excl lease liability debt and derivatives) **3**. Leverage ratio for the purposes of banking covenants calculated on a AASB117 basis i.e. Net debt (excl lease liabilities and derivatives)/rolling 12-month Funding Group EBITDA **4.** Fitch adjusted leverage ratio calculated as – total adjusted debt (incl lease debt based on a multiplier)/operating EBITDAR **5**. Consistent with covenant calculation

Consolidated Group - Debt Profile





- The weighted average cost of debt for the Consolidated Group at 31st December 2023 was 4.88% (excluding CARES)
- At 31st December 2023 approximately 84% of the Consolidated Group debt was hedged at an average base rate (excluding lending margin) of 2.64%
- Ramsay Santé continues to be supported by its own funding arrangements underpinned by secured loan facilities
- FY24 net interest expense (including AASB16 lease costs) is expected to be in the range of $590-620m including a non-cash mark to market movement of approximately $33m for the full year

1. Net debt (excl lease liability debt and derivatives) **2.** Leverage Net Debt (excl lease liability debt) for calculating bank leverage **3.** Leverage Ratio as per Ramsay Sante banking covenants based on AASB117 calculation

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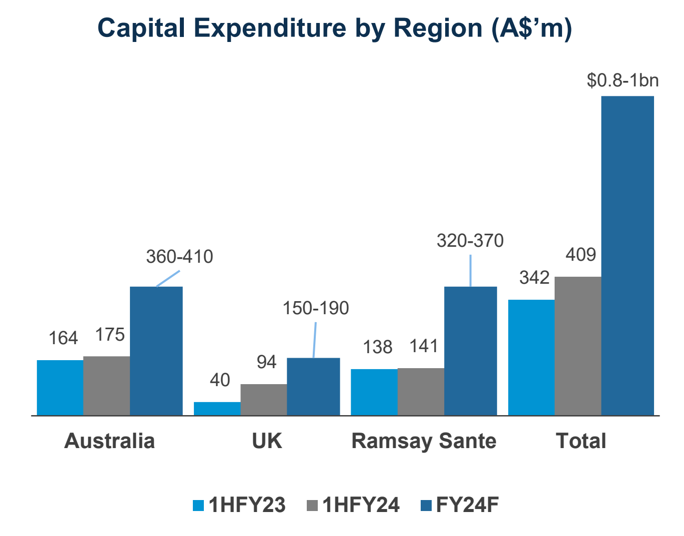
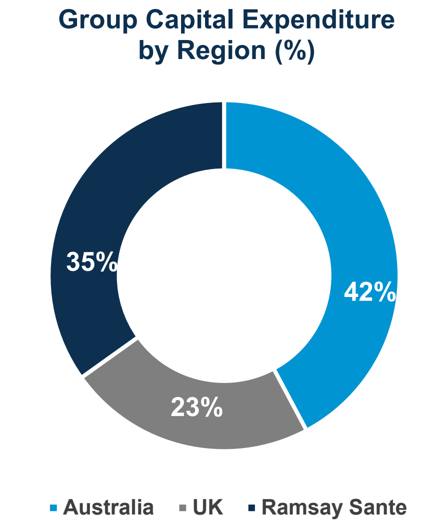
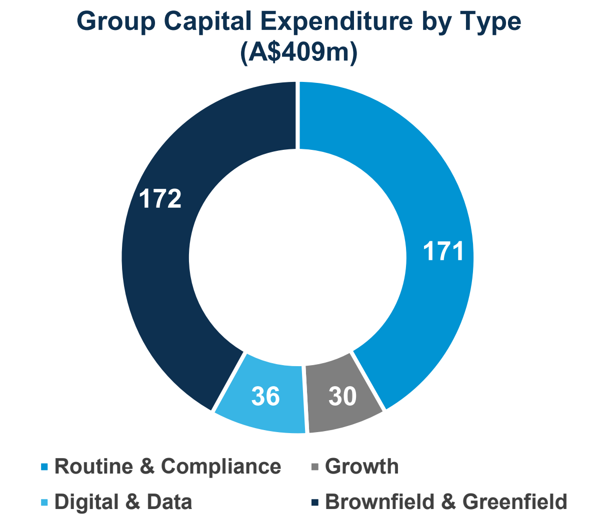
Capital Expenditure







- Total Group capital expenditure was $409m the increase primarily driven by investment in new facilities and repurposing other facilities. Currency translation accounted for some of the increase (capex in Europe declined 4% in constant currency)
- Expect full year capex spend to be in the range $0.8-$1.0bn slightly below previous range

- All new investments now assessed under revised hurdles
  - IRR% (post tax) > 12%;
  - Cash ROIC% (post tax) > 12% (Brownfields and other investments by end of year 3, greenfields and acquisitions by end of year 5); and
  - EPS accretive (Brownfields and other investments by end of year 2, greenfields and acquisitions by end of year 3).

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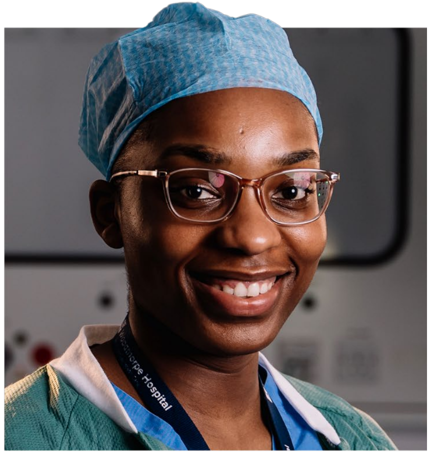
Outlook & Strategic Direction

Managing Director and CEO - Craig McNally

People caring for people



FY24 – Expect Further Growth in Earnings

Ramsay continues to expect further growth in Group earnings from continuing operations, reflecting mid-single digit top line growth driven by low to mid-single digit growth in activity levels combined with higher reimbursement rates. The results are expected to be weighted to the second half of the year

- Margin recovery will be slowed by ongoing cost pressures that are not fully reflected in reimbursement structures, combined with an increase in digital and data opex investment which is an important plank for our future growth
- The focus is on improving the performance and returns of the Australian and French hospital businesses and continuing to improve the performance of the Elysium business
- We will continue to review the business in the context of optimising shareholder returns, and we are actively assessing a range of strategies to unlock value and drive improved performance from our portfolio of assets

Ramsay Health Care

FY24 – Earnings Outlook

Ramsay expects FY24 earnings to reflect:

- Mid single digit top line growth driven by low to mid single digit growth in activity and higher reimbursement levels
- An increase in digital and data opex investment in Australia of $28-38m over FY23 (total spend $55-65m). Digital and data capex is expected to be $12-18m
- Net interest expense (including AASB16 lease costs) is expected to be $590-620m includes an estimate of the non-cash mark to market movement of ~$33m and transaction costs associated with new facilities in the Funding Group
- The FY24 effective tax rate is expected to be ~33-34%
- Depreciation and amortisation is expected to be in the range of $1.0bn - $1.1bn
- Investment in brownfield and greenfield projects in Australia is expected to be $210-260m focused on expanding hospital treatment capacity and the out of hospital services footprint
- Group capex is expected to be in the range of $0.8 -1bn
- The dividend payout ratio is expected to be in the range of 60-70% of Statutory Net Profit (excluding the profit on the sale of Ramsay Sime Darby)

Priority is to leverage and strengthen core hospital network

OUR VISION: To leverage our global platform and be a leading healthcare provider of the future

By growing, modernising and leveraging our **World Class Hospital Network**

- Organic growth
- Strategic expansion
- Strategic growth in key therapeutic areas

Integrated patient-centred care

And moving purposefully into **New & Adjacent Services**

- Extended patient pathway
- Broader digi-physical care delivery
- New services, existing regions
- Diagnostic and imaging services
- New payers and funding models

OUR MISSION: Creating a best-in-class, digitally enabled healthcare ecosystem - to change what is possible for your health

Operational Excellence *will deliver value for all stakeholders*

- Procurement
- Operational efficiencies
- Excellence in service delivery

Strong Organisational Foundations *will underpin our achievements*

- Digital and data transformation
- Clinical excellence
- Industry leading talent
- *Ramsay Cares* sustainability strategy
- Strategic partnerships and M&A capability

OUR PURPOSE: People caring for people

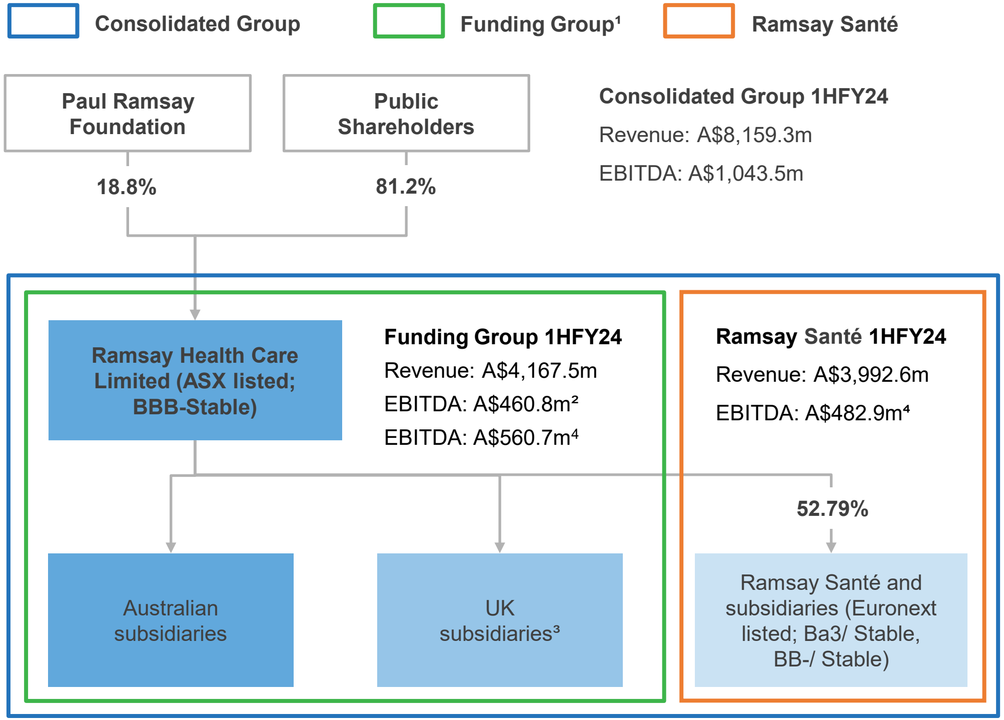
Ramsay Health Care

Appendix

Ramsay Health Care

60 YEARS people caring for people

Funding Structure



Consolidated Group

- Comprised of Ramsay Health Care Limited and all its subsidiaries
- Ramsay reports its financial results on a Consolidated Group basis, with financial results for Ramsay Santé being reported on a fully consolidated basis.
- **There are no debt facilities provided to the Consolidated Group as a whole**

Funding Group

- Comprised of Ramsay Health Care Limited and all its subsidiaries, **excluding** Ramsay Santé earnings (the Funding Group's investment in Ramsay Santé is recorded as an investment on the balance sheet)
- The Funding Group effectively represents Ramsay's Australian and UK operations[1]

Ramsay Santé

- Ramsay Santé is separately self-funded by covenant light, secured debt facilities with **no recourse to the Funding Group**

1. Financial covenants and the Fitch rating only apply to the Funding Group 2. Pre AASB16. Covenants calculated on this basis after non-recurring items 3. Either wholly owned or controlled by Ramsay Health Care Limited including Elysium 4. Post AASB16 EBITDA

Ramsay Health Care

ASX ANNOUNCEMENT

29th February 2024

Ramsay Health Care 1HFY24 Results - Presentation Speech

Slide 1 Front Cover

Good morning everyone and thank you for joining us today as we present our FY24 interim results. I am Craig McNally, and I am joined by Martyn Roberts, our Group Chief Financial Officer.

Slide 2 - Disclaimer for noting

Slide 3 Agenda

Today we will provide an overview of our performance for the first six-months of FY24, followed by an update on our Group strategic direction and outlook.

Slide 4 Key Themes

Before I begin, I would like to mention that in 2024 Ramsay Health Care celebrates our 60th anniversary. It is 60 years since Paul Ramsay opened a small private hospital in Sydney's northern suburbs and we have grown from there to become a leading Australian company and one of the largest private healthcare operators in the world.

I am immensely proud of our achievements over the decades and grateful to the incredible teams, past and present, who have shared and driven our success and who deliver outstanding outcomes for our patients. As we pay tribute to Paul's incredible legacy, we are looking forward to the exciting opportunities and possibilities ahead.

Turning to the result.

Over the half, we were pleased to see continued improvement in activity levels across all our regions, with 5.4% growth in total hospital admissions. This, combined with annual tariff uplifts and indexation, drove revenue growth of 7.8% on a constant currency basis. While the activity mix continues to evolve in all regions, patterns are starting to normalise.

We made some progress agreeing new terms with payors over the half year and Ramsay will continue to push for further indexation increases from both government payors globally and private health insurers to ensure we are compensated for general and industry-specific inflation incurred over the last few years.

We have also made good progress accelerating a range of transformation programs across the Group to drive sustainable top line growth, productivity improvements and operating efficiencies. Some of these benefits are visible in today's results, but there is a lot more to do with the focus on improving returns from all regions.

Ramsay Health Care Limited
ABN 57 001 288 768
Level 18, 126 Phillip Street
Sydney NSW 2000 Australia
Telephone: +61 2 9220 1000
Facsimile: +61 2 9220 1001
ramsayhealth.com

We are incredibly pleased with the outcome of the Ramsay Sime Darby (RSD) sale process, which reflects the benefits of running a considered, competitive process and our commitment to disciplined portfolio management.

Proceeds from the sale of RSD, which settled on the 28th of December, combined with our program to extend the Funding Group's debt maturities, and establish a more orderly maturation profile, has strengthened the Funding Group's balance sheet.

We remain confident that increased activity levels, combined with indexation uplift, should drive earnings growth in FY24. We expect the result to be weighted to the second half, particularly in Europe which is expected to return to its normal seasonality absent the smoothing impact of government support payments.

Slide 5 Group 1HFY24 Result Overview

Turning to the results briefly, and the headline statutory profit includes the net profit after tax of $618m from the sale of RSD.

The EBIT result from continuing operations was driven by improving earnings from Australia and strong growth from the UK region, offset by lower earnings from Europe and higher net financing charges. The weakness in the Aussie dollar against the Euro and Pound during the half also impacted earnings, we have included results in both constant currency and local currency in the reporting pack.

The contribution from non-recurring items during the period was significantly lower than in the prior period primarily due to a large profit on the sale of property in Europe in the prior year. Non-cash mark to market movements on interest rate swaps had an impact on net financing costs swinging from a positive contribution of $22m to a negative contribution of $19.6m. Removing the impact of non-recurring items, EBIT increased 5% on the previous corresponding period (pcp) and NPAT declined 3.1%.

The Board determined to pay a fully franked dividend of 40 cents per share, which is at the top end of our payout ratio range based on earnings excluding the profit on the sale of RSD. This reflects our confidence in the underlying earnings momentum of the business. As I have said earnings are expected to be weighted to the second half of the year and we would expect the full year dividend to reflect that.

Slide 6 Australia- Highlights

Moving to the result in Australia

Overall, volume growth combined with indexation from health funds led to revenue growth of 6% for the half.

During the period, the team maintained a very strong focus on managing operating costs and we are starting to see some normalisation of labour and supply price growth. As foreshadowed, digital and data and cyber security operating expenses (opex) combined was $21.8m higher than in the prior period at $34.4m Excluding the increase in opex, EBIT grew by 7.8%.

Our focus on improving labour productivity has returned most metrics to pre-Covid levels. While sick leave and agency use have improved, both continue to fluctuate with outbreaks of COVID and other viruses in the community.

Our investment in programs to advance our digital capabilities are expected to deliver further productivity benefits as they are rolled out more widely. Some of these innovations are being trialled in our new hospital in Epping in Melbourne that opened earlier this month including a new clinical communications platform keeping our teams connected and improving productivity and patient safety.

Importantly, the business was successful in negotiating improved revenue indexation with several health funds and public payors during the half, with the full benefit to flow through in the second half. We recognise that the private health sector, as a critical provider of infrastructure in this country, needs to focus on remaining an attractive option for consumers in a challenging economic environment. However, to be able to continue to invest in delivering optimal outcomes for patients, the sector needs to be financially sustainable.

Slide 7 Australia - Trends in Admissions

Looking at key trends in activity in Australia.

In the first half, surgical and medical admissions continued to grow at rates above historical averages, with particularly strong growth in rehab activity reflecting above trend growth in orthopaedic surgery at some Ramsay facilities, new capacity and programs at some sites and the closure of a number of standalone competitors.

After growth through Covid, maternity has returned to pre-Covid trends of declining births. In this environment, Ramsay has closed or consolidated maternity services where it makes sense.

While Psych admissions were flat overall, psych patient days increased 4% over the prior period reflecting an improvement in inpatient volume with day admissions per work-day flat on the prior period but weaker compared to pre covid levels.

Slide 8 Australia - Investment Pipeline Continues to Grow

Turning to the investment pipeline in Australia.

The Australian business continues to purposefully extend its leading position in existing strongholds with greenfield and brownfield hospital developments.

On the back of higher construction costs, challenges in the construction sector, slow approval process times and higher interest rates, we have slowed down our pipeline of projects reducing our full year development capex range by $40m to $210-260m. Projects set for completion in the second half include the first stage of our redevelopment at Lake Macquarie in NSW and an expansion of St Andrews hospital in Queensland. Work continues on the major expansion of Warringal Hospital in Melbourne, with the first stage of the redevelopment including three new wards, an ICU and new theatres recently opened.

The focus continues to be on developments at our major sites that strengthen our core hospital presence. To this end during the half, the Board approved a new greenfield short stay facility in south-west Sydney and a major expansion of the private hospital on the Joondalup site in Perth. These projects are expected to commence in the next 6 months.

In the out of hospital area, we continued to make selective investments in our new and adjacent out of hospital services including expanding our psychology clinic network to 20 sites.

As I have said, we continue to progress our digital and data strategy, which has multiple streams of work, with the initial investment focused on building our foundations, improving efficiency and productivity, and driving better outcomes for our patients, people and doctors. During the half we invested $33.4m in a range of projects, with $6.5m of costs capitalised and the rest expensed. We now expect FY24 opex net of benefits to be slightly lower than originally forecast in the range of $55-65m and capex in the range of $12-18m.

One area of focus is the development of our Digital Front Door and the single entry into the digital Ramsay ecosystem for our patients, our doctors and our teams which was piloted at the start of FY24 and has now been rolled out to 9 Ramsay hospitals. In the second half of the year the project is on track to be expanded and rolled out to a further 21 sites with additional capability. This is in line with our approach to continue to iterate and mature the solution over time to cater for different therapeutic areas and patient experiences.

We continue to expect net opex to peak in FY25 at $70-80m and to become an overall net benefit to the business in FY28. Capex associated with current projects is also expected to peak through FY25/26 at between $70-80m. As we have flagged previously the final accounting treatment of major projects may change depending on vendor selection and accounting assessment at the time.

Slide 9 – Australia Outlook

Turning to the outlook for the Australian business.

Ramsay Australia has an unmatched portfolio of strategically located, high quality hospitals that are attractive to clinicians and patients and provide valuable services for payors. This is evidenced by our strong performance relative to the industry in Australia, where many of our competitors are losing money. Our development program, combined with our focus in key out of hospital speciality areas, as well as our private emergency department strategy, are designed to enhance and protect our strategic position in the market into the future.

We will continue to drive sustainable operational efficiencies and productivity through our performance acceleration program, which is delivering improvements in cost controls, revenue management and procurement programs.

In FY24 we expect EBIT to improve on the pcp driven by mid-single digit volume growth, and indexation combined with productivity improvements coming from labour management and cost saving initiatives.

Slide 10 - United Kingdom - Highlights & Outlook

Turning to the UK region which reported a 114% overall increase in EBIT in local currency, with the acute care business continuing its strong trajectory of improvement and the changes being made at Elysium starting to flow through to improved earnings.

Ramsay UK, our acute hospital business, reported 28.5% revenue growth and an 84% increase in EBIT or 17.4% and 66.6% in constant currency respectively, driven by 10% growth in admissions, a higher acuity mix and the initial benefits of productivity and efficiency programs put in place over the last 18 months.

Elysium reported a significant turnaround in operating performance, with 22.9% growth in revenue and a 500% improvement in EBIT or 12.3% and 472.8% respectively in constant currency, driven by a focus on improving occupancy levels and reducing costs. Occupancy increased 5 percentage points by period end compared to the pcp but remains below target for some services. Reflecting the focus on recruitment and training, staff turnover declined and agency costs as a percentage of labour costs improved by 6.6 percentage points compared to the prior period.

Turning to the outlook for the UK

Ramsay UK expects high single digit volume growth for the full year, with ongoing growth expected in both NHS and private pay volumes. The business will continue to focus on mitigating ongoing inflationary pressures, particularly wage inflation.

We expect ongoing improvement in the performance of the Elysium business, with the focus on lifting occupancy, and further improving recruitment and training to reduce agency costs and employee turnover. The business will also continue to focus on repurposing and developing services to match demand, with select investment in new facilities based on demand from stakeholders.

Slide 11 – Europe - Highlights & Outlook

Turning to the European region where Ramsay Santé saw 5.4% growth in hospital admissions, driven by 5% growth in France and an 10% growth in the Nordics region, reflecting an improved performance from its acute hospital business. The Nordics also reported good growth in primary healthcare admissions. Case mix in France continues to impact revenue growth. Like the UK, the result benefited from a weaker Australian dollar, however the result in Euros was impacted by Swedish Kroner weakness against the Euro.

The reliance of the French business on the Government's revenue guarantee scheme declined during the period with payments reducing by 37% compared to the pcp, reflecting a return to more normal patterns of activity combined with the impact of modifications to the scheme in 2023.

As we have highlighted previously, the transition away from one-off compensation payments for Covid costs, wage increases and inflation received over the last few years, has impacted earnings. The 2023/24 annual tariff increase, while reflecting inflation in the current year, did not factor in the compounding effect of cost inflation over the last few years hurting margins.

EBITDA in local currency declined 12.5% compared to the 73.5% or €109m decline in total government support payments and reflects the benefits of cost and other productivity measures the business has introduced over the last twelve months.

EBIT includes a positive contribution from non-recurring items of $7.8m versus a positive contribution of $45.3m, primarily related to a property sale in the Nordics, in the pcp. After removing the impact of non-recurring items EBIT from the Nordics region actually increased 9%.

Turning to the outlook

Ramsay Santé is currently forecasting top line volume growth of low to mid-single digit growth in France and higher in the Nordic region driven by increased acute activity and contributions from recently established facilities.

With the business transitioning from the smoothing effect provided by the revenue guarantee, Ramsay Santé's earnings will return to being weighted to the second half of the fiscal year. This reflects a return to pre-covid seasonality in activity and includes the benefit of the tariff increase for the 2024/25 year, which will contribute to the final four months of the FY24 result.

The business remains in ongoing dialogue with payors, predominantly governments, regarding cost compensation for the 2023/24 year and the level of tariff increases for 2024/25. However, these discussions take place against the backdrop of significant pressure on government budgets.

The private sector is an important part of the French hospital services sector delivering approximately one third of total hospital activity including over 50% of surgical procedures and an estimated 40% of cancer treatments and engages with over 200,000 health workers. It is our firm belief that the French government must take action to ensure the industries sustainability through appropriate compensation for the impact of inflation.

We remain focused on improving productivity and efficiency in the face of ongoing cost inflation that is expected to continue. The business will continue to optimise its hospital and clinic network in France, including investing in adjacent activities to strengthen its network, and improve returns.

Slide 12 – Ramsay Cares

We have made further progress on our Ramsay Cares sustainability strategy over the half.

We are heavily focused on developing our people and it was fantastic to see Ramsay Australia being recognised among the world's top six healthcare companies for women employees and, for the second year in a row, Ramsay was named the number one health company for graduates.

This month, we welcomed 400 new graduates in our pathway program in Australia, on top of the two intakes that started in 2023.

Participation in our Leadership Academies has grown across all regions.

We continue to work towards our net zero greenhouse gas emissions goal and have now achieved 75% of our target to install 6.3 megawatts of renewable energy projects by 2026. All our regions are rolling out new ways to reduce emissions and waste.

I will now hand you over to Martyn to run through the financials in more detail.

Slide 13 – Group Financials

Slide 14 – Group Performance

Thanks Craig, and good morning, everyone.

As Craig outlined, total revenue from patients grew by 13.8%, or 7.8% in constant currency terms. This was driven by a 5.4% increase in hospital admissions across the Group, as well as annual indexation increases and improved occupancy and rates in Elysium. As you can see from the table in this slide, the growth was boosted by a weaker Australian dollar, in particular against the Euro, compared with the prior period.

Depreciation, amortisation and impairments increased by 11.4% compared to the pcp. This primarily reflects currency movements, an increase in the depreciation of right of use assets in Ramsay Sante due to price indexation, and a turnaround in impairments reflecting the write-back of an impairment in the prior period in the UK.

We have outlined a number of non-recurring items in the pack, with the impact on EBIT and NPAT from continuing operations being significantly lower than the pcp at $6.9m and negative $3.1m respectively, compared to positive contributions of $56.3m and $34.4m in the prior period. Stripping out the impact of these, Group EBIT from continuing operations increased by 5% and Group NPAT declined by 3.1%.

Total interest expense increased 46.6% to $309.5m, or by 38% in constant currency terms. This was at the top end of our forecast range, however, did include a negative non-cash mark to market on an interest rate swap in Ramsay Sante's debt of $19.6m compared to a positive impact of $22m in the prior period. Removing the impact of mark to market movements, net financing costs increased by 24.4% to $289.9m.

The effective tax rate for the half for continuing operations was 33.2% compared to 31.2% in 1H23. The rate was higher than last year, primarily due to higher CVAE taxes in France and Ramsay Santé's loss before tax result given their lower company tax rate of 25%. The rate was lower than our forecast of approximately 36% due to the non-assessability of some non-recurring items, in particular the remeasurement of options to buy back minority interests in a primary care business in Denmark further to Ramsay Santé increasing its shareholding.

Slide 15 – Cashflow and Balance Sheet

The key movements and changes in the balance sheet and cashflow relate to the sale of RSD and the repayment and termination of debt facilities with the proceeds of the sale.

Foreign currency translation has also had an impact on values in the balance sheet since 30th June, in particular on intangibles and right of use assets.

Slide 16 – Funding Group Leverage and Debt Maturity Profile

Moving to leverage. On this slide we have given you the Funding Group net debt, interest cover and leverage ratios based on the calculation used by our banks and by Fitch.

In the first half, we focused on extending our Funding Group debt maturities and establishing a more orderly maturation profile.

We have extended each of the three $500m tranches of our sustainability linked loan by 2.25 years and put in place a new six-year $500m syndicated facility which was well supported by existing and new banks. Importantly, the Funding Group's base rates will not change as a result of the new facilities due to our existing hedging programs.

The Funding Group's weighted average margin on the facilities will be circa 10 basis points higher, reflecting the longer tenor of the extended and new facilities.

The Funding Group weighted average cost of debt inclusive of margin at 31st December was 4.86% (excluding CARES). At 31 December 2023 approximately 93% of the Funding Group debt was hedged at an average base rate (excluding lending margin) of 3.16%.

Slide 17 – Consolidated Group – Debt Profile

Turning to the Consolidated Group debt profile, where you can see the only net movement of note, other than the impact of currency translation, was the repayment of facilities within the Funding Group. Ramsay Santé's AASB117 debt metrics in Euros are shown on the graph on the right, its leverage ratio increased primarily due to lower earnings in the period.

The weighted average cost of debt for the Consolidated Group at 31st December 2023 was 4.88% (excluding CARES) and approximately 84% of the Consolidated Group debt was hedged at an average base rate (excluding lending margin) of 2.64%.

Our FY24 net interest expense is now expected to be in the range of $590-620m, which includes an estimate of the non-cash negative mark to market movement for the full year of $33m as well as transaction costs associated with new Funding Group facilities.

Slide 18 – Capital Expenditure

Moving to capital expenditure in more detail. Total spend across the regions was $409m, with slightly higher spend in Australia and an increase in the UK reflecting new facilities in both the acute business and Elysium, as well as investment in repurposing facilities in Elysium.

We expect full year spend to be in the range $0.8bn to $1bn, which is slightly lower than our previous forecast due to lower spend in both Australia and France. In light of rising interest rates, we are applying a more conservative approach to new projects, with our new hurdle rates being a post-tax IRR of greater than 12% and a post-tax cash ROIC of greater than 12% for brownfields and other investments by the end of year 3 and green fields and acquisitions by the end of year 5. Both metrics have increased from greater than 10%. The EPS accretion targets remain the same.

Ramsay will retain a disciplined approach to capital investment and we expect the balance sheet will be further bolstered by our strong cash generation capability.

I will now hand you back to Craig for some comments on the FY24 outlook and longer-term strategic direction.

Slide 19 – Strategy and Outlook

Thanks Martyn

Slide 20 – Group Outlook

Turning to the FY24 outlook.

We continue to expect further growth in Group earnings from continuing operations, reflecting mid-single digit top line growth driven by low to mid-single digit growth in activity levels combined with higher reimbursement rates. The results are expected be weighted to the second half of the year.

Margin recovery will be slowed by ongoing cost pressures that are not fully reflected in reimbursement structures, combined with an increase in digital and data opex investment which is an important plank for our future growth.

Our immediate focus is on improving the performance and returns of the Australian and French hospital businesses and continuing the turnaround in the Elysium business.

We will continue to review the business in the context of optimising shareholder returns, and we are actively assessing a range of strategies to unlock value and drive improved performance from our portfolio of assets.

Slide 21 – FY24 Earnings Outlook

On Slide 21 there is some guidance around various metrics for FY24 which I will leave you to read.

Slide 22– Group Strategy

Turning to a slide that many of you will be familiar with, our long-term strategy.

Our vision is to leverage our platform to be a leading healthcare provider of the future.

We believe the growth of the private healthcare industry will be underpinned by structural tailwinds, including technological and clinical developments; rising healthcare expenditure as a proportion of GDP; a growing and ageing population and the associated rising incidence of chronic conditions, which all contribute to increasing health care costs for Governments. We believe private healthcare providers have a critical role to play in supporting the healthcare system in the future, and that establishing commercial solutions in partnership with Governments will be an important part of that.

With Ramsay's unmatched network of strategically located facilities; world class healthcare team; industry-leading investment in clinical excellence; trusted payor relationships; targeted push into new and adjacent services; and investment in technology, we feel strongly that we are uniquely positioned to benefit from these tailwinds and deliver long term benefits to all stakeholders.

Our priority is to continue to leverage and strengthen our core hospital business through a series of transformation programs and by investing in a wider range of services that feed into and support our core, ultimately driving improved outcomes for patients.

Finally, I want to say thank you to our remarkable people, and our doctors, who demonstrate every day what it means to be people caring for people. I thank all the people who have worked with us over the 60 years to make Ramsay what it is today.

I will now open up for questions.

For further information contact:

Kelly Hibbins
Group Head of Investor Relations
Ramsay Health Care
+61 9220 1034
+61 414 609 192
HibbinsK@ramsayhealth.com