

Ramsay Health Care Limited

Results Briefing

Half Year ended 31 December 2018

Craig McNally, Group Managing Director &
Bruce Soden, Group Finance Director

28 February 2019



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Group H1 Highlights

GROUP HALF YEAR FINANCIAL HIGHLIGHTS

- Core NPAT up 1.0% to \$290.8 million
 - Excluding Capio Core NPAT up 1.8% to \$293.2 million

- Core EPS up 1.2% to 140.6 cents
 - Excluding Capio Core EPS up 1.9% to 141.7 cents

- Group:
 - Revenue up 14.9% to \$5.1 billion¹
 - EBITDA up 9.8% to \$728.6 million

- Australia/Asia:
 - Australia Revenue up 4.8% to \$2.6 billion
 - Australia EBITDA up 5.7% to \$484.6 million
 - Equity accounted share of Asia JV net profits up 29.4% to \$11.0 million

- United Kingdom:
 - Revenue up 1.6% to £209.6 million¹
 - EBITDAR down 9.2% to £44.8 million

- Continental Europe:
 - Revenue up 25.7% to €1.3 billion
 - EBITDAR up 19.1% to €231.3 million

- Interim Dividend 60.0 cents fully franked, up 4.3%

¹Revenue stated on a like for like basis excluding AASB15 uplift adjustment of £33.9million/\$60.8million

OPERATIONAL HIGHLIGHTS

- ✓ Australian operations delivered solid overall EBITDA growth on the back of volume growth and sustained focus on achieving operational efficiencies
- ✓ In the UK, while Q1 was challenging and impacted overall earnings for H1, we saw good recovery in NHS volume growth in Q2
- ✓ RGdS (excluding Capiro) delivered a solid first half result - ahead of expectations
- ✓ Successfully completed Capiro acquisition which was consolidated from 7 Nov 2018. Integration process commenced
- ✓ Continued focus on growth: 169 beds added through Australian brownfield programme for H1; expanding and improving our service offering both in and out of hospital
- ✓ Continued focus on cost efficiency: Commenced global contract negotiations under the JV with Ascension JV (NuSoarce)

CAPIO ACQUISITION



Capio

- Acquired 7 Nov 18, delisted 28 Nov 18. Compulsory acquisition procedure for remaining shares will complete H2
- Good underlying growth fundamentals and strategic fit – quality provider and a leader in driving value-based healthcare, digitalisation and specialisation
- Integration plan underway:
 - Setting up new executive governance structure
 - Harmonising operations in France and enhancing clusters
 - Divesting non-strategic assets
 - Securing synergies
 - Debt refinancing conducted
- Stockholm County Council (SCC) extended Capio's contract to run S:t Göran's hospital to 2026
- Capio contributed an operating result (EBIT) of \$1.9 million to the Ramsay Group, which translated to a negative Core NPAT result of \$2.4 million after factoring interest costs from Capio's debt and interest expense associated with debt funding of this acquisition.
- Given the timing of the acquisition and delays related to completion we now expect Capio to be slightly EPS dilutive to the Group in FY'19 but to be Core EPS accretive within two to three years

OUR STRATEGIC POSITION

77,000

Employees

480

Locations

8,500,000

Patient visits/admissions

11

Countries

Global Health Operator

- ✓ Economies of scale
- ✓ Best practise
- ✓ Cost leadership
- ✓ Speed to market
- ✓ Innovation

Market Leading Positions

#1 Australia



#1 France



#1 Scandinavia



Differentiated Business



Scale



Diversified portfolio



Industry leading quality



Deep and experienced leadership

DELIVERING INDUSTRY LEADING QUALITY

We are focused on delivering the highest possible quality outcomes for patients that are measurable, transparent & internationally benchmarked...



FOCUS ON OUTCOMES

- Internal & External Benchmarking
- Patient Experience & NPS
- Staff Engagement
- Clinical Registries
- Global quality dashboard
- Transparent reporting

DRIVING CLINICAL EXCELLENCE

- Clinical Trials
- Centres of Excellence
- Investment in research
- PROMs

SYSTEM-WIDE RELIABILITY

- Standardise Processes
- Reduce Clinical Variance
- Speaking up for patient safety
- Peer accountability
- Safety checklists
- Safety Huddles

Group Financial Results

GROUP PERFORMANCE 1H FY'19

Six months ended 31 December	(Including Capio)			(Excluding Capio)	
	2018 \$m	2017 \$m	Increase	2018 \$m	Increase
Revenue – ex AASB15 adjustment – AASB15 adjustment	5,107.9 60.8	4,445.8 -	14.9%	4,718.2 60.8	6.1%
Total Revenue	5,168.7	4,445.8	16.3%	4,779.0	7.5%
EBITDAR	977.3	872.5	12.0%	935.1	7.2%
EBITDA	728.8	663.9	9.8%	712.0	7.2%
EBIT	509.9	470.4	8.4%	508.0	8.0%
Core NPAT attributable to members of the parent ⁽¹⁾	290.8	288.0	1.0%	293.2	1.8%
Core EPS ⁽²⁾ (cents per share)	140.6¢	139.0¢	1.2%	141.7¢	1.9%
Interim Dividend – fully franked (cents per share)	60.0¢	57.5¢	4.3%		

Notes:

All numbers are in Australian dollars unless otherwise stated

⁽¹⁾ Core NPAT attributable to members of the parent is before non-core items. The minority interests share of Ramsay Générale de Santé Core NPAT has been removed in arriving at Core NPAT attributable to members of the parent.

RGdS has consolidated the earnings of Capio since the acquisition date of 7 November 2018.

⁽²⁾ Core EPS is derived from core net profit after CARES dividends.

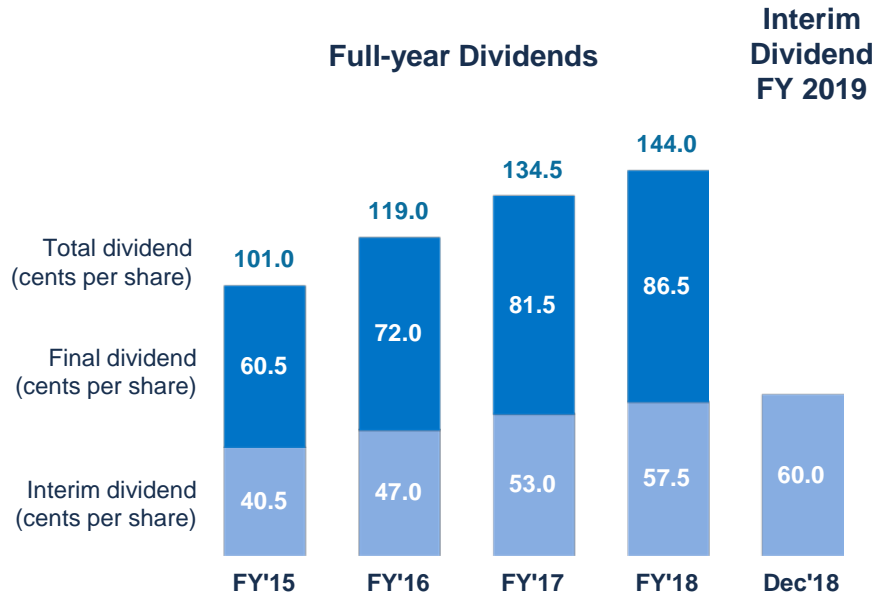
RECONCILIATION TO STATUTORY REPORTED NET PROFIT

Six month ended 31 December	2018 \$m	2017 \$m	Increase
Core NPAT	290.8	288.0	1.0%
Net non-core items (net of minorities and net of tax) ⁽¹⁾	(20.7)	(41.5)	
Statutory Reported Net Profit after tax attributable to members of the Parent	270.1	246.5	9.6%

⁽¹⁾ Net non-core items (net of tax)	2018 \$m	2017 \$m
Non cash portion of rent expense relating to leased UK hospitals	(6.1)	(7.3)
Amortisation – service concession assets	(0.7)	(2.0)
Restructuring, acquisition, disposal, impairment, development costs, and profit on disposal of medical suites ⁽²⁾	(37.2)	(74.5)
Borrowing costs associated with refinancing	-	(0.4)
	(44.0)	(84.2)
Income tax on non-core items	14.1	20.8
Non controlling interest in non-core items (net of tax)	9.2	21.9
Net non-core items (net of tax) attributable to members of the Parent	(20.7)	(41.5)

⁽²⁾ Includes \$20.8m transaction costs relating to the Capio acquisition

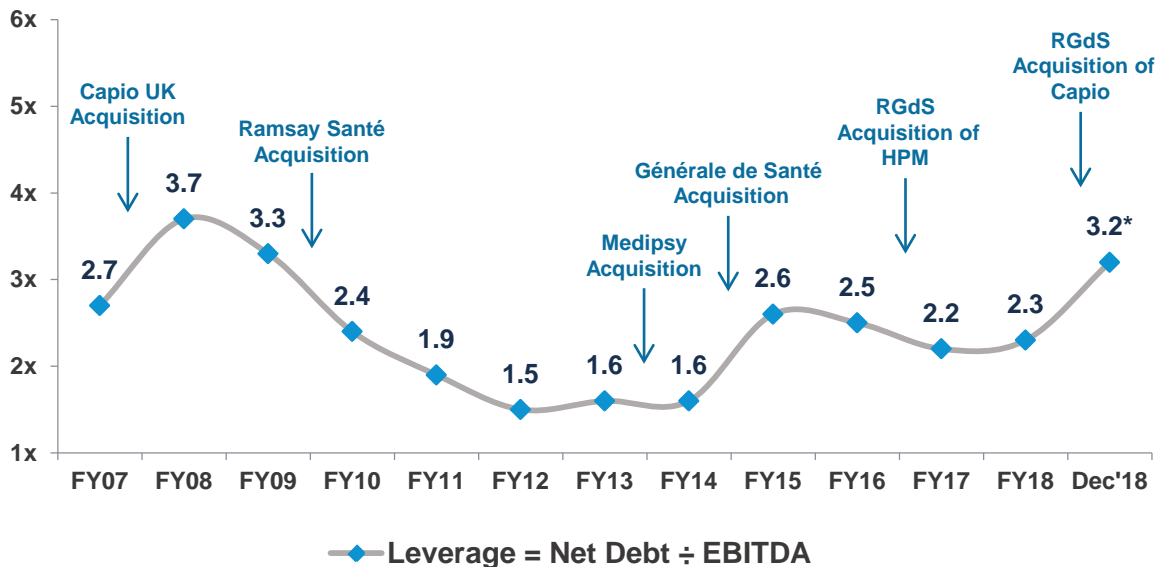
DIVIDEND GROWTH



- Strong consistent growth in dividends
- Interim Dividend fully franked, up 4.3%, on previous corresponding interim dividend, higher than the 1.2% increase in Core EPS
- The dividend record date is 7 March 2019 with a payment date on 29 March 2019.

LEVERAGE AND CASH MANAGEMENT

Consolidated Balance Sheet Leverage Ratio



Note:

* Pro forma leverage ratio calculated using 12 months trailing EBITDA as Capiro was acquired on 7 November 2018

Strong balance sheet with financial flexibility to continue to fund:

- the pipeline of brownfield capacity expansion
- future acquisitions

Leverage:

- Consolidated Balance Sheet leverage ratio = 3.2x
 - 'Wholly Owned Funding Group' leverage ratio = 2.1x , provides significant capacity for growth
-

Strong & consistent operating cash flow with high cash conversion rate

Segment Performance Summary

AUSTRALIA

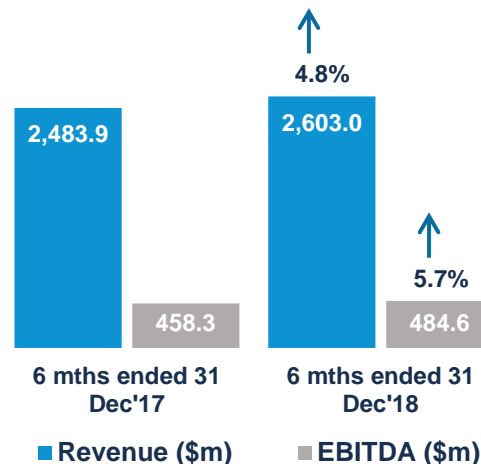
Ramsay Australia performed well delivering 5.7% EBITDA growth

Performance 1H FY'19

- Admissions growth and strong focus on operational efficiencies drove good result
- Brownfield programme delivered \$151m in completed projects including 169 new beds (124 net) and 10 procedural theatres
- Investing in new and innovative services – clinical cancer trials, out-of-hospital services
- Continued strengthening our operations and management team in Pharmacy to prepare for next phase of growth

Outlook FY'19

- Scale, diversity and quality of our portfolio means it is well positioned to meet growth in demand and respond to market challenges
- Maintain focus on innovation and cost optimization strategies
- Brownfield programme on track to deliver \$242M in completed projects in FY'19
- Strong pipeline of brownfield opportunities
- Various short term challenges for private health sector but long term outlook remains positive.



PROJECTS FORECAST FOR COMPLETION IN FY19

During FY19 the following projects are forecast to complete:



\$242.0m gross capital investment

H1: **\$151.3m**
H2: **\$90.7m**



\$222.4m hospital investment¹

H1: **\$131.7m**
H2: **\$90.7m**



30 consulting suites,
2,302 sqm

H1: **30, 2,302 sqm**
H2: **nil, nil sqm**



1 emergency departments

H1: **1**
H2: **nil**



333 Gross beds
117 Conversions
216 Net beds

Gross Conversion Net
H1: **169 – 45 = 124**
H2: **164 – 72 = 92**



10 operating theatres

H1: **8**
H2: **2**



3 procedure rooms

H1: **1**
H2: **2**



2 cath labs

H1: **1**
H2: **1**

1) Hospital investment excludes consulting suite focused projects.

CONTINENTAL EUROPE

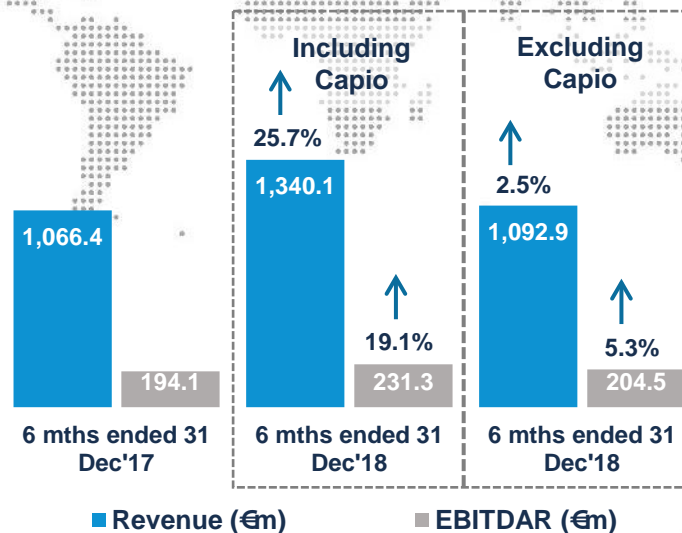
RGdS delivered a solid 1H operating result and acquired Capio

Performance
1H FY'19

- RGdS delivered a solid H1 operating result - above expectations
- Large scale restructuring programme to centralise non-core hospital functions in France is on track
- Since acquisition, Capio has contributed a positive operating result but negatively to net profit, after factoring in financing costs
- Stockholm County Council (SCC) extended Capio's contract to run S:t Görans hospital to 2026 as well as two acute geriatric services at hospitals in Stockholm

Outlook
FY'19

- Tariff increase has been announced for France – first positive tariff increase in almost a decade indicating improved sentiment for sector
- Focused on achieving synergies and integrating the Capio business as well as the divestment of non-strategic assets
- Reinforcing our leading position in digitalizing the patient pathway and scaling up our operational efficiency strategy



UNITED KINGDOM



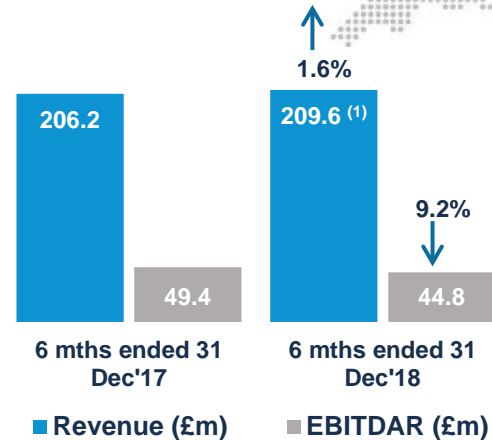
NHS volume growth returning, tariff likely to improve

Performance 1H FY'19

- Challenging Q1 and impacting overall earnings in H1
- Recovery to NHS volume growth in Q2

Outlook FY'19

- Positive signs emerging in the UK in terms of both price and volume growth
- Anticipating 1 April 2019 tariff increase
- UK government has renewed commitment to patient choice and use of independent providers to cut waiting times.
- Brexit may pose some short term challenges



⁽¹⁾ Revenue stated on a like for like basis excluding AASB 15 adjustment of £33.9 million

ASIA

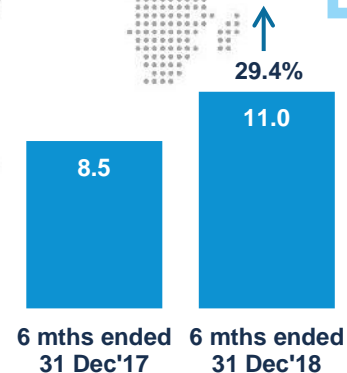
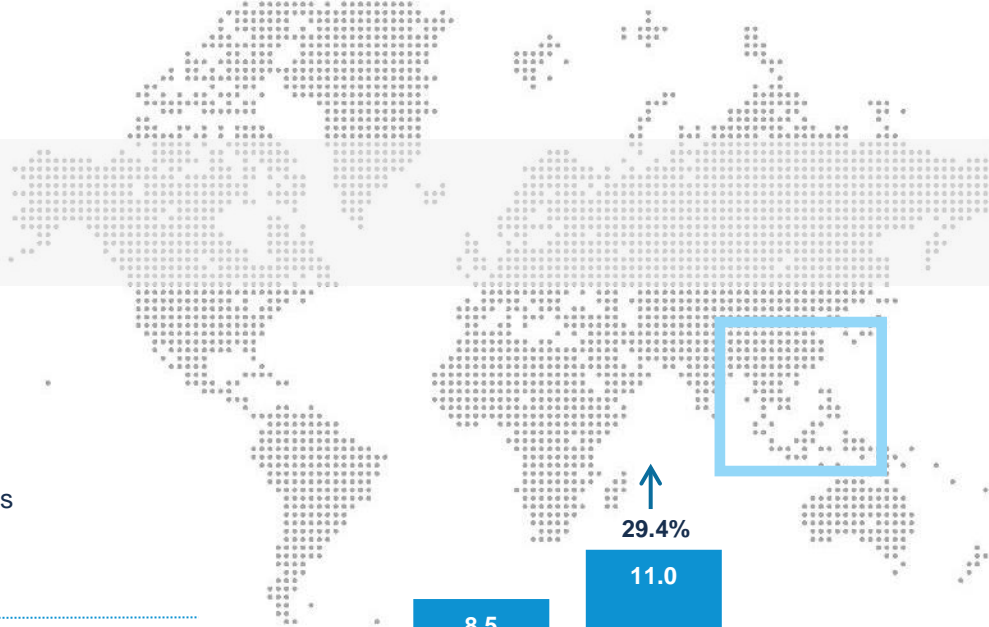
Growing market, remains competitive

Performance
1H FY'19

- Strong operating performance in Malaysia
- Cost controls key focus area
- New developments targeting universal healthcare patients opened across our Indonesian facilities

Outlook
FY'19

- New brownfields will continue to ramp up
- Continue to assess growth opportunities in this market



■ Equity Accounted Share of Net Profit of Joint Venture (\$m)

Outlook

OUTLOOK

- Demand will continue to drive growth in the sector globally over the long term.
- In Australia, we maintain a market leadership position in terms of the strength and diversity of our portfolio and delivering high quality services. While there are various short term challenges for the private healthcare sector, the long term outlook for the sector is positive.
- Focused on achieving synergies related to the Capio transaction, integrating the business with RGdS and divesting non-strategic assets.
- More positive signs emerging in UK in terms of both price and volume growth.
- Barring unforeseen circumstances, we reaffirm our FY'19 Core EPS growth of up to 2% (including Capio).

Questions