

ASX Announcement

23rd February 2023

- **Statutory Net Profit after tax and minority interests up 22.3% over the pcq**
- **Q2 result improved materially over Q1 as disruption caused by COVID abates**
- **Continued to invest in people and the business to drive growth and efficiencies**
- **Expect gradual recovery through FY23 and more normalised conditions from FY24 onwards**

Key Highlights

- Revenue increased 13.6% on the pcq gradually improving over the six-month period driven by an **increase in surgical activity levels** across all regions compared to the pcq reflecting **the decline in COVID, the reduction in surgical restrictions** and better **management of COVID disruption** as teams adjust to “living” with the virus
- Group EBIT improved 119.7% Q2 over Q1 despite momentum temporarily slowing in December as a result of another wave of COVID. **February has seen a return to positive momentum in surgical activity levels**
- Statutory net profit after minority interests of \$194.4m (up 22.3% on the pcq) includes **a positive contribution from non-recurring items of \$34.4m compared to a negative contribution of \$33.1m in the pcq**
- The direct impact of COVID declined to immaterial levels in Q2 with these residual impacts expected to continue for the foreseeable future
- The healthcare industry globally continues to be impacted by staff shortages and rising labour costs. **Ramsay has implemented a range of initiatives gradually driving down vacancies in all regions.** Recruitment and retention of employees remains a key focus
- Ramsay **continued to invest in its world class hospital network and new and adjacent services.** A further \$179.2m was invested in brownfield, greenfield and growth projects and \$41.2m was invested in digital and data initiatives, **driving growth in capacity to meet future demand and improve operating efficiency**
- The Company finalised satisfactory **new agreements with key private payors in Australia and the UK that more reflect the recent higher cost environment.** Ramsay remains focused on improving **productivity, efficiencies and procurement benefits** to mitigate cost pressures
- The business **is partnering with public health sectors under commercial contracts** in all regions to assist with reducing backlogs and returning the system to the timely provision of quality healthcare. Activity levels will depend on the timing and quantum of funding available
- A **fully franked dividend of 50 cps** was determined up 3% on the pcq
- As the operating environment normalises Ramsay expects its **dividend payout ratio to be in the range of 60-70% of Statutory Net Profit**
- **The outlook for the Group remains strong.** The Company's world class hospital network combined with its outstanding people and clinicians give it confidence that the business is well placed to take advantage of the positive long-term dynamics driving the healthcare industry. **Ramsay expects a gradual recovery through FY23 and more normalised conditions from FY24 onwards**

Group Financial Highlights

	A\$m	%chg on pcq	chg (%) cc ¹
Total revenue and other income less interest income	7,380.8	10.4	13.6
Earnings before interest and tax (EBIT)	549.6	12.3	13.2
Statutory Net Profit after minority interests	194.4	22.3	19.8
Interim Dividend per share (cps)	50.0	3.1	-
Fully diluted earnings per share (EPS) (cps)	82.9	22.5	-

¹ Constant currency

Outlook

"We are pleased the underlying earnings momentum in the business continued into the 2QFY23 despite the re-emergence of COVID in each of our regions and the significant burden on the business caused by staff shortages and inflationary cost pressures. Our teams are adapting protocols and procedures to better manage a COVID impacted environment and initiatives designed to recruit and retain staff are starting to reduce vacancy levels. I would like to thank all of our staff and clinicians for continuing to focus on delivering high quality care to our patients and supporting our local communities and colleagues impacted by regional issues.

"The result reflects an increase in underlying surgical activity levels in all regions, non-surgical activity in some markets has been slower to recover and some regions have seen COVID related patient activity, such as testing, decline as COVID cases reduce and government imposed requirements are removed.

"We have continued to invest in the business to expand the hospital network, build our out-of-hospital presence to extend the patient pathway and grow the referral pipeline to the hospital network and accelerate our digital and data capability with an initial focus on productivity and efficiency and improving the patient experience.

"We expect the underlying earnings momentum in the business will continue in 2HFY23, albeit the path out of the COVID environment is not expected to be smooth. We expect non-surgical admissions to improve as the environment starts to normalise.

"We are confident the outlook for the Group remains strong. The business remains well placed to take advantage of the long-term dynamics impacting the healthcare sector, leveraging the benefits of global collaboration and insight to establish communities of best practice to adapt to local markets. We continue to expect a gradual recovery in earnings through FY23 and a more normalised environment in FY24."

CEO and Managing Director Craig McNally

GROUP



- Ramsay has invested approximately \$3 billion since the start of CY2020 to expand and upgrade its facilities and broaden its service base. This investment is underpinned by:
 - demographic trends driving strong demand for healthcare services in western countries;
 - advances in clinical practice improving patient outcomes and extending life expectancy;
 - the elective surgery backlog created by the pandemic combined with an increase in demand for some non-surgical services; and
 - increased Government focus on the importance of investment in maintaining strong, efficient healthcare systems
 - Ramsay is **accelerating investment in its digital and data strategy** aimed at delivering a more integrated patient experience, improved clinical outcomes and productivity improvements
 - Underlying earnings growth for the remainder of FY23 will benefit from the additional capacity created over the last few years combined with full year contributions from Elysium and recent acquisitions in Europe. Capacity utilisation is subject to our ability to cover labour force shortages in critical areas. The focus remains on **driving the synergies, realising the growth opportunities and improving returns**
 - Ramsay's relationships with governments in each market have developed over the last few years. The Company believes there are meaningful opportunities for the private sector to partner with governments. Given our global health care capabilities and proven reliability as a private sector operator **Ramsay is uniquely qualified to be a core healthcare partner**
 - Ramsay continues to **focus on negotiating improved terms with payors** to reflect the inflationary environment and COVID related costs, leveraging the Group's global scale in procurement and driving efficiency and productivity improvements where the operating environment allows
 - **The French Government has indicated that it will extend the revenue guarantee from 1st January to 31st December 2023.** This is yet to be confirmed by decree. The structure may not be the same as in prior periods.
 - Ramsay believes the outlook for the Group remains strong. The Company's world class hospital network combined with its outstanding people and clinicians give it confidence that the business is well placed to take advantage of the positive long-term dynamics driving the healthcare industry. **Ramsay expects a gradual recovery through FY23 and more normalised conditions from FY24 onwards**
 - **The path out of COVID is not expected to be smooth** as the industry continues to be impacted by COVID combined with restrictive guidelines around the patient pathway, which together with the resultant impact on workforce availability, may slow the pace of recovery in volumes and productivity
 - As the operating environment normalises, Ramsay will target a **dividend payout ratio in the range of 60-70% of Statutory Net Profit**
- For further details on the Outlook for the divisions please refer to the Review of Results of Operations in the Appendix 4D**

Regional Results

Asia Pacific	A\$m	%chg on pcp
Revenue from patients and other revenue	2,840.5	4.0
Share of Profit from Asian JV, Ramsay Sime Darby	12.0	51.9
EBIT	307.0	7.6

- The operating environment across the six-month period improved as COVID cases in the community declined from the peak in July. A wave of cases in late November/December temporarily slowed the momentum in activity levels however Q2 was stronger than Q1
- The estimated direct impact of COVID declined from \$56.8m in Q1 to an immaterial impact in Q2. The residual costs are expected to continue for the foreseeable future
- Growth in activity levels was driven by elective day surgery. The recovery in non-surgical admissions, particularly mental health, remains patchy with ongoing COVID restrictions such as testing and mask wearing impacting the return of day admissions
- Successful negotiations with a number of private payors were completed with rates that are more reflective of the current environment
- Staff shortages in key areas continue to limit capacity in some hospitals
- The equity accounted contribution from the Ramsay Sime Darby joint venture increased 51.9% on the pcp to \$12m driven by increased activity in its Malaysian hospitals

UK	A\$m	%chg on pcp	chg (%) cc ¹
Total segment revenue and other income	910.2	77.5	88.4
EBIT	32.1	190.2	196

¹ Constant currency

- The acute hospital business, Ramsay UK, reported a turnaround in underlying results driven by the improving operating environment combined with better management of COVID disruption, supply costs and recruitment efforts
- The impact of non-recurring items on EBIT was +\$5.5m compared to -\$24.9m in the pcp
- The estimated direct impact of COVID declined from \$10m in Q1 to an immaterial impact in Q2. The residual costs are expected to continue for the foreseeable future
- Elysium's earnings were impacted by staffing shortages which hampered the ramp up of new facilities and resulted in the higher use of agency staff increasing labour costs. The impact of industry wide staffing issues became more acute in Q2
- Elysium acquired two CAMHS¹ facilities during the period for \$68m
- Both businesses were impacted by inflation that is at a 40 year high in the UK

Europe	A\$m	%chg on pcp	chg (%) cc ¹
Total revenue from patients and other income	3,401.6	5.1	10.1
Income from government grants	227.0	11.8	15.5
EBIT	210.5	(12.1)	(11.4)

¹ Constant currency

- After a slow start, activity in the region increased with surgical activity skewed to day surgery. Non-surgical activity, in particular rehab, also increased on the pcp
- Support from governments in the region including to cover the increased costs of operating in the current inflationary environment was A\$227m compared to A\$203m in the pcp
- High inflation rates in Europe combined with increases in staff expenses increased costs beyond payor compensation
- EBIT included non-recurring items of \$45.3m compared to \$12.3m in the pcp. The main item was a \$46m profit on the sale of property
- A range of initiatives have been introduced in response to the industry wide critical staff shortages. Vacancy rates have declined 69% since January 2022 however higher labour costs and staff shortages continued to impact the result
- The result included a six-month contribution from GHP and recent acquisitions in the Nordics of revenue \$177.9m and EBITDA \$18.8m

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Ramsay Health Care Limited

- The NPAT after minority interests contribution from Ramsay Santé to the Group result declined 22.9% over the pcp (in local currency) reflecting the direct impact of inflation, industry wide higher labour costs and staffing shortages, combined with a slow recovery in activity levels

For further details please refer to the Review of Results of Operations in the Appendix 4D

The release of this announcement has been authorised by the Ramsay Health Care Board of Directors

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ABOUT RAMSAY HEALTH CARE

Ramsay Health Care (Ramsay) provides quality healthcare through a global network of clinical practice, teaching and research. Ramsay Health Care's global network extends across ten countries, with over eleven million admissions and patient visits to facilities in more than 530 locations.

Ramsay was founded in 1964 by Paul Ramsay AO (1936-2014) and has always focused on maintaining the highest standards of quality and safety, being an employer of choice and operating the business based on a culture known as 'The Ramsay Way' and our purpose of 'people caring for people'. Ramsay listed on the Australian Stock Exchange in 1997 and has a market capitalisation of A\$15.3bn¹ and an enterprise value (EV) of A\$20.5bn¹ (EV of A\$26.1bn inclusive of lease liabilities). The Ramsay Group employs over 88,000 people globally. Ramsay's operations are split across four regions:

Australia

Ramsay Australia has 73 private hospitals and day surgery units in Australia and is Australia's largest private hospital operator. Ramsay operations include mental health facilities as well as the operation of three public facilities. In addition, Ramsay has established the Ramsay Pharmacy retail franchise network which supports 61 community pharmacies. Ramsay Australia admits more than one million patients annually and employs more than 33,000 people.

Europe

Ramsay Santé is the second largest private care provider in Europe. It operates 443 multidisciplinary hospitals and clinics and 130 primary care centres across five countries. In France, Ramsay Santé has a market leading position, with 154 acute care hospitals and clinics. In Denmark, Norway and Sweden, Ramsay Santé operates 225 facilities including primary care units, specialist clinics and hospitals. Ramsay Santé also operates a 93-bed hospital in Italy. Ramsay Santé employs around 36,000 staff and its facilities treated approximately ten million patients in FY22. Ramsay Health Care owns 52.79% of Ramsay Santé which is listed on the European financial markets' platform Euronext.

UK

Ramsay UK has a network of 34 acute hospitals and day procedure centres in England providing a comprehensive range of clinical specialities to private and self-insured patients, as well as patients referred by the NHS. Ramsay UK cares for over 184,000 patients per year and employs more than 7,000 people.

Ramsay recently acquired Elysium Healthcare, a leading independent operator of long-term medium and low secure hospitals and complex care homes for individuals with mental health conditions. Elysium has 76 operational sites across England and Wales. The business employs approximately 8,000 people.

Asia

In Asia, Ramsay Sime Darby Health Care Sdn Bhd operates three hospitals in Indonesia and four hospitals in Malaysia, employing more than 4,000 people. Ramsay Sime Darby is a 50:50 joint venture arrangement with Malaysian multinational conglomerate Sime Darby Berhad.

Disclaimer

This announcement is in summary form and is not necessarily complete. It should be read together with the Ramsay Group's unaudited consolidated financial statements lodged with the ASX on 23rd February 2023.

This announcement contains information that is based on projected and/or estimated expectations, assumptions or outcomes. Forward looking statements are subject to a range of risk factors. Ramsay cautions against reliance on any forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by COVID-19.

While Ramsay has prepared this information based on its current knowledge and understanding and in good faith, there are risks and uncertainties involved which could cause results to differ from projections. Ramsay will not be liable for the correctness and/or accuracy of the information, nor any differences between the information provided and actual outcomes, and reserves the right to change its projections from time to time. The Ramsay Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this announcement, subject to disclosure obligations under the applicable law and ASX listing rules.

¹ Closing price as of 21st February 2023