

ASX ANNOUNCEMENT

30 August 2016

RAMSAY HEALTH CARE REPORTS 17.7% RISE IN FULL YEAR CORE EPS AND 16.8% RISE IN CORE NET PROFIT

Financial Highlights

- Core net profit after tax¹ (Core NPAT) up 16.8% to \$481.4 million
- Core earnings per share² (Core EPS) up 17.7% to 231.4 cents
- Group:
 - Revenue up 18.1% to \$8.7 billion
 - EBIT up 11.6% to \$897.1 million
- Australia/Asia:
 - Australia revenue up 8.8% to \$4.4 billion
 - Australia EBIT up 11.8% to \$572.0 million
 - Equity accounted share of Asian joint venture net profits of \$10.0 million.
- France:
 - Revenue up 27.3% to €2.2 billion
 - EBIT up 2.2% to €147.2 million
- United Kingdom:
 - Revenue up 4.0% to £429.6 million
 - EBIT up 9.5% to £44.3 million
- Final dividend 72.0 cents fully franked, up 19.0% on the previous corresponding period, bringing the full-year dividend to 119.0 cents fully franked, up 17.8%

Overview

Australia's largest private hospital operator, Ramsay Health Care, today announced a Core Net Profit After Tax of \$481.4 million for the year ended 30 June 2016, a 16.8% increase on the previous corresponding period.

Core NPAT delivered Core EPS of 231.4 cents for the year, an increase of 17.7% on the 196.6 cents recorded in the previous corresponding period.

The Company's statutory reported net profit after tax (after net non-core items) of \$450.3 million was up 16.8% on the prior year.

Directors are pleased to announce a fully-franked final dividend of 72.0 cents, up 19.0% on the previous corresponding period, taking the full year dividend to 119.0 cents fully-franked, up 17.8% on the prior year. The dividend Record Date is 7 September 2016 with payment on 29 September 2016. The Dividend Reinvestment Plan will remain suspended.

Ramsay Health Care Managing Director Christopher Rex said the Company had delivered another excellent result with all segments performing at or above expectations.

¹ Before non-core items

² Core net profit after CARES dividends

“Solid volume growth, ongoing efficiencies, strategic acquisitions, and further investment in our facilities, continue to underpin our strong financial performance,” Mr Rex said.

Across the world, Ramsay Health Care opened over 500 beds and 26 operating theatres during the year as it continues to ensure its facilities cater for the growing demand for hospital services into the future.

Record referrals to our hospitals in the UK drove strong admissions growth for Ramsay UK during the year.

In December 2015, Ramsay Générale de Santé finalised the acquisition of the HPM Group of hospitals in Lille, bringing its total cluster of hospitals in Lille to 11, and giving Ramsay’s French business a strong presence in this region. Ramsay now has 124 facilities in France and remains the clear private hospital leader in that country.

“All regions are experiencing an ageing and growing population and with that comes a greater demand for healthcare. We continue to invest in our facilities and our technology to ensure that we can attract the best specialists and meet the growing needs of a population with an increasing chronic disease burden.

“Drawing upon the experience we have gained in the operation of our 200 hospital pharmacies across the world we have commenced a strategic plan to extend our services beyond the hospital walls. To this end, we are in the process of establishing strategically located community pharmacies across Australia, concentrating initially in close proximity to our hospitals. This will allow us to provide extended services to our patients including participation in the provision of care to the chronically ill.

“Of paramount importance, we remain focused on providing the best and safest care to the three million plus patients who enter our hospitals each year and a safe working environment for staff. We have an excellent culture of safety and I am very pleased to report that we will complement this in the coming year through an alignment with the Royal Australasian College of Surgeons (RACS) and the roll out of Vanderbilt University’s Professional Accountability Program.

As an international strategic partner with the International Consortium for Health Outcomes Measurement (ICHOM), Ramsay commenced four major studies during the year to investigate and benchmark patient outcomes after hospital admission in low back pain, cataract surgery and anxiety and depression. The Company also increased its resources and investment in other areas of research including clinical trials and antimicrobial stewardship.

“Our global footprint allows us to differentiate ourselves through research and international benchmarking. Innovation and investment in our facilities and research allows us to continuously improve the quality of the organisation and patient care.”

Operations

During the year, Ramsay’s Australian and Asian business achieved revenue growth of 8.8% and EBIT growth of 11.6% on the back of solid volume growth, brownfield developments and ongoing efficiencies.

“We had good growth in procedural volume in FY2016 throughout the region. We were also very pleased to win the exclusive contract to treat the New Caledonian medivac market (CAFAT) in our Sydney facilities, and to be announced as the provider of hospital services at the new Albury Wodonga Regional Cancer Centre which will open in September,” Mr Rex said.

Ramsay’s UK business delivered another good result with NHS admissions growing by 8% driven by record referrals. Operating margins (EBITDAR) remain high at 26.1% and EBIT increased 9.5% to £44.3 million.

In spite of further tariff decreases in France, Ramsay Générale de Santé hospitals continued to perform well achieving good volume growth across all major specialties and on the back of excellent growth in emergency presentations. Revenue increased by 27.3% and EBIT increased by 2.2%, benefitting from having an additional three months earnings from Ramsay Générale de Santé (acquired October 2014) and six months earnings from HPM which was acquired in December 2015. HPM has now been integrated into our French portfolio of hospitals and puts us in a leading position in this region.

Our Malaysian and Indonesian facilities (part of our joint venture with Sime Darby) recorded robust operational performances during the year.

Brownfields Capacity Expansion

Australia

In Australia during FY2016, Ramsay completed developments worth over \$255 million including major developments at Hollywood Private Hospital in Perth (90 beds; six theatres), Cairns Private Hospital (56 beds), Joondalup Health Campus (a new 30 bed paediatric wing), Lake Macquarie Private Hospital (a new private emergency centre) and the new 151 bed hospital in Wollongong. New rehabilitation facilities were also opened in Melbourne and Wollongong.

In June 2016, St George Private Hospital in southern Sydney opened a new development including 35 beds and four operating theatres which is in ramp-up phase. In the next few months, developments at Peninsula Private in Melbourne; North Shore Private Hospital in Sydney and New Farm Clinic in Brisbane, will all come on stream.

During the year the Board approved over \$200 million in brownfield developments across the country including a major new mental health hospital for northern Sydney. The \$71 million relocation and expansion of Ramsay's 43 year old Northside Clinic will meet the growing demand for mental health services in Sydney.

Mental health services will also receive a boost in Melbourne and in Queensland with Ramsay committing \$24 million to expand its premier Melbourne facility – Albert Road Clinic – and also opening The Southport Private Hospital – a new mental health facility on the Gold Coast in February next year.

In Queensland, a \$64 million expansion of St Andrew's Private Hospital in the burgeoning south western corridor of Ipswich, will see it become the major private tertiary hospital in the region. The new development includes the opening of a private emergency centre at the hospital bringing a vital new service to Ipswich residents who will no longer have to travel to Brisbane private hospitals for this service.

UK

Ramsay UK opened three more operating theatres, a day chemotherapy unit and an outpatient department expansion in FY2016. A further four operating theatres were approved by the Board for development. We have been evolving a strategy to create a chain of day surgeries in major population centres specially designed to provide services for publically funded patients. The first of these new day surgeries will be based in Croyden with a number of others in the planning stage.

France

Major repositioning developments in Dijon, Lyon and Marseille continue to track well and will complete over the course of the next two years.

Acquisitions

Towards the end of December, Ramsay Générale de Santé completed the acquisition of the HPM Group, consisting of 9 hospitals in Lille, France.

With this acquisition, Ramsay Générale de Santé's expanded presence in the greater Lille area will now comprise 11 facilities with 2,180 employees, 700 doctors and is expected to treat approximately 160,000 patients per annum.

We continue to investigate opportunities in China which remains an attractive opportunity.

Balance Sheet and Cash Flow

Continuing strong and consistent operating cash flow and effective working capital management delivered a high cash conversion rate for the Group of operating profit (EBITDA) to gross operating cash flow. Ramsay's robust balance sheet and strong cash flow generation continues to provide us with the flexibility to fund the increasing demand for brownfield capacity expansion, future acquisitions and ongoing working capital needs.

Outlook

Mr Rex said all regions were experiencing ageing and growing populations, a proliferation of chronic disease and the emergence of medical innovation and targeted therapies for the most challenging diseases, and with that comes greater demand for healthcare.

"We continue to invest in our facilities and our people to ensure that we can meet the expectations of our patients and doctors. At the same time we are also looking towards the future and how we best support patients beyond our hospital walls. The pharmacy strategy will enable us to do that.

"We also continue to investigate other opportunities internationally to grow our business building on the success we have had thus far in the global healthcare marketplace.

"Given the strong industry fundamentals and the continuing implementation of our successful growth strategy, barring unforeseen circumstances, Ramsay is targeting Core NPAT and Core EPS growth for the Group of 10% to 12% for FY2017."

Contacts:

Christopher Rex
Managing Director
Ramsay Health Care
+ 612 9220 1000

Carmel Monaghan
Chief of Staff
Ramsay Health Care
+ 61 438 646 273

Attachment: Summary of Financial Performance.

Attachment:

Summary of Financial Performance

Year Ended 30 June
\$ millions

	FY2016	FY2015	
	Group	Group	% Increase
<u>Net Profit After Tax (NPAT)</u>			
Operating revenue	8,684.1	7,355.5	18.1%
EBITDAR	1,669.4	1,412.0	18.2%
EBITDA	1,268.9	1,106.3	14.7%
EBIT	897.1	803.9	11.6%
Core NPAT attributable to members of the parent (1)	481.4	412.1	16.8%
Net non-core items, net of tax (3)	(31.1)	(26.6)	
Statutory Reported NPAT	450.3	385.5	16.8%
<u>Earnings Per Share, (EPS) cents, attributable to members of the parent</u>			
Core EPS (2)	231.4	196.6	17.7%
Statutory Reported EPS	216.1	183.5	17.8%
<u>Dividends Per Share, cents</u>			
Final dividend, fully franked	72.0	60.5	19.0%
Full-year dividend, fully franked	119.0	101.0	17.8%

Notes

- (1) 'Core NPAT attributable to members of the parent' is before non-core items and from continuing operations. Générale de Santé has been consolidated from the acquisition date of 1 October 2014. The non-controlling interest's share of Générale de Santé NPAT has been removed in arriving at the Core NPAT attributable to members of the parent.
- (2) 'Core EPS' is derived from core net profit after CARES dividends.
- (3) 'Net non-core items, net of tax', include the non-cash portion of rent expense of \$15.9 million, net of tax, relating to the UK hospitals.