

Ramsay Health Care Limited

# Results Briefing

Year ended 30 June 2017

Craig McNally, Managing Director

30 August 2017

# AGENDA

1. Overview
2. Group Operational and Financial Highlights
3. Segment Operational and Financial Highlights
4. Growth Strategy Update
5. Outlook



# RAMSAY HEALTH CARE

50<sup>+</sup>

Over **50 years**  
experience  
in operating  
hospitals



Operating  
across  
**6 countries**



Admits almost  
**3.5 million**  
patients p.a.



Ranked in the  
**top 5** private  
hospital  
operators in  
the world

# OUR DIVERSIFIED PORTFOLIO



**221 Hospitals**



**13 Health care and treatment facilities**



**25,000 Hospital beds**



**1,150 Operating theatres**



**39 Emergency departments**



**4,000 Mental health beds**



**200 Pharmacies**



**60,000 staff**



# WHY ARE WE DIFFERENT?

1. Committed to industry leading quality and safety
2. Successful execution of strategy
3. Strength & diversity of our portfolio
4. Strong financial discipline
5. Industry leading efficiency
6. Value strong doctor relationships
7. 'The Ramsay Way' Culture



# ADVANCING PATIENT OUTCOMES

Achievements in FY'17:



**Commenced international studies of patient reported outcomes** following treatment in several major clinical areas including low back pain, heart disease depression and anxiety (ICHOM)



**Commenced rollout of Vanderbilt program** with aim to manage behaviour that undermines a culture of quality and safety. 7000 staff trained in FY'17. 3 year rollout plan.



**New Patient Portal Launched in France** digitalising the admission process and enhancing patient experience following hospitalisation



**Commenced cancer clinical trials network across 12 hospitals in Australia,** which improves access to latest treatment and outcomes for cancer patients in Ramsay facilities



**Ramsay Hospital Research Foundation** launched in FY'17 focused on research in mental health, rehabilitation and improving patient outcomes in our facilities



# MACRO INDUSTRY TRENDS

The role of in-patient surgical service is irreplaceable in the health care value chain. Its growth will continue to be underpinned by an ageing population, rising prevalence of chronic diseases and improving medical technologies.

## Ageing & growing population

- Increasing life expectancy (global life expectancy will be 73.7 years in 2019 increasing by almost 2 years a decade earlier)
- Over 65s will represent 10.8% of population by 2019 (a 604M increase from in the 5 yrs from 2014)

## Proliferation of chronic disease

- Obesity, cardiovascular disease, hypertension and dementia are persistent and widespread health problems
- Chronic disease will challenge public hospital systems
- 387M diabetics expected to increase to 592M by 2035

## Innovative treatment & technologies

- Genomics and the emergence of precision medicine will open new avenues of targeted therapies for the most challenging diseases.
- Medical innovation comes with a high price tag - In all markets, advances in health technologies will continue to drive up costs.

- In all regions, health spending is rising as populations grow and age, technologies improve and patients become better informed.
  - Demand - for health care is going to rise faster than the capacity of the sector itself.

# Group Operational and Financial Highlights



# FINANCIAL HIGHLIGHTS

- Core NPAT up 12.7% to \$542.7 million

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- Core EPS up 13.0% to 261.4 cents

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- Group:
  - Revenue up 0.2% to \$8.7 billion (up 4.1% in constant currency)
  - EBIT up 5.2% to \$943.4 million

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- Australia/Asia:
  - Australia Revenue up 7.0% to \$4.7 billion
  - Australia EBIT up 13.6% to \$649.6 million
  - Equity accounted share of Asia JV net profits of \$13.1 million, up 31.9%

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- France:
  - Revenue up 0.3% to €2.23 billion
  - EBITDAR up 0.5% to €448.3 million

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- United Kingdom:
  - Revenue up 4.6% to £449.2 million
  - EBITDAR up 1.7% to £113.9 million

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- Final Dividend 81.5 cents fully franked, up 13.2% bringing the full-year dividend to 134.5 cents fully franked, up 13.0%

# GROUP FINANCIAL PERFORMANCE

Year ended 30 June	2017 \$m	2016 \$m	Increase
Revenue	8,705.4	8,684.1	* 0.2%
EBITDAR	1,705.9	1,669.4	2.2%
EBITDA	1,313.9	1,268.9	3.5%
EBIT	943.4	897.1	5.2%
<b>Core NPAT attributable to members of the parent <sup>(1)</sup></b>	<b>542.7</b>	<b>481.4</b>	<b>12.7%</b>
<b>Core EPS <sup>(2)</sup> (cents per share)</b>	<b>261.4¢</b>	<b>231.4¢</b>	<b>13.0%</b>
Interim Dividend – fully franked (cents per share)	81.5¢	72.0¢	13.2%
<b>Full Year Dividend – fully franked (cents per share)</b>	<b>134.5¢</b>	<b>119.0¢</b>	<b>13.0%</b>

\*Revenue up 4.1% in constant currency

**Notes:**

All numbers are in Australian dollars unless otherwise stated

<sup>(1)</sup> 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

<sup>(2)</sup> Core EPS is derived from core net profit after CARES dividends

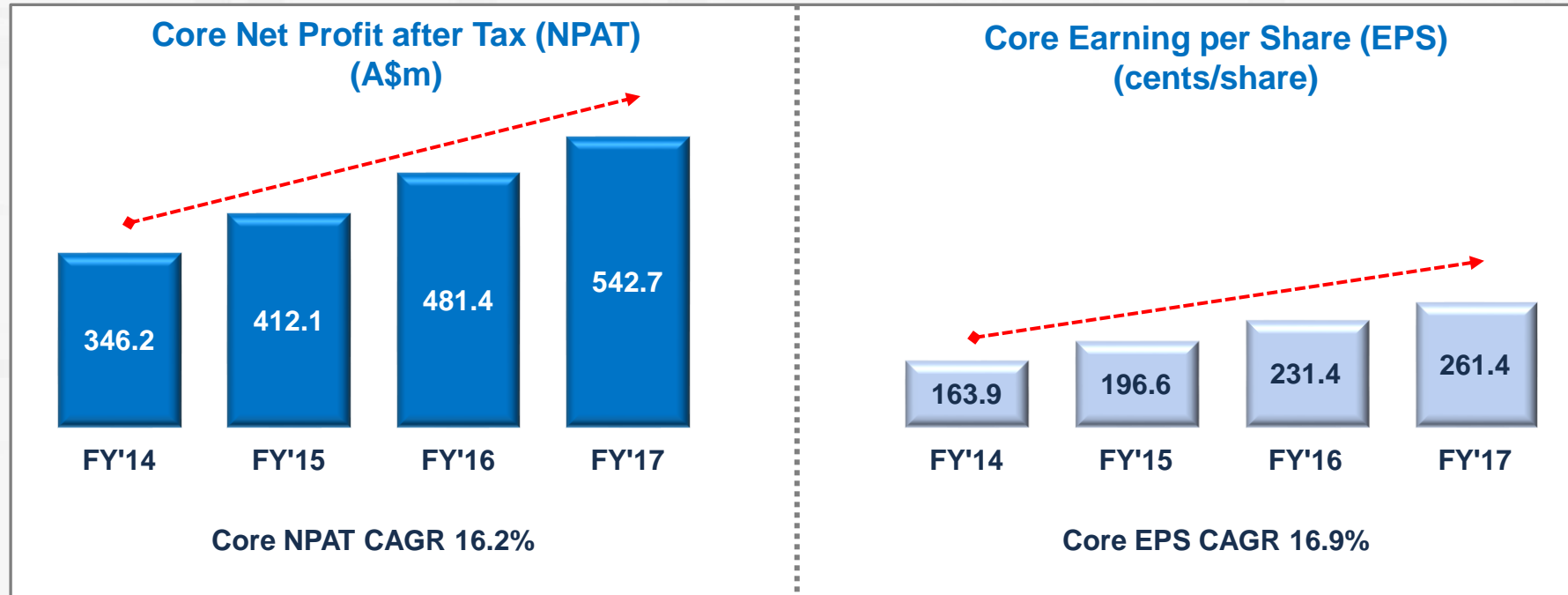
# RECONCILIATION TO REPORTED PROFIT

Year Ended 30 June	2017	2016	Increase
Core NPAT	542.7	481.4	12.7%
Net non-core items, net of tax <sup>(1)</sup>	(53.8)	(31.1)	
<b>Statutory Reported Net Profit after tax attributable to members of the Parent</b>	<b>488.9</b>	<b>450.3</b>	<b>8.6%</b>

<sup>(1)</sup> Non-core items	2017 \$m	2016 \$m
Non cash portion of rent expense relating to leased UK hospitals	15.6	21.9
Amortisation – service concession assets	3.3	3.1
Acquisition, disposal, impairment, restructuring, development costs, and profit/(loss) on disposal of non-current assets	34.6	31.7
Former CEO's unvested performance rights – accounting expense	8.6	-
Borrowing costs associated with refinancing	12.0	-
	74.1	56.7
<b>Income tax on non-core items</b>	<b>(23.1)</b>	<b>(28.5)</b>
<b>Non controlling interest in non-core items (net of tax)</b>	<b>2.8</b>	<b>2.9</b>
<b>Net non-core items (net of tax) attributable to members of the Parent</b>	<b>53.8</b>	<b>31.1</b>

# Core NPAT & Core EPS

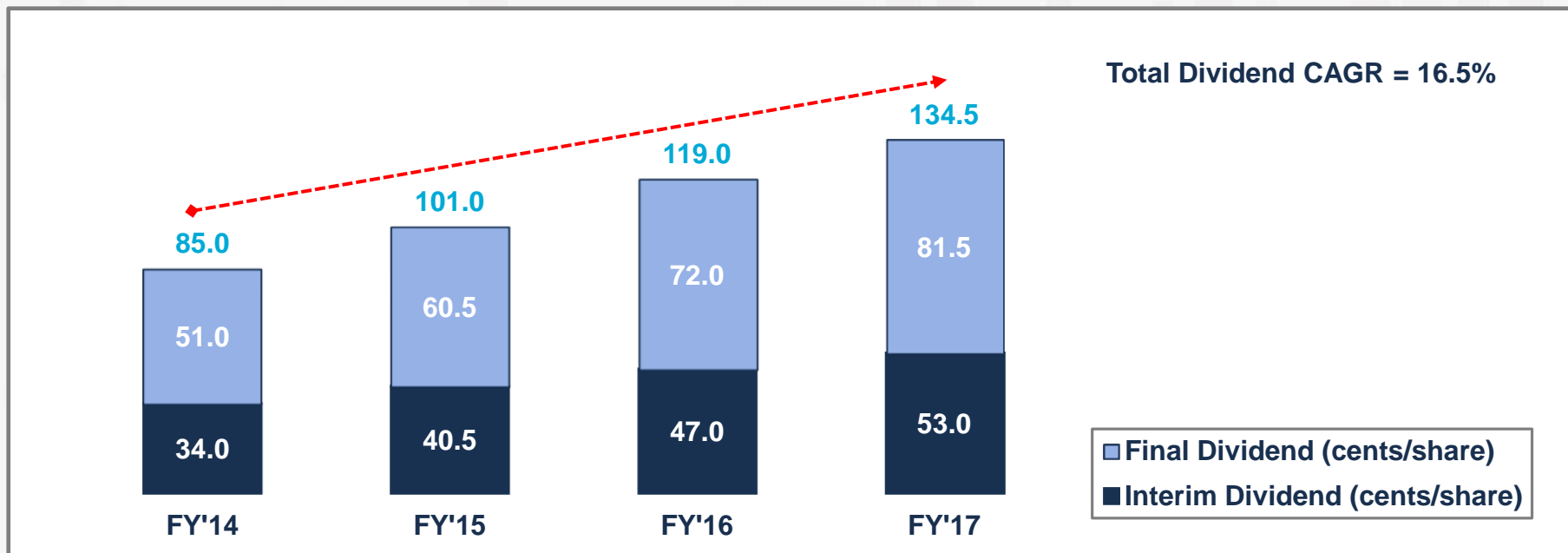
Compound Annual Growth Rate (CAGR)



- Core NPAT up 12.7% to \$542.7 million
- Core EPS up 13.0% to 261.4 cents

# DIVIDEND GROWTH

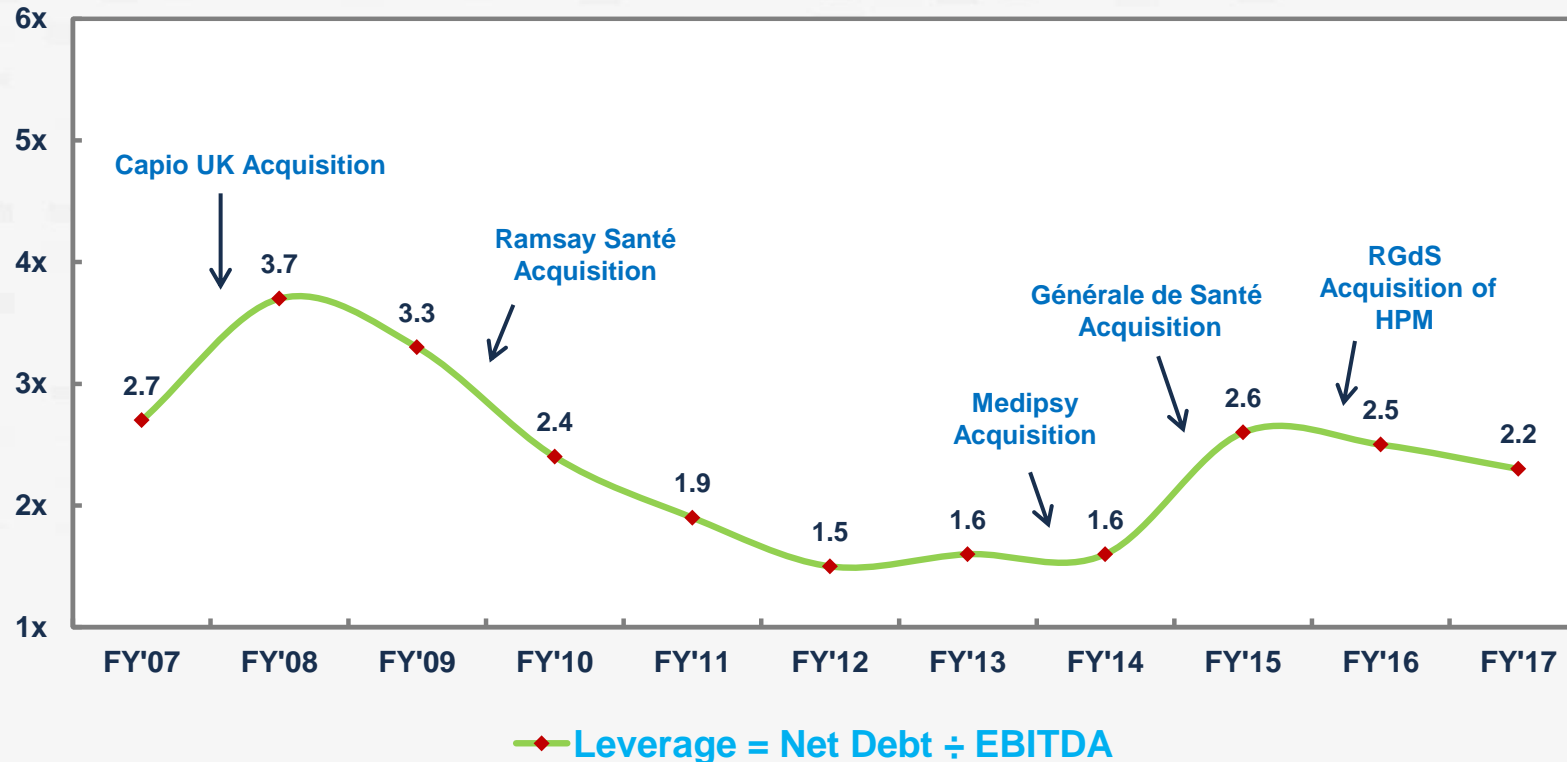
Compound Annual Growth Rate (CAGR)



- Final dividend fully franked, up 13.2% on previous corresponding period
- Dividends for the full year up 13.0%, in line with growth in Core EPS of 13.0%
- Maintenance of a full year dividend payout ratio of approximately 50% of Core EPS, balance reinvested into the business

# LEVERAGE AND CASH MANAGEMENT

## Consolidated Balance Sheet Leverage Ratio



- Strong operating cash flow with high cash conversion rate
- Strong balance sheet with financial flexibility to continue to fund:
  - the pipeline of brownfield capacity expansion
  - future acquisitions
- Refinancings:
  - In Nov '16 - Ramsay and its wholly owned subsidiaries; and
  - In early Aug '17 - RGdSlocked in committed funding with improved terms and extended maturity

# Segment Operational and Financial Highlights

# FINANCIAL HIGHLIGHTS – AUSTRALIA & ASIA

Year ended 30 June	2017 \$m	2016 \$m	Increase
<b><u>AUSTRALIA</u></b> <sup>(1)</sup>			
Revenue	4,721.3	4,413.6	7.0%
EBITDAR	845.0	748.0	13.0%
EBITDA	799.4	708.3	12.9%
EBIT	649.5	571.8	13.6%
<i>(1) The above figures include Head Office</i>			
EBIT Margin (%)	13.8%	13.0%	80 bps
<b><u>ASIA</u></b>			
Equity accounted share of net profits of joint venture	13.1	10.0	31.9%

## **Australia Operating Highlights:**

- Growth in admissions and procedural volumes ensured Australian business delivered a further year of strong revenue & EBIT growth
- Operational efficiencies continue to deliver margin improvement
- Renegotiated majority of Ramsay's Australian hospital funding arrangements in FY'17 with satisfactory outcomes and multiyear terms

## **Asia Operating Highlights:**

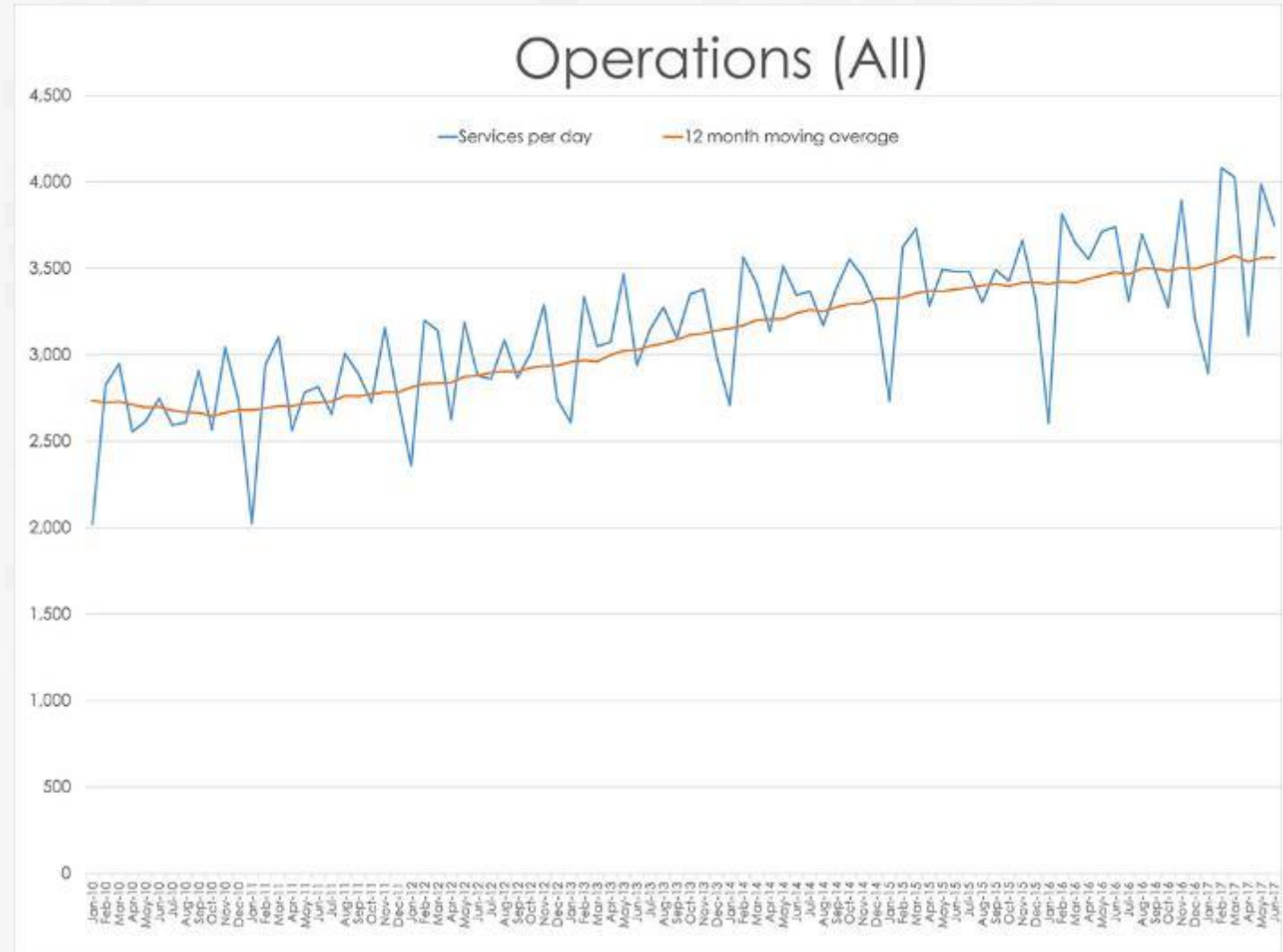
- Strong operational performance in Malaysia and Indonesia with focus on cost controls



# OPERATIONAL OUTLOOK

## - AUSTRALIA

- Operations and admissions continue to trend up as expected with an ageing and growing population
- Our strong brownfield development pipeline will continue to meet this growing demand
- Public system will remain under pressure
- Political will to ensure there is a strong viable private health sector
- Strong pipeline of doctors
- Increasing potential for out-of-hospital growth opportunities in adjacent businesses including retail pharmacy

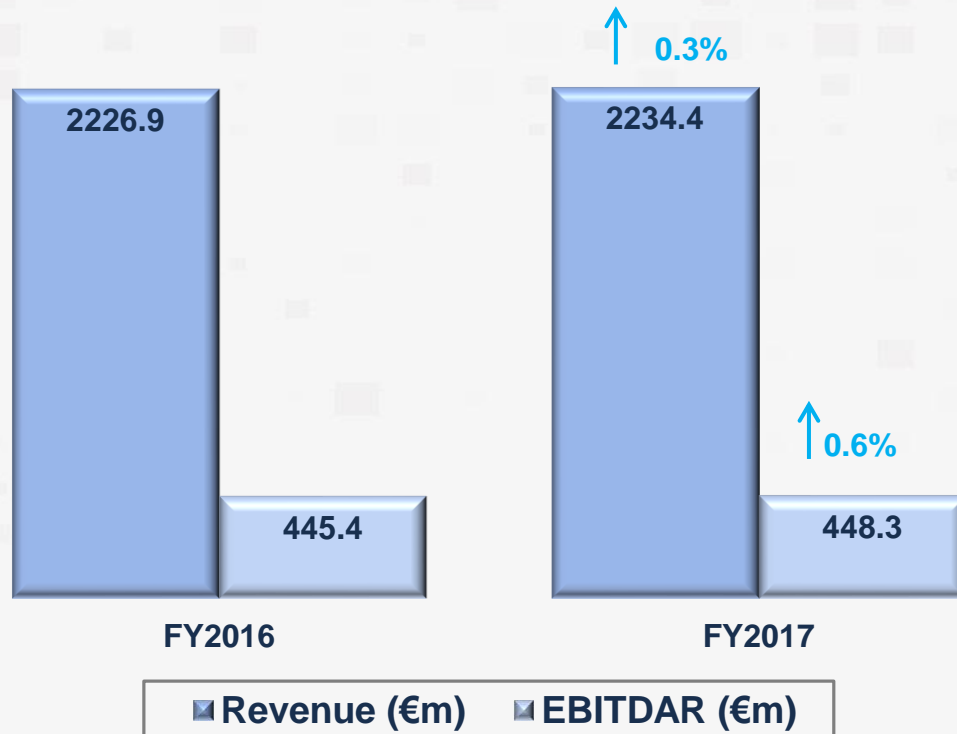


MBS data on operations Jan '10 – Jun '17



People caring for people

# FINANCIAL HIGHLIGHTS – FRANCE



## Operating Highlights



EBITDAR growth of 0.6% despite tariff reductions



Overall admissions growth, and strong cost management

## Operational Outlook



Ramsay GdS is focused on developing strong relationships with new government

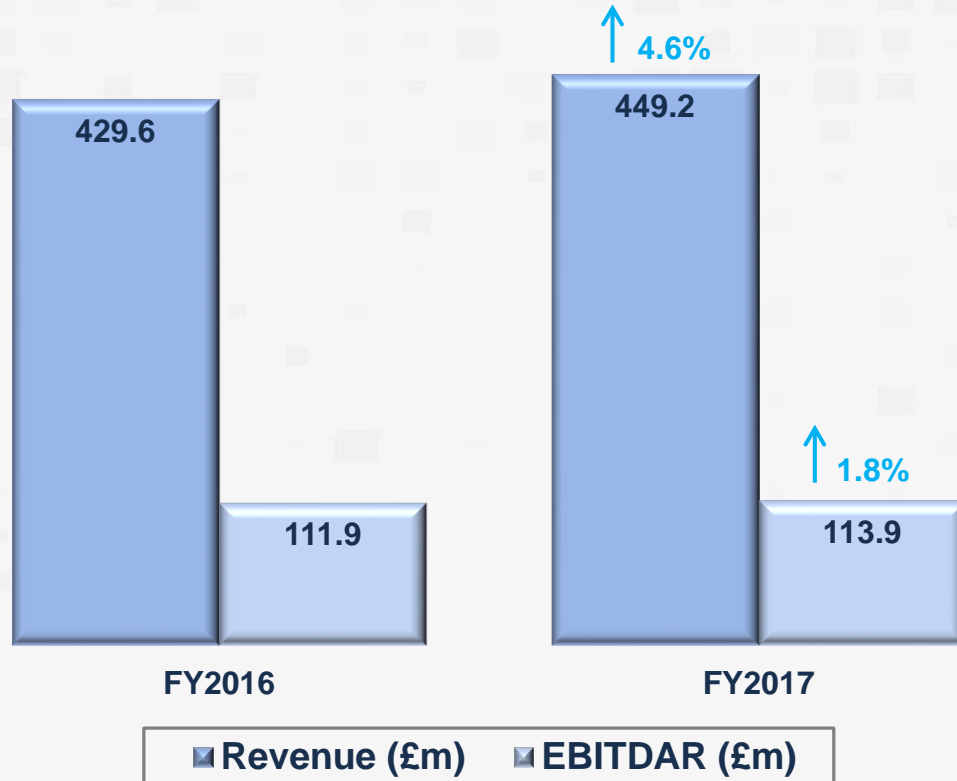


Cluster strategy to strengthen our portfolio in local geographies is progressing with some acquisition opportunities being assessed as well as some small divestments



Ramsay GdS acquired a patient transport business in July 2017

# FINANCIAL HIGHLIGHTS – UNITED KINGDOM



## Operating Highlights



EBITDAR growth of 1.8% despite tariff reductions



Agency nurse costs were well controlled in 2H 2017



Cost restructure program carried out in 2017 delivering operational efficiencies

## Operational Outlook



Remains a challenging environment



Increase in tariff in the UK scheduled for April 2018



Progressed the development of two new facilities due to open in FY'18: Croydon Day Surgery in inner London and Tees Valley Private Hospital in Middlesbrough (replacement facility)

# Growth Strategy Update

# DELIVERING ON OUR GROWTH STRATEGY

Continuing to create shareholder value through our focused strategy

## ORGANIC GROWTH

Underpinned by demographics, quality portfolio of hospitals, ongoing business improvement and volume expansion

## BROWNFIELD CAPACITY EXPANSION

Unmet demand driving Ramsay's ongoing investment in capacity expansion

## PUBLIC/PRIVATE COLLABORATIONS

Global focus on increasing private sector role in service provision for publicly funded patients

## ACQUISITIONS & STRATEGIC DEVELOPMENTS

Exploring acquisitions and strategic opportunities in existing and new markets Ramsay has proven it can export its management model  
Must add long-term value to shareholders



# DEVELOPMENTS

During the period the following projects were completed or commenced:



**\$535M**  
projects



**500** beds



**27** operating  
theatres



**3** private  
emergency  
centres

# NEW HOSPITALS OPENED FY'17



## The Border Cancer Hospital

- Opened September 2016 in Albury Wodonga
- 28 chairs; 30 overnight beds
- Located within a state-of-the-art three storey inpatient and outpatient cancer facility
- Part of the Albury Wodonga Regional Cancer Centre



## The Southport Private Hospital

- Opened April 2017 on Gold Coast
- Dedicated mental health and rehabilitation facility
- 22 mental health beds; 44 rehab beds
- Will address shortfall of rehabilitation and mental health services in region

# MAJOR BROWNFIELDS COMPLETED



**Peninsula Private Hospital**  
– 71 Beds, Theatres, ED



**New Farm Clinic** – 39 new beds  
and major refurbishment



New expanded ED  
**Pindara Private Hospital**



New accommodation wing at  
**North Shore Private Hospital**  
– 39 beds & theatres



**Waverley Private Hospital**  
– 17 Beds and Theatres



3 Theatres – **The Avenue  
Private Hospital**



# DEVELOPMENT PIPELINE

## Projects include:

- The new **Northside Clinic at St Leonards** (gross 112; net 24 beds)
- **Albert Road Clinic** (48 beds)
- **Lake Macquarie** (30 beds)
- Additional theatres/catheter laboratories at **North Shore, Westmead, St George, Sunshine Coast, Baringa** and **Peninsula Private Hospitals**
- **St Andrew's Ipswich Private Hospital** (81 beds, 2 theatres, plus new private ED)
- **Warners Bay** (39 beds)
- **Northside Macarthur** (14 beds)
- Major consulting suite developments at **John Flynn** (21 suites) and **Greenslopes** (30 suites)
- Private room conversion at **Greenslopes** creating 78 additional private rooms
- WA Government recently announced a Statement of Intent regarding the expansion of **Joondalup Health Campus** worth \$167M (public component)
- UK: **Croydon Day Surgery** in inner London and **Tees Valley Private** in Middlesbrough (replacement hospital)



# Ramsay Pharmacy™

- Ramsay pharmacy franchise network is on track to total 55 retail pharmacies once current contracts complete
- Concentrating on sites close to hospitals so we can extend both medication and other integrated care services to our patients beyond the hospital walls
- Includes 4 x 24/7 community pharmacies in our major hospitals



# Outlook

# OUTLOOK

- ✓ Attractive demographic fundamentals combined with geographic, casemix and reimbursement diversification will continue to drive growth
- ✓ Strong growth in our Australian business is expected to continue, while we anticipate ongoing challenging environment in Europe in the near term
- ✓ Driving operational efficiencies will remain a key focus
- ✓ Continual pipeline of development opportunities
- ✓ More out-of-hospital growth opportunities are emerging which will see us broaden our care beyond hospitals
- ✓ Based on operating conditions in each of our core markets, continued successful execution of our strategy, and barring unforeseen circumstances, Ramsay is targeting Core EPS growth of 8% to 10% for FY'18.



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# Questions?