Ramsay Health Care

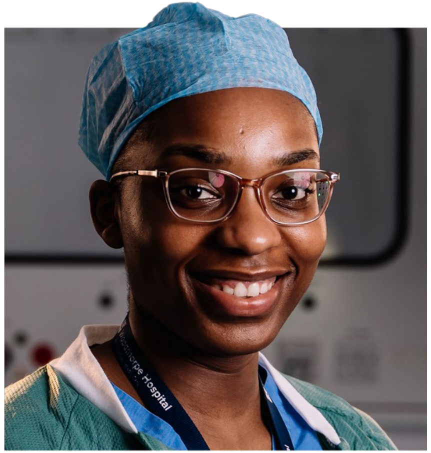
FY23 Result Presentation

12 months ended 30 June 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 (Ramsay Group) and their activities and is current as at 24th of August 2023. It is in summary form and is not necessarily complete. It should be read together with the Company's unaudited consolidated financial statements lodged with the ASX on 24th August 2023.

The information in this presentation is general information only and is not intended to be relied upon as advice to investors or potential investors and does not take into account your objectives, financial situation or needs. Investors should consult with their own legal, tax, business and/or financial advisers in connection with any investment decision.

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Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "would", "could", "expect", "intend", "plan", "aim", "estimate", "target", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding the Ramsay Group's intent, belief or current expectations with respect to the Group's business and operations, market conditions, results of operations and financial condition and risk management. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements, whether as a result of new information, future events or results or otherwise, is disclaimed.

The Ramsay Group undertakes no obligation to update any forward looking statement, subject to applicable disclosure requirements.

Agenda

Key Themes

- EBIT increase of 14.6% driven by stronger growth from Australia, Asia and Ramsay UK partially offset by reductions in Ramsay Santé and Elysium. 8.8% increase in NPAT includes materially higher financing costs and higher effective tax rate
- Accelerating digital and operational transformation to improve performance, patient experience and clinical outcomes particularly in Australia
- Investment in Australia to drive growth continues. Greenfield and brownfield development programs have been modified to reflect the current environment with the emphasis shifting to digital and data programs
- Revenue growth targeted by driving volume and negotiating further increases in reimbursement rates to compensate for a higher cost environment
- Targeting <2.5x funding group leverage from potential sale of Ramsay Sime Darby and increased earnings from current position of 3.2x
- In FY24 expect mid single digit top line growth; Transformation initiatives in place will drive margin improvement over time, albeit in FY24 margin recovery will be slowed by inflationary cost pressures, increased investment in digital and data and higher funding costs
- Focused on continuing to improve Ramsay's strong competitive position to take advantage of the positive long-term trends in healthcare

GROUP – FY23 Result Overview

Result reflects a strong improvement in Ramsay UK driven by materially higher volumes and improved productivity, and growth in Asia Pacific offsetting a lower result from Ramsay Santé and Elysium

The result benefited from growth in surgical activity across all regions. The recovery in non-surgical activity has been slower but improved in 2HFY23

Inflationary pressures in particular labour costs, labour shortages and the impact of the COVID environment in 1QFY23 slowed margin recovery

Clinical and non-clinical labour shortages restricted capacity utilisation and increased labour costs. Shortages are easing across all markets

Profit after tax and minority interests includes a positive contribution from non-recurring items of $27.5m compared to a negative contribution of $44.9m in the pcp

Fully franked dividend of 25 cps was determined taking the full year dividend to 75 cps, a payout ratio of 60%

Revenue	↑	11.6% to **$15.3bn**
EBITDAR[1]	↑	10.3% to **$2.2bn**
NPAT	↑	8.8% to **$298.1m**
EPS	↑	7.5% to **124.8 cps**
Full Year DPS	↓	22.7% to **75 cps**

2HFY23 EBIT[1] Margins (excl. non-recurring Items)

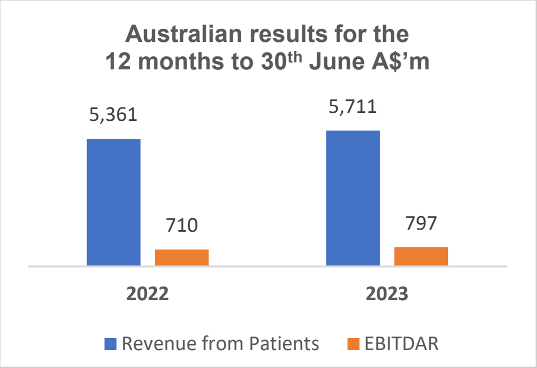
	3QFY23	4QFY23	Total Year
Asia Pacific	8.0%	10.4%	9.9%
Ramsay UK	8.1%	9.6%	6.7%
Elysium	-1.9%	0.3%	0.1%
Ramsay Santé	3.3%	5.1%	4.4%
RHC Group	**5.1%**	**7.1%**	**6.4%**

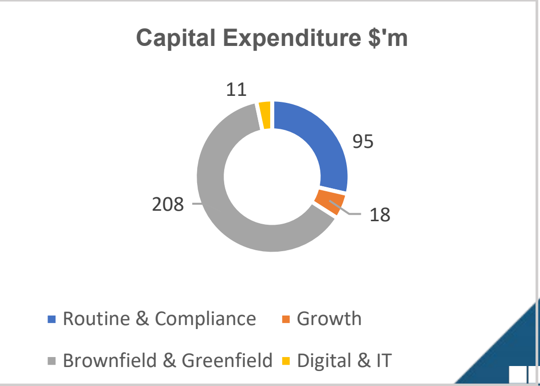
1. Inclusive of discontinued businesses

AUSTRALIA – Highlights

RESULT HIGHLIGHTS

- The operating environment gradually improved over the 12-month period albeit the rate of growth has been slower and more inconsistent than anticipated
- The result reflects growth in surgical and non-surgical volumes on the pcp and FY19 across all categories except psychiatry (psych) and maternity. Volumes were weighted towards day and short stay admissions
- EBITDAR increased 12.2% benefitting from the reduction in COVID cases in the community and an easing in the impact of labour shortages on capacity utilisation and labour costs
- Results started to benefit from improved labour management and productivity initiatives despite inconsistent volume growth. 4Q margins improved significantly over 3Q
- The result includes a positive contribution from non-recurring items of $13.9m, primarily asset sales (negative $40.2m in the pcp)
- Digital and data opex costs were $20m higher than pcp ($27m in total)





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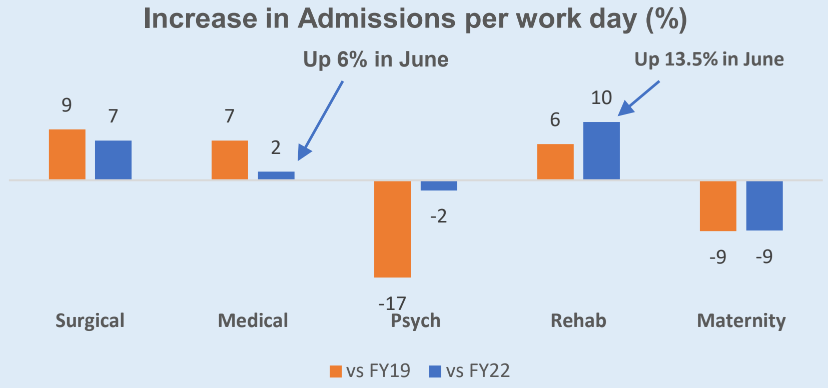
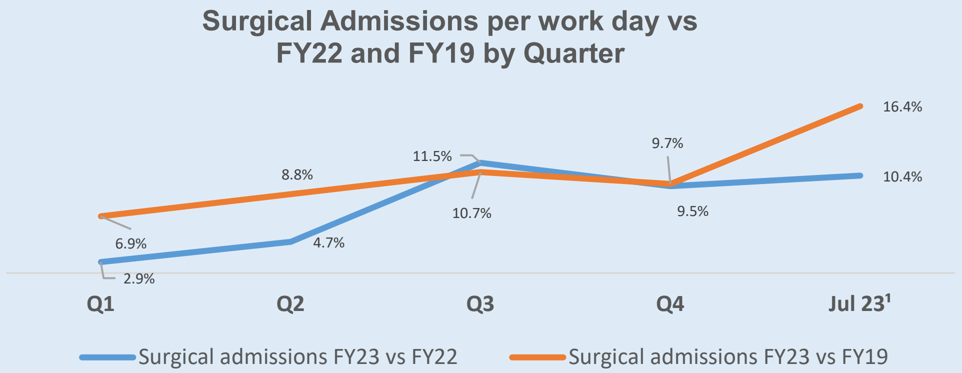
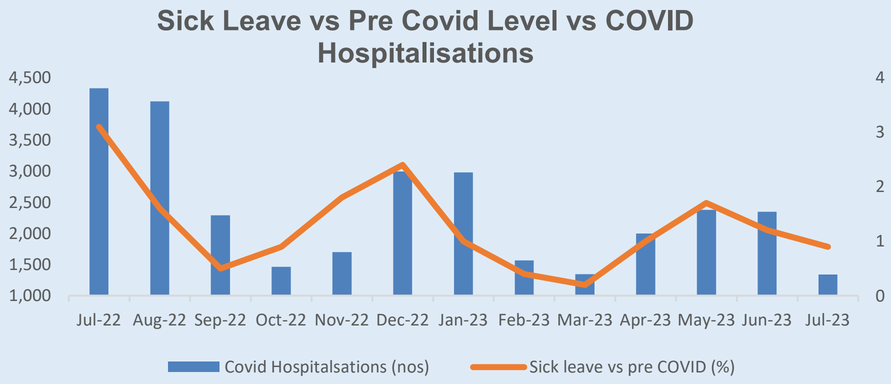
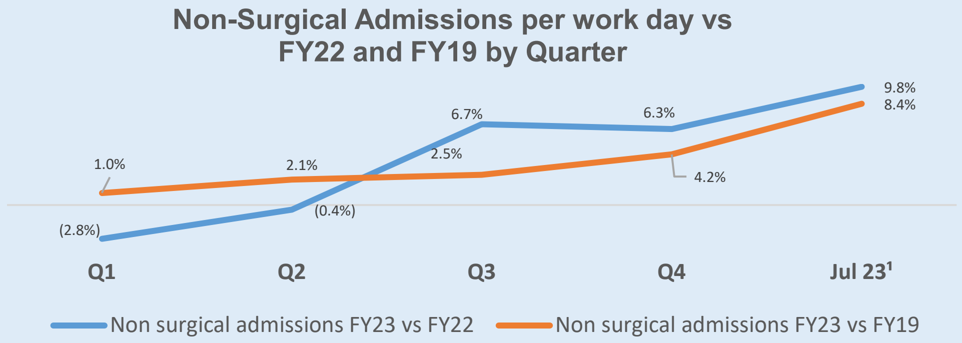
AUSTRALIA - Business Trends









1. July FY24 vs July FY20

AUSTRALIA – Investment Pipeline

FY23 INVESTMENT

- FY23 brownfield/greenfield capex $208m
- Digital & data capex $11m
- Digital & data project operating expenses $27m
- Cyber security $10m opex

FY23 PROJECTS

Projects completed during the period at a net investment of $73.8m delivered:

- 22 net beds & 3 treatment rooms

Hospital projects under construction /completed this year include:

- Stage 1 redevelopment of Peninsula Hospital
- Expansion of Wollongong hospital
- Expansion of treatment capacity at Tamara
- Northern Hospital
- Lake Macquarie redevelopment

Out of Hospital:

- +6 Ramsay Health Plus[2] (to 32)
- +1 Ramsay Pharmacy (to 62)
- +7 Ramsay Psychology clinics (to 18)
- +22 Ramsay Connect virtual bed equivalents (to 126)

FY24 INVESTMENT PIPELINE

- FY24 capex on greenfield and brownfield development pipeline expected to be ~$250-300m
- Northern Hospital expected to open in February 2024 with 126 beds, 7 theatres and treatment rooms
- In total expect 17 theatres to be delivered in FY24
- FY24 digital and data **capex** spend expected to be $16-18m
- FY24 digital and data **net[3] opex** spend is expected to be $60-70m
- FY24 cyber security opex expected to be $20m

FUTURE INVESTMENT PIPELINE

- 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. Allied health clinic
3. Net of benefits delivered by the programs
4. The benefits of programs delivered outweigh the investment in new programs

AUSTRALIA - Transformation & Digital Enablement | *game changing transformation to impact every part of the business*

RAMSAY 2030

Digital Ambition

Creating a best-in-class, digitally enabled healthcare ecosystem

Where do we want to be?

Delivery Pillars and Strategic Programs

~9%	~45%	~9%	~9%
1. Integrated patient-centric care	2. Clinical excellence	3. Effective data driven decisions and outcomes	4. Digitally enabled operating environment
Ramsay Health Hub	Ramsay Clinical Information System (Including EHR)	Ramsay Data Hub – Including Predictive & Executive Insights	Corporate Systems – HR, Procurement, Finance

How will we deliver value for our people, doctors, patients?

Foundations

~28%

Culture: Leader Led Change; Agile Product Delivery; Partnership; Innovation; Customer Centricity; Digital Mindset & Literacy; Talent & Capability

Technology: Modular Digital Services; Integration Ecosystem; User Centric Identity; Data as an Asset; Interoperability; AI/ ML; Cloud Computing; Cyber Security

Governance: Standardisation; Governing Committees; Success and Design Principles; Risk management; Success Metrics

What will enable the change?

X% Approximate distribution of total program investment

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AUSTRALIA – Outlook

OUTLOOK

- Australian earnings in FY24 are expected to improve on the back of mid single digit volume growth, productivity improvements coming from labour management and cost saving initiatives
- Digital and operational transformation programs have been put in place to drive top line growth, improve performance, patient experience and clinical outcomes and mitigate cost pressures
- Earnings will reflect the upfront costs of opening the new Northern Hospital in Melbourne combined with additional state levies and taxes
- The business will continue to ensure that revenue rate indexation from payors reflects the impact of cost inflation
- The Out of Hospital operations will continue to focus on underlying organic growth combined with the rollout of new sites in 2024
- The business will continue to invest for growth in its greenfield and brownfield program together with an increased emphasis on growing the digital and data platform to support future growth and productivity improvements

Northern Hospital in Epping, Melbourne to open early 2024

Warringal Hospital, Melbourne $180m expansion forecast to complete Sept 2027

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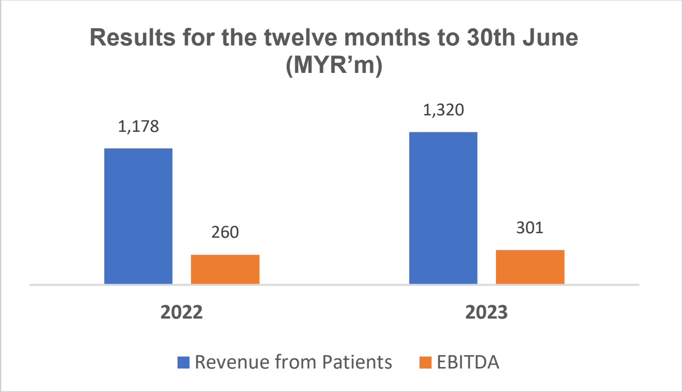
RAMSAY SIME DARBY – Highlights & Outlook

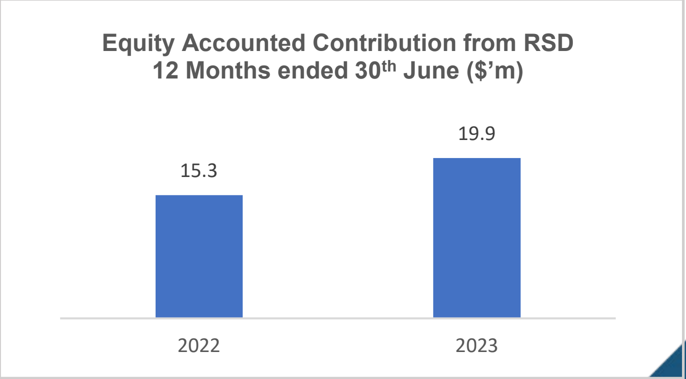
RESULT HIGHLIGHTS

- Ramsay's 50:50 Asian joint venture Ramsay Sime Darby (RSD) reported a 12.1% increase in revenue over the pcp (in local currency) for the twelve-month period reflecting a higher contribution from the hospitals in Malaysia and improving underlying growth in Indonesia
- EBITDA increased 16% (in local currency) benefiting from higher volumes combined with lower COVID related expenses including staff absenteeism
- The equity accounted contribution from the joint venture increased 30.1% on the pcp to $19.9m

OUTLOOK

- RSD is expected to report further growth in earnings in FY24
- In June Ramsay announced, in conjunction with its 50:50 joint venture partner Sime Darby Berhad, that it was exploring the sale of RSD
- A sale process was commenced which has resulted in the receipt of a number of non-binding indicative offers
- Ramsay and Sime Darby are in the process of narrowing the number of parties they will take through to the next stage of the process. We expect to announce the outcome of the process before the AGM, noting that there is no certainty that a sale process will result in a completed transaction.

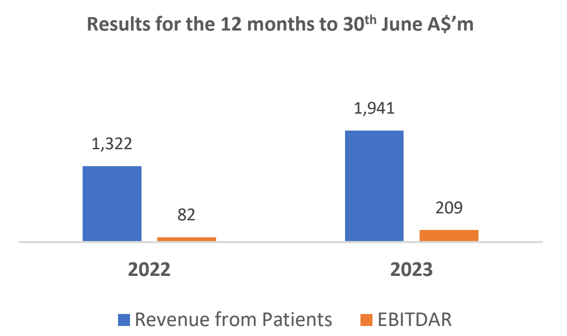




UNITED KINGDOM – Highlights & Outlook

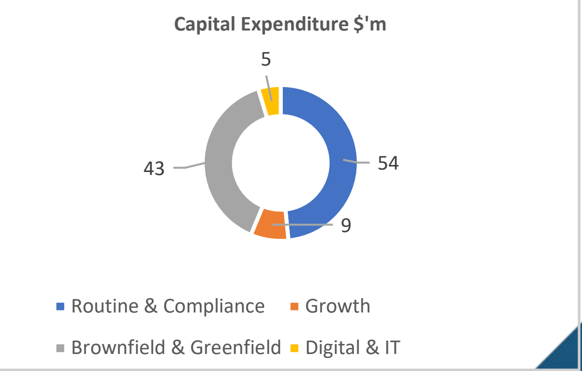
RESULT HIGHLIGHTS

- Ramsay UK's (the acute hospital business) result improved materially with EBIT ex non-recurring items increasing from negative $4.8m to positive $77.3m
- The result was driven by a 14.4% increase in admissions on the pcp combined with improved productivity and lower costs associated with COVID. Inflationary head winds and labour shortages slowed the recovery in margins
- Elysium's earnings were materially impacted by staffing shortages hampering the ramp up of new facilities and resulting in the higher use of agency staff increasing labour costs
- An impairment of $20.5m has been taken against the value of 3 sites in Elysium's 84 site portfolio
- A number of initiatives introduced have reduced vacancies and started to drive occupancy. The result in 4QFY23 was a significant improvement vs Q2 and Q3



OUTLOOK

- In FY24 Ramsay UK is forecasting volume growth in the mid to high single digits from both the public and private sector while continuing to target higher levels of acuity
- The business will continue to focus on functional excellence and operational efficiencies to offset ongoing cost pressures in particular wage costs given the tight labour market for clinical workers in the UK. Increased investment in its workforce strategy will be focused on growing its talent base and attracting and retaining its people
- Elysium is expected to continue to report improved earnings with a key focus on recruitment and training of clinical and non-clinical staff driving a reduction in agency costs, improved occupancy and the implementation of other cost saving initiatives across the business
- NHS tariffs for the year commencing 1 April 2023 were finalised in mid August. The final tariffs are in line with expectations and will be back dated



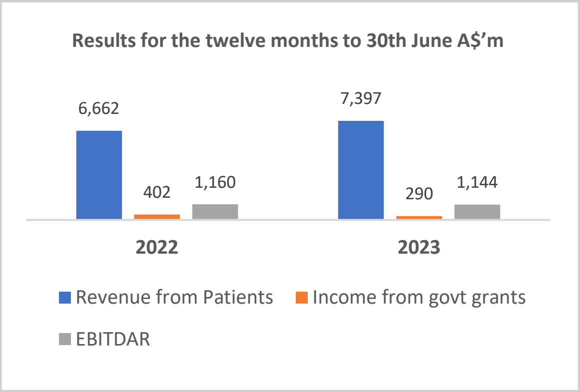
EUROPE – Highlights & Outlook

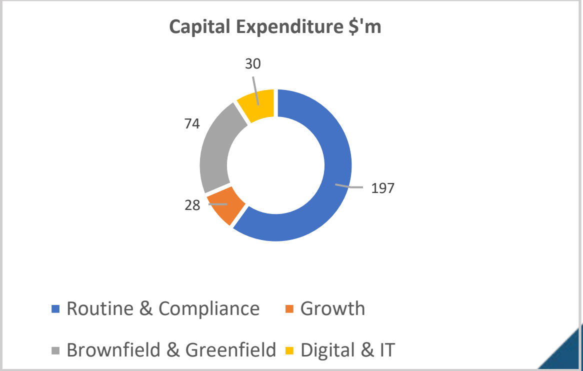
RESULT HIGHLIGHTS

- 8.8% growth in revenue reflects 4.4% increase in volumes and the contribution from acquisitions made in FY22 ($314m in total, $268m higher than pcp)
- Government revenue and government cost support declined 27.8% to $290.2m in total reflecting a reduced reliance on subsidies as volumes returned post COVID
- EBIT includes a positive contribution from non-recurring items of A$43.1m compared to a positive contribution of $24.1m in the pcp including profit on asset sales net of losses of $55.3m
- The decline in earnings reflects the impact of inflationary pressures on costs that have not been fully reflected in annual tariffs, the impact of labour shortages on capacity utilisation, a change in the mix of activity and the decline in COVID related activity in the Nordics such as testing
- Staffing shortages improved significantly over the 12-month period however access to labour force remains challenging but is now limited to specific geographies and skill sets

OUTLOOK

- Ramsay Santé is currently forecasting top line volume growth of low single digit in France and better in the Nordics supported by the acquisitions made over the last years
- Inflationary cost pressures and staff shortage difficulties will continue to place pressure on margins in FY24
- The French business will continue to operate under the Government's revenue guarantee arrangements until 31st December 2023 and is then expected to revert to pre COVID reimbursement arrangements with its key payors
- Reflecting rising base rates over the course of FY23 and higher average draw debt, net interest (inclusive of AASB 16 lease interest) is expected to be materially higher than in FY23





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Investing in our People

CAPABILITY DEVELOPMENT

Priorities
- Leadership
- Disciplined transformation
- Robust data and digitisation
- Strategic partnerships

Example initiatives
- 170 leaders completed Ramsay Global executive leadership program
- 22 participants in Ramsay Global Corporate Graduate Programme
- 200+ current and emerging leaders attended new Ramsay UK Academy
- 2,500+ Ramsay Santé managers trained in tools to improve the quality of life at work for all employees

CULTURAL CHANGE

Headline measures
- Engagement
- Enablement

Example initiatives
- Ramsay Australia named in 2023 Top 10 most attractive employers
- Capio ranked 'ideal employer' by nurses in Sweden
- 25% increase in childcare places for Ramsay Santé employees
- 300 Ramsay UK apprentices trained in The Ramsay Way

INDUSTRY LEADING TALENT

Focus areas
- Development and learning
- Diversity and inclusion
- Recognition and reward
- Succession planning

Example initiatives
- First Nations undergraduate cadetships introduced in Australia
- Ramsay Pharmacy Academy and national psychiatry education program initiated in Australia
- 5 People Resource Groups created in UK to promote staff inclusion
- Capio Awards launched to recognise Quality, Innovation, Empowerment and Social Responsibility
- Opened Elysium recruitment hub; 400+ onboarded since January
- Utilising Workday for talent mapping and succession planning

Ramsay Health Care

Ramsay is driving action through 3 pillars:

Healthier People, a Thriving Planet and Stronger Communities

caring for our people

70+ NPS in Europe, Australia and UK (Acute).

The Ramsay Way Awards launched to recognise Australian employees sharing and advocating our values.

People & Culture Forum established for Ramsay UK employees to develop inclusion and diversity initiatives.

500+ people trained in Mental Health First Aid. Half-way to goal of training 3% of permanent workforce in Australia and UK.

caring for our planet

On track with Net Zero emissions near term target to reduce Scope 1 & 2 emissions by 42% by 2030 (from 2020 baseline).

#DitchtheDes
'Greener theatres' switch to anaesthetic gas options with lower global warming potential.
Key progress:

- Ramsay UK committed to phase out desflurane
- 52% Australia sites achieved <5% target
- France reduced desflurane by 55% since 2021
- 57% of RSDH sites are desflurane-free.

Achieved over **60% of target to install 6.3MW renewable energy projects by 2026**. Systems have generated more than three-million kWh of electricity (at June 2023).

caring for our community

RESEARCH
Ramsay Hospital Research Foundation:

- 1,750 research projects
- 550+ researchers
- Clinical Trials up 11%
- 5 new trial sites (20 total).

MISSION
Ramsay Santé among the first hospital groups to commit to being a *Mission Company**.

* 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.

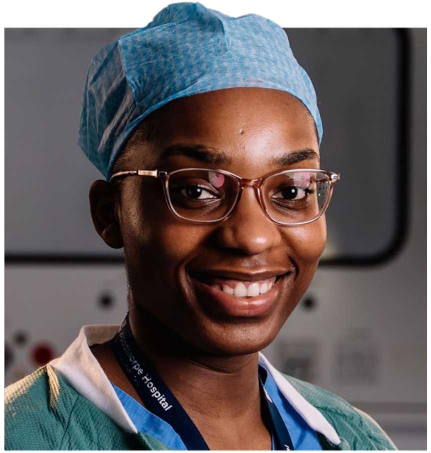
PURPOSE
Ramsay UK partnered with the Purpose Coalition on the Purpose Goals.

Sustainability assessments (EcoVadis) **achieved 40% target** of global suppliers by spend. On track for 80% target in 2026.

Ramsay
Health Care

Group Financials

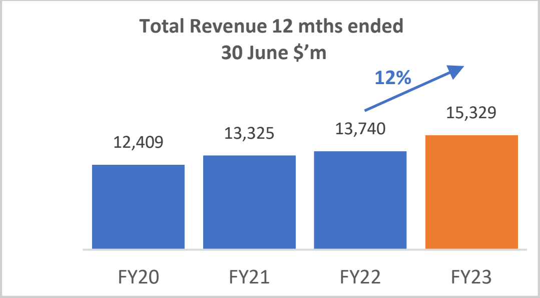
Group Chief Financial Officer - Martyn Roberts

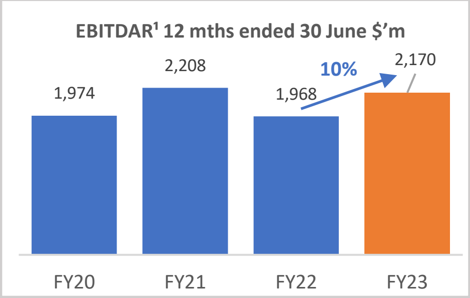



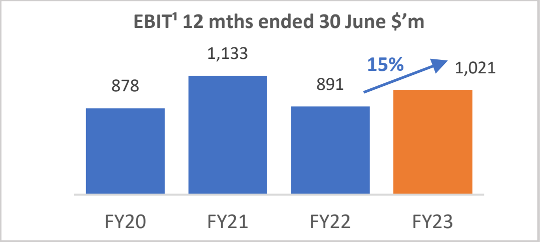
People caring for people

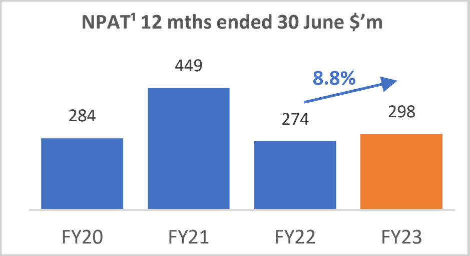
FY23 – Group Performance

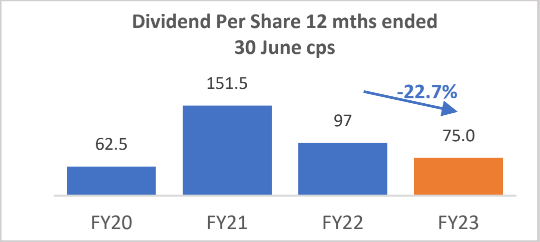
- The increase in revenue reflects improved activity across all regions and the inclusion of Elysium, GHP and smaller Nordics acquisitions for full 12mths (+$767m revenue and +$34m in EBITDA on the pcp)
- The result reflects higher earnings from Ramsay UK, Australia and RSD offset to an extent by lower earnings from Ramsay Santé and Elysium
- Depreciation increased 6.6% reflecting acquisitions and the completion of brownfield projects. Rental increases of 7.3% reflect acquisitions and the impact of inflation
- Total net financing costs increased 34.4%. Net funding costs (excl AASB 16 lease costs and mark to market movements) increased 71.5% reflecting higher drawn debt and higher base rates
- Effective tax rate increased from 29.6% to 33.2%
- Non-recurring items at the EBIT line were +$42.1m vs -$60.5m in the pcp. Includes net profit on the sale of property in Europe of $55.3m and a $20.5m asset impairment in Elysium
- Full year dividend represents a payout ratio of 60%

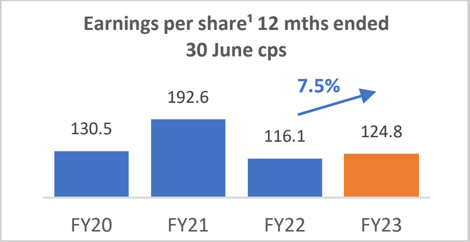












1. Earnings inclusive of discontinued businesses

Balance Sheet & Cashflow

Balance Sheet

A$'m	30/06/2023	31/12/2022	30/06/2022
Working capital	(498.4)	(169.4)	(345.1)
Property plant & equip	5,238.1	5,035.7	4,806.5
Intangible assets	6,163.7	5,961.9	5,820.8
Current & deferred tax assets	89.8	106.2	111.7
Other assets/(liabilities)	(17.0)	(68.6)	(169.7)
Capital employed (before right of use assets)	**10,976.2**	**10,865.8**	**10,224.2**
Right of use assets	4,949.1	4,735.4	4,629.5
Capital employed	**15,925.3**	**15,601.2**	**14,853.7**
Capitalised Leases (AASB16)	**5,954.9**	**5,645.6**	**5,482.4**
Net Debt (excl. lease liability debt & incl. derivatives)	5,147.2	5,241.0	4,845.1
Total shareholders funds (excl. minority interest)	4,154.8	4,070.1	3,933.5
Invested Capital	**9,302.0**	**9,311.1**	**8,778.6**
Funding Group Net Debt (excl. lease liability debt and incl derivatives) [1]	2,664.4	2,601.8	2,416.8
Return on invested capital (ROIC) (%) AASB16 accounting methodology[2]	4.4	4.6	4.3
Return on invested capital (ROIC) (%) cash methodology[3]	11.2	12.1	11.5
Funding Group Leverage (Old Lease Standard AASB 117) (x)[1 4]	3.2	3.5	3.3
Consolidated Group Leverage (AASB 117) (x)	3.6	3.9	3.5

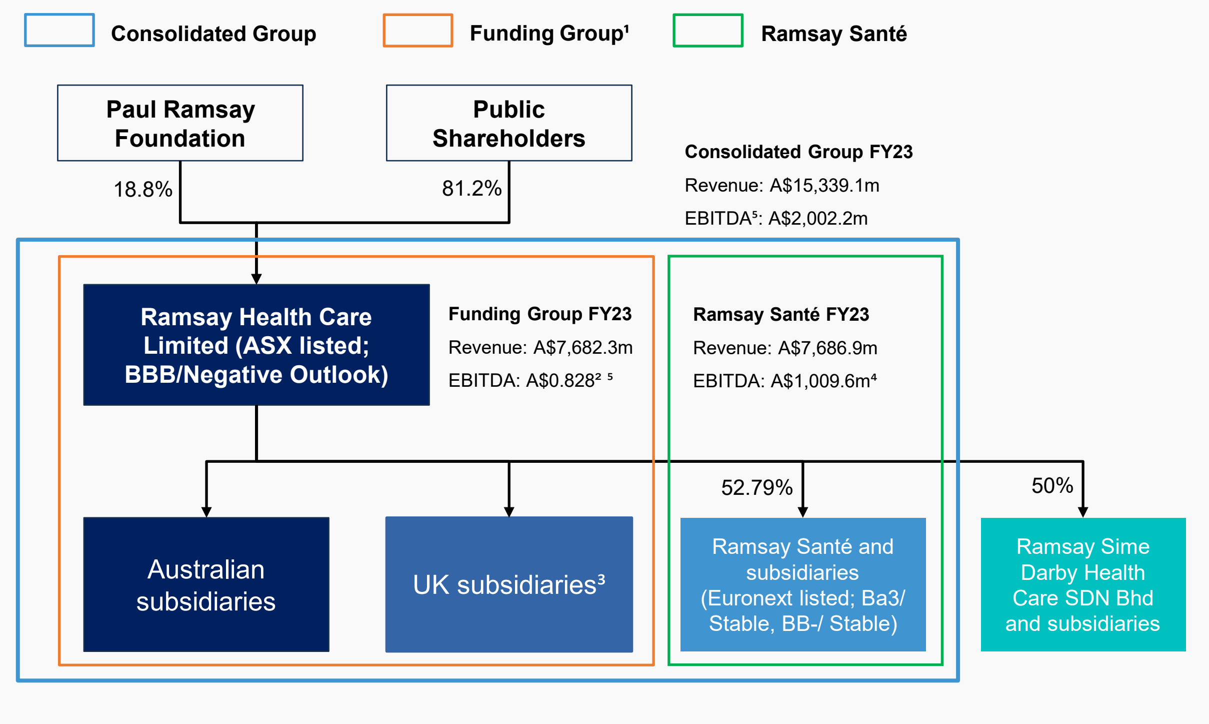
Cashflow Statement

Year ended June A$'m	2023	2022	Chg (%)
EBITDA including discontinued operations	2,022.1	1,830.2	10.5
Changes in working capital	153.3	(457.1)	-
Finance costs	(465.8)	(375.4)	(24.1)
Income tax paid	(234.2)	(229.3)	(2.1)
Movement in other items	(195.8)	(52.9)	(270.1)
Operating cash flow	**1,279.6**	**715.5**	**78.8**
Capital expenditure	(720.9)	(708.5)	1.8
Free cash flow	**558.7**	**7.0**	**7,881**
Net divestments/(acquisitions)	(12.8)	734.1	101.7
Interest & dividends received	19.9	4.4	352.3
Cash flow after investing activities	**565.8**	**745.5**	**(24.1)**
Dividends	(236.8)	(371.0)	36.2
Other financing cash flows	(5.6)	(1,039.9)	(99.5)
Net increase/(decrease) in cash	**323.4**	**(665.4)**	**148.6**
Cash interest cover (x) (EBITDA/finance charges)	4.3	4.9	(11.3)

1. The Funding Group excludes Ramsay Santé. Banking covenants and Fitch rating are calculated on the Funding Group rolling 12 mth earnings and AASB 117 net debt
2. ROIC = 12 mth rolling EBIT*(1-tax)(based on AASB16)/average opening and closing invested capital
3. ROIC = 12mth rolling NOPAT (AASB 117)/average opening and closing invested capital
4. Prepared on a pre AASB 16 basis Funding Group Net debt/rolling 12 month EBITDA pre non recurring items

- Key movements in the balance sheet and cashflow relate to the acquisition of two new facilities in Elysium ($68.1m), net profit on asset sales in Europe ($55.3m), the sale of development assets and the Murray Valley hospital in Australia ($11m), the completion of purchase price accounting for GHP and the impact of currency movements on goodwill balances in Europe and the UK
- The movement in working capital primarily relates to the reimbursement of receivables related to the French Government revenue guarantee
- Debt facilities maturing in 1HFY25 have, subsequent to 30th June been repaid via newly established facilities with longer tenor
- There is a deferred payment associated with the sale of a European property of $30.5m classified as a non-current asset

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, and the financial results for Ramsay Sime Darby Health Care SDN Bhd being reported on an equity-accounted basis.
- **There are no debt facilities provided to the Consolidated Group as a whole**

Funding Group

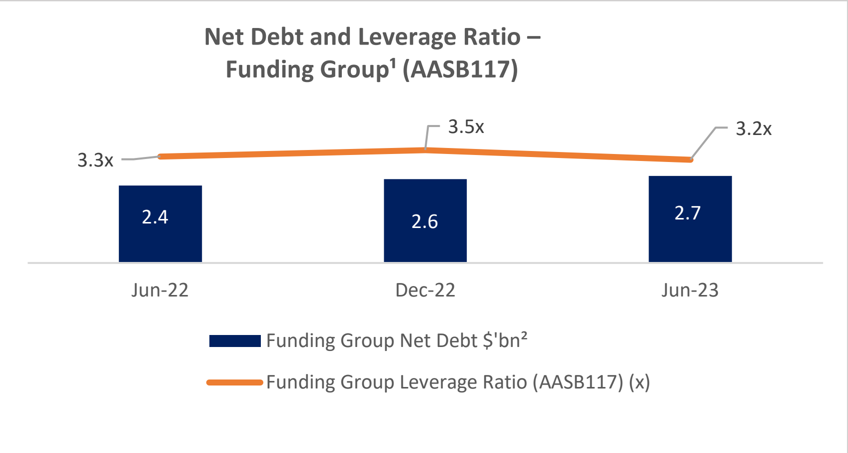
- Comprised of Ramsay Health Care Limited and all its subsidiaries, **excluding** Ramsay Santé earnings (the funding Group's investment in Ramsay Santé is recorded as an investment on the balance sheet)
- Ramsay's equity-accounted joint venture Ramsay Sime Darby Health Care SDN Bhd is included
- The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

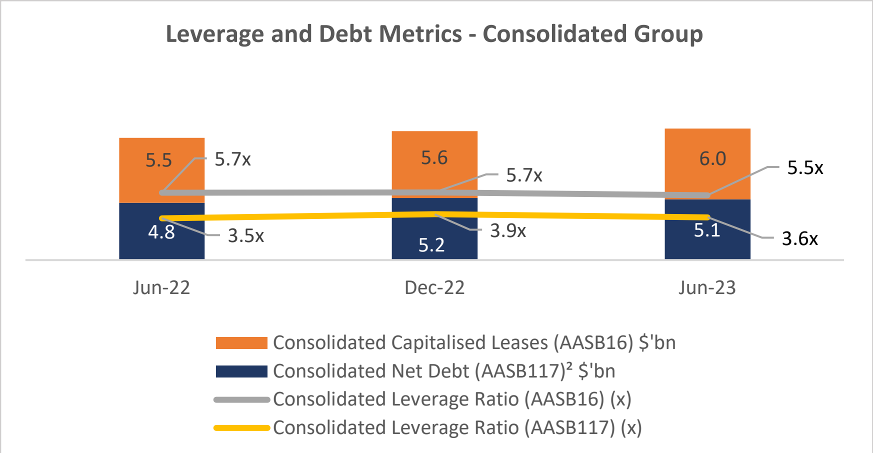
Ramsay Santé

- 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 (excludes non-recurring items)
3. Either wholly owned or controlled by Ramsay Health Care Limited including Elysium
4. Post AASB16 EBITDA
5. Inclusive of discontinued businesses

Leverage





- The Funding Group leverage ratio at the end of the period was 3.2x down from 3.5x at 31st December below the banking covenant threshold of 4x
- Targeting Funding Group leverage of <2.5x
- The weighted average cost of debt for the Funding Group at 30 June 2023 was 4.74% (excluding CARES). Approximately 73% of the Funding Group debt at 30th June was hedged at an average base rate (excluding lending margin) of 3.04%

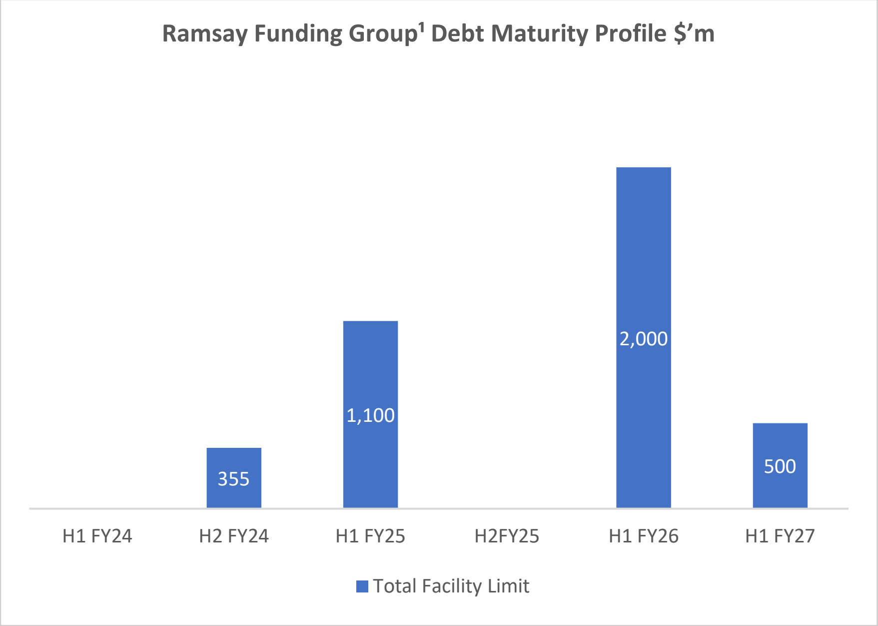
- Interest rate hedging steps down over the next 4 years
- The weighted average cost of debt for the Consolidated Group at 30 June 2023 is 4.73% (excluding CARES). At 30th June approximately 73% of the Consolidated Group debt is hedged at an average base rate (excluding lending margin) of 2.57%
- Ramsay Santé continues to be supported by its own funding arrangements underpinned by secured loan facilities

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. Net debt (excl lease liability debt and incl derivatives)

Ramsay Health Care

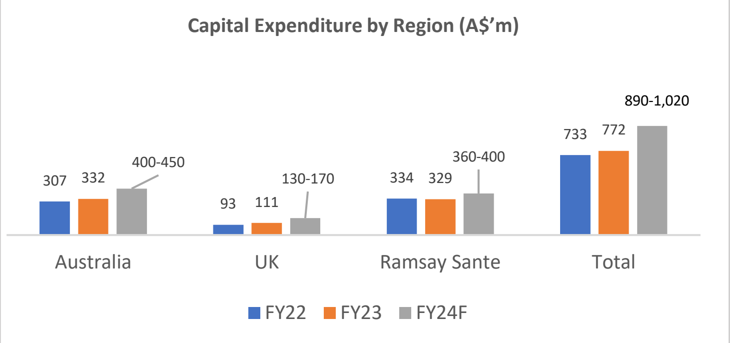
Funding Group Debt Profile

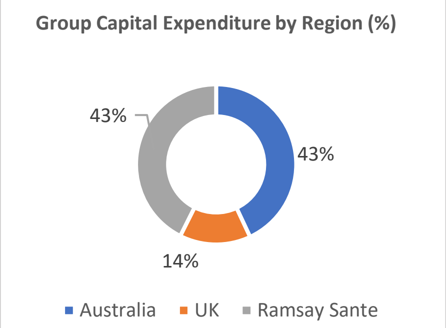
- $1bn of facilities maturing in 1HFY25 have been repaid since 30th June with new committed revolving bank loan facilities maturing in 1HFY26
- Process underway to extend tenor of each $500m tranche of the sustainability linked loan maturing in 1HFY25, 1HFY26, 1HFY27 by a further 2 years. Facilities considered surplus to requirements will be terminated upon completion of refinancing activities scheduled during 1HFY24
- Ramsay continues to explore opportunities to diversify the Funding Group's sources of funding and extend the duration of its debt

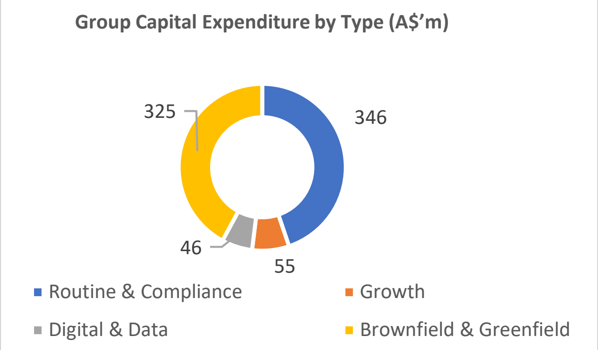


1. Funding Group – excludes Ramsay Santé . Banking covenants and Fitch rating based on the Funding Group earnings profile. The profile is post 30th June 2023 and repayment of facilities

Capital Expenditure





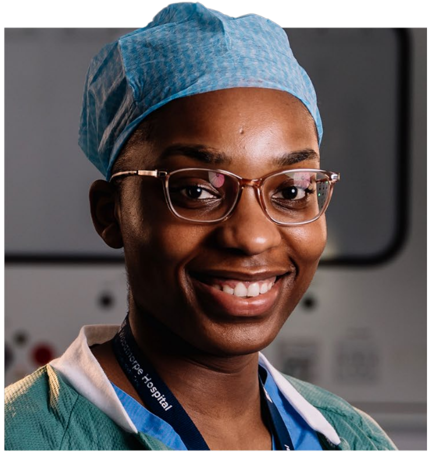


- Total capital expenditure of $772m reflects an increase in brownfield and greenfield spend in Australia and higher digital and data capex
- In addition to the digital and data capex of $46m, the result included digital and data opex of $84m across the regions
- Ramsay Santé will continue to fund its capital investment and M&A from its own balance sheet which is supported by its secured banking facilities
- FY24 capex is expected to be in the range of $890-1,020m with a number of large projects underway in Australia including the $180m redevelopment of Warringal

Ramsay
Health Care

Strategy & Outlook

Managing Director & CEO – Craig McNally



People caring for people

Investment in our strategy will continue, priorities will change as the environment evolves

Group Outlook

- Ramsay is uniquely positioned to win share and benefit from the growing demand for healthcare services underpinned by changes in demographics, clinical and technological advancements and high demand for healthcare services requiring governments and the private sector to work more closely together. **The current environment dictates some change in the emphasis and focus of the long term strategy**

- In light of higher development costs and disruption in the building industry combined with some of the trends that have emerged through COVID, investment in the pipeline of opportunities will be modified to ensure disciplined capital allocation and focused execution of the strategy with Australia being the key priority for investment. **The emphasis of the Australian growth strategy will shift towards investment in digital and data platforms to drive and support growth and improve the efficiency of the business**

- **Australian earnings in FY24 are expected to reflect mid single digit volume growth as the market continues to recover. A range of initiatives have been introduced to improve near term performance** focused on driving top line growth, improving revenue management and operational excellence and cost efficiencies designed to offset the ongoing pressure on costs, in particular labour costs

- In FY24 **Ramsay UK is forecasting volume growth in the mid to high single digits driven from both the public and private sector** while continuing to target higher acuity activity. The business will continue to focus on functional excellence and operational efficiencies to offset ongoing cost pressures

- **The performance of Elysium is expected to improve in FY24 off a stronger 4QFY23 performance (pre-impairment)** driven by a reduction in staff vacancy rates resulting in lower labour costs combined with a focus on other costs and higher reimbursement rates. A failure to improve profitability would result in the deterioration of Elysium's financial outlook in the near-term and may adversely impact its valuation

- **Ramsay Santé is currently forecasting top line volume growth of low single digit in France and better in the Nordics supported by the acquisitions made over the last years.** The business will continue to focus on integrating recently acquired businesses and licenses' and self funding the build out of its regional out of hospital services to support its strong core hospital business. Margins will continue to be impacted by the cumulative impact of the higher cost environment that is currently not fully reflected in the annual tariff set for the year from 1st March 2023

FY24 - Outlook

Ramsay expects further growth in earnings in FY24 driven by:

- Mid single digit top line growth driven by low to mid single digit growth in activity and higher reimbursement levels
- Margin recovery will be slowed by ongoing inflationary pressures across most costs which are not fully reflected in reimbursement structures
- An increase in digital and data opex investment in Australia of $34-44m over FY23 (total spend $60-70m). Digital and data capex expected to be $16-18m
- Depreciation and amortisation is expected to be in the range of $1.0bn - $1.1bn
- Net interest expense (including AASB16 lease costs) is expected to be in the range $570-600m[1] reflecting higher average base rates
- The effective tax rate is expected to be ~30%
- The balance sheet is expected to continue to de-lever through a combination of organic growth and the potential proceeds from the sale of RSD
- Investment in brownfield and greenfield projects in Australia is expected to be $250-300m focused on expanding hospital treatment capacity and the out of hospital services footprint
- Group capex is expected to be in the range of $0.89 -1.1bn
- The dividend payout ratio is expected to be in the range of 60-70% of Statutory Net Profit

1. Does not assume the sale of RSD

Ramsay Health Care



Questions

Ramsay Health Care

ASX ANNOUNCEMENT

24th August 2023

Ramsay Health Care FY23 Results - Presentation Speech

Slide 1 Front Cover

Good morning, everyone and thank you for joining us for our FY23 results presentation webcast. 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 twelve-month period, an update on our strategic direction, before covering off on the outlook for the Group.

Slide 4 Key Themes

As always, I would like to start by thanking Ramsay's people and clinicians who have delivered the results today. We have continued to focus on providing the highest quality care to our patients, creating fit for purpose treatment facilities for our clinicians and supporting colleagues, public authorities and local communities impacted by local and regional issues including the pandemic, natural disasters and conflict. On behalf of the Board and senior management team I would like to recognise their fantastic performance through a period of significant change and thank them for their ongoing efforts.

Turning to the key themes coming out of the result.

The operating result was driven by stronger growth from Australia, Asia and Ramsay UK partially offset by reductions in Ramsay Santé and Elysium. The 8.8% increase in NPAT includes materially higher financing costs and a higher effective tax rate.

We are accelerating our digital and operational transformation to improve performance, patient experience and clinical outcomes with a particular focus on Australia.

Investment in Australia to drive growth continues. Greenfield and brownfield development programs have been modified to reflect the current environment with the emphasis shifting to digital and data programs.

We will be targeting revenue growth by driving volume and negotiating further increases in reimbursement rates to compensate for the higher cost environment.

We are targeting <2.5x funding group leverage from potential sale of Ramsay Sime Darby and increased earnings from current position of 3.2x.

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In FY24 we expect mid to high single digit top line growth; Transformation initiatives in place will drive margin improvement over time, albeit in FY24 margin recovery will be slowed by inflationary cost pressures, increased investment in digital and data and higher funding costs.

We are focused on continuing to improve Ramsay's strong competitive position to take advantage of the positive long-term trends in healthcare.

Slide 5 Group FY23 Result Overview

Moving to the FY23 result, which as I have said at the operating level reflects a gradual recovery in Australia, a strong improvement in Ramsay UK driven by materially higher volumes and improved productivity and another good result from Ramsay Sime Darby; partially offset by lower results from Ramsay Sante and Elysium.

As you can see on this slide EBIT margins excluding non-recurring items did improve from a very weak third quarter. Generally trading in July has continued to follow the improved trends experienced in the 4th quarter.

The Board determined a fully franked final dividend of 25 cents per share taking the full year dividend to 75cps representing a payout ratio of 60% at the bottom of our target payout ratio of 60-70%. We believe that this balances the needs of shareholders with the Company's focus on reducing leverage over time.

Slide 6 Australia- Highlights

Moving to the result in Australia.

The operating environment in Australia was stop start throughout the year with the rate of growth slower than expected. These challenging conditions were felt across the industry and it was pleasing to see in this week's APRA data that despite the difficulties the business has faced we have improved our market share of the private health insurance market over the twelve months to the end of June compared to 2019. We believe this demonstrates the quality of our hospital portfolio and the outstanding care our clinicians and people provide to our patients.

The less predictable environment added to the complexity of managing labour in an extremely tight market, increasing labour cost ratios to higher-than-normal levels at various points in time. The results have started to benefit from a range of initiatives in this area with EBITDAR margins in the 4Q being 200 bps above margins in the 3Q and slightly above the full year margin.

We completed negotiations on a number of health fund contracts during the period at rates that are more reflective of the current environment. However, given the ongoing pressure on labour costs caused by public sector wage rises and higher costs, including increases in new state-based levies which in a full year are in excess of $11m, we are revisiting our contracts to ensure the higher costs are encapsulated in reimbursement structures.

I would just like to reiterate that to address the issues impacting the business at the current time we have accelerated our business transformation programs and this is our immediate priority.

Slide 7 Australia - Trends in Admissions

Just looking at key trends in activity.

Surgical volume growth reflected the backlog of cases due to surgical restrictions and high levels of cancellations due to COVID in the last few years. Growth was biased towards day and short stay surgery reflecting the lower level of complexity in the case backlog. We believe addressing both the public and private backlog will take a few years to play through and we are positioning to capture this volume where it makes commercial sense.

Non-surgical volumes started to improve in the second half with rehab and medical admissions growing strongly as activity in the community rose and following stronger surgical volumes. Psych admissions remain below trend with overnight cases stronger than day admissions. We continue to look at a range of measures to leverage our expertise and capacity in mental health to grow volume, including the recruitment of additional psychiatrists and potentially working with the public sector on solutions to address the mental health crisis.

Slide 8 Australia - Investment Pipeline

Turning to the investment pipeline in Australia. Spend on projects during the period was $208m and a number of smaller projects were completed in the period with an investment value of $73.8m.

Given the escalation in building material costs and the other issues that the building industry is facing at the current time our development program for the next 1 to 2 years will be between $250-300m per annum and targeted at the larger projects in the portfolio.

In the out of hospital area, we continued to make selective investments in our new and adjacent out of hospital services. This strategy is designed to extend our relationship with the patient, making healthcare more seamless for them and creates a referral channel for our hospital network.

We have progressed 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. This year we invested $38m in total of which $27m was opex. Further to the numbers we released at the interim result we have now scoped the projects for the next couple of years and we have provided a breakdown of the spend between opex and capex on this slide. In FY24 we expect opex, net of benefits from the various programs we are rolling out, to be in the range of $60-70m or approximately $30-40m higher than in FY23. At this stage we expect net opex to peak in FY25 at $70-80m and to become an overall net benefit to the business in FY28, we will obviously be trying to accelerate this timetable where possible. Capex associated with current projects is also expected to peak in FY25/26 at between $70-80m.

Slide 9 – Digital and Data Transformation

A number of large projects are already underway, while additional key projects are scheduled to be launched over the next 18 months. We have also delivered multiple smaller automation projects that create immediate value for the business.

This slide reflects in broad terms where our investment will be allocated. There are approximately 48 projects currently underway and these focus on delivering the four multi-year strategic programs which include:

- An Electronic Health Record (EHR) project;
- A Patient Hub project, Ramsay Health Hub, which will build out a full end-to-end seamless digital admission process and patient experience; and
- A Predictive Insights project - designed to improve our capability in AI and machine learning to support improved decision making and scenario analysis. The focus of this work to date has been to deliver better clinical coding and improved theatre utilisation.

We will provide a more detailed view of these projects at an Australian investor session we are planning in early November but suffice to say the investment in this area is designed to improve our competitive position and drive the growth of the business in both the immediate and long term.

Slide 10 – Australia Outlook

Turning to the outlook for the Australian business.

Our Australian business is uniquely positioned to benefit from the underlying growth in demand for healthcare services in the future. We have ramped up a range of operational and transformation programs in 3 broad areas:

- Improved revenue management - which will include leveraging technology to streamline processes and improve consistency of coding and billing;
- Activity growth - which will include redesigning models of care generally and targeting increased public work; and
- Operational excellence and cost efficiencies.

We will give you more detail on these programs in November.

We expect the FY24 result to benefit from mid-single digit volume growth, combined with indexation together with the productivity and other benefits flowing from the programs I have just spoken about.

There are factors that will slow margin improvement including higher digital and data opex, the ongoing impact of inflation on costs in particular labour costs and the higher state taxes and levies I have just mentioned.

Slide 11 Ramsay Sime Darby Highlights and Outlook

Capping off the Asia Pacific region is our joint venture in South-East Asia, Ramsay Sime Darby which reported a strong full year result reflecting growth in inpatient activity in our Malaysian hospitals. The equity accounted after tax contribution increased 30.1% to $19.9m, I would note that RSD's earnings are seasonally stronger in the first half of the financial year.

Following the release of our ASX announcement in June we have, together with our partner Sime Darby, commenced a sale process for RSD which has resulted in the receipt of a number of non-binding indicative offers. We are in the process of narrowing the number of parties we will take through to the next stage of the process. We expect to announce the outcome of the process before the AGM in late November.

Slide 12 - United Kingdom - Highlights & Outlook

Turning to the UK.

Ramsay UK, our acute hospital business, reported a very strong turnaround in performance driven by a 14.4% increase in admissions, a higher level of acuity and the benefits of an improved operating environment.

Labour shortages are starting to ease although the market remains tight in some areas and inflationary pressures have peaked, the business has done a very good job of offsetting these pressures this year.

After operating in line with budget for the first five months of ownership, Elysium had a disappointing year, with acute labour shortages in non-clinical staff in particular, resulting in materially higher labour costs and lower occupancy due to the difficulty in staffing facilities. The business has invested in centralising recruitment and training facilities to fast-track onboarding and training and improve retention rates which is proving to be successful.

As a result of these initiatives, vacancy rates have started to decline assisted by an improving labour market in the UK and a growing offshore recruitment pipeline lowering agency costs. Labour as a percentage of revenue has declined to 68% in July from the FY23 full year ratio of 72.5%.

In accordance with the accounting standards the carrying value of Elysium's physical sites was reviewed at year end resulting in a $20.5m impairment of the carrying value of 3 of the sites in the 84-site portfolio.

Turning to the outlook for the UK

Ramsay UK is expecting mid to high single digit volume growth in FY24 driven again by both NHS volumes as well as private pay that continues to grow as a segment of the market. The new hospital at Kettering, Glendon Wood, has opened in the last few weeks which is also expected to contribute to top line growth.

Elysium's focus this year will be continuing to reduce vacancy levels replacing agency workers with permanent staff and lifting occupancy levels. Their performance is expected to improve over FY24. The business has a strong relationship with the NHS and the underlying demand for mental health services supports the medium-term outlook for the business.

NHS tariffs for the year commencing 1st April 2023 were finalised in mid-August. The final tariffs for both businesses are in line with expectations.

Slide 13 – Europe - Highlights & Outlook

Turning to Ramsay Santé, where after a slow start post the northern hemisphere summer, activity levels did pick up with growth in both surgical and non-surgical activity and higher volumes in its allied and primary health services in the Nordic region.

Support from governments in all its regions, introduced in response to COVID declined 28% to $290m.

The MSO tariff increase for the year commencing 1st March is 5.4% with the follow up care and rehab tariff at 1.9%. The business does not believe these tariffs compensate them for the cumulative impacts of inflation over the last few years. Ramsay Sante is working with the industry to ensure the French Government understands where the cost challenges exist to better inform future tariff setting.

The Nordic region reported a strong result driven primarily by businesses acquired in FY22 including GHP that contributed revenue of $314m or $269m more than in the prior period.

The EBIT result had the benefit of non-recurring items of $43.1m including profit on asset sales of $55.3m in total as the business continues to optimise its portfolio.

The Nordics result was impacted by a decline in COVID related activities, such as testing, as well as lower volumes and average level of acuity at St Göran hospital. Absenteeism due to sickness, and staff shortages impacted capacity utilisation although this improved in the second half of the year.

Turning to the outlook

In the short-term Ramsay Santé's priorities will be to continue to implement programs to address significant inflationary cost pressures and invest in its agreement on quality of life at the workplace to address the labour shortages that remain a key issue in some areas.

The French Government has extended the revenue guarantee to 31st December 2023 with the safety net structure now reduced to 70% of any shortfall experienced reflecting the decline in COVID cases in the community.

The Nordics will be focused on the integration of recent acquisitions, the continued development of an integrated digital platform and resolving the performance of St Göran.

In the medium-term, Ramsay Santé will continue to focus on its strategy to become an integrated digi-physical health care business, attracting and retaining patients through the delivery of a contiguous health services pathway. This will encompass investment in new services including select investment in primary care, imaging, prevention services and outpatient and at home services as well as strengthening the base hospital network and exploring new payor opportunities.

Slide 14 Our People

As I have said, while skill shortages have eased globally, challenges remain across the healthcare workforce – notably in training and recruiting the next generation of workers, while retaining and engaging our people.

The key priority areas of Ramsay's Workforce strategy include:

- providing flexible working conditions;
- more accessible learning and training opportunities;
- expanding our leadership programs; and
- Investing in technology to simplify processes and allow our people to focus on providing high quality care.

Through the year we built on our successful programs, with new and expanded initiatives for local and international recruitment and I am pleased to say that it is starting to show results. In Australia - vacancies, turnover and time to fill are all down over the past 12 months. We are recruiting nurses locally and internationally. We're also growing our leadership capability at all levels of the business. Efforts in our UK acute hospital business have seen the clinical vacancy rate drop from 13% to 9% over the year and Elysium opened a new recruitment hub in January and has onboarded more than 447 net FTE including 197 international healthcare workers.

Slide 15 – Ramsay Cares

Our sustainability strategy is showing progress across the board, with our net zero ambition on track to reduce scope one and two emissions by 42% by 2030.

Our efforts to reduce emissions include a 'greener theatres' campaign and most of our hospitals are in the process of greatly reducing the use of the anaesthetic gas desflurane in favour of gases with lower emissions.

We know we can't reach our targets alone and this year we have achieved our goal of getting at least 40% of our suppliers to complete sustainability assessments and we are on track to reach our 2026 target of 80% of suppliers.

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

Slide 16 – Group Financials

Slide 17 – Group Performance

Thanks Craig and good morning everyone.

As Craig has outlined, the 12% increase in revenue reflects improved surgical and non-surgical activity across all regions combined with a $767m increase in revenue from recently acquired businesses.

During the period, all regions felt the impact of high inflation, particularly in labour costs, along with labour shortages in key areas which impacted capacity utilisation. In addition, the first quarter of the year was impacted by the COVID environment.

As the decision to conduct a sale process for RSD was made before the end of June, the business has now been classified as a discontinued business and an asset held for sale. The segment note in the accounts only represents continuing businesses for both this year and last year however there is a table in the OFR that gives you the segment earnings inclusive of RSD for a proper comparison with previously reported figures.

The result includes non-recurring items which we have given you more detail on in the OFR. The EBIT contribution this year from these items was a positive contribution of $42.1m compared to a negative $60.5m contribution in the prior period. I would note that when you strip out the impact of these in each of the halves EBIT in 2H of the year was only down 1.5% on 1H reflecting more acute seasonality in Australia this year and a weaker half from Elysium.

Below the EBIT line, non-cash mark to market movements in both Ramsay Santé and the Funding Group's debt facilities made a $26.8m positive contribution this year compared to $34.1m in the prior period. Excluding these items net financing costs (ex AASB16), increased 71.5% reflecting higher base rates and higher average drawn debt across the period compared to the pcp.

FY24 total net interest expense *(including AASB16 Leases)* is currently forecast to be in the range of $570-600m subject to movements in base rates. If a sale of RSD does occur it is expected that the proceeds would be used to pay down drawn debt which would reduce this range.

Our tax rate was also higher in the year at 33.2% compared to 29.6% in the pcp due primarily to the non-deductibility of some. interest costs in the UK.

Slide 18 – Cashflow and Balance Sheet

Operating cashflow increased 79% on the prior year reflecting an improvement in the operating environment and the change in working capital as Ramsay Sante converted French Government receivables under the revenue guarantee scheme to cash.

Cashflow includes receipts from the sale of non-current assets and businesses of $66.3m offset by the acquisition by Elysium of adolescent mental health services facilities for $68m.

Slide 19 – Funding Structure

We have included this next slide to remind people about our funding structure. The consolidated group is really made up of two entirely separate balance sheets with their own capital structures. The Ramsay Funding Group, which is basically everything except Ramsay Santé (i.e. Australia, the UK and our equity accounted share of profit for RSD), and Ramsay Santé.

Ramsay Sante has its own covenant light debt facilities which have no recourse to the Funding Group and are secured by assets on its own balance sheet.

The Funding Group does not contribute capital to Ramsay Sante for working capital or capex needs and indeed Sante's acquisition last year of GHP was fully funded by their own debt facilities.

Slide 20 – Leverage

Moving to leverage. On this slide we have given you the Funding Group net debt and leverage ratios on a AASB117 basis which is the ratio that is used by our banks and Fitch.

As Craig said we finished the year with Funding Group leverage of 3.2x and we are targeting a ratio of less than 2.5x which we would expect to achieve through the use of the potential proceeds from the sale of RSD and through organic growth.

We have also included the Consolidated Group leverage both pre and post AASB16 although as I have said Ramsay Santé is separately self-funded by covenant light, debt facilities secured against their balance sheet with no recourse to the Funding Group. There are in fact no debt facilities provided to the Consolidated Group as such.

The weighted average cost of our consolidated debt has increased from 3.24% (excluding CARES) at the beginning of FY23 to 4.73% at the end of June 2023 which is reflective of the increase in base rates over that period.

At 30th June approximately 73% of the consolidated group debt is hedged at an average base rate of 2.57%.

Slide 21 Funding

Turning to the Funding Group debt profile and post 30th June we have repaid $1bn of the facilities that were due to mature in 1HFY25 with new committed revolving bank loan facilities which mature in 1HFY26, these were refinanced at similar margins to the facilities they were replacing.

Over the next six months we will commence a process to extend the tenor of each of the $500m tranche of the sustainability linked loan maturing in 1HFY25, 1HFY26 and 1HFY27 by a further 2 years each. Facilities considered surplus to requirements will be terminated upon completion of refinancing activities scheduled during 1HFY24.

Slide 22 – Capital Expenditure

Moving to capital expenditure in more detail. Total spend across the regions was $772m, with declines in spend by Ramsay Santé and the UK acute hospital business offset by a full year of the Elysium business and higher spend in Australia. Spend in Australia was above the prior period but below our previous forecast due to the impact of building approval delays and other related bottlenecks.

FY24 spend is now expected to be in the range of $890m to just over $1bn and will include higher digital and data capex in Australia.

I will now hand you back to Craig for some comments on strategy and the outlook.

Slide 23 – Strategy and Outlook

Thanks Martyn

Slide 24– Group Strategy

As I have said, we still believe that Ramsay is well positioned to benefit from the strong industry tailwinds driving long term growth. These include 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 is also resulting in increasing health care costs for Governments creating commercial opportunities to partner for private healthcare providers.

As we leave behind the disruption of the last few years, we are recalibrating our long-term strategy and positioning in the market. While we remain committed to our strategy of creating an integrated digitally enabled healthcare services platform, the emphasis of our investment program will evolve with changes in the market.

The priority is to continue to 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 the core, driving an improved outcome for patients. This will drive top line growth and an improvement in margins over time. We remain disciplined about M&A and we are not considering any material offshore acquisitions at the current time.

Slide 25 – Group Outlook

Turning to the immediate outlook

We expect Group FY24 earnings will reflect mid-single digit top line growth driven by low to mid-single digit growth in activity levels combined with higher reimbursement rates which are not currently reflective of the inflationary environment.

As we saw in FY23, 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.

In the short term our focus will be on improving the performance of the Australian business and returning the Elysium business to a stable platform from which it can take advantage of the growth opportunities in the mental health services market.

Slide 26 – FY24 Outlook

On Slide 26 there is some guidance around various metrics for FY24 which I will leave you to read.

Before we open up for questions I would just like to reinforce that, while in the short term we will have to cycle through the impact of inflationary cost pressures, the quality of our portfolio combined with our industry leading talent gives us great confidence that we are well positioned to take advantage of the forecast growth in demand for healthcare services.

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