



# ASX Announcement

30th August 2024

## Underlying earnings<sup>1</sup> growth driven by activity, productivity and tariff indexation

- Activity growth continues
- Focus on payors
- Accelerating transformation programs
- Disciplined portfolio management
- Balance sheet strengthened
- Expect growth in activity and NPAT from continuing operations in FY25

## Group Financial Highlights

Year Ended 30th June A\$m	2024	2023	Chg (%)	Chg (%) cc <sup>1</sup>
Revenue from contracts with customers	16,660.2	14,963.9	11.3	7.3
<b>Total revenue and other income less interest income</b>	<b>16,772.1</b>	<b>15,329.3</b>	<b>9.4</b>	<b>5.4</b>
Earnings before finance costs, tax, depreciation, amortisation and rent (EBITDAR)	2,276.4	2,149.6	5.9	2.3
Earnings before interest and tax (EBIT)	997.6	1,001.4	(0.4)	(1.8)
<b>Profit after tax from continuing operations (after non-controlling interests)<sup>2</sup></b>	<b>270.6</b>	<b>278.2</b>	<b>(2.7)</b>	<b>2.4</b>
Profit after tax from discontinued operations	618.1	19.9	-	-
<b>Net Profit after tax attributable to owners of the parent</b>	<b>888.7</b>	<b>298.1</b>	<b>198.1</b>	<b>203.1</b>
Non-recurring items included in profit after tax from continuing operations	(29.5)	27.5	(207.3)	(197.7)
<b>Underlying Profit after tax from continuing operations (after non-controlling interests)</b>	<b>300.1</b>	<b>250.7</b>	<b>19.7</b>	<b>24.5</b>
Fully Franked Final Dividend per share (cps)	40.0	25.0	60.0	-
Fully Franked Full year Dividend per share (cps)	80.0	75.0	6.7	-
Fully diluted earnings per share (EPS) (cps)	380.9	124.8	205.2	-

<sup>1</sup> Constant currency

<sup>2</sup> On 13th November 2023 Ramsay announced that together with its partner Sime Darby Berhad (Sime Darby), it had entered into an agreement to sell its 50:50 joint venture in Asia, Ramsay Sime Darby (RSD). The transaction was completed on 28th December 2023. The investment in RSD has been re-classified as a discontinued operation in the FY23 & FY24 results

## CEO and Managing Director Craig McNally

"I am pleased to report an operating result that reflects the benefits of growing patient activity and productivity improvement programs across all of our regions. We have made some progress with private sector payors on tariff indexation, however tariffs from payors remain out of touch with cost inflation. The bottom line result also reflects the \$618m cash profit on the sale of our Asian joint venture Ramsay Sime Darby (RSD), which has strengthened our balance sheet. As a result the Funding Group leverage ratio is now within our target range at 2x.

"Margin recovery has been slowed by the significant cost inflation impacting the private hospital industry over the last few years. Wage inflation exceeding expectations remains a critical risk. Tariff outcomes for the UK and France from 1st April and 1st March 2024 respectively were well below recent inflation levels making earnings growth in both markets challenging in FY25. A united effort by the private hospital sector in France has resulted in a further increase in tariff indexation from 1st July 2024. We continue to work with both public and private payors to advocate for tariffs that reflect the cumulative impact of inflation on the cost base over the last few years as well as inflation moving forward.

"In response to the changing healthcare landscape we are focusing on programs that optimise and drive greater value from our core hospital network, while also investing in the transformation of the business to create digitally enabled, integrated patient centric care pathways. While this investment will continue to impact margin recovery for the next few years, it will ultimately deliver sustainable top-line growth and significant productivity improvements. We will ensure we apply rigorous discipline around both our brownfield capex and transformation programs however it is critical that we invest today to leverage our leading industry position and brand to ensure we remain at the forefront of shifting stakeholder demands and expectations.

"Patient activity is forecast to grow in FY25, albeit the rate of growth is expected to be slower than in FY24. We expect NPAT from continuing operations to increase. Margin recovery will be impacted by further investment in business enablement, particularly in digital and data programs in Australia, and the ongoing gap between wage inflation and tariff indexation most notably in the UK and Europe.

"We were pleased to realise significant shareholder value through the sale of RSD. We will continue to take the same disciplined approach to reviewing the business in the context of optimising shareholder returns and assessing a range of strategies to unlock value to drive improved performance from our market leading portfolio of assets."

<sup>1</sup> Underlying earnings = Net profit after tax and non-controlling interests from continuing operations excluding non-recurring items

## Review of Results

Statutory net profit after tax and non-controlling interests increased 198.1% compared to the pcpc. The result includes the net profit after tax realised on the sale of Ramsay's Asian joint venture RSD of \$618m (cash proceeds of \$926.9m). The result was impacted by the weaker Australian dollar against both the Pound and the Euro compared to the pcpc. In constant currency (cc) terms the result increased 203.1%.

The Board determined a fully franked final dividend of 40.0 cps taking the full year dividend to 80.0cps an increase of 6.7%, representing a payout ratio<sup>2</sup> of 72.0% slightly above the previously stated target range of 60-70% of net profit from continuing operations.

The result reflects:

- A 7.3% increase in revenue from patient activity in cc driven by activity growth in all regions combined with indexation increases and the benefit of new capacity coming online;
- EBIT from continuing operations was flat on the pcpc reflecting an improved result from Australia and strong growth from the UK region offset by a decline in earnings from Ramsay Santé. EBIT from continuing operations includes a negative contribution from non-recurring items of \$36.4m compared to a benefit of \$42.1m in the pcpc. Excluding the impact of this EBIT increased 6.1% in cc to \$1,034.0m;
- Net financing costs (incl. AASB16 lease costs) increased 22.8% in cc inclusive of a negative non-cash mark to market movement on swaps related to Ramsay Santé's debt facilities of \$34.6m. Excluding this impact, net financing costs increased 9.6% to \$578.4m;
- The effective tax rate on earnings from continuing operations was 31.5% compared to 34.4% in the pcpc reflecting the non-assessability of some non-recurring items and lower non-deductible interest in the UK due to the improvement in earnings in the region; and
- Net profit after tax and minority interests from continuing operations increased 2.4% in cc to \$270.6m. Excluding the impact of non-recurring items, the result increased 24.5% in cc to \$300.1m.

### Operating earnings growth in all regions driven by improvements in patient activity and productivity....

**Ramsay Australia** reported a 2.9% increase in EBIT driven by a 6.1% growth in revenue. The result was underpinned by 3.1% growth in admissions combined with an improvement in productivity and increases in tariff indexation. The region increased its investment in digital, data and cyber security programs with related opex increasing \$35.8m to \$72.7m.

**The UK region** reported a 141.5% growth in EBIT in cc on a 13.5% increase in revenue. The strong result reflects a 6.6% increase in admissions in the UK acute hospital business, combined with a higher level of case acuity, improving productivity and the benefit of tariff increases. This was combined with a significant turnaround in the performance of Elysium driven by growth in available beds, improving occupancy levels, a material reduction in the use of agency labour and lower staff turnover.

**Ramsay Santé** reported a 6.5% increase in revenue from patient activity in cc underpinned by 3.3% increase in hospital admission activity and good growth in primary and allied health care admissions in the Nordics. EBIT declined 32.7% in cc reflecting the impact of the gap between cost inflation and the indexation of tariff over the last few years and the 80.7% decline in government support payments. Non-recurring items in FY24 contributed a negative \$24.8m to EBIT compared to a positive contribution of \$43.1m in the pcpc. Excluding the impact of non-recurring items, EBIT in cc declined 17.6%.

## Outlook

As a market leader Ramsay remains well positioned to benefit from the favourable dynamics underpinning the long term outlook for the healthcare industry. In light of short term industry challenges, the Company's immediate priorities are focused on a range of transformation programs in each region that optimise and drive greater value from the core hospital network, an improved patient experience, sustainable top line growth, productivity improvements and operating efficiencies.

Ramsay currently expects growth in NPAT from continuing operations in FY25. Factors driving earnings will include:

- Activity growth in all regions, albeit at a lower rate than in FY24;
- Margin recovery will be impacted by further investment in business enablement, particularly in digital and data programs in Australia, and the ongoing gap between wage inflation and tariff indexation;
- Each region will continue to push for tariff indexation that reflects the cumulative impact of inflation on the cost base over the last few years, as well as inflation moving forward;
- Following completion of the Ramsay Santé refinancing, FY25 net interest expense (inclusive of AASB 16 lease costs) is forecast to be \$590-620m; and
- The dividend payout ratio is expected to be 60-70% of Net Profit after tax and minority interests.

The performance of the business will continue to be reviewed in the context of optimising shareholder returns. A range of strategies are actively being assessed to unlock value and drive improved performance from the Company's portfolio of assets.

<sup>2</sup> Payout ratio calculated on basic earnings per share from continuing operations after CARES dividend

## Appendix: Financial Results

Year Ended 30th June A\$'m	2024	2023	Chg (%)	Chg(%) cc <sup>1</sup>
<b>CONTINUING OPERATIONS<sup>2</sup></b>				
Australia	6,061.6	5,711.0	6.1	-
UK	2,360.8	1,941.2	21.6	13.5
Europe	8,357.8	7,686.9	8.7	2.9
<b>Total segment revenue &amp; other income</b>	<b>16,780.2</b>	<b>15,339.1</b>	<b>9.4</b>	<b>5.4</b>
Australia	813.1	797.0	2.0	-
UK	318.4	208.9	52.4	42.4
Europe	1,144.9	1,143.7	0.1	(4.8)
<b>EBITDAR</b>	<b>2,276.4</b>	<b>2,149.6</b>	<b>5.9</b>	<b>2.3</b>
Rent on short term or low value leases	(150.7)	(147.4)	(2.2)	(3.6)
Australia	802.4	786.3	2.0	-
UK	314.0	206.3	52.2	42.3
Europe	1,009.3	1,009.6	-	(4.8)
<b>EBITDA</b>	<b>2,125.7</b>	<b>2,002.2</b>	<b>6.2</b>	<b>2.7</b>
Depreciation	(1,029.9)	(940.3)	(9.5)	(4.9)
Amortisation & impairment	(98.2)	(60.5)	(62.3)	(44.3)
Australia	572.5	556.5	2.9	-
UK	160.6	63.8	151.7	141.5
Europe	264.5	381.1	(30.6)	(32.7)
<b>EBIT</b>	<b>997.6</b>	<b>1,001.4</b>	<b>(0.4)</b>	<b>(1.8)</b>
Financing costs (AASB16 Leases)	(280.5)	(253.0)	(10.9)	(5.7)
Net other financing costs (net of interest income)	(332.5)	(221.3)	(50.2)	(42.7)
<b>Profit before Tax</b>	<b>384.6</b>	<b>527.1</b>	<b>(27.0)</b>	<b>(26.6)</b>
Income Tax Expense	(121.3)	(181.5)	33.2	32.0
<b>Profit after tax from continuing operations</b>	<b>263.3</b>	<b>345.6</b>	<b>(23.8)</b>	<b>(19.7)</b>
<b>Profit after tax from continuing operations (after non-controlling interests)</b>	<b>270.6</b>	<b>278.2</b>	<b>(2.7)</b>	<b>2.4</b>
Non-recurring items in NPAT	(29.5)	27.5	(207.3)	(197.7)
<b>Underlying Profit after tax from continuing operations (after non-controlling interests)</b>	<b>300.1</b>	<b>250.7</b>	<b>19.7</b>	<b>24.5</b>
<b>DISCONTINUED OPERATIONS</b>				
Profit after tax from discontinued operations	618.1	19.9	-	-
<b>Net profit after tax for the period</b>	<b>881.4</b>	<b>365.5</b>	<b>141.1</b>	<b>145.2</b>
Attributable to non-controlling interests	7.3	(67.4)	110.8	111.0
<b>Net Profit after tax attributable to owners of the parent</b>	<b>888.7</b>	<b>298.1</b>	<b>198.1</b>	<b>203.1</b>
Final dividend per share (¢)	40.0	25.0	60.0	-
Total dividend per share (¢)	80.0	75.0	6.7	-
Basic Earnings per share (after CARES dividend) (¢)	381.6	125.1	205.0	-
Fully diluted earnings per share (after CARES dividend) (¢)	380.9	124.8	205.2	-
Basic Earnings per share (after CARES dividend) (¢) from continuing operations <sup>2</sup>	111.1	116.4	(4.6)	-
Fully diluted earnings per share (after CARES dividend) (¢) from continuing operations <sup>2</sup>	110.9	116.1	(4.5)	-
Weighted average number of ordinary shares (m)	228.5	227.9	-	-
Fully diluted weighted average number of shares (m)	228.9	228.4	-	-

<sup>1</sup> Constant currency

<sup>2</sup> On 13th November 2023 Ramsay announced that together with its partner Sime Darby Berhad (Sime Darby), it had entered into an agreement to sell its 50:50 joint venture in Asia, Ramsay Sime Darby (RSD). The transaction was completed on 28th December 2023. The investment in RSD has been re-classified as a discontinued operation in both this year and last year's results.

For further details please refer to the Appendix 4E and Operating and Financial Review

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

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