Ramsay Health Care

ASX ANNOUNCEMENT

27 August 2020

RAMSAY HEALTH CARE DEMONSTRATES RESILIENCE IN TIME OF CRISIS AND A STRONG BALANCE SHEET TO SUPPORT ITS GROWTH STRATEGY INTO THE FUTURE

Financial Highlights

- Statutory net profit after tax down 47.9% to $284.0 million (down 40.0% on a like for like basis[1])
- Core net profit after tax[2] (Core NPAT) down 43.0 % to $336.9 million (down 34.4% on a like for like basis[1])
- Core earnings per share[3] (Core EPS) down 44.5% to 155.9 cents (down 35.9% on a like for like basis[1])
- Group[4]:
  - Revenue up 7.3% to $12.4 billion
  - EBITDAR[5] down 7.0% to $2.0 billion
- Australia/Asia:
  - Australia Revenue down 2.2% to $5.1 billion
  - Australia EBITDAR[5] down 23.2% to $781.3 million
  - Equity accounted share of Asia joint venture net profits down 18.2% to $15.9 million
- United Kingdom:
  - Revenue down 4.9% to £494.8 million
  - EBITDAR[5] down 10.6% to £89.2 million
- Continental Europe[4]:
  - Revenue up 14.3% to €3.9 billion
  - EBITDAR[5] up 8.5% to €641.1 million
- Final dividend has not been declared. Interim dividend 62.5 cents fully franked, up 4.2% on the previous corresponding period.

Overview

Ramsay Health Care today reported statutory net profit after tax, attributable to members of the parent (after adjusting for net non-core items after tax) of $284.0 million, a decrease of 47.9% on the previous corresponding period. On a like for like basis[1] this represented a decrease of 40.0% on the previous corresponding period.

Group Core Net Profit After Tax (Core NPAT) of $336.9 million, for the year ended 30 June 2020 decreased by 43.0% on the previous corresponding period. On a like for like basis[1] this represented a decrease of 34.4% on the previous corresponding period.

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[1] The New Lease Accounting Standard (AASB16) was adopted on 1 July 2019 and comparatives have not been restated, as permitted under the transitional provisions in the standard. In order to make meaningful comparison of the results, commentary has been provided on a like for like basis under the Old Lease Accounting Standard (AASB117) for FY20 and FY19.
[2] Before net non-core items. It is our intention to no longer separate our profit between core and non-core going forward
[3] Core EPS is derived from core net profit after CARES dividends
[4] Ramsay Santé has consolidated the earnings of Capio since the acquisition date on 7 November 2018. As the final square up of the revenue guarantee will not be performed until March 2021 and the grant income recognised for Ramsay Santé is based on the current estimate at hand at the time of issuing the Ramsay Group financial statements, these estimates may be updated and produce a different outcome for the 31 December 2020 Ramsay Group half year results. Similarly, the Ramsay Santé accounts will not be issued until October 2020 and these estimates may be updated and produce a different outcome to the management accounts.
[5] EBITDAR is before non-core items

Overview continued

Core NPAT delivered Core EPS of 155.9 cents for the year, a decrease of 44.5% on the previous corresponding period. On a like for like basis[1] this represented a decrease of 35.9% on the previous corresponding period.

As previously announced, the Company will not be paying a final dividend on ordinary shares for FY'20. The CARES dividend due for payment on 20 October 2020 will be paid.

Ramsay Health Care Managing Director Craig McNally said the business had been tracking well until the end of February 2020. "At our interim results we reaffirmed our FY'20 guidance of core EPS growth on a like for like basis of 2% to 4%. However, the extraordinary circumstances posed by the COVID-19 pandemic on the Company's operations around the world resulted in us withdrawing guidance in March 2020 and had a significant impact on the full year result.

"With the onset of the pandemic in March 2020, the sustainability of the business and ensuring that we protected the wellbeing of our patients, staff and doctors was overwhelmingly our primary focus. This was one of the most remarkable periods in my 33 years with the Company and I am extremely proud of our global teams and how they responded to the crisis – delivering for each other and delivering for our patients, all the while strengthening our culture of 'people caring for people'."

He said due to the pandemic, elective surgery restrictions were imposed in most regions from March 2020 creating a significant level of uncertainty. "Ramsay led industry discussions with all levels of government in our major regions – Australia, UK and France – to make our facilities available to the respective national efforts, and in return, we were successful in securing agreements with government in the form of a viability guarantee.

"Ramsay's hospitals around the globe continue to play a critical role in supporting governments, caring for patients and our communities and ensuring that our facilities are made available and remain fully staffed. I am pleased to report that no Ramsay employees were stood down because of the pandemic.

"This period has been filled with example after example of our hospitals, doctors and staff stepping up to care for thousands of COVID-19 patients and volunteering to work in aged care and public facilities.

"It has been an extremely challenging time for our staff and doctors as we have pivoted to support national efforts during this crisis. COVID-19 has impacted our financial result this year but, importantly, it has reinforced our role as a leading health care and hospital provider in our major regions.

"The period demonstrated what an incredible, and resilient, organisation Ramsay Health Care is. We have accomplished a lot over the period including an equity raising, and we are well positioned for the long term."

Segment Results

Australia

For the full year, revenue in Ramsay's Australian operations decreased by 2.2% and EBITDAR decreased by 23.2%.

Mr McNally said before the pandemic Ramsay's Australian division was on track to meet full year targets but was significantly impacted by elective surgery restrictions during the last quarter.

"We entered partnership agreements with governments in New South Wales, Queensland, Victoria and Western Australia to maintain full capacity and make our facilities available to assist with the national COVID-19 response. In return, Ramsay received Net Recoverable Costs, as defined in these agreements, hence the business was broadly breakeven at the EBIT level for the four-month period between March and June 2020."

He said Joondalup Health Campus was one of the first facilities in the country to treat a large cohort of COVID-19 patients. "With very little notice and over one weekend, Joondalup took in 30 patients suffering with coronavirus from the Artania cruise ship and cared for these patients without any cross infection to staff, doctors or other patients demonstrating their amazing expertise and ability to manage in a crisis and receiving much praise from these patients".

He said most agreements were paused or ceased on 30 June 2020 as elective surgery restrictions eased. Ramsay's Australian hospitals experienced increased surgical demand from July as they started to ramp back up to full capacity.

"With the exception of Victoria, surgical activity so far in FY'21 has been above last year. However, volumes in medical specialties are recovering more slowly."

"We are also experiencing additional costs associated with increased PPE usage, more costly PPE on a per unit basis, social distancing requirements, staff costs involved in screening patients, staff and visitors, and increased cleaning regimes."

He said the rapid escalation of the crisis in Victoria demonstrated that it was too early to make any conclusive statements about the near term. "Elective surgery restrictions were reintroduced in Victoria in late July and we recommenced the agreement with the Victorian government on 23 July 2020.

"Through July and August, our hospitals in Victoria have been caring for COVID-19 patients and assisting public hospitals with urgent surgery work, while many of our staff are currently providing up to 60 shifts a day in aged care facilities.

"Despite the current situation, we are positive about the longer term. The relationships we have developed with governments has put us in a strong position to continue to support the public sector in dealing with the backlog of work into the future.

"We are also very proud of how our teams in Australia have delivered for our patients during this crisis. Our overall Net Promoter Score (NPS) for Q4 was 77.8 - the highest we have ever achieved. For the full year FY'20 our NPS was 75 (up from 73 in FY'19); and in an outstanding achievement, Ramsay Australia recorded zero sentinel events during the whole of FY'20.

In relation to brownfield developments, he said the Company remained committed to investment and in FY'20, Ramsay Australia completed 11 projects with a total investment of $255 million, consisting of 295 gross beds (net 222), 11 theatres and 85 consulting suites.

Towards the end of the financial year, two major projects were completed earlier than anticipated at North West in Brisbane and John Flynn on the Gold Coast. During FY'20, the Board approved a further $196 million in projects including 209 net beds, 7 theatres, 13 consulting suites and a new emergency department.

Continental Europe

Overall, for FY'20 Ramsay Santé's revenues were up 14.3% and EBITDAR was up 8.5%. For the first half of FY'20, Ramsay Santé's revenues were up 44.3% and EBITDAR was up 38% reflecting the consolidation of an extra four months of Capio earnings (Capio was acquired 7 November 2018). The second half of FY'20 was negatively impacted by COVID-19, with revenue down 5.3% and EBITDAR down 10.5%.

Mr McNally said: "Ramsay Santé was on track to meet full year targets before COVID-19 hit Europe and was recording strong activity to that point. However, our hospitals across the region were heavily impacted by the pandemic. June activity was better than expected both in France and the Nordics, contributing to a positive result in that month".

"Ramsay Santé received a revenue guarantee from the French government which applies from 1 March to 31 December 2020. Sweden also received government support during the period, specifically in relation to St Göran's Hospital.

"Notably, our facilities in France, Italy and Sweden have been at the forefront of the pandemic, caring for over 7,000 COVID-19 patients. Our staff travelled from all over France to assist at the frontline in the worst affected areas in Paris. We commend the efforts of these staff and doctors who worked tirelessly while supporting the families of the patients who died with coronavirus in our facilities during the period.

"In Sweden our Capio-Flow digital consultation platform in the Proximity Care business was well utilized during the crisis expanding almost threefold to over 33,000 consultations per month by June.

"Surgical activity in France and the Nordics has been ramping up since June, although it is now impacted by the summer vacation period. There remain concerns of a second wave in Europe and while our business has performed well at the start of this year, there are still many uncertainties and it is too early to make any predictions about FY'21.

"Ramsay Santé continues to make good progress on the integration of the Capio business. We expect to achieve identified synergies but the timing of the realization of these synergies has been impacted by the COVID-19 pandemic."

United Kingdom

On the back of a strong first half, Ramsay UK continued to perform well at the start of the third quarter. However, like other regions, Ramsay UK was heavily impacted by COVID-19 and elective surgery restrictions. For the full year, revenue was down 4.9% and EBITDAR was down 10.6% on the previous year.

Ramsay UK led the industry discussions on making hospitals available to the NHS and an agreement was reached with NHS England for the COVID-19 period where Ramsay received net cost recovery for its services, including operating costs, overheads, use of assets, rent and interest, less a deduction for any private revenue. As a result, the business was broadly break even at the EBIT level for March to June 2020.

Mr McNally said: "Most of Ramsay's UK facilities were made available to the national effort and we performed 13,000 urgent operations for the NHS by the end of June (33% of the independent sector). In addition, our staff volunteered to work in NHS ICU or palliative care wards during the crisis and we loaned ventilators to the NHS.

"Importantly, the crisis has seen many new services move into our hospitals and the engagement built with NHS Trusts has positioned Ramsay UK well for the future.

"Uncertainties still remain in relation to the pandemic in the UK and the duration of the current agreement with NHS England, which remains on foot. We are in negotiations with NHS England to extend and vary this agreement with a possible December 2020 end date."

Mr McNally went on to say that Ramsay UK would participate in the contract tender process recently launched by the NHS to identify operators to assist with reducing waiting lists over the next four years. More than 50,000 patients have now waited at least a year for treatment and waiting lists are predicted to hit 10 million by December 2020.

Asia

There were no restrictions imposed on elective surgery during the pandemic in either Malaysia or Indonesia, therefore there were no government viability guarantees put in place. However, movement control orders in these countries impacted patient volumes during the pandemic.

"Our hospitals in Asia contributed to the care of COVID-19 patients, treating hundreds of patients during the period," Mr McNally said.

"We are starting to see patient volumes in these regions gradually increase."

<u>Balance Sheet Strength and Liquidity</u>

During the second half of 2020 Ramsay Health Care undertook an equity raising of $1.5 billion. This action was taken to strengthen Ramsay's balance sheet and provide financial flexibility in order to navigate an uncertain operating environment.

Proceeds from the equity raising have been used to partially repay Ramsay Funding Group's revolving debt facilities, which remain available for redraw.

As a result of the equity raising, the Group Consolidated Leverage Ratio[6] has reduced from 3.1x at 30 June 2019 to 2.0x as at 30 June 2020.

The Group has available undrawn debt capacity and cash headroom of around A$3 billion (equivalent). The next scheduled debt maturity is not until October 2022.

The equity raising puts Ramsay's balance sheet in a strong position to implement our strategic objectives, including continuing our brownfield developments and providing the ability to take advantage of other opportunities that may arise in the future.

Outlook

Mr McNally said FY'20 had been an extraordinary year and one that has highlighted the strength and depth of Ramsay Health Care.

"Our response during this pandemic has demonstrated what an incredible and sustainable organisation we are and one that is driven to do the right thing for our patients, staff and doctors.

"The agreements we achieved with governments around the world to play our part in national efforts, not only provided us with security in the short term, but also demonstrated the strength of the private sector.

"However, many uncertainties remain with respect to the ongoing impact of the pandemic. As a result, Ramsay is unable to provide financial guidance for FY'21.

"Notwithstanding the significant near-term uncertainties, over the longer term, strong industry fundamentals remain.

"In addition to the increased demand for healthcare generally created by ageing populations with increased incidence of chronic disease, there are also now longer public waiting lists in each of our markets. We expect to play an enhanced role in relieving pressure on public waiting lists into the future.

"Following our recent $1.5 billion equity raising, Ramsay is also committed to expanding our business both in Australia and overseas, in and out of hospital where there is a strategic fit and it meets our strict investment criteria. We have a strong balance sheet to support this growth strategy."

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

Attachment: Summary of Group Financial Performance.

[6] *Note: The Group Consolidated Leverage Ratio is presented on a pre AASB16 basis, consistent with the Ramsay Funding Group debt facility documents*

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Attachment: **Table 1**

Summary of Financial Performance (Based on new Lease Accounting Standard)

- FY20 prepared under the new Lease Accounting Standard (AASB16 Leases)
- FY19 prepared under the old Lease Accounting Standard (AASB117 Leases)

	Year Ended 30 June $ millions		
	FY2020	FY2019	
	Group (1) (AASB16 Leases)	Group (1) (AASB117 Leases)	% Increase/ -(Decrease)
Net Profit After Tax (NPAT)			
Operating revenue	**12,395.5**	**11,552.8**	**7.3%**
EBITDAR	2,009.7	2,161.0	(7.0%)
EBITDA	1,843.9	1,592.1	15.8%
EBIT	952.3	1,108.0	(14.1%)
Profit attributable to members of the parent			
Core NPAT (2)	**336.9**	**590.9**	**(43.0%)**
Net non-core items, net of tax (3)	(52.9)	(45.4)	
Statutory NPAT	284.0	545.5	(47.9%)
Earnings Per Share, (EPS) cents			
Core EPS (4)	**155.9**	**281.0**	**(44.5%)**
Statutory EPS	130.5	258.9	(49.6%)

Dividends Per Share, cents			
Interim dividend, fully franked	62.5	60.0	4.2%
Final dividend, fully franked	0	91.5	n/a
Full-year dividends, fully franked	62.5	151.5	(58.7%)

Notes

(1) The FY20 period results include the impact of AASB16 Leases, while the FY19 period results were prepared under the previous lease accounting requirements (AASB117 Leases). Refer to the Overview section of the Appendix 4E for further information.

(2) 'Core NPAT' attributable to members of the parent is before net non-core items and from continuing operations. In accordance with the accounting standards Ramsay Santé is consolidated. The non-controlling interest's share of Ramsay Santé NPAT has been removed in arriving at the Core NPAT attributable to members of the parent. Ramsay Santé has consolidated the earnings of Capio since the acquisition date of 7 November 2018.

(3) Refer to the Overview section of the Appendix 4E (d) (i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result).

(4) 'Core EPS' is derived from core net profit after CARES Dividends.

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Attachment: **Table 2**

Summary of Financial Performance (like for like based on old Lease Accounting Standard)

- FY20 and FY19 prepared on a like for like basis under the old Lease Accounting Standard (AASB117 Leases)

	Year Ended 30 June $ millions		
	FY2020	FY2019	
	Group [(1)] (AASB117 Leases)	Group [(1)] (AASB117 Leases)	% Increase / -(Decrease)
Net Profit After Tax (NPAT)			
Operating revenue	**12,395.5**	**11,552.8**	**7.3%**
EBITDAR	2,009.7	2,161.0	(7.0%)
EBITDA	1,357.9	1,592.1	(14.7%)
EBIT	812.0	1,108.0	(26.7%)
Profit attributable to members of the parent			
Core NPAT (2)	**387.7**	**590.9**	**(34.4%)**
Net non-core items, net of tax (3)	(60.6)	(45.4)	
Statutory NPAT	327.1	545.5	(40.0%)
Earnings Per Share, (EPS) cents			
Core EPS (4)	**180.2**	**281.0**	**(35.9%)**
Statutory EPS	151.2	258.9	(41.6%)
Dividends Per Share, cents			
Interim dividend, fully franked	62.5	60.0	4.2%
Final dividend, fully franked	0	91.5	n/a
Full-year dividends, fully franked	62.5	151.5	(58.7%)

Notes

(1) The FY20 period results and the FY19 period results have been prepared on a like for like basis under the previous lease accounting requirements (AASB117 Leases). Refer to the Overview section of the Appendix 4E for further information.

(2) 'Core NPAT' attributable to members of the parent is before net non-core items and from continuing operations. In accordance with the accounting standards Ramsay Santé is consolidated. The non-controlling interest's share of Ramsay Santé NPAT has been removed in arriving at the Core NPAT attributable to members of the parent. Ramsay Santé has consolidated the earnings of Capio since the acquisition date of 7 November 2018.

(3) Refer to the Overview section of the Appendix 4E (d) (i) Reconciliation of net profit attributable to owners of the parent to core profit (segment result).

(4) 'Core EPS' is derived from core net profit after CARES Dividends.