

30 August 2024

RAMSAY HEALTH CARE LIMITED – FY24 RESULTS RELEASE TRANSCRIPT

Craig McNally: Good morning, everyone, and thank you for joining us today as we present our FY24 Results. I'm Craig McNally, and I'm joined by Martyn Roberts, our Group Chief Financial Officer. Today, we'll provide an overview of our performance for FY24, followed by an update on our Group strategic direction and outlook.

As we celebrate Ramsay's 60-year anniversary, I'd like to start by thanking our people and clinicians for their ongoing commitment to our patients, delivering on Ramsay's purpose of people caring for people, which has been the backbone of our success over the last 60 years.

Turning to the key takeaways from the year. We've seen activity levels continue to grow, with Group hospital admissions up 3.4%, and a good improvement in activity in Elysium and our primary and allied healthcare activities in Europe.

Combined with tariff indexation, we reported 7.3% growth in revenue from patient activity. The growth rate slowed in the second half, reflecting stronger growth in the previous period, and factors such as the cost of living, tight government budgets and government elections.

We continued to focus on discussions with our payers to improve tariff indexation to reflect inflation. We've made some progress with private payers, although we remain alert to the upward pressure on wages through both public and private EBA negotiations.

In all our regions, public payers have granted significant wage rises to various sectors of the economy, while failing to recognise the impact on private hospital operators in tariff indexation, further exacerbating the situation.

We did meet with some success in the recent private hospital industry campaign in France, resulting in additional tariff indexation from the 1st of July, and the government agreeing to treat the private system the same as the public system going forward.

Given the changing landscape, we continue to make disciplined investment in a range of transformation programmes across the regions, with a focus on driving sustainable top-line growth, productivity improvements and operating efficiencies.

We have slowed some programmes during the year to ensure business readiness and to mitigate potential risks, including our electronic health record project in Australia.

We were incredibly pleased with the outcome of the Ramsay Sime Darby sale, which reflects the benefits of running a considered competitive process and our commitment to disciplined portfolio management.

Proceeds from the sale, combined with our programme to extend the funding Group's debt maturities and establish a more orderly maturation profile, strengthened the funding Group's balance sheet, with the leverage now sitting at 2x. We expect further growth in activity in FY25, albeit we think the rate of growth will be lower than FY24, and this is expected to drive growth in net profit after tax.

Turning to the Group result. The headline statutory profit includes the net profit after tax of \$618 million from the sale of RSD. Given earnings were impacted by the weaker Aussie dollar against the euro and pound compared to last year, the movements on this slide are shown in constant currency.

The result from continuing operations was driven by improving earnings from Australia and strong growth from the UK region, offset by lower earnings from Europe and higher net financing charges.

Pleasingly, productivity continued to improve towards pre-COVID levels over the period, assisted by reducing levels of sick leave, agency use and staff turnover. In aggregate, labour costs as a percentage of revenue from patient activity declined 100 basis points over the year, despite significant wage inflation. There's still room for further improvement in productivity in all regions.

The contribution from non-recurring items at the EBIT level swung from \$42.1 million positive, primarily related to profit on the sale of a property in Norway, to a negative contribution of \$36.4 million, predominantly reflecting asset impairments in Europe and the UK.

Non-cash mark-to-market movements on interest rate swaps had an impact on net financing costs, moving from a positive contribution of \$26.8 million to a negative contribution of \$34.6 million. Removing the impact of non-recurring items in constant currency, EBIT increased 6.1% and NPAT increased 24.5%.

The Board determined to pay a fully franked dividend of \$0.40 per share, taking the full year dividend to \$0.80 per share, a 6.7% increase on the prior period. This represents a payout ratio of 72% and reflects the Board's confidence in the outlook.

I'll now cover up in more detail our progress on sustainability, but we are making good progress on our targets in this area. Ramsay recognises that our greatest asset is our workforce, and we are focused on attracting, developing and retaining the right people with the best skills to deliver excellent patient care and our business strategy.

We have continued to invest in our people, focussing on growing our own talent through apprenticeships, graduate pathway programmes and developing our internal leaders through our global and regional leadership academies. The acute global shortage of nurses and clinical staff that we experienced during COVID-19 has eased significantly, and while we do from time to time have site or skill-specific shortages, generally it's not impacting our operations. Our Ramsay Cares sustainability strategy is a foundation of the business.

We've made good progress towards our medium-term targets again this year. We are on track with our Net Zero greenhouse gas emissions goal and have delivered reductions greater than our FY24 science aligned target of 16.8% from the 2020 baseline. Engaging our suppliers remains a key focus, and we've achieved an important milestone to have independent sustainability assessments across 60% of suppliers by spend. We continue to work towards our goal of 80% coverage in FY26. I was pleased to see for the first time we also achieved our 50% gender target across our senior leadership teams.

Moving to the result in Australia, volume growth of 3.1% combined with indexation from health funds led to revenue growth of 6.3%. A focus on productivity resulted in a 2.4% improvement, but there's still opportunity to improve with less predictable activity and slightly elevated sick leave continuing to impact results.

Our investment in transformation includes programmes aimed at driving productivity through digital enablement. Net investment in digital and data programmes and cybersecurity came in at the bottom of our range at \$72.7 million. Excluding the impact of the increase in investment, EBIT grew 9.3% over the previous period.

The growth in total admissions reflected 3.6% growth in private admissions, 3.2% in DVA, and a negative 1% in public admissions. Admission trends continued to be mixed with surgical, medical, and rehab reporting positive growth, albeit the rate of growth was lower in the second half. The decline in public admissions reflects good activity increases in the three public hospitals we manage, offset by the impact of budgetary constraints in New South Wales and Victoria.

We continue to secure contracts with local health districts in Queensland, which will assist in reducing public wait lists. After growth through COVID, maternity has returned to pre-COVID trends of declining births. Added to this, it's been difficult to access clinical staff in some regions.

Ramsay has closed or consolidated maternity services where it makes sense. While psych admissions were flat overall, psych patient days increased 2.5%, reflecting higher acuity levels. Medical inpatient growth was strong at 5.5% and rehab grew at 10% reflecting the rebound in surgical admissions. Turning to our brownfield and greenfield investment pipeline.

On the back of high construction costs, challenges in the construction sector, slow approval process times and higher interest rates, a number of projects have been delayed or slowed with spend totalling \$154 million for the year. The focus continues to be on developments in our major sites that strengthen our core hospital presence and expand our treatment capacity. More than half the spend is to be invested in the expansion of Joondalup Private Hospital in Perth.

We have combined the management of our digital and data and business transformation programmes, given the majority of the programmes encompass digital enablement. This will ensure that we maintain the appropriate level of rigour around the allocation of capital and project management resources to ensure that we optimise returns. In FY24, we focus on programmes that will deliver some quick wins on productivity, customer satisfaction and top line growth, while also investing in business readiness for wider electronic health record deployment.

This has included our health hub, which has now been rolled out to 30 hospitals and has been used by over 50,000 patients to complete their administration process. Procurement optimisation is one of the key streams of work aimed at reducing waste and leveraging our scale through centralising processes and streamlining the number of suppliers. The focus in FY25 will be on optimising our approach to clinical procurement, rolling out digitally enabled processes that will enable us to identify savings opportunities.

Our EHR implementation start date has been deferred for approximately 18 months, as we've taken time to assess the various vendors and to invest in organisation readiness. FY25 capex will therefore be significantly lower than previously forecast at \$13 million to \$18 million. We will continue to invest in business readiness, which includes projects such as standardising the forms we use across our hospitals and reducing the number of equipment supplies and equipment models.

This will not only assist with the EHR project but will dramatically simplify the business. These programmes are about investing for the future, to be a more effective and efficient operator. We are building our business platform to extend our strong position in the market and deliver a modern clinical environment that enhances patient experience, clinical staff experience and productivity.

Turning to the outlook for the Australian business, our strategy is focused on optimising the performance of our existing portfolio of strategically located high quality hospitals. We are reinforcing our strong position in the market by expanding into integrated patient-centred care through digitally enabled networks. Over the medium term, the focus is on transforming the business to meet future demand.

We will continue to maintain a rigorous disciplined approach to the investment we're making in transformation and in our brownfield and greenfield capex programmes. We expect to see activity grow in FY25. The rate of growth will primarily be impacted by cost-of-living issues in the market at the current time and the return of the management contract for the Peel Health Campus in Perth to the government this month.

One of the biggest risks we see in the near term is wage inflation, further escalating with governments agreeing to pay rises in the public sector that have flow on impact to the private sector. If this continues, we will be revisiting contracts with our payers to cover the escalation.

Turning to the UK, and pleasingly, both businesses reported a strong improvement on last year. Ramsay UK grew even by 30% in constant currency, underpinned by 6.6% growth in admissions, led by a 7.1% rise in NHS admissions. The growth rate in the second half was lower as we cycled a better half in the prior period combined with the slowdown in self-pay, tighter NHS budgets at the end of their fiscal year, and uncertainty around the election.

Our new hospital Glendon Wood, contributed to growth in activity levels in the second half of the year. EBIT margins improved, reflecting an increase in higher acuity work and a focus on productivity, with the use of agency reducing as the labour market stabilised.

Elysium reported a significant turnaround in operating performance. This was driven by an increase in beds and occupancy, which drove higher average patients, combined with an increase in the average daily fee and higher specialising revenue. EBIT increased 333% in constant currency and reflected a material reduction in costs, especially labour with agency costs as a percentage of total labour costs declining 8.8 percentage points.

Our focus during the year was on recruitment, retention and the training pipeline, with a net increase of 950 people reducing the reliance on agency staff. The focus is now on retention. Moving to the outlook in the UK, the announced NHS tariff increase for the '24-'25 year commencing the 1st of March was 0.6%.

Given general cost inflation in the UK is 3% to 4%, with wage inflation impacted by the government delivering a 10% increase in the minimum wage, and a recent circa 5.5% increase in NHS nursing and other clinical salaries, this indexation is expected to be clearly inadequate. Elysium has had discussions with the various NHS agencies and expects the indexation to be materially higher than the 0.6%, but there will still likely be a funding gap impacting margins.

Ramsay UK is proactively engaging with local MPs in its hospital districts. At a national level, we're engaging with NHS England and the new Labour government to promote the ongoing use of the sector to assist in reducing the surgical backlog, and to advocate for improved tariff indexation.

Based on these discussions, we expect further growth in NHS volume in FY25. Ramsay UK has multi-year agreements in place with its private medical insurer payers, which affords it some protection against inflation, and it continues to win volume agreements from insurers. Elysium has four new side openings in FY25, which will deliver a 3% to 4% increase in available beds, with the focus on improving occupancy across the portfolio.

Growth in earnings in FY25 in the UK will be challenging, unless there is a change in tariff. In Europe, revenue from patient activity increased 6.5% in constant currency terms. This was driven by a 3.3% increase in hospital admissions, and good growth in primary care and allied health admissions, combined with tariff indexation.

Patient mix continues to evolve with soft mental health and maternity activity, and stronger growth in day admissions. It was a difficult year for the French business, as the government reverted from one-off subsidies to compensate for cost inflation and COVID impacts, back to primarily a reliance on the annual tariff indexation mechanism.

As a result, government support payments declined 81% to €18.9 million, and while the French tariff for the '23-'24 year commencing 1 March was 5.4% for medical, surgical and obstetrics work, this did not fully reflect the impact of inflation over the last few years. The tariff increase for the private sector commencing 1 March 2024 was 0.3% compared to 4.3% for the public sector.

In response, for the first time, the private sector worked together to obtain from government a commitment to treat the private sector the same as the public sector into the future. As a result of the campaign an agreement was reached, which equates to an overall 3.2% tariff increase from the 1st July this year.

The results for the four months to 30 June, 2024 only include the initial 0.3% indexation. We estimate that the delay in receiving the full tariff indexation of 3.2% cost us in the order of €17 million. The EBIT result was impacted by a negative contribution of \$24.8 million for non-recurring items compared to a positive contribution of \$43.1 million in FY23. This primarily reflects asset impairments taken at six of the French hospital sites.

The Nordics had a good year overall, benefiting from new contracts and synergies and organic growth from recent acquisitions. In constant currency the business reported 5.3% growth in revenue and excluding the impact of non-recurring items reported a 24.9% increase in EBIT.

Turning to the outlook for the business, given the current tariff situation the business is focused on a range of cost control and productivity improvement programmes to improve performance and the integration of recent investments and acquisitions in imaging and primary care.

We expect volume to continue to grow in FY25, with the rate of growth in France similar to FY24 and lower growth in the Nordics given it's benefited from new contracts in FY24. Discussions with the French Government, whoever that may be, continue around a multi-year agreement on tariffs for the 2025 to 2027 period. This would deliver some stability to the hospital sector in France based on a principle of equality of treatment between the public and private sectors.

I'll now hand over to you Martyn to run through the financials.

Martyn Roberts: Thanks very much, Craig, and good morning, everyone. As Craig outlined total revenue from patient activity grew 7.3% in constant currency terms. Depreciation, amortisation and impairment charges increased by the same number 7.3%. This primarily reflects currency movements, an increase in the depreciation of rights of use assets in Ramsay Sante, which was due to price indexation and \$50.6 million of asset impairments and accelerated depreciation taken during the year, in the UK and Europe.

These changes primarily reflect hospital impairments taken in France, the impairment of one site in the Elysium portfolio and the accelerated write-down of IT assets in the UK. The impairments and accelerated depreciation are included in the non-recurring items detailed in the pack with the impact on EBIT and NPAT from continuing operations being as Craig mentioned a turnaround from a material positive in FY23 to a material negative this year.

Stripping out these impacts group EBIT from continuing operations increased by 6.1% in constant currency and group NPAT increased by 24.5%. Net financing costs increased 42.7% in constant currency terms to \$332.5 million. This includes a negative non-cash mark-to-market on an interest rate swap in Ramsay Sante, of \$34.6 million compared to a positive impact of \$26.8 million in a prior period.

Removing the impact of those mark-to-market movements net financing costs increased by 14% in constant currency terms, reflecting increases in base rates. The effective tax rate on continuing operations was 31.5% compared to 34.4% in FY23. The rate was lower than last year, due to the non-accessibility of some positive non-recurring items this year and lower non-deductible interest in the UK than last year reflecting the improvement in earnings in the region.

The key movements and changes in the balance sheet and cash flow, relate to the sale of RSD and the use of those proceeds to repay and terminate some funding group debt. Foreign currency translation has also had an impact on values in the balance sheet, since the 30th of June in particular on intangibles and right-of-use assets.

As we explained in the half year results, cash generation is normally much stronger in the second half than the first. This has been the case again this year, with full year operating cash flow of \$1.3 billion being consistent with the prior year. Moving to leverage, on this slide we've given you the Funding Group net debt, interest cover and leverage ratios based on the calculations used by a lending group and by Fitch.

We have extended our Funding Group debt maturities and established a more orderly maturation profile. We've demonstrated our commitment to sustainability by continuing to link our financing to our sustainability goals that have KPIs and targets and they now cover 56% of our funding. Key changes which were bedded down in the second half of the year include incorporating the Elysium business and adding another two years of sustainability targets.

We've also recently entered into a sustainability deed poll to facilitate the linking of other debt instruments back to our sustainability commitments. Funding Group leverage reduced further over the second half of the year to finish at exactly two times which is within our target of two and a half times. The funding group weighted average cost of debt inclusive of margin at the 30th of June was 4.8% excluding CARES. For FY25 approximately 83% of the funding group debt is hedged at an average base rate excluding lending margin of 3.3%.

Turning to Ramsay Sante's balance sheet, as we announced a couple of weeks ago Ramsay Sante has recently completed an amendment extend of its key debt facilities which has produced a great outcome extending the average tenor of their debt from 2.9 years to 6.2 years. This gives them a lot more certainty over liquidity as we move through uncertain times in Europe.

The Ramsay consolidated group weighted average cost of debt excluding CARES post the Ramsay Sante refinancing is estimated to be 5.3% and approximately 78% of the consolidated group floating rate debt in FY25 is hedged at an average base rate excluding lending margin of 3%. Our FY25 net interest expense is currently expected to be in the range of \$590 million to \$620 million.

This range includes an estimate of the non-cash negative mark to market to be booked on the closeout of the swaps in Ramsay Sante's facilities of \$8.4 million and the impact of the increase in the margin in their new facilities which reflect the longer tenor and the recent downgrade of the healthcare sector by Moody's. Total capex spend across the regions was \$739 million which is similar to last year in constant currency terms.

Spend in Australia was lower than the prior year, Europe was flat, and the UK spend increased reflecting new facilities in both the acute business and Elysium as well as the investment in repurposing facilities. Currently we are forecasting capex spend in FY25 to be in the range of \$780 million to \$900 million dollars reflecting higher spend on brownfields in Australia, marginally higher spend in Europe and lower spend in the UK.

As we discussed at the half year in light of rising interest rates, we are applying a more conservative approach to new projects with increased hurdle rates introduced this year. Ramsay will retain a disciplined approach to capital investment ensuring it is focused on areas supporting volume and earnings growth.

And with that, I'll now hand you back to Craig for some comments on the FY25 outlook and longer-term strategic direction.

Craig McNally: Thanks, Martyn. Turning to the outlook for FY25, we expect activity to continue to grow and while the growth rate is a bit lower than we would have expected due to a range of issues we have confidence that the demographics continue to support targeted investment in our market leading footprint. We expect the increase in activity to drive growth and impact from continued operations.

I would reinforce that as we did in FY24 if wage inflation increases above our forecast levels we will be reigniting discussions with our payers to achieve fair compensation for our services. Turning to our long-term strategy the healthcare industry globally continues to be tested and as a result we expect a lot of change over the next few years. As a leader in the provision of private healthcare services we need to invest in change to build on our market position and to ensure we drive greater value from our core and improve our returns.

The longer-term growth of the private healthcare industry continues to be underpinned by structural tailwinds including technological and clinical developments, rising healthcare expenditure as a proportion of GDP the growing and ageing population and the associated rising incidence of chronic conditions which all contribute to increasing healthcare costs for governments.

Private healthcare providers have a critical role to play in supporting the healthcare system and establishing commercial solutions in partnership with governments will be an important part of that.

With Ramsay's unmatched network of strategically located facilities, world-class healthcare team, industry-leading investment in clinical excellence, trusted payer relationships, targeted push into new and adjacent services and investment in technology we feel that we are uniquely positioned to benefit from these tailwinds and deliver attractive long-term benefits to all stakeholders.

Our priority is to continue to leverage and strengthen our core hospital business through a series of transformation programmes and by investing in a wider range of services that support our core ultimately driving improved outcomes for patients.

Before handing back for questions, I'll just recap. We've seen a good pickup in activity levels across the regions and we expect further growth in activity and impact in FY25. We continue to work with the public and private payers to improve tariff indexation to better reflect the impact of inflation on our cost base.

We are investing in a disciplined way to drive sustainable top-line growth and improve productivity. We have strengthened our balance sheet, applying the proceeds from the sale of RSD to reduce leverage and we will continue to review the business in the context of optimising shareholder returns. And we are actively assessing a range of strategies to unlock value and drive improved performance from our portfolio of assets.

Finally, I'd like to say thank you again to our remarkable people, including our doctors who demonstrate every day what it means to be people caring for people. As we mark our milestone anniversary and my last results presentation, I'd like to thank all the people who have worked with us over our journey to make Ramsay what it is today.

I'll now open up for questions.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question.

Your first question comes from David Low with JP Morgan. Please go ahead.

David Low (JPMorgan): Thanks very much. Craig, thanks for all your assistance over the years. It's been very good. From our side, we're working with you. With that said, I'll start with one question on the big picture. Can we talk a little bit about what you foresee in terms of the pathway back to pre-pandemic margins?

Because, of course, the business, whether we look at Australia or whether we look at it globally, the operating margins, again, whichever level you look at them, are some hundreds of basis points lower than they used to be. I'm just wondering what your expectations are now for getting back to that level, please.

Craig McNally: Yes. Thanks, David. I'll just probably reiterate some of the comments I made in the presentation. The big picture issues are still volume as a tailwind, getting pricing right and getting pricing as a tailwind rather than a headwind. And so that's seeking tariff that reflects the inflationary environment, not just today but historically.

And then we've still got our own obligations to continue to improve productivity, hence the investments we're making in the transformation projects as much as anything else for the future. So, I certainly see no structural reason why we don't continue to improve margins.

It will take us a number of years to get back to levels that we were operating at before. But that comes with hard work on all those areas. So, we just need to continue to double down on that.

David Low (JPMorgan): Okay. Thank you for that. The other one, a little bit more specific, the government's undertaking a review of private hospitals. It feels like it's largely done at this point. But what

are your expectations; good, bad or indifferent, in terms of what could come from it, which will have implications for Ramsay's domestic business?

Craig McNally: Look, I'm certainly supportive of the government having a look. This review is really a diagnostic to understand the operating environment, the dynamics that exist between operators and payers. So, I don't want to sort of set any expectations of what will come out of the report, other than I think what has been clear, and it was clear without the review, was that the balance between providers and health funds has shifted markedly over the last few years. And blind Freddie can see that. And there's certainly a recognition that that has to shift back.

So, whatever the solutions are, I just think we are really well placed, given the quality of portfolio we have, the quality of management, the investment we make into not just physical assets, but into our people and technology, and clinical technology particularly. So whichever direction it goes, and I don't have significant expectations of what will come out in the short term.

I think what has been said is that the government aren't looking to bail out individual operators out of this process. They are looking at long-term structural issues for the sector to improve the position of the private healthcare sector itself. So, for us, whatever it is, if anything, we're in a great position.

David Low (JPMorgan): All right, good. Thank you very much for that. I'll get back in the queue.

Craig McNally: Okay. Thanks, David.

Operator: Your next question comes from Lyanne Harrison with Bank of America. Please go ahead.

Lyanne Harrison (Bank of America): Yes. Good morning, all. Good morning, Craig. Good morning, Martyn. I might start with some of your commentary around the rate of growth in activity levels being lower in 25 than in 24. We've spoken previously about backlog in the public sector, both in Australia and the UK. And you spoke also about the budgets being constrained in New South Wales and Victoria.

Can we expect that to, that the budget constraints, in your view, to last longer than the 25 year, and same with the NHS, such that we're not going to get a material increase in that public to private volume?

Craig McNally: Yes, I'd probably just separate the markets. We still expect strong volume growth in the NHS. The issue in the UK is more around tariff and the low NHS tariff than it is about volume growth itself in NHS work.

In Australia, a bit different. We've seen a dramatic increase, a decrease, sorry, in the year, but particularly in the second half of public activity in private hospitals. Putting aside the public hospitals we operate, the volume of public activity we've done has decreased significantly and more significantly in the second half.

And that is principally due to the NHS, not to the NHS, to the New South Wales government turning off the tap. So that New South Wales government turned off the tap for the treatment of public patients in private hospitals because of budgetary constraints. So, my answer to, is that going to change?

That depends on where the economy is and how much money governments want to put to reducing waiting lists. The UK government has indicated, and the new government has particularly indicated that they will address what now, they do attempt to address waiting lists, and they will use the private sector as a key component for addressing the reduction in waiting lists. The same is not clear in Australia and it is a state-by-state issue.

Lyanne Harrison (Bank of America): Okay. And then with the NHS, they do a twice-yearly revisit of those waiting lists, the next one being in September. Have you seen a pickup in NHS volume year to date, so July, August thus far, as the NHS tries to move those waiting lists down to a more acceptable level?

Craig McNally: Short answer is, probably yes. However, it's summer holidays. And so, the activity levels that you see in the first two months of the year, they're the lowest activity levels we have of the year.

And so, too small a period to draw a longer-term conclusion on. However, still confident that we'll continue to see NHS volume growth, as well as we'll see private growth in the market. Where we're not located in the major urban areas like London and where private insurance penetration is greater, but we still are seeing stronger growth, both in the take up of private health insurance and then the delivery of private health care to private insured patients.

Lyanne Harrison (Bank of America): And just one more on activity levels. You mentioned that you thought activity levels will be impacted by cost-of-living pressures. Can you provide a little bit more colour on that?

Martyn Roberts: I can answer that if you like, Lyanne. Yes, really, I mean, what we're seeing, as cost of living starts to bite, particularly in the Australian economy, people choosing to either avoid surgeries in the private sector, mainly due to the out-of-pockets that the specialists are charging. We've seen quite a double-digit increase in private activity in public hospitals I think which also gives you a data point to say that some people are choosing, even if they've got private insurance, to go to the public system to avoid those out-of-pockets. So that's really what we're referring about there.

Lyanne Harrison (Bank of America): Okay. Thank you very much.

Operator: Your next question comes from Andrew Goodsell with MST Marquee. Please go ahead.

Andrew Goodsell (MST Marquee): Thanks very much for taking my questions and actually just if I could echo David's remarks on your retirement, but I know you're around for a year, so we have other opportunities to farewell you, but yes, all the best to you. Just on my first question, with the NPAT growth guidance, can I clarify if that's on a trading basis before adjusting for the slowing of the EHR spend?

Martyn Roberts: It's the statutory NPAT, yes.

Andrew Goodsell (MST Marquee): It's just everything in with the benefit of the spend?

Martyn Roberts: Yes.

Andrew Goodsell (MST Marquee): Okay. And would, just to sort of ask in a different way, would you expect that even if I excluded that spend, you'd still be up?

Martyn Roberts: Well, we've given you the spend, so if you didn't have the spend, then the profit would increase further. And just to clarify my previous comment, just to be crystal clear, I mean, it's quite obvious, but it's continuing operations that we're going to clarify.

Andrew Goodsell (MST Marquee): And then second question, just with the wage inflation offset, I guess just trying to understand the disposition of the funds to that, if they've got any better in accommodating you, and then just how quickly can you get that turned on to bring about a timely pairing of the cost and the offset?

Craig McNally: I mean, there's a schedule of agreements that will come up over the next couple of years, but - and the agreements we've made this year, we've had certainly acceptable outcomes to reflect what we wanted to improve, but certainly it's not the end of the road for that. But if there are substantial wage increases that are above our forecast, as I said, then we won't hesitate to bring people back to the table as quickly as we can.

So, we just can't have the situation that certainly happened through COVID, where we were hanging out there for longer periods of time, trying to get benefit increases that reflected the increase in the cost base.

Andrew Goodsall (MST Marque): If you just look over the past year, would you say you've sort of been 90% successful in doing that or a hundred or what's your sort of?

Craig McNally: I mean, I'll give you my standard answer, Andrew, we don't sign the agreement unless we're happy with it.

Andrew Goodsall (MST Marque): Okay, fair enough. I'll put that at a hundred then. Good luck with it. Thank you.

Craig McNally: Thanks.

Operator: Your next question comes from Gretel Janu with E&P. Please go ahead.

Gretel Janu (Evans & Partners): Thanks very much. Good morning. Just firstly on the outlook commentary, I just want to be clear around your comment on margins. Do you expect Australia margin improvement in FY25?

Martyn Roberts: What we've said is that any margin improvement will be offset by the increased costs in digital and data and transformation.

Gretel Janu (Evans & Partners): Okay, so no margin improvement. And then just to be clear, just what happened in second half for Australia margins in terms of why were they weaker relative to first half? Were there any additional cost pressures that you saw in the second half or was it just weaker mix?

Martyn Roberts: It was really just a slowdown in volumes. Obviously, volumes help margins. That was one thing. We've seen an increased drag on psychiatric activity. That's always good margin. So, there is a mixed impact there, but we haven't seen any particular sort of ramp up in costs, whether it be wages or supplies versus the first half.

Gretel Janu (Evans & Partners): Understood. And then finally, just in terms of labour wage inflation, what are your current expectations for that underlying wage inflation in FY25 for each region at this point?

Martyn Roberts: I think what we've seen in the past is that our wage inflation tends to track pretty close to national wage inflation levels. We're currently in two EBA negotiations in WA and New South Wales. We don't know what the outcomes of those will be, but if you look at the past, that's pretty much been the case.

Gretel Janu (Evans & Partners): Okay, great. That's all I had. Thanks very much.

Operator: Your next question comes from David Stanton with Jefferies. Please go ahead.

David Stanton: Good morning, team. And thanks very much for taking my questions. Firstly, Craig, good luck and thank you for all your help you've given us over the years. Perhaps I could start with you, Craig, sort of a longer-term question as sort of a doyen of the private hospital industry. Longer term, how do you invest to increase productivity, especially in hard assets, I guess? Is there a need to sort of have a different style of hospital on a 5-to-10-year view, perhaps?

Craig McNally: Well, thanks for the opening comment for using that word, David. That will follow me. We have a range of facilities, from large, complex teaching hospitals, through to smaller niche facilities, whether they're mental health, surgical, rehab, etcetera. And you've just got to tuck your cloth to suit the types of services. Health hospitals are a volume business. So, to get efficiencies, you need volume. So, you've got to be continually looking at how you drive your top line.

And there's a range of things. There's the underlying growth in the market that helps you do that, but we're also continually looking at how we continue to grab market share, develop new services. So, we'll

continue to do that. And so, the way we then provide those services, there will be opportunities, as we see them to continue to improve productivity. We just think we have to do that, because we can sort of hand on heart over the last 20 years, say that we've been an efficient operator in the context of the market. We just need to get better.

And so, the transformation programmes that are underpinned by sort of the digital enablement will allow us to drive cost out of the business. And not only do that, it will allow us to get the skilled workforce we have focused on top of licence. So, getting nurses back to patient care rather than the administrative processes, which increases patient experience and hopefully clinical outcomes.

So, no magic bullet, but we need to continue to leverage the position we have. In terms of physical facilities, and should we see sort of more, if it's alluding to more specialist facilities, it's a really difficult investment case. So we look at what we do in Sweden, for example, where we have speciality hospitals. We've got hospitals that are single speciality dedicated to orthopaedics or ophthalmology.

And that's a legacy from decisions that were made by government around rationalisation of hospital services from 30 years ago. When we look at the Australian market, which I assume is where your question was heading, we can't make it, it's very difficult to make a business case stack up on any new greenfield investment.

So, you're going to have longer term strategic views on what you intend to do and how you intend to operate those facilities. And that's evidenced by the new capacity that's coming into the market, generally driven by property investors who want to create an asset to get a yield on. They haven't been successful economically.

So, I don't see that dynamic changing in, certainly not the short term, but even in the medium to long term, I think that's really difficult. So, leveraging existing infrastructure becomes increasingly important.

David Stanton (Jefferies): Thank you, very comprehensive. I wouldn't want Martyn to feel left out. So, the second question is for him. Can you help us with some modelling questions? Potentially, can you give us some colour around depreciation for '25, tax rates for '25, and any colour at all on minorities that you expect for '25, please?

Martyn Roberts: Yes, well, I'll start with the latter. I can't really help you with minorities, because I'll be giving you guidance on Ramsay Sante. Ramsay Sante issued their results last night. If you haven't had a chance to look at those, you can go through those and then probably make some forecasts for next year. In terms of depreciation and amortisation, we haven't given guidance, but it's been a slightly lower capex period than what we thought it would be in FY24.

So compared to our overall fixed asset base, it's not hugely material. And so, you'll see a small, probably small changes in depreciation going forward, a little bit higher, but not much more. And what was your first question, sorry?

David Stanton (Jefferies): Tax rate was a bit lower than what we were expecting?

Martyn Roberts: Yes, we purposely haven't given you, an indication of that because there's quite a lot of moving parts going on behind the scenes, with some small restructuring activities, etcetera. So, it could end up in many different outcomes. One thing that we did benefit from in FY24, so in the UK you could only deduct 30% of EBITDA in terms of interest that you can deduct from a tax perspective. So, the deductibility amount that we had in FY24 was obviously more because we had more EBITDA last year FY23, so that was certainly beneficial and we're continuing to look at ways that we can maximise or reduce the amount we pay there.

But yes, I mean, it'll be above 30% but more than that, we don't really want to sort of give any guidance because it could end up in a number of different places.

David Stanton (Jefferies): Understood. Thank you.

Operator: Your next question comes from Saul Hadassin with Barrenjoey. Please go ahead.

Saul Hadassin (Barrenjoey Capital): Yes. Good morning, Craig. Good morning, Martin. Just one question for me. Maybe, Martin, this might be one for you. Just looking at the net debt of Sante at the end of FY24, I think at the first half you'd guided or you'd advised that you'd asked the entity to look at a method to reduce debt, which didn't have you guys to be in more equity.

The net debt hasn't really moved versus first half '24 and it's up a bit on fiscal '23. So, I guess as it relates to that ratio the leverage ratio coming down or net debt coming down, what are the mechanisms that you think you might have available to you outside of just improve profitability and particularly around asset rationalisation? Thanks.

Martyn Roberts: Yes. No, thanks, Saul. Yes. As you highlighted, the gearing came down from 5.2 at the half to 4.9 at the end of the year. It's really a lot of it will depend on profitability improvements, as you say. So, tariff is a big, big factor in that. And so, if we can continue to get tariff increases and if that is above wage inflation, then that will improve. You're right.

We did ask the team to find some ways of reducing net debt. We haven't found any yet, but we continue to research those and look at those opportunities to maybe sort of sell some assets, etc. But there's nothing that's happened there. The really good news with Ramsay Sante was the refinancing they did.

So, moving that average maturity from 2.9 out to 6.2 years just gives them absolute certainty now in terms of their ability to fund the business going forward. So, some of that pressure has probably gone away a little bit. We'd still like them to have a little bit less debt, but at least it's very, very well secured debt now.

Saul Hadassin (Barrenjoey Capital): Okay. Thanks. That's all I had.

Operator: Your next question comes from Craig Wong-Pan with RBC. Please go ahead.

Martyn Roberts: I could answer that one. Craig?

Operator: Craig Wong-Pan, your line is now live. Please proceed with your question.

Craig Wong-Pan (Royal Bank of Canada): Yes. Sorry. My first question was just on the Peel Health Campus contract. Can you give some sense of the return with that being returned, what the impact will be in FY25?

Martyn Roberts: Well, we've called out that it represented about 3% of volumes in FY24 and we handed that back halfway through August. So, in terms of volumes, it does have quite a big impact. From an EBIT perspective, I would probably just say it was high single-digit millions of EBIT.

Craig Wong-Pan (Royal Bank of Canada): Okay. Thank you. And then the next question, just with the UK, I mean, it sounds like there's quite a bit of pressure there from a margin perspective with indexation limited but wage inflation high. Can you kind of just give a sense for how successful you've been in the past with lobbying for increased funding from the NHS?

Craig McNally: Well, we don't do it individually. So, we do that as part of the industry and that's both public and private hospitals engaging with the NHS. How successful that's been, it's been mixed, actually.

I mean, there's been some good increases over the years, but it comes to the country's economic position and what they can afford to give to various portfolios. So certainly, there's a recognition and a

loose mechanism, I'll say that relates to wage increases and the subsequent agreements that the NHS has made particularly on junior doctors and nurses, again should lead to increases in tariff above the 0.6%. But we can't be definitive on that, one, whether it happens or not. We think there's a high likelihood it would, but then we also can't be independent on the level it will increase to.

Craig Wong-Pan (Royal Bank of Canada): Okay. And then my last question, just turning back to Australia, just wanted to get a sense of how much work you've been providing or how much service you've been providing to the public hospitals? Is there still a lot of activity you've been providing, noting the 1% decline in admissions you saw in FY24? Is there still a lot of activity you've been providing and is there potential for headwinds there given the state government funding pressures in New South Wales and Victoria?

Craig McNally: Well, I don't know that New South Wales and Victoria can go backwards too much from where they're currently positioned. There was a significant decrease in New South Wales and Victoria didn't really ever ramp up. Certainly, Queensland's strong. Queensland has had the surgery connect mechanism in place for a number of years and so there's a culture around using the private sector. It's still a minor piece of the volume that we have.

Craig Wong-Pan (Royal Bank of Canada): Okay, great. Thank you.

Operator: Your next question comes from Steve Wheen with Jarden. Please go ahead.

Steve Wheen (Jarden): Yes. Thanks very much and good morning. Craig, I noticed that you haven't really referred to the strategic review. I just wanted to -- six months in since you kind of kicked off or certainly flagged it in the first half. I just wondered what the result of those sort of investigations have produced. If you can give any update on that would be great?

Craig McNally: All I can say I think, Steve, is that we're still reviewing the portfolio. There are issues that are obvious in the French market around tariff, government where that leads to in terms of three-year tariff cycle resolution that will impact our view. And so, we just need to continue with that. As I said at the half and I said probably at last year, when we've got something to announce that's definitive, that's what we'll do.

Steve Wheen (Jarden): So, you're still investigating the potential for selling France?

Craig McNally: No. We've never said that, Steve. But we're looking at the whole portfolio about where value can be created.

Steve Wheen (Jarden): Okay. Just that you mentioned that the French pricing protocol, which was to be set out for the next three years, where has that got to? And it was supposed to be done in July. I'm just sort of trying to understand what is delayed. Obviously, there's an election in there, but is there any chance that it will be forthcoming?

Craig McNally: It certainly was targeted for July, but then obviously the election issues got in the way of that and still forming a government still gets in the way of that. So, the discussions that got to a point in July have really been at a standstill from then and I don't think we'll get much progression or any progression until there's a resolution of what government looks like.

Steve Wheen (Jarden): Okay. The second question I had was around the Australian government's strategic -- sorry, the Australian government's review of the private hospital sector. One of the initiatives that seems to keep being brought up is this national efficient pricing model. Do you have any thoughts on the likelihood of that? Because I would have thought that you probably would be probably opposed to something like that. I just wonder how likely something like that is to get up in this, you know, as a suggestion from or a recommendation from the government?

Craig McNally: Yes. Without disclosing what happens in those confidential meetings and the likelihood of anything coming out of it, I'll just talk theoretically about national efficient price. So national efficient price, in its purest sense, you need to look at the cost base for the industry. So, you need significant data.

And so, when we reflect on where national efficient price was brought into the public sector, we looked at Victoria, it took five years to work through that process. And so, I can't see that a national efficient price theoretically assists private hospital operators who are suffering now.

So, you then look at the national efficient price and if it's based on a cost base, the cost base includes the cost of operating for inefficient operators, and so elevates the cost base and all the benefit that will be paid to efficient operators. So, in theory, a national efficient price, if we regard ourselves as an efficient operator in the sector, and it's calculated on what the cost for the sector is, we would do better out of it. But I think it's so difficult to implement, and it doesn't address what are the issues in the industry now.

The issues in the industry now, reflecting back to the comments I made earlier, are really about that shift in profitability and margin from the hospital sector to the insurance sector. That's what needs to be reversed, and I don't think a national efficient price does that. And I think, I reflect on Mark Fitzgibbon's comments last week, I won't say it's crazy, but it doesn't deliver.

I know there are a couple of non-for-profit operators who are gung-ho about it, but that may reflect the position they're in rather than what an industry position should be going forward.

Steve Wheen (Jarden): Yes, that makes sense. And just last one from me, you just keep hearing of sporadic striking activity in New South Wales. Is that of a magnitude, because it does look sort of like little spot fires here and there, but is that of a magnitude that would be impacting the start of the FY25 year?

Craig McNally: Look, they are spot fires, and I think the overall comment is you're seeing much greater industrial activity from the union movement right across different sectors of the economy. But when there is, if there's a four-hour shutdown on providing particular input, that has an impact, but only minor. They are spot fires.

Steve Wheen (Jarden): Okay, great. Thanks, Craig.

Craig McNally: You're welcome, Steve.

Operator: The next question comes from Mathieu Chevrier with Citi. Please go ahead.

Mathieu Chevrier (Citi): Yes, good morning. Thanks for taking my question, and Craig, thanks for all your help over the years and all the best for the future. My question was just on the FY25 outlook and the activity growth that you're expecting in all regions.

Are you referring here to your 7.3% growth in revenue from contracts with customers, or are you referring to the volumes that you were seeing by markets?

Martyn Roberts: We're talking about volume, Mathieu, yes.

Mathieu Chevrier (Citi): Okay. And in terms of just average pricing movement that you expect to see by region, I mean, it's pretty clear what we're going to get in France and, well, in the UK, assuming status quo. But what about Australia?

Martyn Roberts: Well, I mean, there's two factors in that if you're trying to get from volume into revenue. Obviously, one is average price and the other one's mix. We do continue to see mixed impact on revenue as there's a slow progression in terms of faster growth in outpatient versus inpatient, and also with this drag from our psychiatry business.

But other than that, on an average tariff basis, I think what we have said is that we anticipate average PHI indexation to cover our cost inflation. And as I said before, our wages is 60% of our cost base, and our wage inflation is normally reasonably consistent with the national wage increases for the country, if that's helpful.

Mathieu Chevrier (Citi): Yes, absolutely. Thanks very much.

Martyn Roberts: Thanks.

Operator: Once again, if you wish to ask a question, please press star one on your telephone. Your next question comes from David Bailey with Macquarie. Please go ahead.

David Bailey (Macquarie): Yes, thanks. Good morning. Mine's just a follow-on from Mathieu's question. So, 7% revenue this year, of which 3.5% was admissions, so you're sort of saying that for next year, admissions growth is going to be something in the order of 2% to 3%. And then can we assume a sort of similar price coming through about 3.5% in sort of getting to a revenue number for 2025?

Martyn Roberts: Well, I think you've got to break down the average rate as we were just discussing, Matthew, between the markets. So, what we do know is that currently the tariff for Ramsay UK acute business is 0.6% increase, absolutely any other changes or announcements that might come through. Elysium will be higher than that.

The tariff applies to only about half of our business in Elysium. The rest is individual negotiations with local trusts and authorities. And the nature of that business means that we'll be getting higher than that for those, but commensurately, our wage growth will be higher in that business because we've got so many people who are close to minimum wage. And you'll recall earlier in the year, the government increased minimum wage by 10%. So, our average wage increases will be higher in Elysium.

In France, you'll have seen from Ramsay Sante's announcement overnight from the 1st of July, the effective increase is 3.2%. That includes the 0.3% that we got for the last four months of last year. So that's in France. And then in Australia, I'll give the same answer I just gave to Matthew in terms of it's really trying to get indexation from the health funds that's locked in or slightly above our wage inflation number.

David Bailey (Macquarie): So maybe slightly ahead this year on price, maybe slightly above on volume coming out, something sort of similar 6%, 7% from a revenue perspective.

Martyn Roberts: I'll just reiterate what I said before.

David Bailey (Macquarie): And then flat margins effectively as well I think as well in Australia just...

Martyn Roberts: In Australia yes, in the UK I think what we've said is that any margin dollar increase is going to be very challenging because you think of Ramsay UK, acute business, 0.6% price increase on the top line, and an average 4% to 5% cost to inflation on the bottom line means that it's going to be quite challenging.

One thing just to remember is the 0.6% does apply to the NHS, so that's only 70% of our business. Obviously, we've got PHI and self-pay, which is at quite higher rates than that. So, the blended average will be higher than 0.6%, but it's still much lower than our wage inflation. So, we'll get reasonable volume increase in Ramsay UK, but EBIT dollars growth is going to be quite challenging there.

David Bailey (Macquarie): Yes, okay. So, kind of a bit better than mid-single digits, maybe on revenue. EBIT's probably going to be something similar in terms of price year-on-year?

Martyn Roberts: I think we've just said we're going to have growth in profit in FY25, David.

David Bailey (Macquarie): Yes. That's fine. Okay. No worries. Thanks very much.

Operator: There are no further questions at this time. I'll now hand back to Mr. McNally for closing remarks.

Craig McNally: Okay. Thanks, everybody for your attendance. Look forward to catching up.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]

For further information, contact:

Kelly Hibbins
Group Head of Investor Relations
Ramsay Health Care
+61 414 609 192
HibbinsK@ramsayhealth.com