

## RAMSAY HEALTH CARE (RHC)

30 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Revenue From Services (\$m)	9,176.2	8,702.5	+5.4%
Bloomberg Consensus (\$m)	9,109		
Earnings EBITDA (\$m)	1,395.9	1,313.9	+6.2%
Core Net Profit After Tax (\$m)	579.3	542.7	+6.8%
Statutory Net Profit After Tax (\$m)	388.3	488.9	-20.6%
Bloomberg Consensus (\$m)	418.3		
Final Dividend (\$)	0.865	0.815	+6.1%

### Ramsay Health Care (RHC) weighed by write-downs with subdued growth ahead

- **Private hospital operator, Ramsay Health Care (RHC)** has reported a slightly better than expected 6.8% lift in Core Net Profit after Tax (NPAT) of \$579.3m, the company's preferred method of reporting. Statutory NPAT, which includes impairment charges and other non-core items, underwhelmed with a 20.6% decline to \$388.3m predominately due to a \$122m write-down in its UK business. Ramsay had disclosed recently in June that its FY18 results would be impacted by a significant downturn in NHS volumes in its UK business, softer growth rates in Australia and the decision to temporarily slow down the rollout of the Ramsay Pharmacy franchise network.
- By far its largest earner and contributing more than half of the group's revenue and earnings, the **Australian unit lifted revenue by 5.5% to \$4,980.7m**. Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) improved 12.1% to \$896m. EBIT growth also benefitted from disciplined cost management. Admissions grew above the industry rate but still below RHC's own normal admissions rate with affordability concerns and a negative attention on private health insurance.
- In France, **Ramsay Generale de Sante (RGdS) performed in line with expectations**. Both revenue and EBITDAR (includes restructuring costs) were mostly flat. Revenue came in at €2.24b, up 0.3%, while EBITDAR was lower by 0.6% to €445.7m with restructuring costs of \$29.9 million. RGdS's restructuring program to centralise non-core hospital functions is on track for completion towards the end of 2021. In July, RGdS launched an unsolicited takeover bid for the Nasdaq Stockholm listed, Capio AB. RHC's **UK business was the worst performing segment** and below expectations. Revenue fell 5.2% to £424.2m and EBITDAR slid 9.8% £102.7m. The downturn in NHS volumes was a major negative impact while it was also had to deal with onerous lease provisions and asset write-downs. The Asian segment was boosted by a strong operating performance in Malaysia.
- In December 2017, Ramsay added 18 Qld pharmacies to its network bringing the total number to 54. RHC is looking to expand in FY19 with \$242m worth of brownfield projects in Australia. **FY19 underlying earnings growth is expected to be subdued** "driven by a combination of challenging circumstances in the UK, a slower rate of growth in Australia, and a neutral outlook in France." Ramsay is targeting positive Core EPS growth of up to 2%, and Core EBITDA growth of 4% to 6%. Ramsay announced a final fully franked dividend of \$0.865 to be paid on 28 September 2018.

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