



UNIVERSITY OF AUCKLAND
INVESTMENT
CLUB



ASX Ticker: RHC

Andrew Meng
21 April 2020



Business Overview



People caring for people

RHC is a global leader in private health care services



People caring for people



Key Financials:

Price:	\$65.50	Mkt Cap:	\$12.94bn
52 Wk. High:	\$80.93	P/E:	25.39
52 Wk. Low:	\$46.12	Div Yield:	2.35%

- Ramsay Health Care (RHC) is a private acute health care services provider founded in 1964 by Paul Ramsay in Sydney, Australia.
- RHC facilities cater for a broad range of health care needs from primary care to highly complex surgery, as well mental health care and rehabilitation.
- RHC operate ~480 locations in 11 countries across Australia, Europe, and Asia with 77,000 worldwide staff and 8.5 million patients treated annually.

RHC offer a wide range of services, with a focus on acute care



Strong worldwide focus on acute and primary health care services (72% of locations)

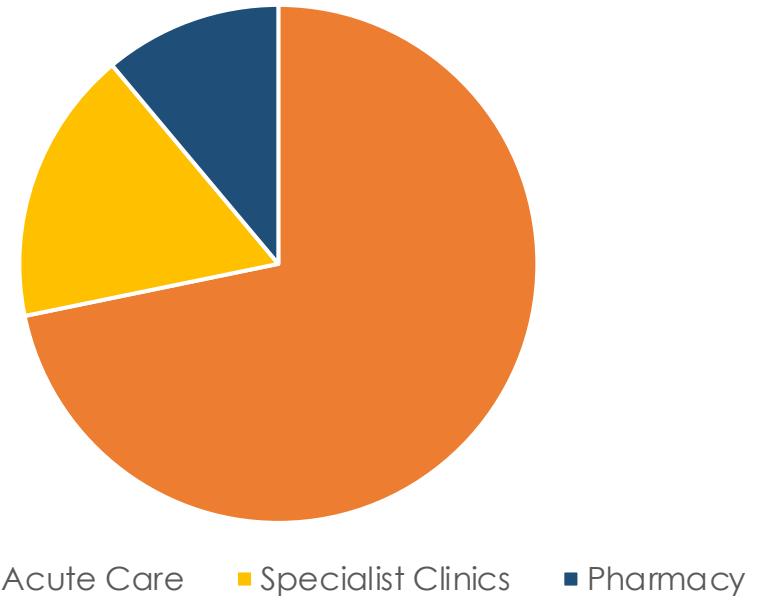


Present in a variety of specialist care markets (17% of locations)



Additional community pharmacy franchise business in Australia (11% of locations)

Worldwide Location Service Breakdown



RHC operate through four key segments



Ramsay Health Care



Australia

72 hospital facilities, 55 franchise pharmacies



Ramsay Santé



France & Continental Europe

**141 Facilities in France.
168 further facilities in Europe**



Ramsay Health Care



United Kingdom

34 hospital facilities



RAMSAY SIME DARBY HEALTH CARE

People caring for people



Asia

**8 hospital facilities in joint venture
with Sime Darby Berhad**

Timeline of recent mergers & acquisitions

1964:
RHC founded
in Sydney,
Australia



2007:
Acquisition of Capio UK,
founding of Ramsay
Health Care UK



2010:
Acquired Group Proclif,
forming Ramsay Santé

2018:
Ramsay Santé acquires Capio AB increasing
European operations by 186 facilities

2015:
Ramsay Santé merges
with Générale de Santé

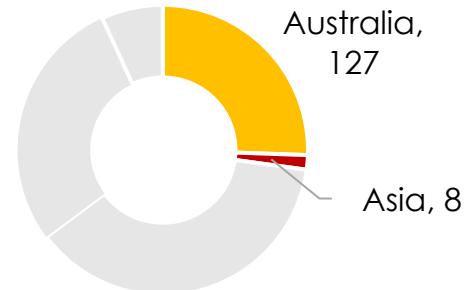
Ramsay Health Care – Asia Pacific



People caring for people



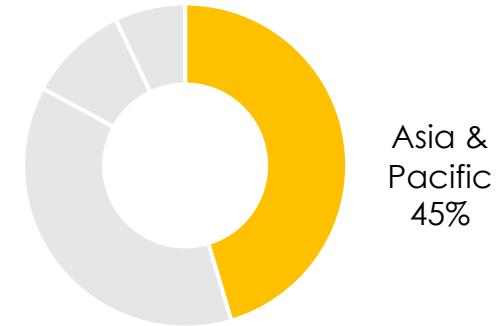
Location Breakdown



Australia,
127

Asia, 8

Revenue by segment



Asia &
Pacific
45%

Australia's largest private hospital provider with 72 hospitals and day surgery clinics. 1.1 million patients annually

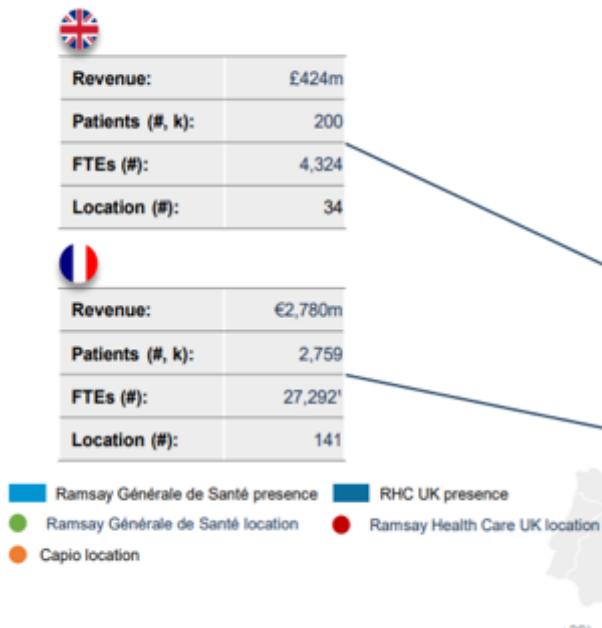
Established community pharmacy brand with **35** in-house pharmacy departments & dispensaries, and **55** community franchise pharmacies (Australia).

3 hospitals in Indonesia, 3 hospitals and 1 nursing college in Malaysia, 1 Surgery Clinic in Hong Kong.

Operating Segments

Ramsay Health Care – Continental Europe (France & Nordics)

Combined geographical footprint with strong positions in key European markets.



Nordics Data:

Revenue:	€871m
Patients (#, k):	4,077
FTEs (#):	6,556
Location (#):	151

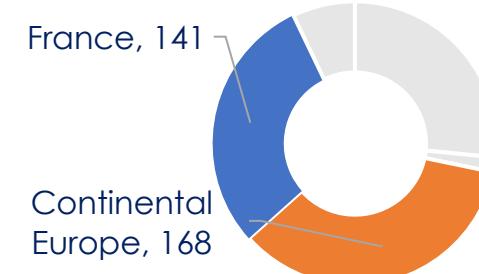
Germany Data:

Revenue:	€117m
Patients (#, k):	247
FTEs (#):	1,224
Location (#):	16

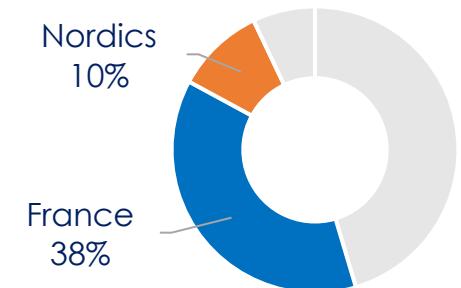
Italy Data:

Revenue:	€24m
Patients (#, k):	6
FTEs (#):	198
Location (#):	1

Location Breakdown



Revenue by segment



Market leading position in France with 116 acute care facilities and 25 mental health care facilities

2018 acquisition of Capio AB brought a further **186 facilities** including primary care units, specialist clinics and hospitals under RHC brand.

36,000 staff and treating **7 million patients annually**

Ramsay Health Care – United Kingdom

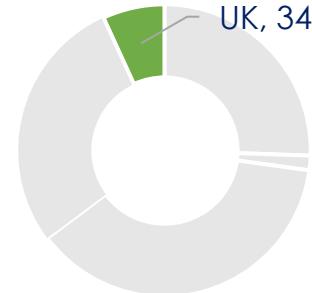


Ramsay Health Care

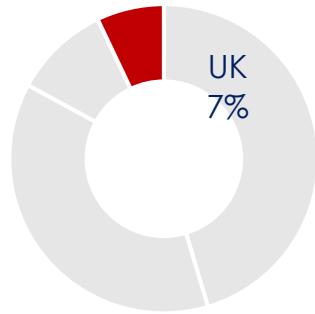
United Kingdom



Location Breakdown



Revenue by segment



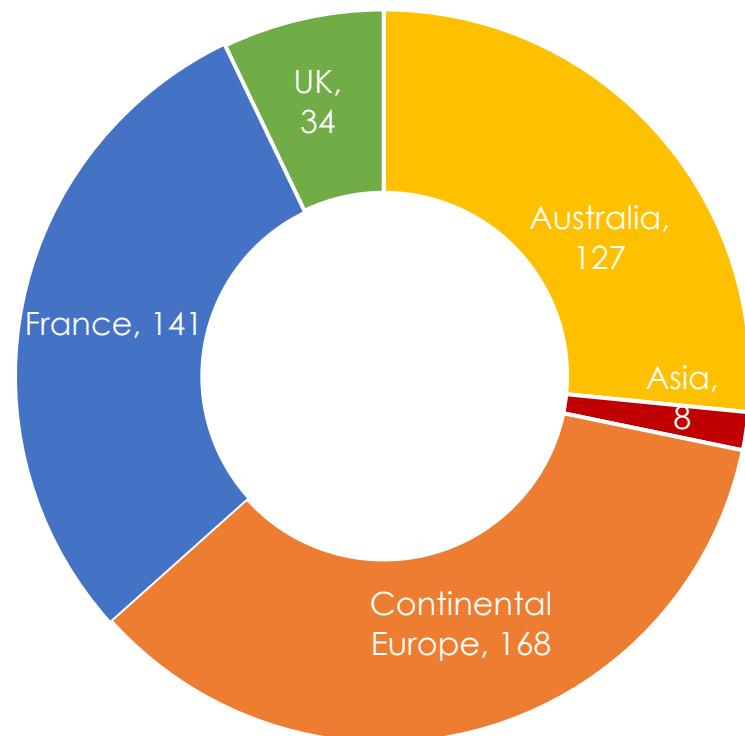
34 acute hospitals and day procedure centers.
200,000 patients per year with more than 5,000 staff

Expansion into UK through the acquisition of Capio's UK operations in 2007

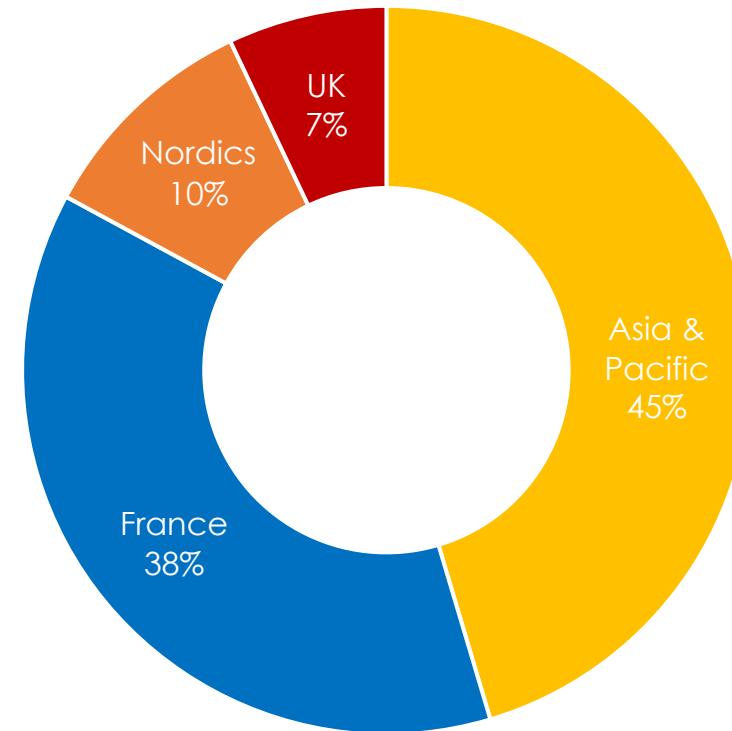
Includes **3 neuro-rehabilitation facilities** offering diagnostic imaging and neurological services

Breakdown of operating segments

Location Breakdown



Revenue by segment



*From 2019 Annual Report

Organisational Structure

Senior Management team have 130+ years combined industry experience



Chairman: Michael Siddle.

- Appointed Chairman in 2014.
- Founding Director (been with RHC since 1968), Former Deputy Chairman of 17 yrs.



MD & CEO: Craig McNally

- Appointed 2017 after 7 years as COO
- Joined RHC in 1988 and has served in Hospital Executive roles and Head of UK & Europe.

Organisational Notes:

- Decentralised management structure with respective CEOs of each geographic segment
- Individual Facility Managers are given full operational control
- Strong preference for growth by M&A to acquire local knowledge & expertise

Other Senior Management members include former Australian Chief Medical Officer and Former Chairman & CEO of Barclays France.

Industry Context



People caring for people

The global health care industry is one of the largest and fastest-growing industries



Global health care spending is forecasted to grow at a 5% CAGR to 2023.

Health care expenditure is one of the largest expenses for governments; consuming around 10.2 % of GDP for most developed nations.

Health care services account for 79.4% of the overall health care market.

Key Industry Drivers – Baby Boomers

Baby boomers will drive health care spending for next 20 yrs.

Baby boomers (ages between 55-76 years) are the wealthiest generation in most Western economies.

People aged 55+ make up 29% of population but account for 56% of health care expenditures

Group	% of Population	Average Household Net Wealth	% of Wealth in Australia
Generation Y (age 25-34)	15%	\$268,800	7%
Generation X (age 35-44)	14%	\$573,300	14%
Younger Baby Boomers (age 45-54)	13%	\$944,900	23%
Older Baby Boomers (age 55-64)	12%	\$1,239,700	30%
Builders (age 65+)	15%	\$1,040,550	26%

McCrindle Research (Australia)

THE TIMES

One in five pensioners is a millionaire as young miss out

The Telegraph

Baby boomers £78,000 wealthier than people the same age a decade ago

The Sydney Morning Herald

More than two-thirds of the \$2.3 trillion in household wealth generated in Australia in the first half of this decade went to those aged 55 or older.

Financial Times, Guardian, OECD

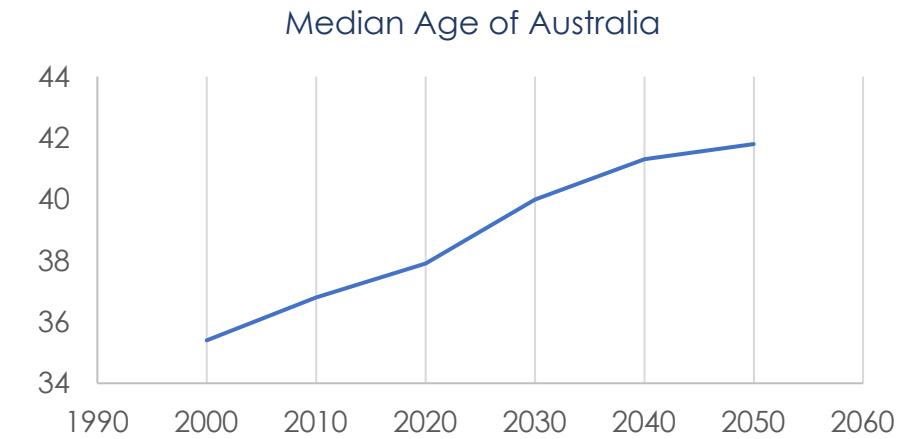
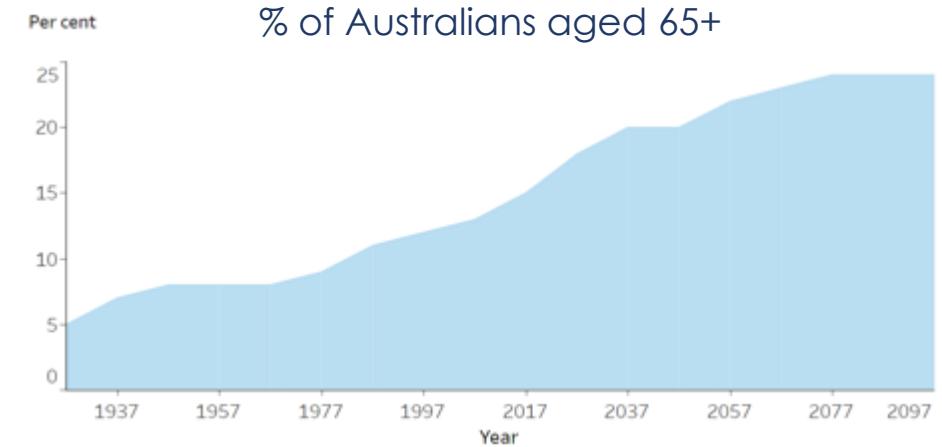
14

Large growth potential due to ageing populations – Australia



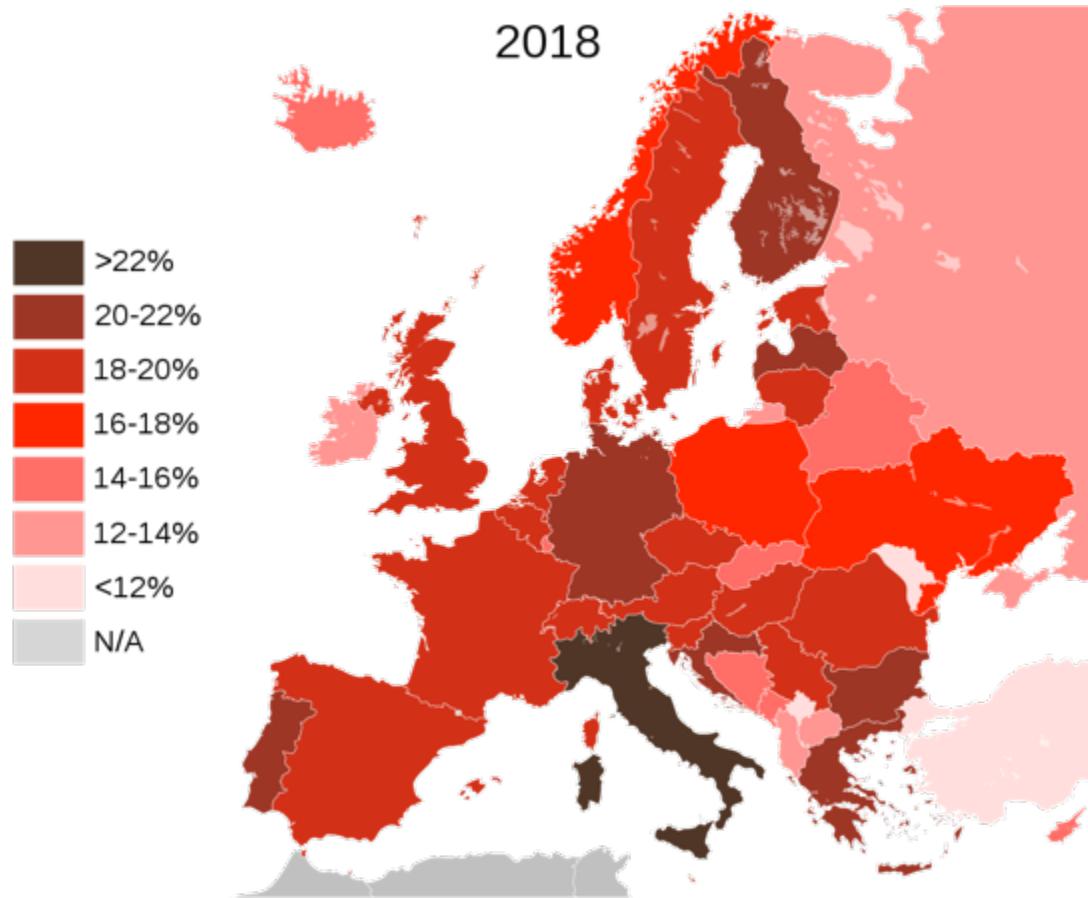
Australia

- 20% of Australia's population will be 65+ by 2035
- Ageing population driven by ageing baby boomers, increased life expectancies, and lower fertility rates
- Australian's aged 65+ comprise 15% of population but account for 33% of health care spending.
- 98% of Australia's 65+ visit a health expert once a year, 57% visit a specialist, this is 29% greater than those aged below 65.
- Acute care account for 90% of hospitalisations of Australians aged 65+



Australian Institute of Health & Welfare, Worldometer

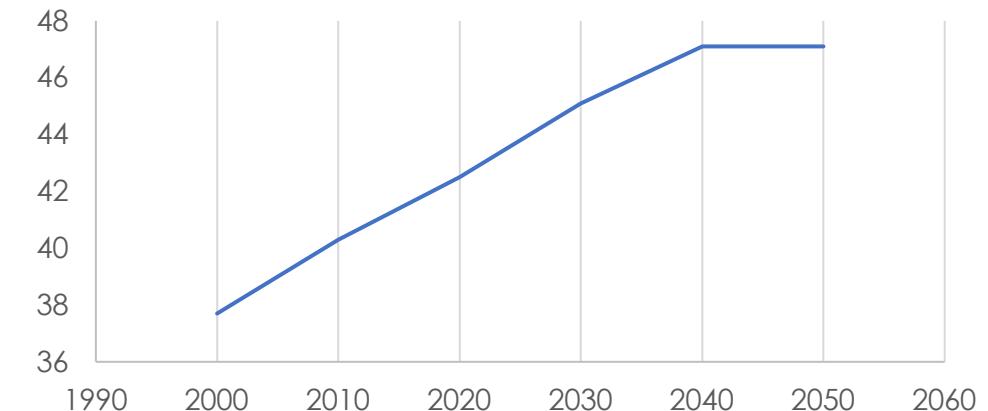
Large growth potential due to ageing populations – Europe



Europe

- 20% of EU population currently aged 65+
- Expected to reach 36% around 2050
- Also driven by higher life expectancy, and decreases in fertility
- Europe's median age will reach 47.5 in 2040 (currently 42.5 years)

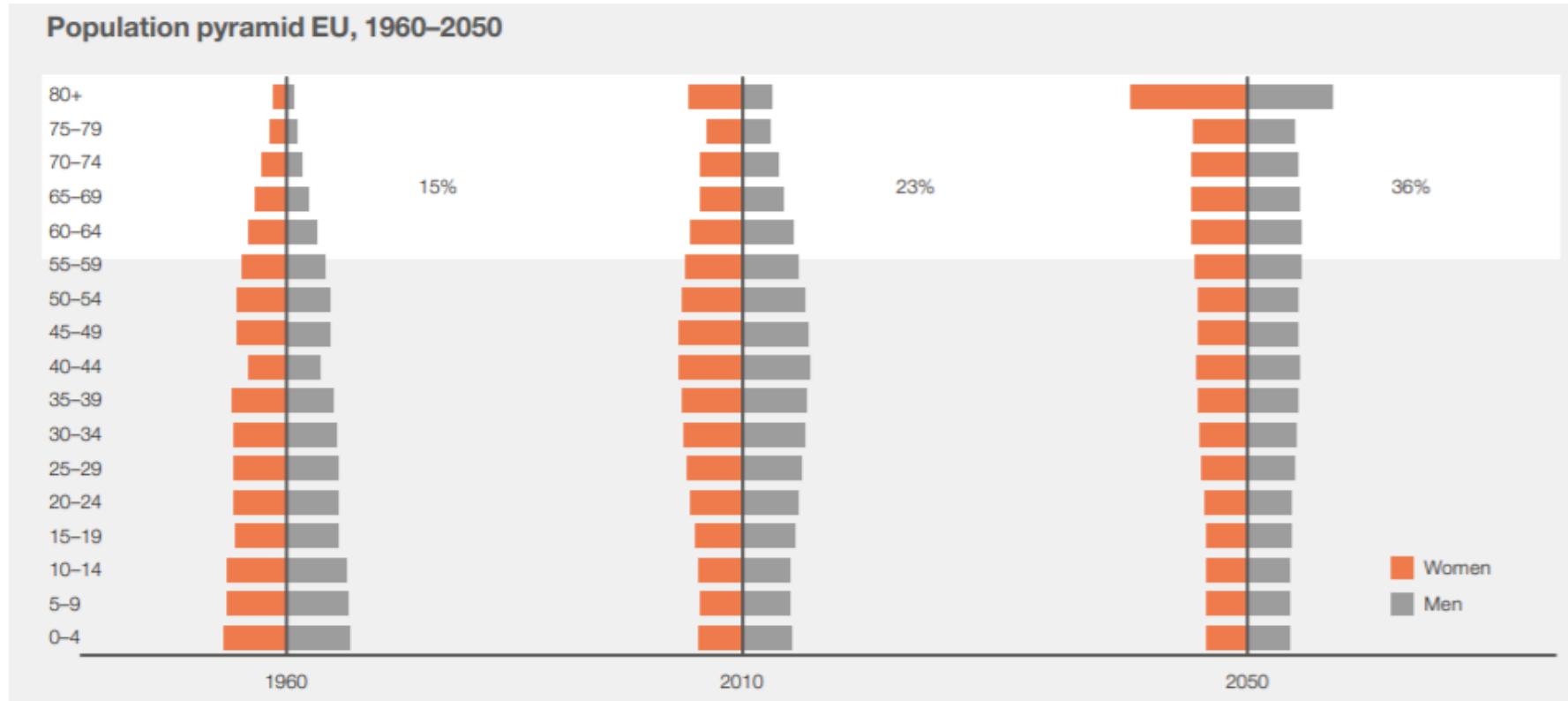
Median Age of Europe



Eurostat, Worldometer

16

Large growth potential due to ageing populations – Europe

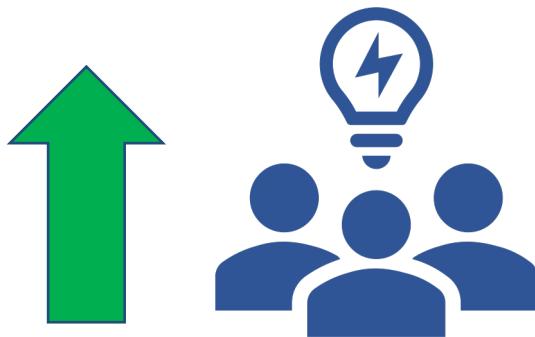


Key Industry Drivers

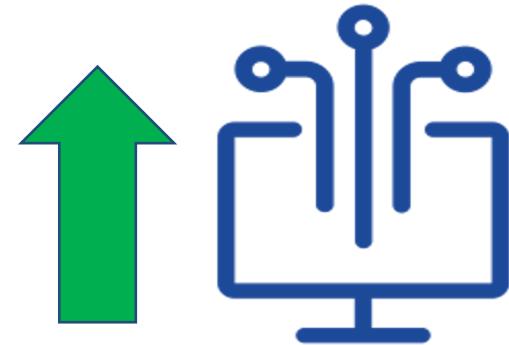
Other key drivers include increased health awareness, innovation, and the emerging markets



**Emerging middle classes
with increases in wealth
and life expectancies**

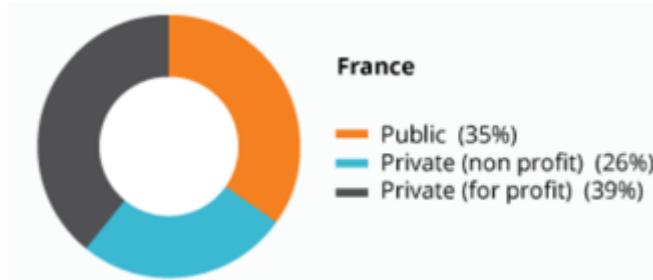
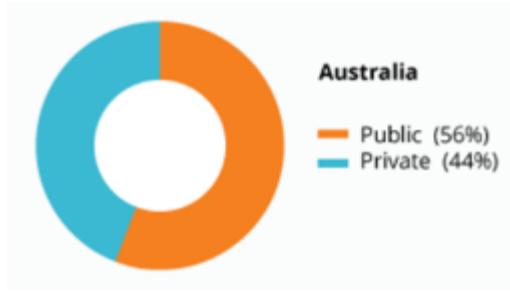


**Increased accessibility to
information and health
awareness**



**Health care innovation
and new health care
approaches**

Public Health Care systems worldwide have common problem of being under resourced to meet increasing patient volumes



- Private Hospitals account for 67% of elective surgeries in Australia.
- Australians are heavily incentivised to purchase private health insurance with rebates and additional taxes.
- Australian government is trying to reduce public hospital funding by \$50bn by 2027, increasing the need to outsource to private hospitals.
- Private health insurance growing in Sweden, with ~1m having insurance. Increase of 50% since 2010.
- Overall trends show a growing dependency for private hospital operators.

Why do people choose Private Health Care Services?

Demand for private health services stems from inefficiencies in public services



- ✓ Reduced elective surgery wait times

- ✓ Personalized service with higher doctor to patient ratios

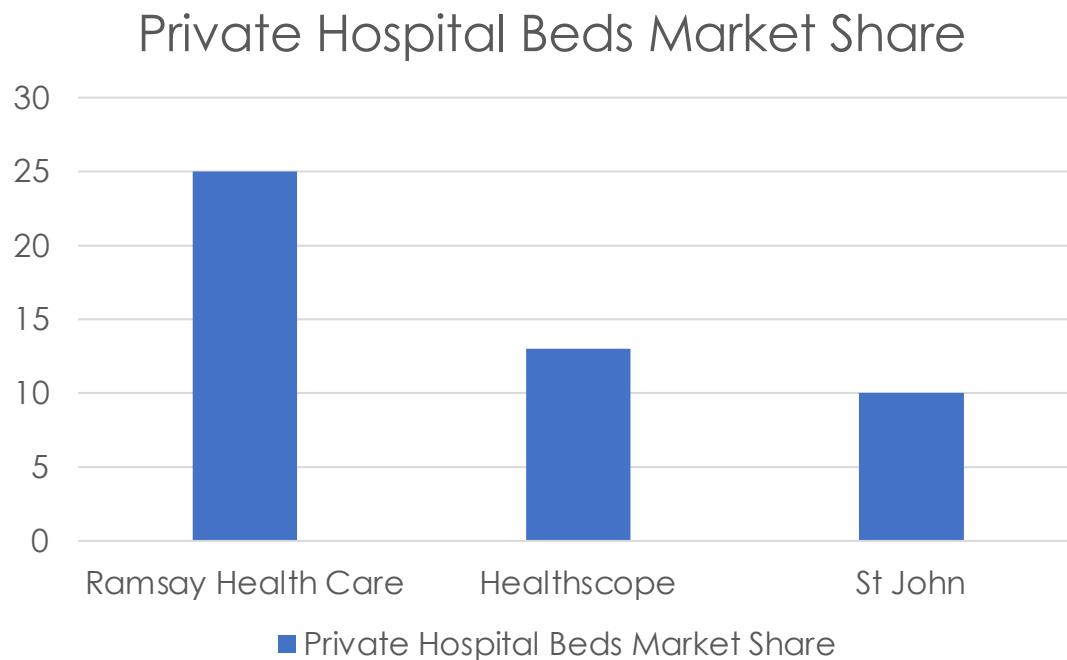
- ✓ Higher quality of care

Average wait time between 40 to 150 days depending on treatment in Aus. & EU public health systems

Ability to choose your doctor, personalized service, and shorter average length of stay

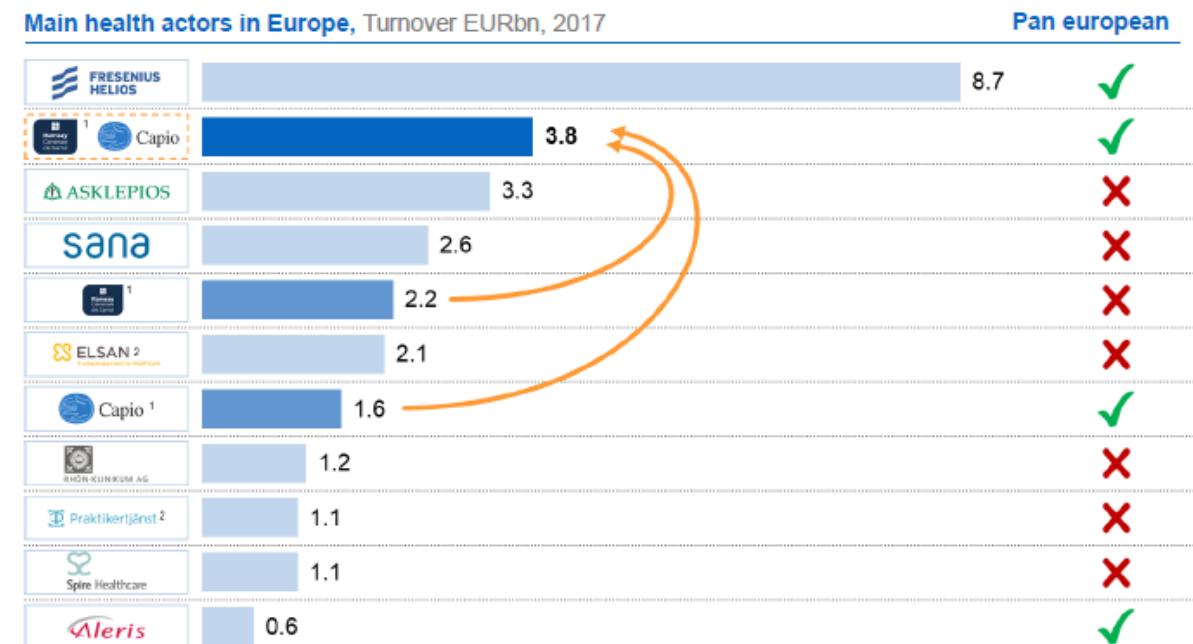
Adverse events in **6.6%** of public hospital procedures vs. **3.8%** in private hospitals

Australia



Europe

Main health actors in Europe, Turnover EURbn, 2017

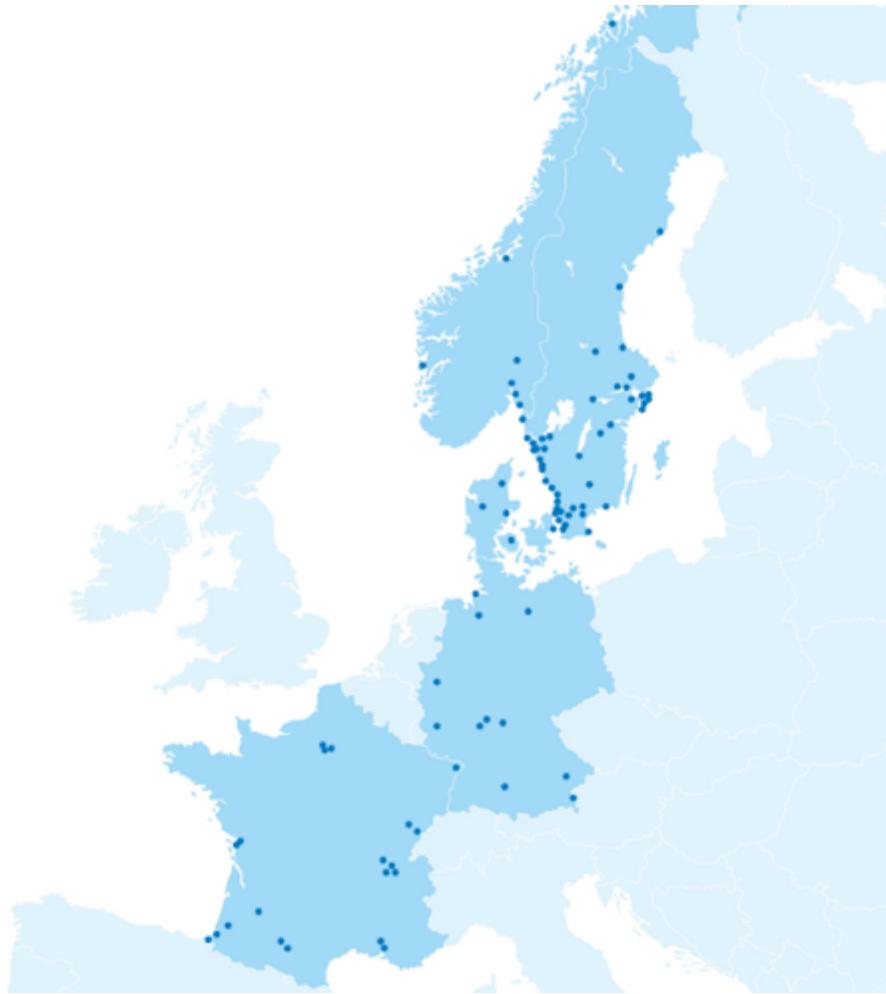


Business Analysis

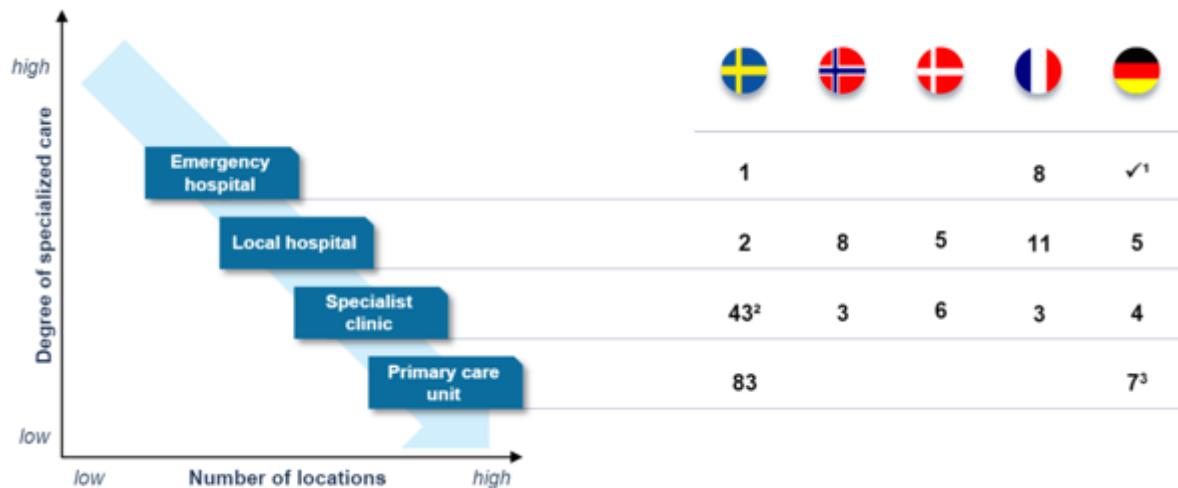


People caring for people

Acquisition of Capio AB makes RHC a dominant European player



- ✓ New market Leading positions in France & Scandinavia
- ✓ Acquisition of diverse health care services in a range of new European markets
- ✓ Significant white space unlocked in stable and high growth Nordic region



Key macro facts about Capio's markets

	 Sweden	 Norway	 Denmark	 France	 Germany
Population (2017)	9.9m	5.3m	5.7m	67m	83m
Population growth (average 2010-2017)	+0.8%	+1.2%	+0.5%	+0.4%	+0.2%
Share of population 60+ years (2017)	25%	22%	25%	26%	28%
Forecasted share of population 60+ years in 2050	30%	29%	30%	32%	38%
GDP growth (2016)	+3.2%	+1.1%	+2.0%	+1.2%	+1.9%
Healthcare spending as % of GDP (2016)	11.0%	10.5%	10.4%	11.0%	11.3%
Budget surplus / (deficit) (2016)	+0.9%	+4.0%	(0.9%)	(3.4%)	+0.8%



Attractive macro trends in the Nordics supported by sound level of healthcare spending relative to GDP

New supply chain partnership with Ascension & increased demand



- Global supply chain joint venture with Ascension; the largest private, nongovernmental health system in the US (50% interest).
- Aim to form more productive relationships with vendors and optimise the procurement of medical supplies



- Sustained increase in hospital beds & facilities to meet increased demand.
- \$242 million spent in FY2019 to complete 16 projects with 333 new beds, 30 consulting suites, 15 operating theatres.
- Annual patients treated increasing from 3.5 m to 8.5 m with acquisition of Capio AB.

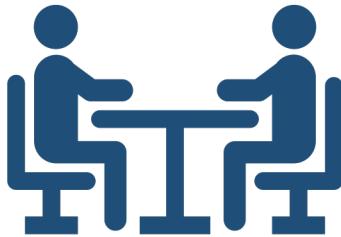
Competitive Advantages

RHC's size & reputation provide substantial moats over competitors



Presence in diverse markets

Diverse operating segments and market leading positions put RHC in prime position for projected industry forecasts



Economies of Scale

RHC's size delivers operating efficiencies & great negotiating power with private health insurers & suppliers.



Reputation

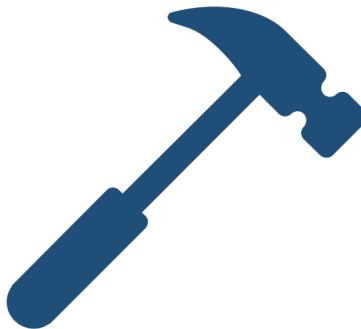
FTSE4Good Index constituent and recognisable international identity of clinical excellence.

Organic growth combined with Digitalisation, Expansion, & Collaboration



Digitalisation & Optimisation

Streamlining patient experience and optimising in-house systems.



Brownfield Expansion

\$244 million committed for brownfield projects in FY2020.
\$2 billion invested in projects over last 10 years.



Acquisition & Collaboration

Continued collaboration with public services, education, and growth through acquisition.

Key risks and mitigation strategies going forward

Risks

1. Performance of acquisitions

2. Insurance complications

3. Cyber Security

4. Doctor & Nurse Relations

5. Talent Acquisition

Mitigations

- ✓ RHC undertakes comprehensive due diligence when entering foreign markets to ensure risk of is minimized to the extent possible

- ✓ RHC maintains a regular dialogue with each of the private health funds and continues to work with them to deliver mutually beneficial outcomes as part of normal contract negotiations.

- ✓ Cyber security framework is subject to regular review. Board receives quarterly reports on how cyber risk is being proactively managed.

- ✓ Decentralised organisation structure and regular engagement to maintain a strong relationship.

- ✓ Ramsay undertakes a worldwide recruitment program for nurses to help mitigate any risks of issues with supply of talent. RHC also has educational initiatives in collaboration with govts and universities

Summary



People caring for people

Investment thesis highlights

International health care provider

Established international provider of private health services across acute & primary care, as well as strong operations in a variety of specialty fields.

Attractive industry with strong growth potential

Strong tailwinds forecasted for international health care industry, largely driven by ageing baby boomers.

Market leading positions in diverse geographical locations

Well diversified geographically to take advantage of different markets while insulated from risks in single markets.



Ramsay
Health Care



People caring for people



Ramsay
Santé

Investment thesis highlights

Acquired local knowledge and expertise

Growth by acquisition means the onboarding of local expertise & knowledge for success in all markets

Experienced Leadership

Senior Management team with 130+ years of combined experience in health care services

Competitive moat for continued growth

Strong advantages over competitors to ensure performance over competitors and the continued delivery of clinical excellence



Ramsay
Health Care



People caring for people



Ramsay
Santé



Financial Statements



People caring for people

Ramsay Health Care

Financial Highlights

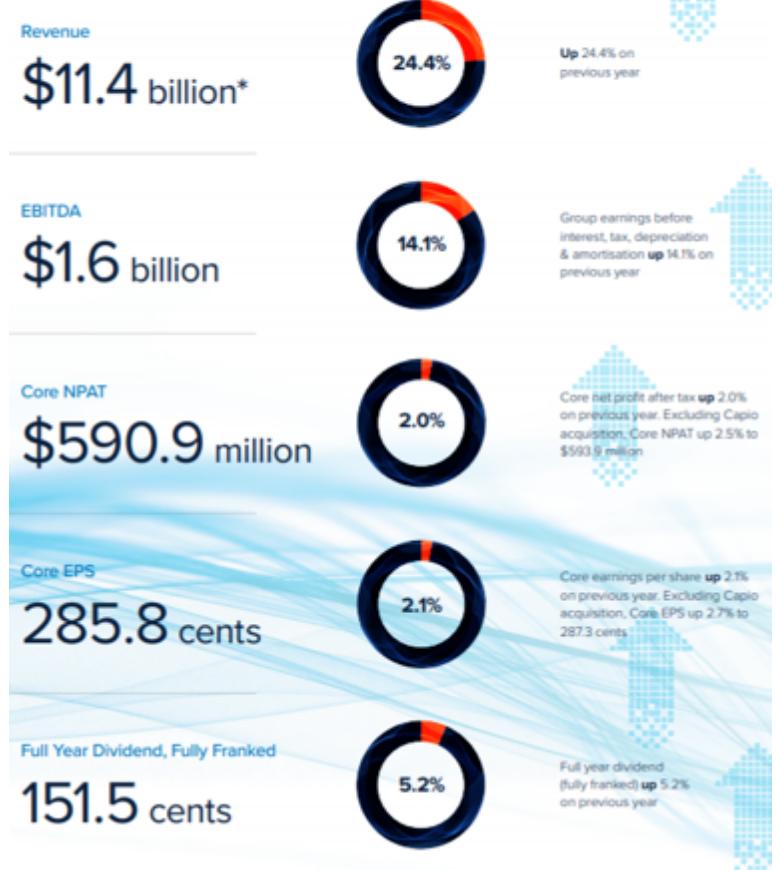
FY2017 Highlights



FY2018 Highlights



FY2019 Highlights



Overview

Industry Context

Business Analysis

Summary

Financials

Ramsay Health Care

Income Statement

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$'000	2018 \$'000
Revenue from contracts with customers	Overview,2	11,552,785	9,176,235
Interest income		6,686	4,621
Other income – income from the sale of development assets		29,883	-
Other income - net profit on disposal of non-current assets		6,635	515
Total revenue and other income		11,595,989	9,181,371
Employee benefit and contractor costs	Overview,3	(6,228,341)	(4,791,900)
Occupancy costs		(942,895)	(868,325)
Service costs		(323,390)	(260,628)
Medical consumables and supplies		(2,592,137)	(2,132,595)
Depreciation, amortisation and impairment	3	(486,273)	(419,306)
Cost of development assets sold		(19,366)	-
Total expenses, excluding finance costs		(10,592,402)	(8,472,754)
Share of profit of joint venture	14a	19,133	16,789
Profit before tax and finance costs		1,022,720	725,406
Finance costs	3	(175,890)	(117,478)
Profit before income tax		846,830	607,928
Income tax	13	(274,439)	(196,714)
Net profit for the year		572,391	411,214
Attributable to non-controlling interests		26,918	22,866
Attributable to owners of the parent		545,473	388,348
Earnings per share (cents per share)		572,391	411,214
Basic earnings per share (after CARES dividend)	5	<u>264.9</u>	<u>186.7</u>
Diluted earnings per share (after CARES dividend)	5	<u>263.3</u>	<u>185.6</u>

Ramsay Health Care

Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7a	745,450	770,566
Trade and other receivables	8a	1,588,392	1,153,653
Inventories	8b	344,796	276,112
Derivative financial instruments	7c	-	87
Income tax receivable	13	19,114	15,512
Prepayments		177,028	113,294
Other current assets		26,722	18,300
		<u>2,901,502</u>	<u>2,347,524</u>
Assets classified as held for sale		16,583	26,682
Total current assets		<u>2,918,085</u>	<u>2,374,206</u>
Non-current assets			
Other financial assets		62,682	41,528
Investments in joint venture	14a	270,299	241,446
Property, plant and equipment	10	4,643,823	4,113,162
Intangible assets	11	4,174,090	2,262,500
Deferred tax asset	13	372,697	199,528
Prepayments		11,273	11,566
Derivative financial instruments	7c	-	244
Receivables	8a	79,692	68,689
Total non-current assets		<u>9,614,556</u>	<u>6,938,663</u>
TOTAL ASSETS		<u>12,532,641</u>	<u>9,312,869</u>

LIABILITIES

Current liabilities

Trade and other payables	8c	2,369,490	1,771,569
Interest-bearing loans and borrowings	7b	107,108	100,078
Derivative financial instruments	7c	18,570	11,371
Provisions	14b	101,107	76,641
Income tax payable	13	60,112	39,507
Total current liabilities		<u>2,656,387</u>	<u>1,999,166</u>

Non-current liabilities

Interest-bearing loans and borrowings	7b	5,487,543	3,852,032
Provisions	14b	754,541	679,642
Defined employee benefit obligation	14d	215,284	80,463
Derivative financial instruments	7c	43,827	11,682
Other creditors		16,512	8,328
Deferred tax liability	13	335,477	234,147
Total non-current liabilities		<u>6,853,184</u>	<u>4,866,294</u>
TOTAL LIABILITIES		<u>9,509,571</u>	<u>6,865,460</u>

NET ASSETS

EQUITY

Issued capital	6	713,523	713,523
Treasury shares	6	(82,022)	(76,753)
Convertible Adjustable Rate Equity Securities (CARES)	6	252,165	252,165
Other reserves		(33,248)	(26,260)
Retained earnings		1,693,219	1,494,285
Parent interests		<u>2,543,637</u>	<u>2,356,960</u>
Non-controlling interests		<u>479,433</u>	<u>90,449</u>
TOTAL EQUITY		<u>3,023,070</u>	<u>2,447,409</u>

Appendices



People caring for people

Quality Scorecard FY2019

All figures in the following table are as at 30 June 2019¹

Indicator	Australia	UK	France ²	Indonesia	Malaysia
Quality and Safety					
% of hospitals with full accreditation	100%	100%	94%	100%	100%
# of never events (wholly preventable) ³	24	10	21	1	0
Rate of unplanned readmission within 28 days	0.49% ⁴	0.20%	7.52%	0.35%	0.81%
Rate of unplanned return to theatre (during same admission)	0.22%	0.14%	0.88%	0.15%	0.06%
Rate of hospital acquired staphylococcus aureus bacteraemia (per 100,000 bed days)	0.37	0.2	1.35	0	0
% of operations with a deep hip surgical site infection rate	0.49%	0.4%	1.17%	0%	0%
% of operations with a deep knee surgical site infection	0.34%	0.4%	0.67%	0%	0%
Net Promoter Score (NPS) ⁵	73	74.5	48 ⁶	N/A	N/A
Patient experience score	N/A	96.7%	N/A	99%	89%
Number of notifiable breaches of patient privacy	0	5	14	0	2

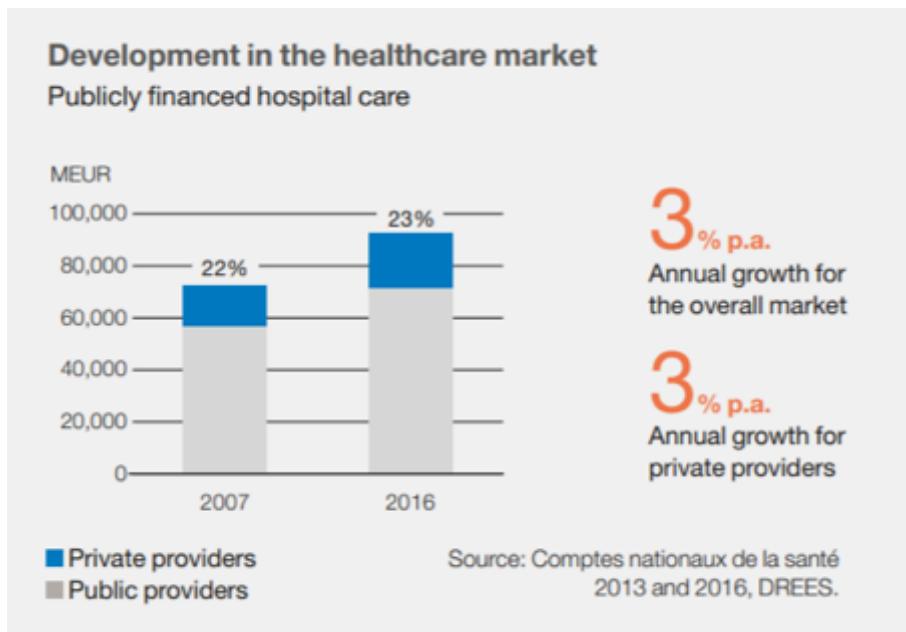
ESG Scorecard FY2019

All figures in the following table are as at 30 June 2019¹

Indicator	Ramsay Health Care Limited				
	Corporate Governance				
1. % independent directors	77%				
2. % female board directors	22%				
3. % females reporting to Managing Director	25%				
Indicator	Australia	UK	France ²	Indonesia	Malaysia
	Workplace Safety				
6. # workplace fatalities	0	0	0	0	0
7. Rate of lost time due to workplace injury	1.76	2.41	N/A	0.9	0.94
	Workforce & Labour Standards				
8. % turnover ³	16.53%	19%	6.37% ⁴	9%	17%
9. % absenteeism	5.57%	3.3%	6.93% ⁴	1%	2%
10. % female diversity (all employees)	81%	81%	82%	78%	
	Environmental Management				
11. Energy consumed (GJ)	1,046,703	219,788	1,276,200	61,563	150,001
12. GHG/CO2e emissions (tonnes)	185,431	14,537	N/A	13,327	29,125
13. Water consumed (kL)	1,234,317	223,385	1,900,000	193,767	329,417
14. % waste diverted from landfill	40.67%	54%	N/A	9.8%	21.4%
15. Waste to landfill (tonnes)	21,093	1,154	N/A	1,194.8	1,306

See notes on page 30

France



Capio Go



Capio joins the Ramsay network

In November 2018, the pan European healthcare operator, Capio AB, joins the Ramsay network.

13,500
Employees

189
Facilities

5,100,000
Patient attendances per annum

Denmark
5 hospitals
6 specialist clinics

Norway
8 hospitals
3 specialist clinics

Sweden
3 hospitals
43 specialist clinics
83 primary care units

Germany
5 hospitals
4 specialist clinics
7 primary care units

France
19 hospitals
3 specialist clinics

Capio





Ramsay
Health Care