

Ramsay Health Care

N Neutral

Near-term earnings in the ICU

Key Points

- FY24 guidance implies a weaker than expected margin outlook and higher net interest costs; this forms the basis for material EPS downgrades.
 - While the potential sale of Sime Darby may improve the balance sheet position, near-term earnings will be constrained by elevated costs/investments.
 - TP moves to A\$53.35. Retain a Neutral rating.
- **FY23 NPAT below expectations:** RHC reported FY23 NPAT of A\$298mn, up ~9% YoY (-10%/-14% vs MRE/VA). However, this includes one-off benefits of A\$28mn (vs a headwind of A\$45mn in FY22). Excluding one-off items implies FY22/23 NPAT of A\$319mn/A\$271mn, equating to YoY growth of -15% (Fig 1).
 - **FY24 guidance considerations:** RHC expect mid-single digit revenue growth for the group in FY24 (MRE +5% CC). In Australia, digital and data costs are expected to increase by A\$34-44mn vs FY23, with cybersecurity opex to rise by A\$10mn YoY. We estimate these additional costs to provide an EBITDA margin headwind of ~140bps in FY24, offsetting underlying margin improvement (Australian margins +20bps YoY - Fig 2). At the group level, net interest costs are expected to be in the range of A\$570-600mn (A\$474mn in FY23) reflecting higher base rates. The incorporation of higher Australian opex/group net interest costs accounts for the majority of our earnings changes.
 - **Potential sale of Ramsay Sime Darby:** RHC has announced that it is exploring the sale of Ramsay Sime Darby (RSD). Based on trailing 12-month EBITDA and EV/EBITDA multiples of 16-20x, we estimate potential net proceeds for RHC of ~A\$715mn-905m (Fig 3). Assuming these proceeds were used to reduce debt, we calculate that pro-forma wholly owned funding group (WOFG) ND/EBITDA (i.e. as at Jun-23) could fall to ~2.1-2.4x (Fig 4) from 3.2x, an annualised net interest benefit of A\$34-43mn and modest positive group EPS accretion (~1-3%).

Earnings changes: EPS revisions of -31%/-22%/-19% in FY24/25/26e reflect the incorporation of higher opex (implying a more gradual margin recovery vs prior forecasts) and increased net interest/D&A expenses.

Valuation: DCF-derived TP moves to A\$53.35 (from A\$62.50, -15%), capturing EPS revisions and revised capex assumptions.

Catalyst: Operating trends; potential sale of Ramsay Sime Darby; AGM (Nov-23).

Investment Thesis and Recommendation

While we see the medium-longer term outlook as favourable for RHC, we see nearer-term earnings growth as constrained by ongoing inflationary pressures, staffing constraints, digital investments and elevated interest costs. **Retain a Neutral rating.**

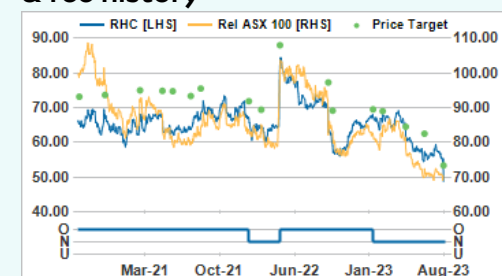
Health Care Equipment & Services Australia

RHC AU	Neutral
Price (at 24 Aug 2023)	AUD48.71
12-month target	AUD53.35
12 month TSR (%)	11.2
Volatility Index	Medium
Market Cap (Local) (m)	11,163
Market Cap (USD) (m)	7,214
30-day avg turnover (AUD)(m)	37.8

Investment Fundamentals

Year end 30 Jun	2023A	2024E	2025E	2026E
Revenue (m)	15,339	16,442	17,553	18,349
EBITDA (m)	2,022	2,222	2,572	2,773
EBITDA growth (%)	10.5	9.9	15.7	7.8
EBIT (m)	1,021	1,151	1,438	1,592
EBIT growth (%)	14.6	12.7	25.0	10.7
Reported profit (m)	285.1	315.4	517.1	618.6
Adjusted profit (m)	285.1	315.4	517.1	618.6
EPS adj (€)	125	138	226	271
EPS adj [AUD]	125	138	226	271
EPS adj growth (%)	7.6	10.6	63.9	19.6
PER adj (x)	39.0	35.3	21.5	18.0
PER rel (x)	2.6	2.3	1.5	1.3
Total DPS (€)	75.0	83.0	136	163
Total DPS [AUD]	75.0	83.0	136	163
Total DPS growth (%)	(22.7)	10.7	63.9	19.9
Total div yield (%)	1.5	1.7	2.8	3.3
Franking (%)	100.0	100.0	100.0	100.0
ROA (%)	5.0	5.5	6.7	7.3
ROE (%)	7.0	7.4	11.6	13.1
EV/EBITDA (x)	8.9	8.1	7.0	6.5
Net debt/equity (x)	109.4	108.8	102.1	97.9
P/BV (x)	2.7	2.6	2.4	2.3

RHC AU rel ASX 100 performance, & rec history



Source: FactSet, Macquarie Research, Aug 2023 (all figures in AUD unless noted, TP in AUD)

Result snapshot

What we liked

- **Australian activity trends improving:** The operating environment improved in Australia over FY23 (albeit slower and more inconsistent than expected). RHC recorded growth for surgical, medical and rehab admission vs FY19, but with psych and maternity remaining below. For 4Q23/Jul-23, solid growth was recorded for both surgical and non-surgical admissions.
- **Increased share in Australia:** APRA data (see here) implies an increase in market share of the private health insurance market for RHC in FY23 vs FY19.
- **Underlying Australian exit margins:** The 4Q23 EBITDAR margin was +200bps vs 3Q23, and slightly above full year margin of ~14%. RHC noted benefits from improved activity, operating leverage and labour cost initiatives.
- **UK acute hospital recovery:** EBIT (excl. non-recurring items) increased from -\$5mn in FY22 to \$77mn in FY23, driven by +14% in admissions, higher acuity of cases and an improved operating environment. However, inflation and labour shortages slowed margin recovery.
- **Sime Darby sale:** A sale process has commenced, with an announcement of the process outcome expected before the AGM. Equity accounted profit from Sime Darby was ~A\$20mn for FY23 (+30% vs FY22).
- **Leverage declined HoH and YoY:** Wholly owned group funding leverage (ND/EBITDA) reduced to 3.2x (3.5x in 1H23, 3.3x in FY22), with management targeting < 2.5x from potential sale of Ramsay Sime Darby and increased earnings (covenant < 4.0x).
- **Employee trends:** AUS vacancies, turnover and time-to-fill were down over FY23. The UK acute hospital business has reduced clinical vacancy levels to 9% from 13% in FY22. Elysium opened a new recruitment hub in Jan-23, on-boarding >447 net FTE including 197 international healthcare workers.

What we did not like

- **FY23 NPAT below expectations:** -10%/-14% vs MRE/VA consensus driven by higher-than-expected net interest costs (+5% vs MRE). 2H23 NPAT was -25% vs MRE.
- **FY24 outlook:**
 - ⇒ Mid-single digit top-line growth (in line with MRE in CC);
 - ⇒ Margin recovery slowed by inflationary pressures which are not reflected in reimbursement structures;
 - ⇒ Increase in Australian digital spend of A\$34-44mn (total spend \$60-70mn);
 - ⇒ D&A of A\$1.0-1.1bn (MRE A \$1.0bn);
 - ⇒ Net interest: \$570-600mn (MRE previously \$480mn); and
 - ⇒ An effective tax rate of ~30%.
- **EBIT miss despite one-off inclusion:** FY23 EBIT -2% vs MRE despite inclusion of A\$42.1mn one-off items (Sante asset sales offset by A \$20.5mn Elysium impairment). ANZ EBIT +4% vs MRE, while UK/EU EBIT was below expectations (-28%/-5%; UK less below excluding Elysium impairment).
- **French funding environment:** COVID-19 government funding -28% vs pcp. RHC note tariff increases of +5.4% and +1.9% for MSO and follow-up care/rehab tariffs (from 1-Mar 23), are insufficient to cover cumulative inflationary impacts.
- **Elysium performance:** FY23 EBITDA of A\$35mn was below estimates provided at the time of the acquisition (FY21 EBITDA ~A\$107mn), impacted by higher labour costs and lower occupancy due to acute labour shortages. However, investments in recruitment have been successful in improving on-boarding, training and retention rates, with labour as a % of revenue down to 68% in Jul-23 (73% in FY23).
- **Elysium site impairment:** A ~A \$21mn impairment to the carrying value of 3 sites (of an 84-site portfolio).

What was interesting

- **Digital and data transformation:** ~48 projects currently underway including an Electronic Health Record (EHR) project, Ramsay Health Hub (digital admission) and Predictive Insight (AI) project.
- **Digital and data benefits in FY28:** Net opex on the digital and data strategy is expected to peak at A \$70-80mn in FY25 and become an overall net benefit for AUS in FY28 (productivity, revenue growth and cost reductions/avoidance).
- **Development program:** Due to elevated building material costs and other building industry issues, RHC is targeting \$250-300mn p.a. in Australian developments over FY24-25, with a focus on larger project in the portfolio. Total FY24 capex expected to be \$890-1,020mn.
- **AUS surgical mix:** Volume growth reflected a COVID-19 backlog, with a bias towards day and short stay surgeries reflecting the lower acuity of delayed cases. Management note addressing both the public and private backlog will take several years.
- **Contracts with AUS health funds:** Completed negotiations with health funds over FY23 at rates more reflective of the current inflationary environment, with plans to revisit contracts to capture ongoing labour costs and higher expenses including state-based levies.

FY23 NPAT

- RHC reported FY23 NPAT of A\$298mn, up ~9% YoY (FY22 A\$274mn). However, this includes one-off benefits of A\$28mn (pcp -A\$45mn). Excluding one-off items implies FY22 NPAT of A\$319mn and FY23 NPAT of A\$271mn, equating to YoY growth of -15%.

Figure 1 - RHC FY22/23 NPAT - reported, underlying

	FY22	FY23	YoY	Comment
NPAT	274	298	9%	Reported
One-off	-45	28		Company disclosure
Underlying	319	271	-15%	Excluding one-off items (post tax)

Source: Company data, Macquarie Research, August 2023

Australian margins

- Digital and data opex investments are expected to increase by A\$34-44mn vs FY23, with cyber security opex also up A\$10mn YoY (~A\$85mn in total opex vs A\$37mn in FY23). We estimate these costs to provide an EBITDA margin headwind of ~140bps in FY24, offsetting underlying margin improvement.

Figure 2 - Australian EBITDA margins

	FY23	FY24	FY25	Comment
Underlying	14.3%	15.8%	17.8%	FY23 excludes A\$11mn gain on sale, A\$37mn of digital/cyber opex
Reported	13.6%	14.4%	16.7%	Includes digital/cyber opex of A\$85mn in FY24, A\$75mn in FY25
...YoY	0.8%	2.3%		Reported YoY change
Variance	-0.6%	-1.4%	-1.1%	Reported less underlying

Source: Company data, Macquarie Research, August 2023

Sale of Ramsay Sime Darby

- RHC has announced that it is exploring the potential sale of Ramsay Sime Darby Health Care (RSD), a 50:50 joint venture with Sime Darby Berhad. In estimating the potential impacts of a sale, we assume:
 - ⇒ EBITDA of ~A\$99mn for the 12-months to Jun-23.
 - ⇒ JV ND/EBITDA of 1.0x.
 - ⇒ Limited capital gains tax.
- In Fig 3, we present net proceeds for RHC at various EV/EBITDA multiples. Assuming ~16-20x, we calculate net proceeds for RHC (post CGT) of ~A\$715-905mn.

Figure 3 - RHC net proceeds from the sale of Ramsay Sime Daby

Item	Value				
	16x	17x	18x	19x	20x
EV/EBITDA multiple (x)	16x	17x	18x	19x	20x
Enterprise value (A\$mn)	1,586	1,685	1,784	1,883	1,982
Net debt (\$Amn)	99	99	99	99	99
Equity value (A\$mn)	1,487	1,586	1,685	1,784	1,883
RHC 50% share (A\$mn)	743	793	843	892	942
RHC 50% share post-CGT (A\$mn)	714	761	809	856	904

Source: Company data, Macquarie Research, June 2023

- ND/EBITDA for the wholly owned funding group (WOFG) was ~3.2x at Jun-23 (net debt of ~A\$2.7bn). Assuming net proceeds were used to reduce debt, we calculate that pro-forma ND/EBITDA (i.e. as at Jun-23) could fall to ~2.1-2.4x, with group EPS accretion of ~1-3% (loss of JV profit more than offset by lower interest costs).

Figure 4 - Revised WOFG ND/EBITDA post sale of Sime Darby

Item	Value				
	16x	17x	18x	19x	20x
EV/EBITDA multiple (x)	16x	17x	18x	19x	20x
RHC 50% share post-CGT (A\$mn)	714	761	809	856	904
Revised WOFG net debt (A\$mn)	1,951	1,903	1,856	1,808	1,760
ND/EBITDA	2.4x	2.3x	2.2x	2.2x	2.1x

Source: Company data, Macquarie Research, June 2023

Result overview

Figure 5 - FY23 result snapshot

	FY22A	FY23A	YoY %	FY23E	Var %	2H22A	2H23A	YoY %	2H23E	Var %
Revenue	13,747	15,339	12%	15,026	2%	7,055	7,954	13%	7,641	4%
Opex	11,795	13,190	12%	12,898	2%	6,104	6,886	13%	6,594	4%
EBITDAR	1,952	2,150	10%	2,128	1%	951	1,068	12%	1,046	2%
Rent	137	147	nm	139	6%	80	81	0%	72	11%
EBITDA	1,815	2,002	10%	1,989	1%	870	988	14%	974	1%
D&A	939	1,001	nm	963	4%	476	524	10%	486	8%
EBIT	876	1,001	14%	1,026	-2%	395	464	18%	488	-5%
Associate Profit	15	20	30%	20	-1%	7	8	7%	8	-1%
Net Interest Expense	353	474	34%	453	5%	164	263	61%	242	9%
PBT	539	547	2%	593	-8%	238	209	-13%	254	-18%
Tax	159	182	14%	178	2%	64	80	23%	76	4%
OEI	105	67	-36%	73	-7%	55	25	-54%	31	-17%
NPAT	274	298	9%	342	-13%	119	104	-13%	148	-30%
Abnormals	0	0	n.m	-10	n.m	0	0		-10	
Reported NPAT	274	298	9%	332	-10%	119	104	-13%	138	-25%
EPS	116	124	7%	140	-11%	50	42	-16%	57	-27%
Segmental	FY22A	FY23A	YoY %	FY23E	Var %	2H22A	2H23A	YoY %	2H23E	Var %
Revenue										
Australia	5,361	5,711	7%	5,616	2%	2,621	2,865	9%	2,770	3%
UK	1,322	1,941	47%	1,904	2%	809	1,031	28%	994	4%
France	5,017	5,291	5%	5,178	2%	2,563	2,818	10%	2,706	4%
Nordics	2,047	2,396	17%	2,327	3%	1,062	1,240	17%	1,171	6%
Total	13,747	15,339	12%	15,026	2%	7,055	7,954	13%	7,641	4%
EBIT										
Australia	452	557	23%	536	4%	175	262	50%	249	5%
UK	-26	64	-344%	89	-28%	9	32	237%	57	-44%
France	378	294	-22%	294	0%	178	150	-16%	150	0%
Nordics	72	87	21%	106	-18%	33	21	-35%	40	-48%
Total	876	1,001	14%	1,026	-2%	395	464	18%	496	-7%
EBIT margin										
Australia	8.4%	9.7%	1.3%	9.6%	0.2%	6.7%	9.1%	2.5%	9.0%	0.1%
UK	-2.0%	3.3%	5.3%	4.7%	-1.4%	1.2%	3.1%	1.9%	5.7%	-2.6%
France	7.5%	5.6%	-2.0%	5.7%	-0.1%	7.0%	5.3%	-1.6%	5.5%	-0.2%
Nordics	3.5%	3.6%	0.1%	4.6%	-0.9%	3.1%	1.7%	-1.4%	3.4%	-1.7%
Total	6.4%	6.5%	0.2%	6.8%	-0.3%	5.6%	5.8%	0.2%	6.5%	-0.7%

Source: Company data, Macquarie Research, August 2023

Earnings changes

Figure 6 - RHC earnings changes

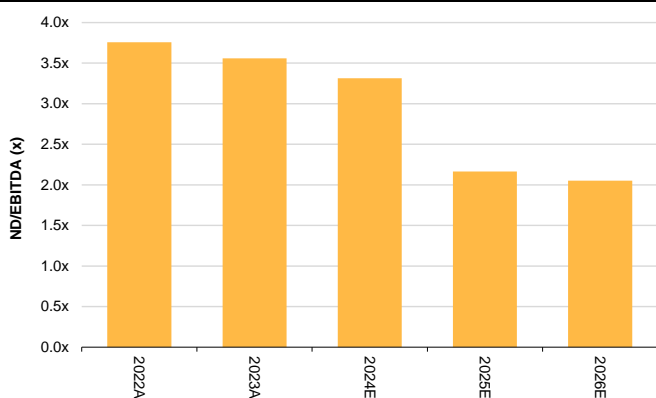
	FY23A			FY24E			FY25E		
	Old	New	Chg%	Old	New	Chg%	Old	New	Chg%
Total Revenue	15,026	15,339	2%	16,045	16,442	2%	17,131	17,553	2%
EBITDAR	2,128	2,150	1%	2,423	2,359	-3%	2,798	2,714	-3%
EBITDA	1,989	2,002	1%	2,276	2,201	-3%	2,646	2,550	-4%
EBIT	1,026	1,001	-2%	1,264	1,130	-11%	1,572	1,416	-10%
NPAT	332	298	-10%	473	329	-30%	678	531	-22%
EPS	140	125	-11%	201	138	-31%	291	226	-22%

Source: Company data, Macquarie Research, August 2023

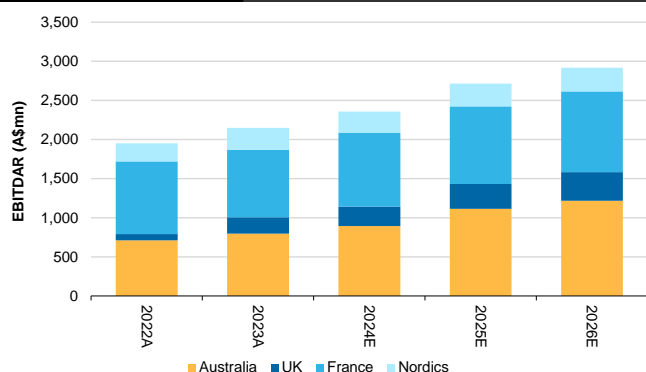
Figure 7 - RHC Financial Summary

RHC	June Year-End					Price Target: 53.35					Rating: Neutral						
Income Statement (A\$m)	2022A	2023A	2024E	2025E	2026E	Ratios	2022A	2023A	2024E	2025E	2026E						
Revenue	13,747	15,339	16,442	17,553	18,349	EPS (reported)	116	125	138	226	271						
Opex	11,932	13,190	14,083	14,838	15,430	EPS Growth (%)	-40%	8%	11%	64%	20%						
EBITDAR	1,952	2,150	2,359	2,714	2,918	DPS	97	75	83	136	163						
Rent	137	147	158	164	169	Growth (%)	-36%	-23%	11%	64%	20%						
EBITDA	1,815	2,002	2,201	2,550	2,750	Yield (%)	1%	1%	1%	2%	2%						
D&A	939	1,001	1,071	1,134	1,181	Payout ratio (%)	84%	60%	60%	60%	60%						
EBIT	876	1,001	1,130	1,416	1,568	ND/EBITDA (x)	3.8x	3.6x	3.3x	2.2x	2.1x						
Net interest	353	474	577	573	570	ROE (%)	6%	6%	6%	10%	11%						
Associate profit	15	20	22	22	24	ROIC (%)	9%	10%	11%	13%	14%						
PBT	539	547	574	865	1,021	EBITDAR margin (%)	14%	14%	14%	15%	16%						
Tax	159	182	172	260	306	EBIT margin (%)	6%	7%	7%	8%	9%						
OEI	105	67	73	75	82												
Underlying NPAT	274	298	329	531	633	Balance Sheet (A\$m)	2022A	2023A	2024E	2025E	2026E						
Abnormals	0	0	0	0	0	Cash	314	656	430	412	286						
Reported NPAT	274	298	329	531	633	Current assets	3,287	3,896	3,897	4,074	4,088						
						Fixed assets	4,807	5,238	5,609	6,028	6,444						
Segmental (A\$m)	2022A	2023A	2024E	2025E	2026E	Intangibles	5,799	6,164	6,130	6,102	6,080						
Australia	5,361	5,711	6,144	6,667	7,042	RoU assets	4,628	4,949	4,748	4,540	4,323						
UK	1,322	1,941	2,132	2,337	2,463	Other assets	953	783	805	828	851						
France	5,017	5,291	5,698	5,952	6,143	Total assets	19,473	21,030	21,190	21,572	21,786						
Nordics	2,047	2,396	2,468	2,597	2,701	Current liabilities	3,726	3,810	3,900	4,119	4,175						
Total Revenue	13,747	15,339	16,442	17,553	18,349	Long-term debt	5,174	5,862	5,862	5,862	5,862						
Australia	710	797	895	1,115	1,218	Lease liabilities	5,128	5,538	5,374	5,191	4,989						
UK	82	209	248	316	365	Other liabilities	920	997	997	997	997						
France	927	863	939	990	1,032	Total liabilities	14,947	16,207	16,132	16,168	16,023						
Nordics	233	281	276	292	303	Shareholders funds	2,198	2,216	2,216	2,216	2,216						
Total EBITDAR	1,952	2,150	2,359	2,714	2,918	CARES	252	252	252	252	252						
Australia	698	786	884	1,104	1,207	Retained earnings	1,709	1,787	1,949	2,220	2,497						
UK	80	206	246	314	363	Other equity	368	568	640	715	797						
France	826	751	819	865	903	Total equity	4,526	4,823	5,058	5,404	5,763						
Nordics	210	258	252	267	277	Cash Flow (A\$m)	2022A	2023A	2024E	2025E	2026E						
Total EBITDA	1,815	2,002	2,201	2,550	2,750	EBITDA	1,815	2,002	2,201	2,550	2,750						
						- Inc. in working capital	465	-161	138	-24	83						
						- Net interest paid	375	466	577	573	570						
						- Tax paid	229	234	172	260	306						
						+ Other	-30	-183	0	0	0						
						Operating cash flow	716	1,280	1,313	1,741	1,790						
						- Capex	709	721	960	1,078	1,126						
						- Acquisition	1,277	87	0	0	0						
						+ Other	2,015	94	0	0	0						
						Investing cash flow	30	-714	-960	-1,078	-1,126						
						- Dividends paid	371	237	168	259	355						
						+ Equity movements	0	0	0	0	0						
						+ Debt movements	-650	400	0	0	0						
						- Principal lease repayments	388	403	412	422	433						
						+ Other	-2	-2	0	0	0						
						Financing cash flow	-1,411	-242	-579	-682	-789						
						Opening cash balance	1,005	314	656	430	412						
						Net cash movement + FX	-691	342	-226	-18	-126						
						Closing cash balance	314	656	430	412	286						
						EBITDAR margin (%)											

ND/EBITDA (x) - pre-AASB 16



EBITDAR composition (A\$m)



Source: Company data, Macquarie Research, August 2023

Key Risks to Investment Thesis

- Key risks to our earnings forecasts, target price and rating primarily relate to activity trends and cost growth as well as strategic initiatives to improve RHC's balance sheet position and/or deliver shareholder value.

Company Description

Ramsay Health Care Ltd. is in the provision of healthcare services and the operation of hospitals and day surgery facilities. It operates through the following segments: Asia Pacific, UK, France and Nordics. The company was founded by Paul Joseph Ramsay in 1964 and is headquartered in Sydney, Australia.

Key Quant Pick

The quant model currently holds a neutral view on Ramsay Health Care. The strongest style exposure is Quality, indicating this stock is likely to have a superior and more stable underlying earnings stream. The weakest style exposure is Growth, indicating this stock has weak historic and/or forecast growth. Growth metrics focus on both top and bottom line items.

Macquarie Alpha Model: Key rankings

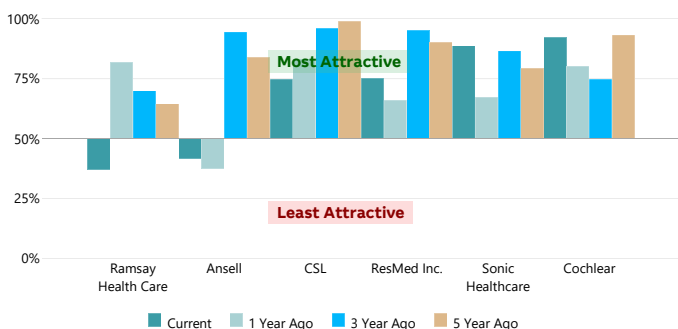
The Macquarie Quant's flagship Alpha model is a dynamic multi-factor model based on a staple of quant factors such as value, momentum, revisions, quality, and risk.

	Global	Market (Country)	Sector
	Whole Universe	Australia & NZ	Health Care Equip. & Services
Macquarie Alpha Model	9648/17584	263/418	335/674
Fundamental (Consensus) *	10751/17584	301/418	458/674

* based on Total Shareholder Return = Consensus Price target / Current Price

Current and Historical Alpha Model Rank

The chart shows the Macquarie Alpha model ranking against the company's peers and over recent history.



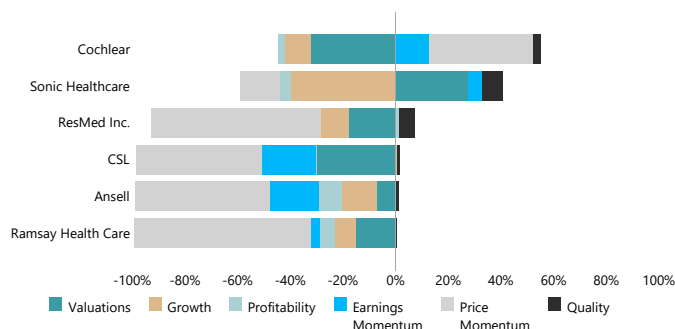
Alpha Model Decomposition

The Macquarie Alpha is decomposed into its sector and market relative factor & styles exposures (a higher/better percentile is coded in green, whilst lower in red).

Factors / Styles	Percentile relative to		Core factors in definition
	sectors (/674)	market (/418)	
ALPHA	50%	37%	See all the styles below
VALUE	54%	47%	Book, CF, Yield, Earnings Multiples
ANALYST	45%	32%	Revisions (Earnings, Recommendations)
MOMENTUM	23%	26%	Price Momentum
GROWTH	29%	14%	EPS, Sales (Forecast, Historic)
PROFITABILITY	57%	49%	ROE, Margin, Asset Turnover
QUALITY	63%	80%	Accruals, Earn Stability, Cash Conversion
CAPITAL	78%	76%	Investment/Capex, Net share issuance
LIQUIDITY	81%	81%	Size, Turnover, Analyst Coverage
RISK	20%	23%	Beta, Volatility, Earn.Cert, Leverage
TECHNICAL	74%	84%	MACD, RSI, Bollinger, Williams R, etc

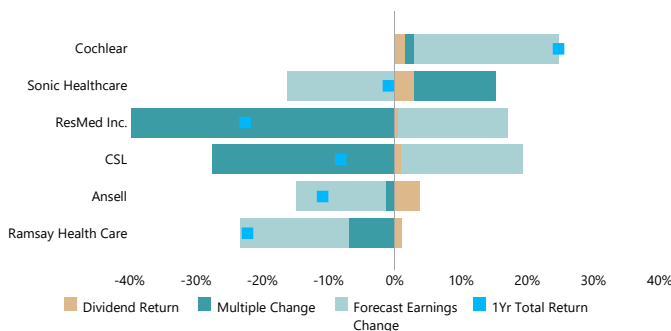
Factors driving the Alpha Model vs peers

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



Drivers of Stock Return

Breakdown of 1-year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



Macquarie Style Returns over last year

Recent performance to Macquarie style factors

Australia & NZ	Monthly Factor Long-Short Returns for												Last 5 Years (ann)	Last 10 Years (ann)
	Jul - 23	Jun - 23	May - 23	Apr - 23	Mar - 23	Feb - 23	Jan - 23	Dec - 22	Nov - 22	Oct - 22	Sep - 22	Aug - 22		
ALPHA	-3%	2%	1%	-3%	0%	0%	-1%	-1%	-3%	0%	4%	6%	-6%	-1%
VALUE	1%	4%	3%	-3%	-5%	-1%	-2%	1%	2%	-2%	4%	6%	1%	-2%
ANALYST	0%	-1%	-1%	0%	-1%	0%	0%	-3%	-5%	-3%	5%	5%	8%	6%
MOMENTUM	-4%	0%	-1%	-3%	1%	-4%	-4%	-2%	0%	-3%	2%	5%	-14%	-4%
GROWTH	-1%	2%	5%	-2%	0%	-3%	-4%	0%	-6%	3%	-1%	5%	-8%	-2%
PROFITABILITY	-3%	6%	-1%	-4%	3%	-5%	4%	-3%	5%	-2%	4%	-3%	2%	2%
QUALITY	-3%	1%	3%	-2%	-1%	0%	-2%	-1%	2%	-6%	0%	-2%	-12%	-9%
CAPITAL	-1%	1%	0%	-1%	4%	-3%	-2%	0%	1%	1%	-3%	1%	-2%	-1%
LIQUIDITY	1%	0%	0%	0%	1%	-9%	0%	2%	4%	1%	2%	1%	-2%	-1%
RISK	-2%	0%	3%	-1%	-4%	6%	-5%	0%	-2%	-3%	1%	0%	1%	-1%
TECHNICAL	-2%	0%	1%	3%	4%	1%	3%	-1%	8%	4%	0%	3%	12%	10%

Source (all charts): FactSet, Refinitiv, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative Team: maccapequitiesresearchquantglobal@macquarie.com. Explanation for items on this page can be found at <https://www.macquarieinsights.com/rp/d/r/p/OTUyMzg1>

Important Disclosures

Recommendation definitions	Volatility index definition	Financial definitions
<p>Macquarie – Asia and USA Outperform – expected return >10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie – Australia/New Zealand Outperform – expected return >10% Neutral – expected return from 0% to 10% Underperform – expected return <0%</p> <p>During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions.</p> <p>Recommendations – 12 months Note: Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>This is calculated from the volatility of historical price movements.</p> <p>Very high – highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 25–40% in a year.</p> <p>Low – stock should be expected to move up or down at least 15–25% in a year.</p> <p>* Applicable to select stocks in Asia/Australia/NZ</p> <p>Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk</p>	<p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / efpowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit /average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

Recommendation proportions for quarter ending 30 June 2023

	AU/NZ	Asia	USA	
Outperform	56.88%	63.90%	63.89%	(for global coverage by Macquarie, 2.58% of stocks followed are investment banking clients)
Neutral	36.88%	23.06%	33.33%	(for global coverage by Macquarie, 1.22% of stocks followed are investment banking clients)
Underperform	6.25%	13.04%	2.78%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

Company-Specific Disclosures

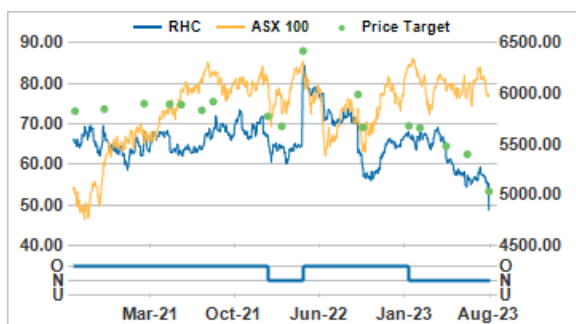
Company Name	Disclosure
<p>Ramsay Health Care (RHC AU) Neutral 12-month target: AUD53.35 - DCF Valuation: AUD 53.35 - DCF (WACC 6.1%, beta 0.9, ERP 5.0%, RFR 2.4%, TGR 2.0%) Price: AUD48.71</p>	<p>Macquarie Group Limited together with its affiliates owns a net long of 0.5% or more of the equity securities of Ramsay Health Care Ltd</p> <p>Macquarie Group Limited together with its affiliates beneficially owns 1% or more of the equity securities of Ramsay Health Care Ltd.</p>

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Recommendation history

Company name	Date	Recommendation	Target price
Ramsay Health Care (RHC AU)	24-Aug-2023	Neutral	AUD 53.35
	28-Jun-2023	Neutral	AUD 62.50
	3-May-2023	Neutral	AUD 64.50
	23-Feb-2023	Neutral	AUD 69.00
	25-Jan-2023	Neutral	AUD 69.50
	26-Sep-2022	Outperform	AUD 69.15
	13-Sep-2022	Outperform	AUD 77.25
	21-Apr-2022	Outperform	AUD 88.00
	24-Feb-2022	Neutral	AUD 69.40
	18-Jan-2022	Neutral	AUD 71.85
	27-Aug-2021	Outperform	AUD 75.50
	28-Jul-2021	Outperform	AUD 73.35
	4-Jun-2021	Outperform	AUD 74.75
	4-May-2021	Outperform	AUD 74.85



26-Feb-2021	Outperform	AUD 75.00
13-Nov-2020	Outperform	AUD 73.65
28-Aug-2020	Outperform	AUD 73.15

Analyst Certification

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