

Ramsay Health Care

N Neutral

Australian value comes with a catch(ment)

Key Points

- Our analysis highlights that a large proportion of RHC's Australian hospitals have high exposure to older populations (55+) and PHI participation.
 - Top 15 sites also rate favourably, with several other positive attributes (co-location with public hospitals, size/service offering, competition).
 - However, we see the inherent value within RHC's Australian assets as unlikely to be realised under the current operating/ownership structure.
- **Attractive characteristics of RHC's Australian assets...** An analysis of the LGA data for catchment areas across RHC's Australian hospital portfolio highlights key characteristics which we see as favourable for private hospital volumes. This includes a higher proportion of the population aged 55+ relative to the national average (~2% ahead) as well as higher PHI participation (~7% ahead).
 - **...with the top 15 well positioned:** We also conducted a more detailed analysis of RHC's 15 largest sites, focusing on additional factors such as facility size/type, co-location with public hospitals and the competitive landscape. Overall, 9 of the 15 hospitals scored favourably in at least 4 of the 7 key categories.
 - **Inherent value within Australian assets...** We estimate a value of ~A \$6.4bn for RHC's Australian property assets. Based on our estimate of the market implied valuation of the Australian business (A\$10.1bn), this provides a value of A\$3.6bn for the operating business and an implied EBITDA multiple of 7.4x. Applying a multiple of 11.9x (a ~10% premium to the HSO transaction implied multiple), provides a group valuation of A \$59.56, ~19% ahead of the current share price.
 - **...but unlikely to be realised in the near-term:** While noting the inherent value of Australian assets, we see this as only likely to be realised as part of a change of control transaction (with greater probability following a divestment of Ramsay Santé). Based on the current structure, we see valuations as fair.

Earnings changes: Minor revisions reflect updated house currency assumptions.

Valuation: Target price unchanged at A\$52.50.

Catalyst: Potential divestment of Ramsay Sime Darby; AGM (28 Nov-23).

Investment Thesis and Recommendation

Neutral. Despite attractive attributes of Australian operations and inherent value within the property portfolio, we see this is unlikely to be realised under the current operating/ownership structure. Our prior analysis highlighted upside associated with the divestment of Ramsay Santé (see here).

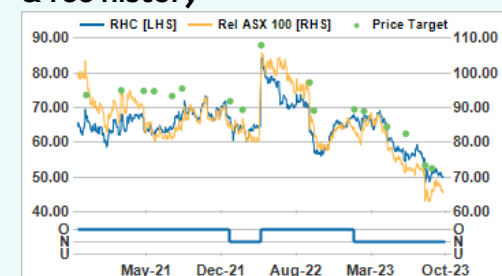
Health Care Equipment & Services Australia

RHC AU	Neutral
Price (at 18 Oct 2023)	AUD49.97
12-month target	AUD52.50
12 month TSR (%)	6.9
Volatility Index	Medium
Market Cap (Local) (m)	11,465
Market Cap (USD) (m)	7,273
30-day avg turnover (AUD)(m)	26.0

Investment Fundamentals

Year end 30 Jun	2023A	2024E	2025E	2026E
Revenue (m)	15,339	16,552	17,714	18,520
EBITDA (m)	2,022	2,189	2,538	2,736
EBITDA growth (%)	10.5	8.3	15.9	7.8
EBIT (m)	1,021	1,122	1,392	1,544
EBIT growth (%)	14.6	9.9	24.1	10.9
Reported profit (m)	285.1	294.5	472.3	579.3
Adjusted profit (m)	285.1	294.5	472.3	579.3
EPS adj (€)	125	129	207	254
EPS adj growth (%)	7.6	3.3	60.4	22.7
PER adj (x)	40.0	38.8	24.2	19.7
PER rel (x)	2.7	2.5	1.7	1.5
Total DPS (€)	75.0	77.0	124	152
Total DPS growth (%)	(22.7)	2.7	61.0	22.6
Total div yield (%)	1.5	1.5	2.5	3.0
Franking (%)	100.0	100.0	100.0	100.0
ROA (%)	5.0	5.3	6.6	7.2
ROE (%)	7.0	7.0	10.7	12.4
EV/EBITDA (x)	8.3	7.6	6.6	6.1
Net debt/equity (x)	109.4	110.1	104.2	98.7
P/BV (x)	2.8	2.7	2.5	2.4

RHC AU rel ASX 100 performance, & rec history



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

Australian value comes with a catch(ment)

Overview

- We review the characteristics of catchment areas across RHC's Australian hospital portfolio. This includes an analysis of demographic factors across the entire portfolio (population growth, proportion of the population aged 55+, PHI participation) as well as variables relating to location and competition for 15 of RHC's largest sites.
- Comparing national averages to RHC's total hospital portfolio, we find:
 - ⇒ Population growth to be slightly lower;
 - ⇒ The proportion of the population aged 55+ is higher (70% of RHC hospitals above the national average); and
 - ⇒ PHI participation is also higher (60% of RHC hospitals above the national average).

Figure 1 - RHC LGAs vs national average

	Population growth (%)	Over 55 (%)	PHI participation (%)
RHC average	1.1%	30.2%	56.4%
National average	1.2%	28.0%	49.8%
Variance (RHC to AUS)	-0.1%	2.2%	6.6%
% of RHC hospitals ahead of AUS	44%	70%	60%

Source: ABS, Company data, Macquarie Research, October 2023 *PHI participation defined as taxpayers who report having PHI as a proportion of the working age population (i.e. 15-64 year olds)

A closer look at the Top 15

- For 15 of RHC's largest sites, we also assess additional factors such as facility size/type, co-location with public hospitals (which we see as important from a specialist's perspective) and competition.
- Overall, our analysis highlighted:
 - ⇒ 9 sites ranking favourably compared to the national average in at least 4 of the 7 categories.
 - ⇒ Sites with the highest rankings include those that have completed brownfield developments in recent years (Greenslopes, Hollywood, Joondalup Health Campus, Wollongong).
- In aggregate, this analysis highlights favourable attributes across RHC's portfolio which, combined with the deployment of capital at some of RHC's largest sites, we see as supportive of above industry volume/revenue growth over the medium-to-longer term.

Figure 2 - RHC Top 15 hospitals - LGA characteristics vs national average; location and competition analysis

Hospital	Population growth	Population 55+	PHI participation	Mean income	Facility size/type	Co-located	Competition	Total
Greenslopes	✓		✓	✓	✓		✓	5
Hollywood		✓	✓	✓	✓	✓	✓	6
John Flynn	✓	✓			✓			3
Joondalup	✓	✓	✓	✓	✓	✓		6
Lake Macquarie		✓	✓		✓			3
North Shore			✓	✓	✓	✓	✓	5
Peninsula Private					✓		✓	2
Pindara	✓	✓			✓			3
St Andrew's - Ipswich	✓					✓	✓	3
St George		✓	✓		✓	✓	✓	5
The Avenue			✓	✓				2
The Sunshine Coast	✓	✓			✓	✓		4
Warringal		✓	✓	✓	✓	✓	✓	6
Westmead	✓			✓	✓	✓		4
Wollongong		✓	✓	✓	✓	✓	✓	6

Source: ABS, Company data, Macquarie Research, October 2023, tick = above national average

The detail

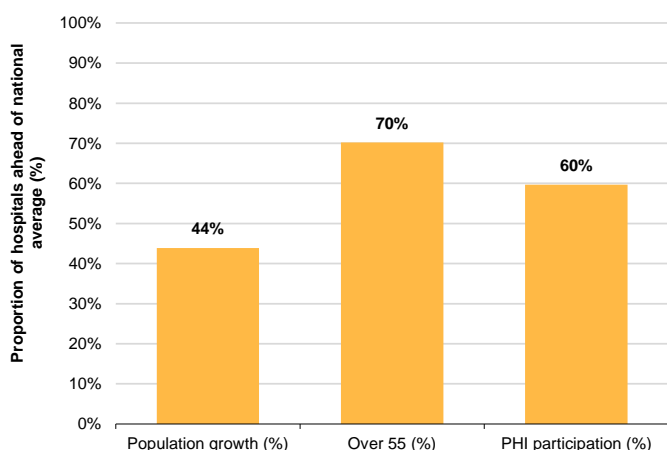
Our approach

- In assessing the characteristics of catchment areas across RHC's total hospital portfolio, our approach is to define catchment areas based on local government areas (LGAs, representing the geographical areas of local government councils). We then assess the characteristics of each LGA (population growth, composition by age, private health insurance participation) relative to the national average.
- For the top 15 hospitals, we also assess characteristics that we see as important in relation to attracting specialists (facility size/type, co-location with public hospitals) and competition (proximity to competing hospitals, share of operating theatre capacity).

Demographic trends

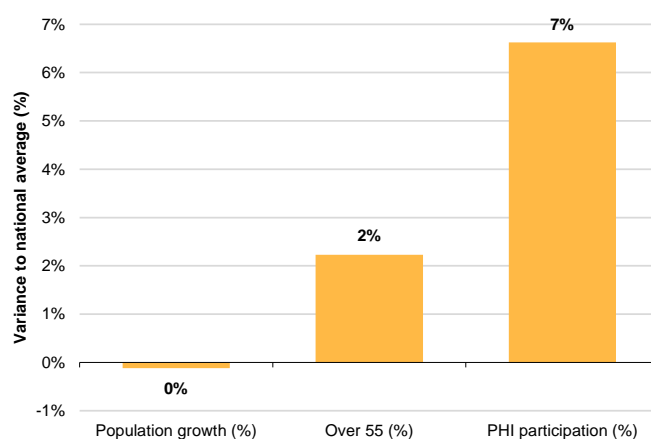
- The demographics of a catchment area will be a contributor to demand for hospital services.
 - ⇒ **Population growth:** We calculate the compound annual growth rate (CAGR) for populations within each LGA over 2016-21 compared to the national average. Higher rates of population growth imply a larger number of potential future patients.
 - ⇒ **Age:** Older age groups have higher prevalence of chronic illness and incidence of acute medical events compared to younger age groups, resulting in higher utilisation of hospital services (growth in episodes per insured person has been higher in older age groups). Our approach is to compare the proportion of those aged 55+ in each LGA relative to the national average.
 - ⇒ **PHI participation:** The number of participants with private health insurance (PHI) is a key driver of volumes for private hospitals. We calculate PHI participation based on the number of taxpayers who reported having PHI as a proportion of the working age population (i.e. 15-64 year olds).
- In assessing RHC LGAs relative to national averages for population growth, age and PHI participation, our analysis highlighted:
 - ⇒ **Population growth:** ~44% of RHC LGAs recorded population growth ahead of the national average. However, average growth across the portfolio (1.1%) was only slightly below the national average (1.2%).
 - ⇒ **Age:** ~70% of RHC LGAs had a greater proportion of residents aged over 55 years. Further, the average proportion of the population aged over 55 years in RHC LGAs (~30%) was ~2% ahead of the national average (~28%).
 - ⇒ **PHI participation:** ~60 of RHC LGAs had higher PHI participation relative to the national average. In addition, the average PHI participation of ~56.5% was ~7% ahead of the national average.

Figure 3 - RHC hospital LGAs older, high PHI %...



Source: ABS, Company data, Macquarie Research, October 2023

Figure 4 - ...+2%/+7% vs national averages



Source: ABS, Company data, Macquarie Research, October 2023

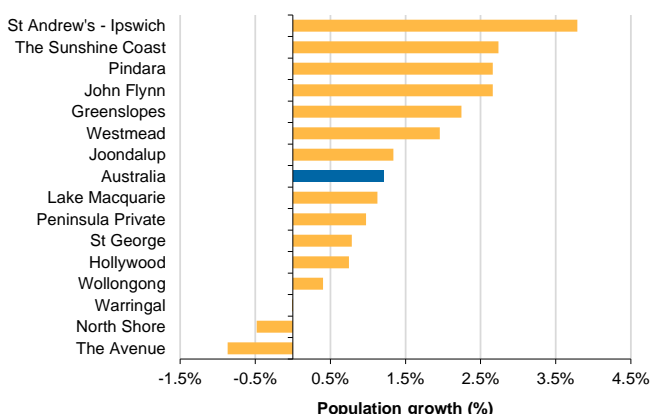
- We have undertaken similar analysis for the top 15 hospitals, while also including mean income (which we see as representative of propensity for PHI and/or proximity of a hospital to the place of residence for a specialist, noting medical specialists are amongst the highest paid professions).
 - ⇒ While we find a degree of variation on a hospital specific basis, 5 of 15 ranked ahead of the national average in 3 or more of the 4 metrics (Joondalup, Greenslopes, Hollywood, Warringal, Wollongong), with 13 of 15 ahead of the national average in at least 2 metrics.

Figure 5 - RHC Top 15 LGAs vs national average

Hospital	Population growth	Population 55+	PHI participation	Mean income	Total
Greenslopes	✓		✓	✓	3
Hollywood		✓	✓	✓	3
John Flynn	✓	✓			2
Joondalup	✓	✓	✓	✓	4
Lake Macquarie		✓	✓		2
North Shore			✓	✓	2
Peninsula Private					0
Pindara	✓	✓			2
St Andrew's - Ipswich	✓				1
St George		✓	✓		2
The Avenue			✓	✓	2
The Sunshine Coast	✓	✓			2
Warringal		✓	✓	✓	3
Westmead	✓			✓	2
Wollongong		✓	✓	✓	3

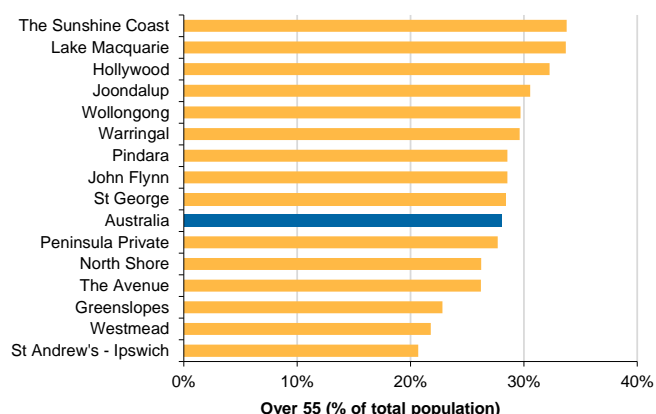
Source: ABS, Company data, Macquarie Research, October 2023, tick = above national average

Figure 6 - Population growth: 7 of Top 15 > national average



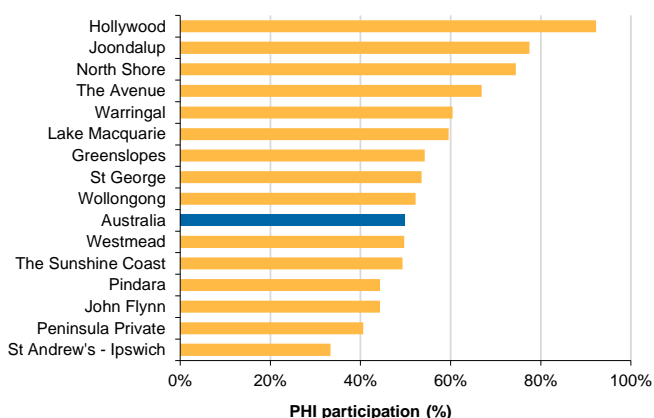
Source: ABS, Company data, Macquarie Research, October 2023

Figure 7 - 55+ age group: 9 of Top 15 > national average



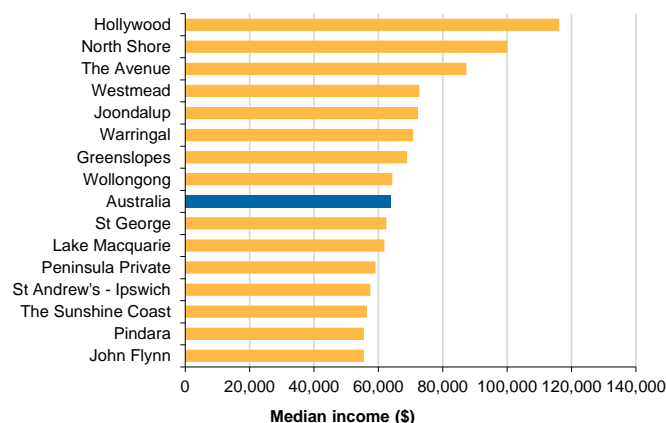
Source: ABS, Company data, Macquarie Research, October 2023

Figure 8 - PHI participation: 9 of Top 15 > national average



Source: ABS, Company data, Macquarie Research, October 2023

Figure 9 - mean income: 8 of Top 15 > national average



Source: ABS, Company data, Macquarie Research, October 2023

Location

- Location is cited as an important factor in attracting specialists to a private hospital. As such, we assess two factors we consider as important from a specialist's perspective.

Co-location with a public hospital

- Co-location provides an option to work in both the public and private setting. Public hospitals generally allow exposure to cases with a high degree of complexity as well as teaching opportunities. Of the top 15 hospitals, 9 are co-located with public hospitals (7 of which are principal referral hospitals, defined by the Australian Institute of Health and Welfare/AIHW as providing a broad range of services, having a range of specialised service units and large patient volumes).

Figure 10 - RHC Top 15 co-located hospitals

Hospital	Co-located Public hospital	Type
Hollywood	Sir Charles Gairdner Hospital	Principal referral
St George	St George Public	Principal referral
North Shore	Royal North Shore	Principal referral
Westmead	Westmead Public	Principal referral
Joondalup Health	Joondalup Health Campus	Public acute group A hospitals
Warringal	Austin Hospital	Principal referral
Wollongong	Wollongong	Principal referral
The Sunshine Coast	Sunshine Coast University	Principal referral
St Andrew's - Ipswich	Ipswich Hospital	Public acute group A hospitals

Source: AIHW, Company data, Macquarie Research, October 2023

Facility type

- We use hospital classifications as per AIHW as a basis for assessing the range of services offered at a private hospital (Private Acute A, B or C). Generally, Acute A/B hospitals have the greatest patient volumes, a high degree of complexity/a number of specialised services, an emergency department and/or an intensive care unit and are generally in major cities, all factors which we see as potentially attractive for a specialist. Of the top 15 hospitals, 4 are classified as Private Acute Group A, 9 as Group B and 2 as Group C.

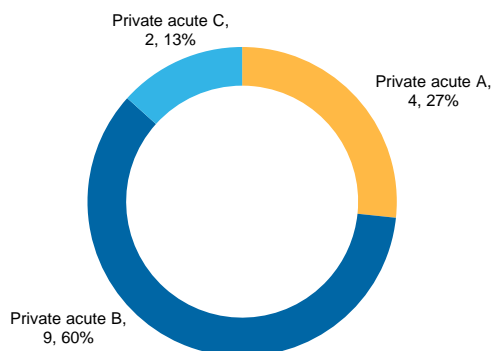
Figure 11 - RHC Top 15 hospitals - co-location, facility type

Hospital	Co-located with a public hospital	Type
Greenslopes		A
Hollywood	✓	B
John Flynn		A
Joondalup Health Campus	✓	A
Lake Macquarie		B
North Shore	✓	B
Peninsula Private		B
Pindara		A
St Andrew's - Ipswich	✓	C
St George	✓	B
The Avenue		C
The Sunshine Coast	✓	B
Warringal	✓	B
Westmead	✓	B
Wollongong	✓	B

Source: AIHW, Company data, Macquarie Research, October 2023

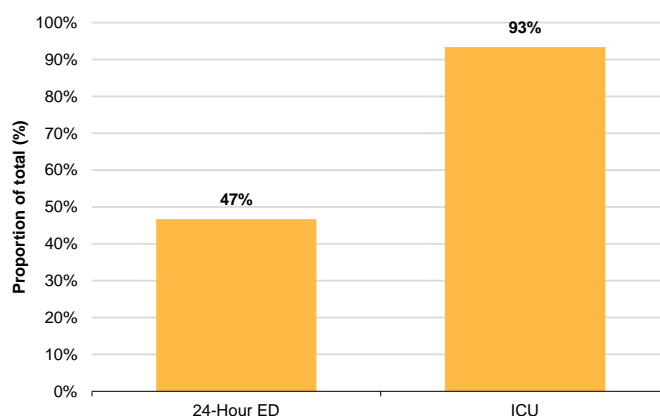
- For those classified as not co-located, we note close proximity of larger public hospitals for a number of sites (Greenslopes – Princess Alexandra, John Flynn – The Tweed, Peninsula Private – Frankston Public, The Avenue – The Alfred).

Figure 12 - Top 15 generally Private Acute Group A or B...



Source: AIHW, Company data, Macquarie Research, October 2023

Figure 13 - ...nearly half with EDs, almost all with ICUs



Source: AIHW, Company data, Macquarie Research, October 2023

Competition

- Private hospital operators compete for the services of specialists as well patients. We assess the degree of competition based on both proximity to other private hospitals as well as competing capacity.

Proximity to a competing private hospital

- We assess travel time (driving) to the closest competing private hospital (limited to Private Acute A, B or C hospitals i.e. excluding day surgeries). Within our calculations, we assume travel time of 20 minutes as the threshold for assessing proximity.
- On this basis, we estimate 5 hospitals as having a travel time of 20 minutes or more to the closest competing (non-RHC) private hospital (John Flynn, Joondalup, St Andrews – Ipswich, St George, Wollongong).

Figure 14 - RHC Top 15 hospitals - proximity to competing hospitals

Hospital	Competition	Distance (km)	Travel Time (min)
Greenslopes	Mater Private	5	12
Hollywood	Mount	5	11
John Flynn	Gold Coast Private	39	36
Joondalup	St John of God Subiaco	28	27
Lake Macquarie	Newcastle Private	10	13
North Shore	Mater	2	8
Peninsula Private	Frankston	5	7
Pindara	Gold Coast Private	7	12
St Andrew's - Ipswich	Mater Private - Springfield	23	25
St George	Prince of Wales	16	25
The Avenue	Cabrini Malvern	4	8
The Sunshine Coast	Buderim Private	12	17
Warringal	Northpark	9	16
Westmead	Norwest	9	16
Wollongong	Shellharbour Private	20	23

Source: Company data, Macquarie Research, October 2023

Competing capacity

- We use the number of private operating theatres (OT) in an LGA as the basis for our analysis. We focus on operating theatres given surgical episodes are the primary driver of private hospital volumes. Our approach is to calculate market share for each RHC hospital within the catchment area.
- On this basis, we estimate 8 of the top 15 to have more than 50% of private operating theatre market share. Notably, while St George ranks lower relative to other top 15 hospitals in relation to demographics (Fig 5), we see size and as well as limited private competing capacity as favourable characteristics.

Figure 15 - RHC Top 15 hospitals - proximity, competition

Hospital	Travel time to competition (>20min)	Capacity (>50% of OT market share)
Greenslopes		✓
Hollywood		✓
John Flynn	✓	
Joondalup	✓	
Lake Macquarie		
North Shore		✓
Peninsula Private		✓
Pindara		
St Andrew's - Ipswich	✓	✓
St George	✓	✓
The Avenue		
The Sunshine Coast		
Warringal		✓
Westmead		
Wollongong	✓	✓

Source: Company data, Macquarie Research, October 2023

Capacity expansions

- Investments in capacity expansions in Australia have supported volume and revenue growth for RHC over time. Between FY18 and FY23, 729 net beds were added as well as 43 operating theatres and 154 consultation suites.

Figure 16 - RHC capacity additions

	2018	2019	2020	2021	2022	2023	Total
Net beds	4	216	222	25	240	22	729
Theatres	7	15	11	1	9		43
Consulting suites	21	30	85		18		154

Source: Company data, Macquarie Research, October 2023

- We note brownfield projects have been completed in most of the Top 15 hospitals over the past five years. A major redevelopment project at Warringal Private hospital due for completion in FY25 has been delayed, with expected completion in Sep-27 (providing 131 net beds and 3 operating theatres).

Figure 17 - RHC Project completions

	2018	2019	2020	2021	2022	2023
Greenslopes	✓	✓			✓	
Hollywood		✓			✓	
John Flynn	✓		✓			
Joondalup				✓		✓
Lake Macquarie	✓					✓
North Shore	✓			✓		
Peninsula Private						✓
Pindara					✓	
St Andrew's - Ipswich		✓				
St George				✓		
The Avenue	✓					
The Sunshine Coast	✓					
Warringal						
Westmead	✓	✓			✓	
Wollongong		✓				✓

Source: Company data, Macquarie Research, October 2023

Thoughts on valuation

A look at current valuations

- **Adjusted enterprise value:** Within our calculations, we adjust for RHC's proportionate ownership in Ramsay Santé (52.8%, impacting both net debt and EBITDA). Further, we include Convertible Adjustable Rate Equity Securities (CARES). Based on these assumptions, we derive an adjusted market cap of ~A\$11.7bn and adjusted net debt of ~A\$4.0bn, providing an EV of ~A\$15.6bn

Figure 18 - RHC enterprise value calculation

	Value A\$m
Market cap (as at 12 Oct-23)	11,413
CARES	252
Adjusted market cap	11,665
Net debt	5,147
WOFG* net debt	2,664
RGdS net debt	2,483
RHC share of RGdS net debt	1,311
Adjusted net debt	3,975
Enterprise value	15,641

Source: FactSet, Company data, Macquarie Research, October 2023 *Wholly-owned funding group

- **Adjusted EBITDA:** We present our EBITDA forecasts on a pre-AASB16 basis and also adjust for RHC's proportionate ownership in Ramsay Santé. Further, we use FY24 forecasts as the basis for our analysis. This provides FY24 adjusted EBITDA of A\$1.3bn, below our reported EBITDA forecast of A\$2.2bn.

Figure 19 - RHC adjusted EBITDA calculations (FY24)

	Post-AASB16	Pre-AASB16	Proportionate pre-AASB16	Proportion of total
Australia	867	812	812	61%
France	803	503	266	20%
Elysium	49	36	36	3%
UK	195	90	90	7%
Nordics	254	154	82	6%
Asia	47	47	47	4%
Total	2,216	1,643	1,332	

Source: Company data, Macquarie Research, October 2023

- **Adjusted EBITDA multiple:** Our adjusted EV and EBITDA assumptions imply an EV/EBITDA multiple of 11.7x. In estimating enterprise value for various segments, we assume multiples of:
 - ⇒ 10.0x for France/Nordics;
 - ⇒ 12.0x for Elysium (RHC acquisition implied ~13.5x trailing EBITDA);
 - ⇒ 9.0x for the UK;
 - ⇒ 18.0x for Asia (previous indicative offer implied 23.4x trailing EBITDA).
- These assumptions provide an implied Australian EV of A\$10.1bn and an EBITDA multiple of 12.4x.

Figure 20 - RHC segmental valuation

	EBITDA	Multiple	Value	Comment
Australia	812	12.4x	10,079	Implied
France	266	10.0x	2,656	Calculated
Elysium	36	12.0x	436	"
UK	90	9.0x	809	"
Nordics	82	10.0x	816	"
Asia	47	18.0x	846	"
Total	1,332	11.7x	15,641	Market valuation

Source: Company data, Macquarie Research, October 2023

A closer look at the Australian multiple

- Of RHC's 72 facilities, 46 are owned (26 leased). As such, we see value in both the operating business and the facilities/properties owned. However, RHC has indicated potential for tax leakage associated with a sale and leaseback of its property portfolio. As such, our estimates of the value of owned property as well as analysis of the implied multiple for the operating business represent potential outcomes as part of a change of control transaction.
- In assessing the value of RHC's property portfolio, we use the Brookfield/Healthscope transaction as the basis for our analysis. Key metrics from this transaction that we apply to RHC include a cap rate of 5.0% and a coverage ratio (EBITDAR/rent) of 2.2x. Based on our FY24 EBITDAR forecasts, we calculate a property value of A\$6.4bn.

Figure 21 - RHC Australian hospital property valuation

Item	Code	Metric	Comment
Australia EBITDAR (A\$mn)	A	878	Macquarie FY24 forecast
Rent - existing (A\$mn)	B	77	Estimated based on FY19 disclosure
EBITDAR/rent (x)	C	2.2x	As per HSO transaction
EBITDAR - existing rent (A\$mn)	D = B*C	169	EBITDAR that supports existing rent
EBITDAR - available (A\$mn)	E = A-D	708	EBITDAR to support potential additional rent
Rent - additional (A\$mn)	F = E/C	322	Potential rent based on available EBITDAR (coverage 2.2x)
Cap rate (%)	G	5.0%	As per HSO sale and leaseback transaction
Value (A\$mn)	H = F/G	6,440	Calculated

Source: Company data, Macquarie Research, October 2023

- The current market implied valuation for the total Australian business (A\$10.1bn) and property assets (A\$6.4bn) provides a value of A\$3.6bn for the operating business and an implied multiple of 7.4x

Figure 22 - RHC EV/EBITDA multiples Australia - total, property, operating

	Value	EBITDA	Multiple
Operating	3,638	490	7.4x
Property	6,440	322	20.0x
Total	10,079	812	12.4x

Source: Company data, Macquarie Research, October 2023

- In assessing a potential multiple for RHC's operating business as part of an acquisition, we assume a ~10% premium to our estimate of the operating multiple implied by the HSO/Brookfield transaction (10.8x CY19 EBITDA), providing 11.9x. Applying this to our estimate of operating EBITDA provides a revised EV of A\$12.3bn and overall multiple of 15.1x for the Australian business.

Figure 23 - RHC Australia valuation assuming an operating multiple of 11.9x

	Value	EBITDA	Multiple
Operating	5,829	490	11.9x
Property	6,440	322	20.0x
Total	12,270	812	15.1x

Source: Company data, Macquarie Research, October 2023

- This provides ~A\$2.2bn upside to current market implied operating business value, translating to an implied equity value of A\$59.56. This represents ~19% upside to the current share price (A\$49.97).

Figure 24 - RHC upside calculation

	Value	EBITDA	Multiple
Property	6,440	322	20.0x
Total	12,270	812	15.1x
Revised operating	5,829	490	11.9x
Current operating	3,638		
Upside	2,191		
Upside per share	9.59		
Current value per share	49.97		
Total value per share	59.56		

Source: Company data, Macquarie Research, October 2023

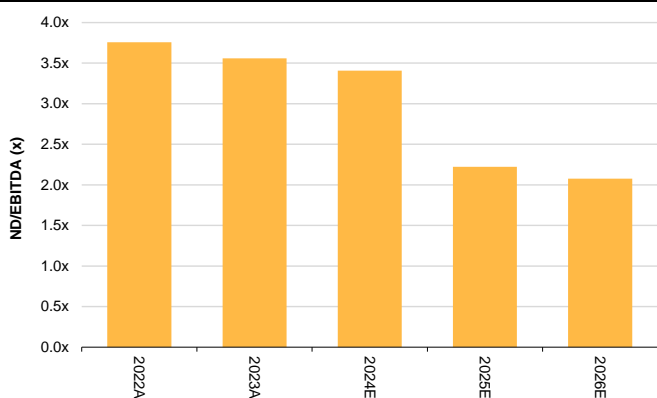
Key takeaway

- Our analysis highlights attractive attributes associated with RHC's Australian portfolio. Further, we see valuation upside when taking into account the inherent value of Australian property assets. However, RHC has indicated potential for tax leakage associated with a sale and leaseback of its property portfolio. As such, our estimates of the value of Australian owned property and assumed multiple for the operating business represent potential outcomes as part of a change of control transaction. We see this as potentially achieved through the divestment of Ramsay Santé (with our previous analysis also highlighting potential for a re-rating of the Australian operating business and an improved group ROIC/WOFG balance sheet position - see here).

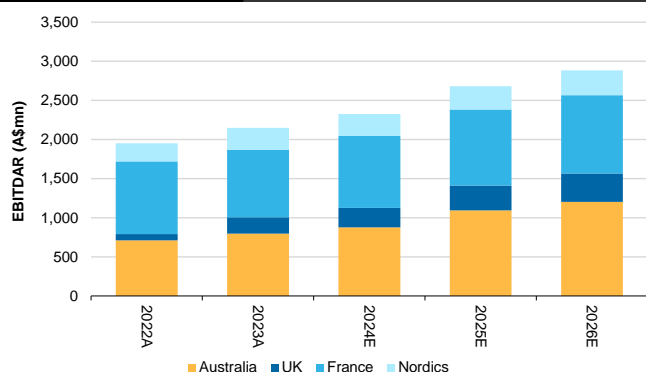
Figure 25 - RHC Financial Summary

RHC	June Year-End					Price Target: 52.50					Rating: Neutral				
Income Statement (A\$m)	2022A	2023A	2024E	2025E	2026E	Ratios	2022A	2023A	2024E	2025E	2026E				
Revenue	13,747	15,339	16,552	17,714	18,520	EPS (reported)	116	125	129	207	254				
Opex	11,932	13,190	14,226	15,033	15,638	EPS Growth (%)	-40%	8%	3%	60%	23%				
EBITDAR	1,952	2,150	2,326	2,681	2,882	DPS	97	75	77	124	152				
Rent	137	147	158	165	170	Growth (%)	-36%	-23%	3%	61%	23%				
EBITDA	1,815	2,002	2,169	2,516	2,712	Yield (%)	1%	1%	1%	2%	2%				
D&A	939	1,001	1,067	1,146	1,193	Payout ratio (%)	84%	60%	60%	60%	60%				
EBIT	876	1,001	1,102	1,370	1,520	ND/EBITDA (x)	3.8x	3.6x	3.4x	2.2x	2.1x				
Net interest	353	474	581	581	576	ROE (%)	6%	6%	6%	9%	10%				
Associate profit	15	20	21	23	24	ROIC (%)	9%	10%	10%	13%	13%				
PBT	539	547	541	812	967	EBITDAR margin (%)	14%	14%	14%	15%	16%				
Tax	159	182	162	243	290	EBIT margin (%)	6%	7%	7%	8%	8%				
OEI	105	67	69	79	82										
Underlying NPAT	274	298	310	489	596	Balance Sheet (A\$m)	2022A	2023A	2024E	2025E	2026E				
Abnormals	0	0	0	0	0	Cash	314	656	385	341	297				
Reported NPAT	274	298	310	489	596	Current assets	3,287	3,896	3,794	3,852	3,839				
						Fixed assets	4,807	5,238	5,618	6,043	6,473				
Segmental (A\$m)	2022A	2023A	2024E	2025E	2026E	Intangibles	5,799	6,164	6,138	6,117	6,099				
Australia	5,361	5,711	6,157	6,658	7,062	RoU assets	4,628	4,949	4,742	4,519	4,281				
UK	1,322	1,941	2,117	2,346	2,459	Other assets	953	783	804	827	851				
France	5,017	5,291	5,782	6,051	6,233	Total assets	19,473	21,030	21,096	21,357	21,543				
Nordics	2,047	2,396	2,497	2,659	2,766	Current liabilities	3,726	3,810	3,831	3,957	4,005				
Total Revenue	13,747	15,339	16,552	17,714	18,520	Long-term debt	5,174	5,862	5,862	5,862	5,862				
						Lease liabilities	5,128	5,538	5,367	5,177	4,968				
Australia	710	797	878	1,093	1,201	Other liabilities	920	997	997	997	997				
UK	82	209	247	318	364	Total liabilities	14,947	16,207	16,056	15,992	15,832				
France	927	863	923	971	1,001	Shareholders funds	2,198	2,216	2,216	2,216	2,216				
Nordics	233	281	279	299	316	CARES	252	252	252	252	252				
Total EBITDAR	1,952	2,150	2,326	2,681	2,882	Retained earnings	1,709	1,787	1,935	2,180	2,445				
						Other equity	368	568	636	716	797				
Australia	698	786	867	1,082	1,190	Total equity	4,526	4,823	5,040	5,364	5,711				
UK	80	206	244	315	362										
France	826	751	803	845	871	Cash Flow (A\$m)	2022A	2023A	2024E	2025E	2026E				
Nordics	210	258	254	273	289	EBITDA	1,815	2,002	2,169	2,516	2,712				
Total EBITDA	1,815	2,002	2,169	2,516	2,712	- Inc. in working capital	465	-161	149	-25	-17				
						- Net interest paid	375	466	581	581	576				
						- Tax paid	229	234	162	243	290				
						+ Other	-30	-183	0	0	0				
						Operating cash flow	716	1,280	1,276	1,716	1,863				
						- Capex	709	721	966	1,087	1,137				
						- Acquisition	1,277	87	0	0	0				
						+ Other	2,015	94	0	0	0				
						Investing cash flow	30	-714	-966	-1,087	-1,137				
						- Dividends paid	371	237	162	243	330				
						+ Equity movements	0	0	0	0	0				
						+ Debt movements	-650	400	0	0	0				
						- Principal lease repayments	388	403	418	429	440				
						+ Other	-2	-2	0	0	0				
						Financing cash flow	-1,411	-242	-581	-672	-770				
						Opening cash balance	1,005	314	656	385	341				
						Net cash movement + FX	-691	342	-271	-44	-44				
						Closing cash balance	314	656	385	341	297				

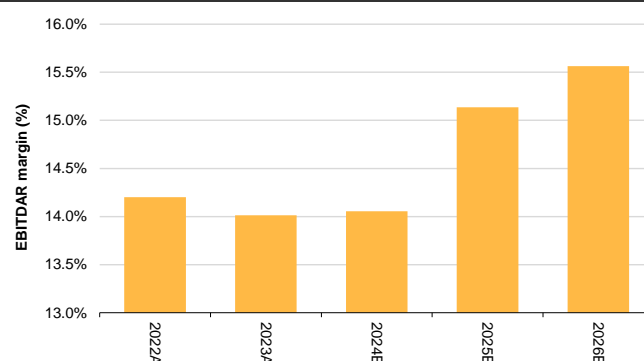
ND/EBITDA (x) - pre-AASB 16



EBITDAR composition (A\$m)



EBITDAR margin (%)



Source: Company data, Macquarie Research, October 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 Findings

The quant model currently holds a marginally negative 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

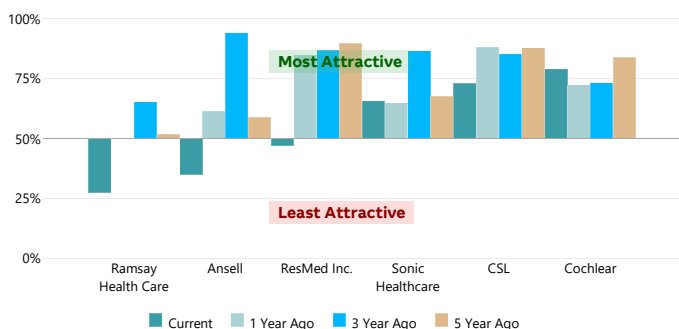
The Macquarie Quant's flagship Alpha model is a dynamic multi-factor model based on a staple of quant factors such as value, momentum, revisions, quality, and risk.

	Global	Market (Country)	Sector
	Whole Universe	Australia & NZ	Health Care Equip. & Services
Macquarie Alpha Model	11354/17583	277/383	364/665
Fundamental (Consensus) *	10872/17583	290/383	461/665

* 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.



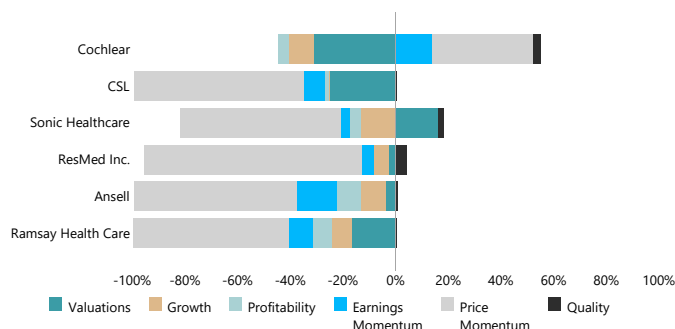
Alpha Model Decomposition

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 (/665)	market (/383)	
ALPHA	45%	28%	See all the styles below
VALUE	48%	42%	Book, CF, Yield, Earnings Multiples
ANALYST	29%	14%	Revisions (Earnings, Recommendations)
MOMENTUM	32%	27%	Price Momentum
GROWTH	21%	7%	EPS, Sales (Forecast, Historic)
PROFITABILITY	51%	40%	ROE, Margin, Asset Turnover
QUALITY	63%	77%	Accruals, Earn Stability, Cash Conversion
CAPITAL	77%	65%	Investment/Capex, Net share issuance
LIQUIDITY	79%	75%	Size, Turnover, Analyst Coverage
RISK	26%	28%	Beta, Volatility, Earn.Cert, Leverage
TECHNICAL	83%	81%	MACD, RSI, Bollinger, Williams R, etc

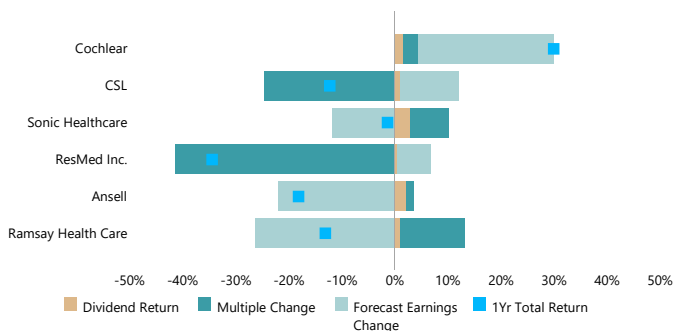
Factors driving the Alpha Model vs peers

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)
	Sep - 23	Aug - 23	Jul - 23	Jun - 23	May - 23	Apr - 23	Mar - 23	Feb - 23	Jan - 23	Dec - 22	Nov - 22	Oct - 22		
ALPHA	0%	-1%	-3%	2%	1%	-3%	0%	0%	-1%	-1%	-3%	0%	-5%	-1%
VALUE	4%	0%	1%	4%	3%	-3%	-5%	-1%	-2%	1%	2%	-2%	3%	-2%
ANALYST	-1%	-1%	0%	-1%	-1%	0%	-1%	0%	0%	-3%	-5%	-3%	7%	5%
MOMENTUM	1%	3%	-4%	0%	-1%	-3%	1%	-4%	-4%	-2%	0%	-3%	-1.3%	-3%
GROWTH	-2%	-2%	-1%	2%	5%	-2%	0%	-3%	-4%	0%	-6%	3%	-8%	-2%
PROFITABILITY	-1%	2%	-3%	6%	-1%	-4%	3%	-5%	4%	-3%	5%	-2%	2%	2%
QUALITY	1%	1%	-3%	1%	3%	-2%	-1%	0%	-2%	-1%	2%	-6%	-1.0%	-8%
CAPITAL	0%	-4%	-1%	1%	0%	-1%	4%	-3%	-2%	0%	1%	1%	-1%	-1%
LIQUIDITY	2%	1%	1%	0%	0%	0%	1%	-9%	0%	2%	4%	1%	-1%	-1%
RISK	3%	-2%	-2%	0%	3%	-1%	-4%	6%	-5%	0%	-2%	-3%	1%	0%
TECHNICAL	0%	4%	-2%	0%	1%	3%	4%	1%	3%	-1%	8%	4%	12%	11%

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 September 2023

	AU/NZ	Asia	USA	
Outperform	55.31%	64.52%	63.21%	(for global coverage by Macquarie, 2.50% of stocks followed are investment banking clients)
Neutral	36.98%	21.69%	34.91%	(for global coverage by Macquarie, 0.64% of stocks followed are investment banking clients)
Underperform	7.72%	13.79%	1.89%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

Company-Specific Disclosures

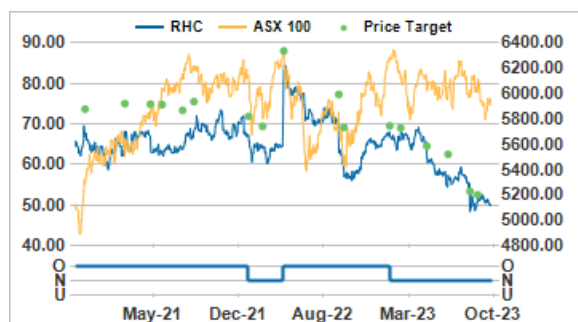
Company Name	Disclosure
<p>Ramsay Health Care (RHC AU) Neutral 12-month target: AUD52.50 - DCF Valuation: AUD 52.50 - DCF (WACC 6.5%, beta 0.9, ERP 5.0%, RFR 3.1%, TGR 2.5%) Price: AUD49.97</p>	<p>Macquarie Group Limited together with its affiliates owns a net long of 0.5% or more of the equity securities 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>

A reference to "Macquarie" is a reference to the entity within the Macquarie Group of companies (comprising Macquarie Group Limited and its worldwide affiliates and subsidiaries) that is relevant to this disclosure. Important disclosure information regarding the subject companies covered in this report is available publicly at www.macquarie.com/research/disclosures. Clients receiving this report can additionally access previous recommendations (from the year prior to publication of this report) issued by this report's author at <https://www.macquarieinsights.com>.

TO THE EXTENT THAT ANY COMPANY MENTIONED IN THIS COMMUNICATION IS A COMPANY LISTED IN THE ANNEX TO EXECUTIVE ORDER 14032 OF JUNE 3, 2021 FROM THE PRESIDENT OF THE UNITED STATES OF AMERICA ("EO14032") OR IN THE OFAC NON-SDN CHINESE MILITARY-INDUSTRIAL COMPLEX COMPANIES LIST AS UPDATED FROM TIME TO TIME AND YOU ARE A "UNITED STATES PERSON" AS DEFINED UNDER EO14032, YOU ARE REMINDED THAT YOU MAY BE PREVENTED BY EO14032 FROM TRADING THE SECURITIES OF SUCH A COMPANY.

Recommendation history

Company name	Date	Recommendation	Target price
Ramsay Health Care (RHC AU)	14-Sep-2023	Neutral	AUD 52.50
	25-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

Analyst Certification

We hereby certify that all the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. The views were reached independently, without any attempt of influence from anyone outside of Macquarie's Research business. Any and all opinions expressed have a reasonable basis, which are the result of the exercise of due care and skill. We confirm we (the authors), our team, and our associates do not hold securities in our sector of coverage, except for holdings disclosed to Research Compliance where we have received approval to hold temporarily until we are able to dispose of the holdings, and confirm the presence of disclosure language on this research which relates to this personal holding. To the best of our knowledge, we are not in receipt of, nor have included in this report, information considered to be inside information at the time of publication. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. We acknowledge that the Analysts responsible for preparing this report receive compensation from Macquarie that is based upon various factors including Macquarie Group Ltd.'s overall revenues, a portion of which are generated by Macquarie Group's Investment Banking activities.

General disclaimers

This research has been issued by Macquarie Securities (Australia) Limited ("MSAL") ABN 58 002 832 126, AFSL 238947, a Participant of the ASX and Chi-X Australia Pty Limited. MSAL is the provider of the general advice and takes responsibility for the provision of this research. Please refer to MSAL's Financial Services Guide (FSG) for more information at <https://www.macquarie.com.au/advisers/financial-servicesguide.html>.

This research is distributed in Australia by Macquarie Equities Limited ABN 41 002 574 923 AFSL 237504 ("MEL") a Participant of the ASX. Apart from Macquarie Bank Limited ABN 46 008 583 542 ("MBL"), any MGL subsidiary noted in this research, is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Australia) and that subsidiary's obligations do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of that subsidiary, unless noted otherwise.

This research contains general advice and does not take account of your objectives, financial situation or needs. Before acting on this general advice, you should consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

This research has been prepared for the use of the clients of the Macquarie Group and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient, you must not use or disclose this research in any way. If you received it in error, please tell us immediately by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. This research is based on information obtained from sources believed to be reliable, but the Macquarie Group does not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. The Macquarie Group accepts no liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. The Macquarie Group produces a variety of research products, recommendations contained in one type of research product may differ from recommendations contained in other types of research.

The Macquarie Group has established and implemented a conflicts policy at group level, which may be revised and updated from time to time, pursuant to regulatory requirements; which sets out how we must seek to identify and manage all material conflicts of interest. Staff involved with the preparation of research have regular interaction with companies they cover. Additionally, MGL does and seeks to do business with companies covered by research. There are robust information barriers in place to protect the independence of research's product. However, recipients of research should be aware of this potential conflict of interest. The Macquarie Group, its officers and employees may have conflicting roles in the financial products referred to in this research and, as such, may effect transactions which are not consistent with the recommendations (if any) in this research. The Macquarie Group may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case. The Macquarie Group's employees or officers may provide oral or written opinions to its clients which are contrary to the opinions expressed in this research. Important disclosure information regarding the subject companies covered in this report is available at www.macquarie.com/disclosures.

MSCI disclaimers:

Where this report contains any MSCI sourced information, such information is the exclusive property of MSCI Inc. (MSCI). Without the prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.