



Company	Ramsay Health Care Limited
Code	RHC
Meeting	AGM
Date	14 November 2019
Venue	Sheraton Grand Sydney, Hyde Park.
Monitor	Elizabeth Fish

Number attendees at meeting	99 shareholders, 39 visitors
Number of holdings represented by ASA	262
Value of proxies	\$23.5m
Number of shares represented by ASA	320,014 (equivalent to 15 in top 20)
Market capitalisation	\$14.74bn
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with chair Mr Michael Siddle

New AGM Venue works well.

Mr Siddle opened the meeting by introducing the two new non executive directors to the board, Ms Alison Deans and Mr James McMurdo, as well as Ms Henrietta Rowe who has replaced John O'Grady now retired, as Group General Counsel and Company Secretary. He then spent some time talking about the acquisition of the European health care company Capiro by Ramsay Santé; the results from FY19 and about the commencement of the Ramsay Global Leadership Academy. The Academy gives RHC as a global organisation, the capacity to expand the professional and career opportunities for all Ramsay staff. Especially now that Ramsay employs up to 80 thousand people. RHC was he said, keeping true to Paul Ramsay's vision of caring for our staff and as well as caring for our patients. Mr Siddle's address is at: <https://www.ramsayhealth.com/Investors/Company-Announcements>

The MD Mr Craig McNally then continued with his presentation covering financial highlights of FY19, unfortunately leaving out most the costs for the acquisition of Capiro, by using only core metrics. He continued, speaking about the solid earnings growth in Australia, tariff increases in France, volume growth in the United Kingdom and growth in admissions in both Malaysia and Indonesia. He went on to say that RHC had invested \$242m in brownfield sites in 2019, adding an additional 216 beds to capacity, with an additional investment of 97 beds to be added in FY20.

In discussing the outlook Mr McNally said he thought the size and scale of the RHC business meant there was still capacity to drive greater efficiencies and savings. Unfortunately the forecast earnings per share (EPS) growth at 2% to 4% was discussed in terms of core not actual, although the affect of the new lease accounting standard AASB16 may result in negative core EPS for FY20. It was very interesting and wide ranging presentation and the slides are on the RHC website at: <https://www.ramsayhealth.com/Investors/Company-Announcements>

When the Chair opened the meeting to questions, the ASA expressed concern regarding the goodwill of \$1.4bn arising from the acquisition of Capiro and asked if it was intended that this goodwill be spread across the whole business regardless of geographic location. Noting that the return on equity (ROE) for each segment varies significantly year on year, making comparisons a nonsense. We also asked if there is an intention to change the segment categories.

The ASA also spoke with regard to the Remuneration Report, in particular the core earnings per share (EPS) hurdle presently used as a measure for 50% of the LTI award. The ASA said that we would prefer that Actual or Statutory EPS to be used, as core earnings per share could be subject to interpretation as to which expenses are core and which are not. We also noted that the LTI performance period is still three years while the ASA considers the LTI performance period should be at least four years preferably five.

The response on the question of the Capiro goodwill was unclear as to how the goodwill is going to be distributed but there is no intention to change the segment categories. The Chair responded to the matter of the core EPS hurdles and thought it was unlikely to change.

After the formal part of the meeting David Thodey spoke to the monitors regarding the core and non-core issue, saying the Board never interferes with the core or non-core analysis, and relies on the expert advice of the company's executives and auditors. The ASA notes that the FY19 AR p 34 states "The Board will make adjustments for significant items on a case by case basis to ensure management are not unfairly advantaged or disadvantaged."

One shareholder queried as to why if total revenue increased by 26% why EBITDA had not risen by a similar percentage. The answer was due to the effect of the Capiro purchase. Another shareholder asked why the total wages cost had moved from \$4.7m to \$6.2m. Again the answer was that the Capiro purchase had skewed some of the ratios. Another shareholder asked how much was spent annually on staff training and the Chair committed to get that figure to the questioner after the meeting. Another shareholder commented that the debt to equity ratio was very high, while yet another thought the company had missed a major opportunity in not putting the sustainability report in the Annual Report. A shareholder commented that LTI should not be awarded until more than than 50% of target is reached. In response to a question on Brexit the Chair said, "we have covered the matter of supplies and consumables with suppliers and with the NHS."

There was a first strike against the Remuneration Report: 29% against. The CEO's performance rights were voted in favour at 97.3% and 97.7%. The new directors Ms Alison Deans and Mr James McMurdo were voted in favour at 96.9% and 99% respectively.

In regard to Ms Deans vote, when we were completing Ramsay's VIs the extent of Westpac's money laundering issue was not known, but we did note that she is a non-executive director of Westpac Limited (WBC) and that she is chair of the Westpac Technology, Risk & Compliance and

Remuneration Committee. The scandal at WBC is an active issue and we are awaiting the full extent of it, who may have known what, when etc.

The Financial Review reported the remuneration voting results on Friday the 18, quoting Mr Siddle as saying that the Proxy Advisory firms have gone too far. Ownership Matters also recommended a vote against. Mr Siddle thought the vote disappointing as he said "Executives work hard, flying around the world and miss many family events and need to be properly compensated."