Ramsay Health Care

Ramsay Health Care – Acquisition of Elysium Healthcare

Slide 1 - Acquisition of Elysium Healthcare
Good morning everyone, and thank you for joining our conference call and webcast at such short notice. On the call today, we have our managing director and CEO, Craig McNally, our UK CEO, Dr. Andrew Jones, and our CFO, Martyn Roberts.

Slide 3 – Agenda
Slide three sets out the agenda for this morning. As always, following the presentation, there will be an opportunity to ask questions at the end. I will now hand the call over to Craig.

Slide 4 – Transaction Overview
Thanks, Kelly, and good morning everyone. Thanks for joining us today.

Slide 5 – Transaction delivers mid-single digit EPS accretion in FY23
I'm absolutely delighted that today we've announced that we've entered into an agreement to acquire Elysium Healthcare, which is a leading health acute mental health care business in the UK. The acquisition is expected to complete during the first quarter of calendar '22. The transaction offers a really attractive opportunity for us to expand into the UK mental health market. And it's compatible with our existing business in the UK, and certainly aligned with our vision of being a leading provider of integrated healthcare services, delivering high quality patient outcomes.

The c pre IFRS 16 consideration of 775 million pounds represents an FY21 EV to EBITDA multiple of 13.5 times. The multiple does not fully reflect the benefit of the investment that has been made in the business over the last 12 months, which will see an estimated 9.5% expansion in bed capacity by the end of 2021. And also doesn't reflect the estimated annual synergies of at least five million pounds per annum.

The acquisition includes post IFRA 16 lease liabilities of approximately 185 million pounds. The transaction will be fully funded from Ramsay's existing debt facilities, and there is no need to raise capital for the is transaction. The acquisition is expected to deliver mid-single-digit EPS growth in FY23 and meets Ramsay's internal investment hurdles, including earning a post-tax ROIC above 10% in year five. And the post-tax ROIC is not fundamentally different from pre-tax ROCE of 15%, and it's changed really due to the change in the lease standard.

Slide 6 – Transaction Highlights
I'd just like to take a moment now to talk at a high level about the benefits of the acquisition. As I've mentioned, the transaction enables Ramsay to expand into the mental healthcare market in the UK at scale, with opportunities for both organic and inorganic growth. The mental healthcare market is an attractive market, growing at rates above demand for other healthcare services. And it's driven by increasing awareness and improving diagnostics of mental health and learning disability conditions.

Both ourselves and Elysium have excellent relationships with the NHS, and this transaction will further strengthen that partnership. It also further builds our platform of services in the UK healthcare market, aligning with our long term vision to deliver outcome focused,

Ramsay Health Care Limited
ABN 57 001 288 768
Level 18, 126 Phillip Street
Sydney NSW 2000 Australia
Telephone: +61 2 9220 1000
Facsimile: +61 2 9220 1001
ramsayhealth.com

integrated care pathways. As a leading mental health provider in Australia and France and with services in our other territories, including Sweden, there is an opportunity to create value through cross-collaboration and the sharing of global best practise across the Ramsay group, which will drive improved patient outcomes.
And as I said, it will drive shareholder value with mid-single-digit EPS accretion in our first full year of ownership.

Slide 7 – Strategic Rationale
I'll now hand over to Andy who will explain why we are keen to grow in the UK mental health market. And he'll talk in greater detail about the business and the strategic rationale for the acquisition.

Slide 8 – The UK mental health care market
Thank you, Craig, and good morning everybody. I'm also very excited about this opportunity and appreciate everyone's support. Let's start by looking at the UK mental health market. In terms of size, the market's worth 15.2 billion pounds, and is growing at around 4% per annum. Currently, one in four people in the UK have experienced mental health issues, and I'll talk about demand in more detail in the next slide.

The UK government has made a strong commitment in the NHS long term plan to transform mental health services in the UK, and has indeed pledged to increase funding by 2.3 billion per annum by 2023/2024. There are capacity constraints across the sector, particularly in children and adolescent mental health services. And the NHS has committed to accelerating more support for these services. So as you can see, there is likely to be strong, underlying demand driving growth opportunities for Elysium over the coming years.

Slide 9 – Increasing demand and unmet needs
Mental health services are continuing to experience rising demands, but in many cases, exceed the available capacity in adult, children, and young people services. COVID has unfortunately also impacted the demand for mental health services. It is estimated that these services in England will need additional capacity for around eight and a half million adults and 1.5 million children and young people, a total of 10 million who will need new or additional mental health support over the next three to five years as a direct consequence of the pandemic.

The independent sector, which we are part of, comprises the private sector, charitable organisations and public local authorities. And these are expected to continue to meet the growing demand in the sector backed by the continued outsourcing of NHS services.

Slide 10 – Introduction to Elysium
Moving to the Elysium business, it is a leading independent operator of long-term medium and low secure hospitals and complex care homes for individuals with mental health conditions. The company was formed through forced divestitures in December, 2016, and since then has grown organically and through acquisition from 22 to 72 operational sites, with approximately 2000 beds and employing 6,000 people.

Elysium maintains 78% good or outstanding Care Quality Commission CQC scores across its portfolio, and it works collaboratively with commissioners to meet the UK government's objectives of treating patients as close to home as possible with the right level of security required. We recognise the significant skills and expertise of Elysium's management and employees. Elysium and Ramsay UK will run independently of each other with the CEO of Elysium, Joy Chamberlain, remaining a CEO of the business following the completion of the acquisition.

Slide 11 – Introduction to Elysium
Moving to the introduction. In terms of service provision, Elysium operates across the acuity spectrum of the UK mental health market, with a particular focus on high acuity care. The business is divided into three segments. Mental health is the largest of these three segments, representing approximately 79% of revenue. Elysium operates both medium and low secure services, specialist services, treating conditions such as personality and eating disorders, acute or psychiatric intensive care units and non-secure rehab services for adults with mental illness or learning disability.

The second segment is in complex care, which represents approximately 10% of revenue and offers both operating hospital and non-hospital-based care. This includes residential rehab and recovery services for a wide range of conditions, including learning disabilities, autism, and other mental health issues. And finally, like Ramsay in the UK, Elysium is a provider of neurological rehabilitation and acquired brain injury services, which represents approximately 11% of revenue.

Slide 12 – A stronger network with an expanding reach of services
We have set out the key operational and financial metrics for both Elysium and Ramsay UK for 2021 on slide 12. As you can see, the combination of Elysium and Ramsay significantly expands our services and our presence in the UK healthcare market and delivers combined revenues of just over 900 million pounds.

Slide 13 – Complementing the integrated global portfolio
As Craig mentioned earlier, Elysium offers an attractive opportunity for Ramsay to expand into the UK mental health market, complementing our existing in the UK healthcare market, working closely with the NHS. It also offers opportunities for collaboration across the Ramsay global business, where we have leading positions in mental health and in Australia and France particular.

Thank you. I'll now hand back to Craig, who'll cover the key takeaways from the presentation.

Slide 14 – Conclusion
Thanks, Andy.

Slide 15 – A unique opportunity to enter the mental healthcare
In summary, we have been operating the UK market for the best part of 15 years, and this acquisition provides us with the opportunity to enter the mental health market, which is a segment of healthcare we know well and understand across the Ramsay network. And we believe our understanding of the sector combined with the demonstrated expertise of the

Elysium team will enable us to continue to grow the business above underlying market growth while driving improved outcomes for patients, clinicians, and strengthening our relationships with payers, particularly the NHS.

Our shared focus on high quality patient outcomes, operational excellence, and developing industry-leading talent will support exceptional patient care across the UK's acute and mental health sectors. The acquisition is expected to create attractive value for Ramsay's shareholders, as Elysium's business plan and clear strategy position will enable significant growth over the next five plus years. The transaction is expected to be finalised early in 2022, when we look forward to welcoming Elysium's people, patients, and partners to the global Ramsay team. Happy now to open for questions that you have for Andy, Martyn or myself. Thank you.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask your question. Your first question comes from Andrew Goodsall from MST Marque. Please go ahead.

Andrew Goodsall from MST Marquee: Thanks very much for taking my question. Just on slide 12, you've given us some of the earnings metrics for the company. Just trying to get a sense of how you'd see those. Was there a COVID tailwind there, or would you say that's normalised or you're just trying to contextualise how we should be thinking about that relative to forward growth?

Craig McNally: I'll start before I hand over to either Martyn or Andy. There's really no COVID impact. So, there's no COVID tailwind. It was pretty normalised through COVID. So, I think those numbers reflect that, but Martyn, you might like to add to that.

Martyn Roberts: Nothing to add, to be honest, Craig. This business has been in growth and is forecasted to be in growth. A lot of the activity they're doing is longer term treatment. So yeah, no real positive or negative, I would say.

Andrew Goodsall from MST Marquee: Terrific. And then, I guess just in terms of the pipeline obviously of providing some level long term complex care and psychiatric care, I'm just trying to understand what proportion of that care would you have some sort of forward visibility in terms of pipeline, just a waiting list.

Craig McNally:Well, there's certainly, I'm going to say, supply constraints. So there's a certainly demand that's outstripping the growth in supply at the moment. So if you get a reasonable view about where that's going, I think Andy's pointed out the commitment of government to add funding to the sector. That gives us a view on what that medium term opportunity might look like. And added to that, there is a bolt on acquisition opportunity that Elysium, given its private equity ownership coming to the end of its fund, really hasn't been funding. So we're really confident about what that short to medium term growth looks like.

Andrew Goodsall from MST Marquee: And final one for me, just some of these groups, particularly in mental health, had issues around governance, and so, just wondering what your due diligence found here, just the level of comfort you've got just around that governance and clinical risk.

Craig McNally: We spent a lot of time on that, Andrew. Elysium are the outstanding provider in the market. And as you point out, the sector has had some issues over recent years. Elysium isn't immune to that. It's got a couple of things it needs to get right in a couple of facilities, but we did some extensive diligence on that. And obviously, putting our reputation on the line in terms of quality, it was a significant issue for us. But we're certainly confident that they've got the people and systems and the focus on clinical outcomes. They've certainly improved the ratings of each of the hospitals, as we've done in our UK business. But it's not something you rest on your laurels for, and I think what we bring to that is that increased focus and the systems to support that.

Craig McNally: Andy, you got any other comments you'd like to add that?

Dr Andrew Jones: No, I think that's well covered, Craig. We take great pride on the quality delivery of services in the UK, and that'll certainly continue, working with the Elysium team.

Andrew: Terrific. Thank you very much.

Craig McNally:You're welcome.

Operator: Thank you. Your next question comes from Saul Hadassin, from Barrenjoey Capital. Please go ahead.

Saul Hadassin from Barrenjoey: Thanks. Good morning guys. Thanks for taking my questions. First one, Craig, maybe just talk about on the base of the majority of funding comes from the NHS. I'm assuming this is tariff based in terms of how that funding is determined. And if so, can you give us a sense of what's been happening with tariff in this space for the last year, and what the outlook is?

Craig McNally: Yeah, it's not actually tariff based. They are negotiated prices mostly. And Andy can talk about in more detail, but what you do in this sector is you assess the needs of patients and the needs of patients vary individually, and then you negotiate the price for that patient effectively. And so that makes up the larger proportion of revenue. One of the beauties about that is that in that negotiation, you are picking up whatever the current estimates of cost base are, going forward. But it is a negotiation. Elysium's done well. You've seen growth in that average price, but you get down to local market conditions and competitive environments, et cetera, that come into that.

Craig McNally:Andy, you have anything you'd like to add?

Dr Andrew Jones: Yeah, those are the two main points, Craig, the baseline price, and then the negotiated increment. There are two other opportunities. Through COVID the NHS has block booked some facilities where it's become worried about capacity constraints. So that's an opportunity for the business. And then unfortunately, some patients have very special and high acuity needs, and the business has been able to negotiate special prices for patients with particularly acute needs. Thank you.

Saul Hadassin from Barrenjoey: Just to follow up on that. So, in terms of those negotiations, can you give us a sense of how frequently they come up and are these long-term contracts then entered into?

Dr Andrew Jones: Typically, the annual reviews building on past practices is the way that it works in the UK. The NHS works on an April financial year, and it's usually based on the funding rounds that are announced by the government in the preceding period. So, it's a layer on each annual conversation in reality.

Saul Hadassin from Barrenjoey: Thanks. And just a final one for me, just cognizant of the expansion of facilities that's occurred in the last couple of years, just the access to mental health nurses, the supply, is there any issue in terms of being able to continue to expand services?

Craig McNally: Yeah, I mean, mental health is similar to the rest of the industry in terms of pressure on workforce. So, that is an issue. So, we need to position Elysium as they've positioned themselves up till now, as the preferred employer, but it doesn't mean that there isn't pressure on workforce.

Saul Hadassin: Okay. Thanks guys.

Operator: Thank you. Your next question comes from Chris Cooper from Goldman Sachs. Please go ahead.

Chris Cooper from Goldman Sachs: Thanks very much. Good morning. The revenue's grown in the high teens. The margins over the last three years have been flat. Could I just ask where you haven't seen the leverage? Is this lease costs? Is this staffing costs? Can you just talk to that dynamic in a little bit more detail, please?

Craig McNally: Andy, you want to answer that?

Dr Andrew Jones: So, the business has certainly experienced additional costs through COVID, like all of us, for staffing related issues, having to bring in agency staff, and to pay for the clinical component, the infection prevention standards and the like. I think they're probably the two main factors. They've also continued to expand, and obviously opening new facilities that aren't at full capacity. I don't have the figure to hand about how many beds they've put on over the last two years, but they have continued to expand and open new units. And obviously that's a temporary depression on margin.

Chris Cooper from Goldman Sachs: And so, looking forward, should we assume this business has a forward margin profile, which is flattish as well, or is there scope to improve, or perhaps go the other way, over the coming years ahead?

Craig McNally: I think it's probably fairer to look at it as flattish because they tend to be small units. So, when we establish new businesses, they'll be smaller units. So, you're not getting so much opportunity, as you're doing larger acute services, to drop additional volume and incremental revenue down at a higher margin. So, our view is it's more flattish.

Chris Cooper from Goldman Sachs: Okay. Thanks. And just a bit more detail on the synergies would be helpful. So, 5 million Sterling, could you confirm when we're going to expect to see that, and what the upside and downside drivers are towards that number?

Craig McNally: Sure. Martin or Andy?

Martyn Roberts: Andy's probably better placed to talk about that.

Dr Andrew Jones: I'm happy to take that one. So, the two main drivers that we see when you sit the two businesses, so Elysium and Ramsay UK, side by side, and obviously within the context that the UK business enjoys the benefit of being part of the global group in terms of procurement. So, it is the procurement of major items that we see part of the benefit. And then the other component is obviously in digital and IT, where we enjoy economies of scale in the way that we go about things. So those are the two things. Obviously, the priority in the first six months is hearts and minds and culture and bringing the brand's alignment between the two businesses and understand best practices. But we expect to be well underway with driving out the synergies between years one and two.

Chris Cooper from Goldman Sachs: Okay. So, between years one and two, assuming completion in first quarter '22 calendar, we're talking by the back end of fiscal '23, you should be running a 5 million Sterling per year minimum.

Craig McNally: That's probably fair.

Chris Cooper: Okay. Thank you.

Operator: Thank you. Your next question comes from John Deakin-Bell from Citigroup. Please go ahead.

John Deakin-Bell from Citigroup: Thank you. I'm just trying to understand a little bit more on the financials, and I note in the presentation, you've got different metrics and different slides. On slide 10, you've got that revenue and EBITDAR for crude rent, and then you're talking about the business made 57 million EBITDA in June '21. And then you've got 61% of the estate's freehold. So, can you just give us a little more color on what the rent is and perhaps what the DNA is and what the CapEx is likely to be, and perhaps reference that to the fact that they've grown the beds. It's gone to 10% in the 12 months to December '21. Perhaps you could give us a sense of how much they cost, in relation to what you're paying for the overall business. Just some more colour would be very helpful. Thanks.

Martyn Roberts: I can have a go at that, if you like, John. It's Martyn. Look, I mean, obviously we've given you the EBITDAR for the historical numbers, just to make sure that you understand the 57 million of EBITDA in FY21, that does, as we footnoted it, exclude some one-off costs. But mainly, we don't think will reoccur going forward. So, just give you that. When we've disclosed what we've disclosed in terms of profit numbers, well obviously we will, when it comes to reporting, provide separate information for this business, certainly for the first couple of years, and then we'll review whether that becomes a segment or not.

In terms of CapEx, what I would say, the ongoing maintenance CapEx, et cetera, about 15 million pounds a year, something like that. But on top of that, obviously you've got all the growth CapEx and we need to get inside the business and understand the business cases around all those things. But suffice to say, there is quite a significant pipeline there available, and you're right to highlight the lease. Just to clarify, the leases there, you've got 28 sites on 125 year ground leases. And then the special purpose, properly put on that, the other ones are free hold. So, I don't know whether that gives you the colour you're after, but just to give you some extra information.

John Deakin-Bell from Citigroup: That 15 million maintenance CapEx, is that similar to what the DNA would be?

Martyn Roberts: It's probably a little bit below the current rate DNA, because you've got growth CapEx that's been invested as well.

John Deakin-Bell: Okay.

Martyn Roberts: So, the DNA is closer to 20, something like that.

John Deakin-Bell from Citigroup: Closer to 20. Okay. That's helpful. And so, I guess, I mean, the key question really is to understand, because the organic growth is 4% for the industry, and obviously you'll probably have some facilities that are still maturing. So perhaps you can grow more than that, but to grow 10% of the beds in one year is like massive. In your business, you've never done that. So I'm just trying to understand, what order of magnitude of CapEx has been spent to get there. I mean, I know they're not particularly capital intensive, but they've gone from 22 sites to 72 sites in five years. So, I'm assuming there's a lot of capital been spent. Can you just give us any colour around that?

Craig McNally: I'll make a comment before Martyn jumps in there. I think your observations that they're capital light or less capital intensive than acute is absolutely right. They're significantly less capital intensive, as we would see in our mental health businesses, in other markets as well. Martyn?

Martyn Roberts: I don't think we really want to go deep into the historic CapEx. Suffice to say that, yes, we have to spend CapEx, to grow this kind of business. Also been acquisitions as well, back over the years. So there has been a bit of a build up from acquisitions as well.

John Deakin-Bell: Right. Right. Okay. Oh, that's helpful. Thanks very much.

Martyn Roberts: You're welcome.

Operator: Thank you. Your next question comes from David Stanton from Jeffries. Please go ahead.

David Stanton from Jeffries: Good morning, team, and thanks for taking my question. I note that the NHS and other parts of the business are 87% independent, local authorities are 12%. Is there an opportunity, I guess, over the near to medium term to increase the other funding sources, like from private or anything else. Can you give some colour in that regard? That'd be great.

Craig McNally: Look, absolutely, David, I think as we've talked about, in general terms, across many markets, we see opportunity in mental health and broadening the range of mental health services. So, what this gives us is a platform to be able to continue to grow from. And part of that will be diversification of revenue sources and diversification of types of services that we provide. So, it was really important for us to get that platform and now we've been looking at mental health in the UK for some time. And we've been linked with a number of transactions over the years, but we've been focused on what culturally will align, what are the service types that we feel comfortable with and that we can add value to and then use that to continue to expand the range of mental health services.

David Stanton from Jeffries: And as I understand, private pay is better reimbursed in the UK in non-mental health. Is that the same in the UK in mental health, that the private pay is paid better as a general statement?

Craig McNally: No, not necessarily. When you look at margin, it may well be for some of the services, but when you look at margin across mental health, there's not a great volatility or range depending on which services and which payer group you're looking for.

David Stanton from Jeffries: Understand. And one for Martyn, I wouldn't want him to feel left out. Look, John's done a great thing and asked about to rent and DNA and CAPEX. I'm going to ask about all-in cost of funds for F22. Should we be assuming that if this closes, the new F22, the all-in cost of funds will go up for '22 into '23, please?

Martyn Roberts: What do you mean? Sorry, David.

David Stanton from Jeffries: Well, your interest expense. Percentage interest rate, will that go up? And by how much?

Martyn Roberts: The percentage rate shouldn't go up because this is being funded from existing debt facilities where we've already got those interest rates locked in. As Craig said earlier, we don't need to raise any equity to fund this.

David Stanton: Okay. Good. Understood. Thank you.

Operator: Thank you. Your next question comes from David Low from JP Morgan. Please go ahead.

David Low from JP Morgan: Thanks very much. Just on this, Craig you've talked about the fact that you've been looking at mental health for a number of years in the UK. Are there other opportunities? Is this something where you can see for the M&A being a strong driver of the platform?

Craig McNally: More for bolt-on David. Not a substantial portfolio. But more bolt-ons and there's still a reasonable amount of bolt-on opportunity. It's not a really consolidated market, so we'll look at that but not in terms of a material portfolio.

David Low from JP Morgan: Okay. Thanks. And just with the NHS funding, I think we've been waiting to hear news on additional funding to clear waiting lists. This increase of 15-odd-percent increase in the budget that's in your presentation, how clearly confirmed is that and when does it start to come into effect?

Craig McNally: Andy?

Dr Andrew Jones: thanks. So due to the demand for mental health services and the supply constraints, the NHS is further ahead and has been slightly more generous in its planning and allocation of funds for mental health. So the sums that were in our presentation have been confirmed and they're now out there in what are being called the provider collaborative. So that growth and the opportunity that we've got in terms of developing the business is pretty much out there. But I need to put my answering context with the acute side of the business. So the surgical side of hospitals, whereby that funding, that plan, seems to be less developed. So we've got less certainty around what the NHS plan is to deal with the backlog in surgical patients, if that makes sense.

David Low from JP Morgan: Yeah. I think that's what I was getting at. So you're more confident that this mental health additional funding is going to be there. And maybe just for a little bit more context, that uplift in funding, I presume it's not going to come through in the form of price. This is to be in the form of opportunity to offer greater volumes. Is that something... how much capacity does the group have to take advantage of that with existing facilities?

Craig McNally: It certainly does come in the form of volume. Putting on additional capacity in this sector isn't difficult. Well, I say it's not difficult in terms of the capital cost involved. You've got to find the right sites, et cetera and then brownfield additions to existing facilities are pretty straightforward. I don't think it'll be the ability for us to create the capacity that'll be the constraint for us.

David Low from JP Morgan: Okay. Thanks. And just the last one for me. I mean this is a private equity sell-down, so I presume it was a competitive process and Ramsay's going ahead because it's offering a higher price than the other bidders.

Craig McNally: Can't tell you that because I don't know what the other bidders were offering obviously.

David Lowe: But it was a competitive process, I presume?

Craig McNally: Yeah, but we didn't run until the end of the process.

David Lowe: Okay. All right. That's all I have, thank you very much.

Operator: Thank you. Your next question comes from Steve Wheen from Jarden. Please go ahead.

Steve Wheen from Jarden: Yeah, good morning. I just had a question with regards to the earnings of the group, the CAGR growth of 18%. I assume that's being supplemented by the level of acquisitions that have taken place during those years. Is there a way we can understand the sort of like for like growth of what this industry is looking like?

Craig McNally: I think as we mentioned, the underlying growth in the industry was 4% across the industry, but that isn't the case for Elysium and you are correct in the 18% as a result of the acquisition growth as well.

Steve Wheen from Jarden: Okay. So, you are clearly doing better than that, well Elysium is clearly doing better than that.

Steve Wheen: Is that something you can quote?

Craig McNally:That we can quote?

Steve Wheen: To tell us what the underlying growth is?

Craig McNally:Oh, in Elysium? Yeah. We'll have a look at that. We'll see what we can, what we can tell you.

Steve Wheen from Jarden: Okay. Okay. And then secondly, for me just picking up on the agency, nursing costs, what proportion of the nursing staff currently is agency staff, and pardon of me, is there an expectation that you will be able to reduce that given you gave comment that you're not expecting much upside to margins from here, Andy?

Dr Andrew Jones: Yeah. Let me take that one. Thank you. So, the agency rates are running in the mid-twenties at the moment, and that's due to many factors. COVID being one and is probably slightly higher than historic norm due to the availability of clinical staff. But again, just to set the answer in context, Elysium has high, higher acuity patients, and some of these patients will have particular staffing needs. So, the business will typically contract to deliver care for particular patients, but the additional staffing costs will be paid through as part of a special pricing mechanic. So, in effect, they're agreeing to take particular patients knowing that the premium-to-staffing cost has been covered for that particular patient.

Steve Wheen from Jarden: Yep. Okay. But ultimately there is an opportunity here that you could reduce agency staff over time.

Dr Andrew Jones: Well, we hope as we look at the two businesses, because we're major going to be major recruiters in healthcare based on the acute surgical business and on the mental health side to bring best practices in recruitment, across both businesses, onboarding training, working with the global employee proposition training that we do in France and Australia and bringing some improvements. So, we need to understand that over the initial period as I outlined earlier, but yes, we think that we can bring some expertise by bringing these two businesses together.

Steve Wheen from Jarden: Right? One last question for me, for Martyn, just on the funding, the response from your, I guess your consortium or even the, your ability to maintain your credit rating I assume is possible. But going forward, would you contemplate using the freehold properties within this group to do some sort of sale and lease back to sort of facilitate further acquisitions?

Martyn Roberts: Possibly, but as we've said before sale and lease backs, don't give us any equity credit with Fitch. So, it doesn't help from that perspective. And as we've said, we've got plenty of headroom in our existing debt facilities. So never say never, but it's not something that we've factored into our plans currently.

Steve Wheen: Great. Okay. That's all for me. Thanks.

Operator: Thank you. Your next question comes from David Bailey from Macquarie. Please go ahead.

David Bailey from Macquarie: Yeah. Thanks. Good morning. Just following up from Steve's question actually Martyn, just where the FFO adjusted leverage, get to posted transactions and saw the comment there that you're looking to maintain it within its target.

Martyn Roberts: Yeah. Well obviously, we haven't given you, what would it look like after, because that would involve kind of giving you a forecast for our core earnings F22, which unfortunately we're not in a position to be able to provide you with so, but all our forecasts and assessments would say that we will, it'll be close, but we'll be managing within our credit rating.

David Bailey from Macquarie: Okay. So, no additional measures required in to stick that sub four times?

Martyn Roberts: Based on our current forecast? No.

David Bailey from Macquarie: Yeah. Okay. And then just on slide nine, there's the split independent persons, NHS providers. I mean, looking forward is the expectation that capacity coming through on the NHS side is going to be fairly modest and the incremental growth is going to be funded all provided by the independent sector.

Craig McNally: Yes. I think that's generally the case.

David Bailey from Macquarie: Yeah. Yeah. Okay. And then just one quick one, just EBIDA post double A B16. I haven't done it, but just the number, if you've got it on hand.

Martyn Roberts: I don't think we've disclosed that.

David Bailey: Right. Okay. Thanks.

Operator: Thank you. Your next question comes from Leanne Harrison from Bank of America. Please go ahead.

Lyanne Harrison from Bank of America: Yep. Good morning, all. Can I just talk about the rapid rate of growth, obviously, they've grown to 72 sites. Can you talk or comment on the systems and integration across those sites? Is there anything that, or any work that Ramsay needs to do for that? And is that if so, is that included in the 15 million pounds CapEx expectation?

Craig McNally: I'll start with that then Andy, you can, you can jump in. They're reasonably well integrated. Now a lot of the businesses are standalone independent businesses, so that are supported from central office functions. And so, as they've been able to scale up, they've been able to add those, new facilities in without, and using the infrastructure that they have and supplementing that when necessary. That will continue to be a case. There's no significant issue for us in needing to ramp up the integration within that portfolio. As Andy pointed out in his presentation, we'll look at opportunities where we can share resources and create value across the two businesses. And we'll take out, we'll take some time to work through that. Anything you'd like to add, Andy?

Dr Andrew Jones: Yeah. Just to build Craig. So, the Elysium business has two care record platforms, which it uses appropriately, so it has one for the mental health business and one for neuro rehab. And we think the neuro rehab platform may be a benefit to our existing Ramsay UK. We have three sites, and we've been thinking about what we were going to do in that space, so that's a benefit. They're all on a single finance and procurement system. They're on a single HR system, although they are due to upgrade that shortly, so we've been working to understand that. We have made some allowances in our model because we think that there's some continued opportunities and system develops. We run a very high standard of cyber security in Ramsay, and obviously there's the continual upgrade of licensing on the big enterprise platforms that we use globally as well. So, the IT landscapes pretty well understood.

Lyanne Harrison from Bank of America: Okay, thank you. And just one follow up question around the services that Elysium provides. Can you talk about, obviously, capacity, and what Ramsay's thoughts about perhaps expanding capacity in terms of, perhaps on the day patient side, if possible?

Dr Andrew Jones: Yeah, I'm happy to take that. Okay. Thanks. So yeah, the two main drivers for success in this transaction in our view is to obviously maintain occupancy and the management team have been very successful over the years and then, to expand beds. And I think that they've done that both organically with Brownfield Developments. They've opened new sites, and then obviously there's been some big acquisitions over the years as they've bolted on and scaled up, so we're looking at this through kind of two lenses, if you like, with the existing business and kind of the opportunities that are going on with mental health reforms in the UK. So, making sure that patients are looked after close to home, adding beds to existing facilities is something that we've been doing some thinking about and setting up what's being called provider collaborative. So, we're very keen that we are part of those, given the NHS contracting that will go on in the acute surgical and the mental health side of the businesses. Elysium does have a particular skillset in higher acuity services. And so obviously that's very specialized. And then the other side of the lens is obviously good practice in Ramsay in terms of Greenfield. And we will take a view on what the Greenfield expansions can look like in terms of the adding beds, which Craig gave in the previous answer.

Lyanne Harrison from Bank of America: Okay. So just to confirm that, the intention is to maintain the services around providing support to inpatient rather than trying to offer a day surgery, a day patient offering?

Dr Andrew Jones: Well, that's the basis of the plan. The opportunity is to look at what goes on in Australia and France and think about how healthcare is changing. But the basis of our plan is very much the basis of what's currently being done and make sure that we make a continued success of that. Day placements into the future is something that we'll need to give some thought to.

Lyanne Harrison: Thank you very much.

Craig McNally: Okay, I'll just add to that so there's no confusion. The acuity level of the provision of mental health services in Elysium is very high. So, the low end and medium secure units' involuntary units, and so locked units. And so, your ability to have day patients in those doesn't exist. But as we move into, the answer before about diversifying revenue and looking at broadening the service profile, that will then allow to look at initiatives like more day patients for private pay, et cetera. But that isn't what the bulk of this business is.

Lyanne Harrison: Okay. Thank you very much.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone. We'll pause a moment for any further questions to register. You have a follow up question from Andrew Goutsell from MSG Marquee. Please go ahead.

Andrew Goodall from MST Marquee: Oh, thanks very much. Sorry, just circling back on, just for modelling purposes, just wondering whether you've given us any kind of idea of what the right of use value is, so we can get from EBITDA to EBIT?

Martyn Roberts: I don't think we did, Andrew. We said what the balance sheet item looks like. But I don't think we have given you that. We'll come back around on that maybe.

Andrew Goodall from MST Marquee: Would that be consistent or broadly consistent with perhaps... well actually that's not going to help us. Yeah. Okay. No, that'd be great. It would be great to do a follow up.

Operator: Thank you. Your next question comes from Sean Lawman from Morgan Stanley. Please go ahead.

Sean Lawman from Morgan Stanley: Good morning, Craig, Martyn, and Andy. Just stepping back for a minute, looking at the business, it seems to have grown quite nicely. It hasn't really been impacted by COVID. It seems maybe even a COVID beneficiary, and you've given us enough bits and pieces, I guess, to somewhat get a reasonable forecast for fiscal 23, is. And then you talked sort of mid-single digit EPS secretion and fiscal 23. Kind of implies that you might have a bit of a degree of confidence on what the base business fiscal 23 outlook might be. I'm not going to get you to give us guidance of course, for that year, but is there anything in the base business in terms of the COVID clouds clearing that give you some confidence in providing that mid-single digit EPS secretion for fiscal 23? Thanks.

Craig McNally: I think what we see in the business is the number of the initiatives that have been put in place that once you get to the run rate for those, gives us confidence about what it, FY 23 looks like. And we don't see that as a COVID tailwind necessarily.

Sean Laaman from Morgan Stanley: Right. But simplistically, we could back out an EPS contribution from this and imply fiscal 23 number, sort of mid-single digit below whatever that addition is from Elysium?

Craig McNally: I guess you can. Yep.

Sean Layman: Great. Thank you. That's all I have.

Operator: Thank you. You have a follow-up question from John Deacon Bell from Citigroup. Please go ahead.

John Deakin-Bell from Citigroup: Thank you. I was just trying to put in context the last six months within the overall business. So, I just want to be clear, Craig, you mentioned that you came in late in this process. So, on the 20th of July-

Craig McNally: No, I didn't say we came in late in this process. We didn't run to for the end of the process, is what I said, so.

John Deakin-Bell: Didn't run. Does that mean you didn’t. Anticipate until

Craig McNally: We preempted. Yeah, we did. We preempted the end of the process. So, we didn't wait until the end of the process to-

John Deakin-Bell from Citigroup: Oh, I see. You made a knockout bid. Okay. Because what's... I'm just trying to understand that on the 20th of July, Spire fails. The end of August, you surprise us by spending 400 million extra CapEx in Australia, which, may or may not have happened had you been successful in Spire, and then the 10th of December, 12th of December, whatever it is, you've spent 800 million odd pounds for another business. So I'm just trying to understand the thinking through the... obviously, if you'd been successful for Spire it would've been unlikely that you would've fought this business, unless I'm crazy.

Craig McNally: No, no. I mean, we've been looking at this particular business for a couple of years, probably. Now we had, so the investment in the browns earlier in Australia is independent and would've happened regardless of what position we took on Spire otherwise. But in terms of where we were on assessing Elysium and Spire, we prioritised Spire and we put on hold the work we were doing on Elysium the previous 18 months. Spire didn't transpire. There were a couple of investors, as we know, that saw much greater value in that. And so, we don't see that the short term opportunity for Spire is there right at the moment. But Elysium, we always say, we've always got a number of targets that we're assessing across many markets. And so, we don't go one by one in terms of, "Okay, we get that one, let's launch onto the next one." And I think we've been pretty clear that mental health has been an opportunity that we've been very confident about across all the markets in which we operate. So yeah, it was just the circumstances, the process for Elysium came up, and so we were in a position to be able to move quickly on that, given all the work that we'd done on it previously.

John Deakin-Bell: Okay. No that's great. Thanks, Craig.

Craig McNally:You're welcome.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr. McNally for closing remarks.

Craig McNally: Okay, thank you. Thanks everyone for joining today. It is an acquisition that we are really excited about. We're very positive about mental health. It's great for us to get that platform in the UK. So, we look forward to the transaction completing early in the new year, and then getting on with the business. So thank you.