24th February 2022

Transcript of HY22 Results Webcast

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Craig McNally: Good morning everyone and thank you for joining us for our FY22 half year results presentation webcast. My name is Craig McNally and I'm the Managing Director and CEO of Ramsay Health Care and I'm joined by Martyn Roberts, our Group Chief Financial Officer.

Today we will provide an overview of our performance for the six-month period and a brief update on our strategy, including the recently completed acquisition of Elysium Healthcare, before covering off on the outlook for the Group.

Moving to an overview of the six-month period. As we highlighted in our November update, the COVID environment has continued to impact our activities with further waves of the virus resulting in government mandated restrictions on capacity utilisation and a material impact on the availability of our people, doctors and patients, driving significant disruption in our operating environment and higher costs.

Importantly, underlying demand for healthcare services remains strong in all our regions. When the operating environment permits, we've seen strong growth in demand. Ramsay's people and doctors have continued to assist governments in France, the Nordics, Malaysia, Indonesia and Australia in dealing with the pandemic through the treatment of COVID cases, the treatment of critical non-COVID patients and running activities such as vaccination and testing clinics.

I'd like to take this opportunity to thank our teams for continuing to support our patients and the communities in which we operate, embodying Ramsay's purpose of people caring for people. The management of employee availability in the short term due to fatigue, illness and isolation orders has had a significant impact on costs and activity levels over the period and

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is expected to be a key issue facing the business while COVID lingers in the community.

The recruitment and retention of our people in the medium term are significant challenges facing us and the global healthcare industry more broadly. Ramsay is investing to attract, develop and retain industry leading talent to support our growth and culture.

The investment in brownfield and greenfield expansion and the upgrade of our facilities footprint has remained a key focus during the period, with new facilities opened in Australia, the UK and Europe and the investment in a significant pipeline of developments continues.

We have continued to build on our digital and data foundations with the aim of leveraging our existing business base and supporting entry into adjacent health services. Our recently appointed Global Chief Digital and Data Officer, Dr Rachna Gandhi, is working with our teams to build out our global digital and data roadmap as well as leading the development of the strategy in Australia.

As we recently announced, we successfully completed the acquisition of leading UK based mental healthcare provider Elysium Healthcare, a business that we believe will deliver opportunities for organic and inorganic growth in the UK. As well as collaborating with our mental health care businesses in Australia and Europe to ensure Ramsay continues to deliver leading patient outcomes in this critical area.

Martyn will go through the balance sheet in more detail, but it remains strong, and we continue to have capacity to support further investment in our growth plans. Our Ramsay Cares strategy continues to develop and is focused on driving actions through healthier people, stronger communities and a thriving planet.

Importantly, the business remains well positioned to benefit from the additional volume that has been created by the backlog of elective surgery and a building pipeline of non-surgical cases.

Moving to the group performance. The financial impact of COVID on Ramsay over the last six-month period has been severe, primarily reflecting the significant increase in COVID cases in the community in all markets compared to prior periods.

The increase in cases drove surgical capacity restrictions and movement and isolation orders which resulted in lower activity, skewed case mix and significantly higher costs. These impacts resulted in a decline in profit before tax of 23.8%.

There were a number of non-recurring items in this year and last year's results, primarily around profit on the sale of assets and transaction costs. Stripping these items out, Group profit before tax declined 1.3% over the previous period, a credible result given the stressful external environment the business has been operating under. The Board determined a fully franked dividend of $0.45 per share, which was flat on the prior period.

Moving to the result in Australia. Our New South Wales and Victorian activities were the most severely impacted by surgical restrictions across the six-month period, however our hospitals in Queensland and Western Australia were not immune to the disruption. In particular the increased costs and decline in activity created by isolation orders on the availability of our people, doctors and patients.

Case mix issues, higher personnel costs due to the impact of surgical restrictions and viability agreement requirements as well as the impact of isolation orders and higher supply costs, including PPE, impacted margins over the period. The estimated impact of the disruption over the six-month period on the Australian business was $107 million.

Despite the difficult operating environment, the business continues to invest in its development pipeline and while some projects scheduled to commence in FY22 have been delayed due to the impact of COVID on the building industry and external approval processes, the pipeline remains strong. A number of large projects were successfully completed during the period.

Turning to the outlook. Business activity has continued to be impacted in January and February by the reintroduction of surgical restrictions in New South Wales and Victoria, the allocation of capacity to the public hospital system in Queensland and the impact of isolation orders on activity levels and costs in all states.

In January total admissions per workday declined 11.5% on the prior period and case mix remained unfavourable with private patient activity in New South Wales and Victoria restricted. It was replaced by public patient activity under state COVID arrangements, with little or no margin and overnight rehab and psych patients have also been heavily impacted.

The impact on our January results of the disruption is estimated to have been $48 million, reflecting the extreme severity of the impact in the month. We currently don't expect the extent of this impact to extend for the six months of this second half of FY22, on the basis that surgical restrictions are being eased in all states except Western Australia and Omicron COVID case numbers appear to have peaked in January, which will reduce the costs resulting from disruptions relating to isolation orders.

We expect the road out of the current environment will be volatile in the short term and the financial impact in the second half of FY22 is expected to once again be material. The total impact will depend on the duration of the current restrictions, which have eased in recent weeks and the profile of the pandemic in Australia moving forward.

Over the medium term we believe the business remains well placed to benefit from the strong underlying demand for healthcare services in the community.

Moving to look at some of the trends in admissions and case mix over the last six months. It is becoming increasingly difficult to look through the numbers given the impact of COVID on our activities has now run across four, six-month reporting periods.

However, you can see in the chart in the left-hand corner the change in admissions across the various categories against last year, where disruption from COVID was principally in Victoria, and against the first half of FY20, which was pre-COVID. You can see that in areas such as psych and rehab we continue to be impacted against the pre-COVID environment.

The decline in surgical admissions primarily reflects New South Wales capacity restrictions, given it is our biggest market, and as you can see in the right-hand chart, while Victoria had restrictions in place during the half they were not as severe as in the prior period.

The increase in maternity admissions since the pandemic continued during the half. Based on current forward bookings, the stronger volumes experienced over the last 12 months are expected to normalise to pre-COVID levels going forward.

At the bottom of the page, we have the monthly trends in admissions per workday against the same period in FY21 and FY20. The bottom left chart shows a stronger performance in surgical admissions against FY20 and FY21, reflecting the strong growth experienced in surgical admissions in the first half of FY21, following the first wave of the pandemic and the end of the extended lockdown in Victoria.

The decline in January reflects the peak of Omicron cases in the community in New South Wales, Victoria and Queensland and a surge in the number of our doctors and team members

unavailable to work due to isolation orders, combined with the reintroduction of restrictions in New South Wales and Victoria.

The Victorian restrictions in January were the most onerous we have had and resulted in surgical admissions being more than 50% below the prior period.

Turning to the investment pipeline and during the period the business invested $91.1 million in its development pipeline and delivered projects with a total investment value of $164.3 million. Including the development of a 12 bay emergency department at Hollywood Private Hospital in Western Australia.

As our Australian CEO Carmel Monaghan outlined at our investor day prior to Christmas, our investment in emergency departments over the last few years has delivered strong returns, with a solid flow of inpatients delivered through our emergency departments. Since it's opening, the Hollywood ED has performed well, supporting the additional investment in bed capacity and diagnostic facilities.

For FY22 total spend is expected to be marginally below the bottom end of our original forecast range due to COVID-driven project delays. Spend will be pushed into the FY23 to FY25 period. Importantly, based on the APRA data, our commitment to investing in our facilities and improving the layout of our campuses has driven an improvement in our market share over the last few years.

Turning to the UK. The business reverted to its traditional pre-COVID operating arrangements with NHS England from 1 April 2021. COVID cases in the UK, post the so-called “freedom day” in July, increased dramatically, resulting in the introduction of isolation orders and movement restrictions which impacted the availability of patients, doctors and employees at short notice, resulting in material procedure cancellations and significantly higher personnel costs.

The result was also impacted by the significantly high costs associated with the environment, including testing staff and higher PPE costs. It is estimated the impact of these costs on the business was £3 million per month.

The result includes $24.7 million of transaction costs associated with the proposed Spire Healthcare scheme of arrangement and the recently completed Elysium Healthcare transaction. Capital expenditure for the period was $29.2 million with projects including the completion of Buckshaw Hospital in Chorley, the third hospital the business has opened during the pandemic. Following the appointment of Dr Andy Jones as Group Chief Growth Officer in December we have appointed Nick Costa, formerly COO of Ramsay UK to become the CEO of the business.

Given the Omicron-driven rise in the hospitalisations in the public sector prior to Christmas, Ramsay has entered into a new volume-based agreement with NHS England to cover the period from 10 January 2022 to 31 March 2022 unless terminated earlier by mutual agreement. The agreement allows Ramsay to treat private patients which have continued to increase as a proportion of overall admissions reflecting strong demand from the self-pay market.

Business activity in the second half of FY22 will depend on the ongoing impact of COVID on cancellations due to the availability of staff, doctors and patients. The business continues to be significantly disrupted in January and staffing costs remain higher than pre-pandemic levels. Ramsay is actively working with the UK Government and the NHS around the model for the delivery of additional capacity over the medium to long term to address the expanding public wait list for elective surgery and non-surgical services.

Ramsay Santé continued its commitment to take care of COVID patients in Europe with more than 4000 patients treated in

France, 1500 in critical care and more than 500 in Sweden. The business has continued to support governments to manage the pandemic through both COVID testing and vaccinations. Santé reported strong activity growth overall, largely driven by the out-of-hospital segments. The business recorded more than 5 million patient visits during the period, up 13% on the prior period with 64% of visits accessing out of hospital services, up from 60% from the same period last year.

Total European revenue increased 2.1% on the prior period. Excluding the non-recurring items in this period and the prior period, revenue growth was 4.6%. EBIT increased 14.8% on the prior period primarily reflecting the benefit of organic growth and acquisitions made over the last 12 months. The growth was principally driven by the Nordics region reporting revenue growth of 11.5% and EBITDAR growth of 24.1%.

The business continued to invest in innovation enhancing care quality and accessibility. Capital expenditure for the half was $199.7 million and included the launch of its new digital front door in France.

Consistent with its strategy to enter adjacent health care services, during the period Ramsay Santé acquired an ophthalmology business in Sweden, a public primary care business in Denmark and an IVF business in Norway. The total investment was approximately €38 million with a further deferred consideration of €48 million subject to certain performance hurdles.

Turning to the outlook for the second half, the French Government has indicated that a new revenue decree providing support for private hospital operators will be issued for the period covering 1 January 2022 to 30 June 2022. However, the details of the new decree have not been announced.

Earnings in France in the second half will be dictated by the shape of the current and any future waves of COVID cases and

the level of hospitalisations combined with the availability of staff heavily impacted by absenteeism caused by COVID and general fatigue. The Nordics will continue to benefit from its skew of activities to primary care and the bolt-on acquisitions it has completed over the last 12 months.

The elective surgery waiting lists in both France and the Nordics continue to grow, and Ramsay is well positioned to benefit from activity when the operating environment improves. Again, the most significant issue will be staffing availability to meet the demand.

Ramsay's 50 50 Asian joint venture, Ramsay Sime Darby, reported higher operating results for the six-month period assisted by the inclusion of the Bukit Tinggi Medical Centre in Malaysia which was acquired in May 2021. Excluding the contribution from the new centre revenue grew 3.9% over the prior period, driven by growth in the provision of COVID related services including testing, vaccination, treatment of public patients and a higher number of private patients. The 18.6% decline in Ramsay's share of profit to $7.9 million reflects the materially higher effective tax rate in this period.

In the second half of FY22 Ramsay Sime Darby is expected to continue to benefit from the recovery of patients in Malaysia following the easing of restrictions and the inclusion of the new hospital. Indonesia is expected to see a more gradual improvement in patient volumes given the more material impact of COVID on business activity.

We are making good progress in delivering our Ramsay Cares sustainability strategy. Our goals and targets cover a wide range of social and environmental issues, a number of which are also targets under our sustainability linked loan. Our focus includes leadership and training and the mental health and wellbeing of our people. We also have a significant program aimed at reducing our carbon footprint, waste and single use plastics. We

are undertaking a climate vulnerability assessment of our facilities in each region at the current time and working to understand our Scope 3 carbon emissions.

We continue to support innovative research and are focused on responsible sourcing across our medical supply chains. We are confident that we are tracking well against our FY22 sustainability linked loan targets. I will now hand you over to Martyn to run through the financials in more detail.

Martyn Roberts: Thanks very much Craig. Good morning everyone. As Craig has said, COVID has had a material impact on the results in the half, however we remain in a strong financial position. Turning to the P&L, the components of total revenues are slightly distorted this half, primarily due to the UK business moving back to its pre-COVID commercial arrangements with the NHSE which saw its revenue contribution move from revenue from government funded support contracts back to revenue from patients. The growth in total revenue was 1.2%, but if you strip out asset sales and the contribution from the German hospitals in Europe in the PCP, total revenue growth was 2.8% primarily driven by growth in Europe.

As Craig mentioned earlier, while we don't report core and non-core profit any more there were a number of items that impacted the result compared to the prior period which we thought would be useful for you to understand. Firstly, transaction costs in this period were $36.1 million compared to $3.2 million in the PCP and consisted of the aforementioned fees associated with Elysium and Spire in the UK, $7.2 million of fees in Europe including deferred costs associated with prior period acquisitions and $4.2 million of costs in Australia.

Profit on asset sales in Europe was $11.5 million compared to $46.6 million in the PCP on assets in Europe and Australia including the sale of the German assets. It is important to remind everyone that in the second half of FY21, the profit on the sale of

the German assets of $25.7 million was offset by indemnities and warranties associated with the sale of $24 million.

The expensing of IT and other assets of $12.8 million primarily relates to an internal decision to increase the threshold for capitalising assets, and was principally incurred in the Australian business. We took impairments of $5.6 million in the Australian business related to some residual IT investments. The French business received a refund of a prior period overpayment of rent of $8.3 million and as previously announced we took advantage of lower interest rates to terminate two fixed rate loan facilities totalling $200 million which were due to expire in FY25. The net upfront cost of the early repayment were $11.3 million which is included in net financing costs.

The effective tax rate for the period was 31.2% compared to 33% in the PCP, and the full year effective tax rate is expected to be between 34% and 35%.

Moving to cash flow, and the significant move in working capital is mostly the result of the return of amounts to the French Government provided under the revenue guarantee decree. At the current time, we believe we have returned to an equilibrium state in relation to payments under the decree. Cash capital expenditure increased significantly reflecting the strong development pipeline. The large movements in divestments of financing cash flows reflects the repayment of the amount held in escrow at 31 June 2021 for the Spire transaction.

Moving to capital expenditure in more detail, total spend across the regions increased 8% on the PCP to $386.3 million driven by the increase in the development pipeline in Australia. Due to COVID-related delays in external approvals and the general building activity in Australia Group capital expenditure for the full year is now expected to be in the range of $830 million to $980 million. This does not reflect cancellations of projects and spend in FY23 through FY25 is expected to be higher as a result. I

would note that this range does not include any spend for the Elysium business which we are still working through at the current time.

I have already covered off the main movements on the balance sheet for the period, being the movement in working capital associated with the return of funds to the French Government and the repayment of funding associated with the Spire transaction. Leverage at the funding group level on 31 December 2020 was 1x. However, as you can see on slide 18 we have provided you a leverage at both the funding group and on a consolidated basis assuming that the Elysium transaction had taken place on 31 December 2021. On that basis, funding group leverage was 2.4x and our undrawn debt capacity of cash headroom was $424.5 million.

On this proforma basis, Ramsay's FFO adjusted leverage was 4.2x which exceeds the target FFO adjusted leverage of 4x consistent with our investment grade rating. However as per Fitch's report on 14 December 2021, we do not expect a negative rating action given we are expecting leverage to drop below 4x within 12 months to 18 months of the completion of the Elysium transaction, assuming that the COVID operating environment improves over time.

With that I will now hand you back to Craig with some comments on strategy and the outlook.

Craig McNally: Thanks Martyn. Given we went through our strategy at the investor briefings prior to Christmas, I won't go into detail now. But suffice to say that despite the challenging operating environment over the last six months all regions have maintained focus and made significant progress on our medium to long term vision to be a leading integrated health care provider. The acquisition of Elysium, combined with the acquisition of three adjacent health care businesses in the Nordics, and the material increase in the investment in our development pipeline are all

consistent with placing the business in a good position to capitalise on the strong demand for health care services that we see continuing for the long term.

We are pleased to have successfully closed the Elysium transaction on 31 January 2022. Martyn, our Group Chief People Officer Colleen Harris, and I went over to the UK for the close of the transaction to welcome the team and visited a number of the Elysium sites. We were all extremely impressed with the depth of talent and quality of the facilities and services they deliver. We are excited to have them as part of the Group. We received very positive feedback from the team on becoming part of the wider Ramsay family. Work is already underway to ensure we realise the synergies and deliver the mid-single digit EPS accretion in FY23, which was identified at the time of the announcement. The business will operate separately from the UK hospital business and the CEO of the business since formation, Joy Chamberlain, is now reporting directly to me and has joined the Ramsay Global Executive Committee.

We have included on this slide the unaudited results for the year for the end of December '21, which reflect another strong year of growth for the business, despite the impact of higher staffing costs due to the pandemic, as the Omicron wave took hold. As you can see, the business has grown quickly over the last few years, through both acquisitions and organic growth and we believe there are further opportunities for growth in the market.

We've included the next slide just to remind you of the relative size of the business, the mix of sales and locations. Slide 23 gives a snapshot of Ramsay's global portfolio of Health Care Services post-Elysium and the strength we have now built in mental health care services across our regions.

Turning to the outlook for the Group, we expect to see volumes across the business start to improve as restrictions ease following the business disruption in January and February

caused by the Omicron wave of cases, which appear at the moment to have peaked in most of our jurisdictions. We do expect that over the remainder of the second half of FY22, activity levels will continue to be volatile and costs will remain elevated. Over the medium term, the business will benefit from the additional volume created by the backlog of elective surgery and non-surgical services, both in the public and private sector.

We do expect that higher costs associated with staffing and increased PPE usage and pricing will start to decline as the environment normalises, but they are likely to be higher than pre-COVID levels in FY23. We'll be working closely with governments, clinicians and other stakeholders to develop strategies to assist the whole industry to operate more efficiently and effectively in an endemic COVID environment.

Before I open up for questions, I'd just like to again thank our teams for what they do for our communities. Happy to take questions now.

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 questions. Your first question comes from Lyanne Harrison with Bank of America. Please go ahead.

Question: (Lyanne Harrison, Bank of America) Good morning, Craig, good morning Martyn, thank you for taking my questions. Can I start with outlook? You mentioned that there will be volatility over the near term and you expect some of those volumes to start to come back, but you also say that staffing availability is critical to meet demand. Can you talk about that in a little more detail and in terms of which geographies is where staffing is faring better or worse than others?

Craig McNally: Sure. Workforce issues are the main - certainly the main issue for the Executive and the Board alike and making sure that our

workforce is well, is available, is critical for - to be able to provide services in the future, so I think that goes without saying. The pressure on workforce over the last now six, 12, 18 months, does vary from region to region depending on the level of COVID activity and whether we're treating COVID patients directly or other patients.

But it's fair to say that all regions have experienced - staff in all regions have experienced changing environments, more challenging environments and so fatigue is a factor. The isolation orders that have existed in all of our markets have resulted in us having to wear significant additional costs. So, what are we doing about it? We've got both short-term strategies and medium-to-long-term strategies to make sure we remain the preferred employer in our markets.

We're very conscious of what staff need; we've engaged with the staff significantly over the last 18 months or so. Each region is different so I don't want to prioritise one over the other in terms of the impact but for example, Australia this month will employ 550 new graduate nurses, which is a massive increase on what we've done previously. That just indicates that we're conscious of what we need to be putting in place for the future.

That particular initiative will come with an elevated cost for a period of time, until those people become productive and it does take some time, it's a two-year program. But we've got initiatives in all of our markets and I think in an environment where our staff haven't been able to be as mobile as might otherwise have been with border closures, et cetera, we'll see that come back into the market.

There are short-term issues with that, from an Australian perspective; staff who haven't been able to travel back to their homes in the UK or Europe will do that but borders being open will allow us to recruit people from overseas more readily, as well. We're very conscious of it, it's the issue that takes up most

of our time, at the moment, but we're pretty confident what we've put in place and are putting in place will position us well.

Question: (Lyanne Harrison, Bank of America) Thank you, and just one more question then on staff. Obviously, we've seen an increase in the staffing costs this half. Is that increase sustainable in terms of was there upward pressure on wages or is that largely being caused by annual leave, sick leave challenges in - over COVID?

Craig McNally: It's largely caused by isolation and the impacts of COVID. So, if we go around the globe, Australia, we've fundamentally got all our EBAs in place, so that will provide us some consistency, understanding where we're going to be over the next two or three years. That - they haven't been out of line with what we've seen historically.

What we are seeing in Europe, however, is some upward pressure on wage rates. In France, you would recollect from the last results release, last period, there was a significant increase in nurses' wages in France, which was by and large covered by an increase in tariff. I think we'll still continue to see that pressure as we move forward, but the mechanisms that are available for recovery of that in terms of the calculation of tariff provided some comfort.

We'll continue to see upward pressure on wages in the UK and that's - it still is - I think there's still a reasonable Brexit hangover in that, but also the pressure on staff fatigue has meant that recruitment of additional staff has been necessary. I'll probably point out in the UK we have put on more resources in the last 12 months to position us for the longer term.

That's come with a fairly heavy cost impact but we think it was the right thing to do to position the business for what we expect to be a surge in volume that will come through. That volume hasn't come through yet and a lot of it

principally because of the level of cancellations that occur at the last minute. The - probably fair to say that productivity levels in the UK are probably pretty low but they will get back to where they need to be.

Question: (Lyanne Harrison, Bank of America) Great, thank you very much.

Operator: Your next question comes from Andrew Goodsall with MST Marquee.

Question: (Andrew Goodsall, MST Marquee) Good morning, thanks very much for taking my question. Just - if I'm right, last November it seemed to me that across the nation there was a two-week window or so where there were no restrictions and just wondering if we can learn anything from that time.

My understanding at the time, it was almost impossible to get operating theatre space in Sydney, so just wondering whether you can see a scenario ex-COVID where that sort of environment might be a longer duration environment, going forward.

Craig McNally: Thanks, Andrew. I do see that. What I think we'll see that's a little different from previous, and the two-week window we had without restrictions wasn't particularly long, obviously, in the scheme of things. What we saw previously, going back over the last couple of years, is when restrictions were lifted, we saw a quick spike in surgical activity that then settled below that spike but still at a premium where it had been historically.

The difference I see going forward, really as a result of the level of Omicron cases and the impact that's had on community behaviour, as well as staff isolation, et cetera, is we probably won't see that spike come back immediately. We'll just see a more gradual return - or not return, but a gradual increase in volumes to still be at a premium level.

So, we're still anticipating that we're going to have pressure on theatre lists in the fullness of time, because ultimately, the work has to be done.

Question: (Andrew Goodsall, MST Marquee) Maybe just picking up on that, in terms of your forward order book, what are you seeing say four to eight weeks out, is that - you're already starting to see a bit of that kick in?

Craig McNally: Yes, as - just in this week, as we've seen restrictions ease, then we're starting to see that activity start to come back pretty quickly. But I don't expect - as I've just said, I don't expect it to be that quick peak straight out of restrictions. Remembering restrictions aren't completely lifted; we've still got 75% activity thresholds for Victoria and New South Wales.

I think the thing that will also be - and I've just alluded to it, I think the thing that will be different going forward, I anticipate, is just the community behaviours in terms of how quickly they come back to the system.

Question: (Andrew Goodsall, MST Marquee) Yes, more of a fourth quarter, perhaps more visibility then.

Craig McNally: Yes, probably.

Question: (Andrew Goodsall, MST Marquee) Just a final one for me, previously you've just talked to where the French tariff's going. I know there's the overlay of the guarantees there at the moment and we had a big boost of the tariff last year to pick up nursing staff worries but just where you feel that's going this year.

Craig McNally: No clear indication yet. The government has - I won't say they've announced but they've told the sector that the notification of tariff will be delayed, so rather than have - it is effective from 1 March but we're probably not expecting to get the detail until later in March. But there's

a lot of lobbying going on, as you can imagine, so let's see what - where that comes out.

But the - we're still in - we're now into the third year of the three-year cycle with the 0.2% increase as the floor, it's just the discussion around that.

Question: (Andrew Goodsall, MST Marquee) Okay. Thank you very much.

Craig McNally: You're welcome.

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

Question: (David Low, JP Morgan) Thanks very much. Just to ask a bigger picture question about the half we're in now, we've got government support arrangements in place across all regions. While we might exit the fourth quarter with things starting to normalise, is it right to assume that with that support in place and the restrictions that come with it, that frankly, this year's earnings are a bit of a - aren't going to give us much of a read into what to expect into the future? Really, for now, we're looking at FY23 when potentially some of these government support programs are out of the way and we can see a return to normal, whatever shape that comes in.

Craig McNally: David, I think that's absolutely right and because of the nature of the government support is varied across the markets. Our access to it, I mean, in Australia for the six months, I think we got $3.8 million of viability support. So, it was immaterial in the scheme of things, because what happens is in those periods where the restrictions are severe and we'll lose money, the reconciliation period covers a longer period that includes the periods where we make money.

So that's offset. So, we're effectively - not that I want to get on a soapbox but we're effectively paying for the support we're giving

government and we're more than happy to do so in this circumstance but FY23 will be very different, I think.

Question: (David Low, JP Morgan) Well, here's hoping. All right, just another question…

Craig McNally: Well, don't we all hope.

Question: (David Low, JP Morgan) The $107 million impact in Australia, what is that? I mean, how did you calculate it? I mean, when I look at that, add it back, it brings the EBITDAR back to where numbers were in the first half of '19. I'm just trying to understand what that number is and whether we can really use it.

Martyn Roberts: Yeah, well, David it's Martyn. So, the Australian team do some pretty detailed calculations. Firstly, they look at the hospitals that were in the restricted areas and also then look at the impact of the surgical restrictions. So, you've got the reduced activity on the top line as a result of surgical restrictions. Then you've also got the increased costs that we've had that we've been running for a long time; increased PPE. You've got the screening at the front door, those kind of things, and also any backup cost of staff who've been in isolation and those kind of things.

So it's done on a region by region basis and essentially tries to estimate what would our business have been absent COVID and then the take the difference between the two. It strips out any unrelated missed activity; if there's an unproductive hospital in a region where there's no restrictions that doesn't get included in that number. It is very much aimed at the hospitals that were either under restrictions or under disruptions.

Question: (David Low, JP Morgan) Okay. Again, I'm not sure how useful that's going to be for us. I don't mean that as a criticism, just frankly this year, and the previous year or two have been not a great guide. Look last question, I mean, as we look into FY23, I mean we're hearing very clear feedback out of the US and I know Ramsay is not in the US but staffing is reducing activity.

Can't get enough nurses to undertake the activity, the demand that is out there.

I mean projecting into FY23 and knowing what you do know about staff and what you're planning to do over the next few months, do you think the availability of staff is going to restrict the recovery in a meaningful way?

Craig McNally: The key to that question is the meaningful way. In Australia - I'll go around the regions because that might be better to understand it. In Australia, we haven't had to reduce services in any material sense. There's been the odd occasion because of lack of staff, even despite the isolation. So, as we go forward and we're conscious about the initiatives we put in place to make sure that we recruit and retain staff, we're probably more comfortable there.

France is a region where delivery of services has been more significantly impacted by availability of staff. The team in France are working hard as you can imagine to make sure that retention and recruitment improves and that is happening. I think as - I mean it's a subjective call, but as the impact of COVID reduces, people are less concerned about exiting healthcare which is one of the issues that has faced the market in France.

UK the issue will be, as I said before, we've got more staff than we probably need at the moment in the UK. So, we're probably more confident there that services won't be restricted because of staffing issues, and the same in Scandinavia.

In all the markets you can't underestimate the different impacts of fatigue where the system is at the moment. So, I'll say it time and again, that it is the most significant issue that we are putting time into.

Question: (David Low, JP Morgan) Great. Thanks very much for that.

Operator: Your next question comes from with Saul Hadassin with Barrenjoey Capital. Please go ahead.

Question: (Saul Hadassin, Barrenjoey Capital) Thanks. Good morning Craig and Martyn. Craig, just a question from me and that's just thinking about cost inflation potentially running into FY23, how receptive are payers across maybe Australia and UK in particular to looking at price as a lever in terms of ability to try and offset some of that pressure?

I guess in absence of either Australian insurers coming to the table or indeed the NHS increasing funding, do you have any other levers that you can look at to try and preserve that margin once volume does indeed improve? Thanks.

Craig McNally: Okay, Thanks Saul. A few bits in that question. So, if I deal with margin and I'll give you the same answer I always give on margin – margin, volumes obviously are an upward driver of margin. So, with volume coming back into the system that should give a tailwind to a margin. So, then you've got pricing and costs and we've talked about costs.

Pricing, when you look across the different regions, I mean in the UK, we've got three quarters of our revenue coming from the NHS. The NHS tariff increase is something that applies to the whole system. So we, along with other players in the system are putting our two bobs work into what we think the implications of increased costs should be on tariff. We haven't got a clear view on that. So that will be determined by the NHS.

The private pay component of the business is increasing in the UK and the negotiations with the PMIs, as they're called in the UK, the insurers, have been positive and we are pretty comfortable with the direction that's heading.

The big one obviously is Australia and what we see is the health funds in particularly rude financial health. It comes down to the negotiation at the time of the renewal of the agreement. We will certainly be pushing the case of the increasing cost base and what's needed for the system to continue to prosper so it can

reinvest to make sure that quality outcomes are there for patients.

It is up to those negotiations that occur at particular times, but it's a much better environment than it has been in the past.

Question: (Saul Hadassin, Barrenjoey Capital) Just to follow up - thanks Craig for that. Just to follow up, can you remind me when you have your larger insurance contracts up for renewal in Australia?

Craig McNally: Well, I won't remind you because I don't think I've told you before. Look, we've got one this year. I mean, they all roll on pretty much three-year cycles. So, there's one of the larger ones this year is probably the indication.

Question: (Saul Hadassin, Barrenjoey Capital) Thanks. That's all I had.

Craig McNally: Okay, cheers.

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

Question: (David Bailey, Macquarie) Yes, thanks. Good morning guys. One for you Martyn actually. Can you just talk us through the repayment of funds back to the French government? Does that imply that you're obviously being paid revenue on a monthly basis relative to fiscal '19 but then the activity that underlies that – is that what's driving back that repayment of funds back to the French government?

David McNally: David, you broke up there, but I think the question was about the change in the working capital in France, yes?

Question: (David Bailey, Macquarie) That's correct.

David McNally: We might have lost you. Hopefully you can hear me, but I think it was, as we called out in June, we actually owed the French government €121 million because they'd been giving us cash advances - all the various different governments around the

country had been giving us cash advances as part of the revenue guarantee scheme.

They started to wind that back during the last half. In fact, we've kind of gone back to a normalised treatment and relationship now, to the extent that they now owe us €75 million. So, it's a €196 million swing in the half in terms of the working capital, which is the large part of that $426 million change in the working capital that we put in the balance sheet.

So, we probably see that continuing now going forward. This is a more normal relationship now as we invoice them. It had to come to pass at some stage. We've been calling that out for a while, that that was going to unwind and it did so in the half.

Question: (David Bailey, Macquarie) Y es okay, got that and just in Australia, number of one-off items you've called out but there was a provision release. That basically offsets the one-off items you've called out in presentation pack?

David McNally: Sorry, we didn't get that. Apologies. The line is really bad that you're on.

Question: (David Bailey, Macquarie) Sorry. Just the provision that went through in Australia for the corporate costs pretty much offsetting the one off [unclear] because [unclear].

David McNally: The provision releases, yes. So obviously at every half we look at the provisions that we've got. There were some that were pending a review of the situation that didn't eventuate. So, you saw that unwind, I think it was $19 million. So yes, that does to some extent offset some of the one-off costs that we have yes.

Question: (David Bailey, Macquarie) Yes okay. Then just a broader question. We know that [unclear] less on the public side is derived. Can you just talk at a high level any thoughts you've got around how that might be impacting [Unclear] and the driver of volumes going forward and then also that opportunity, which you have talked to previously, but interested in your thoughts there.

David McNally: Yes, again, David, we couldn't get all the question, but I think I got the gist of it if it's about the pressure on public systems and the potential impact that has on an increase in PHI membership. If that wasn't the question, I'll make that up as the question.

Well, I think it's a tailwind for private health insurance, isn't it? As access to the public system becomes more difficult and I think without me getting on my soapbox, I mean, access to the public hospital system was becoming harder pre-COVID. COVID has just exacerbated that and I think shown some cracks in the public hospital system.

That has to be a tailwind for private health insurance membership. Let's see what level of tailwind that would be. If that wasn't the question, I apologise.

Operator: Your next question comes from Gretel Janu with Credit Suisse. Please go ahead.

Question: (Gretel Janu, Credit Suisse) Thanks. Good morning. I just wanted to start with Australia and the charts on slide 7. I'm a bit surprised at the weakness in surgical and nonsurgical admissions in November versus FY20. Maybe I shouldn't say weakness, but I was expecting it to be a bit higher just given that that was when the restrictions were easing.

So, I guess why weren't we seeing more pent-up demand coming through then and is that going back to some of your comments earlier, what we should expect when restrictions ease here, just more gradual improvement?

David McNally: Well, I'm not sure I agree with the premise to that the restrictions eased significantly in that period. So, there were still significant restrictions and in Victoria particularly, which is more so than we had the previous year. So, for me, it was no surprise that we saw decline in volume there.

Question: (Gretel Janu, Credit Suisse) Okay, that's fine. Then just moving onto Europe. So significant acceleration in profitability in the

second quarter versus first quarter. Was that just COVID recovery and pent-up demand coming through or anything else that you can point to that that will continue on into this half?

Martyn Roberts: Yes, Gretel two elements for that. Firstly, the Nordics had a really strong quarter and they've been performing particularly well. That business is going from strength to strength and it's great. We've had a couple of bolt-on acquisitions there as well, which have helped.

But really, it's around, if you remember when we announced or when we updated the market on our first quarter results, the result was way below the same quarter in the prior year. We said at the time that that was really due to the timing of the Revenue Guarantee Scheme in France and that that would kind of even things out when it comes to the half.

That's pretty much what's eventuated. If you back out all of the non-recurring that we've said, the French result was only slightly up on the prior period for the half, after having been massively down for the first quarter. It's really the construct of the Revenue Guarantee Scheme, smoothing things out for the half, was the most material factor and then improvement in the Nordics.

Question: (Gretel Janu, Credit Suisse) Yeah, okay, that makes sense. Then just on the UK as well. For the first quarter you did talk about a lot of last-minute cancellations being the biggest impact. Did that ease in the second quarter? It doesn't seem as though it has, given that the EBIT loss has accelerated in the second quarter. But, yeah, just some further colour on that would be great.

Martyn Roberts: Yeah, no, it didn't actually. We were anticipating that it would but then obviously Omicron came and smashed things a bit. Again, if you back out those transaction costs, the cost that we ran in the UK business, first quarter verse second quarter, were almost exactly the same, so our cost base was flat.

But we actually had $10 million less in revenue in the second quarter than we had in the first quarter, which is pretty much the difference in the EBIT result, quarter on quarter. That's really as a result of the fact that we did have probably almost as much, if not more, cancellations in that second quarter.

Particularly in December, as Omicron was starting to pick up again and drive things through and you really had - were starting to get a lot higher COVID cases in December than we'd had in the first quarter. That was really the main reason.

Question: (Gretel Janu, Credit Suisse) Great. That's all I had, thanks very much.

Operator: Your next question comes from Sean Laaman with Morgan Stanley. Please go ahead.

Question: (Sean Laaman, Morgan Stanley) Thank you. Good morning Craig, good morning Martyn, hope you're both well. Just to start with, with France, France was a much better outcome than what we had thought and was pretty impressive seeing that you've got marginally lower government income in that number.

Then some of the discussions we had running into the end of the half suggested, along what you were suggesting at the strategy day in December, that nurse costs were real issues. I'm kind of wondering why the margin held in so well. Was it just a simple case of tariff looking after that increase in nurses' costs?

Then how do you think about it going forward? Is tariff going to continue to offset that increase in nurses' costs or does it get better or worse from here?

Craig McNally: Do you want me to have a go? Yeah, I think the difference from France to other regions is it's a revenue guarantee and so France can manage its costs base. Whilst there was cost impositions on staff availability, isolation, absenteeism, et cetera, activity was down so they could manage for that lower activity.

Then fundamentally, whilst it might not be 100%, tariff is designed to cover staff cost increases. Now that's always a bit of a negotiation, but that's the way the mechanism should work and has worked in the past. As I say, it won't always be 100% but it gives us a level of comfort about where that tariff level will be in order to be able to maintain margin.

Question: (Sean Laaman, Morgan Stanley) Thanks Craig. Not that I want to start any fireworks, but I'll ask the question. You mentioned that the insurers are in a rude financial position, which is arguably true. But we also note, running into the election or in an election year, sorry, that many of the insurers are foregoing their rate increases.

I suspect that's just a bit of play to keep the government happy and keep members in. Does that feed in any way, shape or form into your thinking around the negotiation table?

Craig McNally: You have to factor everything in, but I'm quite happy to ignore that. It just depends on the circumstances at the time of the negotiation, Sean. I don't think the level of revenue loss for them in the short-term period, of either delaying their premium increases, really does factor into longer term arrangements.

Question: (Sean Laaman, Morgan Stanley) Great, it makes a lot of sense Craig. Two more quick ones for you, Martyn, if I may. Just the tax rate guidance for the year, what's driving that? It seems higher than what we were expecting.

Martyn Roberts: It's mainly in France. It's quite an interesting tax regime in France where there's a number of different factors that you get levied. A couple of them aren't necessarily moving in line with your profit before tax, so we are anticipating a lot higher tax rate in the second half in France, mainly due to that.

Question: (Sean Laaman, Morgan Stanley) Great, thanks. One last one, just on the leverage. You mentioned that as you work towards Elysium being digested and you get below four times, should we

be thinking in terms of potential other M&A, that it won't happen until that point because…

Martyn Roberts: Oh, no. I mean, yeah, we won't let that drive our behaviour in M&A. There's other ways of funding M&A and there's other aspects that we can do to raise money. If we've got an M&A opportunity that's making a lot of sense, they don't come along every minute, so you've got to be in a position to take them when you can. We continue to look at opportunities around the world and we'll make sure that we can try and fund those.

It's important to know, as well, that that anticipation of getting below four times does take into account the elevated CapEx that we've got in Australia. It's not like that's going to prevent us from being able to continue to invest in our pipeline in Australia as well. That does take that into account.

Question: (Sean Laaman, Morgan Stanley) Great, thanks Martyn, thanks Craig, appreciate your time.

Martyn Roberts: You're welcome.

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

Question: (John Deakin-Bell, Citigroup) Thank you. I've got two questions. One was just about the CapEx and the return on capital employed. I know in this period it's roughly 50, 50, Australia versus Europe in the total CapEx bill. It's normally a bit more weighted to Australia. But given the much lower returns in Europe, can you explain to us what your expectations are for the return on capital in Australia, which is much higher obviously, versus Europe, on the CapEx side?

Martyn Roberts: Yeah, well I would say that if you're looking at historical returns on capital, obviously you've got much higher returns in Australia. A, because you've got very highly depreciated assets without much goodwill sitting there as opposed to what we've got in

Europe. I wouldn't take the historical returns as any kind of indication of what our expectation is going forward.

We have the exact same investment hurdles in Australia as we do in Europe and I think we set those out in the investor day. It's a 10% IRR, 10% cash ROIC in year three and so they're the same expectations, whether it be an investment in the UK, in France, in the Nordics or Australia.

Craig and I review all of those and allocate capital accordingly, for the best returning projects that are in front of us. But they do have exactly the same investment hurdle.

Question: (John Deakin-Bell, Citigroup) I understand about the historical, but I'm talking about the incremental return. If you went back over say the last three to five years and reviewed that, would the incremental return that you've got in Australia be the same as Europe or would it have been greater?

Craig McNally: It's probably greater because there hasn't been a significant acquisition in Australia, so Australian investment has been around brownfields. In Europe the significant acquisition was Capio, which we took a longer term, strategic view on for growth or we accepted a slightly lower return profile in the first few years, so I think your observation is probably right. But there's reasons for that, it's not the precedent for the way we look at things.

Question: (John Deakin-Bell, Citigroup) Okay, thanks Craig. Just finally, Martyn, just remind us on the cost of debt, I understand you've fixed some lower rates and paying upfront which is all very sensible. But your debt, the margin is largely fixed for a period of time but the floating, the BBSW, that's variable depending on prevailing interest rates, correct?

Martyn Roberts: Yeah, but we have swapped any of those variable, in the short term, into fixed rates. I can't remember off the top of my head what period we've got fixed, but it would be at least a year.

Question:	(John Deakin-Bell, Citigroup) Sure. But in the event - obviously it appears that rates globally are going up. That's not in Europe as much, but in the event in two or three years' time that BBSW goes up 100 or 200 basis points you're - just to be clear, the cost of interest, total cost, would be materially higher in a couple of years. Which, given the leverage, would mean that the overall cost of interest would be quite a bit higher in future years, right?
Martyn Roberts:	In future years, yes.
Question:	(John Deakin-Bell, Citigroup) Yeah and you take that into account when you make acquisitions like the Elysium? Yeah.
Martyn Roberts:	Absolutely, yeah.
Question:	(John Deakin-Bell, Citigroup) Great. Thanks very much.
Craig McNally:	Thanks.
Martyn Roberts:	You're welcome.
Operator:	Your next question comes from David Stanton with Jefferies. Please go ahead.
Question:	(David Stanton, Jefferies) Good morning team and thanks for taking my questions. I'd just like to follow up on a previous question about the UK. You talked about cost base being flat in the first quarter, second quarter, ex-transactions but lower revenue and you've also had those transaction costs in the period. That gave you a loss in EBIT terms in the UK. Are you thinking that that loss will be turned around into the second half or are we looking at some level of loss into the second half, given the ongoing issues in the UK please?
Martyn Roberts:	This is going to sound like a non-answer, but it depends on the revenue line, to be honest. As we sit here today, cases are coming down. Certainly, the positive thing - well in the short term, we'll see what the results are of people not even having to

isolate if they're COVID positive - should result in reduced cancellations, going forward.

But that's really going to be the most important determinant for us in the second half, is whether people are still cancelling and not coming forward for their operation. But if that doesn't happen then absolutely it will turn around, yeah. As Craig said, we're set up to be able to accommodate significant increase in volumes and if those come through, then the profitability will flow straight down through to the bottom line.

Question: (David Stanton, Jefferies) Understood. Then you talked to delays in brownfields. I wonder if I could ask my usual question about brownfield operating figures in 2022. You've opened three in the half, you said previously that you would open 11 in F22. What number should we be thinking for F22 now and potentially you could give us the number into 23, as well? Thank you.

Craig McNally: Thanks David. I'll stand corrected on this, I think F22 in total is eight operating theatres and I think we're running at six and 11 - I'll come back to you with the specifics.

Martyn Roberts: Yeah.

Craig McNally: It's moved around a little bit as things fall in and out of financial years.

Question: (David Stanton, Jefferies) Understood, thank you. Thank you team.

Martyn Roberts: I think whatever we've told you before, if you add FY22 and FY23 together it should be the same number. But as Craig said, some have slipped out of FY22 into FY23, potentially.

Craig McNally: Yeah.

Question: (David Stanton, Jefferies) Very good, thank you.

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

Question: (Chris Cooper, Goldman Sachs) Good morning, thanks guys. Martyn, you began to answer my question just then. I'm curious about the cancellation rate in the UK. Could you quantify what that was in the period? How many booked procedures did not happen? I guess, by extension, what I'm interested in here is, as you said yourself just then, the country is obviously moving very rapidly here to reduce isolation periods.

Any reason we really shouldn't be considering a much lower cancellation rate for the second half?

Craig McNally: On the - Chris, on the cancellation rate, it's around the order of 15% to 20%. 20% on the high end but around 15%. Two thousand to 3000 cancellations a month on sort of 16,000 bookings.

Question: (Chris Cooper, Goldman Sachs): And the early signs around the reduction in isolation periods is improving that number?

Craig McNally: It's too early. It is too early. So, January was still impacted. So, I mean the early signs would be just the last week or two and what we're really interested in, as the rest of the world is interested in, is what the experience of the UK is going to be in terms of sort of total freedom.

So, what we should see is - we will still have the processes in place for hospital staff in terms of isolation. But we should see a general relaxing of that in the community which should in turn result in a decrease in those cancellations.

But I think the whole world is looking at the UK experience from sort of this week onwards.

Question: (Chris Cooper, Goldman Sachs): Yes, okay. And just one more on the UK before one on Australia if you don't mind. So, the private pay segment is outperforming NSH referrals again here. Is this something to do with the pandemic or is there something else driving that? And I'm just curious to hear what sort of margin impact that is giving you in the UK business.

Craig McNally: No, it is more due to the pandemic. So, what you're seeing is - just with the - well, it's the pandemic exacerbating what was already a difficult environment for access.

So, we're certainly seeing an increase in self-pay across case mix. Where it used - self-pay used - I won't say it was exclusively at the low acuity services but it's priced towards that.

So, we're seeing more self-pay across the case mix which is just, I think, a direct reflection of increasing waiting lists in the public sector. Now, I mean what that does to margin, you know, we get a better margin on the private pay in the UK than we do on the public.

But volume, as you've heard me say many times, volume cures mainly ills and the volume is still on the NHS side. So, whilst we've got significant increases of percentage increases in the private, the main game is still NHS volume.

Question: (Chris Cooper, Goldman Sachs): Okay, thanks. And just a last one on Australia. The step up in COVID disruption to $48 million I think the number was for the month of January. I mean that's obviously a big step up in run rate from what we saw in the first half. I think we all understand the reasons why.

Is there any reason here that that doesn’t normalise back to the sort of first half average or below as the restrictions ease in the coming days?

Martyn Roberts: Well, if there's no more COVID and no more restrictions, then clearly the run rate should end up being better than where we were in the first half because we were under restrictions for most of that first half.

So, February will be severely impacted. That's for sure. And you know, we've seen the continuation into the early part of February of reduction and activity in the same way we saw in January.

But we have seen that, you know, restrictions are being lifted in New South Wales and in Victoria. We have been told that WA will go into restrictions in March. So, WA will be impacted.

So that's going to be a drag over the next few months. But absent any new waves of COVID and new restrictions, then post the end of February, getting into March and beyond, then there's a bit of clear air there.

So - and it certainly won't be in the magnitude of that number

Craig McNally: Absolutely that's the case. And I'll even go on to say that even if there - I shouldn't speculate on the future. But even if there is another wave of COVID, I think what we've seen - this is me getting on my soapbox again - what we've seen just in the last period from government is a recognition that - and we were saying it at the outset but hindsight is a wonderful thing.

The recognition that the level of restrictions on elective surgery activity were probably excessive. So hopefully governments learn. I think what's happened over the last 18 months is the relationship between public and private sectors has increased.

Governments, both state and federal, are much more aware of the capacity and capability of the private sector and so that's been utilised. But I think what has been lacking is an intimate understanding of how the private sector operates and the level of - or the more agility that we have than the public sector.

And so, you know, we can respond quickly. And so to put longer restrictions in place without understanding how quickly we could respond to them is an area of education I think. So I would hope that - well, I hope we don't see anymore restrictions and that we're not facing another wave. But if we do, I hope it's handled a little differently in the future.

Question: (Chris Cooper, Goldman Sachs): Very quick follow up. Could you remind us of the materiality of the WA business?

Martyn Roberts: WA business in terms of the proportion of the Australian business?

Question: (Chris Cooper, Goldman Sachs): Yes.

Martyn Roberts: It is - over 20%.

Craig McNally: Yes, it would be more than that.

Martyn Roberts: I was going to say, it's getting on to 25% of the business.

Question: (Chris Cooper, Goldman Sachs): Thank you. Thanks guys.

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

Question: (Steve Wheen, Jarden) Yes, good morning Craig and Martyn. I just had a question on the Australian operations. In particular, as you've gone through COVID, you've indicated that mix hasn't been as optimal during that period. I just wonder, in the context of you winning share, is that sort of share that you probably not want as much in terms of a mix?

And then the sort of extension of this question is how long do you think it will take, based on what you're seeing in theatre bookings, how long will it take for you to sort of see that mix optimised back to levels that you would prefer it at?

Craig McNally: The answer to the first question, we run a comprehensive range of services and don't cherry pick on mix. So whatever volumes are coming through in different parts of the business, whether it's low acuity work or higher acuity work, we're geared up to take.

So, you know, I don't want to - and seriously, I don't want to be in a position where we're cherry-picking work because I think that's really short term. And I think the way we run our businesses is to make sure that we have the comprehensive range of service provision that allows the swings and roundabouts to occur.

But in order - so to get back to what would be a normal mix, whatever normal would be, I think (1) we've got to have the

restrictions come off and I won't say how long is a piece of string? But I think there's pent up demand and you'll see a quick shift in mix.

But whether it takes a month, two months, three months or longer to get back to what it is I think is a bit speculative. But yes.

Question: (Steve Wheen, Jarden) So just drilling into mix a little bit more, obviously psych is clearly lagging. Can you sort of talk to what initiatives or how you can get the performing again? And what does psych look like in the UK as well? Is it matching what's going on in Australia?

Craig McNally: Psych volumes in the UK, so for our business now, Elysium, a very different style of business. It's low and medium secure units. So, these are involuntary patients who are coming to the system through different avenues. You know, principally the justice system and others.

And so that flow of patients isn't materially impacted by COVID. Whereas in Australia and France, they're voluntary patients who will make choices about whether they want to be in a facility or not. Or their family will make choices. And the things that impact them are just general sentiment around COVID and going to an institutional environment.

Things like - it may sound a bit mundane but things like visitor rules, not being able to have visitors, and actually, in longer term rehab and psych programs, the ability to take your day leave or go out on a visit was eliminated. So, people couldn't sort of move out of the facility for their half a day or a day.

So that made it less attractive. Now, you could argue well, what does that mean in terms of an acute mental health episode? It does have an implication.

So as things return to normal and we don't have the level of COVID infection in the community and that then allows visitor

rules to be relaxed, as they are really from this week onwards in Australia, that will - those deterrents for hospitalisation will slowly be removed.

And so you'll see activity come back. Because there is an unmet demand in those. Rehab is compounded because the surgical activity hasn't occurred which would then be referred to rehab. But rehab also has all the other environmental impacts that you would see in mental health and, to some extent, medical conditions.

But there's another overlay on medical which is having a flu season which will drive respiratory admissions.

Question: (Steve Wheen, Jarden) Yes. So Craig, the weakness insight you're characterising in Australia is very much part of the decision process of the patient, not necessarily the willingness of psychiatrists to admit patients into your facilities?

Craig McNally: No, I think psychiatrists are part of that equation and their reluctance to be - so unlike other acute specialists, their reluctance to be in inpatient environments. There's a bit of that.

Certainly not as much as it was over the last 12 or 18 months but there's still a bit of that around. And so that will - what we forecast is that will ease as well once the environment improves.

Question: (Steve Wheen, Jarden) Yes. Last question from me. Just again, on Australia and the capacity that you're building into your facilities through the CapEx program. I understand it's only timing difference, the change in CapEx in the current year.

As you look across at your competitors and given the challenging environment that perhaps might have been more acute for them, what are you seeing happening with capacity at their sites?

Are you, by far and away, the most active on that front? Just to try and understand the landscape. Are we seeing a big build out here that's not just being conducted by yourselves?

Craig McNally: No, I think we're far and away the most active in that space. I think we've got some of our competitors who are so reliant on state viability payments just to survive that they're not even thinking about capital investment.

Yes, so no, I think we're clearly in front of the pack.

Question: (Steve Wheen, Jarden) Great. Thanks Craig.

Craig McNally: Okay, you're welcome.

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

Craig McNally: Thank you. Thanks everyone for joining us. I know it's a busy reporting season so we appreciate your time. Thank you.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

Craig McNally: Thanks.

[END OF TRANSCRIPT]