28 August 2025

RAMSAY HEALTH CARE LIMITED – FY25 RESULTS RELEASE

[START OF TRANSCRIPT]

Natalie Davis: Good morning, and welcome to Ramsay Health Care's Financial Results for the 12 months to 30th of June 2025. My name is Natalie Davis, and I'm joined today by our acting CFO, Mike Hirner.

Having committed at the half year results to take decisive action to improve performance, accelerate transformation and boost returns, I'm pleased to report that we're making good progress in our multiyear transformation. At our half year results in February, I outlined my priorities for the business and our progress against these priorities is shown on Slide 5.

In our market-leading Australia hospital business, we've been focused on driving top line growth and operational efficiency. We have completed all major private health insurer negotiations and agreed improved revenue indexation for FY25 and '26.

Our performance acceleration team has delivered enhanced data insights to help us make better data-driven decisions faster to grow admissions and improve seat utilisation. In Q4 FY25, this supported a 3-percentage point improvement in theatre utilisation nationwide with notable improvement in New South Wales and Queensland.

Having reset and streamlined our transformation and digital spend to accelerate the delivery of benefits, we've introduced what we are calling our Big 5 hospital operational initiatives to drive improved performance. I'll talk more about these and other key initiatives in more detail in a few moments.

We're strengthening our capital discipline to improve returns across the portfolio. In Australia, we're focusing on expanding procedural capacity, while in our UK hospitals business, our improved performance has continued as we focus on customer and quality, growth, operational excellence and financials.

In Elysium, we've completed a rapid performance diagnostic and are taking cost out of the business with 75 corporate roles having been removed during Q1 FY26. We seek new expansionary capex at the beginning of this year.

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Ramsay Sante showed good capital discipline, reducing its overall capex spend by 14% in local currency and focused on improving the management of its working capital. We are progressing the evaluation of strategic options in relation to our shareholding in Ramsay Sante with advisors, Goldman Sachs. Ramsay remains committed to optimising shareholder returns and is reviewing a range of options.

We're evolving our culture of people caring for people to innovate and drive performance. I'm very proud of our team as we maintain high patient NPS scores and clinical excellence right across the group.

And lastly, to support the delivery of our refreshed Australia 2030 strategy and ongoing transformation, on the 1st of July '25, we've implemented a new streamlined group operating model that brings all of our group capabilities closer to our Australia business, including a new leadership structure as shown on Slide 6.

Our new leadership structure includes key executive appointments in Stuart Winters, who is joining us in September as Chief Operating Officer, Australia; and Andrew Coombs, who is joining in November as Chief Commercial Officer, Australia.

Stuart has spent 20 years at Sodexho Healthcare where he led health care support services and operations across the U.S., UK and Asia Pacific. He will be responsible for driving operational excellence and performance across our hospitals.

Andrew joins us from HCA hospitals in the UK, where he led their commercial team. Previous to that, he had senior global roles at AXA, including leading their global health business. He'll be responsible for partnering with our payers, evolving health care delivery and funding as well as our health services businesses, including pharmacy, mental health and home health services.

These structural changes and key appointments will add significant execution capability to our business, and we welcome both Stuart and Andrew to the Ramsay leadership team.

Turning to our Ramsay Australia 2030 strategy on Slide 7. Our vision is to innovate to be Australia's most trusted leading health care provider and to deliver long-term value for our shareholders through the five pillars of our strategy.

At the heart of Ramsay is our focus on our patients, our people and our partnerships with our doctors and our purpose, people caring for people. This is our enduring strength.

Our strategy will innovate Ramsay to leading local catchments, particularly growing our services, patient care and relationships with specialists and GPs in communities around our strategically located hospitals; differentiate ourselves in priority therapeutic areas, including cardiology, orthopaedics and cancer care; create One Ramsay advantages powered by digital and AI to capture the synergies enabled by our market-leading scale; connect patient and doctor journeys, in particular, from hospital care to community-based care; and finally, work with our communities and partners to shape Australia's leading health care system for the future.

On Slide 8, we segment our multiyear Australia transformation into horizons with an initial focus on strengthening our core hospital business. This includes delivering: Catchment growth; centres of excellence nationally in cardiac, orthopaedics, cancer and mental health; clinical leadership, including research and trials; centralised and standardised procurement and hospital admin functions, creating One Ramsay scale advantages; dynamic revenue indexation reflecting sector-wide cost pressures; and strategic proof of concept with private health insurer partners to connect hospital and community care.

Once this stage is complete, it sets the platform for us to connect our health care services for our patients, creating digitally connected patient and doctor journeys in enabling our long-term goal to become Australia's most trusted, leading health care provider.

Our success over each of these horizons will be measured by clear financial and non-financial metrics that will enable us to measure our progress and hold ourselves to account. Our initial indicators of progress will be our patient, doctor and people NPS metrics as well as growth in admissions and theatre utilisation, cost efficiencies through One Ramsay advantages and revenue indexation reflecting cost indexation.

Turning to the financial performance for the full year on Slide 10. For the 12-month period, we reported a net profit after tax and non-controlling interest of 24 million. NPAT from continuing operations, excluding non-recurring items, was up 1.7% to 305.3 million, driven by continued momentum in the UK hospitals business and a solid result from Australia, partially offset by weaker results from Ramsay Sante and Elysium, higher funding costs in Ramsay Sante at a higher effective tax rate.

The funding group's balance sheet is strong with a leverage ratio of 2.18x within our target range of less than 2.5x and below our debt covenants. The Board determined a fully franked final dividend of $0.40 per share, taking the full year to $0.80 per share flat on the prior period,

representing a full year payout ratio of 63.7% of NPAT from continuing operations, excluding non-recurring items.

The table on Slide 11 shows that the underlying trading result was driven by the Australian and UK hospital businesses, which I'll go into more detail in the coming slides. The performance of the UK and European regions was boosted by the movement in the exchange rate against the pound and euro.

Turning to Slide 12 and funding group, which is essentially our Australian and UK businesses, reported a 6.7% increase in revenue driven by activity increases in both regions, combined with improved indexation from PHI negotiations and higher UK tariffs.

Underlying EBIT reflects increased contributions from the core Australian and UK hospitals businesses, offset by a decline in the contribution from Elysium. Underlying NPAT from continuing operations increased 5.7% and benefited from an 8.8% reduction in total financing costs, reflecting lower net debt levels following the sale of Ramsay Sime Darby last year.

ROCE declined 90 basis points in constant currency terms, and ROIC declined 10 basis points, impacted by the increase in average capital employed primarily reflecting investment in the Australian business on flat earnings.

Slide 14. The Australian region reported a solid performance from our core private hospital portfolio with good revenue growth for the 12-month period, reflecting improved indexation from all major payers negotiated through the year.

The return of the management of the Peel Hospital Campus in Western Australia in August impacted overall admissions growth. However, total admissions in our private hospitals increased 2.7% and combined with revenue indexation, drove a 7.9% increase in revenue from our private hospital portfolio.

Australia reported growth in underlying EBIT of 1.1%, impacted by lower growth from our public hospital portfolio due to higher costs at Joondalup Health's public campus and the return of the Peel Hospital Campus contract to the government in August as well as an increase in digital and transformation spend.

Other factors impacting EBIT include Cyclone Alfred in March, which impacted activity and costs at hospitals in Southeast Queensland; operating losses associated with Ramsay's psychology clinics; and start-up costs associated with the Northern Hospital in Victoria.

On Slide 15, you can see the key activity trends across the Australian business with the largest part of the business, vertical and day admissions, growing above 3%. Public admissions ex-Peel, while representing a small part of the business, turned around in the second half of the year as a result of increases in public work in our private hospitals in Queensland and New South Wales. Day admissions continue to grow at a stronger rate than overnight admissions and now represent 68.7% of total admissions.

Moving to Slide 16. Importantly, we have maintained our high NPS and patient satisfaction scores with NPS improving slightly relative to last year New South Wales and Queensland leading the way. We also continue to have a very strong NPS score in our Health Services business, including Pharmacy and Home Health.

We completed PHI negotiations with all payers, except for one regional player, to drive improved indexation in FY25 and FY26. These negotiations were informed by our expected in-year wage inflation in FY26. We'll continue to monitor wage increases as we work through EBAs in Queensland and Victoria in this financial year.

We've reset the digital and data program to focus on enabling our big five hospital operations initiatives so we accelerate benefits delivery. We're focused on optimising the existing digital and data spend to enable these initiatives as well as thoughtfully addressing tech debt. Digital and data opex in FY26 is expected to be in line with or slightly lower than FY25.

Slide 17 looks at the initial benefits flowing from one of the business improvement initiatives we're focusing on, theatre utilisation. Utilisation has strengthened over the last six years as we expanded theatre capacity across the portfolio by 15%, including a 3-percentage point increase in in theatre utilisation the last quarter financial year '25 compared to prior year.

There continues to be significant scope for us to lift theatre utilisation across our top 20 with our top five sites running at 80% plus utilisation in the final quarter of financial year '25. And 80% to 85% will be considered industry best practice. This result is a clear mission of how actionable data-driven insights have enabled our teams to make better decisions to optimise theatre usage. I'm excited to see how we can continue to build on this over the next 12 months.

Slide 18. In Australia, our capex program is focused on expanding procedural capacity in major hospitals in growth catchments. Over 50% of the spend in financial year '25 was allocated to two projects, the Joondalup Private Hospital builds, which is expected to open in

Q3 of this financial year; and the expansion of Warringal Private Hospital, including the construction of an emergency department.

Warringal is expected to complete in the first half financial year '27, although the three new operating theatres that were part of Stage 1 of the development opened in second half of financial year '25 and are now ramping up.

Slide 19, turning to the key focus areas and outlook for Australia. Overall, we expect EBIT growth in Australia in financial year '26 driven by ongoing momentum in the private hospital portfolio as part of our multiyear performance acceleration journey.

We're focused on implementing the strategic priorities that I've outlined today to accelerate performance while progressing our strategy to strengthen our position for the future. We expect positive activity growth driven by new theatre capacity and improved utilisation as we focus on growth.

FY26 revenue indexation will benefit from agreements reached this year with insurers. Joondalup Public campus performance is expected to be lower as we have transitioned to a new agreement from the 1st of July 2025 that was agreed in March 2024 with a new funding mechanism linked to the state price that has not kept up with the cumulative impact of inflation.

The negative annual impact to EBIT of the new funding arrangement before any operational mitigation strategies is estimated to be 37 million. We remain committed to our long-standing public-private partnership with Joondalup and to serving the needs of the growing North Perth community.

Capital expenditure is expected to be in the range of 410 million to 440 million, with 200 million to 250 invested in current development projects with a further 21 new theatres expected to open in financial year '26.

Moving the UK region and Slide 20, where positive momentum in our core UK acute hospital business continued. Driven by a 7.6% growth in NHS admissions, flat insured activity while self-pay declined, reflecting broader market trends.

The NHS tariff for the year commencing 1st of April '24 was 3.9%, and the financial year '25 result has the benefit of some backpay of this tariff. EBIT margins expanded 70 basis points, reflecting consistently higher volumes during the year as well as a focus on operational

excellence and higher acuity cases. And this has driven 150 basis points improvement in in returns measured in constant currency.

Slide 21. The UK business remains the largest private provider of services to the NHS and is well placed to assist in reducing NHS waitlist, which still remain high. Following a recent small increase, the tariff for the '25, '26 year is now 2.83%. This increase will not fully offset salary increases in FY26 and the impact of the rise in national insurance contributions. We will continue to focus on operational excellence initiatives across our UK hospital portfolio.

Slide 22. While Elysium reported an increase in revenue, a lower-than-forecast ramp-up in occupancy at sites opened over the course of the year and lower occupancy at some existing sites, combined with the impact of significant cost pressures, resulted in a disappointing decline in underlying EBIT.

As we announced in February, we have booked a 305 million pre-tax impairment charge against the UK region related to the underperformance of Elysium business relative to the acquisition business case. In particular, charge reflects the cumulative impact of living wage increases that have not been fully reflected in fee indexation combined with lower-than-expected occupancy levels.

Full capital expenditure related to further site expansion has ceased, while we concentrate on improving the current performance of the business. Throughout year, we also closed operations in a number of awards given low occupancy, reducing available beds by 94 beds. The net change in available beds throughout the year was plus 27.

On Slide 23, as I've highlighted, we've completed a rapid strategic and performance diagnostic that has identified six key initiatives to improve the performance of business over the next 12 to 18 months. Work on this is underway led by Nick Costa, our Managing Director of Ramsay UK hospitals, who has also stepped in as Interim Managing Director of Elysium.

Initial focus has been on central cost reduction, agency reduction and the optimisation of neuro services. During the course of first quarter financial year '26, we have reduced 75 corporate and management roles, and we've also restructured the operations team down from seven regions and services to three. We're in the process of updating staffing ladders, which will provide each site with clinically appropriate staffing levels given their patient profile.

Slide 24. Elysium remains a trusted provider to the NHS and local authorities, in particular, for high acuity and complex patients. We will remain focused on delivering quality services while

we continue to negotiate with the NHS and local authorities for fee uplift and implement our performance improvement plan to strengthen our operational management and profitability.

On Slide 25, Ramsay Sante reported activity growth in both France and the Nordics. However, earnings continue to be impacted by tariffs, not reflecting the full impact of inflation over a number of years.

Earnings were also impacted by the French Government withholding annual prudential coal coefficient, which was a EUR15 million payment in the prior period, a reduction in inflation-related grants compared to the prior period of EUR17 million and the phase-out of the revenue guarantee support with a EUR21 million decline compared to the prior period.

In the Nordics, Sweden performed well, partially offset by weaker performances in Norway and Denmark. Slide 26. Ongoing political and economic events in in France, particular fiscal pressures on the budget, create an uncertain outlook for the remainder of this calendar year.

The base indexation for the tariff year commencing 1st of March '25 is 0.5%. Ramsay Sante will continue to advocate alongside the private sector for fair tariffs. While general inflationary pressures have declined, the potential remains for further wage inflation pressure from unions in France.

The focus of the business remains on delivery of quality care, cost control, driving operational efficiencies, revenue cycle management, cash generation and capital discipline.

In the Nordics, in Sweden, we have extended our contract to operate Saint Goran, a major hospital in Stockholm from the 1st of January '26 on improved terms. We will continue to focus on the growth and digitisation of our Capio primary care business while we focus on turnaround of Denmark and Norway.

With that, I'll hand over to Mike to talk about the financials in more detail.

Mike Hirner: Thanks, Natalie, and good morning, everyone. The reported NPAT result of 24 million was impacted by a negative contribution from nonrecurring items of 281.3 million. The largest components are 291 million after-tax impairment taken against the UK region and the release of a tax provision of 33.5 million after minority interests in the European region.

Excluding nonrecurring items, NPAT after minority interests from continuing operations increased 1.7%. The underlying result includes higher funding higher funding costs, reflecting costs in Ramsay Sante and a higher effective tax rate.

Turning to Slide 29, which shows the regional EBIT split by halves. Ramsay Sante strongest second half reflects the seasonality of its earnings. The phasing out of various government support payments, including the decision not to pay the prudential coefficient in December 2024, had a more significant impact on the first half.

While Australian earnings are seasonally stronger in the first half, the result in second half also reflects the full six-month impact of the return of the Peel Health Campus to the government and the disruption caused by Cyclone Alfred in Queensland, which impacted the operations of some of our major hospitals, including John Flynn, Pindara and Greenslopes.

Turning to the balance sheet, which has been strengthened by the sale of Ramsay Sime Darby in December 2023. Movements in the Australian dollar against the pound and euro has resulted some movement in the balance sheet in the order of 380 million.

The primary underlying movements in the balance sheet relates to the impairments taken in the UK and the tax provision release in the European segment, combined with development investment in the Australian business.

Operating cash flow improved 14.5% over the prior period, primarily reflecting improved cash collections in France. Free flow increased 3% reflecting a 14.3% decline in capex spend local currency by Ramsay Sante, offset by an increase in in capex spend Australia, primarily reflecting spend on 2 large development projects at the current time.

The funding group's leverage finished the period at 2.18x, which is within our target range of lower than 2.5x. The funding group's unsecured debt facilities are underpinned by the strong cash flows generated by the funding group.

The ownership of the majority of the Australian hospital portfolio and the value of the Australian property portfolio. We have again provided you with a rolling 12-month EBITDAR reported by the hospitals in Australia located on sites that are owned.

I would emphasise that this EBITDAR contribution is prior to any overhead cost allocation. For FY26, approximately 69% of the funding group debt is hedged at an average base rate, excluding lending margin of 3.5%.

Ramsay Sante continues to be supported by its own funding arrangements, underpinned by secured loan facilities, and this has been evidenced by the repricing and extension of its debt facilities during the year, which received support from existing and new lenders.

Following the repricing, the consolidated group's weighted average cost of debt, excluding CARES, was approximately 5.4% at the 30th of June 2025. For FY26 period, approximately 72% of the group's floating rate debt is hedged at an average base rate, excluding a lending margin of 3.1%.

We expect the consolidated group FY26 interest costs, including AASB 16 costs, to be in the range of 600 million to 620 million. Group capital expenditure came in at the bottom end of the forecast range, reflecting lower than forecast spend in both Australia and Ramsay Sante.

FY26 group capital expenditure is forecast to be in a range of 755 million to 835 million, reflecting the completion of a number of large development projects in Australia.

And with that, I will now hand you back to Natalie to conclude the presentation.

Natalie Davis: Thanks, Mike. So as you've just heard in financial year '25, we outlined clear priorities for Ramsay Group that we've made good progress on, but there is a lot more to do.

To recap our strategic priorities remain: Transforming our market-leading Australian hospital business; strengthening our capital discipline and improving capital returns across the portfolio and evolving our culture of people caring for to innovate and drive performance.

We expect our financial year '26 results to reflect activity growth across all regions on a like-for-like basis. In Australia, overall, we expect growth in EBIT in in financial year '26 driven by continued momentum our private hospital portfolio to be supported by improved revenue indexation and operational improvement initiatives.

This will be partially offset by the performance of Joondalup public campus which will be impacted by the new agreement from the 1st of July '25 with funding mechanism linked to the WA state price, which has not kept up with cumulative cost inflation.

The negative annual impact to EBIT at Joondalup prior to any operational mitigation is currently estimated to be 37 million. We expect our dividend payment for the year to be maintained in the range of 60% to 70% of NPAT after minorities, excluding non-recurring items.

I will now open for questions.

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 are on a speakerphone, please pick up the handset to ask your question.

Our first question today comes from David Low at JPMorgan. Please go ahead.

David Low: Thanks very much for taking my questions. Natalie, just starting with the Joondalup contract and the guidance that Australian EBIT will grow. The $37 million headwind looks quite significant. I'm just trying to understand why you're confident that the EBIT contribution from Australia will grow given that headwind?

Natalie Davis: Thank you. So what we've talked about today is, in particular, our private hospital portfolio in Australia, and how we're beginning to gain momentum in that part of the business. And that's through a number of levers, improving our revenue indexation relative to our cost indexation, and then continuing to focus on operational effectiveness and efficiencies.

And so some of the focus areas for us over the next 12 months includes leveraging what we're calling our One Ramsay advantages. So really thinking about procurement in both clinical and nonclinical areas across all our hospitals and moving from what's been largely a decentralised model of operations to standardising and centralising procurement and administrative functions.

So we're going to be working very hard to continue that momentum and to accelerate delivery, while we also thoughtfully address our tech debt, across our portfolio. And at the same time, we're very committed to our contract at Joondalup and to that campus. So it's a very significant one of Australia's longer-standing public-private partnerships.

And of course, our private hospital is effectively just next door down a corridor to the public campus there, and we're investing in growing and expanding the capacity of the private hospital there, including, in particular, adding theaters.

And that development is on track to open around February next calendar year. So we'll be working very hard on that momentum in our private hospital portfolio as well as doing what we can to mitigate some of the impacts of that new funding mechanism in that contract.

David Low: Okay. Great. Thanks for that. And I guess the other topic that we get most questions on is the wages pressure in Australia and particularly the potential challenge from the fair work case. We've had some commentary about an agreement coming before that. I could just expect you to talk a bit about what you're expecting in terms of key workforce nursing wages outcomes that may impact on this financial year and next, please?

Natalie Davis: Yes. So thanks, David. So there's two enterprise agreements that we'll be negotiating this year, our nurses agreement in Victoria, and we're in the very preliminary

stages of that. That agreement expires -- the current agreement expires in September. And then we'll also be negotiating our Queensland agreement as well.

In terms of the Fair Work Commission, we are currently engaging in the conciliation process for the nurse work value case. And we're working together with the unions with other sector participants and the Fair Work Commission to consider in particular, the time period, that would be phased in over. And the discussions at the moment are heading towards a phase-in period -- a longer phasing period that would minimise any significant impact for us over this coming financial year.

David Low: Okay, excellent. Thank you very much.

Operator: Thank you. And our next question today comes from Lyanne Harrison with BofA. Please go ahead.

Lyanne Harrison: Good morning, Natalie. Good morning, Mike. I might start with Elysium because obviously, that was the biggest drag on earnings for '26. You mentioned the new site occupancy issue in the first half. Can you comment on how that played out in the second half? And then also something that was brought up in this result was the lower occupancy in acute services. Can you also talk to that as well?

Natalie Davis: Yes. So at the half, we called out in particular, lower-than-expected occupancy in the new sites we've opened, and weakness, if you looked across the whole Elysium portfolio, particularly in neuro and in rehab services sites, that weakness has really continued.

We are, at the moment, as part of our performance improvement levers, looking at our neuro business and really thinking about how do we reposition that. We've been serving very high acuity patients for neuro services, and there's actually a bigger market for lower acuity patients and more demand in that part of the market, which means that we need to also adjust effectively our staffing model and our site services to meet that lower acuity part of the market.

So that's why you see neuro as a focus as more of our performance improvement levers in Elysium. We also really in the last months of the year and this continues into this financial year, have seen a drop in demand from local authorities and the NHS around acute services. And that's -- we believe that to be market-wide.

The NHS has invested in some capacity that is actually treating acute patients who come into the NHS emergency departments and keeping them within the NHS and serving them there. And so that's led to also some weakness in the acute part of the market. So we are working very hard to become more nimble in terms of how we adjust our services and also really looking at making sure that that we're not operating wars are really uneconomic for us.

So when you look at Elysium, the economic model really work ward by ward. And so you'll see, we pointed out today that we've closed a number of a number of wards and number of available beds throughout the year where we don't think can run an economic service.

Lyanne Harrison: Okay. Thank you. And you mentioned that in addition to closing some awards, you've got some other priority areas where you're trying to cost out. Is the expectation that all those initiatives will be implemented in fiscal '26? And if so, could you give us an indication of first and second half? And also, could you give us an indication of what you estimate cost savings might be from those initiatives?

Natalie Davis: Thank you. So under Nick Costa's leadership -- and Nick is a very experienced operator. He's been working with the leadership team to begin to implement these initiatives. So we have started. They're underway. The focus in the short term has been addressing a number of things. One is corporate center costs.

And I referred today to the reduction we've done in this quarter around corporate and management costs and a reduction of 75 roles there. We've also started to focus more on agency and controlling agency costs. There's more work to do there. We've also started reposition the neuro business. So they've been the first three things that we've got underway.

At the moment, we've done a very big piece of work that teams done that to really look at what we're calling our staffing ladders, and that helps our teams at every site level to make sure that we've got the most appropriate staff levels in place given the actual patient profile at that site. So the team is underway.

I've called out today a 12 to 18-month timeframe. So I'd be looking very much at Elysium and how it's performing in terms of really the exit rate from the year. But we are underway, and the team has started to make -- to implement.

Lyanne Harrison: Okay. Thank you very much.

Operator: Thank you. And our next question today comes from Steve Wheen with Jarden. Please go ahead.

Steven Wheen: Yes. Good morning, Natalie. Good morning, Mike. Just wanted to focus on your Australian business. In particular, the gap between indexation you're getting from the insurers versus your cost inflation that you're seeing. I take the point that this gap cumulatively is pretty wide, but I'm perhaps more interested in just what '26 expectations around inflation might look like relative to the indexation that you're getting across your platform of insurers or payers?

Natalie Davis: Thanks for the question. So we have been very focused this year on renegotiating effectively our agreements with all our payers for both FY25 and FY26. And when we've done that, we've very much done that with an expectation around EBA negotiations and wage inflation. So that's informed those negotiations. And as I said today, we have improved outcomes in both FY25 and FY26 in terms of both what we've historically achieved for indexation, but also relative to wage and cost inflation in the business.

Steven Wheen: So I guess, I mean, it's an informed setting of that indexation, but does it cover the wage inflation that you see today in FY26 such that we can get some margin improvement or at least hold margins because it does look like margins went backwards in FY25?

Natalie Davis: Yes. So yes, you could assume that for FY26, the revenue indexation is reflective of the cost inflation that we expect at this point in time. If there are any changes to that as we go through enterprise agreements, we will then go back to our payers to have those costs reflected in the revenue indexation.

In terms of margin for Australia, the way to think about the impact of margin this year is really, we had our private hospital portfolio, then there were two impacts on that that really had a negative impact on margin. One is the public hospital portfolio. So that was the hand back of the Peel Campus in WA, and that happened in around August, mid-August.

And also Joondalup, we called out operational challenges at the half and those challenges continued. So in Joondalup, we have high labour costs related to security guards and carers because we have very complex patients that come through that public emergency department.

And we also have quite long length of stay. We're finding that we have people coming in through the emergency department. We treat them in the hospital for their medical issues. But then it's very hard at the moment then to have them transferred into -- it might be aged care or might it be in DIS settings in the community. And so that's resulting in what's called bed block, effectively a longer length of stay in the hospital.

So the margin in Australia was pulled down by the public hospitals as well as the increase in investment digital and data. So we've given a very transparent view of the gross investment in digital and data, which increased 24 million over the year.

Now we've done a lot of work over the last few months to really look at that spend and make sure that we're optimising the way we're spending it. That resulted in a reduction in roles, about 50 roles in that team.

And we're really focused on how do we point that spend towards the initiatives that we know will create value in the business in the future. And we've committed to, for the coming financial year, not to increase that spend, and we'll instead optimise what we're already spending to get better value.

Steven Wheen: Okay. Thanks, Natalie. Can I just round out this line of question? You're obviously working very hard to try and get that pricing from insurers up to cover cost inflation. Why would you then go into a contract with Joondalup where the pricing doesn't match the level of inflation in that hospital?

Natalie Davis: Yes. Thank you. So I think stepping back on Joondalup, Joondalup is a long-standing partnership we have with the WA government. It's very important for the community in the north of Perth, which is a growing community. And it's very significant for us, the Joondalup campus, not just the public part of the campus, but the private part of the campus.

And as I've said today, we have a significant opportunity there to actually grow our private work, which is really constrained at the moment with the theatre space we have in the private part of the hospital. And so we need to think about that opportunity as both the public and the private. So the team, we're very keen to continue that partnership with the government.

The funding mechanism changed and part of it is linked to the state price. That's one of the ways the funding changes each year. And then the other way, the funding changes for the public contract is around an activity notice we receive every year also from the local health district.

So those -- the state price changes every year and in the activity notice we also receive every year. So the impact that we've disclosed today, we really only could calculate recently when we received the annual state price increase as well as the activity notice.

Steven Wheen: Okay. Thanks for the colour on that.

Operator: Thank you. And our next question today comes from Andrew Goodsall with MST Marquee. Please go ahead.

Andrew Goodsall: Good morning and thanks very much for taking my questions. Just on France, if you could at all give us some more colour on the strategic options that you're looking at? I presume those options extend beyond just a straight-up sale. So just any other sort of options you think might be viable?

Natalie Davis: Yes. Look, what we publicly stated is we're looking at all options that will increase shareholder value and create shareholder value. I'm not going to go into the details of what we're evaluating, but effectively, all options are being considered.

Andrew Goodsall: Okay. And next one -- just probably tortured this one a bit, but obviously, with the Fair Work Commission decision looming and the work you're doing. What's -- if I could just ask you to touch on your confidence in being able to pass on those wage increases to the insurers, both anything coming out of the Fair Work Commission and anything in addition to that, that you do through EBAs.

Natalie Davis: Yes. So as we've said very consistently, as we experience sector-wide cost pressures, we will go back to our payers if we need to and argue very strongly and negotiate for that to be passed through into revenue indexation. And so yes, for the moment, we've said for FY26, we're comfortable with where we're sitting relative to the current year inflation.

Now we haven't yet made up for the cumulative impact of revenue indexation not being in line with the cost indexation since COVID so there is still that gap. But we have received improved outcomes this year. And so we will go back just if we have to.

Just on the Fair Work Commission, you know, just to repeat again, we're -- on the nurse work value case, we're currently paying our nurses significantly above the minimum award rate. And so that, combined with the fact that we're talking about a longer phase-in period, will, at the moment, to our best knowledge, will limit the impact on our cost base for the coming financial year.

Andrew Goodsall: Would you want to continue to pay some level of premium though to get the – you know, traumatic to continue the attractiveness of working for Ramsay even when -- with the reset from the Fair Work Commission?

Natalie Davis: Yes. So we are very proud actually of the work we do to create a really attractive workplace for our nurses, and that goes above and beyond just wages. We also focus a lot on career development and nurse training programs and learning opportunities. We've implemented over the last 12 months really a whole leadership academy with training programs, including for our most unit managers who are incredibly wonderful people.

And that has been very well received by the team. And so yes, we will always look to have competitive wages, but also think about our employee proposition more broadly to make sure that we are an attractive employer. And that's been really reflected in a reduction in turnover rates that we continue to experience.

Andrew Goodsall: Thank you.

Operator: Thank you. And our next question today comes from David Stanton at Jefferies. Please go ahead.

David Stanton: Morning team. And thanks very much for taking my questions. Just broad brush, to boil it down for me. Should we expect for 2026 a percentage margin decline in the UK, both in the private hospital side and also in the Elysium side and in France, but offset by increased percentage margin in Australia and the Nordics? Is that, sort of broad brush -- the conclusion?

Natalie Davis: So we're not giving specific guidance on margin for every region in the portfolio. But if I could just comment broadly, in the UK, the hospital business is very well positioned to continue to grow, given our partnership with the NHS, 70% of the work we do there is for the NHS, and there continues to be very high waitlist. So the team is very much focused on operational execution, the utilisation and growing that activity.

In Elysium, as I said, we're focused on implementing a performance improvement program. I would expect that to -- it's underway. And I would expect that to begin show in the results in 12 to 18 months' time. Sante, I think, is very complex for all the reasons we've described. And really the huge uncertainty around the French government funding, in particular, in the French political outlook, as I'm sure everyone read in the newspapers.

And in Australia, what we're seeing is we're expecting EBIT growth for the year as we balance the tension that I've described today, so the momentum that we're continuing to try and accelerate in our private hospital portfolio, but that impact that we'll try to partially mitigate on subsidence agreement.

David Stanton: Understood. And maybe one for Michael. We saw the FY25 tax rate tick up a touch. Any colour on what you expect for '26, please?

Mike Hirner: Yes. Thanks, David. For FY26, we currently expect that the effective tax rate will be more or less the same as FY25. So roughly 32.5% for the group.

David Stanton: Brilliant, thank you.

Operator: Thank you. And our next question today comes from Craig Wong-Pan with RBC. Please go ahead.

Craig Wong-Pan: Thanks and good morning. Just wanted to understand if you could quantify the EBIT impact from Queensland cyclone in the second half?

Natalie Davis: The Queensland cyclone in the second half had a significant impact on 3 of our major hospitals. We have quite a big presence in that region. Those hospitals are Greenslopes, Pindara and John Flynn. And so as you'll remember from the cyclone, everyone was advised to stay at home, and the schools were closed.

And so we did cancel for a number of days our elective surgeries, but we did continue to operate essential services, and the team actually did an amazing job of looking after everyone, making sure things like our maternity service and our emergency departments were still running.

Craig Wong-Pan: Are you able to put like an EBIT number that, that had in the second half?

Natalie Davis: No, we're not going to disclose the exact impact, but it's three of our biggest hospitals.

Craig Wong-Pan: Okay. And then just those initiatives, the Big 5 hospital operational initiatives. Could you talk about the timing of those benefits flowing through between like in comparison from FY26 to FY27? I mean is it more weighted to a particular year or is it sort of evenly expected to come through?

Natalie Davis: Look, we're focusing very much at the moment on procurement benefits, which we think we have a very significant opportunity on it. I think we've previously talked

about both in the nonclinical space. So things like even things like waste management, food services, standardising menus purchasing, there's significant opportunities there that we're going after.

In the clinical space, it will take a bit more time, but we're underway and the opportunities there really to think about working with our doctor partners to reduce the variations in prosthesis and consumable use across our portfolios in the different therapeutic areas. So that one will take a little bit more time.

We continue to focus on growth, and that's something that I've talked about today that we really started working on last year, giving our teams better insights around doctors in the catchment referral profile, the doctors that are working in our hospitals, the extent to which they are cancelling less and so we had opportunities to reallocate the future list.

And also importantly, we added throughout the year the time they're giving us to let us know the notice period effectively before they cancel because we asked a 13-week notice so we can actually reallocate that time if someone cancel. So that is underway.

And then there's particular work around revenue cycle management. Again, an element of that is underway around using machine learning for our coding, but more work to do there. And that one will that one will probably, in terms of centralising administration, probably take a little bit more time.

So look, there's significant opportunity for us to capture over the next few years, and we're trying to, as much as possible, bring forward and realise benefits in the coming years.

Craig Wong-Pan: Okay, great. Thank you.

Operator: Thank you. And our next question today comes from Saul Hadassin with Barrenjoey Capital. Please go ahead.

Saul Hadassin: Yes. Good morning, Natalie. Good morning, Mike. Natalie, first question for me, as regards to your comments about growing EBIT for Australia in FY26. Can you give us any quantitative sense of where you think volume growth will land for fiscal '26?

Natalie Davis: Well, we've said we expect activity growth across all regions. You can kind of look at where we've been in the first half and the second half. We've been very transparent on that, including particularly focused on the surgical work that is a key part of what we do. And broadly speaking, we're tracking, at the moment, in line with the market, I would say.

And so I challenge the team to continue to focus on growth because think we should be growing slightly ahead of the market given the strength that we have in our hospitals and our clinical excellence and the tools that we're giving teams to go out and recruit doctors. But that -- I think if you look at where we're sitting at the moment, that's broadly reflecting of where the market is at in terms of admissions.

Saul Hadassin: Thanks, Natalie. Any improvement in the inpatient case growth? I mean it's been stuck at 1%, I think, for close to a decade now, clearly some issues with rehab cycle maturity over the last -- of that period. But do you get any sense of an improvement in that rate of growth?

Natalie Davis: Look, there's a few things in that. Look, medical admissions also sometimes lead to longer inpatient stay. And actually, at the moment, if you look across our hospitals, we actually have quite long inpatient space linked to medical admissions, and that's related to the flu season.

And it's particularly a serious flu season with significant pressures on the public hospital system. And so we're seeing -- if we look in July, we saw an increase in length of stay in those medical admissions across our hospitals, particularly in Queensland and WA.

In terms of rehab, rehab actually growing quite strongly and continues to do so. And that's because we're an aging population and people go into hospitals and then they need general conditioning to be able go home and live independently. So actually, through our rehab sites, they're actually quite full and lots of elderly people would do a bit of exercise to try and go back home and live independently.

Mental health is still a challenge and contained, I think it impacted by two factors. One is it's very hard to get psychiatrists who want to do inpatient work because it's much more lucrative and easier to do telehealth consultations, also NDIS consultations.

And so there's a supply issue, but also, I think, we've also acknowledged that there's also a change in mental health services and a shift towards telehealth and community-based care, which we also need to adapt our business to. So some of the strategic proof of concepts that I referred to today and the results with our private health insurer partners, they're actually looking at mental health.

And instead of effectively just being funded for inpatient stay, we're taking that funding for the right patients which are clinical guidance and looking at can we reduce the inpatient stay, but

extend the care from that point into the community, so to provide a longer period of care that actually should lead to a better patient outcome and innovate both health care delivery and the funding mechanism behind that.

So more work to do there for us in terms of mental health. Maternity is still largely in decline. And we do have some sites that are growing and are very busy. Westmead is one of them, Greenslopes is another one. But in general, I think the result there reflects the market at the moment.

Saul Hadassin: Thanks. That's all I had.

Operator: Thank you. And our next question today comes from Davin Thillainathan with Goldman Sachs. Please go ahead.

Davin Thillainathan: Yes. Morning, Natalie and Michael. Thanks for taking my questions. Just interested just to think about some of the new disclosures you've put here in your presentation on utilisation in Australia. It looks like it stepped up quarter four '25 and '24 by about 300 bps. Now I suspect in the '25 period, your earnings are sort of weighed down by just a mismatch in timing between cost inflation and the revenue indexation you're getting from payers.

So not really seeing that benefit of utilisation stepping up. So if I understand you right, you've kind of fixed that mismatch going to '26. So if we expect utilisation to step up by another 300 bps as an example, just what kind of EBIT improvement would you expect from that?

Natalie Davis: So look, we're not quantifying the impact of increase utilisation on EBIT. But as you point out, clearly, the more that we leverage that very valuable capacity, particularly that we have in our major hospitals and the more that we fill that capacity with complex therapeutic work, the more that drops through into the EBIT line and also lets us serve more patients right across Australia in our hospital facilities. So that continues to be a focus for us.

And just in terms of what you said on FY25 margin, I'd just reiterate that negative impacts on the margin were really driven by the public hospital portfolio. So by Joondalup operational challenges as well the Peel campus hand back, which impacted most of the year. And then investment -- the increase in the gross investments on digital and data, which was 24 million. So they are really the two factors that dragged down the profit growth in FY25.

Davin Thillainathan: Yes. Can I just understand the thought process do not help us without quantifying some of these changes to your business? I mean you've quantified the impact of

Joondalup into '26. Is there any sort of other points of, I guess, uncertainty that you're facing into '26 that perhaps gives you less confidence to help us think about some of the positive drivers happening for the business?

Natalie Davis: I think what we said for Australia is, overall, we expect profit growth despite the fact that we have that impact on the Joondalup contracts that we'll be working to partially mitigate that we'll also be working on the overall Australian profitability really focusing on the performance acceleration that we need to deliver, which is the things within our control around procurement, revenue cycle management, growth and utilisation, etcetera.

Davin Thillainathan: Yes. Okay. And just my final question. Sort of the capex for Australia, I can understand that directionally, you are spending less than perhaps what would have been spent on for the business and sort of under the previous leadership. Could you help us by understanding if you've changed that type of spend, I guess, the nature of spend that you are incurring? Has there been any sort of differences under your leadership that we should be considering?

Natalie Davis: Yes. So well, a few things there. I think strategically, we're very clear now around the catchments that our priority catchments across the country and also the therapeutic areas that we want to focus on. And so when we look at development approvals, we're really looking at adding procedural capacity. So that theatres and cath labs in particular because we know the things that enable us to serve more patients within our major hospitals.

And effectively, our funding is driven -- the surgery is driven by the episode. So we're focused on where we have constraints because we can't actually deliver more surgeries or cath lab procedures to actually expanding the capacity of those. We're being very cautious now around bed expansion, and that's something that's been a significant change.

So every business case, we do a lot of sensitivities around length of stay, and we do expect length of stay in Australia to continue to decrease. And so you will see beds added by exception, I would say, in our new development going forward. The focus is very much being on the theatre capacity and cath lab capacity.

Davin Thillainathan: Right. Thanks, Natalie.

Operator: Thank you. And our next question today comes from David Low at JPMorgan. Please go ahead.

David Low: Thanks for taking the follow-up. I did try to remove it, but given I've got the opportunity. Natalie, can I ask you to comment on Healthscope and whether you've seen any benefit from their challenges and what Ramsay would like to take from that portfolio if given the opportunity first?

Natalie Davis: Thank you for your second question, David. Look, I've said previously that we will always look at high-quality hospital healthcare assets in the Australian market. We'll do so with discipline. The type of assets that we would be would be interested in the hospitals or healthcare assets that do the complex work in therapeutic areas that we want to focus in. They're in hospitals that we run very well. But today, I won't be making any comment on the Healthscope process or assets in any specificity.

David Low: Any benefit do you think that your business has seen as a result of their challenges? I mean particularly thinking doctors transferring across to your hospitals?

Natalie Davis: Yes. We remain -- we always go out and try recruit more doctors, particularly the ones that I venture that work in cardiology and orthopaedics. Doctors often do some work in our hospitals and some work in competitor hospitals. And so they are the doctors that we can also work with to try and move more of their business and more of their activity towards us. But look, in general, as I've said before, the Healthscope hospitals are operating. You know…..

David Low: One last one then just on Joondalup. So the math is pretty straightforward taking $37 million off, and you're down 6.5% relative to FY25. I heard just a minute ago, you hoped -- you said you hope to mitigate the impact. So is it likely that, that headwind can be less when we think about how much private hospitals will make them make up the difference, please?

Natalie Davis: So just -- I guess to clarify what I said. So we are expecting overall profit growth in the Australian business, and that's after that impact of Joondalup. So the mitigation will come from partial mitigation of that impact in Joondalup. So there are things that we're focusing on to run a more effective business there. For example, there's an opportunity in Joondalup to reduce agency costs and replace agency team with permanent staff.

But that will only partially mitigate the impact that we've spoken about today. And so the profit growth in Australia will really come from the private hospital portfolio and the fact that we've negotiated improved revenue indexation and the work that we're doing on operational effectiveness. But overall, we're saying the Australian business, we expect profit growth.

David Low: Okay, good. Thank you very much for taking the questions.

Operator: Thank you. And our next question comes from Marcus Curley at UBS. Please go ahead.

Marcus Curley: Good morning, Natalie. Just two quick follow-ups. You mentioned growth in the UK in FY26. I assume you're referring to EBIT growth as opposed to revenue growth?

Natalie Davis: Well, I've talked about ongoing momentum in the UK business. You can see the fantastic work that the team has done there this year on the back of activity growth and focusing on operational effectiveness, and that's flowed through to the bottom line and return on capital. So we're not giving specific guidance on the UK but effectively, we're expecting the momentum in the business to continue.

Marcus Curley: Okay. And then secondly, just on Sante, I know you're not mentioning what you're considering in terms of the strategic review. But can you give us any clue on the timing? When should we expect to hear something?

Natalie Davis: Look, we're very committed to the process and working through all the options. There's a lot of complexity, as I'm sure you all understand, given the political environment in France and the uncertainty that places on government funding and therefore, the tariff outlook for hospitals as well as the fact that we're a listed entity. So we will work through all of those, and we are working through those. And as soon as appropriate, we will update the market.

Marcus Curley: Do you think it's this financial year?

Natalie Davis: I'm not commenting on a specific timeframe. I'm just saying that we're progressing and we're doing what we have to do, and we'll update when the appropriate time comes.

Marcus Curley: Okay. Thanks.

Operator: Thank you. And our next question comes from Andrew Goodsall at MST Marquee. Please go ahead.

Andrew Goodsall: Sorry, I've set a bad trend here with the second question. Mine is for Mike, though, just quickly, just with your financial costs going up, I saw France did a big refi. Just presume you -- the numbers include some of those sort of one-off refi costs? And just could I also ask just directionally the movement of the rate seems to be up.

Mike Hirner: Yes. Thanks, David. Yes, the interest does include the one-off borrowing costs as well. And the rates have gone up directionally mainly because they have got additional tenor. But when we really look at the -- I suppose, the interest cost for FY26, we've given guidance of 600 million to 620 million.

But when I split up the components, if you're really looking at purely the bank interest, bank interest will stay relatively flat for both the funding group and Ramsay Sante. Where there will be an increase will be with the interest associated with the right-of-use assets, so IFRS 16 lease costs. And that will go up mainly because there's some inflators that are booked into those leases to market to market.

Andrew Goodsall: Okay. That's useful. Thank you.

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

Natalie Davis: Thank you. And I just wanted to close by thanking our team and our doctor partners right across every business at Ramsay. We focus on delivering great patient care and great clinical outcomes and really living our purpose of people caring for people. So thank you very much to our team, and thank you to all of you for joining the call.

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

[END OF TRANSCRIPT]