

## ASX ANNOUNCEMENT

13<sup>th</sup> December 2021

### ACQUISITION OF LEADING UK MENTAL HEALTHCARE PROVIDER ELYSIUM HEALTHCARE

- Agreement to acquire 100% of UK based mental healthcare provider Elysium Healthcare (Elysium) for a pre-IFRS 16<sup>1</sup> enterprise value of £775m (A\$1.4bn) from private equity firm BC Partners
- The acquisition will be funded through Ramsay's existing debt facilities
- Elysium is a leading independent operator of long-term medium and low secure hospitals and complex care homes for individuals with mental health conditions and has a strong partnership with the National Health Service (NHS)
- Elysium offers a platform for growth through full utilisation of recently developed capacity, and delivering on its development pipeline, combined with potential bolt-on opportunities
- The acquisition values the business on a pre-IFRS 16<sup>1</sup> FY21 EV/EBITDA of 13.5x, is expected to deliver mid-single digit EPS accretion in FY23 and meets Ramsay's internal return targets including a post-tax cash ROIC target of greater than 10% by year five and a post-tax IRR of greater than 10%
- The acquisition provides Ramsay:
  - A unique opportunity to enter the growing UK mental health hospital market at scale with opportunities for both organic and inorganic growth;
  - Expands Ramsay's platform of healthcare services in the UK healthcare market and strengthens relationships with key stakeholders including the National Health Service (NHS);
  - An opportunity to deliver outcome-focused integrated care pathways leveraging Ramsay's expertise in mental health;
  - Entry into a growth market with favourable demographics including increasing awareness and improving diagnostics;
  - The opportunity for cross collaboration across mental health and acute care propositions and innovation between Ramsay's businesses in Australia, France, Sweden and the UK; and
  - Is expected to deliver synergies of at least £5m per annum.
- The transaction is expected to complete during Q1 2022. Elysium is expected to be operated as a complementary business to Ramsay's existing UK hospital operations.

#### **CRAIG MCNALLY, MANAGING DIRECTOR & CEO:**

"This is an excellent opportunity for Ramsay to expand its successful health care services platform in the UK through the acquisition of an established and reputable business, with a strong track record of growth and a robust pipeline of development opportunities. It will build on the Ramsay brand and quality reputation with doctors, payors and patients in the UK market.

"The acquisition of Elysium will expand Ramsay's patient pathways into the £15bn UK mental health market at a time when more and more people are seeking support for mental health, learning difficulties and neurological issues.

1. Post IFRS 16 multiple of 14.9x. Includes IFRS 16 lease liability of £185.9m (A\$347.1m) as at June 30 2021.. Excludes one-off items of £11.7m (A\$21.8m) including corporate activity costs of £6.7m (A\$12.5m)

“It will provide opportunities to leverage the expertise of Elysium and Ramsay’s existing mental health facilities and clinicians in Australia, France, and Sweden to drive improved patient outcomes across our mental health activities globally.

“Ramsay and Elysium share a strong commitment to clinical excellence, high-quality care and patient safety, with a matching focus on caring for our people and partners. We look forward to strengthening our important partnership with the NHS.”

Ramsay Health Care (Ramsay) (ASX: RHC) today announces it has entered into an agreement to acquire the entire issued capital of Elysium Healthcare (Elysium), a leading provider of mental health care services in the UK. The acquisition is expected to complete during Q1 2022.

The transaction values Elysium at a pre-IFRS 16 enterprise value of £775m (A\$1.4bn)<sup>2</sup> representing an FY21<sup>2</sup> EV/EBITDA multiple of 13.5x. The acquisition is expected to deliver mid-single digit EPS accretion in FY23 and meets Ramsay’s internal investment return criteria including a post-tax cash ROIC target of greater than 10% by Year 5 and a post-tax IRR of greater than 10%.

### About Elysium

Elysium is a leading independent operator of long-term medium and low secure hospitals and complex care homes for individuals with mental health conditions and has a strong partnership with the NHS. The CEO of Elysium, Joy Chamberlain, has led the business since it was formed in 2016 and will remain as CEO of the business following completion of the acquisition.

The business was originally formed with 22 hospitals and has grown organically and through acquisitions to 72 operational sites and approximately 2,000 beds. Elysium is now a leading provider in the independent mental health services market in the UK. The business employs approximately 6,000 people.

Following five years of rapid growth, Elysium reported unaudited revenue of £349m and EBITDAR<sup>3</sup> of £65m for the 12 months ended June 2021. This result does not reflect a full year run rate of the recent investment in capacity, with an additional c.190 beds created in the 12 months to the end of December 2021 representing an approximately 9.5% increase in capacity over that period.

Elysium operates across the acuity spectrum of the UK mental health market with a particular focus on high acuity care. The business is divided into three segments:

- **Mental Health:**

- **Secure** - medium and low secure services with mandatory specifications related to physical security, care and treatment, with admissions, transfers and discharges subject to gatekeeping agreements through NHS England
- **Specialist Services** – services for specific patient groups, particularly children and young adults. Conditions treated include mental health, personality disorders and eating disorders
- **Acute/Psychiatric Intensive Care Units** - often short-stay, funded by local commissioning group with patients who have often been detained under the UK Government’s Mental Health Act, with overspill from NHS trusts
- **Rehabilitation and Recovery** - non secure rehab services for adults with mental illness or learning disabilities, with community resettlement often a primary objective

The Mental health segment is the core of the business contributing 79% of both revenue and EBITDAR for the 12 months to 30<sup>th</sup> June 2021

- **Complex Care:**

- **Rehabilitation and Recovery, Autism and Epilepsy Services** – non-hospital and hospital based, residential rehabilitation and recovery services for a wide range of conditions, including learning disabilities, autism and other mental health issues. Elysium specialises in

<sup>2</sup> FY21 12 months to 30 June 2021. Post IFRS16 EV/EBITDA multiple of 14.9x.

<sup>3</sup> Unaudited 12 months EBITDA to Jun-21 excludes one-off items of £11.7m (A\$21.8m) including corporate activity costs of £6.7m (A\$12.5m)

treating patients with complex conditions, often presenting with multiple mental health diagnoses and sometimes physical health issues

Complex Care contributed 10% of revenue and 13% of EBITDAR for the 12 months to 30<sup>th</sup> June 2021

- **Neurological & Acquired Brain Injury ('Neuro'):**

- **Provider of Neuro-Rehabilitation Services** - typically in a nursing care home environment for service users with a variety of neuro conditions
- **Acquired Brain Injury** – brain injury or damage caused by events after or at birth, instead of being part of a genetic or congenital disorder

Neuro contributed 11% of revenue and 8% of site EBITDAR for the 12 months to 30<sup>th</sup> June 2021

Elysium maintains 78% good or outstanding Care Quality Commission (CQC) scores across its portfolio. It works collaboratively with Commissioners to aim to meet the UK Government's objectives of treating patients as close to home as possible in the lowest level of security required.

The business revenue base is funded approximately 99% by public system payors. Patients and service users are referred via a payor universe including NHS England, NHS Provider Collaboratives, Clinical Commissioning Groups and Local Authorities.

The mental health and learning disability market is estimated to be worth £15.2bn<sup>3</sup> per annum and the private sector has been steadily increasing its share. The UK Government has committed to increase its funding for mental health services by £2.3bn pa by 2023–2024 as a key part of its long-term plan for the NHS<sup>4</sup>.

## **Strategic Rationale**

The acquisition delivers a number of strategic benefits to Ramsay including:

- A unique opportunity to enter the UK mental health market as a leading player with scale and strong growth opportunities through demand driven occupancy, brownfield developments and potential bolts-on opportunities;
- The mental health market is a growth market with favourable demographics including increasing awareness and improving diagnostics. There is strong strategic alignment with Ramsay's leading positions in mental health care in Australia, France, Sweden and the Nordics;
- Elysium will be complementary to Ramsay's acute care business in the UK and will diversify the existing business mix, strengthen Ramsay's partnership with the NHS from a stakeholder perspective and deliver improved scale to the UK business;
- Annual benefits of at least £5m p.a. across procurement, leveraging systems and network scale with an opportunity for further growth synergies;
- The acquisition is aligned with Ramsay's strategic vision to deliver outcome focused integrated care pathways; and
- The transaction will deliver attractive value to shareholders. It is expected to deliver mid-single digit EPS accretion in FY23 and meets Ramsay's internal return hurdles including a post-tax cash ROIC target of greater than 10% by year five and a post-tax IRR of greater than 10%.

## **Presentation**

Ramsay Managing Director and CEO Craig McNally, Ramsay Group CFO Martyn Roberts and Ramsay UK CEO Dr Andy Jones will host a webcast presentation and conference call at 9.30am AEDT this morning in relation to this announcement. The presentation is attached to this announcement. To

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<sup>3</sup> Mental Health Hospitals, UK Market Report, Fourth Edition, 2019; LaingBuisson

<sup>4</sup> NHS Long Term Plan

register to access the webcast please click [Ramsay Health Care webcast](#) to access the conference call  
please click on the following link <https://s1.c-conf.com/diamondpass/10018527-kt87q1.html>

*The release of this announcement has been authorised by the Ramsay Health Care Disclosure Committee*

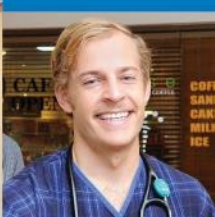
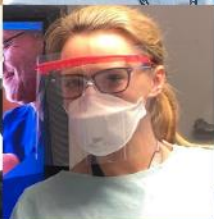
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# Ramsay Health Care Acquisition of Elysium Healthcare

A leading UK Mental Health provider

13<sup>th</sup> December 2021



# Important information

The information in this presentation is general background information about Ramsay Health Care Limited and its subsidiaries (Ramsay Group) and their activities and is current as at 13<sup>th</sup> December 2021. It also includes certain information in respect of Elysium which has been provided by it and Ramsay Group has not prepared or independently verified and is not responsible for such information. All information in this presentation is in summary form and is not necessarily complete. The information in this presentation is general information only, does not include or constitute investment advice, and is not intended to be relied upon as advice to investors or potential investors and does not take into account your objectives, financial situation or needs. Investors should consult with their own legal, tax, business and/or financial advisers in connection with any investment decision. References in the presentation to current assumptions, estimates and outcomes and statements about current assumptions, estimates and outcomes, which are based on internal business data and external sources, are uncertain given the nature of the industry, business risks, and other factors. Also, they may be affected by internal and external factors that may have a material effect on future business performance and results. No assurance or guarantee is, or should be taken to be, given in relation to the future business performance or results of Ramsay Group or the likelihood that the current assumptions, estimates or outcomes will be achieved. This presentation contains certain 'non-IFRS financial information', which may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with the Australian Accounting Standards or IFRS. Although Ramsay Group considers these measures provide useful information, investors and potential investors are cautioned not to place undue reliance on any non-IFRS financial information.

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This presentation contains forward looking statements. These forward looking statements should not be relied upon as a representation or warranty, express or implied, as to future matters. Prospective financial information has been based on current expectations about future events and is, however, subject to risks, uncertainties, contingencies and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. The Ramsay Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation.

# Agenda

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- 1. Transaction Overview**
- 2. Strategic Rationale**
- 3. Transaction Terms**
- 4. Conclusions**
- 5. Q&A**

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**Ramsay**  
Health Care

# Transaction Overview

Managing Director and CEO Craig McNally



# Transaction delivers mid-single digit EPS accretion in FY23

## Transaction Details

- Acquisition of 100% of Elysium Healthcare (Elysium) a leading independent operator of long-term medium and low secure hospitals and complex care homes for individuals with mental health conditions and has a strong partnership with the National Health Service (NHS)
- Offer price of £775m (A\$1.4bn) pre-IFRS 16<sup>1</sup> enterprise value equating to 13.5x FY21<sup>2</sup> EBITDA of £57.4m (A\$107.2m) (pre-synergies and before full year run rate of business investment)
- Acquisition is value enhancing; expected to deliver mid-single digit EPS accretion from FY23 and meets Ramsay's investment return criteria
- Elysium offers a platform for growth through full utilisation of the recently developed capacity and delivering on its development pipeline, combined with potential bolt-on opportunities

## Acquisition funding

- Acquisition to be funded through Ramsay's existing debt facilities
- Following the completion of the transaction Ramsay will manage its funding group leverage<sup>3</sup> within its target

## Next steps

- The acquisition of Elysium is due to complete during Q1 2022

1. Post IFRS 16 multiple of 14.9x Includes IFRS 16 lease liability of £185.9m/ A\$347.1m as at Jun-21

2. Unaudited 12 months EBITDA to Jun-21, excludes £11.7m (A\$21.8m) of one-off items including corporate activity costs of £6.7m (A\$12.5m)

3. Funding Group – excludes Ramsay Santé and Ramsay Sime Darby. Banking covenants calculated on this basis. Target consistent with current investment grade rating

# Transaction highlights

Acquiring a leading UK mental health care services provider



# Strategic Rationale

CEO Ramsay UK: Dr. Andy Jones



**Ramsay**  
Health Care

# The UK mental health care market

- The UK Mental Health market is worth £15.2bn, growing at 4%<sup>1</sup>
- NHS long term plan is to transform mental health services placing it on an equal footing to physical health through parity of esteem
- Contact with NHS Mental Health services has increased 7.6% CAGR over 2012-2020, with referrals rising by +10% over the past three years<sup>2</sup>
- Capacity constraints across UK mental health most notably in CAMHS<sup>4</sup>, where the NHS has committed to accelerating support offers opportunities for Elysium
- The UK Government has promised to increase funding for mental health services by £2.3bn pa by 2023–2024 as a key pillar of the NHS long-term plan<sup>3</sup>
- Specialised mental health commissioning is shifting from NHS England to NHS-led provider collaboratives. Elysium has partnerships with the provider collaboratives where the group has presence
- The Transforming Care Programme (“TCP”) supports a gradual shift to delivering care in the community for individuals with Learning Difficulties

**1 in 4**

people experience mental health issues in each year<sup>3</sup>

**70-75%**

of people with diagnosable mental illness receive no treatment in the UK<sup>5</sup>

**£15.2bn**

Annual value of the UK Mental Health Market<sup>1</sup>

**£2.3bn**

Additional annual funding commitment for Mental Health under the NHS Long Term Plan<sup>3</sup>

**+10%**

increase in those contacting NHS funded secondary mental health, LD and Autism services<sup>2</sup>

**1.5m**

people living in the UK with a learning disability (aged 18+)<sup>6</sup>

1. Mental Health Hospital, UK Market Report, Fourth Edition, 2019; LaingBuisson  
2. NHS Digital  
3. NHS Long Term Plan

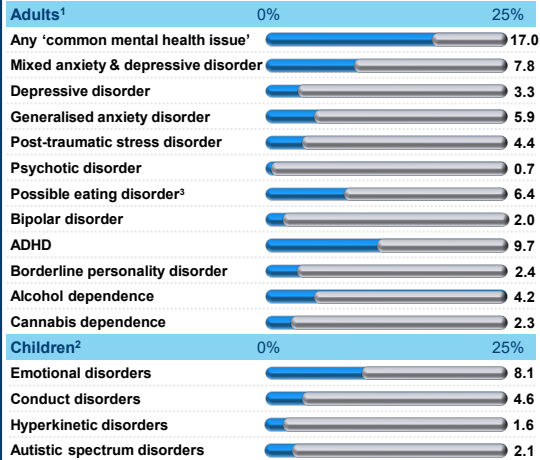
4. Children and Adolescent Mental Health Services  
5. MHFA England; Results of the WHO World Mental Health surveys, 2018  
6. Mencap; Public Health England (2016); Office for National Statistics (2019)

# Increasing demand and unmet need are key drivers of growth

## Diagnosis of mental illness is on the rise

Mental Health disorders are increasingly widespread with 1 in 4 adults experiencing mental health issues each year

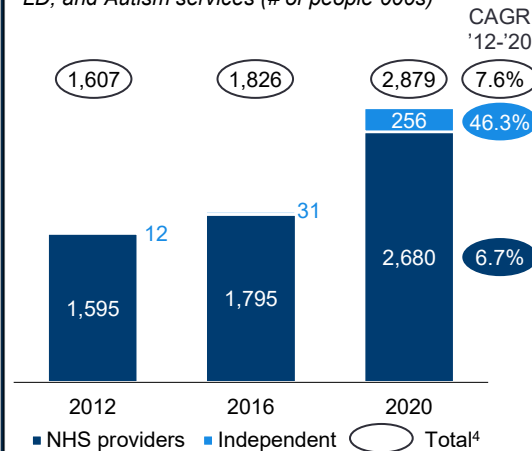
Prevalence of mental health conditions in the UK (%)



## Patients increasingly seeking support

The demand for Mental Health services continues to rise with increasing numbers seeking NHS services

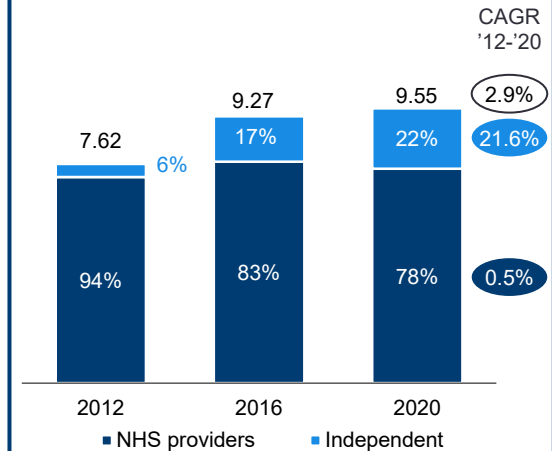
Contact with NHS funded secondary Mental Health, LD, and Autism services (# of people 000s)<sup>3</sup>



## Independents filling the supply gap<sup>6</sup>

Growth in independent provision to fill supply gap created by increasing demand and NHS outsourcing

in-year inpatient bed days (m)<sup>5</sup>



1. Mental Health and Wellbeing in England, Adult Psychiatric Morbidity Survey 2014

2. Mental Health of Children and Young People in England, 2017

3. Number of people in contact with NHS funded secondary mental health, learning disabilities and autism services by provider type; NHS Digital

4. Note that a person may have been in contact with both an NHS provider and a Non-NHS provider during the year, therefore the total number will be lower than the sum of the NHS and Independent providers.

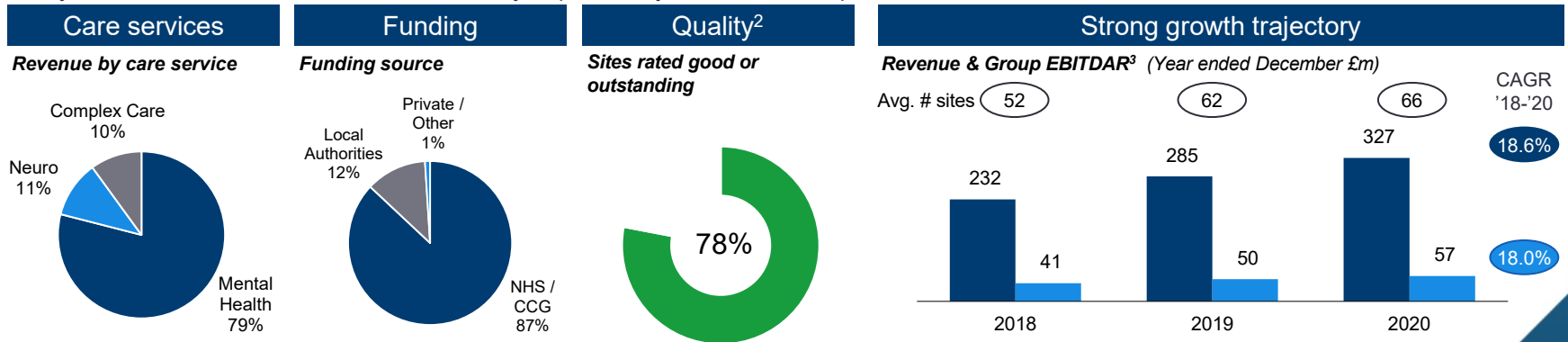
5. NHS Mental Health Bulletins; Mansfield Advisors analysis

6. Independents include the private sector, charitable organisations and public non-NHS providers

# Introduction to Elysium Healthcare

A leading independent UK mental health care operator with expertise in integrated, high acuity care

- Leading independent UK operator within the mental health hospital and complex care sector
- Established in 2016 with 22 sites, Elysium has grown rapidly to 72 sites with c.2,000 beds through organic expansion and M&A delivering strong revenue growth. Elysium is expected to have added ~190 additional beds, representing a ~9.5% increase in capacity, in the 12 months to Dec-21 and retains a pipeline of development opportunities
- 61% of the estate is freehold at Aug-21 with the remaining 28 sites being leased under ground rent agreements for 125 years
- Integrated service offering across the mental health pathway including Mental Health, Complex Care and Neurological rehab ("Neuro")
- Track record of close collaboration with the NHS, CCGs<sup>1</sup>, and Local Authorities, assisted by Elysium delivering excellent patient outcomes
- Strong, experienced management team with a proven track record
- Elysium's services have not been materially impacted by the COVID-19 pandemic



1. CCG – Clinical Commissioning Groups
2. CQC – Care Quality Commission
3. Excludes one-off items.

# Introduction to Elysium Healthcare


Elysium operates across the acuity spectrum in the UK market with a focus on high acuity care





<b>Mental Health</b>	Secure	Medium and low secure services with mandatory specifications related to physical security, care and treatment, with admissions, transfers and discharges subject to gatekeeping agreements through NHS England
	Specialist Services	Services for specific patient groups, particularly children and young adults. Conditions treated include mental health, personality disorders and eating disorders
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<b>Neurological &amp; Acquired Brain Injury ('Neuro')</b>	Provider of Neuro-Rehabilitation Services	Typically in nursing care home environment for service users with a variety of neuro conditions
	Acquired Brain Injury	Brain injury or damage caused by events after or at birth, instead of being part of a genetic or congenital disorder


Integrated services across the care spectrum


# Creates a stronger network with an expanding reach of services across the UK

## Operational metrics<sup>1</sup>

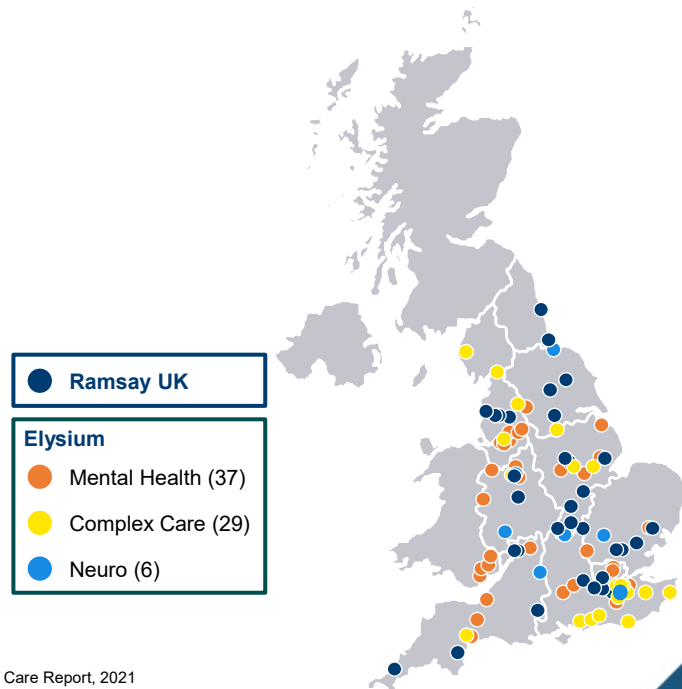
	# Employee's
	# Hospitals/ sites
	NHS / Public admissions
	% sites rated "Good" or Outstanding

	Financial metrics (£m)
	Revenue
	EBITDAR
	EBITDAR Margins

	
~6,000	
72	
99%	
78% <sup>1</sup>	
2021 <sup>2</sup>	
349	
65	
18.6%	

	
~ 5,800	
35 Hospitals 3 Neuro rehab centres	
76%	
94%	
2021 <sup>3</sup>	
568	
101	
17.8%	

## Network across the UK

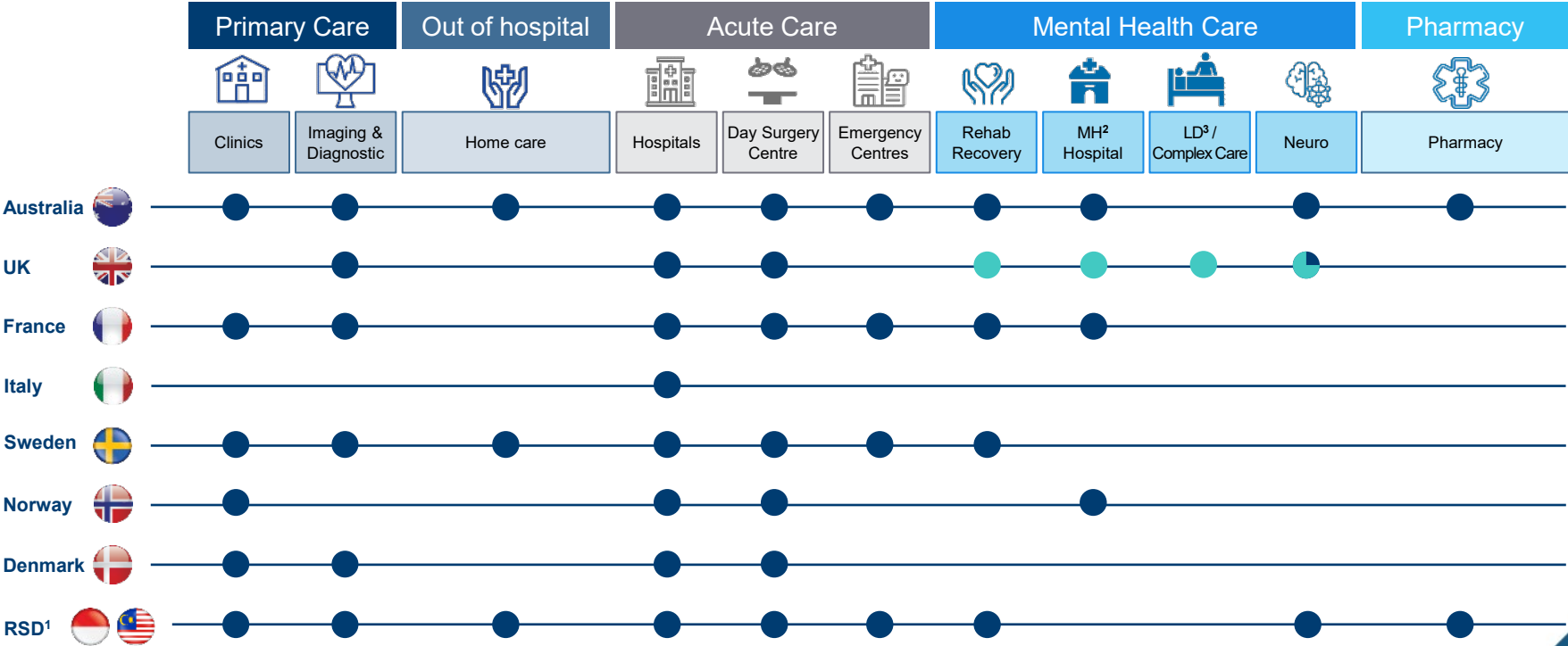


1. As of Aug-21. In line with Industry average overall ratings for NHS and independent mental health core services per CQC State of Care Report, 2021
2. Unaudited 12 months to Jun-21. Excludes c.£11.7m (A\$21.8m) of one-off items including corporate activity costs of £6.7m (A\$12.5m)
3. Year to 30<sup>th</sup> Jun-21



# Complements Ramsay's global portfolio

Adding UK mental health expertise



● Existing Ramsay services  
● New services through Elysium

1. RSD: Ramsay Sime Darby  
2. MH: Mental Health  
3. LD: Learning Disabilities

# Conclusion

Managing Director and CEO Craig McNally

# A unique opportunity to enter the mental healthcare market in the UK at scale with significant organic and inorganic growth opportunities



Creates a **leading independent healthcare platform in the UK**, extending capabilities, reach and diversifying case mix



Provides a **platform for sustained growth** within the £15.2bn UK Mental Health & Learning Disability services sector



Transaction expected to deliver **mid- single digit EPS accretion in FY23** and delivers **Cash ROIC & IRR above internal hurdle rates**



**Strong experienced management team** with a proven track record and an ongoing commitment to Ramsay



**Global collaboration and learning opportunity** to provide upside to the wider Ramsay Group and aligned with long term strategic vision



Bringing together a shared culture of **clinical excellence, high quality care and patient safety**



Facilitates further **investment in clinical excellence & digital innovation**



**Strengthening our valuable partnership** with the NHS

# Questions