2021 Half-Year Results

Thursday, 12th November 2020
Operator: Ladies and gentlemen, thank you for standing by and welcome to the Mediclinic International 2021 Half-Year Results presentation.

During the call, all participants will be on a listen-only mode. There'll be a presentation, followed by a question and answer session. And if you wish to ask a question, you will need to press star one on your telephone keypad. I must advise you the call is being recorded today on Thursday, the 12th of November 2020.

I shall now hand over to your speaker for today, Ronnie van der Merwe, Group CEO. Please go ahead.

Introduction and Operational Delivery
Dr Ronnie van der Merwe
Group CEO, Mediclinic International Plc

Agenda

Thank you, very much and good morning, to everyone. Welcome to the Mediclinic International Plc 2021 Half-Year Results presentation for the six months that ended on 30 September 2020. Joining me today are Chief Financial Officer, Jurgens Myburgh, and James Arnold, Investment Relations Officer.

Due to the COVID-19 pandemic, the period that we report on today has been the most challenging and disruptive in the history of Mediclinic, and I'm very satisfied with our robust operating performance under the circumstances. I'm going to start off by giving you some context of the period under review. After which, I will end over to Jurgens to take you through the numbers. I will then close off with some perspectives on the way forward, before handing over for Q&A.

Patients First

If we can start on Page Five that reads, ‘Patients First’? The purpose of Mediclinic is to enhance the quality of life. We do this by putting patients first in all our decisions, be at clinical or non-clinical, financial or non-financial, operational or strategic. We’ve also made a substantial investment in developing a strong clinical governance system and embarked upon many clinical performance improvement initiatives over time.

We measure numerous internal and external clinical performance indicators every month at each facility and make use of external experts to oversee our performance and standards. These investments paid off handsomely during the COVID-19 pandemic. Both covered and non-covered patients will see the same high standards of care we have come – become known for, despite the many operational challenges we faced in dealing with the ramifications of this pandemic.

Robust operating performance despite sudden onset of pandemic in April

Fulfilling an essential role in combatting the pandemic

Onto the next page on operating performance. But as I mentioned before, the COVID-19 pandemic has affected us in many different ways. Operationally, we had to adopt new policies and procedures to safely manage corporations. And we also had to adopt new
protocols safe – to safely manage the non-COVID patients being treated in the same facilities at the same time.

*Significant financial impact in April 2020; rebound in trading from May 2020*

From a my – financial perspective, the initial lockdowns and postponement of elective treatments in all our therapies during April had a significant effect on utilisation and revenue in all our care settings. The speed at which these changes occurred as well as the temporary nature they are of, challenged our ability to optimise underlying costs during the initial stages of the pandemic.

*Unwavering commitment and resilience from our people*

Once lockdowns were lifted and elective treatment resumed, patients were initially reluctant to seek non-urgent care. This trend improved over time, starting with outpatient activities and subsequently following through the other care settings. Hirslanden volumes recovered the quickest, followed by Mediclinic Middle East, and Mediclinic Southern Africa lagging behind – below due to a prolonged first wave.

*Retained strong financial position and liquidity*

Jurgens will unpack the numbers in detail in a few minutes. He will also explain the challenges we experienced with our cash conversion rate. Importantly, we retained our strong financial position as well as liquidity position. This robust operating performance, with which I’m very satisfied, can only be attributed to the incredibly hard work, sacrifice, commitment, loyalty, and resilience of all of our staff and supporting doctors. Their efforts enabled us to adapt rapidly and to play an essential, if not indispensable, role in managing the pandemic in the countries in which we operate.

We are still dealing with significant numbers of COVID in-patients as well as outpatients. And until now, we’ve been able to admit all COVID cases that presented at our facilities, while at the same time managing all essential and emergency services as well as safely introducing elective treatments. With this, we are very pleased.

**Effectively navigating the pandemic: Key priorities**

*Safety of employees and patients*

And then, on to the next page, navigating the pandemic. Just a few words on the pandemic itself and our approach. Our approach to dealing with the pandemic has been to focus the entire organisation on a few key priorities. The safety of our COVID and non-COVID patients as well as our frontline employees is of paramount importance to us. This is done through ensuring adequate personal protective equipment (PPE) and supplies, strict adherence to up-to-date infection control protocols, training and updating staff at regular intervals, and applying up-to-date evidence-based COVID treatment modalities.

*Continuity of operations*

Continuity of operations is achieved by ensuring reliable staff availability and effectively running two parallel care processes, respectively for COVID, and non-COVID patients, in the same facilities at the same time. As a result, we have not experienced any disruption in dealing with COVID or non-COVID, essential and emergency services. And by the end of October, we had treated more than 19,000 in-patients – COVID in-patients.
Support of and collaboration with health authorities
We’ve worked very closely with the federal and cantonal health authorities in Switzerland, the health authorities in respect of Dubai and Abu Dhabi, the national and provincial Department of Health in South Africa, as well as the Department of Health of Namibia to ensure we do whatever we can to support all national efforts. Overall, our efforts were successful and we have better relations, as a result.

Benefitting from our international perspective

Continued strategy execution and expansion across the continuum of care
Then, a few words on benefitting from our international perspective on page eight. While there is no doubt, we would have been able to manage the pandemic as a single-country operation, we benefitted significantly from our international footprint and ability to act as a group.

Shared learnings, optimised treatment modalities and care pathways
Our approach to the pandemic is through a centrally coordinated multidisciplinary response led by our Chief Clinical Officer of our organisation. Through shared learnings and close collaboration, the regional teams were able to rapidly adopt new COVID care pathways, protocols, and treatment modalities, and avoid pitfalls. Specialists running intensive care units started having regular virtual forums across the regional lines.

Maintained sufficient supplies of PPE and consumables
Our central procurement function experienced many challenges during the initial phases of the pandemic. Prices fluctuated wildly at times due to organisations and countries competing for the same limited available supplies. And supply chains were disrupted due to travel restrictions. In spite of all of this, we have not run out of supplies.

Central Analytics team incorporated epidemiological models into forecasts
The Central Analytics team is working closely with Operations as well as the Financial and HR teams. They continuously run prediction models that greatly enhances our short-term planning process.

Daily dashboard, reporting back COVID and non-COVID occupancy and availability, ventilator availability, stock and PPE levels, and number of staff members in isolation per individual hospitals became commonplace and is now the norm. Reliable up-to-date information became crucial in dealing effectively with the pandemic.

Improved relations with specialists and primary care physicians through technology adoption
Our investment in analytics over many years paid off handsomely. The need to communicate directly with associated doctors of all disciplines, coupled with the ability to virtually meet with them on a regular basis fostered much stronger relations in all the regions. We will build on this for the future.

Centrally coordinated clinical response
Our Group strategy, which we formulated 18 months ago, strengthened our response to the pandemic specifically in the areas of continuum of care and digital transformation. Examples include COVID lab testing, drive-through test centres and pharmacies, manning delivery of
medication, relations with our partner in Switzerland, MedBase, call centre initiatives and our
digital platform, or backbone, as we call it.

**Continued operational delivery through the pandemic**

And lastly, just a few words before I hand over to Jurgens on continued operational delivery. While managing the pandemic, our teams also executed on many other exciting operational and strategic objectives. Some of these are summarised on page nine.

We have made good progress in developing our convenient, cost-effective, integrated care system. Our large business transformation projects called [inaudible] in the Middle East and Hirslanden 2020 in Switzerland, remained on track. We established more valuable partnerships and we received accolades for the learning in clinical excellence. We've given some in a hopefully useful context, with regard to our activities and dynamics during this challenging reporting period. I now hand you over to – hand over to Jurgens for the Financial Review. Thank you. Jurgens?

---

**Financial Review**

Jurgens Myburgh

*Group CFO, Mediclinic International Plc*

1H21 financial performance reflects sudden onset of pandemic

Thank you, Ronnie. Good morning, everyone, and thank you for your time. And I hope everyone can hear me okay.

*Robust first-half operating performance*

So to Ronnie’s point, the Group delivered a robust operating performance in the first six months of the financial year, which coincided with a period of unprecedented uncertainty. In fulfilling our role as an international healthcare group, our services were uninterrupted, notwithstanding enhanced demand for emergency and critical care and periods of constrained supply of consumable products. As Ronnie pointed out, the commitment and resilience of our employees and business partners deserve our sincere appreciation.

*Strong financial position and liquidity, suitably cautious on our second-half outlook*

We ended the period in a strong financial position with cash and available facilities at around £660 million. Against the backdrop of continued change, we remain suitably cautious on the second-half outlook, given the continued uncertainty posed by the pandemic and its economic aftermath. Our focus remains on operational delivery and strategy execution aimed at capitalising on structural growth drivers in the healthcare sector, underpinning the long-term performance of the Group.

**Impact of COVID-19 lockdowns and restrictions**

*Group performance*

On page 12, before looking at the numbers in detail, I thought I’d just summarise some of the key drivers to the financial results in the first half of the year. During April, we experienced national lockdown measures and restrictions to elective surgery that severely constrained our business activities. Using the inpatient admissions, excluding COVID-19 cases as a proxy, the
The graph on the top-left shows the significant impact of restrictions in April 2020 across the Group.

Despite this, our revenues were approximately 67% of April the previous year, demonstrating the underlying demand for our services. From May onwards, with restrictions lifted, you will note the strong rebound in volumes in Switzerland and the Middle East and more gradually in Southern Africa through the initial peak of the pandemic, which was in early August. The graph also shows the counter-seasonal impact of travel restrictions in August in the UAE. And finally, the relative stability in volumes towards September and through October as well.

The graph on the bottom-left provides a more static view, reconciling EBITDA for the six months ended 30 September 2020 with the comparable period. Firstly, you'll notice again the impact in April of restrictions on elective surgery as well as the impact of COVID on in and outpatient activity from May to September, partially offset by COVID-related and additional revenue streams over the six-month period. As a result, for the six months, revenue was down 7%.

To unpack the cost a little further, as we discussed before employee costs, which are mostly fixed, are the single largest component in the cost base of the Group. At the beginning of the pandemic, we took a naturally cautious approach to staffing, resulting in labour cost as a percentage of revenue being relatively high.

Over the period, as revenues improved, we progressively introduced efficiency savings in the flexible component. This is partially offset by salary increases to clinical personnel, staffing requirements due to isolation and quarantine regulations, as well as an increase in demand for critical care employees.

We've got – within consumables and supply costs, the use and cost of PPE surged during the initial peak of the pandemic before stabilising. Across the Group, incremental COVID-19-related expenses, total of around £17 million. In summary, the Group EBITDA is down 32% at £171 million, largely due to the revenue decline and mostly fixed employee cost base.

From an operational perspective, we continue to adapt to the circumstances with revenues and the cost base stabilising in October and through – in September and through October, the business has responded well, which gives us confidence in our ability as we enter the second half. As mentioned, the Group remains suitably cautious on its second-half outlook in the midst of uncertainty as to the severity, duration, and full impact of the continuing pandemic, as well as its economic aftermath.

Robust operating performance under challenging circumstances

Over the page on page 13 and intending just to do the rest of the income statement. As I mentioned, first-half revenue was down 7% at £1.4 billion and down 5% in constant currency terms. Group adjusted EBITDA at £171 million was down 32% in both reported and constant currency. The Group’s adjusted EBITDA margin was 12.1%. Adjusted depreciation and amortisation was down 2% to £106 million, reflecting lower capital investment during the period and translation differences caused by the depreciation of the rand. As our capital expenditure normalises, D&A would show a consequential increase.
Adjusted operating profit was down 54% at £66 million. Net finance costs were down 8% at £37 million, mainly due to the reduction in base rates in South Africa and the UAE as well as translation differences caused by the depreciation of the rent, which is also the highest interest rate environment. The adjusted tax created of £1 million and adjusted effective tax rate for the period of -2.1% reflects a Swiss tax charge which was offset by a tax credit in Southern Africa. The rate also decreased due to a higher contribution of non-taxable income in the Middle East.

Adjusted share of net profit of equity accounted investments was a loss of £10 million in the first half. The net loss reported by Spire for the six months ended 30 June 2018. Both adjusted earnings and adjusted earnings per share were down 77% at £17 million and 2.3 pence respectively. In June 2020, the Board took the prudent and appropriate decision to suspend the dividend. The Board recognises the importance of the dividend to shareholders and will keep this position under review in light of the uncertainties posed by the pandemic.

**Solid performance at Hirslanden**

*Strong rebound in activity from May 2020*

Over the page on page 14, and looking then at the divisional results in more detail. And starting with Hirslanden, revenue in the first half decreased by 2% to CHF853 million. Inpatient revenue and admissions were down 1%, having recovered from the significant impact of April. The general insurance mix increased ahead of expectation to 50.7%, largely as a result of Hirslanden supporting cantonal hospitals during the initial peak of the pandemic.

Despite this shift in insurance mix, inpatient revenue per case was stable due to an increase in the case mix index directly and indirectly due to COVID-19. Outpatient in day-case revenue, which contributed some 21% to the total revenue in the period, was down 4%, in line with outpatient activity trends observed in other markets during the pandemic which have experienced a less pronounced rebound in activity.

An increase in supply costs and additional staffing requirements during the pandemic gave rise to the 17% decline in adjusted EBITDA and CHF116 million with an adjusted EBITDA on margin of 13.7%. Incremental COVID-19-related expenses were around CHF5 million.

Europe is now experiencing a second wave of the pandemic and while the severe restrictions on elective procedures implemented in March and April have not yet been repeated, the second wave is expected to impact on hospital and outpatient revenues. When combined with a similar cost profile to the first half, the division expects the second-half revenue and EBITDA to be broadly in line with the second half of the previous financial year.

**Fuelling a vital role in response to the pandemic**

*Gradual recovery during the period*

Over the page on page 15, on Mediclinic Southern Africa. Revenue is down 19% to R7 billion. Bed days sold decreased by 25%, reflecting the significant decline in volumes in April, with a gradual recovery from May onwards as the region started to enter the initial wave of the pandemic. Average revenue per bed day increased by 8.9%, reflecting the increase in acuity of patients and longer theatre utilisation.

The effects of COVID-19-related costs and additional staffing requirements during the pandemic further impacted adjusted EBITDA, which declined 68% to R573 million with the
adjusted EBITDA margin at 8.2%. Incremental COVID-19-related expenses were around R157 million. Depreciation and amortisation increased by 12% mainly due to increased spend on hospital infrastructure upgrades and medical equipment in recent years, in line with the division’s upgrade and maintenance plan. Net finance costs increased by 4% due to the lower finance income, given lower cash and deposits and reduced interest rates, with around half the division’s debt hedged.

The initial impact of the pandemic only recently passed across the region with Mediclinic currently still caring for sizeable numbers of COVID-19 patients. As such, the division has not yet experienced the same rebound witnessed in the other two divisions. Considering this, in combination with the potential macroeconomic impact and consequent effect on medical scheme membership, the division expects the recent revenue trend, as reported in September, to broadly continue through the second half of the financial year. With improved cost efficiencies, the EBITDA margin is expected to improve from that experienced in the first half of the financial year.

**Rapidly deployed supplementary services and counter-seasonal trends supported strong rebound**

Then, on page 16, looking at Mediclinic Middle East, revenue increased 9% to AED1.8 billion, including COVID-19-related and other revenue streams that delivered around AED270 million of revenue during the period and supported by counter-seasonal trends. The average revenue per admission was up 25%, reflecting an increase in acuity directly and indirectly due to COVID-19. EBITDA increased by 9% to AED223 million, with revenue growth from new services offsetting additional COVID-19-related expenses that totalled AED17 million. The adjusted EBITDA margin was in line with prior year at 12.7%.

D&A was flat on the prior period. We would expect an increase in the second half with the Airport Road expansion project opening in January 2021. Net finance costs were down by 14% to AED40 million mainly due to a decrease in the base rate. One third of borrowings are hedged. Again, the opening of the Airport Road expansion would increase this number in the second half. With the region now experiencing a second wave of the pandemic, non-COVID-19-related patient activity could be impacted while less than 50% of COVID-19-related initiatives in the first are expected in the second half.

The counter-seasonal benefit in the first half is expected to unwind during December and January. Coupled with the macroeconomic uncertainty and consequent impact on the expatriate population, the Division expects to deliver modest revenue growth in the second half of the financial year, compared with the prior period. The EBITDA margin is expected to be temporarily impacted in the second half, compared with the second half FY20, due to the [inaudible] revenue impact and start-up costs associated with opening the Comprehensive Cancer Centre and the expansion at Mediclinic Airport Road Hospital.

**Maintaining a strong balance sheet**

*Incurred debt remains unchanged*

On page 17, onto the balance sheet, we continue to maintain our financing strategy and the pandemic has underscored the importance of one, our approach to responsible leverage, with respect to both the cost and maturity of our borrowings; and two, our strong proactive and transparent relationships with our funding banks.
Our debt is ring-fenced within each division with no cross-guarantees or cross-defaults. Borrowings are denominated in the same currency as the underlying cash generation and, therefore, not exposed to foreign exchange rate risk. Both these divisions have refinanced their debt in recent years and, therefore, maturities are relatively long dated. The nearest term material maturity, it is – is our Swiss – one of the two Swiss bonds that is maturing in February 2021 of CHF145 million.

As mentioned at the full-year results, the unutilised bank facility of CHF250 million is available to fully repay this bond. During the next 12-month period, we will be making scheduled debt repayments of CHF50 million in Switzerland and AED200 million in the Middle East. In addition, Hirslanden currently plans to make an unscheduled payment of CHF50 million in the second half of this financial year, further to the CHF117 million repayment made in FY20, which contributes to reduce the total gross debt at the division.

Our approach to responsible leverage is underpinned by material property ownership that provides both operational and financial benefits. Across the Group, we own 66 of our 76 hospitals. The Group includes no further borrowings during the period. At the period end, the Group had net debt incurred of £1.7 billion and tangible fixed assets of over £4 billion, which contextualises a leverage ratio of 4.2x based on incurred debt. Absent of any significant acquisitions or other strategic initiatives, it's our intention to reduce the Group's debt over time.

The majority of the Group's borrowings are incurred in Switzerland, which has the lowest cost of borrowings and the largest fixed asset base at CHF2.4 billion. As a result, the Group's fixed charge cover, which we measure as a cover of EBITDA to the aggregate of interest on borrowings and leasing costs, was 3.4x at the period end at six – and six months ago before the pandemic, 3.4x, reinforcing the point about the affordability of our debt.

As discussed with the full year results in June, we were quick to engage with our lenders to obtain certain covenant test waivers as a prudent measure, given the uncertainties caused by COVID-19. This approach is evidenced in the long-term supportive relationships with our banks, both on our approach of addressing matters in the transparent proactive and constructive manner.

Mediclinic Middle East reverts back to the original covenant compliance test in June 2021 whereas for Hirslanden and Mediclinic Southern Africa, this will be performed at the end of September 2021, which is 12 months from now and removes the challenging first quarter we experienced in FY21.

If you look back at the headroom to the leverage covenants we had at the end of FY20, it was material across all three divisions. In the context of the challenging first half due to COVID-19, the headroom has reduced temporarily and we anticipate it increasing again by the time the wave covenants is – are reinstated next year.

The effects of COVID-19 on our financial performance has further impacted return on invested capital at 3.3%, which is below our weighted average cost of capital. We continue to seek for and deliver on strategic and operational opportunities to deliver improved returns over time.
Cash and available facilities remain strong despite impact of pandemic

Over the page to page 18, on the cash flow statement. Cash conversion at 42% was primarily impacted by lower receivable collections in the Middle East, compared to earlier in the period, exacerbated by the strong counter-seasonal performance in the second quarter. Increased debtor balances in Hirslanden and the normalisation in Hirslanden's trade payables balance post the initial peaks liquidity preservation measures.

The Group continues to target 90% to 100% cash conversion over time. Cash in available facilities at the end of September remained strong at £449 million, on a comparable basis to the £518 million at 31 March 2020. A further unutilised bank facility in Switzerland of CHF250 million was reactivated of the year and is part of our proactive measures taken with members. Therefore, total cash in available facilities at the end of September was £661 million.

Disciplined capital allocation supports long-term growth and returns

And then, finally onto CAPEX, page 19. In response to the crisis, the Group's CAPEX programme has significantly reduced, operations stabilised investments, investment projects recommenced. In total, during the first half, the Group invested £43 million, of which 28 million was on expansion – mainly the Mediclinic Airport Road Hospital expansion and Electronic Health Record projects in the Middle East.

Currently, the Group expects to invest around £173 million in this financial year in constant currency terms. The Group continues to make ongoing investments in its asset base and during the period, approved major multi-year upgrade and expansion projects in Switzerland at Hirslanden Klinik St Anna and Klinik Aarau.

These strategically important projects will include new infrastructure and expand the range of specialised inpatient and outpatient medical services. This is in line with the Group's integrated hub-and-spoke model across key regions and will continue to support the attraction of highly skilled leading professionals to Hirslanden as it seeks to expand its market share and improve returns. Construction work is expected to begin in the second half of 2021.

Finally, before I hand back to Ronnie, and as Ronnie indicated earlier as well, the Group recognises significant uncertainty and volatility is expected to remain for at least the following 18 months due to the pandemic. However, the current expectation is for Group revenue and EBITDA in FY22 to be broadly in line with FY20.

Growth will be most notable in the Mediclinic Middle East, given prior year investments continuing to ramp up, while the recovery at Mediclinic Southern Africa is likely to be the most gradual over time, given the macroeconomic outlook.

With that, I'll hand it back to Ronnie.
Strategic Delivery
Dr Ronnie van der Merwe
Group CEO, Mediclinic International Plc

Diversified healthcare service group with leading market positions

Jurgens, thank you very much. So we’ve now covered the period under review. And I would like to end off by making a couple of remarks on the positioning of Mediclinic, its strategy, and the way forward.

So on page 21, the value of being a diversified group. I would like to make a couple of comments. We are well-diversified in more than one way. We offer a healthy spectrum of different care settings, a healthy balance between elective and non-elective care, and we operate in three different geographies.

Acute care inpatient hospitals, especially the highly specialised ones, remained the bedrock of our operations. But we have diversified into other care settings as well. We do this to strengthen, firstly, the position of our hospitals; and secondly, to generate additional revenue; and thirdly, to improve our value proposition by integrating care settings and thereby decreasing fragmented care.

The COVID pandemic illustrated that at least 50% of our revenue represents non-elective care – in other words, essential and emergency care. This component of revenue is more stable and consistent than the elective care component. Our geographic spread represents a combination of developing and developed countries which, over time, should prove to be beneficial, in terms of exposure.

Delivery and execution of Group strategy accelerated during the pandemic

Then, a few words on execution of strategy on page 22. We are very confident with the Group strategy we formulated 18 months ago and that it will position Mediclinic very well for the future by addressing several long-term trends. Now, the trends we – we looked at many trends. The ones we really want to highlight is:

- Advances in medical care, which is pervasive, and it leads to migration of care to different care settings,
- Rising healthcare consumerism because of the availability of healthcare information,
- Digitalisation, we think about sensors, internet of care, virtual care, business process transformation and others,
- And analytics and we think there about big data, machine learning as part of a broader artificial intelligence component and virtual reality,
- And then also, the associated costs of care pressures that will always be with us.

Now, although the pandemic impacted on our ability to execute, we still made good progress. While all of our goals and transformation drivers of our strategy are important, I would like to focus on a few of them during this summary.
Expanding across the continuum of care in support of our vision

The first one on page 23 is the expansion across the continuum of care. As mentioned a few minutes ago, acute care hospitals remained the bedrock of our services. And in order to position for the future, we also need to reduce the one aspect of our primary – private healthcare that frustrates most consumers, namely fragmented care.

And our model strengthens the position of our hospitals, as I mentioned. It provides for additional revenue as well as improving our value proposition. This is no easy goal, but we are convinced of its importance for future positioning.

Expanding access to quality care through innovation and digital transformation

Increasing demand

Then on the next, page 24, just a couple of thoughts on digital transformation and innovation, especially expanding access to quality care. There's no doubt that the demand for easily accessible and convenient quality care is ever-increasing.

Expanding services

Successful healthcare organisations will have to offer a seamless flow between physical and virtual care from the perspective of both the patient and the healthcare practitioner. Our digital transformation touches non-clinical aspects of the organisation as well. In fact, it involves virtually every business process of the organisation.

Enhancing capabilities

Our strategy allows for enhancing the capabilities of Mediclinic over a broad range of clinical and non-clinical functions. And those include aspects that range from robotic process automation, to sensors that monitor patients, to artificial intelligence.

New revenue streams

Our strategy also allows for the expansion of clinical services into virtual care. Virtual consultations and follow-up is – comes to mind as well as virtual monitoring, virtual chronic disease management, and also the virtual aspects of ICU care, healthcare, precision medicine, etc.

Facilitating seamless direct client interaction through innovation and digital transformation

Deploying a healthcare digital backbone

And then, I also would like to mention on the page 25, still on the topic of digital transformation, the facilitation of seamless, direct, clinical interaction – not clinical, client interaction, pardon. A very important aspect of clinical or digital transformation is the ability for us to have direct and seamless interaction with clients.

Enhancing our B2C capability, enabling expansion of our virtual care solutions

We are developing an internal healthcare digital platform that will enable B2C (Business-to-Consumer) functionality. This is a big step forward for us as we have been a traditional Business-to-Business (B2B) organisation like most other healthcare players.

We also developing a strong innovation capability to strengthen and accelerate our digital transformation initiatives and to create a more agile organisation.
Committed to sustainable development

Group achievements

My second-last page, 26, committed to sustainable development. As a healthcare provider with a long-term view of sustainable value creation, we are acutely aware of the importance of the – our impact on the environment, but also on our people and the communities we serve. We’ve been making good progress on our sustainable development initiatives, as summarised on page 26. However, we recently strengthened our sustainable development strategy and set some ambitious targets for the next couple of years.

Well-positioned for long-term industry trends

Returning to growth in FY22

And then, on the last slide, page 27. In summary, we are successfully negotiating the pandemic and we are looking into the future with confidence. Although we remain cautious on second-half performance in the midst of uncertainty as to the full impact of the continuing pandemic and its economical consequences, the demand for Mediclinic’s broad range of healthcare services remains strong. And the Group is confident that this, together with strategy execution and operation delivery as we illustrated during COVID, will drive long-term performance.

And as Jurgens alluded to, the current expectation is that the Group revenue and EBITDA for FY22, which is our next year – financial year, will improve on our current financial year, FY21, and be broadly in line with our previous financial year, FY20.

Thank you very much for your time and interest. I’m now handing back to Jodie to take – ask the questions and answer session. Thank you, Jodie.

Q&A

Operator: Thank you very much, sir. Ladies and gentlemen, as a reminder, if you wish to ask a question, please press star one on your telephone keypad.

Our first question is from Hassan Al-Wakeel from Barclays. Please go ahead.

Hassan Al-Wakeel (Barclays): Thank you for taking my questions. Can you hear me?

Jurgens Myburgh: Yes.

Hassan Al-Wakeel: Great. So I have a couple of questions. So firstly, on the Middle East, and then secondly, on capital allocation, please.

So in the Middle East, could you talk about competitive dynamics and whether you are taking any share or whether you think you’re in a better position to attract physicians, relative to competition? And are you continuing to see any adverse impact from the Park View Hospital as it relates to Cancer City or vice versa and has this stabilised now?

And thank you for the medium-term CAPEX guidance here. Could you provide an updated margin target over the medium term, given the write-down that you took care at full-year results and also the accounting changes since the last outlook.
And then, one follow-up on the Middle East. I saw that you won a management contract in Abu Dhabi that you noted in in page nine. Is this a meaningful opportunity to expand into further O&M across the UAE?

And then secondly, on capital allocation, could you provide an update on Saudi Arabia and whether you see any other expansion opportunities in the country? And given the asset-light way in which you are moving into this country and your leverage profile, should we not expect any meaningful M&A in the next 12 to 18 months? Thank you.

Dr Ronnie van der Merwe: Thank you, Hassan. Quite a few comments or questions here.

Let me start with the competitive dynamics in the Middle East and specifically in the UAE, when you refer to market share and the dynamics of that. It's really quite difficult during a pandemic like COVID to really understand whether we are taking market share or just holding our own. And also, it's a dynamic environment in the sense that the expatriate population has been affected by the – not only by COVID and its effects on the economy, but the economy slowdown prior to COVID.

So, it's really difficult to say. But we are very convinced that we've been holding our own and even taking some market share. The competition is fierce over there. There are lots of competitors. But they are also feeling the effect of the pandemic in the same way that we have. We have a strong brand, a strong reputation. We have some private health hospitals that have had good momentum before the pandemic, and we've seen them holding their own during this period.

Park View versus City, no more effects at the moment than what we reported on in previous reporting periods. That situation has stabilised.

Jurgens, anything to add on competitive and dynamics, Cancer City versus Park View, before we go on to get CAPEX and margin targets?

Jurgens Myburgh: I think just to add, Park View continued to perform really well, you know, during and – during this period. And to Ronnie's point, I think we're seeing less of an effect on Cancer City as well during this period.

On margin, Hassan, we indicated to you at second half, you know, we – and we said so in June as well, you know, heavy anticipation of a difficult competitive environment, which is the case, and of difficult economic climate, which is the case as well. And so, with – and in – and that, in addition to the Airport Road ramp-up cost, we're indicating second half, you know, a softening of margins. But then also, you'll see in FY22 giving an indication that, you know, we have an anticipation and expectation of growth in – on the back of the investments that we've made in the Middle East. And that growth should come with improved margin as well.

Then, on management contracts, I think it's a very deliberate strategy of us entering into Saudi with a – with a partner, you know, that has infrastructure, that we get to add our skills to as well. I think we would have spoken to you before, more broadly, and this answers, you know, the broad question about capital allocation is that, you know, we look at ourselves in – and our ability to grow incrementally. So we prioritise growth in our existing divisions across the continuum of care and look more broadly at incremental growth opportunities for us, as a Group. So we continue to prioritise net growth in our existing markets, but we continue to look for other opportunities as well.
Dr Ronnie van der Merwe: Yep. To add to that, there is a management contract in Abu Dhabi. And obviously, we are looking at more management contract opportunities. We will continue to do so not only in that territory, but other territories as well.

And just to reiterate what Jurgens said, if we’re going to go into a new territory, we prefer to do it small and test the waters. And then, if we like what we see, to grow our footprint in those territories instead of going in big. That’s our preference at this point. Thank you.

Hassan Al-Wakeel: No, that's really helpful. If I could – if I can follow-up on capital allocation? Given the likely structural change in NHS outsourcing dynamics, are you taking a more favourable stance towards this market?

Dr Ronnie van der Merwe: At the moment, it’s really difficult to take a view on how it’s all going to play itself out. In the short term, there might be benefits in that tendering process. In the medium and long term, the dynamics will return more or less to what it was prior to COVID. So we obviously keep a very keen interest in the development in that market. At the moment, we are a supportive shareholder over there.

Hassan Al-Wakeel: Thank you very much.

Jurgens Myburgh: Thank you, Hassan.

Operator: Our next question is from the line of Kane Slutzkin from UB Securities. Please go ahead.

Kane Slutzkin (UBS): Morning, gents. Just a few questions, please.

Just in the UAE, yeah, that's still very uncertain. But you alluded to the sort of uncertainty around the expat population. Maybe you can just give us some colour on what you're seeing in this regard. You know, just maybe general patient mixes? You know, how is PK [?] doing? Is it sort of still at around 40%? So yeah, just some colour on patient mix there.

In Switzerland, regarding to the flat numbers, could you maybe just unpack how you get there, particularly, as you mentioned, there is risk to hospital in outpatient revenues in the second half? And to what extent does this account for the seasonality that you would ordinarily benefit from in the second half?

And then, just finally, on Slide 17, you guys have showed a leverage covenant headroom slider. This is something a bit new from you guys. I just want to make sure I understand this correctly. Is that sort of showing you have no headroom in SA, and limited headroom in Switzerland, and plenty of headroom in the UAE? I just want to make sure I understand those – what those numbers are actually showing. Thanks.

Dr Ronnie van der Merwe: Thank you, Kane. I will do the first question on Middle East. Jurgens, you can do Switzerland and the comment on the covenants in UAE.

Middle East, at the time, it’s difficult to really – to comment, in terms of the trends we see because the COVID pandemic disrupted the flow of patient care as well as the mix of cases that we see. And it’s getting back to normality, but there is still a lot of – well, I call it diversification going on, in terms of the mix of cases.

So I’ll try to explain as quickly. We saw a lot of COVID cases in there. We lost a lot of elective work. It’s temporarily, obviously. And it was smaller cases. So we – the kind of cases that we had in the period under review was a lot more complex. Because even on the
non-COVID side, we lost the smaller ones and we retained the big ones. And we actually gained other big cases, especially around emergencies and trauma as the governments also, particularly in Dubai, were very busy with COVID cases. And we helped them out on the non-COVID side as well.

And then, the COVID cases themselves have a very high acuity. So our acuity levels went up significantly. I think our revenue per case is up 25%, which is huge. And we've never seen anything like this because this is temporarily. It will come back to some form of normality again. But further than that, it's very difficult to say how PK is performing versus the others at the moment and whether that is meaningful to do so.

On the expat population, there is a projection that the expat population is shrinking. But the numbers that are being published vary and it's – it hasn't been substantiated. But we expect the population and then for – also, obviously, our target market of expatriates in that population to shrink – and in the short term. We believe that in the medium term, it will pick back up again.

Jurgens, on Switzerland?

**Jurgens Myburgh:** I would just like to –

**Dr Ronnie van der Merwe:** If you have other comments on others, you can go on.

**Jurgens Myburgh:** Yeah, thank you. Morning, Kane. On Switzerland, so I think there are a couple of things. Firstly, we saw good rebound – a strong rebound in May, after April. And you would have seen on that slide that I gave the colour on how revenue has been subsequently stabilised in September and through October as well.

And so, if we look at that, but combine that with, you know, the potential impact on revenues of a second wave in the second half, I think we need to be conscious of that. And also looking at, you know, the cost base and how that behaves through a potential second wave. I think it informs our caution in the second half. And in that context, the flat over the prior year.

And then, just on the covenants page, you know, so firstly, just to reiterate that, you know, we actively reached out in the beginning of the pandemic to our funding banks to obtain covenant waivers of areas and covenants that we saw as potentially sensitive to the earnings of the business, as we go through the pandemic. So the first and very important column here is to show you which covenants have been waived, you know, by the financial institutions.

And we add in the footnote there, that in the Middle East, it's waived until June next year. And in Switzerland and Southern Africa, it's waived until September next year. And as I've said, this part of the presentation, you know, that – what that by implication means is that the first quarter that we had in this half will be excluded, you know, in the base, when we get to those covenant calculations.

Then, what we're showing you is the headroom that we have, relative to the covenant. And so, you know – and we're showing that – how that looked at year-end. You know, obviously, year-end also had an element of COVID in it. But we're showing you what it looked like at year-end and how that behaved, you know, through COVID as well to give you an indication. But the key aspect of it is, you know, that the sensitive covenants are waived. And even those that have been waived, we're still fully compliant with most of them.
We do also have, you know, coming out of this, further mitigants to be able to manage the situation. And – but yeah, I – you said it’s a new slide for us. It is. We think it’s a helpful data point, and I hope it is.

**Kane Slutskin:** As to the marketplace, sort of COVID-19, you’ve obviously spoken about technology and digitisation. What about sort of care settings? And I’m thinking more South Africa now. You know, obviously, you’ve had up-migration elsewhere. But just here, you know, during COVID did you – you know, with the postponement of electives in your big hospitals, were doctors sort of willing to perform these procedures in standalone sort of day hospitals at all, you know, who weren’t impacted by COVID? And if so, could that be a structural shift to the South African market? That obviously has been really struggling to take off meaningfully, specifically that day hospital sort of market.

**Jurgens Myburgh:** Okay.

**Dr Ronnie van der Merwe:** I remember that you asked about – yeah, thank you. And I think we missed the first part of your comment but – of your question. But I’ll – let me answer and if I – if I didn’t do it completely, you can maybe just repeat. There was a bit of an interruption.

So on day surgery clinics in South Africa, in particular, and other care settings, we have day surgery clinics ourselves. And Intercare has the – has also – has also day clinics. What Intercare reported is one or two of their long-standing day clinics are not part of our so-called co-

**Jurgens Myburgh:** Co-located.

**Dr Ronnie van der Merwe:** – co-located clinics. Actually, it had quite big increases in numbers because some doctors prefer to operate there. They were completely COVID-free or that was the perspective and the perception. And that did happen. Our own day surgery centres, obviously, we lost a lot of volume initially, but they started to pick up again and they are doing quite fine.

I don’t think it is a major shift because of the pandemic. I think that the principle is still that most doctors prefer to be close to the day clinic – day surgery clinic in their hospital in which they do their big cases and this is much more convenient for them. That doesn’t mean that there is no place for the freestanding day centres or day surgery clinics. But it does cater for a different type of set of procedures and doctors with a different approach to how they practice. So there’s a – those are places it’s done for both.

Other care cities, yeah. The Intercare, as we could have expected, in terms of outpatient activities, took a – there was a big decrease in utilisation, but that’s picking up again as patients start coming back for – to seek for care.

**Operator:** Okay, thank you very much. Ladies and gentlemen, as a reminder, if you have a question, please press star one.

Our next question is from Victoria Lambert from Bank of America Securities. Please go ahead.

**Victoria Lambert (Bank of America Merrill Lynch):** Thanks for taking my questions. My first one is to do with the chart – I think it's on page 12. Could you talk us through what
changes in October across the different regions? It looks like there's been a slowdown in the UAE and Switzerland.

And then, the second question I had is just on if you could unpack your guide for it – Financial Year 22, what is driving this? Because it looks like South Africa is going to be structurally weaker for longer. Swiss, kind of flat. And then, the UAE is – as you say, it's going to maybe see some growth. Is this going to offset the South African kind of structural weakness? Thank you.

**Jurgens Myburgh:** Thank you.

**Dr Ronnie van der Merwe:** Thank you. Jurgens, thank you. I think it's a good place you could take on.

**Jurgens Myburgh:** Thank you, Victoria. Yeah. So on page 12, you know, as I said, we've used in-patient admissions as a proxy to show you really, you know, the volumes in the business and how it behaved, you know, through the first six months. And our key important point there is April and the effect of the lockdown on the business in April and in the strong rebound that we saw in the Middle East and, particularly, in Switzerland, you know, post the lockdowns as well.

I spoke to you earlier about the counter-seasonality. You know, we – normally in the summer in the Middle East, it's a really quiet period for us. Due to travel restrictions imposed, you know, we didn't have that seasonality and sort of things to counter seasonality in August and an element of that, you know, potentially in Switzerland as well.

And so, really, it's just stabilising post the period of counter-seasonality in September and into October as well. So – and then, the continued gradual recovery of the Southern African business. So you know, that – that's the trend that we're seeing at the back-end there, but the key importance is what happened in April.

Now, obviously, the other important point is that these are non-COVID admissions. And Southern Africa went through the peak, you know, in early August. And so, you won't see those COVID admissions. You won't see that in the Southern African number. We deliberately split that out.

Your second question on FY22, I think what we're saying is, you know, broadly from a Group perspective, FY22 to be broadly in line with FY20. And then, we're, you know, just giving it some perspective and some colour to it. And the bookends of it would be, you know, the Middle East because of the investments that we're making and have made already, you know, the anticipation of growth in the Middle East. And because of the more difficult macroeconomic environment. So in effect, it would be the other bookend to that and Switzerland somewhere in between. So that's the colour around FY22.

**Dr Ronnie van der Merwe:** Maybe just to add quickly on – that was well done, Jurgens, in terms of summarising. Just one difference between South Africa and the other two divisions, if you look at page 12, is that in Switzerland, the peak of the pandemic, it came quickly. It was a quick wave. It was over and done very quickly. The moderate heatwave was slightly longer, but it was also reasonably quickly over and done with. But in South Africa, we've had a long wave and it's still going on.
We still have a substantial number of COVID-19 patients in our facilities. So that's the main reason why South Africa has been lagging behind and recovering back to some form of normality, which one has to just consider. Now, in Europe, there are second waves coming. Here, in South Africa, we're still at the tail-end of the first wave and we're not sure whether they will be another wave.

Victoria Lambert: Thank you.

Jurgens Myburgh: Thank you, Victoria.

Operator: Thank you very much. James has been sent a question via email. Please go ahead, James.

James Arnold: Thanks, Jodie. Just one question for me to Jurgens. In the report, we say that while property ownership drives operational and financial benefits, the approach is not fixed. Does this indicate it is likely the Group is looking to sell the properties in any certain territories?

Jurgens Myburgh: Thank you, James. So, right. So the first point is that, as I mentioned as part of the presentation as well, that, you know, we have this underlying philosophy of property ownership. And the operating and financial flexibility that comes with that has been very visible to us during this period. And so, you know, we have this continuing philosophy, at the same time, also investing in our facilities to adapt to change and to upgrade as well. So we continue to invest in our facilities as well.

I think what part of the reference there is – and Ronnie indicated earlier – you know, with our strategy execution unfolding means that we are entering into, you know, alternative care settings. And I think the importance there is that we don't feel like we have to own everything, in terms of where it is that we evolve to. And so, we have to be flexible in our approach, in terms of how we expand across the care continuum.

At the end of the day, you know, we will be driven by shareholder value and the value we can create for our shareholders and the alternatives that sit within that. But that's – I hope that's helpful, just in the philosophy, and then the evolution of our strategy and the flexibility around that.

Operator: That's perfect. Thank you. Our next question is from the line of James Tempest from Jefferies. Please go ahead.

James Vane-Tempest (Jefferies): Yeah, hi. Two questions, if I can, please. Firstly, so as we emerge post-COVID, how do you think industry profitability is likely to change in a new world? I’m just kind of curious. I’m thinking about tariffs either compensating for higher PPE. Is there perhaps less efficiency due to cleaning or social distancing in some of your facilities even if you do have private rooms? And if there is an acceleration to treating patients more outside the hospitals in an outpatient setting, how can you maximise the value of your real estate?

And then, the second question is, you mentioned, obviously, in your release about lower CAPEX over the midterm. I’m just curious on cash, but how should we think about D&A over the next few years as well with that development? Thank you.
Dr Ronnie van der Merwe: Okay, I’m going to make a couple of comments on just both of – on both of your points, James, and then I’ll ask Jurgens to comment further.

I think, in terms of profitability post-COVID, the question here really is what are the long-lasting changes that we might see on the other side of COVID, in terms of the structure of our business. I think we have quite – we’ve gained quite a lot of confidence in the way that we’ve been able to manage the pandemic and looking at our cost base and looking at changing the care pathways and the treatment processes that we’ve always been following.

So a bigger push, in terms of health migration of care? I don’t think so. I think it will – we will get back to normality to where it was to pre-COVID. But we’ve learned how to be more efficient and effective and I think that will be beneficial to our organisation. I can't speak on behalf of other organisations or the broader healthcare environment in the countries in which we operate or even in other countries. But specifically with us, we will – we are definitely better-positioned for the future, in terms of that.

Jurgens, anything on that –

Jurgens Myburgh: Thank you, Ronnie.

Dr Ronnie van der Merwe: – particular point?

Jurgens Myburgh: Yeah. I would – James, I think in a post-COVID environment, it's quite, you know – I called out the £17 million of COVID-related. And just to give some colour to that, you know, that ranges from, you know, the consumables. That's something that that you would expect. Also some, you know, one-offs – you know, to put screens up in some of the wards and reception areas. You know, there's a variety of what went in there. But the vast majority of it was, as I mentioned, the surge in both the use and cost of PPE.

Now, my personal expectation, and anticipation would be that costs should normalise over time, but utilisation stays up. So I think there’s an element of that that carries on. I think our responsibility would be to be efficient – to be safe, efficient, and also then continue to procure, you know, at the best possible price.

Then, in terms of the reduced CAPEX, yeah, in the Middle East, in particular, you know, post-April drove expansion. Anticipation is for our expansion CAPEX to reduce in the Middle East environment. But short-term, D&A is increasing because in Southern Africa, you know, we’re still, if you will, ramping up from the upgrades that we had done. And so, D&A in Southern Africa was up 12% and that's because of, you know, the recent investments that we had made.

You should also expect an increase in D&A, as I said, in the Middle East as well because of because of Airport Road expansion and Cancer City coming online. I guess post that, you know, some form of normalisation. But I also mentioned, you know, the two major projects in Switzerland, St Anna and Aarau. But that's multi-year and wouldn't probably have an immediate impact. So I would say, you know, Southern Africa is continuing to do the 12% – the ramp-up in D&A. And then, Airport Road coming online in January.

Dr Ronnie van der Merwe: A comment from me on further growth prospects. I think the important thing is if you look at our strategy there, growth is certainly part of our future and we are forever looking at opportunities. We prefer to do this incrementally. And – but you also look at our strategy, a lot of what we are, indeed, busy working on are focussed
internally and we've got quite a lot of work to do to transform in the organisation and to position it for the future. So it's going to be – it'd have to be a balanced view, in terms of how we take it further.

**James Vane-Tempest:** That's helpful. Thanks very much.

**Jurgens Myburgh:** Thank you, James.

**Operator:** Our next question is from Alex Comer from JP Morgan. Please go ahead.

**Alex Comer (JP Morgan):** Hello. Just a couple of quick questions from me.

Just in terms of the regulatory environment in Switzerland, how do you read that, going forward, in terms of potential for further pressure from the government? That's the first question.

And then, secondly, just in terms of the competitive environment in the UAE, could you tell us how many doctors you've signed over the last, say, three, six months? Thanks.

**Dr Ronnie van der Merwe:** Okay. Thank you, Alex. Switzerland regulatory environment, it's always a challenge. There's always a lot of discussions and a lot of ideas and a lot of possible changes in the pipeline. We know this, having been there for 12 years. And it's a constant focus.

We have an entire team dedicated to work on that and to engage with the health authorities and the political dispensation. But there is nothing on the horizon that is of concern to us at the moment and we keep a watchful eye out of it – on it. What I also can say is through COVID, we foster very good relations – improved our relations with authorities, both at cantonal and at federal level. It's been quite constructive, the engagement.

So no red flags at the moment. And I think, in terms of exploring, it remains a very, very attractive country to be in, a very attractive market to be in, and with all the different initiatives we're busy with, we are quite optimistic about that part of the world for us.

Then, on Middle Eastern competitors, there are quite a few competitors that have opened up there recently and it was just prior to COVID. And it was – some of them while the economy was slowing down and some what they – we don't really comment on how the competitors are doing.

Safe to say, we are holding our own. We've got good momentum, strong brand, strong reputation, and very strong hospitals that have got a lot of momentum. And we've been recruiting doctors successfully over the last six months. We don't really got numbers, but we've been able to recruit some very good doctors over the last period. Thank you.

**Alex Comer:** And in – I mean, in the past, you have given out numbers on doctors. So can you give us some? I mean, is it half a dozen, 2030? I mean, ballpark.

**Dr Ronnie van der Merwe:** I know we've given numbers in the past, but I think that, you know, when we have literally got thousands of doctors that we either interact with that support us and some of them may now be employed in the Middle East. We got a few – you know, to give you out the numbers will be meaningless. I think it's important to note that we've been able to recruit – successfully recruit doctors over the last period and we are quite excited about that.
Alex Comer: Okay, thanks.

Operator: Thank you very much. Our final question comes from email. So I'll hand back to James.

James Arnold: Thanks, Jodie. And apologies for those that are still waiting to ask questions. We have overrun on time. So this will be the last one, but I will follow up with those that haven't been able to be asked. Apologies.

Final one, gentlemen. In terms of South Africa, do you expect volumes there to settle back to pre-COVID levels or is the new norm lower than where we were prior to the pandemic? Thank you.

Dr Ronnie van der Merwe: We are – I think the both of us would have to comment on that, Jurgens.

It depends on the other side of COVID, where we are, in terms of the target market, which is the medical scheme population. People have that medical scheme membership. And at the moment, we – there is no way of knowing. They are – it's really difficult to predict what the economical fallout will be in totality and how that will affect the medical schemes market.

They are commentators out there that mention a broad range of numbers. At the moment, we're not yet back to where we were last year, in terms of our activities, but we've been gradually growing. And so far, the, you know, trends have been positive.

Jurgens Myburgh: No, I think it's a key question. And yeah, I think you've given the data point even. Then, I think what's important, from our perspective, is that, you know, we remain cautious in our planning so that we're able to adapt, if we need to. From a cost perspective, from a capital expenditure perspective, we continue to plan to be able to adapt. And that's what we're doing, from a Southern African perspective.

Operator: Thank you very much, ladies and gentlemen. We'll now hand back to Ronnie for any closing comments.

Dr Ronnie van der Merwe: Thank you, Jodie. And thank you very much, for everybody that was on the call today, for your time and your attention and your interest in our business. We really appreciate that.

Just to summarise, the period of uncertainty, the uncertainty hasn't subsided. The next period is also going to be filled with uncertainty due to the pandemic and the area of the virus that we actually know very little of. But we've been dealing with this pandemic very well and it's given us confidence.

We've challenged ourselves in many ways. We've become more agile and really went through the motions quite positively. We also have confidence in our strategy – our long-term strategy, in terms of how we position the business for the future. We have shown to ourselves that our operational execution abilities are quite strong and we are able to deliver, both operationally and on executing our strategy. So we are looking into the future with confidence and with – even with excitement. Thank you very much for your time and your attention.

Jurgens Myburgh: Thank you.
**Operator:** Thank you very much, sir. Ladies and gentlemen, that does conclude the call for today. Thank you everyone for joining. You may now disconnect.

[END OF TRANSCRIPT]