Main Street Financial

# Investment Memorandum

**May 2nd, 2022**

# RamCo Hospital Network

**567 Lake Avenue Baton Rouge, LA 23411**



PerCina REPORT

# Content

## Overview of Your Lease / Loan Needs & Basic Details.

**Company Name:** RamCo Hospital Network
**Federal Tax Id:** 876564231
**Company Address:** 567 Lake Avenue Baton Rouge, LA 23411

**Year Founded:** 2012
**Lease Amount:** $5,833,611.00

## Executive Summary of Your Company – The Borrower & Company Background.

**Background**

Founded in 2012, RAMCO operates hospitals that are owned or leased across numerous states in the U.S. The Company's hospitals are primarily located in the southeastern and southwestern areas of the United States. In addition to operating full service hospitals, RAMCO operates various types of medical facilities such as surgical centers, urgent care centers, walk-in or retail clinics, freestanding emergency departments, home health agencies, diagnostic centers, and physician clinics.

RAMCO is a publicly traded company listed on the New York Stock Exchange (NYSE) under the "RAM" symbol. As of 5/22/20, the Company traded at a market capitalization of $352MM. The equipment is located in four financially strong hospitals that are part of RAMCO's long term plan. Furthermore, all hospitals have reported positive Operating Cash Flow ("OCF") since FY2015. Details are highlighted in the Financial Update section below.

RAMCO has been engaged in a divesture strategy to sell underperforming hospitals while improving the efficiency and profitability of current hospitals. Current hospitals operate under a regional center model in which larger healthcare markets can be served. This allows for a better control of expenses, enhances productivity and improves operating efficiency.

More recently, RAMCO divested 12 hospitals in 2019 and 3 in the first quarter of FY2020. As of 12/31/2019, the Company owns or leases 102 hospitals across the US. The Company has stated that it has nearly completed all its planned divestitures. The plan to divest underperforming or non-core hospitals continues to yield positive results, demonstrated by a consistent Year over Year ("Y/Y") increase in OCF (as measured by EBITDA, and OCF margins). As a result of the hospital sales, total revenue declined roughly 7% as expected. For FY2019, revenue decreased to $13.2B from $14.2B while OCF increased 22% to $1.1B at an 8.6% margin from $0.9B (6.2% margin). While total revenue decreased, same hospital revenue (on a location basis) increased 4.2% Y/Y. Furthermore, when accounting for non-operating and non-reoccurring expenses, the adjusted OCF measured $1.7B (13% margin). The adjusted OCF provides a solid Debt Service Coverage Ratio ("DSCR") of 1.4x.

A base forecast and COVID-19 adjusted forecast were developed, both of which result in a sufficient DSCR of 1.0x+. While operations were adversely impacted by COVID-19, the past improvement of the operating performance, recent debt issuance which extended the maturity profile of the Company's debt obligations, solid liquidity and the US federal government programs (CARES Act and the PPPHCA Act) significantly mitigate the financial risk resulting from the virus. Of note, surgeries and other care that has been delayed due to COVID are expected to be scheduled and completed in the second half of 2020.

The remaining terms are fairly short with 48 months remaining. The equipment subject to the lease includes Varian linear accelerators, suites of new Omnicell medical equipment that were placed into four RAMCO hospitals. – located in MS, TX, AR and CA. In addition, these locations will also acquire new GE radiology equipment including MRIs, C-Arms, Cat Scans and Ultrasound machines. As with previous RAMCO transactions that have been structured, the equipment is critical to serving patients and is business essential to the hospitals. The Omnicell solution is known as best in class pharmacy and medication management system and is rarely replaced once installed.

The Company has had a longstanding relationship with the OEM (Omnicell) and enjoys strong purchasing power. As a result, the average cost for a new Omnicell system for RamCo is largely inflation neutral.

**Exhibit 1 - RamCo Hospital Network**

**Industry**
Healthcare & Social Assistance

This lease investment opportunity is for the acquisition of four full payout finance leases from Finance Co for a total acquisition cost of $4,958,000 (before fees and capitalized costs). The total equipment value for all schedules combined is $5,833,611 representing an advance rate of 85% against total equipment cost. The remaining terms are fairly short with 46 months remaining. The equipment subject to the lease includes suites of new Omnicell medical equipment, Varian linear accelerators and various GE radiology equipment that were placed into four RamCo (“RAMCO or the “Company”) hospitals as previously described.

The Equipment subject to the lease was acquired by the Company during the prior 24 months to provide target cancer treatments in Company owned locations in the United States.

Finance Co has been a long term partner and has presented us with numerous transaction opportunities (largely in the healthcare space) over the last 5+ years. The management and deal team at Finance Co are well known to the industry and have 100+ combined years of experience. Finance Co's reputation for top level and customized service is second to none.

The assets will be made up of GE radiology, Omnicel Cabinetry and Varian Edge Linear Accelerators. The assets are critical to delivering critical services in their network.

Omnicell, Varian and GE are world leading manufacturers of secure medical cabinetry and pharmaceutical dispensary. Utilizing a varietyy of locking and security protocols, including bio-track, computer code and centrally controlled, medical staff overall efficiency is greatly improved as a result of the medicines and other consumables are closer to the point of care, yet still secure and monitored electronically. Omnicell is the premiere choice for healthcare hospital systems, like RamCo Hospital Network, around the world.

Omnicell purpose is to design the very best in oncology experiences that get the best possible life outcomes. Their goal and products deliver exceptional treatment and care in a way that enhances every aspect of a patient's cancer journey.

**Exhibit 2 - Varian Edge Linear Accelerator**

**Exhibit 3 - Omnicell Cabinetry**


## Company Management Overview.

- **Dr Betty McNair - Chairman** - Dr McNair was the Chief Executive Officer and Managing Director of XSL from 1990 until 2013. Since leaving her executive role at CXL, Dr McNair has served as a Senior Advisor to private equity group KBC. She has also pursued a number of private equity and interests in small cap healthcare companies.
- **Dan Casper - Founder and CEO, -** Mr. Casper is a Founder of RamCo Care Pty Ltd (formerly known as Ramco Care Ltd). As the founding executive and shareholder, Mr. Casper has spent the last six years developing and managing the RamCoCare organization and its multi-specialty health care model. He works closely with doctor leaders and strategic partners to support their major local change and practice expansion initiatives. He previously managed all major Business Development initiatives in healthcare for the listed health care company, ACA Group, including its domestic and international expansion initiatives in radiology and residential aged care and its investments in cardiology and cancer care. He was also closely involved with public market investor relations for ACA Group and several major re-capitalisations of that business, building on his previous roles in capital markets and merger and acquisition advisory. He serves as a Director of Ramco Care Pty Ltd.

- **Dr. Mark Gains – Oncologist Director, RamcoCare** - Dr. Gains serves as Oncologist Director at Ramco Care Pty Ltd. Dr. Gains serves as Oncologist Director and Director of Ramco Cancer Care UK Limited. Dr. Gains has been the Consultant Radiation Oncologist to St Vikings Hospital Minnesota since 1999. He has over 20 years experience in private radiation oncology and was an original partner in Radiation Oncology where he is the Managing Partner. He served as Unit Head of the Gastro-Intestinal Unit at Smith Hospital from 1992 to 1998. He serves as Director at Ramco Care Pty Ltd. He has served on the Faculty of Radiation Oncology Board and Faculty sub-committees. He is a member of the New York Association of Private Radiation Oncology Practices. He obtained a Fellowship of the College of Medical Oncology in 1980 and a Fellowship of the College of Radiology in Radiation Oncology in 1983 while working at the Smith Cancer Institute. Dr. Gains graduated in medicine from University in 1979.

- **Dr. Daniel Cleveland – Chief Medical Officer, Cardiology** – Dr. Cleveland serves as the Chief Medical Officer ("CMO"), Cardiology at Ramco Care Pty Ltd. Dr. Cleveland was appointed the Company's Chief Medical Officer in July 2017. Prior to being name CMO, Dr. Cleveland served as Clinical Services Director of ABC Heart Center from July 2016 to July 2017.

- **Geraldine Grey – Group Chief Financial Officer** – Ms. Grey was appointed CFO of the Company in July 2017. Prior to RamcoCare, she from held multiple CEO, CFO, and Sr. Division Finance Director roles for several private and public company's including ABC Training and Employment, Agricultural Company Limited, ABC International Limited, and The Pepsi Company. Ms. Grey has BS, Economics and Accounting XYZ University and an MBA from JRS University.

- **Dr. Janice Jones – Oncologist Director, RamcoCare** - Dr. Jones serves as Oncologist Director at Ramco Care Pty Ltd. Dr. Jones serves as Oncologist Director and Director of Ramco Cancer Care UK Limited. Dr. Jones has been the Consultant Radiation Oncologist to Beth Israel Hospital since 1999. She has over 20 years' experience in private radiation oncology and was an original partner in Radiation Oncology Boston where she was a Managing Partner. She served as Unit Head of the Gastro-Intestinal Unit at Lake Hospital from 1992 to 1998. She serves as Director at Ramco Care Pty Ltd. She has served on the Faculty of Radiation Oncology Board and Faculty sub-committees. She is a member of the NY Association of Private Radiation Oncology Practices. She obtained a Fellowship of the Boston College of Physicians in Medical Oncology in 1986 and a Fellowship of the Boston College of Radiology in Radiation Oncology in 1989 while working at the Lake Cancer Institute. Dr. Jones graduated in medicine from Boston University in 1979.

- **Roberta Green – Group Chief Compliance /ESG Officer, GenesisCare** – Ms. Green was appointed CCO of the Company in July 2017. Prior to RamcoCare, she from held multiple CEO, CFO, and Sr. Division Finance Director roles for several private and public company's including ABC Training and Employment, Agricultural Company Limited, ABC International, and IBM. Ms. Green has BS, Economics and Accounting from XYZ University and an MBA from Best University.

## Ownership & Company Organization Overview.

**Company Ownership & Organization**

Ramco Inc. was incorporated in 2012 and is owned by the X family Trust (95%) and the X Family (5%). In 1996, Labs Testing was acquired by Ramco. Abbott manufactures medical testing parts and accessories and is a wholly-owned subsidiary of Ramco. Ramco Inc US was formed in 1999, in a joint venture with Ramco, Inc. and X Healthcare. US based operations fall under Ramco, Inc, which is owned by Ramco Corp, Inc. (68%) and X International, Inc. (32%). Headquartered in Lewiston, Maine, X International, Inc. is the third largest medical supply company in the US.

In 2006, Ramco expanded outside of the US, establishing medical diagnostic offices inFrance and Norway. Further expansion into Asia, and Latin America occurred in 2009, 2010 and 2016, respectively. Non-US based operations fall under Ramco Ltd, a wholly owned subsidiary of Ramco.

During the last three years, management has been upgraded, funding was secured for both organic as well as acquisition expansion, and the general R&D budget was more than doubled so as to position RamCo better for the future. For an overview of the company's organizational chart, please see Exhibit 4 below:

**Exhibit 4 - RamCo Hospital Network Organization**


Across the world, the Company has more than 300 centers offering the latest treatments and technologies that have been proven to help patients achieve the best possible outcomes. For radiation therapy, this includes over 100 centers in the US as well as 20 centers in France, 20 in Norway and 30 in Latin America. The Company also offers urology and pulmonology care in the U.S. in over 200 integrated medical offices. Every year the Company services more than 400,000 patients globally.

The Company's purpose is to design care experiences that get the best possible life outcomes. Their goal is to deliver exceptional treatment and care in a way that enhances every aspect of your cancer journey.

# Industry Overview.

**Industry and Product Information**

- **IBIS Industry Report (July 2021) – Specialty Hospital in the United States –** *This industry includes companies that provide diagnostic and medical treatment to inpatients with a specific type of disease or medical condition. Specialty hospitals include hospitals that primarily provide long-term care for the chronically ill and those that offer rehabilitation, restorative and adjunctive services to physically challenged or disabled people.* ***Note – While the Company does not offer full hospital services, it does provide cancer treatment services through its offices and clinics.***
- **On The Mend: Changes to healthcare legislation are likely to limit industry growth**
- Specialty Hospitals industry operators that focus on rehabilitation, long-term acute care, children's medicine, cardiology, orthopedics, women's medicine and surgical procedures represent a growing portion of the US healthcare system. In contrast to traditional healthcare facilities, operators in the Specialty Hospitals industry provide specialized care. This labor-intensive industry has consolidated over the five years to 2021 as large operators have acquired companies to gain market share and to attract relatively lucrative, privately insured patients in particular. As a result, most major industry companies have grown over the past five years, and total revenue is estimated to increase at an annualized rate of 1.4% to $50.7 billion over the five years to 2021. However, the COVID-19 (coronavirus) pandemic hurt industry revenue and profit in 2020. With stay-at-home orders in place and restrictions on nonessential healthcare services, demand for industry services fell significantly in 2020. However, as more people receive the COVID-19 vaccine and the pandemic begins to pass, pent-up demand for healthcare services is likely to result in significant industry growth in 2021. Additionally, 2021 revenue growth is expected to outpace that of other hospital industries, because specialty hospitals provide fewer non-essential services, making demand more inelastic. As a result, in 2021, industry revenue is expected to increase 8.0%, while falling operating costs result in recovering average profit margins.
- As a result of consolidation, the number of industry operators has declined at an annualized rate of 5.3% over the five years to 2021. Additionally, in 2017, some specialty hospitals were acquired by large hospital networks and were no longer considered part of the industry. As a result, industry employment fell significantly as the staffs of these hospitals were no longer industry relevant.
- As a result, industry employment is expected to decline over the five years to 2021. Over the five years to 2026, IBISWorld expects industry revenue to grow an annualized 2.8% to $58.1 billion. This growth will largely be driven by the aging population and growing healthcare expenditure. However, changes to healthcare legislation are likely to limit growth slightly over the next five years. Nonetheless, over the five years to 2026, the number of people with private health insurance is projected to decline slightly, while insurance premium prices rise more significantly.

# Customer Overview.

**Industry and Product Information**

- **IBIS Industry Report (July 2021) – Specialty Hospital in the United States –** *This industry includes companies that provide diagnostic and medical treatment to inpatients with a specific type of disease or medical condition. Specialty hospitals include hospitals that primarily provide long-term care for the chronically ill and those that offer rehabilitation, restorative and adjunctive services to physically challenged or disabled people.* ***Note – While the Company does not offer full hospital services it does provide cancer treatment services through its offices and clinics.***
- **On The Mend: Changes to healthcare legislation are likely to limit industry growth**

- Specialty Hospitals industry operators that focus on rehabilitation, long-term acute care, children's medicine, cardiology, orthopedics, women's medicine and surgical procedures represent a growing portion of the US healthcare system. In contrast to traditional healthcare facilities, operators in the Specialty Hospitals industry provide specialized care. This labor-intensive industry has consolidated over the five years to 2021 as large operators have acquired companies to gain market share and to attract relatively lucrative, privately insured patients in particular. As a result, most major industry companies have grown over the past five years, and total revenue is estimated to increase at an annualized rate of 1.4% to $50.7 billion over the five years to 2021. However, the COVID-19 (coronavirus) pandemic hurt industry revenue and profit in 2020. With stay-at-home orders in place and restrictions on nonessential healthcare services, demand for industry services fell significantly in 2020. However, as more people receive the COVID-19 vaccine and the pandemic begins to pass, pent-up demand for healthcare services is likely to result in significant industry growth in 2021. Additionally, 2021 revenue growth is expected to outpace that of other hospital industries, because specialty hospitals provide fewer non-essential services, making demand more inelastic. As a result, in 2021, industry revenue is expected to increase 8.0%, while falling operating costs result in recovering average profit margins.
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# Financial Analysis – Income Statement Overview.

### Financial Analysis

- The company has provided historic financials for the years covering FY19, FY20, and FY21. The Company's Financial Report was presented in X Dollars, and for this analysis converted to US Dollars using conversion factor of 0.70, 0.65, and 0.75 for FY19, FY20, and FY21, respectively.
- Limited Profit and loss detail were provided in US Dollars for Q1-22 for the period ending 9/30/21. It is important to note that the Company's financial reporting on a go forward basis will present its results in US Dollars. This change is due primarily to the greater significance of US operations.
- FY21 results capture a full year of operating results following the purchase of 21st Century. FY19/20 results are not comparable as they represent RamcoCare's operations prior to the FGH purchase May 2020.
- Adjusted EBITDA incorporates management reported below the line cash and non-cash expense addbacks. For FY21 this included new site ramp up expenses, site closure expense, integration costs, R&D/Asset write down, French impairment expense, and employee share compensation.
- Overall, the Company continues to performs reasonably well in all markets. The United States market represents 65% of the global market but only 45% of RamCo's revenue. This creates an opportunity to expand locations either through acquisition or de novo build-out.
- The equipment contemplated herein is specifically for the expansion of locations in the US market.
- The Company is is expansion mode again after impacts from COVID. Patients who had elective surgeries are re-scheduling procedures. For RamCo Healthcare, most treatments performed on their equipment, at their location, is NOT elective, but critical treatment.

Please see Tables 1- 4 below which highlights performance:

**Table 1 - Income Statement**

*in US$ thousands* Table 1

| RamCo Hospital Network | Historicals - FYE -6/30 | | | 30-Sep |
|---|---|---|---|---|
| INCOME STATEMENT | 2019 | 2020 | 2021 | TTM |
| Net sales | $421,688 | $567,076 | $1,450,511 | $1,439,385 |
| *% yoy growth* | | *34.5%* | *155.8%* | |
| Less: Cost of Goods Sold | $330,989 | $477,272 | $1,297,398 | $1,029,572 |
| Gross Profits | $90,698 | $89,804 | $153,113 | $87,335 |
| Less: Operating Expenses | | | | |
| SG&A | $41,529 | $59,641 | $124,834 | $124,834 |
| Other operating expense | $23,572 | $64,778 | $138,612 | $138,612 |
| Total Operating Expenses | $65,101 | $124,420 | $263,446 | $263,446 |
| EBITDA | $64,477 | $37,686 | $78,148 | $75,198 |
| D&A | $38,879 | $72,301 | $188,481 | $251,308 |
| Operating Profits | $25,598 | ($34,616) | ($110,333) | ($176,110) |
| Less: Interest Expense | $55,165 | $64,277 | $155,359 | $131,419 |
| Other expenses (Income) | $4,824 | ($9,368) | ($1,541) | ($1,541) |
| Net Profits Before Taxes | ($34,392) | ($89,525) | ($264,151) | ($305,988) |
| Less: Taxes /Provision for Taxes | $291 | ($6,832) | ($24,267) | ($24,267) |
| Net Profit After Taxes | ($34,683) | ($82,693) | ($239,884) | ($281,721) |
| Less: Minority Interest | $3,640 | $3,896 | $7,186 | $7,186 |
| Earnings Available for Common | ($31,043) | ($78,797) | ($232,698) | ($274,535) |
| **Adjustments** | | | | |
| Below the line expense - non-recurring | $0 | $88,920 | $141,750 | $127,700 |
| **Adjusted EBITDA** | **$64,477** | **$126,606** | **$219,898** | **$202,898** |

# Performance Ratios & Debt Service Ability.

**Table 2 - Performance Ratios & Debt Service Ability**

| RamCo Hospital Network | Historicals - FYE -6/30 | | | |
|---|---|---|---|---|
| **RATIO ANALYSIS** | **2019** | **2020** | **2021** | **TTM** |
| Current Ratio | 1.69 | 1.31 | 0.75 | NA |
| Quick Ratio | 1.68 | 1.30 | 0.74 | NA |
| Inventory Turnover | 389.81 | 103.48 | 213.30 | NA |
| Average Collection Period | 53.44 | 100.46 | 50.27 | 0.00 |
| Fixed Asset Turnover | 1.47 | 1.37 | 2.93 | NA |
| Total Asset Turnover | 0.48 | 0.21 | 0.51 | NA |
| Funded Debt to Adj. EBITDA | **9.42x** | **12.01x** | **8.13x** | **9.04x** |
| Debt Ratio | 0.70 | 0.55 | 0.62 | NA |
| Debt-to-Equity | 4.47 | 4.06 | 9.92 | NA |
| Times Interest Earned | 0.46 | -0.54 | -0.71 | -1.34 |
| **Fixed Charge Coverage** | 0.97 | 1.47 | 1.20 | 1.24 |
| **Debt Service Coverage** | 0.97 | 1.63 | 1.30 | 1.46 |
| Gross Profit Margin | 21.51% | 15.84% | 10.56% | 6.07% |
| Adj EBITDA Margin | 15.29% | 22.33% | 15.16% | 14.10% |
| Operating Profit Margin | 6.07% | -6.10% | -7.61% | -12.24% |
| Net Profit Margin | -8.22% | -14.58% | -16.54% | -19.57% |
| Return on Total Assets (ROA) | -3.98% | -3.00% | -8.39% | NA |
| Return on Equity (ROE) | -25.50% | -22.09% | -133.22% | NA |

**Table 3 - Capitalization Table**

| **Proforma - Capitalization** | | | |
|---|---|---|---|
| *$000's - USD's* | **Amount** | **Maturity** | **Interest** |
| **Senior Debt** | | | |
| Revolver - MIV - US$144MM | $72,000 | 10/1/24 | |
| Revolver - Stark - US$87MM | $72,000 | 10/1/24 | |
| Secured Term Loans - Combined | $1,583,283 | | Avg. 6.1% Fixed w/Swaps |
| B1/B2 - US$766MM | | 10/1/25 | |
| B3 - AUS$150MM | | 5/1/27 | |
| B4 - €500MM | $0 | 5/1/27 | |
| B5 - US$350MM | | 5/1/27 | |
| Asset Financing - HSBC/Macquarie | $66,717 | Various | |
| **SQN - SCG FMV Lease** | **$26,017** | **48 Months** | **8.49%** |
| **Total Debt** | **$1,820,017** | | |
| **Total Debt to TTM Adj. EBITDA** | **8.97x** | **As of : 9/30/21** | |
| **Net Debt to TTM Adj. EBITDA** | **8.40x** | **TTM Adj. EBITDA:** | $202,898 |

**Notes:**

*Combined revolver available draw is $87MM ($15MM Stark and $72MM MIV). However, leverage covenant of 7.5x restricts access.*

Senior Credit facilites total $1.650Bn and are secured by all assets of the Company.

*B1/B2 facilities predate 21st Century Acquisition. B3/B4/B5 issues were used to acquire 21st Century in May 2020.*

## Forecast – Income Statement (Revenue, Margin, EBITDA & Net Income Growth).

**Table 4 - Forecast**

| RamCo Hospital Network | Historicals - FYE -6/30 | | | 9/30/21 | Forecasts - MGT | | |
|---|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | **2019** | **2020** | **2021** | **TTM** | **2022** | **2023** | **2024** |
| Net sales | $421,688 | $567,076 | $1,450,511 | $1,439,385 | $0 | $0 | $0 |
| *% yoy growth* | *#DIV/0!* | *34.5%* | *155.8%* | *(0.8%)* | *(100.0%)* | *#DIV/0!* | *#DIV/0!* |
| Less: Cost of Goods Sold | $330,989 | $477,272 | $1,297,398 | $1,029,572 | $0 | $0 | $0 |
| Gross Profits | $90,698 | $89,804 | $153,113 | $87,335 | $0 | $0 | $0 |
| Less: Operating Expenses | | | | | | | |
| SG&A | $41,529 | $59,641 | $124,834 | $124,834 | $0 | $0 | $0 |
| Other operating expense | $23,572 | $64,778 | $138,612 | $138,612 | $0 | $0 | $0 |
| Total Operating Expenses | $65,101 | $124,420 | $263,446 | $263,446 | $0 | $0 | $0 |
| *EBITDA* | *$64,477* | *$37,686* | *$78,148* | *$75,198* | *$0* | *$0* | *$0* |
| *D&A* | *$38,879* | *$72,301* | *$188,481* | *$251,308* | *$0* | *$0* | *$0* |
| Operating Profits | $25,598 | ($34,616) | ($110,333) | ($176,110) | $0 | $0 | $0 |
| Less: Interest Expense | $55,165 | $64,277 | $155,359 | $131,419 | $0 | $0 | $0 |
| Other expenses (Income) | $4,824 | ($9,368) | ($1,541) | ($1,541) | $0 | $0 | $0 |
| Net Profits Before Taxes | ($34,392) | ($89,525) | ($264,151) | ($305,988) | $0 | $0 | $0 |
| Less: Taxes /Provision for Taxes | $291 | ($6,832) | ($24,267) | ($24,267) | $0 | $0 | $0 |
| Net Profit After Taxes | ($34,683) | ($82,693) | ($239,884) | ($281,721) | $0 | $0 | $0 |
| Less: Minority Interest | $3,640 | $3,896 | $7,186 | $7,186 | $0 | $0 | $0 |
| Earnings Available for Common | ($31,043) | ($78,797) | ($232,698) | ($274,535) | $0 | $0 | $0 |
| Adjustments | | | | | | | |
| Below the line expense - non-recurring | $0 | $88,920 | $141,750 | $127,700 | $0 | $0 | $0 |
| **Adjusted EBITDA** | **$64,477** | **$126,606** | **$219,898** | **$202,898** | **$0** | **$0** | **$0** |

## Stress Test Scenarios – Revenue, Costs, Margins, External Events.

**Proforma Capitalization**

- **Revolving Credit:** Ramco has (2) revolvers summarized in Table 3 below. Management reports undrawn availability of $50MM, however, current leverage test restricts access to advances.
- **Nearterm Maturities**: Revolvers mature in Oct. 2025..
- **Capital Structure** is fully secured by all assets of the Company. The Company has access to debt capital markets with ~$1.8Bn of senior secured debt rated B1/Stable by Moody's. Most of the debt requires minimal amortization and matures well beyond Finance Co's lease maturity.
- **US Expansion / Facility Updates** - The Company added ~$XBn of term debt along with ~$XMM to purchase FGH. The Company has committed to refresh locations and integrate these locations systems. Once fully ramped over the next 12 to 18 months, these updated locations will reach full earnings capacity lowering leverage.
- **Term Debt** maturity includes $500MM (B1/B2) in 2026 and $2Bn (B3/B4/B5) in 2027.
- **Other Financing Terms:** Bank X/UMP Asset Financing details are unknown.
- **Sponsor Investment**: Since 2017, Sponsors have invested ~$400MM of cash supporting the Company. Sponsor X has the capacity and the underwriter believes desire to support if required.

# Balance Sheet / Cash Flow Statement Overview.

**Table 5 - Balance Sheet & Financial Condition**

| in US$ thousands | | | |
|---|---|---|---|
| **RamCo Hospital Network** | **Historicals - FYE -6/30** | | |
| **BALANCE SHEET** | **2019** | **2020** | **2021** |
| Current Assets: | | | |
| Cash and cash equivalent | $108,352 | $232,378 | $90,116 |
| Accounts receivable | $62,592 | $158,251 | $202,547 |
| Prepaid expenses | $0 | $0 | $0 |
| Inventories | $849 | $4,612 | $6,083 |
| Other current | $3,347 | $10,365 | $13,883 |
| Total Current Assets | $175,139 | $405,607 | $312,629 |
| | | | |
| Net Fixed Assets | $286,938 | $414,436 | $495,409 |
| Other non current assets | $409,462 | $1,932,073 | $2,051,394 |
| Total Assets | $871,539 | $2,752,116 | $2,859,431 |
| | | | |
| Current Liabilities: | | | |
| Short-term debt | $3,776 | $5,984 | $6,001 |
| Accounts Payable | $64,863 | $178,648 | $231,403 |
| Accrued liabilities | $35,273 | $72,861 | $121,036 |
| Other liabilities | $0 | $51,834 | $58,050 |
| Total Current Liabilities | $103,912 | $309,327 | $416,489 |
| Long-term debt | $603,790 | $1,487,922 | $1,698,605 |
| Other liabilities | $27,830 | $580,563 | $564,273 |
| Total Liabilities | $735,532 | $2,377,811 | $2,679,367 |
| Total equity | $136,007 | $374,304 | $180,065 |
| Total Liabilities & Members' Equity | $871,539 | $2,752,116 | $2,859,431 |

The company has provided historic financials for the years covering FY19, FY20, and FY21. The Company's Financial Report was presented in Australian Dollars, and for this analysis converted to US Dollars using conversion factor of 0.70, 0.65, and 0.75 for FY19, FY20, and FY21, respectively. Limited in Profit and loss detail were provided in US Dollars for Q1-22 for the period ending 9/30/21. It is important to note that the Company financial reporting on a go forward basis will present its results in US Dollars. This change is due primarily to the greater significance of US operations. Note, there is estimated $36MM in cash in US operations (9/30/21).

# Asset & Equipment To Be Financed Overview.

**Collateral Summary:**

- The collateral package includes (2) Linear Accelerators including (1) Varian and (1) GE linear accelerator, also referred to as LINAC, a machine that aims radiation at cancer tumors with pinpoint accuracy, sparing nearby healthy tissue. It's used to deliver several types of external beam radiation therapy, including Image-guided radiation therapy (IGRT) Intensity-modulated radiation therapy (IMRT). Please refer to Exhibit X for a summary of the models and average price by model.
- Varian and GE Healthcare are well known and well-regarded vendors of this equipment.
- The Equipment in total is approximately (2) years old with 42% (of the units installed within the last 6 months and 58% of of the units were installed on average in last 15 months (oldest unit 22 months). Please refer to the Equipment Section below for additional details on each model.
- Charts 1 and 2 below reflect estimated collateral coverage over the Lease term. The Equipment estimated useful life “EUL” is at least 10+ years and will be under a manufacturer maintenance contract throughout the term of the Lease. There is an active secondary market and Charts 1 and 2 assume the market is in equilibrium where supply and demand are relatively balanced. It is important to note that the manufacturer will be acting as remarketing agent for FINANCE CO at the end of term or under a downside scenario.
- Net OLV represents the value estimated net of cost to remarket within six months and remove the equipment, and as such is conservatively stated. Note these are conservative estimates and likely the FMV in-place values, not presented here, could be nearly 20% more in value.

**Chart 1 - RamCo Collateral Curve**

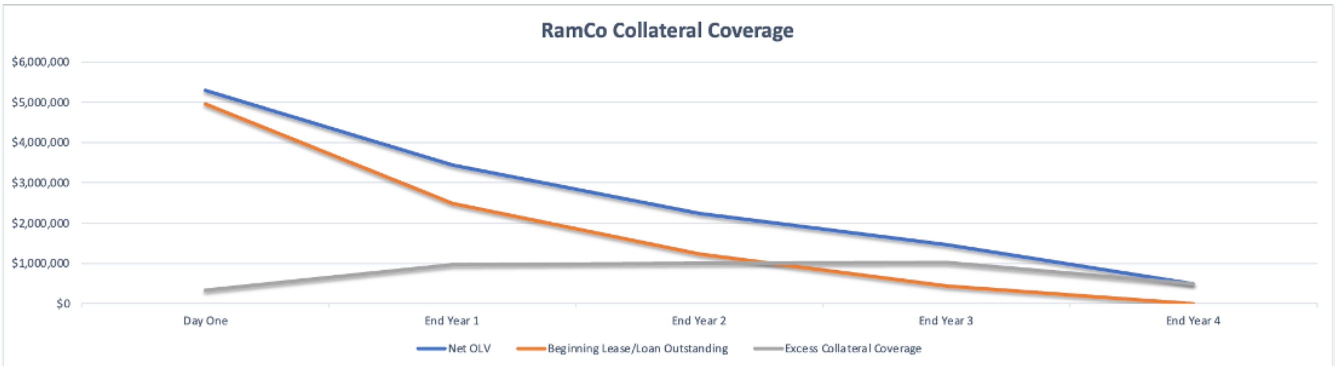


**Chart 2 - RamCo Collateral Coverage Ratios**

| | 12/31/21 | 12/31/22 | 12/31/23 | 12/31/24 | 12/31/25 |
|---|---|---|---|---|---|
| | Day One | End Year 1 | End Year 2 | End Year 3 | End Year 4 |
| Net OLV | $5,300,000 | $3,445,000 | $2,239,250 | $1,455,513 | $500,000 |
| Beginning Lease/Loan Outstanding | $4,958,569 | $2,479,285 | $1,239,642 | $433,875 | $0 |
| Excess Collateral Coverage | $341,431 | $965,715 | $999,608 | $1,021,638 | $500,000 |
| Coverage Ratio | 1.07 | 1.39 | 1.81 | 3.35 | NA |

# Critical Use Analysis: Asset Link To Revenue Generation or Costs Savings

Linac accelerators, MRI's and CTs are critical equipment for hospitals and for radiology centers around the world. In addition, the linac accelerators are critical in the service of delivering a variety of oncology treatments. All of the equipment is critical use and revenue generating.

- **Varian TrueBeam:** - TrueBeam radiotherapy system is a medical linear accelerator developed by Varian Medical Systems. It provides image-guided stereotactic radiosurgery and radiotherapy with high precision to treat tumours and lesions in various parts of the body, including lungs, breasts, head, and neck. **$11.627MM (8-Units @ avg. price $1.453MM/unit)**
- **The Varian Edge** radiosurgery system is **used to precisely target and treat tumors**. It is a technology system consisting of imaging, body positioning, motion management, beam shaping, and dose delivery of radiation beams that target tumors with extreme precision. **$5.408MM (3-Units @ avg. price of $1.803MM/unit).**
- **The Varian Halcyon™** system, an entirely new device for cancer treatment. Engineered to revolutionize clinical workflow, Halcyon simplifies and enhances virtually every aspect of image-guided volumetric intensity modulated radiotherapy (IMRT). With the innovations in this new technology platform, the system will deliver high quality Halcyon treatments that empower clinicians to care for many more patients. Halcyon automates, streamlines and simplifies virtually every aspect of treatment. The result is an advanced system that is more comfortable for the patient while delivering ease of use for healthcare providers, accelerated installation timeframes, expedited commissioning, simplified training, and automated treatment. With its streamlined workflow, Halcyon only requires nine steps from the start to the end of treatment compared to up to more than 30 steps with older technologies nearing end of life. Halcyon is well suited to handle the majority of cancer patients, offering advanced treatments for prostate, breast, head & neck, and many other forms of cancer. **$6.720MM (5-Units @ avg. price $1.344MM/unit).**
- **GE DiscoveryTM RT** is an all-encompassing approach to radiation therapy planning. You get a streamlined workflow and sub-millimetric images with *motion* and *metal artifacts* significantly reduced. Discovery RT is a comprehensive radiation therapy solution that allows you to see all that your CT can see.

## Risk & Mitigants.

**RISK**

**1) Leverage:** The Company's leverage profile was 8x in FY19, 10x in FY20, 8x in FY21, and 9x as of 9/30/21.

**MITIGANT:**
- **Sponsor** – Since 2018 Sponsors have invested ~$550MM of cash supporting the Company. ABC has the capacity and the underwriter believes desire to support if required.
- **Debt Capitalization** – The Company has access to debt capital markets with ~$1Bn of senior secured debt rated B1/Stable by Moody's. Most of the debt requires minimal amortization and matures well beyond the lease's maturity.
- **US Expansion / Facility Updates** - The Company added ~$2.0Bn of term debt along with ~$200MM to purchase FGH. The Company has committed to refresh locations and integrate these locations systems. Once fully ramped in 12 to 18 months, these refreshed locations will reach full earnings capacity lowering leverage.
- **Collateral Leverage/Coverage –** As revenue generating equipment, each unit is critical to each of the X locations. This leverage combined with FINANCE CO $XMM equity position below FinanceCo affords a collateral crossover in year 3 and a potential secondary downside exit strategy.
- **Collateral Location Significance –** RamCo's treatments centers generated collective revenue and EBITDA of $150MM and $50MM, respectively. The average location revenue and EBITDA was $9MM and $4MM, respectively, with only (1) center EBITDA negative. For FYE 6/30/21, these X locations represented ~15% of total US location revenues (FY$800MM) and ~15% of global revenues ($2Bn).

**RISK 2) Reimbursement Risks:** The Company is expose to potential changes in government funding arrangement and declines in private health insurance participation. This risk varies by country.

**MITIGANT:**
- United States - Changes in US Center for Medicare & Medicaid Services reimbursement are expected to benefit low-cost providers like Ramco. New Site Neutrality rules require reimbursement the same rate as hospitals.
- France – Most of Ramco Care revenues come from the publicly funded universal healthcare system, which has historically stable reimbursement and is expected to continue.
- Norway – Most of Norway's revenues are with private insurance or individual payments. The Nordic National Health System manages its own treatments but is exploring contracting out service to private operators due to its operating inefficiencies and long waiting lists at public hospitals.
- Latin America - Revenues are split between a nationalized healthcare system and private health insurance providers. Ramco is contracted by the respective governments to treat patients at public hospitals who are in turn reimbursed directly by the government on a pre-treatment basis (in advance).

## Summary Statement.

Despite the leverage profile, the Company is well positioned as a market leader in the United States and Europe, its primary markets. The Company has an Adj. EBITDA ample to service its obligations with a FY21 DSC and FCC of 1.5x and 1.3x, respectively. The collateral is revenue generating and critically important to the individual site operations. Finally, with FINANCE CO's $XMM of equity below the head lease, the collateral crossover is estimated in year 3 well short of the Equipment estimated useful life of 10 years.

## Deal / Opportunity Summary.

**Know Your Customer Completed (KYC):** Yes
**Documentation Utilized:** Standard

## Deal Amount & Structure.

**$ Amount Financed:** $5,833,611.00
**Existing Exposure:** $0.0
**Exposure Change:** $5,833,611.00
**Total New Exposure:** $5,833,611.00
**Documentation Utilized:** Standard

## Industry / Assets Type.

**Industry:** Healthcare/Medical - Standard
**Asset Description & Assessment:** Omnicell, GE MRIs & C-Arms, Linac Linerar Accerlators
**Manufacturer(s):** GE, Varian, Omnicell
**Useful Life:** 8-12 years
**Appraisal Completed:** Yes
**Equipment Purpose:** Business Expansion

## Deal Structure / Product Type.

**Facility Type & Description:** 48 month FMV Lease
**Advance Rate:** 85%
**Maturity / Term - Months:** 48 Months to the residual value options
**Target Acquisition Pricing:** 8.5%
**Residual Amount:** 15%
**Customer Rate:** 9.0%
**Average Life:** 2.0 years
**Payment Structure:**
48 monthly payments of $636,652.49 to a FMV buyout option.

## Special Contract Features.

**Additional Collateral / Deal Enhancements:** Finance Co residual equity
**Guarantee(s):** Parent
**Other Features:** None

## Originator / Syndicating Firm.

**Originator / Syndication Partner Name:** Finance CO
**Participation Y / N - Other Parties?:** No

## Income Statement.

**RamCo Hospital Network Financial Model:**