2014 Financial Year Results Presentation

Tuesday 24th March 2015

Disclaimer

These materials contain certain forward-looking statements relating to the business of Spire Healthcare Group plc (the “Company”), including with respect to the progress, timing and completion of the Company’s development, the Company’s ability to treat, attract, and retain patients and customers, its ability to engage consultants and GPs and to operate its business and increase referrals, the integration of prior acquisitions, the Company’s estimates for future performance and its estimates regarding anticipated operating results, future revenues, capital requirements, shareholder structure and financing. In addition, even if the Company’s actual results or development are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of the Company’s results or developments in the future. In some cases, you can identify forward-looking statements by words such as “could,” “should,” “may,” “expects,” “aims,” “targets,” “anticipates,” “believes,” “intends,” “estimates,” or similar words. These forward-looking statements are based largely on the Company’s current expectations as of the date of this presentation and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the Company’s expectations could be affected by, among other things, uncertainties involved in the integration of acquisitions or new developments, changes in legislation or the regulatory regime governing healthcare in the UK, poor performance by consultants who practice at our facilities, unexpected regulatory actions or suspensions, competition in general, the impact of global economic changes, and the Company’s ability to obtain or maintain accreditation or approval for its facilities or service lines. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made during this presentation will in fact be realised and no representation or warranty is given as to the completeness or accuracy of the forward-looking statements contained in these materials.

The Company is providing the information in these materials as of this date, and we disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Outline of Presentation

1 Introduction

- Garry Watts, Chairman

2 FY 2014 Spire Financial Review

- Simon Gordon, CFO

3 Strategy Update

- Rob Roger, CEO

Spire Healthcare

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Introduction

Garry Watts, Chairman

FY 2014 – Highlights of a Transformational Year

- Satisfactory conclusion to the Competition Commission investigation into the independent hospital sector
- Successful listing on The London Stock Exchange, with an experienced board now in place
- Successful positioning of Spire Healthcare as the UK's leading independent hospital group
- Good full year financial performance
- Key development plans accomplished
- Continuing clinical excellence

Key development plans, including a stock market listing, all accomplished

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Financial Review

Simon Gordon, CFO

Spire Healthcare

FY 2014 Financial Highlights

Key highlights

- Strong revenue growth across all payor categories: PMI, Self-Pay and NHS
  - Group revenue up 12.0% to £856.0m
- Adjusted EBITDA (1) up 6.1% to £159.2m
- Operating profit before exceptionals up 2.7%
- Finance costs reduced by 56.2% due to reductions in indebtedness
- Pro forma adj. EPS of 18.3p (2)
- Operating cash flow before exceptional items increased by 48% on 2013 with 103.1% cash conversion on EBITDA (2014: 74.1%)
- Year end net debt of £424.3m

Summary Income Statement

Year ended 31 December

(£ million)	2014	2013	% Change	% Change Underlying (3)
Revenue	**856.0**	**764.5**	***12.0%***	***9.5%***
Cost of sales	(436.6)	(382.1)	*(14.3%)*	*(11.5%)*
Gross profit	419.4	382.4	*9.7%*	*7.4%*
Gross margin	*49.0%*	*50.0%*	*(1.0%)*	
Other operating costs	(359.3)	(282.8)	*27.1%*	*(24.0%)*
Exceptional items included within other operating costs	(54.0)	(11.5)	*(369.6%)*	
Operating profit before exceptional items	**114.1**	**111.1**	***2.7%***	***2.6%***
Operating margin before exceptional items	*13.3%*	*14.5%*	*(1.2%)*	
Profit for the period	**6.0**	**102.2**	***(94.1%)***	
Adjusted EBITDA	**159.2**	**150.0**	**6.1%**	**5.6%**

Note

1) "Adjusted EBITDA" adjusts the 2013 comparative for £4.1m of the rent increase.

2) Calculated as pro-forma profit after tax divided by the number of Ordinary Shares in issue on Admission. Pro-forma profit is calculated as earnings after tax adjusted for the capital restructuring, exceptional items and the net profit arising from the sale, subject to lease of Spire Washington Hospital and the standalone fertility business.

3) Underlying excludes the impact of St. Anthony's hospital.

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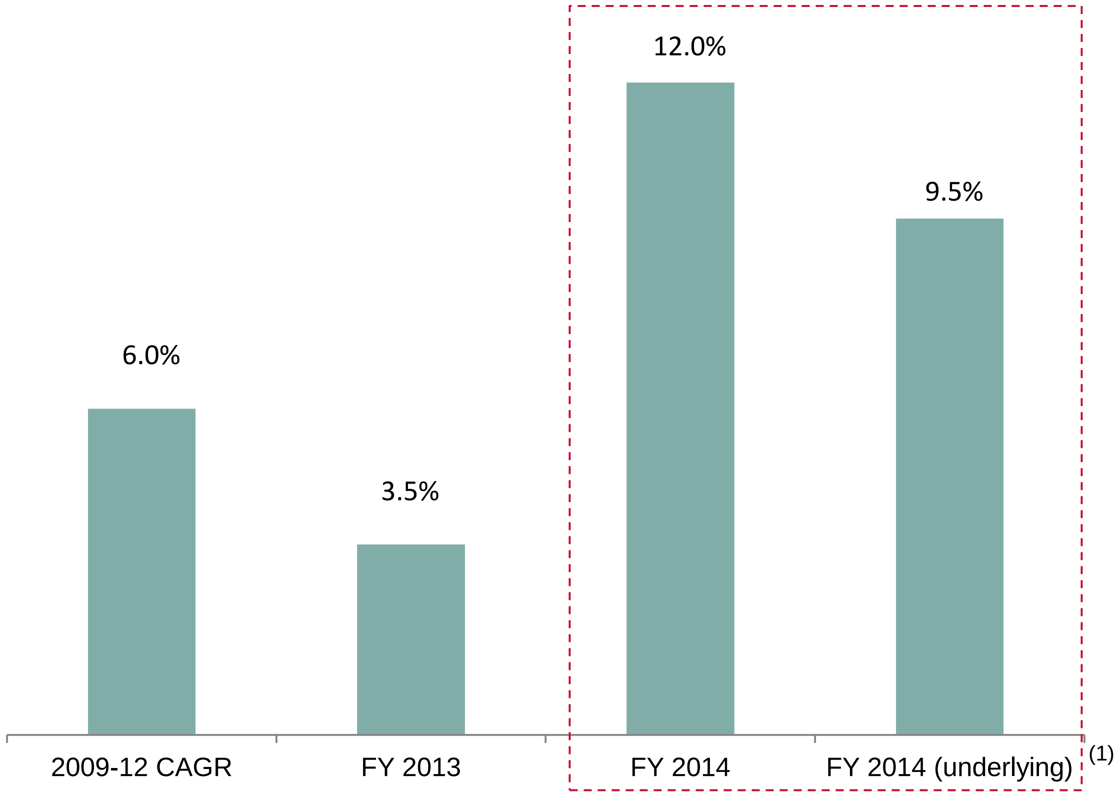
Continued Top-Line Momentum

Strong recent revenue growth...



(1) "Underlying" performance excludes impact of St. Anthony's

...across all payor categories

Revenue Growth

PMI	**2014**	**+4.5%** (+1.4% underlying)
	2013	**-0.4%**
Self-Pay	**2014**	**+9.9%** (+7.4% underlying)
	2013	**+8.8%**
NHS	**2014**	**+28.5%** (+27.3% underlying)
	2013	**+9.2%**

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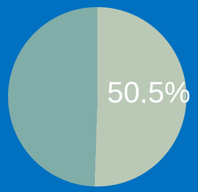
Payor Highlights – PMI

PMI



2014 Revenues

- Revenues up by 4.5% to £432.4m (+1.4% underlying[1])
- Volumes up 0.6% at c.124,400 (underlying down 1.6%)
- Rates up by 2.4% (+1.3% underlying)

Day Case

- 73.4% of total discharges, increased from 72.5% in 2013
- Recovering work at lower complexity through re-engineering pathways e.g. opthalmology
- Rate increase positive but sub-inflationary

In-Patient

- Strong rate growth ahead of inflation
- Driven by continued operational and capital investment
- Higher complexity of caseload

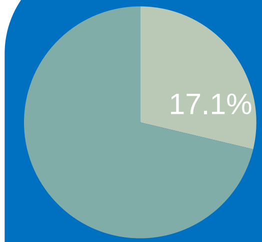
Out-Patient

- Revenues up by 1.8% (+1.1% underlying)
- Investment in facilities and technology driving work from theatre

(1) "Underlying" performance excludes impact of St. Anthony's

Payor Highlights – Self-Pay & NHS

Self-Pay

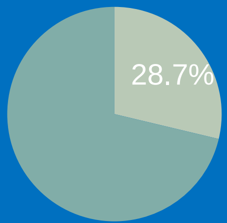


- Revenues up 9.9%
- Volumes up 12.2%

2014 Revenues

- Rates up by 0.2% (underlying down 0.8%)
- Early 2013 impacted by DePuy hip revision procedures artificially increasing rates masking positive rates improvement in underlying recurring case mix
- Out-patient revenues up 2.0% (+1.4% underlying) driven by increase in minor procedures

NHS



- Revenues up 28.5%
- Volumes up 24.8%

2014 Revenues

- Rates up by 3.1% (+2.6% underlying)
- NHS tariff reductions of 2.25%; rate increase the result of favourable mix variance from focus on complexity
- Out-patient revenues up 4.8% (+4.8% underlying) driven by increase in fees for consultations

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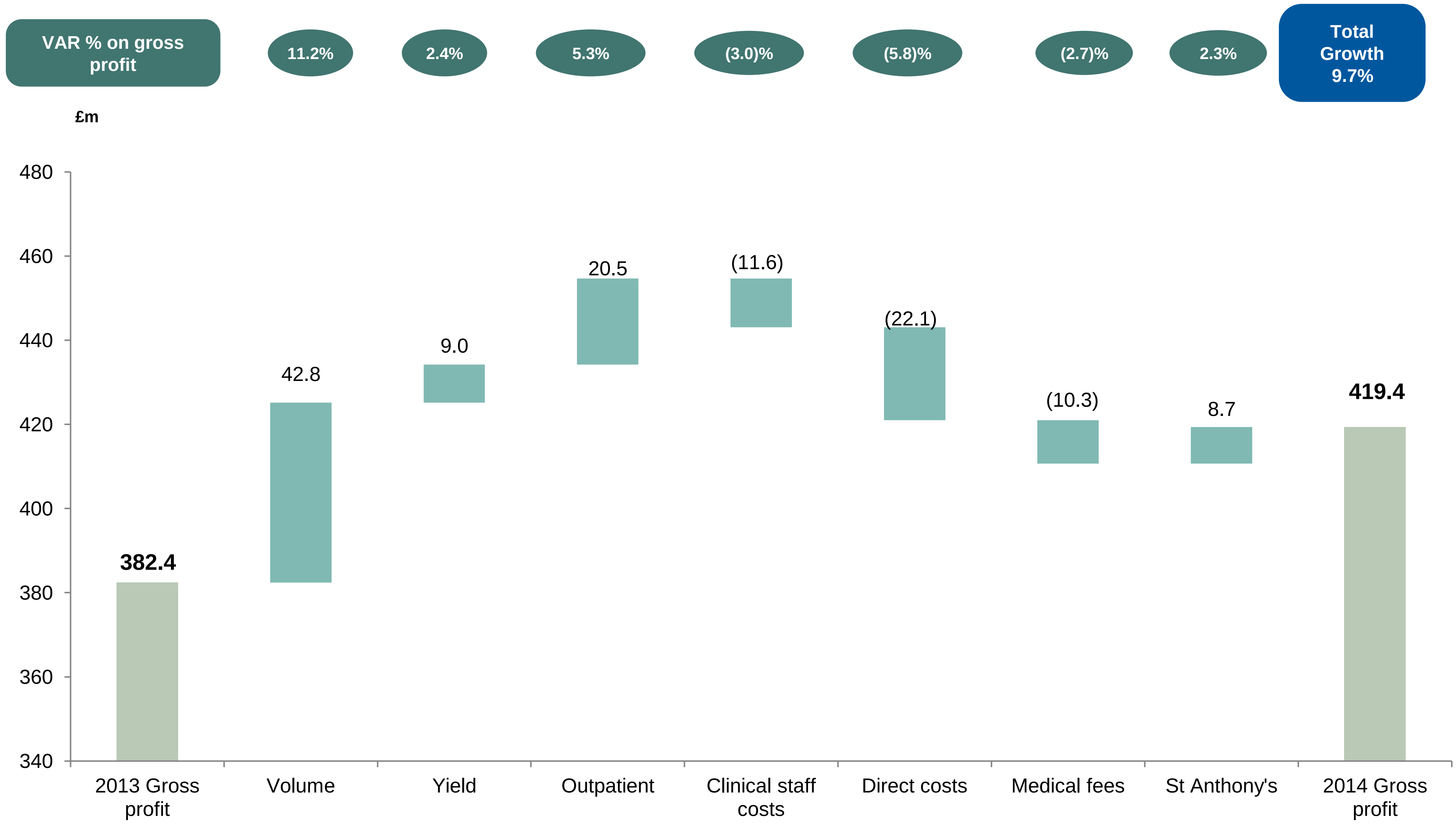
Gross Profit Growth Breakdown



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Positive Earnings Momentum

Key highlights

- Adjusted EBITDA growth of 6.1%
- Adjusted EBITDA margin of 18.6%
- Cost of sales increased by 14.3%, reducing gross margin to 49.0% (50.0% 2013), driven by reduction in NHS tariff and higher % of NHS mix
- Rent increase of 10.6% to £60.7m includes timing impacts of property sale and leasebacks
- Exceptional items of £54.0m including IPO costs of £46.1m

Adjusted EBITDA

Year ended 31 December

	2014	2013	% Change
	£m	*£m*	
Operating Profit	60.1	99.6	(39.7%)
Exceptional items	54.0	11.5	(369.6%)
Operating profit before exceptional items	**114.1**	**111.1**	**2.7%**
Depreciation	45.1	43.0	(4.9%)
EBITDA	**159.2**	**154.1**	**3.3%**
Comparator rent adjustments			
Pro-rata impact of 2013 Freehold Sale	-	(2.2)	(100.0%)
Washington freehold sale subject to lease	-	(1.9)	(100.0%)
Adjusted EBITDA	**159.2**	**150.0**	**6.1%**
% Margin	*18.6%*	*19.6%*	
Margin impacts			
St Anthony's	0.3%		
Impact of PLC operating costs	0.1%		
NHS tariff and mix effects	0.7%		
Equivalent 2014 margins	**19.7%**		

Strong Cash Flow Generation Enabling Maintenance of a Robust, Appropriate Capital Structure

Cash Flow

- Positive operating cash flow of £113.0m
- Cash conversion (before exceptional items) of 103.1% (2013: 74.1%)
- Significant improvement in working capital position
- A total of £70m net expenditure on development (£66.6m before St. Anthony's and Washington sale/leaseback)

Analysis of cashflows in year **(£ million)**	2014	2013
Opening cash balance	**111.5**	**133.8**
Operating cashflow before exceptional items	164.2	111.2
Exceptional items	(51.2)	(11.5)
Operating cashflow after exceptional items	**113.0**	**99.7**
Net cash generated/ (used in) investing activities	*(70.0)*	*647.1*
Net cash used in financing activities	*(80.0)*	*(769.1)*
Closing cash balance	**74.5**	**111.5**
Closing net indebtedness	**424.3**	**1,517.4**

Capital Structure

- Primary proceeds at IPO used to reduce leverage
- All outstanding mark-to-market derivatives settled at IPO
- Post IPO leverage target of 3.0x Net Debt / EBITDA achieved and surpassed
- New long-term facilities in place: we have drawn term loans of £425m and an undrawn RCF facility of £100m both with bullet repayments maturing July 2019

	£m
Net debt as at 31 December 2014	424.3
EBITDA	159.2
EBITDA leverage multiple (times)	2.7x
Year end leverage target	**3.0x**

Spire Healthcare

Financial Outlook & Guidance

Positive payor trends will drive mid to high single digit revenue growth delivered at consistent 2014 Group EBITDA Margin leading to high single digit growth in EPS (based on the 2014 pro forma EPS)

PMI	■ Low single digit revenue growth underpinned by the acquisition of St. Anthony's ■ PMI trends expected to improve through the year
Self-Pay	■ Revenue growth in line with 2014 ■ Increase expected in numbers of procedures
NHS	■ Revenue growth below 2014 level, but still in double digits ■ Tariff expectations of a blended 1.9% reduction (3.0% in Q1, 1.5% for balance of 2015)
Costs	■ Additional PLC and LTIP costs in 2015 - £4.0m costs biased to H1 2015 ■ St. Anthony's margin accretive in H2 2015
Capex & Dividends	■ Capital expenditure of £150-£170m in 2015 ■ 20% dividend payout ratio expected (one-third interim, two-thirds final)
Taxation	■ Cash tax rate impacted by carried forward losses and unclaimed allowances. ■ Tax rate to normalise by end 2015 but benefit in year expected to shield c. 50% of profits before tax

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Strategy Update

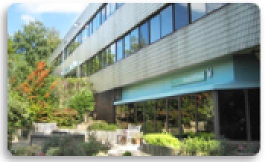
Rob Roger, CEO

Spire Healthcare

Consistent execution of strategy

Well Positioned For Future Growth, With Multiple High Return Expansion Opportunities

Strong Growth Across All Payor Groups



Productivity

Introduce New Services

Rollout New Sites

Efficient Cost Management

All Factors point to Continuing Strong Sales and Profit Growth

1 **Demand**	Spire believes that the need for UK healthcare services to be provided by the independent sector will inevitably continue to grow
2 **Payors**	Spire has a clear and focused plan to grow its business from each of its three key payor groups
3 **Capacity**	Spire is on track to deliver significant growth in its capacity to accommodate the growth in demand, including new operating theatres, new hospitals and new cancer care centres
4 **Productivity**	Spire has the appropriate structure and tools to ensure that strong sales growth is converted into strong cashflows

1 Demand – the Funding Gap Grows and Waiting Lists get Longer

Perpetual underlying demand drivers….

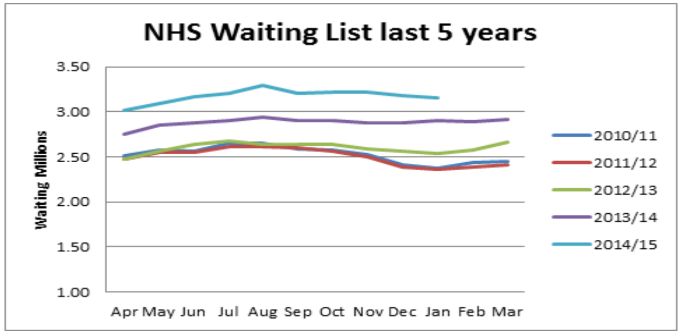
Growing and ageing population

+

Increase in acute and chronic conditions

+

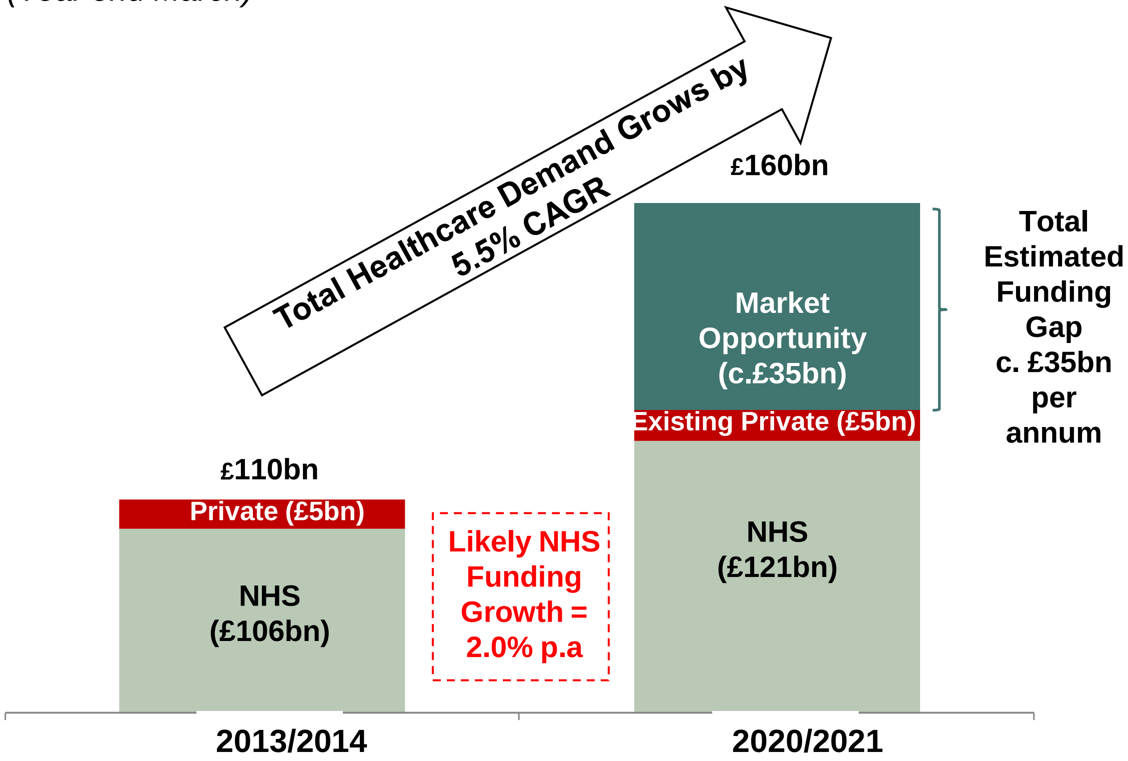
Advances in medical technology



Two thirds (67%) of the public would not be willing to pay higher income tax to fund spending on the NHS [(2)]

…..Resulting in a rapidly growing healthcare supply gap – confirmed by the NHS itself in October 2014 [(1)]

NHS Funding Progression
(Year end March)

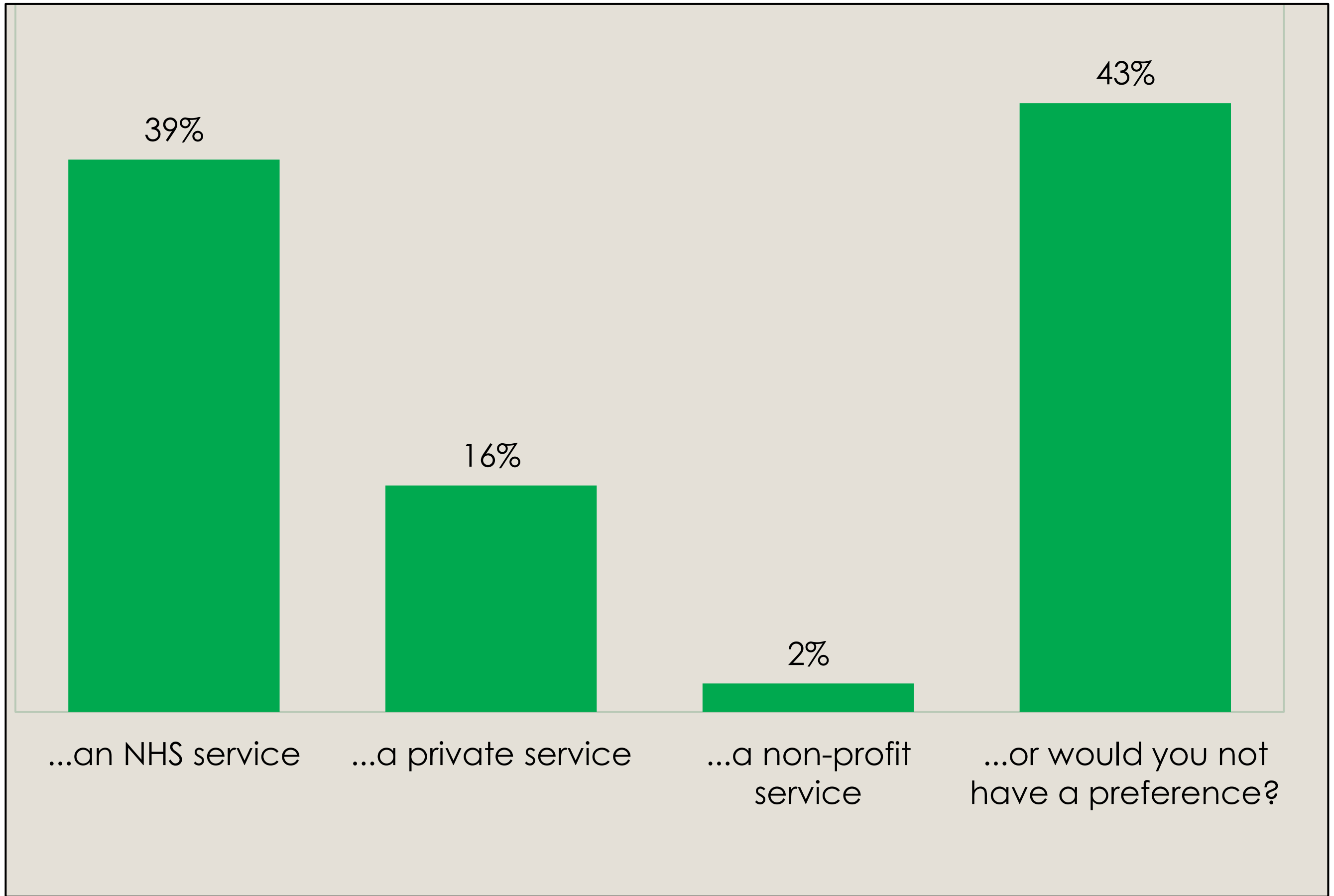


Whatever the general election outcome, the next government is likely to be able to fund only a fraction of the anticipated gap from increased taxation

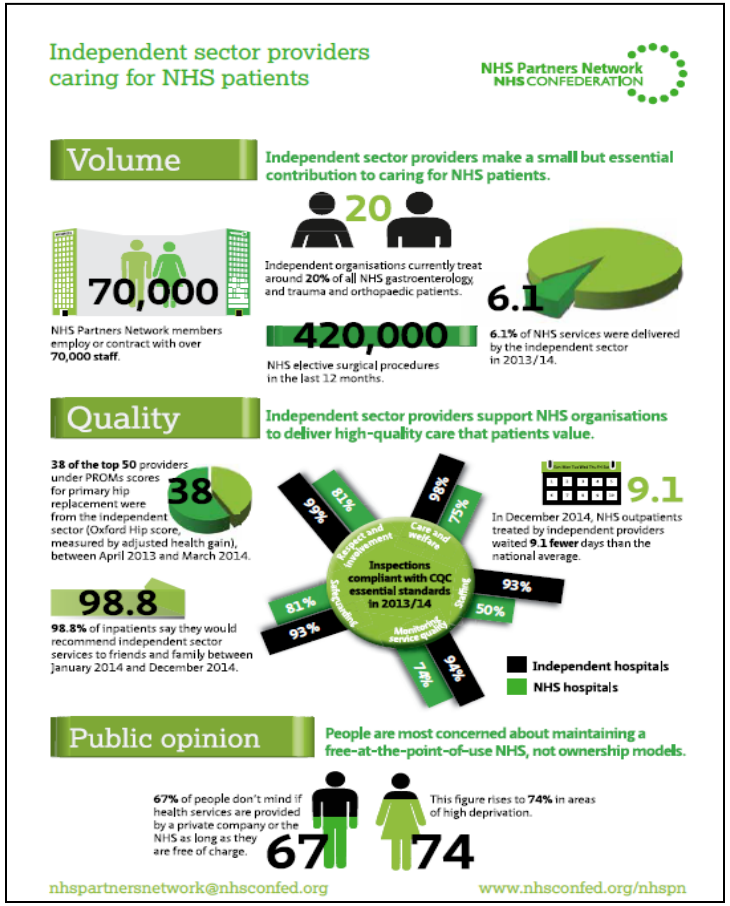
(1) *"Five Year Forward View", NHS, October 2014.*
(2) *NHS Tax Survey, Populus, August 2014.*

Demand – Social Attitudes to Healthcare Provision are Changing as Well

View on where people would like to receive NHS-funded treatment (1)



NHS Provider Network Infographic



Among Labour voters, 50% said they would either like to receive NHS-funded treatment in a private hospital or would have no preference

Spire scored 99% on the NHS's "Family & Friends" test in 2014

(1) Source: The Health Foundation Inspiring Innovation "Public attitudes to the NHS" - February 2015

2 Payors – PMI

The PMI market is showing encouraging signs for future growth

- **Insurers are working hard to grow the number of insured lives and we are working with them to introduce improved efficiency to reduce the cost of patient care and hence premiums. Examples include:**
  - In September 2014 we signed a new long-term pricing agreement with Bupa (effective from 1 April 2015) which will allow Bupa to plan on a medium and long term basis
  - VitalityHealth (formerly PruHealth) launched an extensive and high profile campaign – and grew new business by approximately 100,000 lives in 2014
  - April UK in January 2014 launched the 'inSpire' Private Medical Insurance Plan, which allows patients to receive a wide range of treatments at any Spire Hospital throughout the UK – already over 4,500 lives covered
- **How we maximise our share of PMI business:**
  1. Work closely with insurers to improve the experience for patients their members
  2. Increase and deepen our relationships with GPs and referrers through education and IT integration
  3. Continue to expand our capability to attract insurers and consultants alike

> ***"In November we signed a ground-breaking contract with Spire Healthcare, commencing in 2015, agreeing prices until 2021"***
>
> **(Bupa Preliminary Announcement 2014)**

2 Payors – Self-Pay

The Self-Pay market will continue to grow

- **Because of rationing, waiting lists or a decision to effectively "self-insure", people are increasingly choosing to self-pay:**
  - In a poll by Ipsos MORI conducted in winter 2013, 51 per cent of people agreed with the statement 'there should always be limits on what is spent in the NHS
  - "Rationing [in the NHS] is taking place whether we like it or not" *("Rationing in the NHS", Nuffield Trust - February 2015)*
- **How we maximise our share of this business:**
  1. Continue education of GPs and patients on NHS waiting lists
  2. Reinforce and extend our simple, transparent message around the affordable cost of self-pay treatment, correlated to the top 30 rationed procedures e.g. hernias, cataracts, varicose veins etc.
  3. Extend our fixed price coverage for our top 15 procedures to a 55 further procedures
  4. Continually update of our website to improve patient understanding and accessibility, reinforce our CRM and customer conversion rates, and bring forward joint products with affinity groups such as Saga

2 Payors - NHS

NHS business for the Independent Sector will continue whichever party is in Government after the Election

- **Independent Sector capacity is vital to relieve the "waiting list" strains on the NHS:**
  - If the IS ceased to do any Choose & Book work or Local Contracting work for the NHS, current NHS waiting times would rise by 4 weeks (Spire estimates).
  - 'Choice, contestability and competition have a role. Labour showed in government how the private sector could help to provide extra capacity and speed up hip replacements and cataract surgery for the NHS'. *(Ed Miliband, Hugo Young Lecture, 10th February 2015)*
- **How we ensure we retain our preferred share of this business:**
  1. Continue to build Choose & Book through GP and CCG engagement, and by expanding our service offering
  2. Continue engagement at a local level with NHS hospitals to manage waiting lists and take elective patients out of overstretched hospitals
- **We will also enhance productivity to protect our NHS business against future tariff reductions**

3 Capacity

Existing capacity is being increased to cater for current and future demand

- Capital Expenditure rose to £66.6m (£54.5m in 2013)
- In-patient and daycase discharges up 10.2% to 260,300 patients (2013: 236,200 patients)
- Acquisition of St Anthony's Hospital in Cheam
- Opened our first radiotherapy centre in Bristol and a new cardiac catheterisation laboratory in Cardiff
- Planning approval for new Spire Manchester Hospital in West Didsbury
  - New Spire Nottingham Hospital in Tollerton and a second radiotherapy centre at Baddow Hospital, Chelmsford, Essex

4 Productivity

Fixed cost leverage - approximately 50% of the operating costs of the group are not expected to flex directly with activity

- **Economies of scale - increased activity levels have improved our negotiating position with suppliers over time**
- **IT platform - we expected to make significant returns from our recent investment in leading IT systems:**
  - Simplification of customer facing administration processes - leading to better patient and payor experience and reduced administration costs for all concerned. Currently focused on admission and bookings and insurer pre-authorisation
  - Improved productivity - e.g. investment in CRM to improve lead generation, costs of lead generation and enquiry conversion over time
  - More powerful management information systems - to enable better management decisions in key areas such as - capacity utilisation, case mix optimisation, prosthesis and consumable costs
- **Patient flow and clinical pathways**
  - Continuous cycle of investment in clinical pathways:
    - Drawing on emerging best practice and technologies to better prepare patients for treatment, reduce invasiveness of surgical episodes and improve recovery times
    - Results in reduced lengths of stay and the release of theatre operating hours
  - Continuous investment in the configuration of our hospitals to unlock opportunities to improve productivity and allow further standardisation and more efficient patient flow - e.g moving episodes out of theatre into dedicated environments, ambulatory care / daycase units

Summary & Outlook –
Spire's Unique Proposition Remains On-Track

Spire is uniquely positioned to capture a growing share of a rapidly expanding private healthcare market

1. **Fast growing market** arising from persistent and growing supply gap
2. **Well positioned** through well invested and scalable hospitals
3. **Culture of excellence** valued by consultants, GPs, patients and payors
4. **Strong cash flows** to finance multiple growth opportunities

Questions?

2014 Financial Year Results Presentation

Tuesday 24th March 2015