



Spire Healthcare

FY 21 Results Presentation

3 March 2022



Looking after you.

Disclaimer

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All attendee lines are muted

The Chat function is disabled

Please submit your name and organisation using the Q&A function

Angus will moderate the session and unmute your line for you to ask your question

Any problems please email Laura.Young@spirehealthcare.com

Agenda

FY 21 Overview

Justin Ash, Chief Executive Officer

FY 21 Financial Review

Harbant Samra, Interim Chief Financial Officer

Future, Summary and Outlook

Justin Ash, Chief Executive Officer

Q&A



Spire Healthcare

FY 21 Overview

Justin Ash, Chief Executive Officer

Looking after you.

Strategy being executed at pace



First choice for private patients

Delivered record private growth

Revenue +14.2% vs. 2019



NHS key partner

Supported the NHS in crisis

356,000 patients treated since Apr 2020



Uncompromising on patient safety

Strengthened quality credentials and delivered Purpose

95% Good or Outstanding



Improving revenue, profit and cash

EBITDA growth despite COVID-19 restrictions

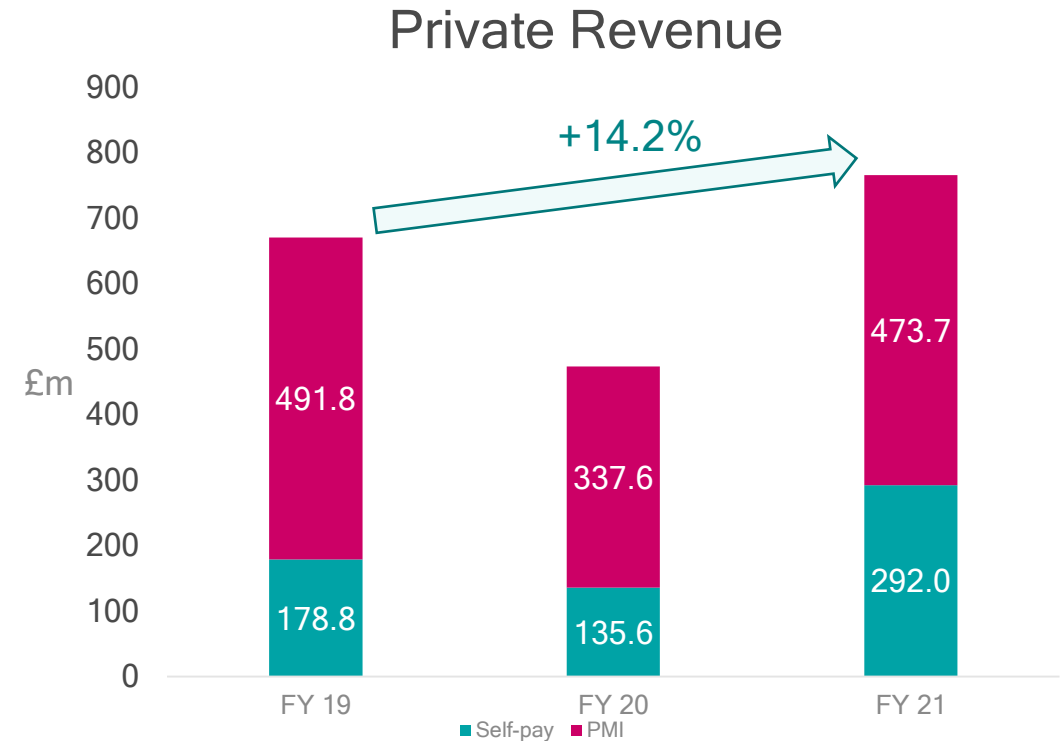
+10.6% vs. 2020

Strong platform to deliver sustainable growth in 2022 and beyond

Record private growth

First choice for private patients

- Strong growth in private volume and revenue
- Self pay revenue Q2-Q4 '21 up 80.0% vs 2019
- Record self-pay growth supported by first ever TV campaign
- PMI recovery underway
- Combined with NHS, growth in market share in hips and knees



Supported the NHS as key partner



NHS key partner

- Volume-based contract in Q1 21
- Cancer hubs in nine locations
- New contracts in place with commissioners
- Holding share of available eRS volumes; focus on orthopaedics

>356,000 NHS
patients seen since
April 2020

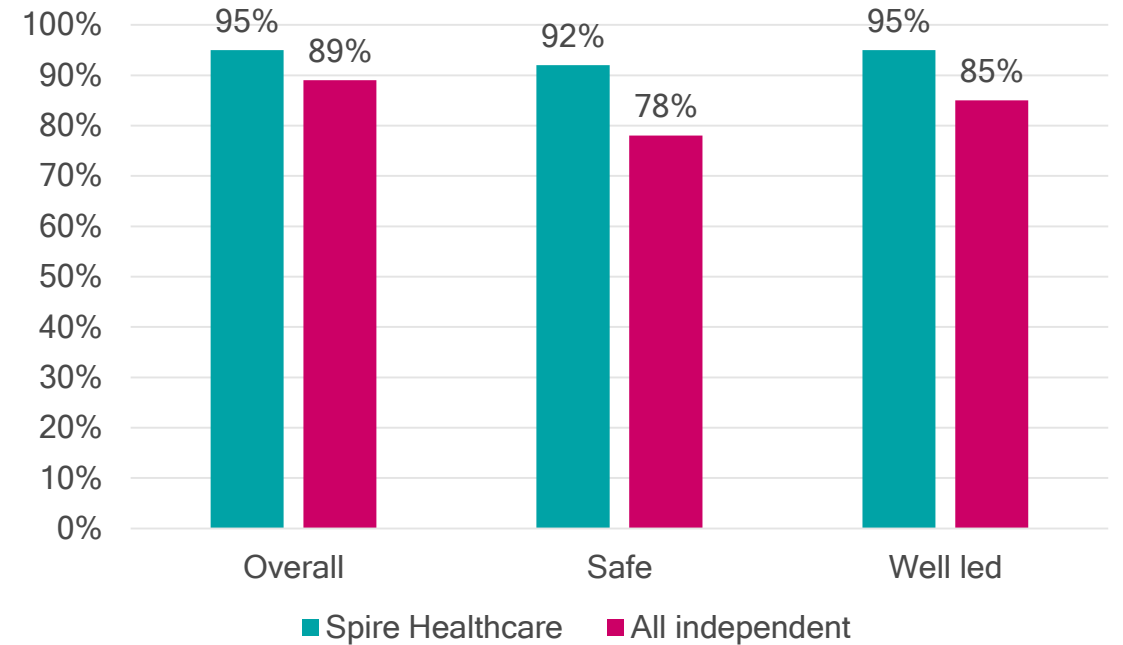
Strengthened quality credentials and delivered Purpose



Uncompromising on patient safety

- Focus on quality remains
- Ten inspections, all rated “Good”
- 95% hospitals “Good” or “Outstanding”
- £77m CAPEX investment including ten replacement MRI & CT scanners

CQC Scores



Patient satisfaction remains strong

Making a positive difference to our patients' lives through outstanding personalised care

85% agree that our care has made a **positive difference**
(+2pp)

92% agree that our care was **outstanding**
(no change)

94% agree that our care was **personalised**
(no change)

Source: Spire Healthcare Patient Discharge Survey

Base: H2, 2020 n=18,570; H2 2021 n=18,966 (Positive Difference) H2, 2020 n=20,124; H2 2021 n=20,817

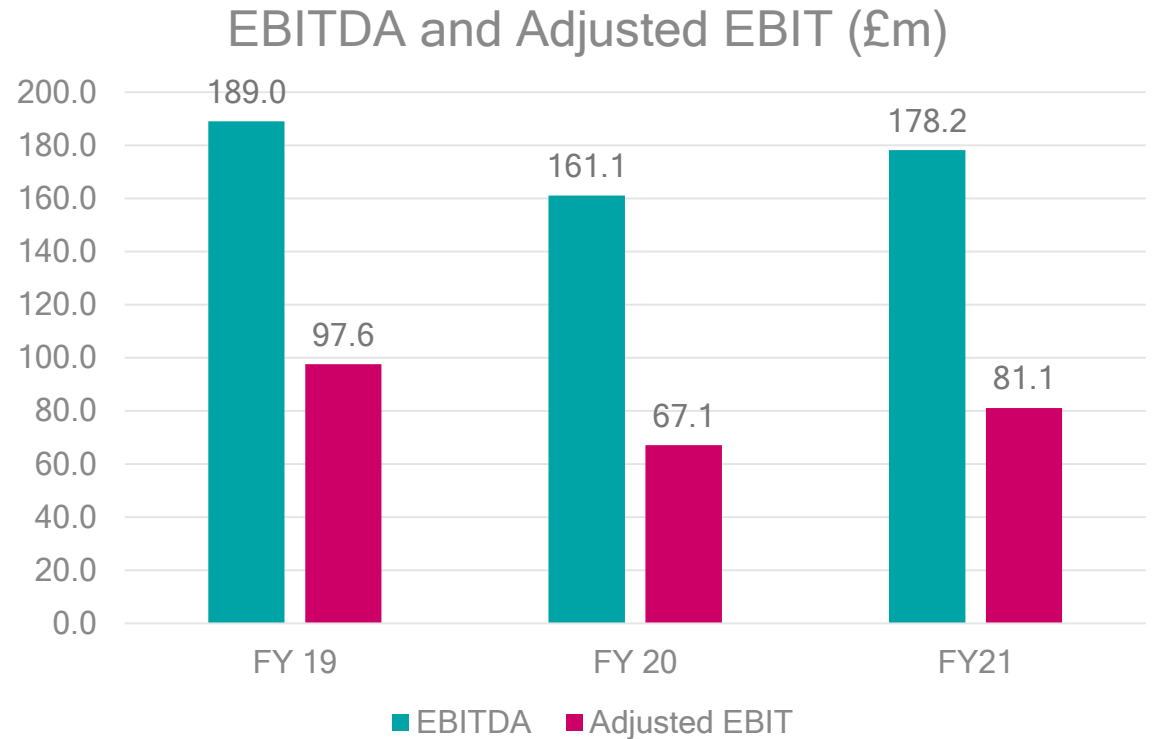
Notes: Scores shown based on H2 2021, change versus same measure in H2 2020. 'Positive Difference' excludes 'Too early to tell'

EBITDA growth despite COVID-19 restrictions



Improving revenue, profit and cash

- Revenue up 20%
- EBITDA up 11%
- Significant COVID cost burden of £53m partly offset by growing efficiency and focus on digital delivery
- Programme to deliver £15m efficiency savings in 2022 on track



Thank you!





Spire Healthcare

FY 21 Financial Review

Harbant Samra, Interim Chief Financial Officer

Looking after you.

Financial headlines FY 21: P&L

Revenue
£1,106.2m

*(FY 19: £980.8m)
(FY 20: £919.9m)*

EBITDA
£178.2m

*(FY 19: £189.0m)
(FY 20: £161.1m)*

Adjusted EBIT
£81.1m

*(FY 19: £97.6m)
(FY 20: £67.1m)*

Adjusted Loss
Before Tax
£7.0m

*(FY 19: £12.8m profit)
(FY 20: £18.5m loss)*

Underlying Margin (excl. COVID costs)
20.5%

(FY 19: 19.3%)

Financial headlines FY 21: balance sheet

Capex
£77.1m

(FY 19: £62.5m)
(FY 20: £50.8m)

Net bank debt
improved
£224.9m

(FY 19: £330.0m)
(FY 20: £314.5m)

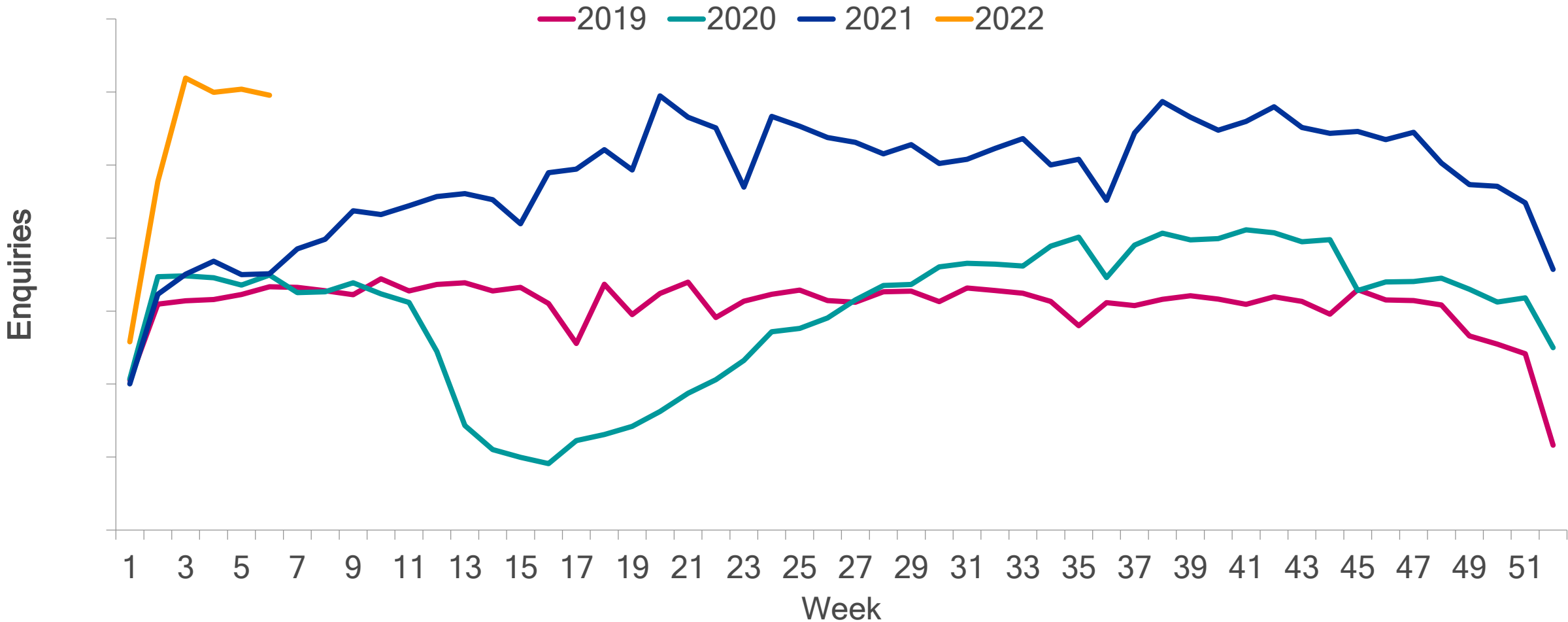
Net Debt/EBITDA
ratio improved
2.3x

(FY 19: 3.0x)
(FY 20: 3.9x)

FCF
£27.4m

(FY 19: £51.0m)
(FY 20: £34.7m)

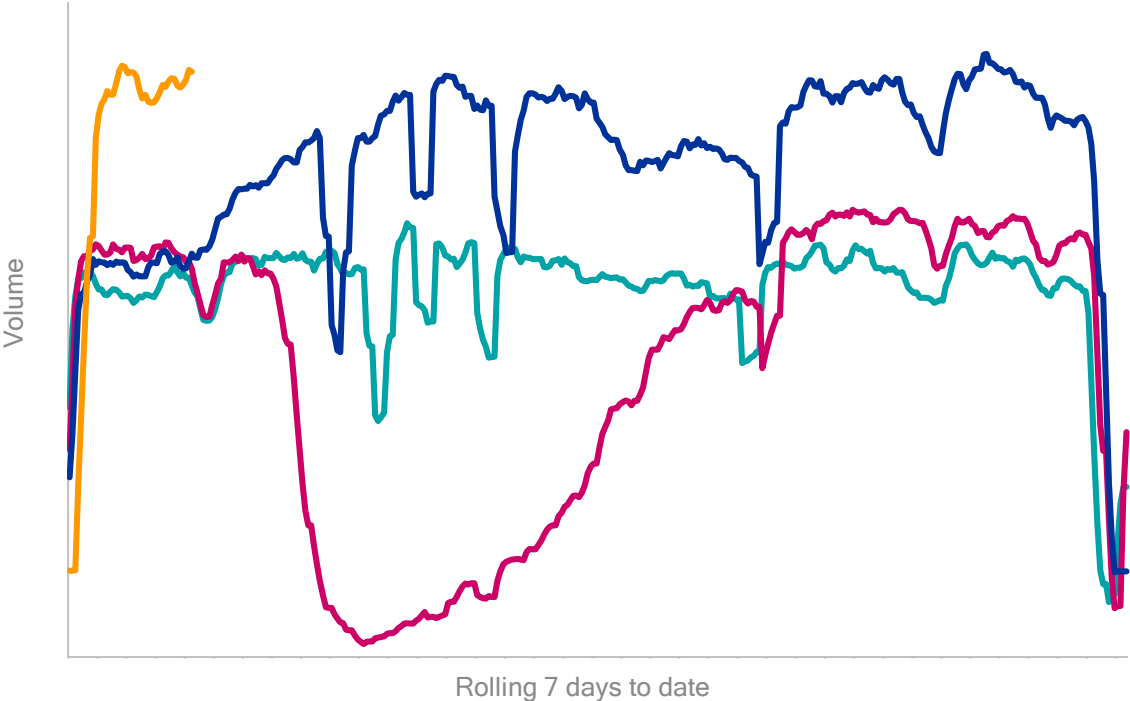
Spire's weekly relevant enquiries continue to grow



Self-pay performance continues at record levels

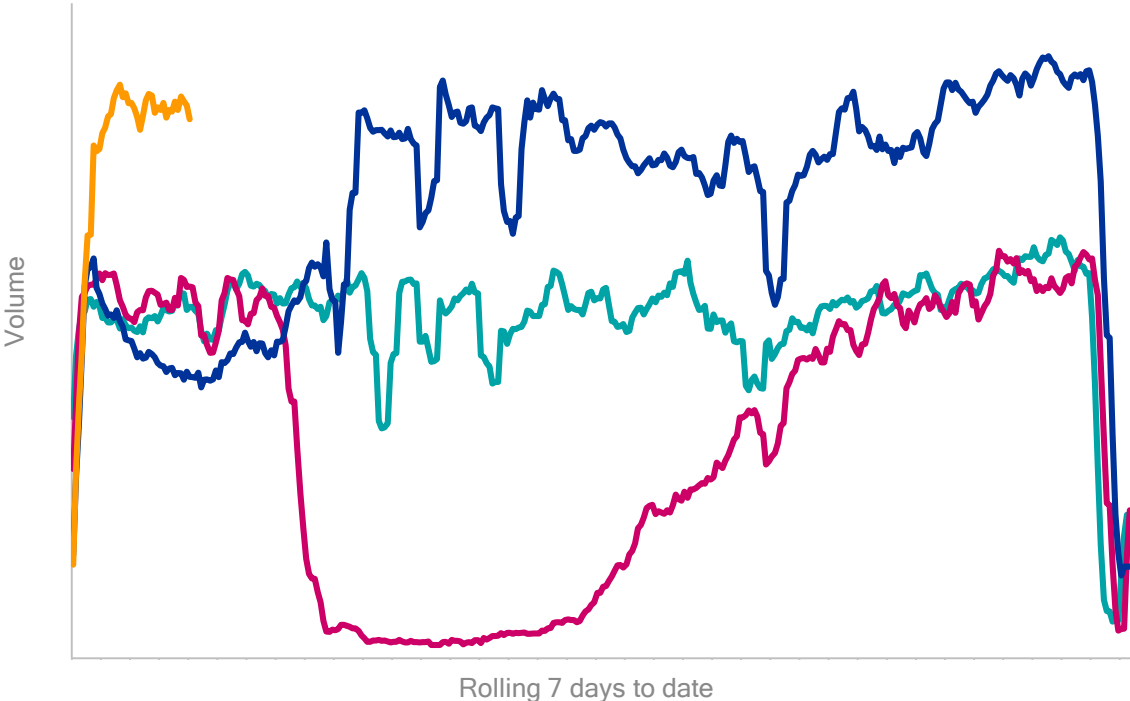
Self-pay new outpatient consultation

—2019 —2020 —2021 —2022



Self-pay IPDC admissions

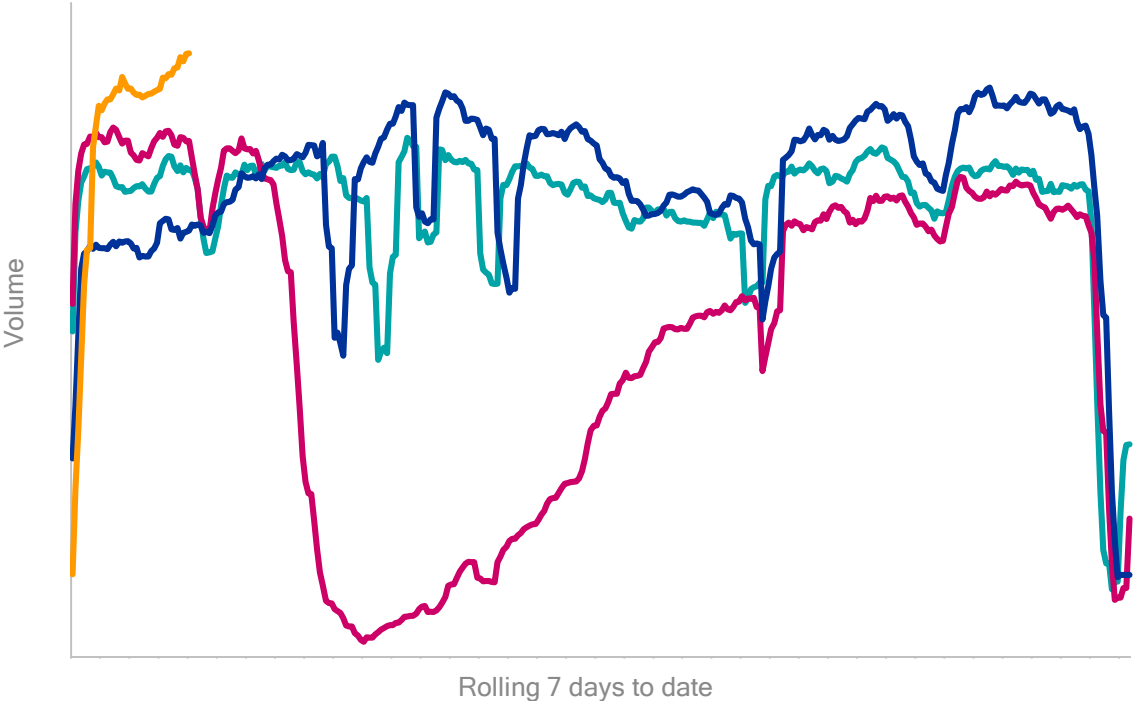
—2019 —2020 —2021 —2022



PMI volume recovering steadily

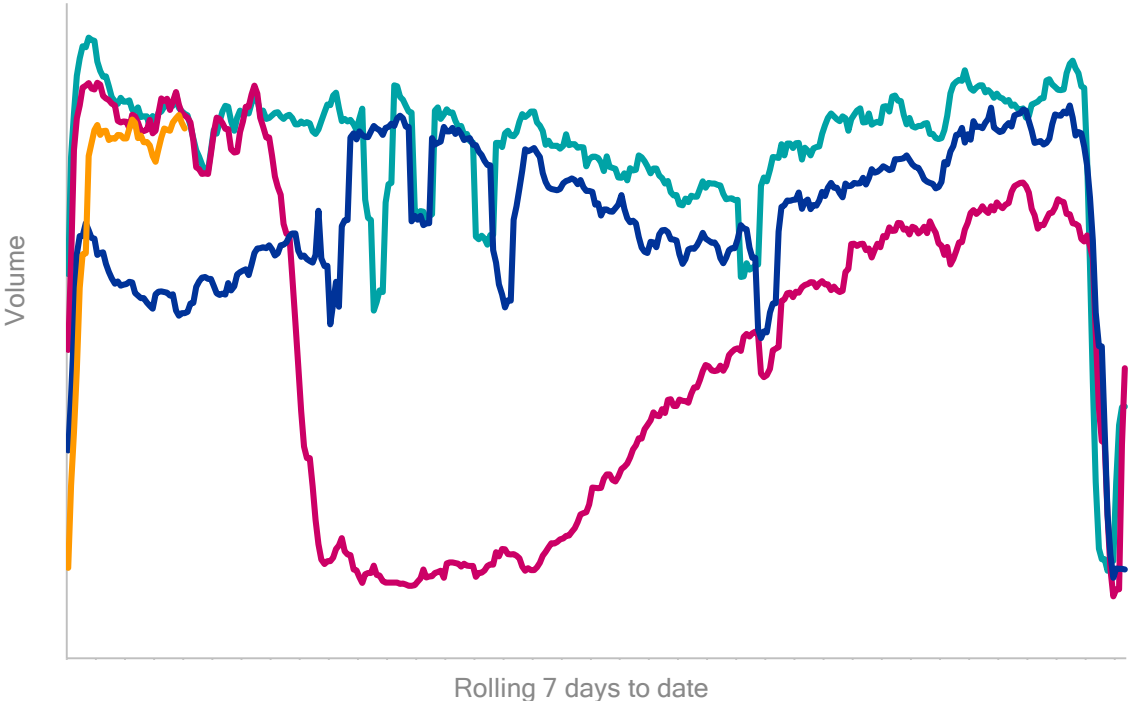
PMI new outpatient consultation

—2019 —2020 —2021 —2022

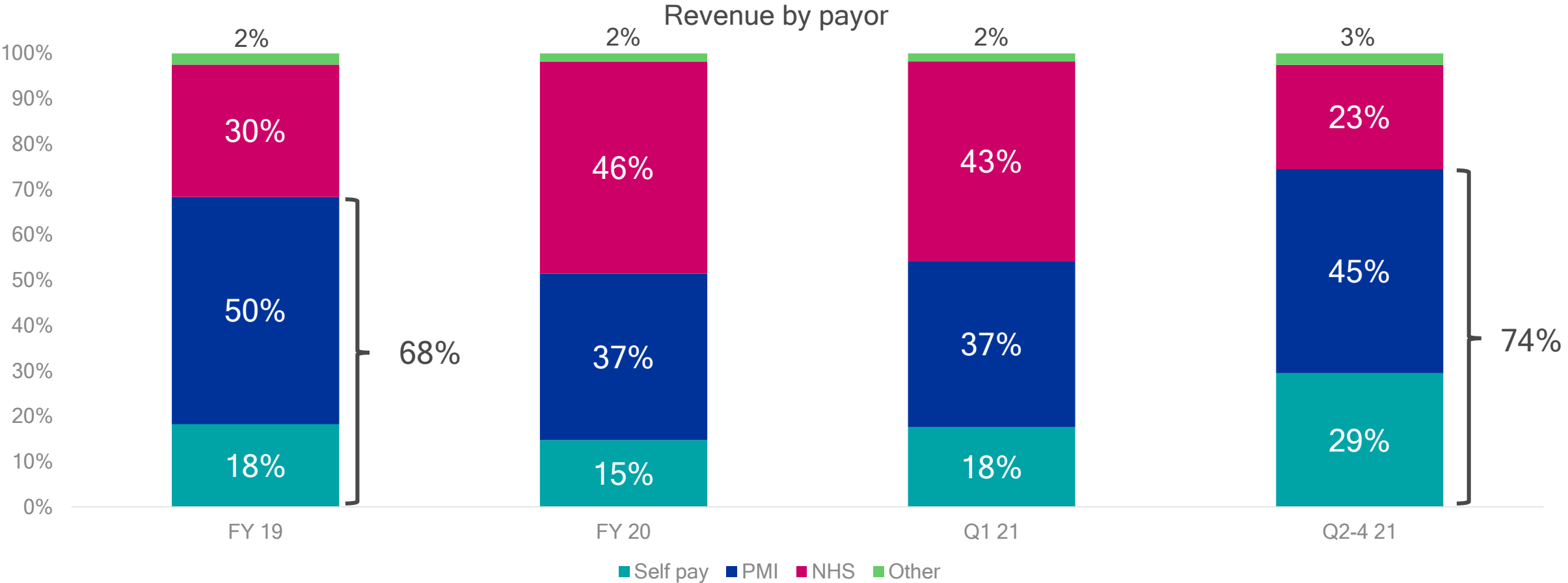


PMI IPDC admissions

—2019 —2020 —2021 —2022



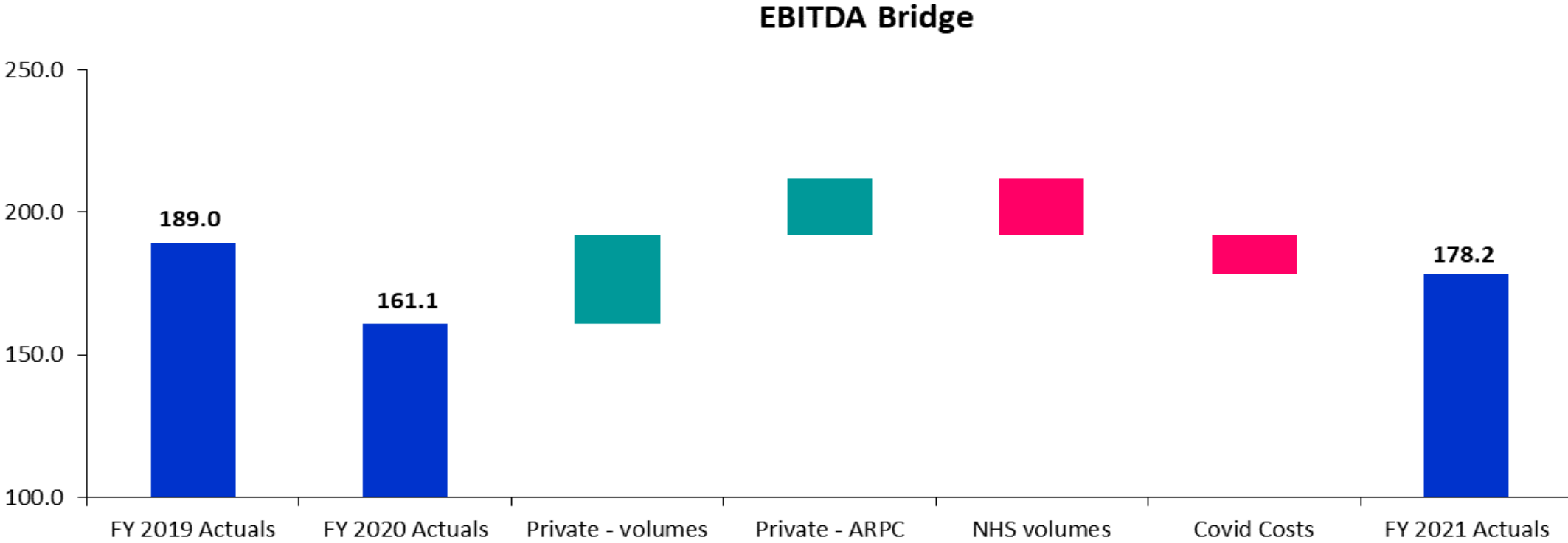
Payor mix: growth in self-pay



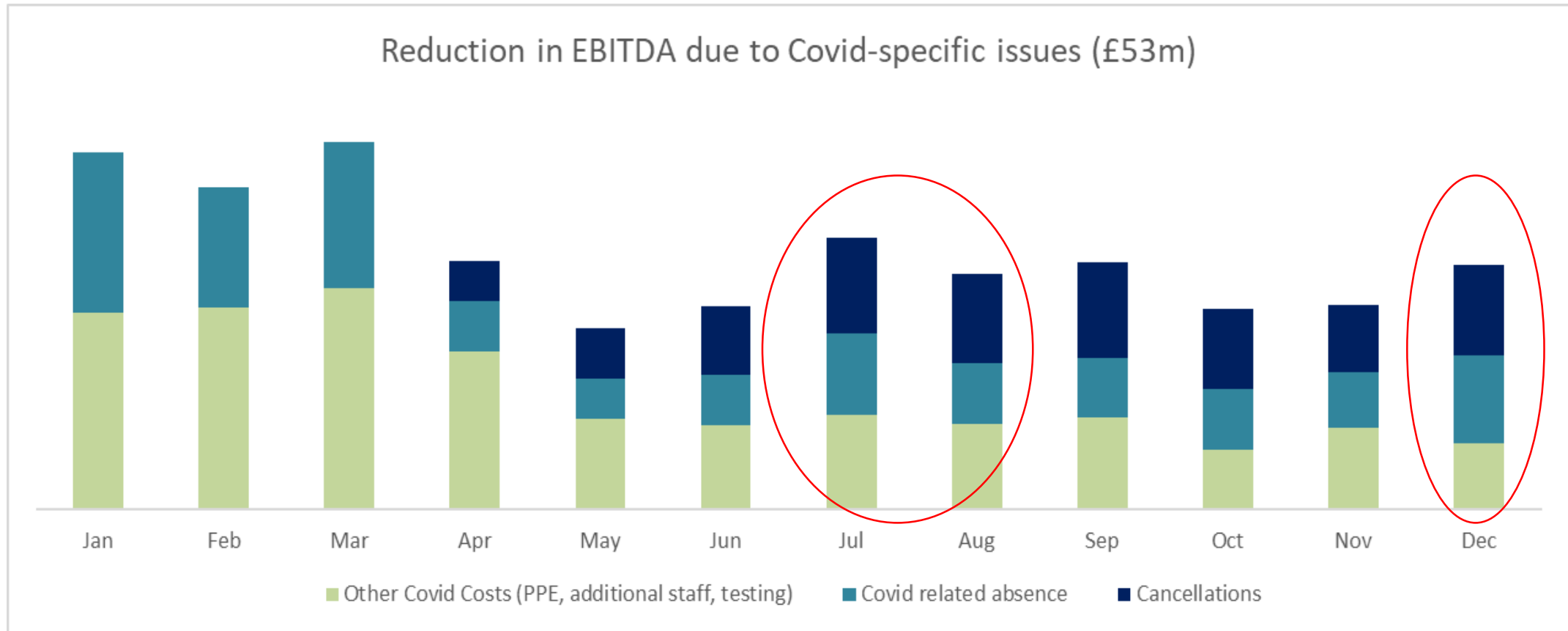
Maintained higher ARPC - reflects private mix and acuity

	FY 19 Avg Qtr			Q2 21			Q3 21			Q4 21		
	PMI	Self-pay	Total private	PMI	Self-pay	Total private	PMI	Self-pay	Total private	PMI	Self-pay	Total private
IPDC admissions	30.4	11.9	42.3	28.6	17.7	46.3	25.9	17.3	43.2	28.2	17.8	46.0
ARPC (£)	2,534	2,884	2,632	2,721	3,694	3,093	2,694	3,721	3,106	2,672	3,766	3,096
IPDC revenue (£m)	77.0	34.3	111.3	77.8	65.4	143.2	69.8	64.4	134.2	75.3	67.1	142.4
Outpatient rev (£m)	45.9	10.4	56.3	49.2	14.4	63.6	47.6	14.8	62.4	49.8	15.8	65.6
Total revenue (£m)	122.9	44.7	167.6	127.0	79.8	206.8	117.4	79.2	196.6	125.1	82.9	208.0

EBITDA bridge



Exposed to other Covid costs - but expected to reduce over time



(cancellation data for Q1 2021 was not relevant as the Group was operating under a different NHS contract)

Operational restructure driving cost efficiencies

Implementing efficiency programmes to deliver £15m of savings in 2022

Simplification

2 regions & 14 hubs

Digital initiatives

Pre-operative assessment
Pricing Engine

Headcount reduction

Admin, Central &
Clinical

Keep total 2022 YOY staff costs flat, despite increased admissions, annual inflationary wage increase and additional NI levy

Liquidity and balance sheet strength

Refinancing

Repaid £100m of Senior Loan Facility and re-financed

Net Bank Debt

£224.9m (after S&LB) and improved net debt/EBITDA from 3.9x to 2.3x

Portfolio Value

Freehold portfolio market value >£1.3bn (2018 YE: £1.1bn)



Spire Healthcare

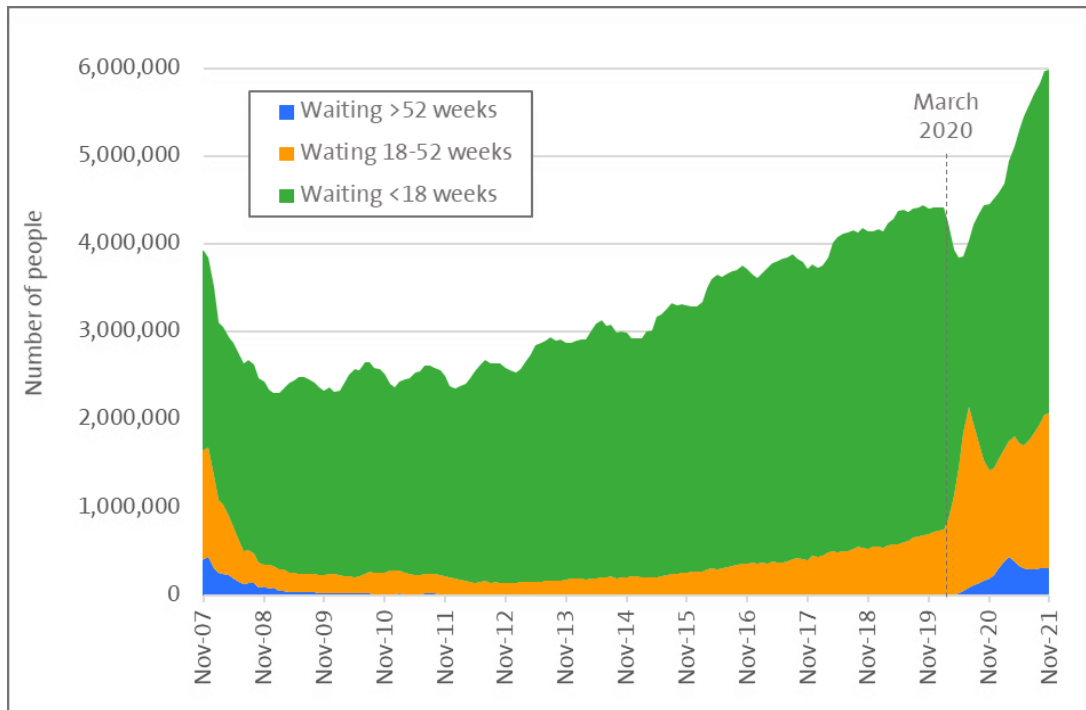
Outlook and Future

Justin Ash, Chief Executive Officer

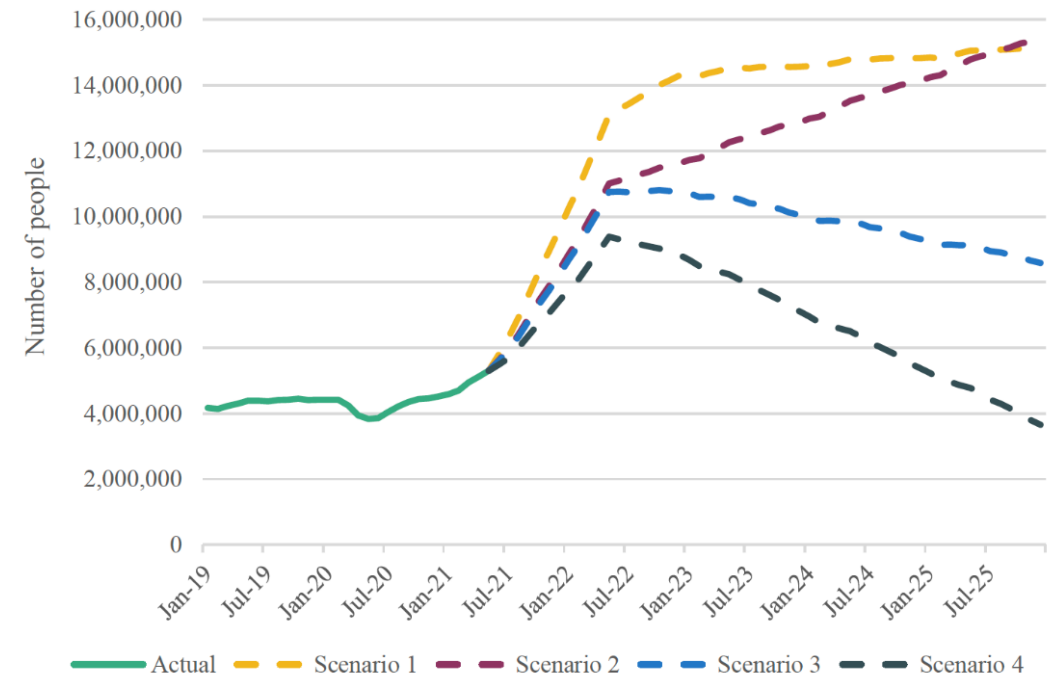
Looking after you.

UK Healthcare demand post COVID has fundamentally changed

Latest NHS England Waiting List



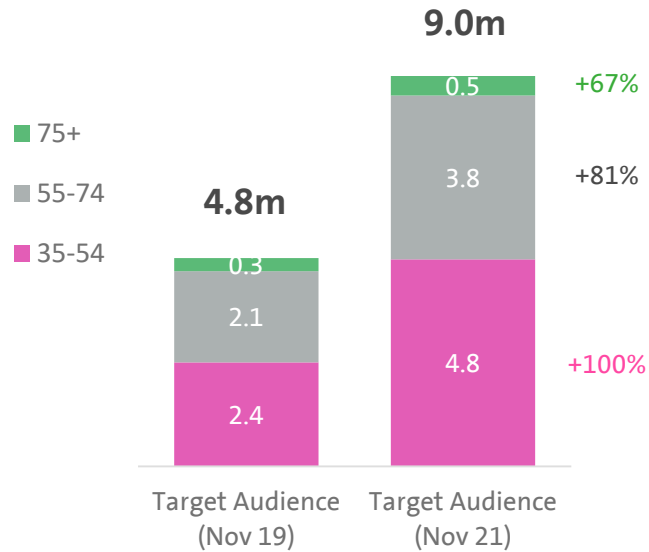
Modelled Waiting List Scenarios



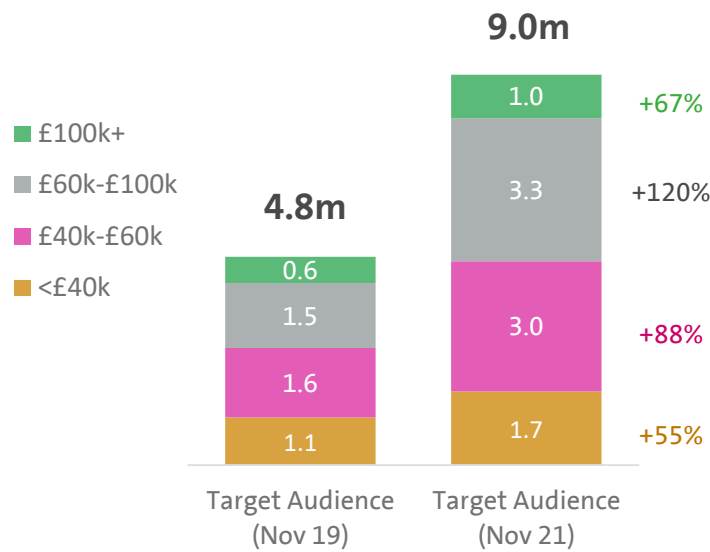
Source: Institute for Fiscal Studies: Could NHS waiting lists really reach 13 million? <https://ifs.org.uk/publications/15557>

Our target customer base has nearly doubled in two years

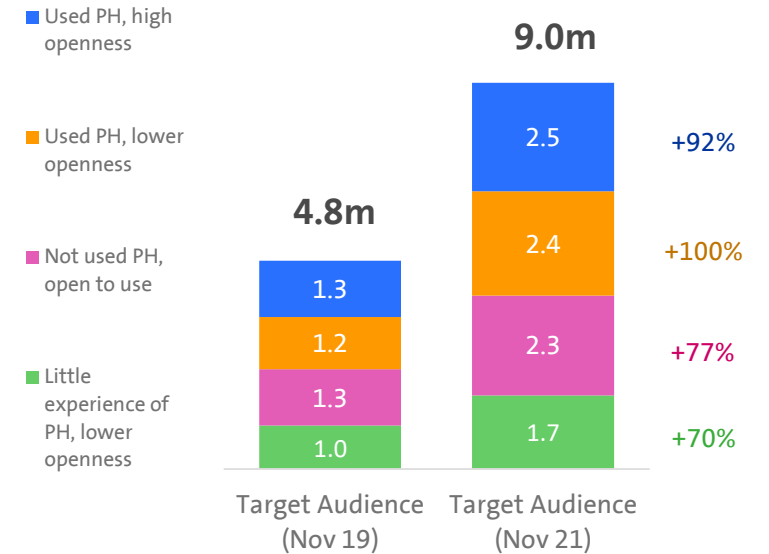
Age Profile



Income Profile



Experience of Private



The number of people considering private healthcare has grown from 5m to 9m

FY 22 guidance



First choice for private patients



NHS key partner



Uncompromising on patient safety



Improving revenue, profit and cash

Further private growth

- *Strong self-pay*
- *Continued PMI recovery*

Increased support for NHS in elective recovery

- *High complexity / Orthopaedic focus*

Maintain strict COVID safety measures

- *Staff cost pressures*

Continued EBITDA growth

- *£15m efficiencies*
- *ROCE improvement*
- *£80-90m capex*

Strong platform to deliver sustainable growth in 2022 and beyond

Developing our ESG strategy - initiatives already underway

- Carbon neutral by 2030 - ahead of many healthcare operators
- Electricity from renewable sources - October 2021
- Carbon culture and champions established
- Waste strategy



- Largest nurse apprenticeship scheme in England
- FT Diversity Index top 850
- Let's Talk Networks
- Gender pay gap lower than average and reducing

- Ward-to-Board governance
- Enhanced Medical professional standards
- Freedom To Speak Up
- Efficient use of resourcing

Evolving strategy to meet unprecedented demand

Quality focus and uncompromising on patient safety

Maintain focus on
improving returns in
our core hospital
estate

Expand our
proposition to
provide a more
integrated healthcare
offering

Capital Markets Day in June



Spire Healthcare

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3 March 2022



Looking after you.



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Appendix

Looking after you.

Technical guidance

Technical guidance for 2022

Total rent	c.£90m
D&A	c.£100-105m
Capex	c.£80-90m
Net financing costs	c.£87-93m
Tax	Effective corporate tax rate slightly above the statutory rate of 19%
Net bank debt	c.£190-230m

Financial headlines FY 21: Adjusting items

- Adjusting items added to Operating Profit of £5.9m
- Total Adjusting items of £5.1m after including a £0.8m charge which is reported against interest
- The Adjusting items charge is largely comprised of three items:
 - £23.5m profit on sale and leaseback of Spire Cheshire hospital
 - £13.0m provision for the settlement of the Court of Appeal judgment (of which £0.8m is recognised in interest)
 - £4.5m of costs, largely relating to the acquisition/ integration of Claremont, the sale of Sussex and Ramsay bid

NHS England contracts negotiated

- 1 January 2021 - Volume based transition contract
 - Payment by activity based on NHS tariff
 - Minimum value underpin
 - NHS has right to call surge to access all capacity in areas where COVID infection rates high
 - Contract until end March 2021
- 10 January 2022 – New agreement in principle
 - Payment by activity based on NHS tariff
 - Minimum value underpin
 - NHS has right to call surge to access all capacity in areas where COVID infection rates high
 - 100% cost recovery for any Spire Healthcare hospital in surge
 - Due to expire on 31 March 2022

Revenue by payor

	H1 21 (£m)	H1 20 (£m)	H1 19 (£m)	H2 21 (£m)	H2 20 (£m)	H2 19 (£m)	FY 21 (£m)	FY 20 (£m)	FY 19 (£m)
PMI	231.3	145.9	247.0	242.4	191.7	244.8	473.7	337.6	491.8
Self-pay	129.9	47.6	88.6	162.1	88.0	90.2	292.0	135.6	178.8
Total private	361.2	193.5	335.6	404.5	279.7	335.0	765.7	473.2	670.6
Total NHS	185.4	200.4	143.7	129.1	229.6	142.0	314.5	430.0	285.7
Other	11.6	8.0	12.3	14.4	8.7	12.1	26.0	16.7	24.5
Total revenue	558.2	401.9	491.6	548.0	518.0	489.2	1,106.2	919.9	980.8

Operating cost analysis

	H1 21 (£m)	H1 20 (£m)	H1 19 (£m)
Clinical staff	126.9	97.1	98.8
Direct costs	132.8	78.9	110.7
Medical fees	44.4	29.1	51.6
Cost of sales	304.1	205.1	261.1
Gross profit	254.1	196.8	230.5

	H2 21 (£m)	H2 20 (£m)	H2 19 (£m)
Clinical staff	133.9	115.6	104.5
Direct costs	130.6	113.9	113.2
Medical fees	46.4	29.6	50.6
Cost of sales	310.9	259.0	268.3
Gross profit	237.1	259.0	220.9

	FY 21 (£m)	FY 20 (£m)	FY 19 (£m)
Clinical staff	260.8	212.6	203.3
Direct costs	263.4	192.8	223.9
Medical fees	90.8	58.7	102.2
Cost of sales	615.0	464.1	529.4
Gross profit	491.2	455.8	451.4

Cash management - steady trajectory

	FY 21 (£m)	FY 20 (£m)	FY 19 (£m)
Cash from operating activities	172.4	160.0	184.9
Working capital movement	11.4	(3.9)	17.9
Capex	(67.0)	(46.3)	(60.2)
Proceeds from disposal of assets *	88.9	-	11.6
Acquisition cash outflow **	(14.7)	-	-
Financing activities	(94.7)	(97.9)	(110.0)
Tax	-	3.6	(1.1)
Increase in cash	96.3	15.5	43.1
Opening cash balance	106.3	90.8	47.7
Closing cash balance	202.6	106.3	90.8

*Proceeds in 2021 relate to the sale and leaseback of Spire Cheshire and the sale of Spire Sussex. Proceeds in 2019 relates to the sale of Bristol and Baddow Specialist Cancer Centres.

**The costs of acquisitions relates to the Claremont Hospital.

Cash & Borrowings

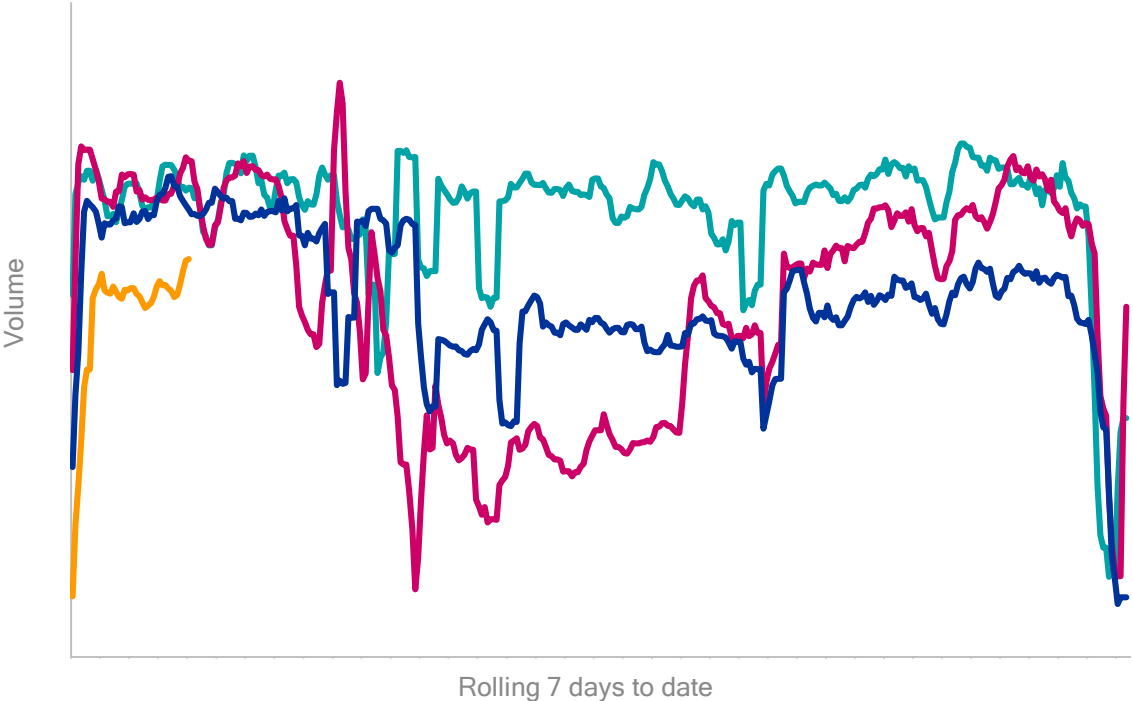
	Dec 21 (£m)	Dec 20 (£m)
Bank borrowings	427.5	420.8
Cash	202.6	106.3
Net bank debt	224.9	314.5

	Dec 21 (£m)	Dec 20 (£m)
Bank borrowings	427.5	420.8
Lease liabilities (under IFRS 16)	837.8	749.5
Total borrowings	1,265.3	1,170.3

NHS volumes below historical levels due to muted commissioning

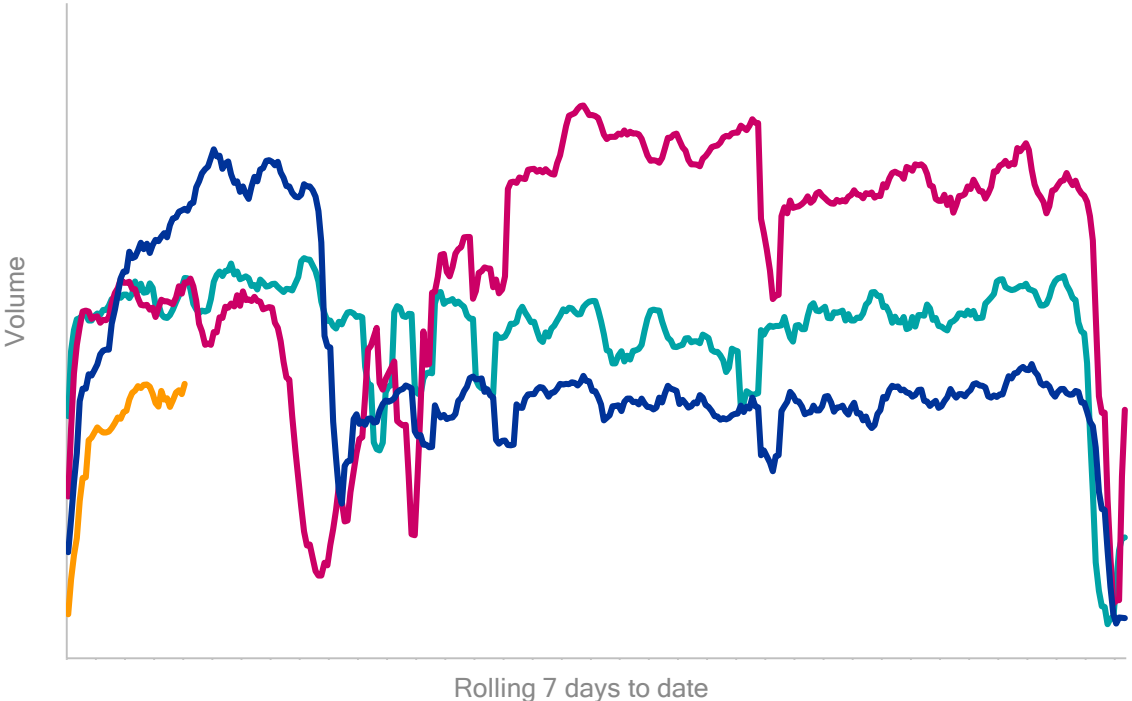
NHS new outpatient consultation

—2019 —2020 —2021 —2022



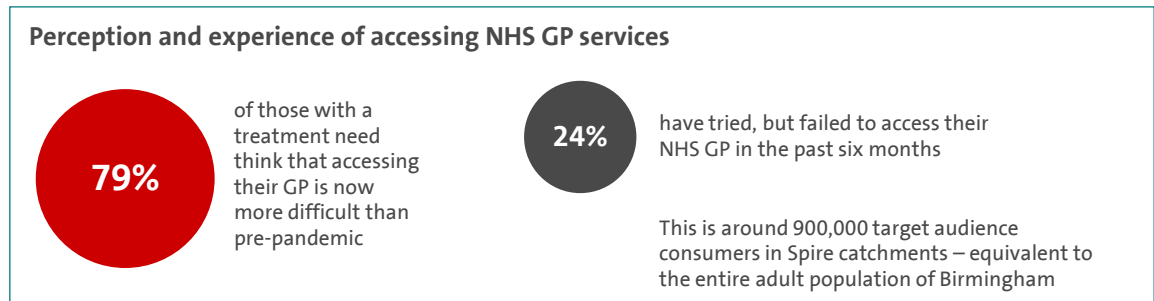
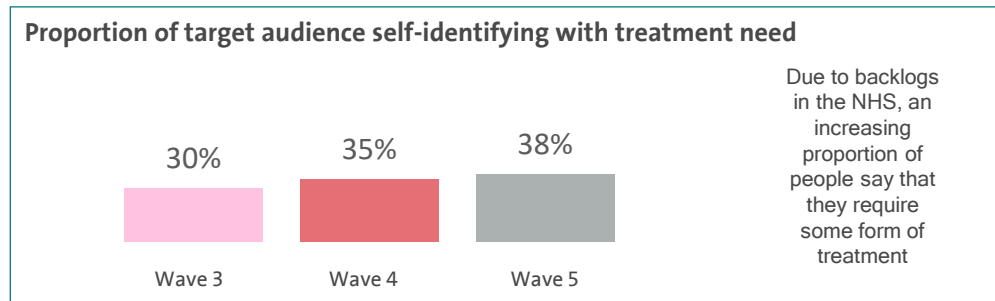
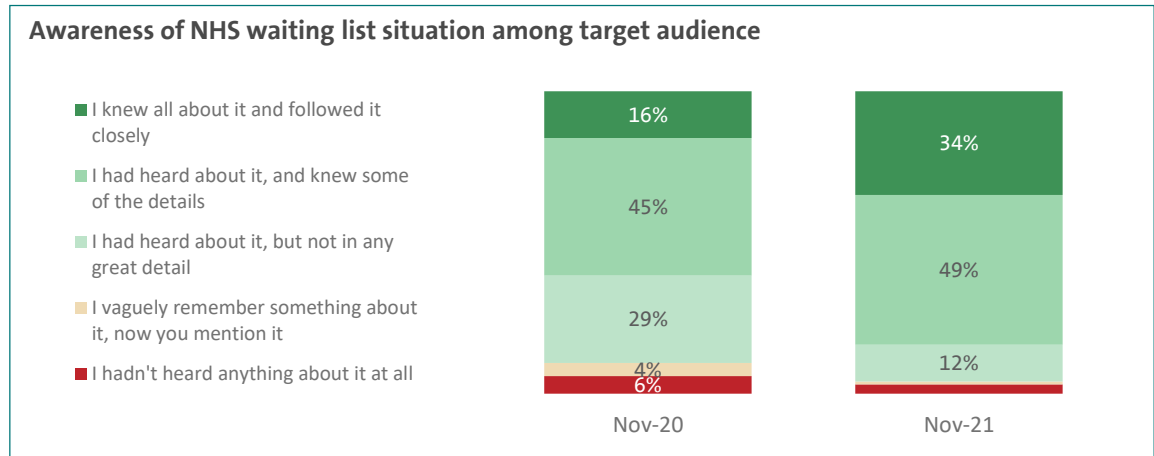
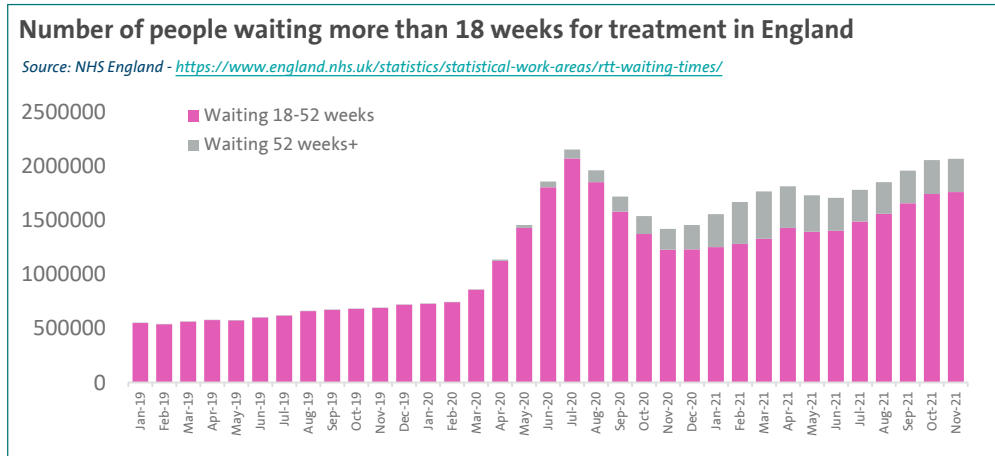
NHS IPDC admissions

—2019 —2020 —2021 —2022



Target audience consumers are aware of waiting list issues, either through the media or trying to access themselves

This growth in consideration of using private hospitals has been driven by **issues in accessing NHS services**, both experienced and perceived. NHS waiting times continue to worsen and now nearly all target consumers have heard about it. Accessing GP services is also harder and, as a result of overall access issues, the proportion of target consumers requiring treatment continues to grow



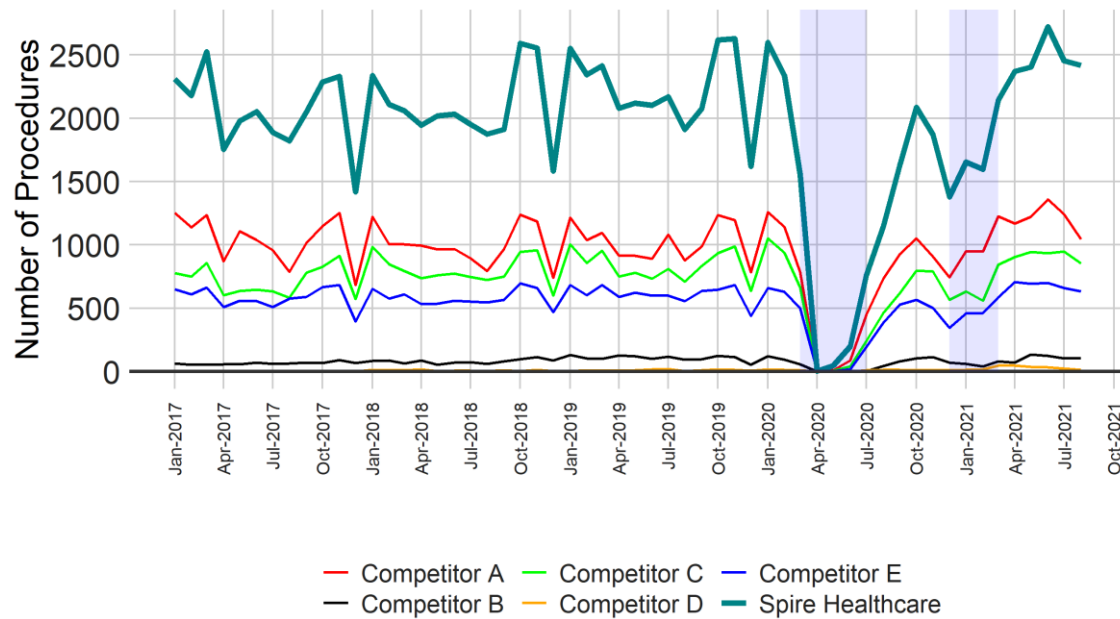
Hospital and clinic ratings from CQC, HIW* and HIs†

Site	Rating	Site	Rating	Site	Rating	Site	Rating
Alexandra	Requires Improvement	Edinburgh/Shawfair†	Good	Liverpool	Good	St. Anthony's	Good
Brighton/Montefiore	Outstanding	Elland	Good	London East	Good	Thames Valley	Good
Bristol	Good	Fylde Coast	Good	Manchester	Outstanding	Tunbridge Wells	Good
Bushey	Good	Gatwick	Good	Methley Park	Good	Washington	Good
Cambridge Lea	Good	Harpenden	Good	Norwich	Good	Wellesley	Good
Cardiff*	Positive	Hartwood	Good	Nottingham	Outstanding	Wirral	Requires Improvement
Cheshire	Outstanding	Hastings/Sussex	Outstanding	Parkway	Good	Yale*	Positive
Clare Park	Good	Hull	Good	Portsmouth	Good	Abergele Clinic*	Positive
Claremont	Outstanding	Leeds	Good	Regency	Good	Bushey Diagnostic Centre	Good
Dunedin	Good	Leicester	Good	South Bank	Good	Hesslewood Clinic	Good
Edinburgh/Murrayfield†	Exceptional	Little Aston	Good	Southampton	Good		

Hip and knee procedures - market share rebounding

Hip and Knee Procedures

Major Independent Providers (addressable market): Volume

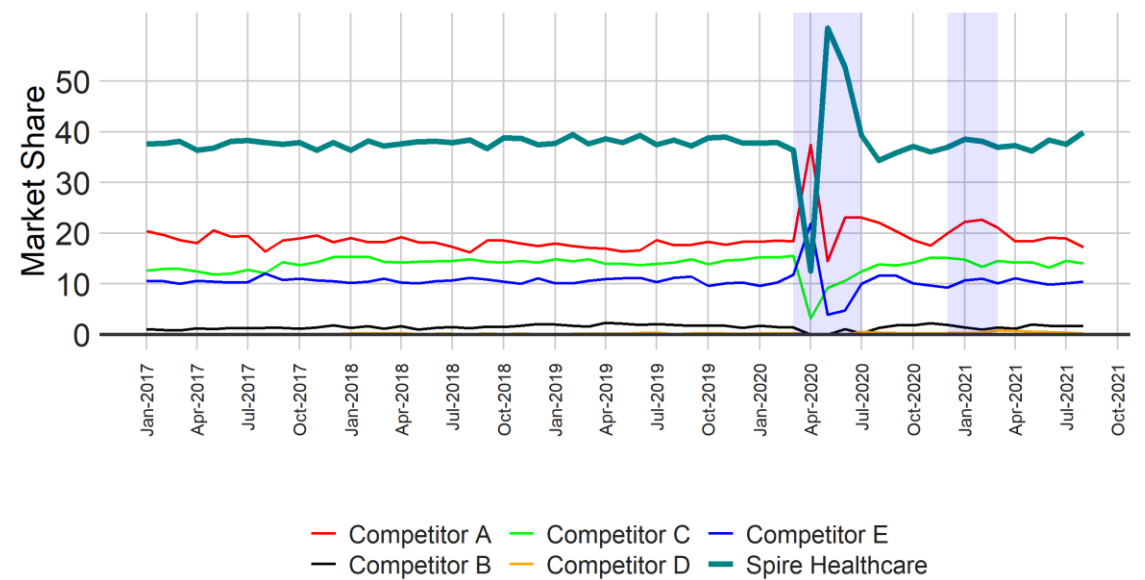


Source: Spire Healthcare analysis of NJR data



Hip and Knee Procedures

Major Independent Providers (addressable market): Market Share



Source: Spire Healthcare analysis of NJR data



The addressable market is the volume of procedures undertaken either at a Spire hospital, or at a NHS or independent sector hospital that is local enough to be classed in a Spire hospital's competitive set

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