



Spire Healthcare

H1 23 Results Presentation

14 September 2023



Looking after you.

Disclaimer

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Any problems please email Laura.Young@spirehealthcare.com

Agenda

H1 23 Overview

Justin Ash, Chief Executive Officer

H1 23 Financial Review

Jitesh Sodha, Chief Financial Officer

Summary and Outlook

Justin Ash, Chief Executive Officer

Q&A

Any problems please email Laura.Young@spirehealthcare.com

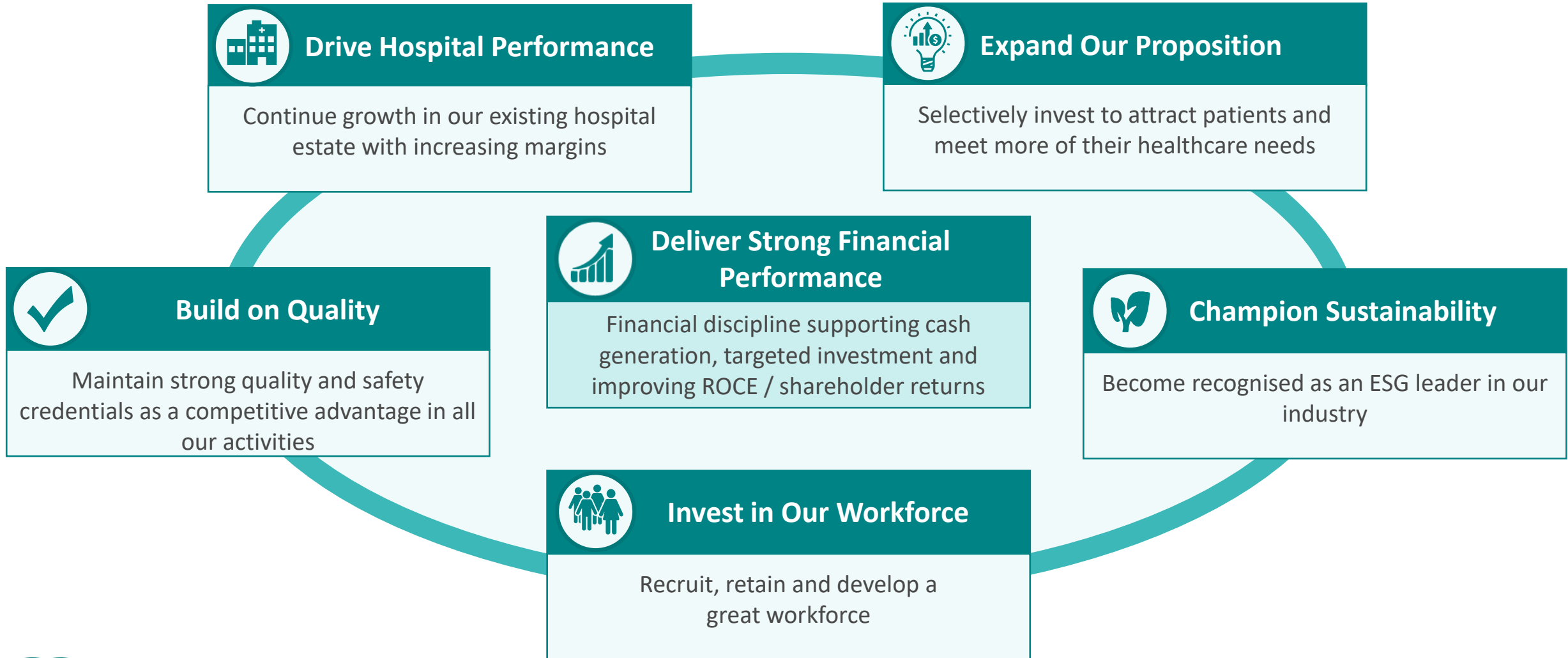


H1 23 Overview

Justin Ash, Chief Executive Officer

Looking after you.

Our strategy: Meet UK Healthcare needs by running great hospitals and developing new services



H1 23 – Strong H1 performance

Revenue
£676.5m



(vs H1 22: up 13.1%)

Adjusted
EBITDA
£117.9m



(vs H1 22: up 11.4%)

Adjusted
EBIT
£67.8m



(vs H1 22: up 24.2%)

Profit
before tax
£20.3m



*(H1 22: £3.0m;
up 577%)*

Good progress on
savings

*On track to deliver at
least £15m cost savings in
2023*

ROCE
6.9%



(H1 22: 5.2%)

Delivering on our purpose

98% of inspected sites
'Good' or 'Outstanding'
CQC (or equivalent in Scotland and Wales)

96% patients rating
experience as
'Good' or 'Very Good'

87% agree that our
care has made a
positive difference
(+1ppt vs H1 22)

93% agree that
our care was
outstanding
(+1ppt vs H1 22)

95% agree that
our care was
personalised
(+1ppt vs H1 22)

Source: Spire Healthcare Patient Discharge Survey
Base: 2023 n=26,204 (except 'positive difference' n=24,018)

Notes: Scores shown are based on data from January to June 2023, change measured versus the same period in 2022. 'Positive difference' excludes 'Too early to tell'

Strong underlying growth

Market: Continued strong demand across payors

PMI

Outstanding growth

Self-pay

Remains at historic
highs

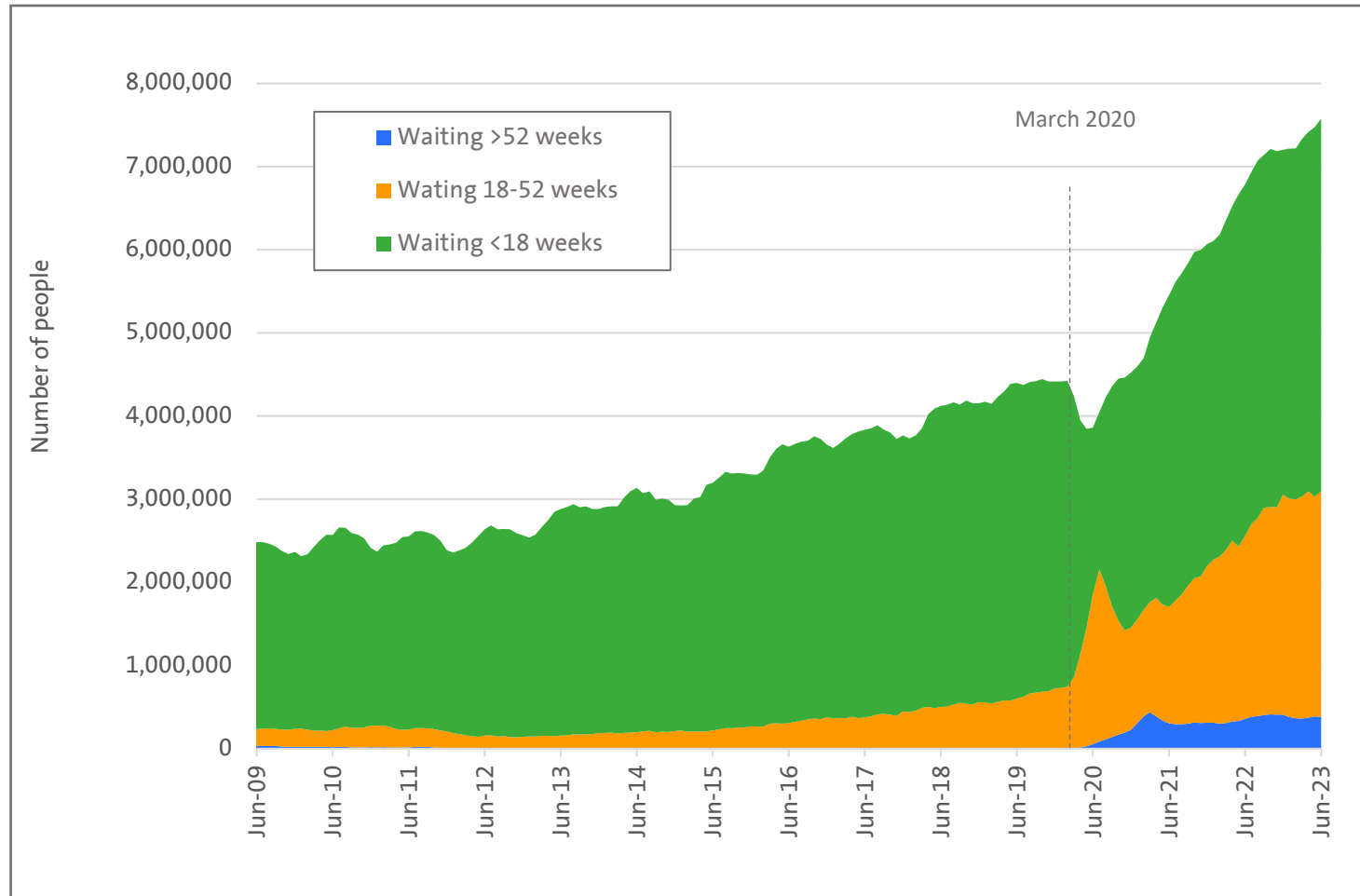
NHS

Growth in eRS
referrals and
orthopaedics

Non-hospital

Strong demand for
private GP
Integrating DCG

NHS Waiting Lists reached 7.6 million in June 2023

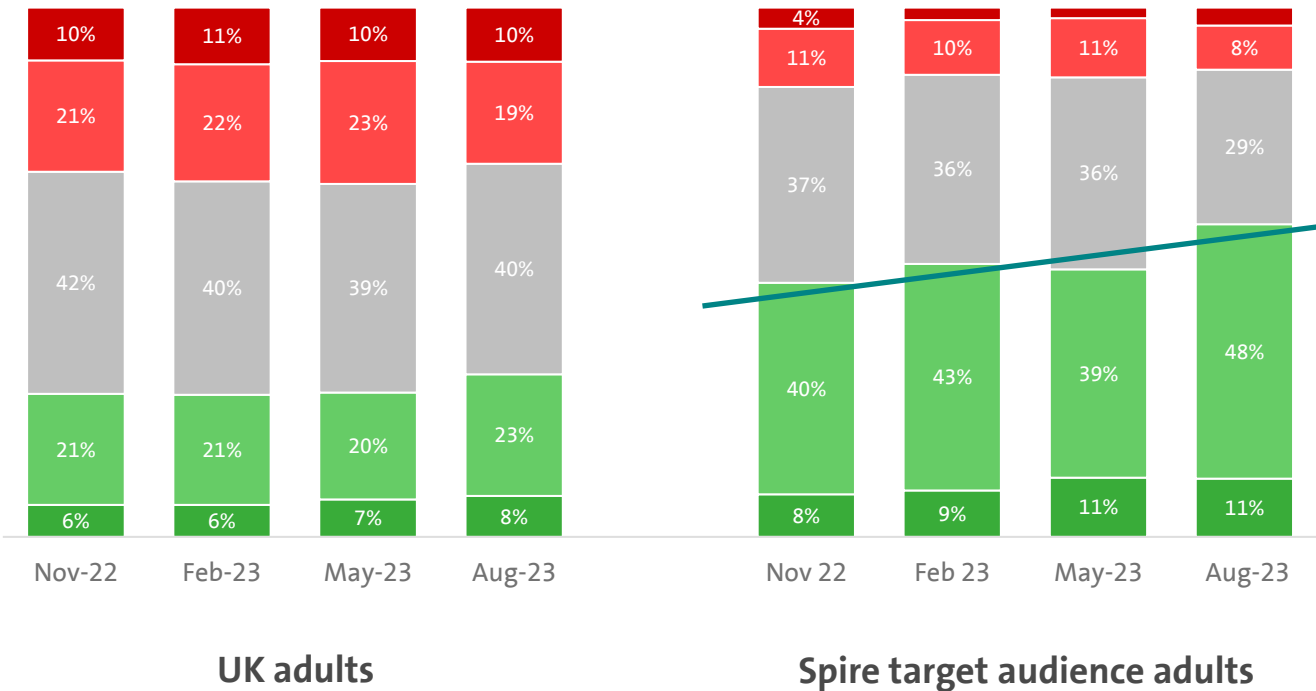


Source: NHS England: <https://www.england.nhs.uk/statistics/statistical-work-areas/rtt-waiting-times/>

Confidence increasing in our target audience

Which one of the following best describes how you feel about your financial situation at the moment?

- Finding it very difficult on present income
- Finding it difficult on present income
- Coping on present income
- Comfortable on present income
- Very comfortable on present income



Source: Quarterly Omnibus Survey May 22 – August 23 amongst ~250 adults (range 206 – 264) qualifying as Spire target audience
Spire target audience: 35+, £50k household income OR retired and living comfortably

Strong underlying growth

Market: Continued strong demand across payors

PMI

Outstanding growth

Revenue up 15.6%

Self-pay

Remains at historic
highs

Revenue up 2.5%

NHS

Growth in eRS
referrals and
orthopaedics

NHS revenue up 17.1%

Non-hospital

Strong demand for
private GP
Integrating DCG

GP revenue up 45% LFL

Private revenue up 10.4%

OH revenue up 41%

Thank you to our people





Spire Healthcare

H1 23 Financial Review

Jitesh Sodha, Chief Financial Officer

Looking after you.

Financial headlines H1 23: P&L

Revenue
£676.5m
+13.1%

(H1 22: £597.9m)

Adjusted
EBITDA
£117.9m
+11.4%

(H1 22: £105.8m)

Adjusted EBIT
£67.8m
+24.2%

(H1 22: £54.6m)

Adjusted Profit
Before Tax
£22.3m
+159.3%

(H1 22: £8.6m)

Adjusted EBITDA
Margin
17.4%

*(H1 22: 17.7%)
(FY22: 17.0%)*

Adjusted EBIT
Margin
10.0%

*(H1 22: 9.1%)
(FY22: 8.8%)*

Statutory Profit
After Tax
£12.7m

*(H1 22: Loss
£0.6m)*

Financial headlines H1 23: balance sheet

Capex
£36.1m

(H1 22: £38.8m)

Net bank debt
£248.5m

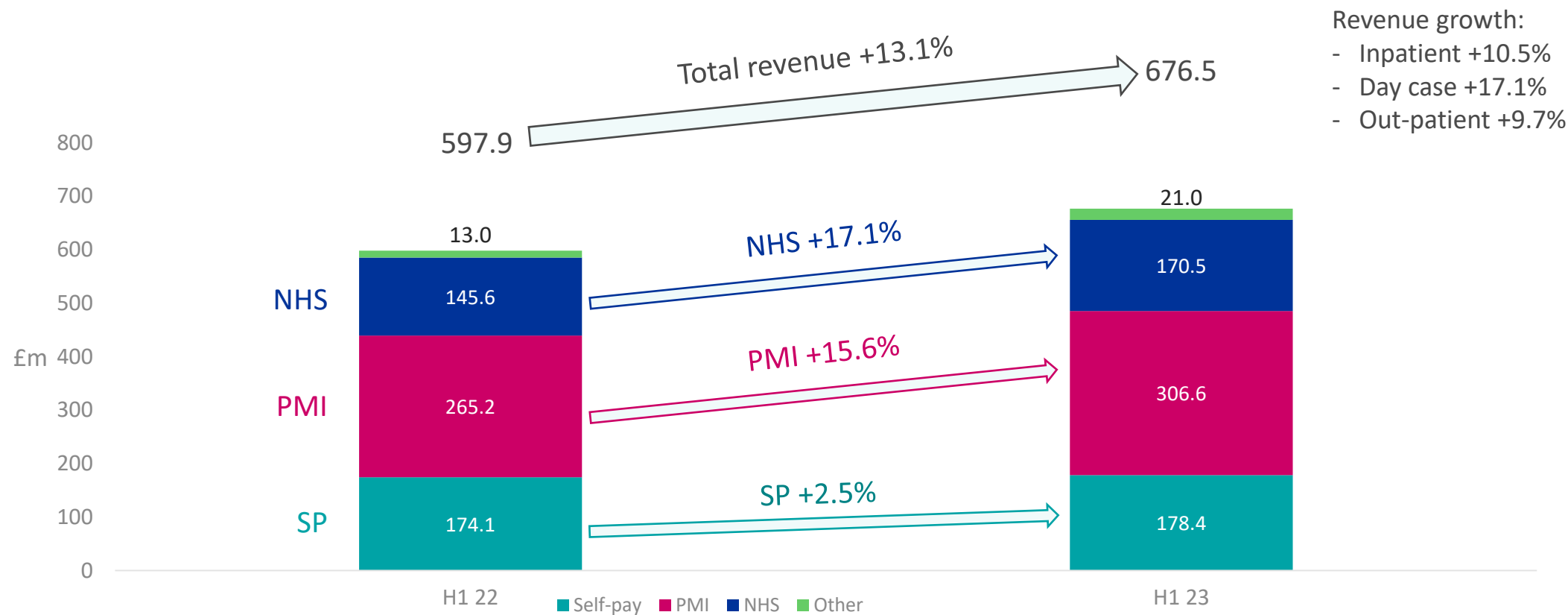
(End FY22: £250.1m)

EBITDA covenant ratio
(Net Debt/EBITDA)
2.1x

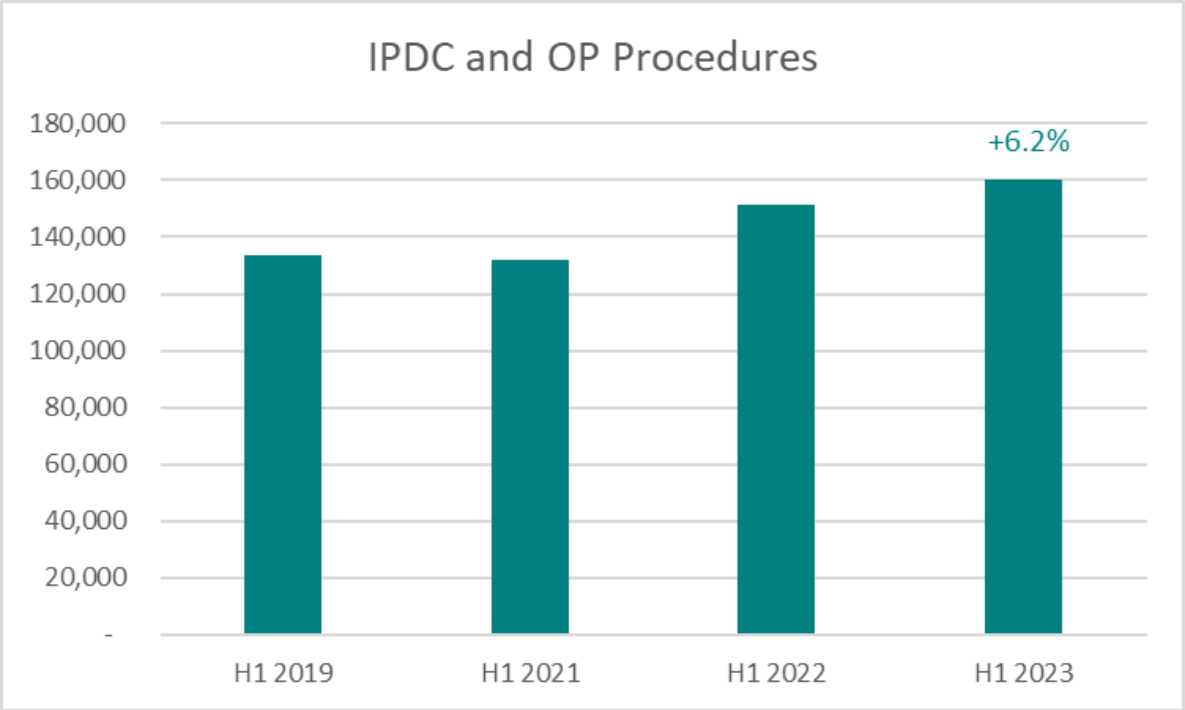
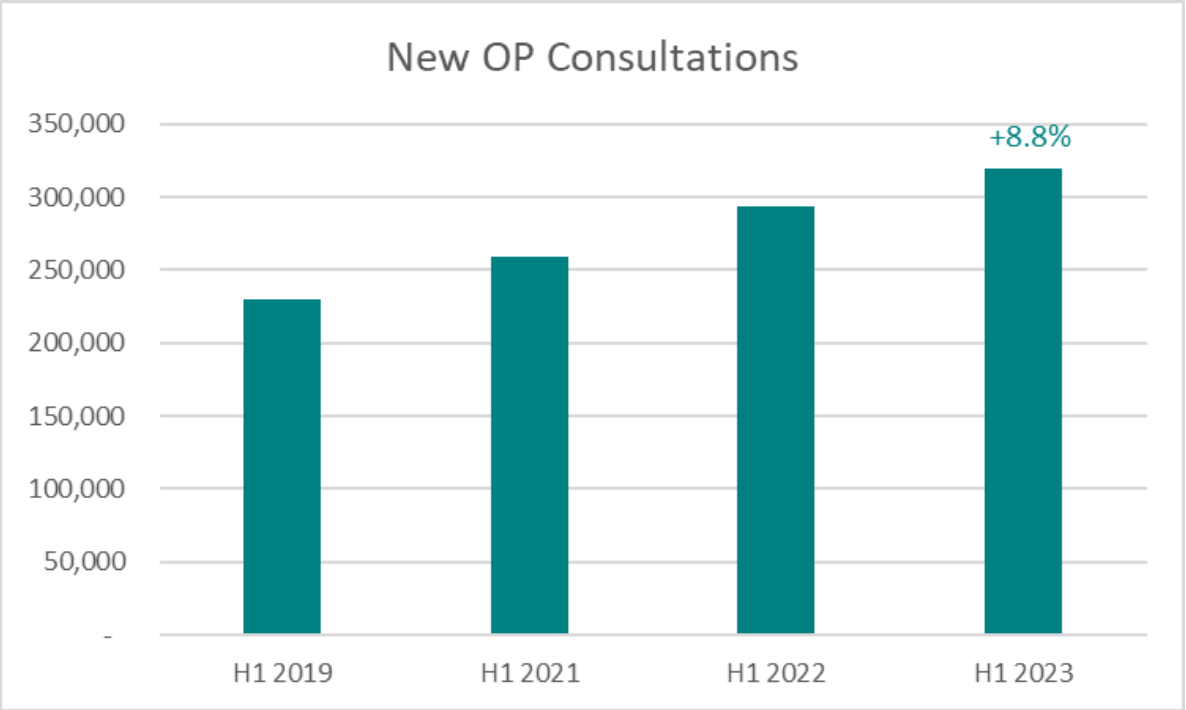
(End FY22: 2.2x)

- Full-year capex expected to be in target range of 6-7% of revenue
- Net bank debt similar to year end with working capital outflow of £19.2m due to seasonality and over-performance on NHS volumes
- Extended funding facility by 1 year to Feb 2027
- Interest rate hedge: 75% covered to Apr 2024; 50% thereafter to Feb 2026

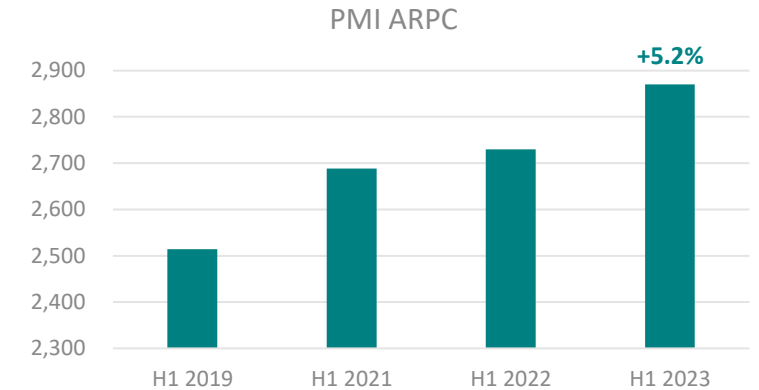
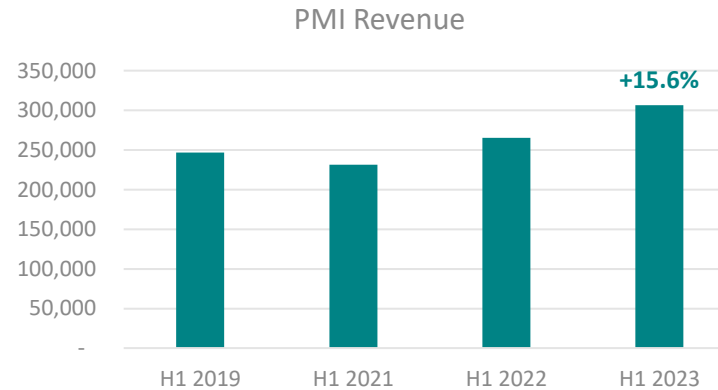
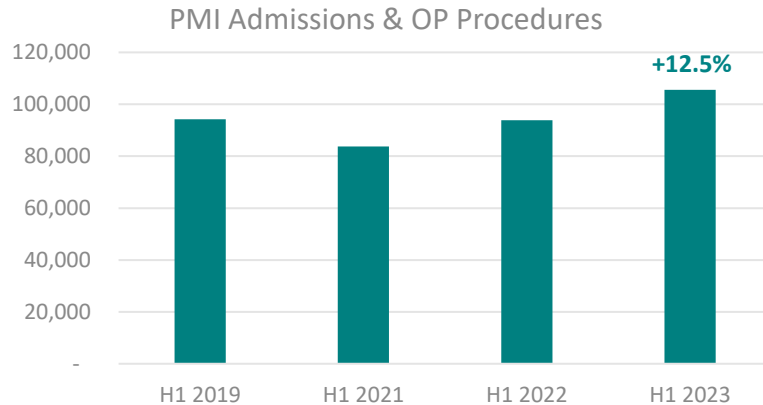
Revenue growth across all payors



Private volumes – strong outpatient and procedures growth

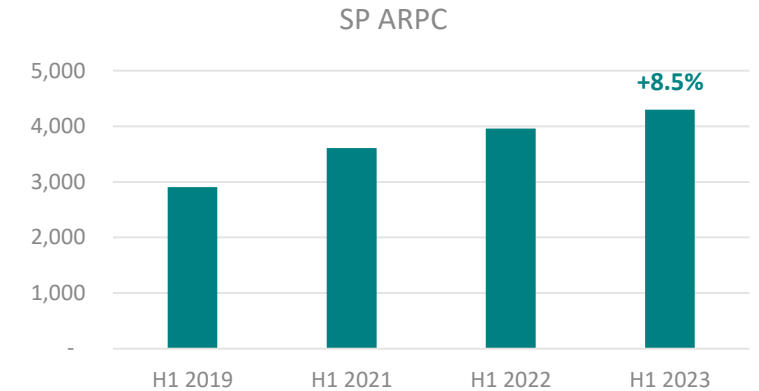
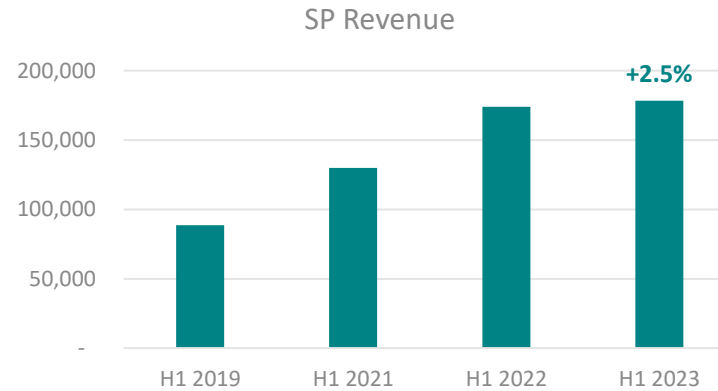
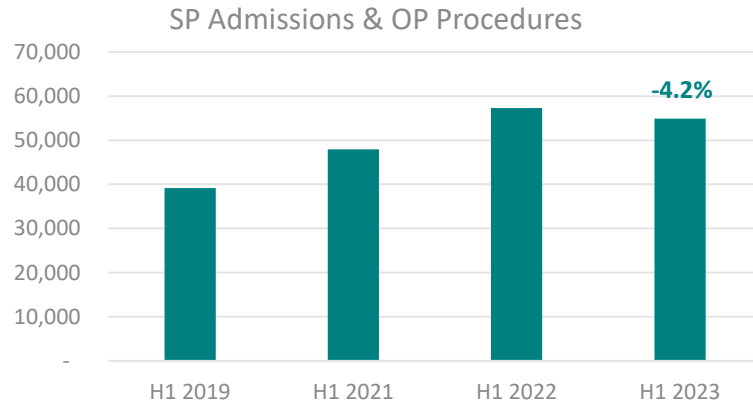


PMI – Continued admission and ARPC growth



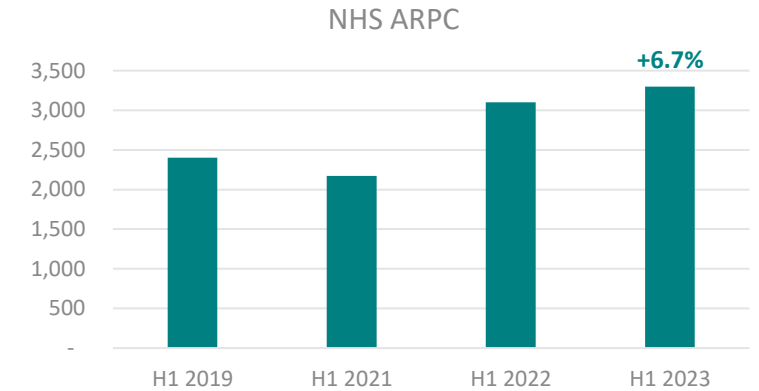
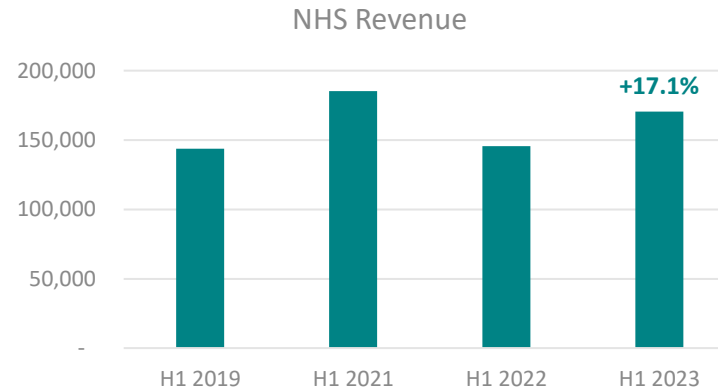
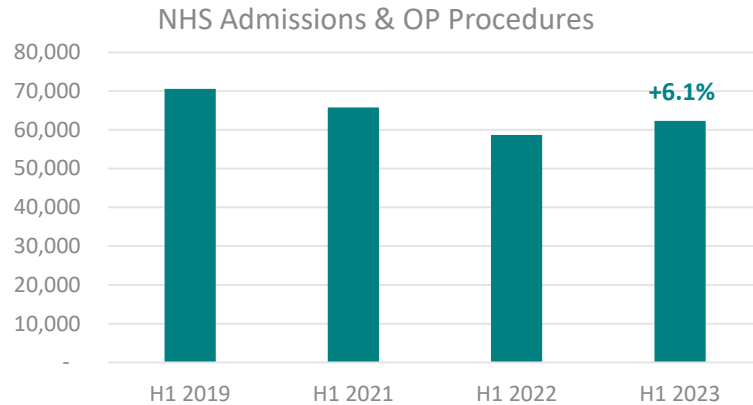
- Growth of the medical insurance market, with more private and corporate policies
- Incremental volume growth from long-term arrangements with PMIs
- Higher OP admissions and procedures than pre-COVID
- Annual price increases in Q1, based on PY inflation, greater benefit in Q2 and beyond (ARPC growth: Q1 3.8%, Q2 6.6%)

Self-pay – Continued admission and ARPC growth



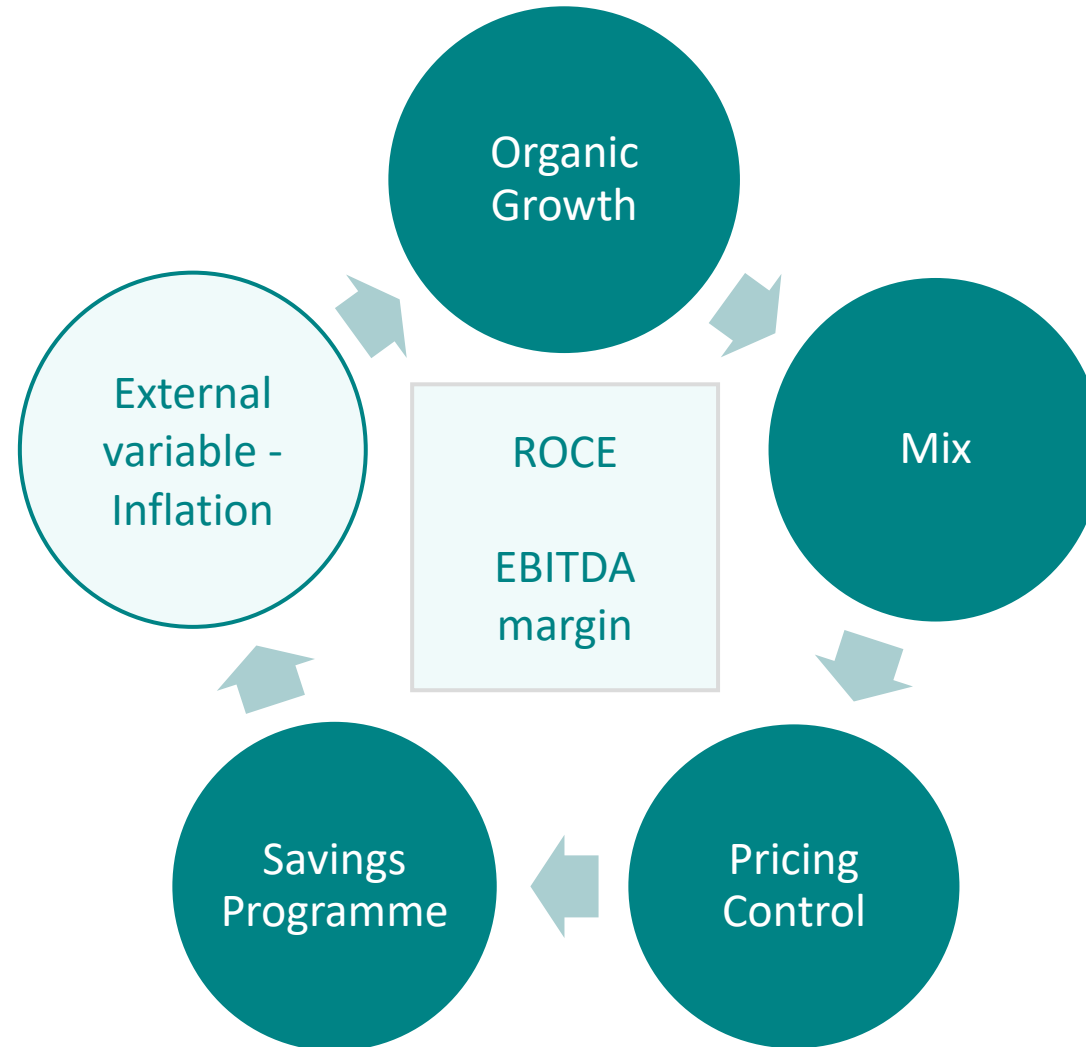
- Revenue growth from record levels
- Enquiries remain at record levels
- Continued mix management
- Active management of pricing and volume
- TV focus on H2 advertising

NHS – Continued admission and ARPC growth

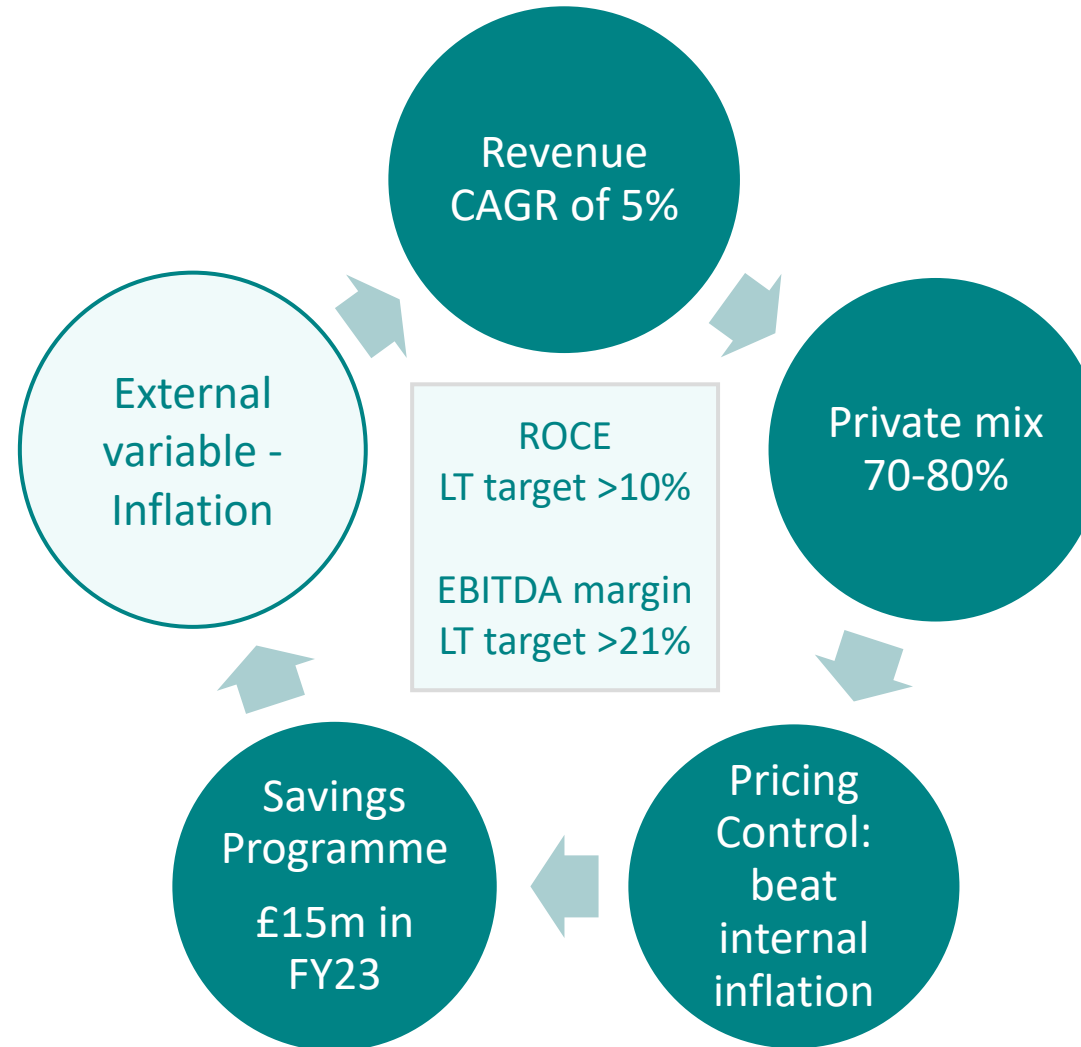


- Increasing referrals through eRS and supporting NHS trusts long waiters
- Orthopaedic volumes up 17.8% YOY; now c.50% of all Spire NHS activity
- Circa 4% NHS tariff uplift from 1 April 2023

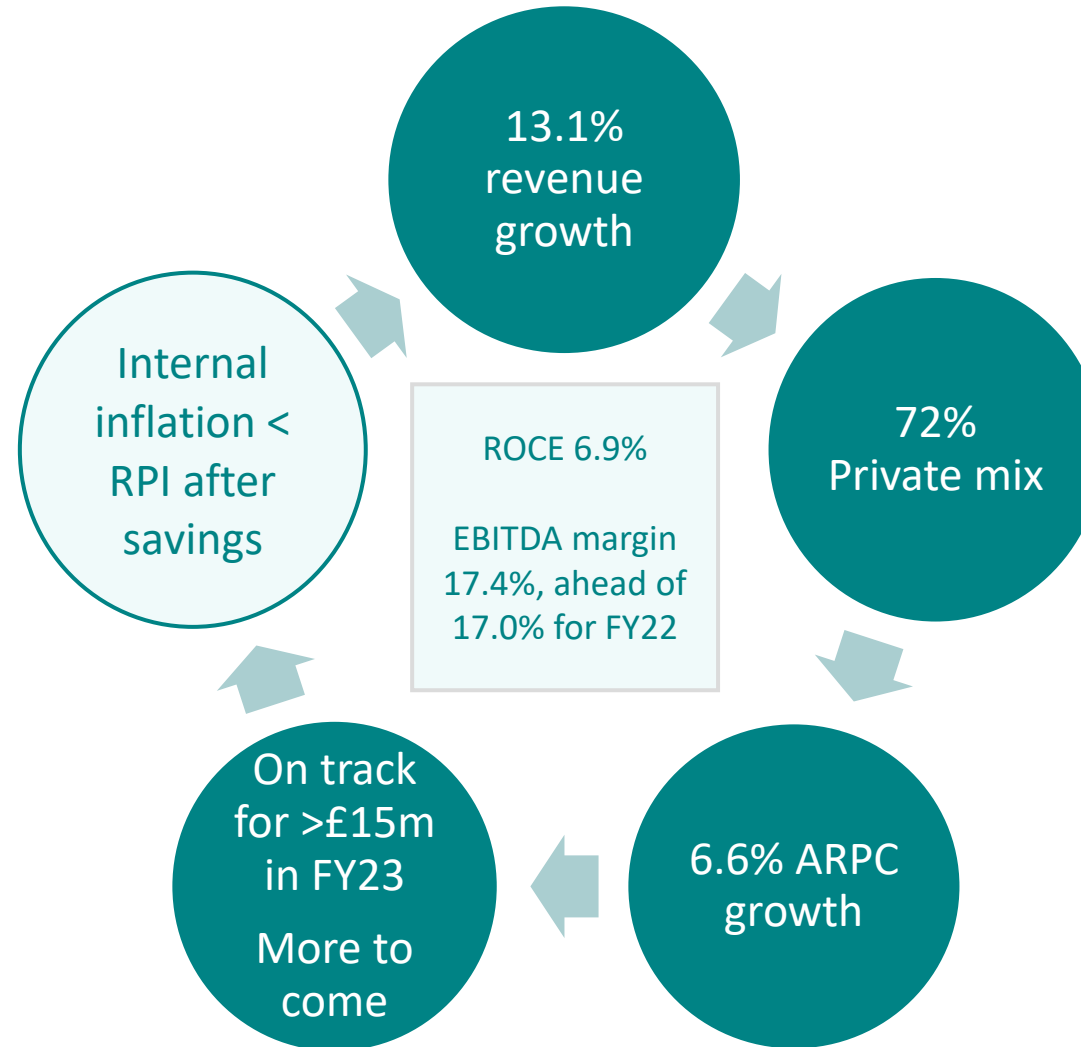
Managing margin and financial return



Managing margin and financial return – Mid-term targets



Managing margin and financial return – Performance in H1 23



Good progress in H1 23

Continued to provide high quality care to meet the strong demand
Results in line with our expectations for the full year
Delivered strong revenue, EBITDA, EBIT and PBT growth

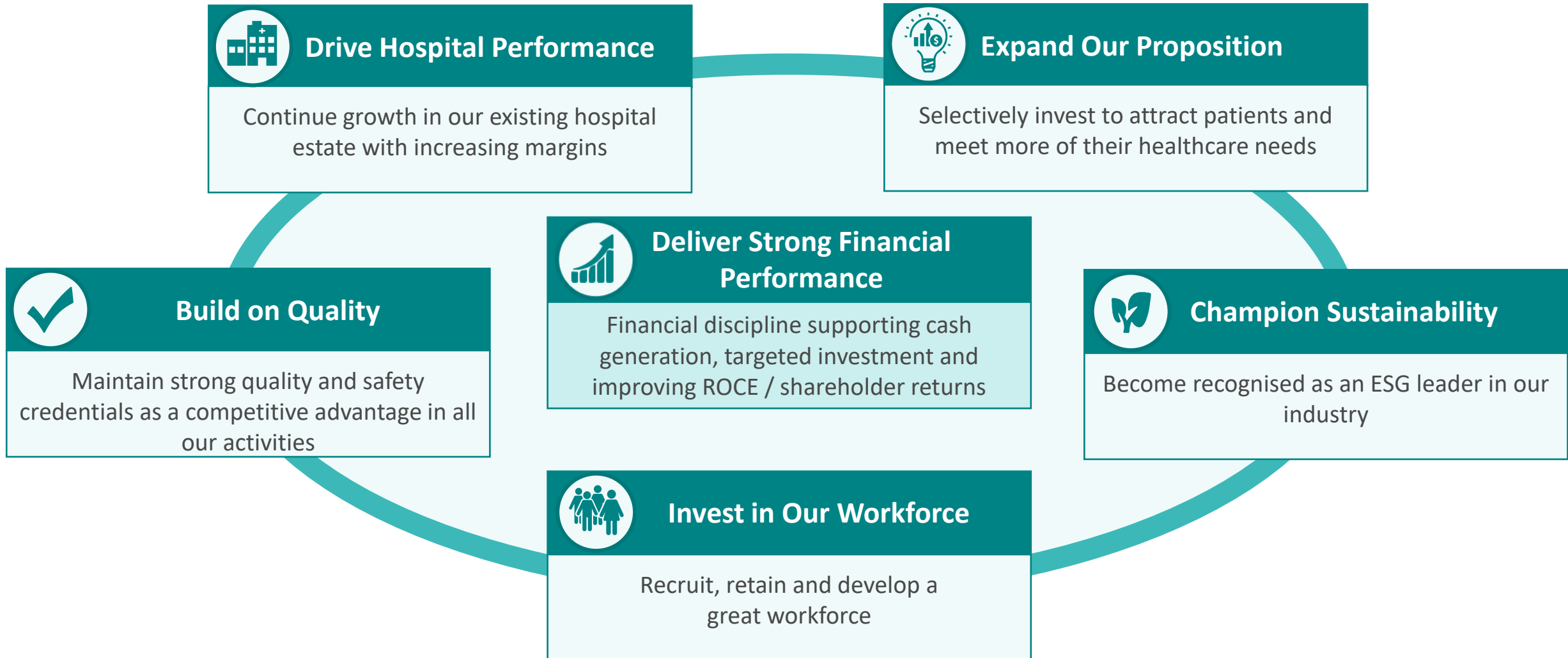


Summary and Outlook

Justin Ash, Chief Executive Officer

Looking after you.

Our strategy: Meet UK Healthcare needs by running great hospitals and developing new services



Drive hospital performance – admissions up 7.4%

Increasing Utilisation



Outpatient Centre, Yale



New CT, Gatwick



Ophthalmology Centre
Cambridge

Operational Efficiency



1st Admin Hub
Juniper House

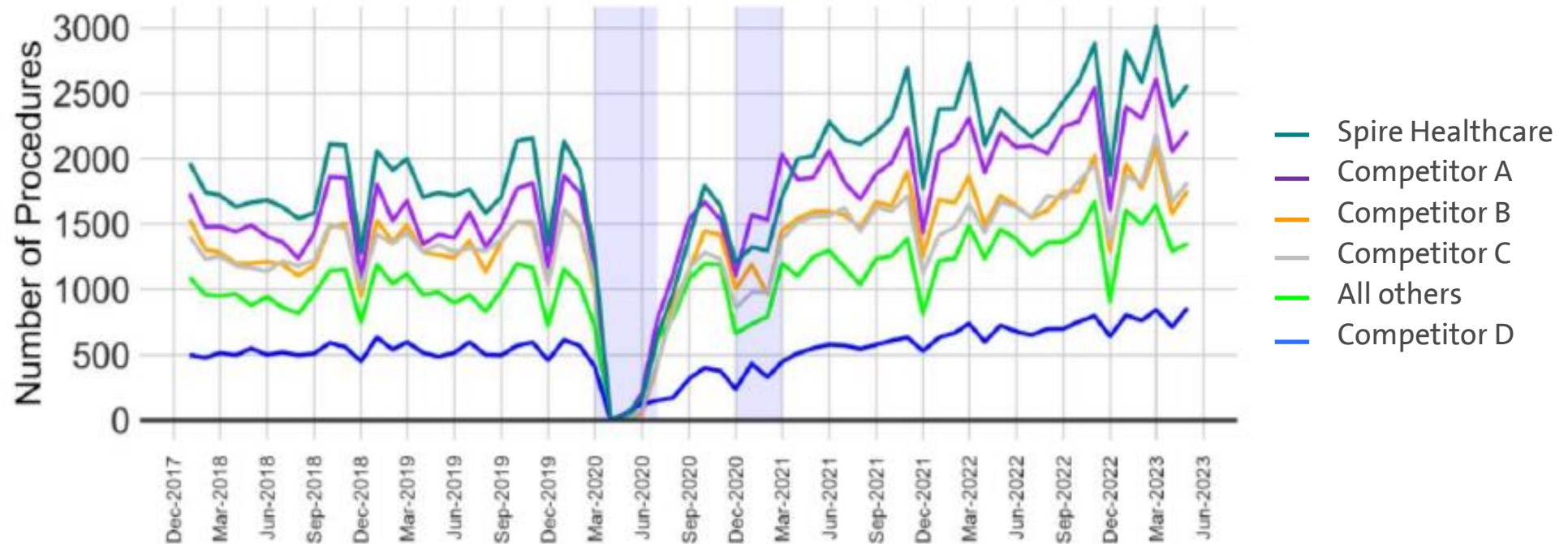
New Acute Services



Cardiac Surgery
Manchester & Nottingham

Leading private hip and knee provider

Hip & Knee Procedures Volume among independent sector providers



Source: Spire Healthcare analysis of NJR data

Expanding our proposition

OH businesses performing to plan

- Revenue up 41% LFL
- Addressing the health crisis behind the waiting list crisis
- Welcome Government's proposals to incentivise employers to offer OH support to their employees

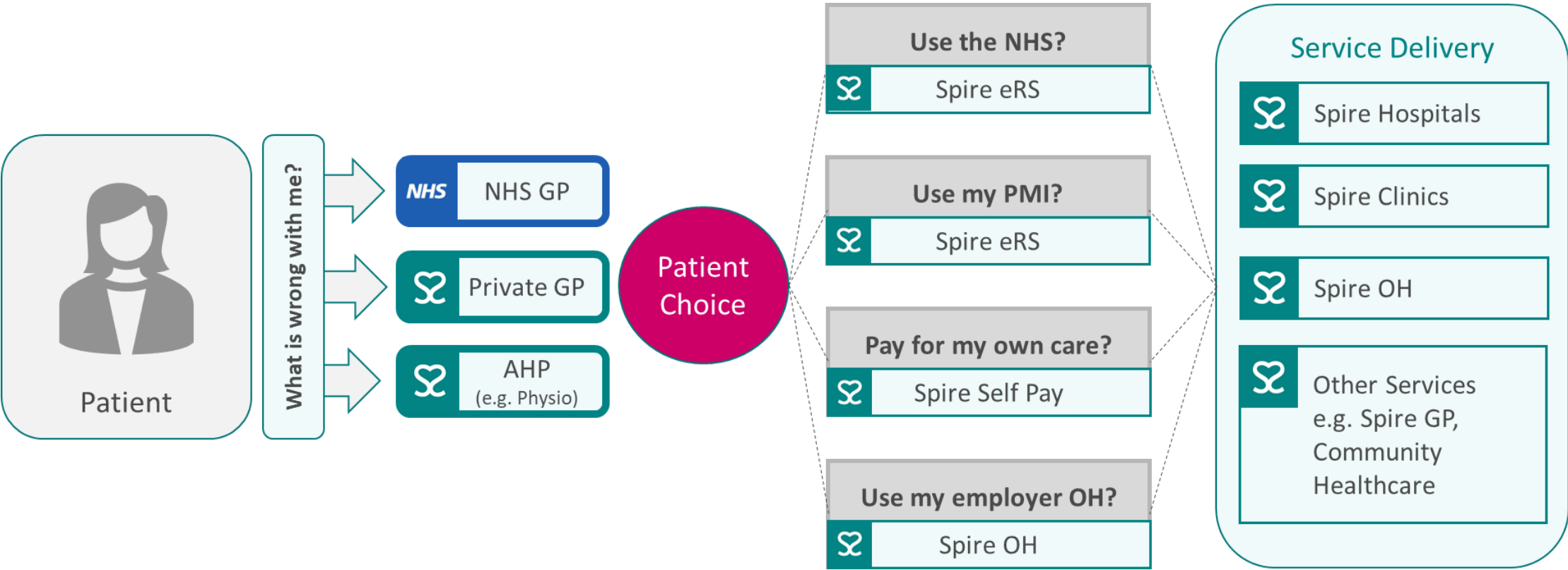
Expanding private GP services

- Revenue up 45% LFL
- Opened one new GP centre in London during H1; moved a GP centre to a larger location in Liverpool Street
- Three more new GP centres opened in August

Opening new clinics

- Started construction at Abergele and Harrogate; expected to open by end of FY23
- Further sites being scoped for 2024

Spire well positioned through patient journey in age of choice



The sooner you're better, the better

Build on Quality / Invest in our Workforce / Champion Sustainability

Build on Quality

- 98% Good or Outstanding
- Rolling out NHS England Patient Safety Incident Response Framework (PSIRF)

Invest in Our Workforce

- Material reduction in staff turnover
- Completed insourcing of recruitment
- Rewarding our colleagues
 - 5.5% colleague salary increases with effect from 1 Sep 23
 - In line with the Real Living Wage
- 25 new apprentices
- New development initiative for existing nurses








Champion Sustainability

- Removal of piped NO₂; installations of LED lighting; more recycling; optimisation of building management systems
- Carbon reduction proceeding to plan; on track for net carbon zero by 2030

Recognition for strategic progress made



Positive H1 implications for financial objectives

Long-term Financial Objectives	 Hospital Growth	Outperform UK hospital market growth volume + ARPC c.5% CAGR (plus high inflation related increases)
	 New Services	>£50m of additional revenue – build, buy, partner
	 EBITDA Margin	>21% supported by continuous cost savings programme
	 ROCE	>10% (in excess of Spire's cost of capital)
Financial Framework	 Payor Mix	70-80% Private, dependent on NHS commissioning
	 Organic Capex ¹	6-7% of Revenue
	 Cash Conversion ²	c.100%
M&A / Other		Disciplined approach assessed on a case-by-case basis

1. All site capex incl expansion capex, IT, digitisation and projects

2. Adj operating cash flows as a proportion of Adj EBITDA

Outlook for H2

- Expect to make further good progress and continued delivery of the Group's strategy
- Continued momentum in revenue growth, margin and ROCE improvement
 - Market demand remains strong
 - Continued PMI growth and self-pay performance – new marketing campaign
 - Increase in NHS activity – patient choice
 - Further progress on workforce
 - Savings and efficiency programme – continued focus
 - Active management of our pricing
 - Margin improvement in H2

Summary

Strong financial and operational performance delivered during the period in line with FY23 expectations

Momentum has continued; laying good foundations for 2023 and beyond



Spire Healthcare

H1 23 Results Presentation

14 September 2023



Looking after you.

Appendix

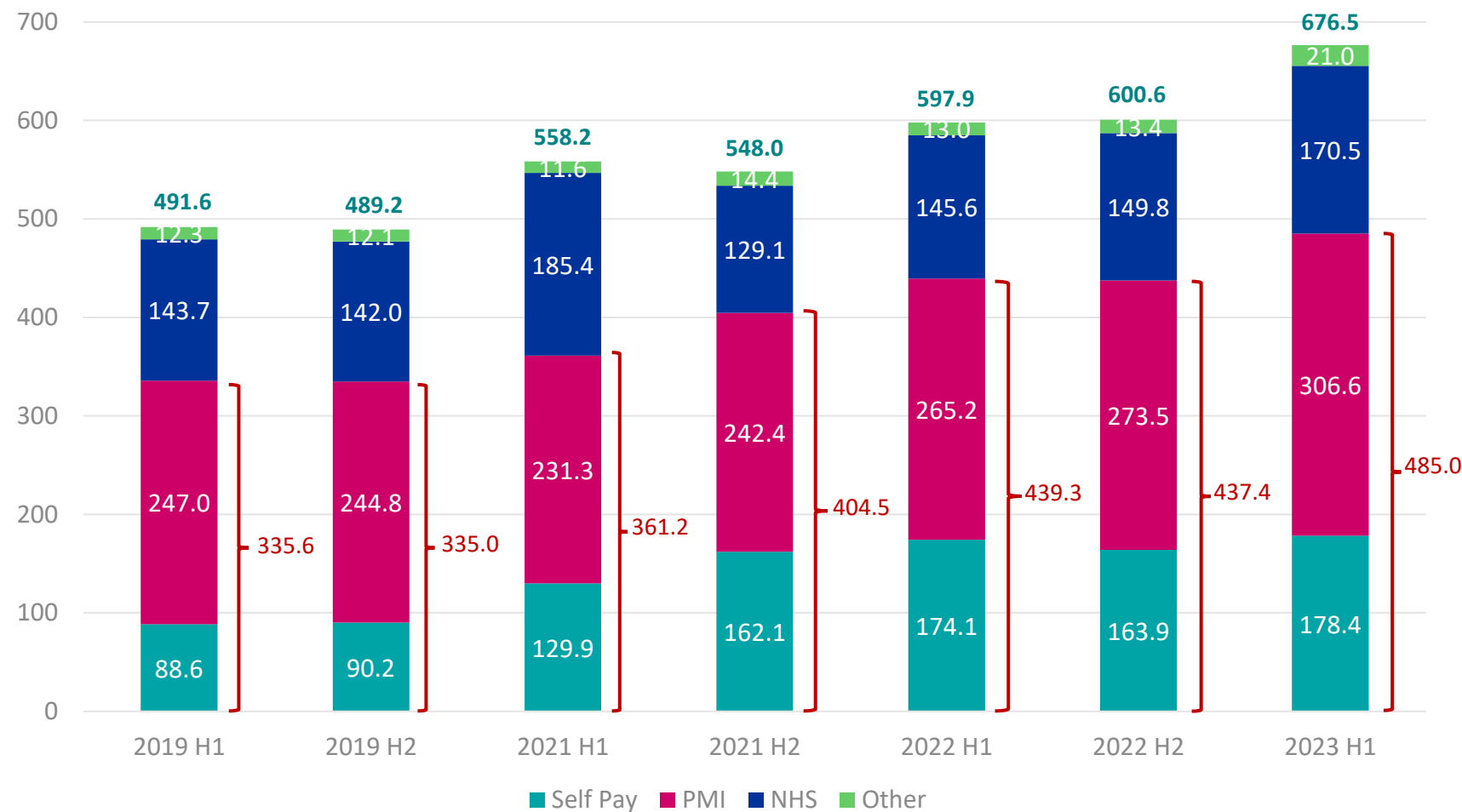
Technical guidance for 2023

Total property rent	c.£92-97m (FY22: £93.7m)
D&A	c.£100-105m (FY22: £97.9m)
Capex*	c.£80-90m (FY22: £90.1m)
Net financing costs	c.£90-98m (FY22: £94.6m)
Tax**	Effective corporate tax rate between 30-40% as a result of deferred tax movements (FY22: NM)
Net bank debt	c.£220-270m (31 December 2022: £250.1m)

* Excludes Capex on clinics or adjacent propositions

** The tax effective rate is driven by the statutory rate of 25%, adjusted for disallowable items (eg non-qualifying depreciation) and movements on deferred tax (primarily in respect of IFRS 16 leases)

Revenue by Payor

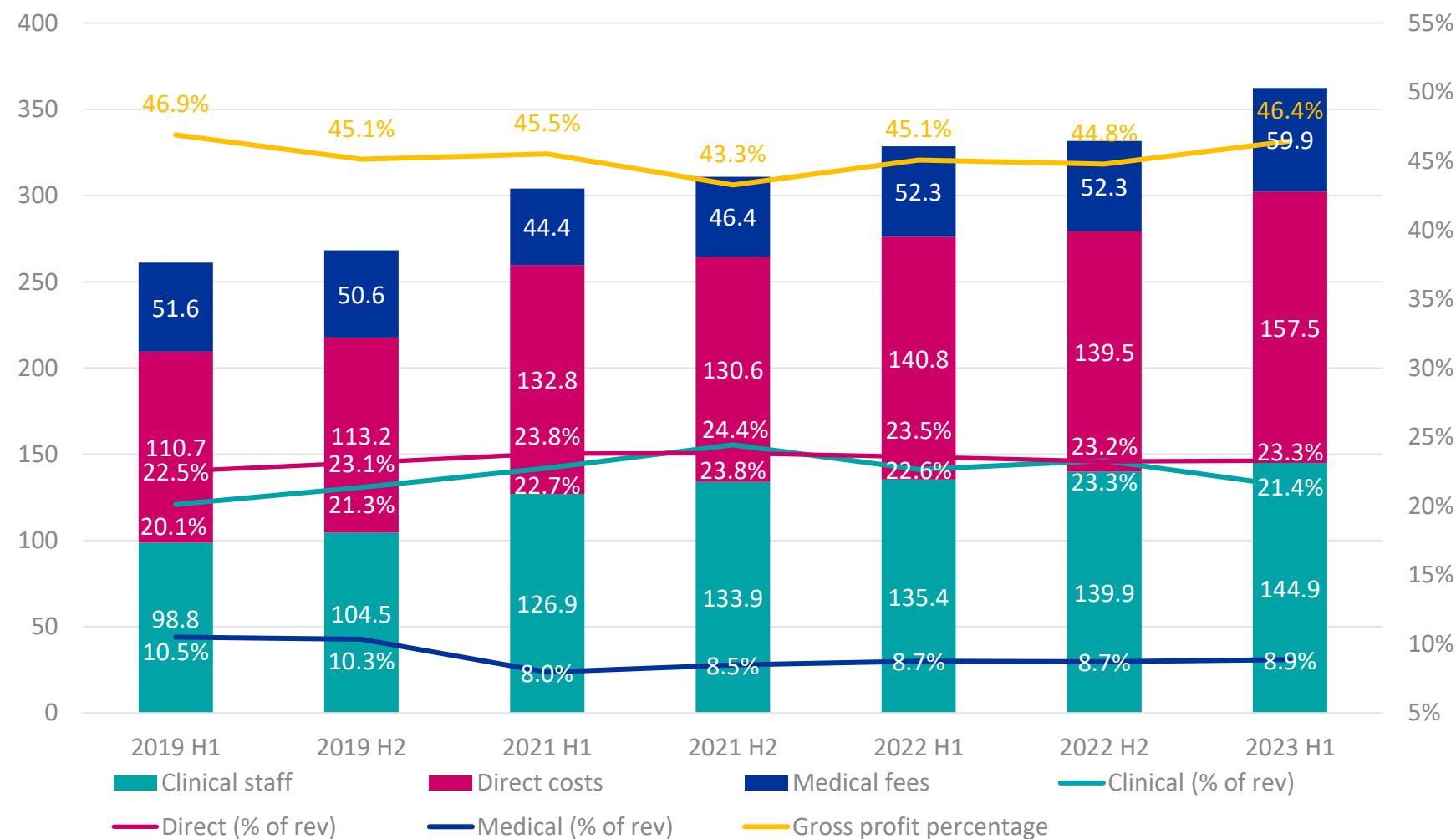


Maintained higher ARPC – reflects pricing, private mix and acuity

	H1 19				H1 22				H1 23			
	PMI	Self-pay	Total private	NHS	PMI	Self-pay	Total private	NHS	PMI	Self-pay	Total private	NHS
IPDC admissions ('000)	61.6	23.5	85.1	46.8	58.5	35.7	94.2	37.4	65.7	33.6	99.3	42.0
ARPC (£)	2,514	2,905	2,622	2,404	2,729	3,961	3,197	3,090	2,870	4,297	3,354	3,298
Total revenue (£m)	247.0	88.6	335.6	143.7	265.2	174.1	439.3	145.6	306.6	178.4	485.0	170.5

Note: NHS ARPC is stated gross of consultant fees

Cost of sales analysis

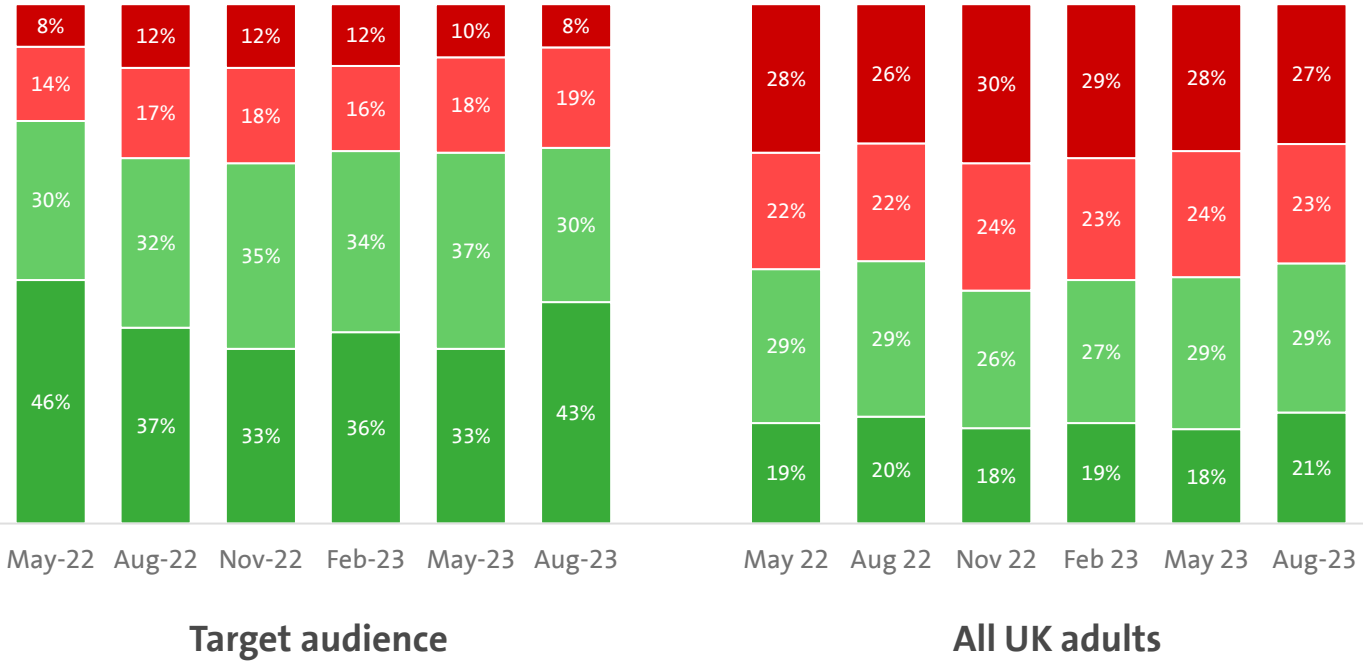


UK adults and our target audience - Ease of accessing £5k

How easily could you access £5,000 for medical treatment if you felt you really needed to?

- Target audience remains more resilient than the population at large

- It would be impossible
- It would be very difficult
- It would be a little difficult, but possible
- This wouldn't be a problem

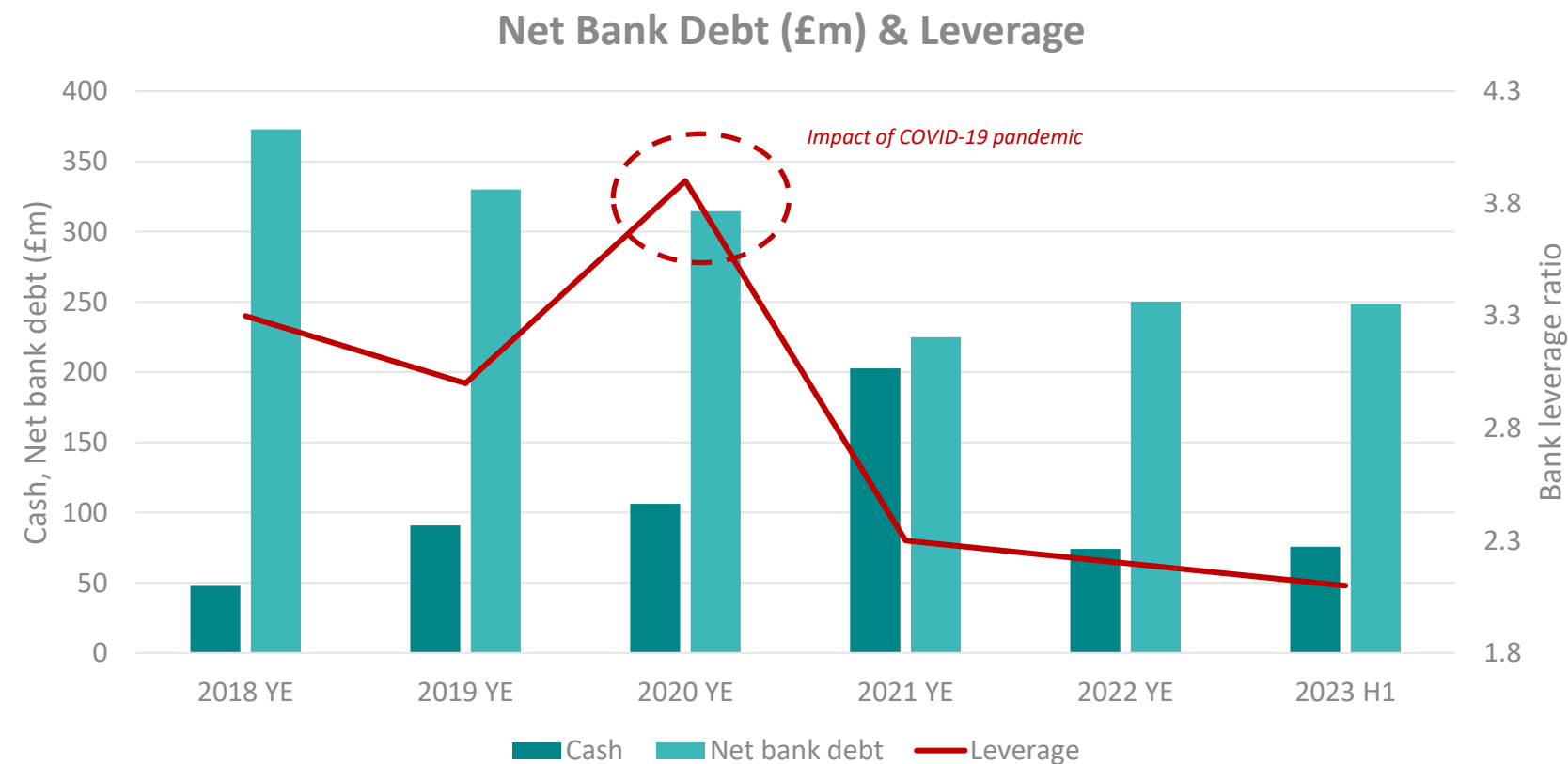


Source: Quarterly Omnibus Survey May 22 – August 23 amongst ~1,000 adults (range 1,000 – 1,021) representative of the UK population; ~250 adults (range 206 – 264) qualifying as Spire target audience
Spire target audience: 35+, £50k household income OR retired and living comfortably

Cash flow

£m	H1 19	H1 21	H1 22	H1 23
Cash from operating activities	97.0	97.0	102.0	115.8
Working capital movement	(11.8)	(11.3)	(10.5)	(19.2)
Capex	(21.3)	(29.5)	(44.0)	(30.8)
Other investing activities	-	-	-	(2.5)
Financing activities	(55.0)	(46.4)	(54.3)	(61.8)
Repayment of senior loan facility	-	-	(100.0)	-
Tax	1.8	-	-	-
Increase/(Decrease) in cash	10.7	9.8	(106.8)	1.5
Opening cash balance	47.7	106.3	202.6	74.2
Closing cash balance	58.4	116.1	95.8	75.7

Cash and Net Bank Debt



Cash & Borrowings

£m	31 Dec 20	31 Dec 21	31 Dec 22	30 Jun 23
Bank borrowings	420.8	427.5	324.3	324.2
Cash	106.3	202.6	74.2	75.7
Net bank debt	314.5	224.9	250.1	248.5

£m	31 Dec 20	31 Dec 21	31 Dec 22	30 Jun 23
Bank borrowings	420.8	427.5	324.3	324.2
Lease liabilities (under IFRS 16)	749.5	837.8	866.5	864.6
Total borrowings	1,170.3	1,265.3	1,190.8	1,188.8