



Spire Healthcare

H1 20 Results Presentation

17 September 2020



Looking after you.

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Any problems please e mail [Laura.Young@ spirehealthcare.com](mailto:Laura.Young@spirehealthcare.com)

Agenda

H1 20 Overview

Justin Ash, Chief Executive Officer

H1 20 Financial Review

Jitesh Sodha, Chief Financial Officer

Operations and Strategy Review

John Forrest, Chief Operating Officer

Q&A



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H1 20 Overview

Justin Ash, Chief Executive Officer

Looking after you.

H1 20 highlights

**Strong momentum in
January and February**

**Provided vital
support to NHS
during COVID
pandemic**

**Strengthened the
Spire business**

**Building momentum
in private and
operational
efficiencies in H2**

Strong platform to deliver growth in 2021 and beyond

Retained focus on strategy whilst responding to COVID pandemic

Strong momentum in Jan/Feb

- Private revenues grew over 3% in January and February
- 9% growth in self pay
- Sharp declines from mid March

Provided vital support to NHS

- Historic agreement to support NHS
- Strengthened relationships at local and national level
- Amended contract to reduce waiting lists/increase private

Built safe and efficient clinical pathways

- Major cross-training exercise
- Implemented safe pathways to preserve elective capability
- Invested in COVID-19 testing and operational flexibility

Retained focus on strategy whilst responding to COVID pandemic

Strengthened the Spire business

- Protected cash/liquidity
- Accelerated efficiency programmes
- New Group Medical Director and Group General Counsel
- Continued focus on governance

Supported our colleagues

- Individual risk assessments
- Digital platforms to maintain communication
- Mental health support programmes
- Let's Talk platform to promote diversity and inclusion

Building momentum in H2

- PMI and self-pay recovering rapidly
- Strong need from local NHS system
- Latent PMI/self-pay demand as NHS contract limits private capacity to end 2020

Our go forward strategy remains unchanged



**First choice for
private
patients**



**NHS key
partner**



**Uncompromising
on patient safety**



**Improving
revenue, profit
and cash**

2021: Set up for success in the “new normal”

First choice for private patients

- Re-growing private remains key focus
- Extend PMI partnerships eg cancer centres of excellence
- Strong self-pay generation and response systems
- Expect strong demand in PMI and self pay

NHS key partner

- c. 10m people on shadow waiting lists by year end
- Expect to participate in waiting list initiative
- New, positive relations at local level
- NHS may be a higher proportion of activity in 2021 than 2019

Uncompromising on patient safety

- Continued focus on quality, especially medical management
- Build on 90% ‘Good’ or ‘Outstanding’
- Accelerate estate capex
- Safe and efficient pathways to maximise capacity

Improving revenue, profit and cash

- Cost of COVID-19 testing and staffing ratios
- Benefit from efficiency programmes
- Leverage our digital investment
- Return to more normal levels of profitability



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H1 20 Financial Review

Jitesh Sodha, Chief Financial Officer

Looking after you.

H1 20 key messages

Strong start to year

**Moved quickly to
NHS agreement**

**Focussed on cash
management**

**Significant pent up
demand**

Financial headlines H1 20: P&L

Revenue
£401.9m

(H1 19: £491.6m)

Adjusted EBITDA
£61.6m

(H1 19: £96.8m)

Adjusted EBIT
£14.9m

(H1 19: £51.4m)

Adjusted loss
before tax
£26.6m

(H1 19: £10.0m profit)

Adjusting items
£204.7m

(H1 19: £0.4m)

Loss after tax
£233.1m

(H1 19: £7.1m)

Financial headlines H1 20: balance sheet

Capex
£19.5m

(H1 19: £19.7m)

Working capital
benefit
£13.2m

*(H1 19: £11.8m
reduction)*

Net bank debt
unchanged
£330.6m

*(FY19: £330.0m,
H1 19: £362.2m)*

Facility and
covenant waiver
extended

Dividend
suspended

Goodwill write
down **£200m**

NHS contracts

- Signed in March 2020 with NHS England, similar agreements with NHS Wales and Scotland followed
- All hospitals, staff, clinical expertise and resources made available to NHS
- Cash costs covered including operating costs, overheads, rent and interest plus a cost of capital
- Capex and non-hospital services excluded
- Credit to NHS for private work completed
- Heads of Terms for variation agreed with NHSE in August, confirmed end date no later than 31 December
- Ring fenced capacity for private work
- Incentives for delivery of private volumes whilst meeting NHS activity requirements
- Working towards similar variation in Wales
- Scotland contract terminates end September

Revenue by payor

	H1 20 (£m)	H1 19 (£m)	Variance (%)
PMI	145.8	247.0	(41.0%)
Self-pay	47.7	88.6	(46.2%)
Total private	193.5	335.6	(42.3%)
Total NHS	200.4	143.7	39.5%
Other	8.0	12.3	(35.0%)
Total revenue	401.9	491.6	(18.2%)

Strong cash position maintained

	H1 2020 (£m)
Cash from operating activities	58.8
Working capital movement	13.2
Capex	(28.1)
Financing activities	(47.4)
Other	3.6
Increase in cash	0.1
Opening cash balance	90.8
Closing cash balance	90.9

Supportive lenders and extension of Senior Facility maturity

Already confirmed waivers for covenant testing for June & December 2020

Waiver now also agreed for June 21 testing. Monthly Liquidity Measure is now in effect.

Lenders have also agreed to one year extension to the maturity of the Senior Facility to July 2023

	June 20 (£m)	June 19 (£m)
Bank borrowings	421.5	420.6
Cash	90.9	58.4
Net bank debt	330.6	362.2

	June 20 (£m)	June 19 (£m)
Bank borrowings	421.5	420.6
Lease liabilities (under IFRS 16)	740.3	721.2
Total borrowings	1,161.8	1,141.8

Outlook – well positioned for the “new normal” in 2021

Significant pent-up demand

Strong position to service demand with safe and efficient pathways established

H2 20 expected to be in-line with H1 20
Potential upside from NHS contract incentives

Trading returning to 2019 levels in 2021



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Operations and Strategy Review

John Forrest, Chief Operating Officer

Looking after you.

Preparing for the future



**First choice for
private
patients**



**NHS key
partner**



**Uncompromising
on patient safety**



**Improving
revenue, profit
and cash**

Leading through the COVID emergency with One Spire approach

- Crisis management plan activated on 17 February
- 213 days of COVID plan implementation
- Implemented new managerial command structure leveraging Business Unit Directors and regional teams
- Co-ordinated approach put safety of patients, teams and Consultants first
- All 39 Spire hospitals now more fully aligned and working more efficiently as One Spire

Building strong relationships with key stakeholders

NHS

- Spire sought to maximise its service to the NHS in all sites
- Over 120,000 NHS patients treated
- 241 colleagues volunteered to work in the NHS
- Equipment including 52 ventilators and 49 monitors loaned to NHS
- Positive feedback from patients and Trust colleagues

Consultant partners

- Key to our strategy
- Faced the brunt of COVID on the front line
- Significant reduction in private practice
- Consultants keen to get back to work
- Improved Consultant communications
 - Weekly calls with Medical Advisory Committee Chairs
 - Big Brief with ExCo

Spire teams

- Overhauled operational communications
- Ryalto app for colleague communications
- Regular colleague video messages from ExCo
- Virtual CEO hospital visits, limited site visits recommenced
- Regular recognition drumbeat of Spire Superstar Shout Outs

Engaging with our teams – delivered improvement in engagement

80%

Up 1%
2019

Are PROUD to work for Spire Healthcare

86%

Up 2%
2019

Are happy with the STANDARD OF CARE if
friends or family needed treatment

Fast tracking change to strengthen our capabilities

Digital

- 20,000 virtual consultations in H1 20
- Hospital Management System
- ePOA
- Florence – oracle-based people management system
- Ryalto – improved communications with colleagues, future development will facilitate shift booking
- Pricing system

Operational

- Gold / Silver / Bronze ways of working and communication
- Improved KPI reporting
- Pathology testing capability
- Focus on revenue capture
- Cashless hospitals

Re-starting our business – navigating out of lockdown

De-escalation

- Safe restart of elective work
- Investment in patient pathways
- Pivot from NHS support to re opening private activity

Prioritisation

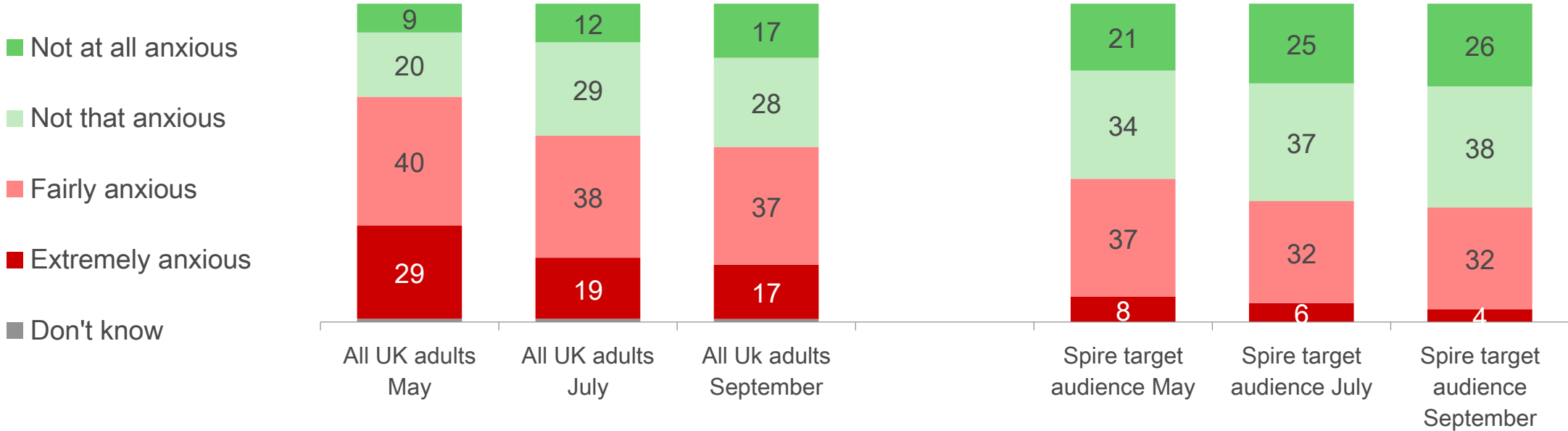
- Implement digital development
- Pricing system
- Cost reduction programme
- Future NHS tender response

Building private pipeline

- Call handling improved
- Limited targeted marketing activity
- Extension of operating hours
- Strengthen capacity management and KPIs

Spire target market less anxious than UK population on average


How would you feel about visiting a hospital currently, if you were in need of treatment?



Source: UK adults - Populus Omnibus (May, July, September 2020); Spire target audience – Proprietary research
 Base: UK adults - May (n=1,162), July (n=1,094);, September (n=1,069); Spire target audience - May (n=2,034), July (n=1,020), September (n=1,113)

Investing in safe patient pathways

- Red, Amber, Green classifications
- Robust testing regime
- Clear guidance to colleagues, Consultants and patients



Red


The Red pathway is for patients in outpatients including imaging or Bupa health clinics, **who will not need to isolate, won't have a COVID-19 swab taken but will be asymptomatic on arrival***.

Amber

The Amber pathway is for patients who are **clinically vulnerable** – for example those who are undergoing treatment for cancer or are coming in for pre-operative assessment.

Green

The Green pathway is for patients undergoing elective surgery – inpatients and day case – who have **isolated** before their procedure and **tested negative for COVID-19**.



Maintain Social Distancing

Wear a mask at all times

Patient drop off
Red zone

Patient collection
Red zone

Entrance
Red zone



Feel safe with Spire during COVID-19

We're creating a secure, protective environment to help you feel safe when visiting Spire hospitals.

Learn more

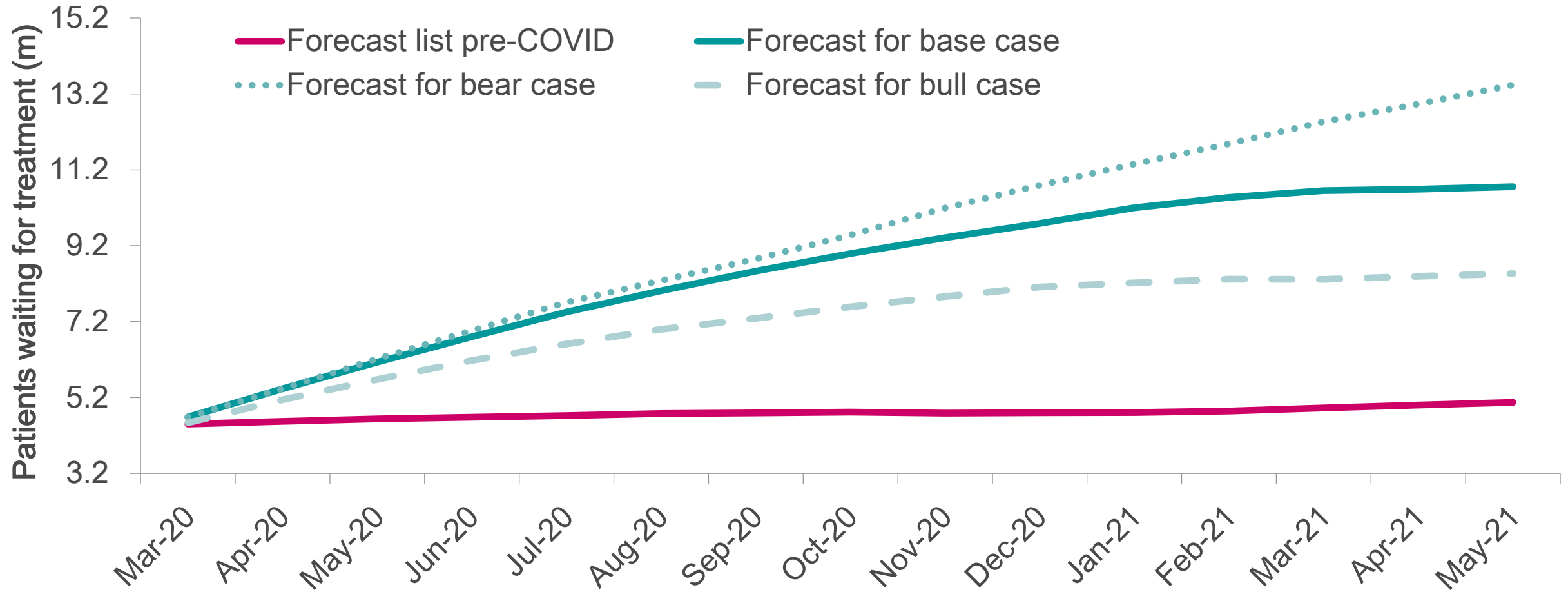
Your safety is our highest priority so we're introducing additional measures to ensure everyone feels confident about coming into our hospitals. These include:

- **Staff testing and patient screening** – all patients, visitors and colleagues will be screened at the entrances of all sites. Our colleagues are regularly tested for COVID-19 and wear appropriate PPE
- **Social distancing** – we're asking everyone to abide by our social distancing policy and stay five metres apart while moving around our hospitals
- We've created **'patient pathway journeys'** with clear signage throughout our sites to help guide you during your visit

Your patient pathway

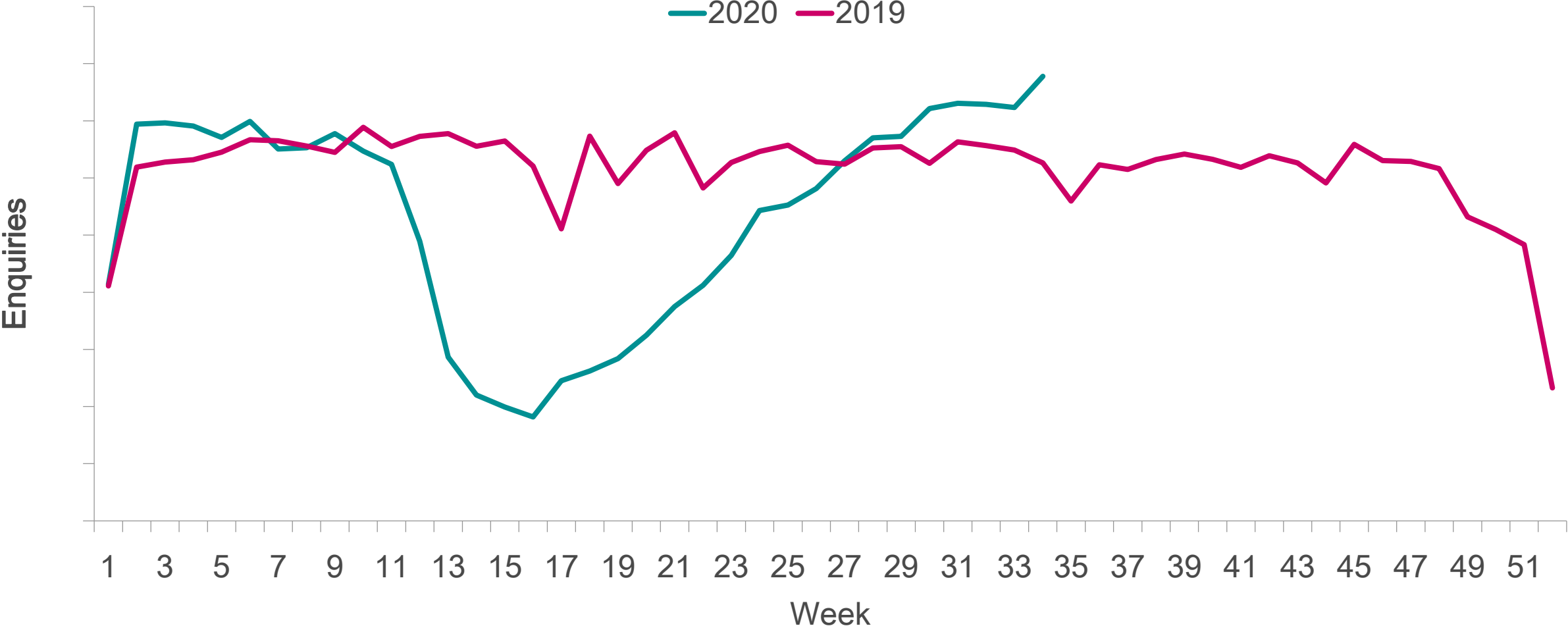
If you need to attend a Spire hospital, you'll be given a pathway to follow based on what you've done ahead of the appointment and depending on your reason to visit.

IHPN estimates that the real waiting list could be 7-13m



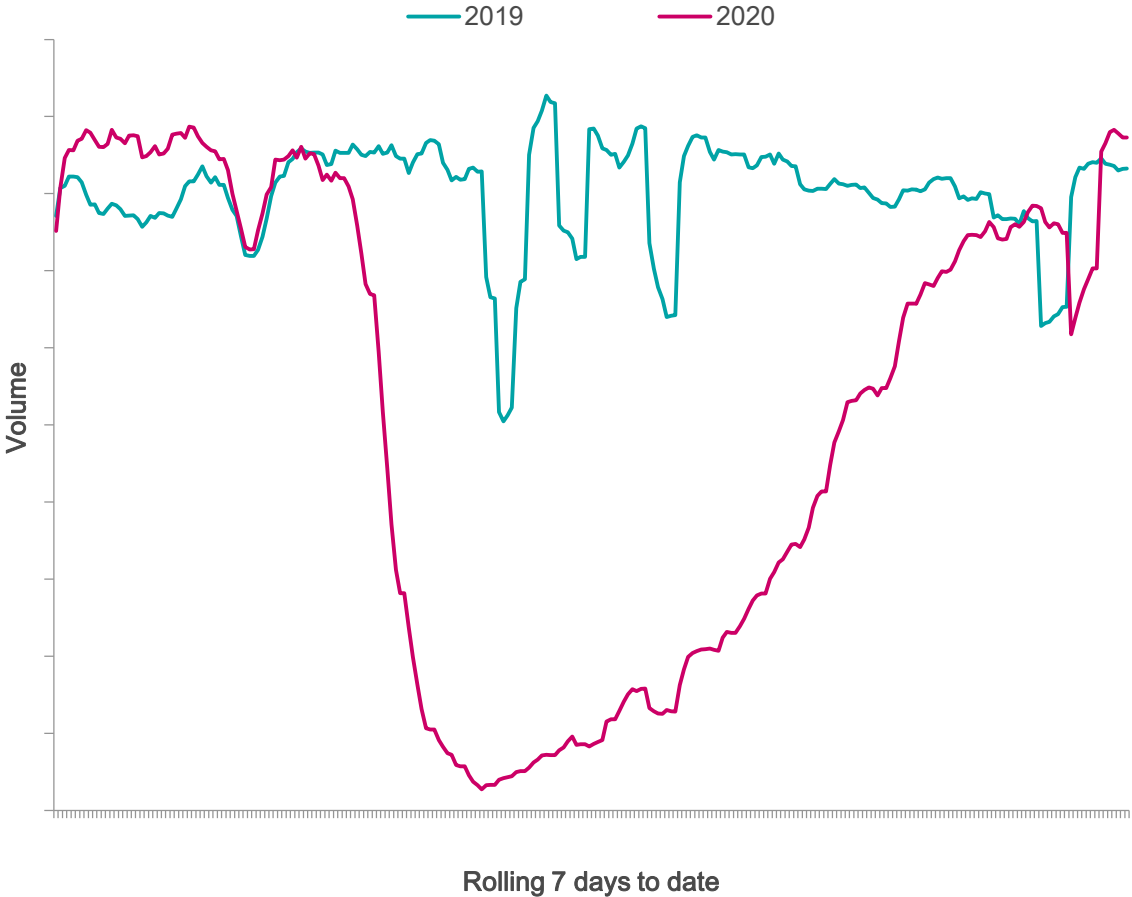
Source: IHPN

Spire's weekly relevant enquiries now above prior year

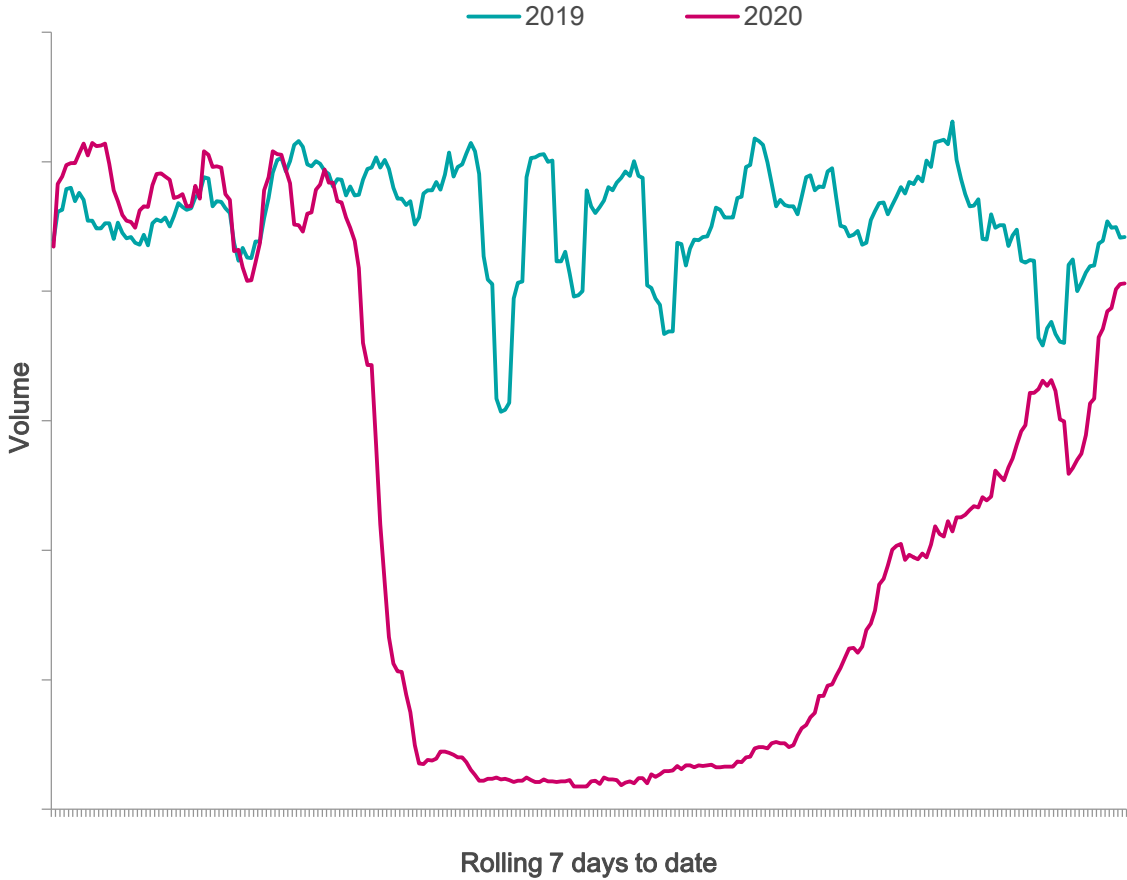


Anticipate self-pay activity returning to PY levels by year end

Self-Pay New OP Consultations

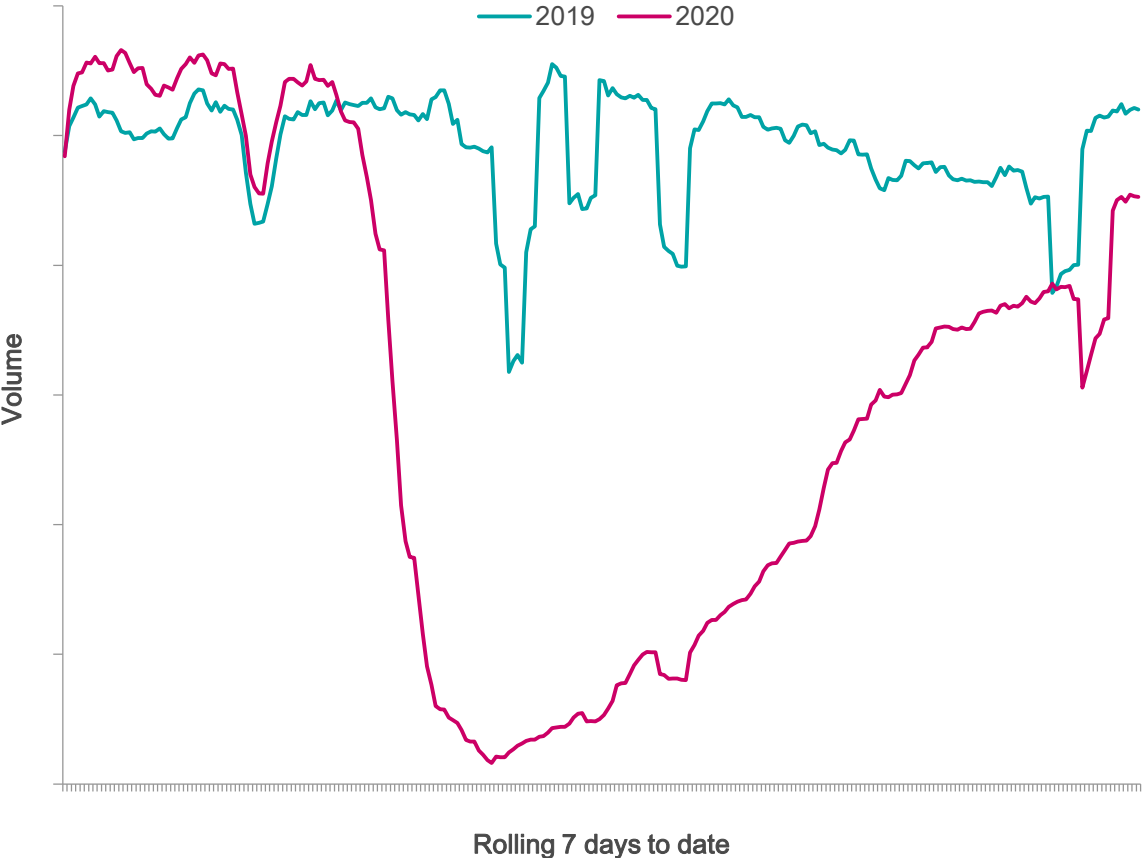


Self-Pay IPDC Admissions

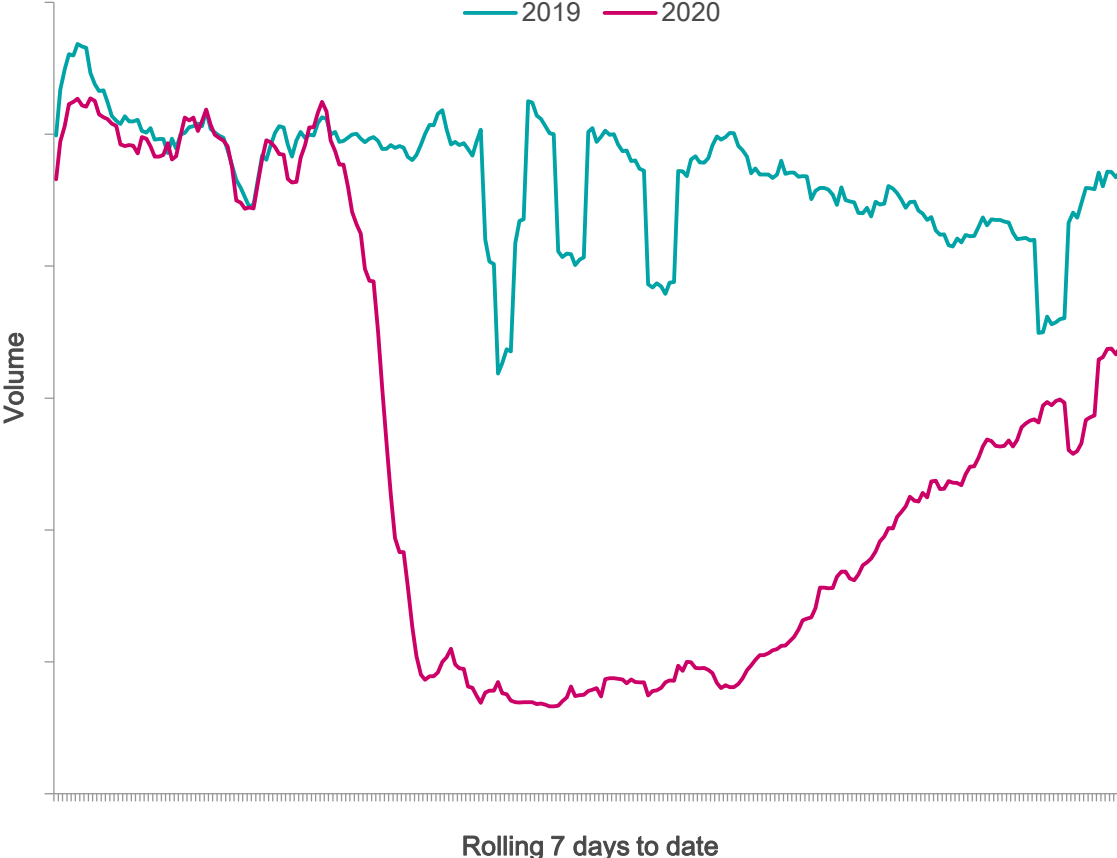


Enquiries driving recovery in PMI

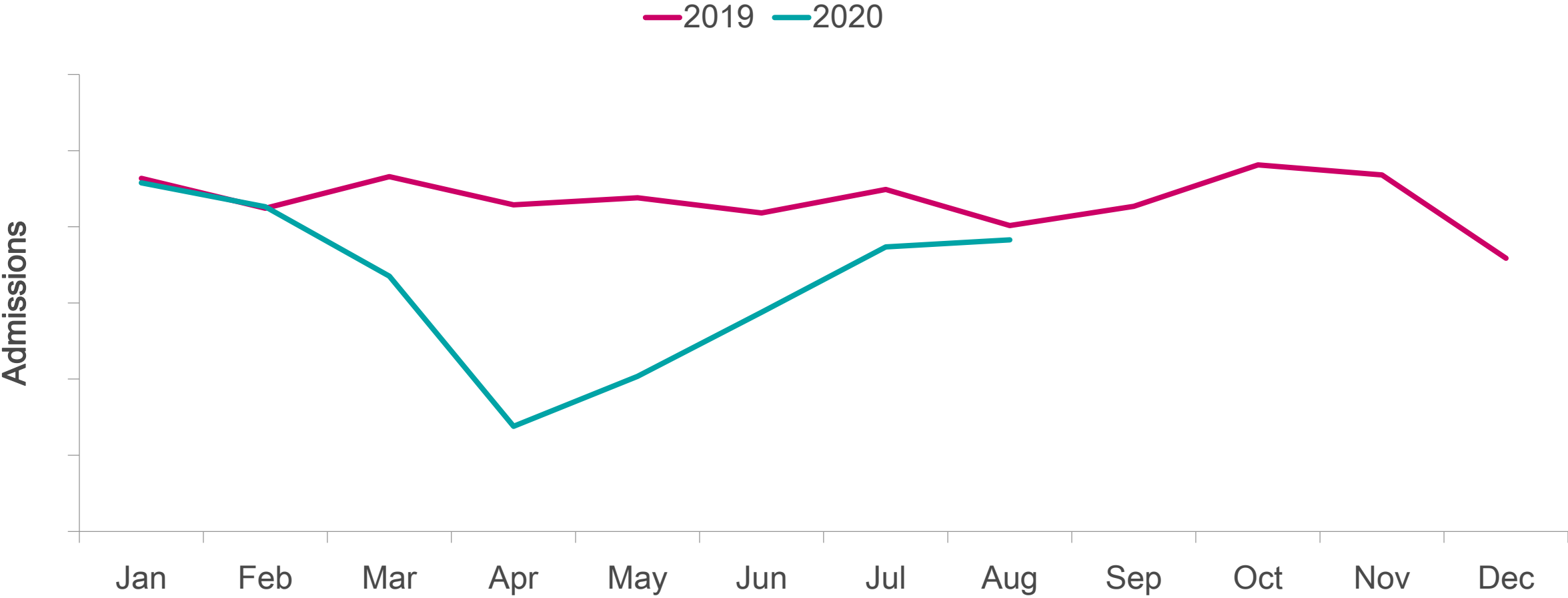
PMI New OP Consultations



PMI IPDC Admissions



Total admissions now 95% of prior year



Demand underpinned by relentless focus on patient safety

- 90% of sites rated Good, Outstanding or equivalent
 - 5 Outstanding sites
- 3 sites upgraded from Requires Improvement to Good
 - Spire Leeds
 - Spire Hartswood
 - Spire London East
- CQC inspections paused during COVID peak but now resuming

Aligning medical governance to provide further support

- Dr. Catherine Cale will join as Group Medical Director on 26 October
- A regional structure of Medical Directors for each of the three geographical business units will be introduced
- Paterson Inquiry follow up ongoing

Summary

We have managed well in challenging times

Built capability, leveraging learnings and focused on relaunching our business

Demand is coming back

We are well positioned to get back on track to deliver long term growth



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Appendix

Looking after you.

Technical guidance for 2020

Operating profit	H2 20 in line with H1 20, with upside potential from incentives
Mix	Higher proportion of NHS in the near term
D&A	c.£92-96m post IFRS 16
Capex	c.£50m
Net financing costs	£82-87m post IFRS-16
Tax	Effective corporate tax rate negligible for full year, trending back to c.24% over medium term
Net bank debt	Amended covenant test for June 2021, Senior Loan Facility extended to July 2023

Operating cost analysis

	H1 20 (£m)	H1 20 (% sales)	H1 19 (£m)	H1 19 (% sales)
Clinical staff	97.1	24.2%	98.8	20.1%
Direct costs	78.9	19.6%	110.7	22.5%
Medical fees	29.1	7.2%	51.6	10.5%
Cost of sales	205.1	51.0%	261.1	53.1%
Gross profit	196.8	49.0%	230.5	46.9%

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

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