



Spire Healthcare

H119 Results Presentation

16 September 2019



Looking after you.

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.

Agenda

H1 19 Overview

Justin Ash, Chief Executive Officer

H1 19 Financial Review

Jitesh Sodha, Chief Financial Officer

Operations and Strategy Review

Justin Ash, Chief Executive Officer

Q&A



Spire Healthcare

H1 19 Overview

Justin Ash, Chief Executive Officer

Looking after you.

Our strategy



**First Choice
for Private Patients,
NHS Key Partner**



**Uncompromising on
Clinical Quality and
Patient Safety**



**Improving revenue, profit
and cash**

Delivering on strategy

First choice for private patients

- Robust private growth of **4.1%**

NHS key partner

- Return to growth despite continued pressure on

Uncompromising on patient safety

- Regulatory regime intensifying

Improving revenue, profit and cash

- Strong revenue growth

Our Purpose:

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

- Strong growth in private first appointments

- Some mix effect from new commissioning rules

now rated Good or Outstanding (or local equivalent)

- Reduced net bank debt



Spire Healthcare

H1 19 Financial Review

Jitesh Sodha, Chief Financial Officer

Looking after you.

H1 19 highlights

Revenue growth

Cash generative

Operating profit up

EBITDA in-line with expectations

Financial Headlines H1 19: in-line with expectations

3.4% revenue growth to
£491.6m
(H1 18: £475.6m)

Operating profit
£51.0m
(H1 18: £37.2m)

EPS **1.8p**
(H1 18: 0.5p)

Interim dividend
1.3p per share
(H1 18: 1.3p)

EBITDA **£96.8m**,
19.7% margin
(H1 18: £98.9m,
20.8% margin)

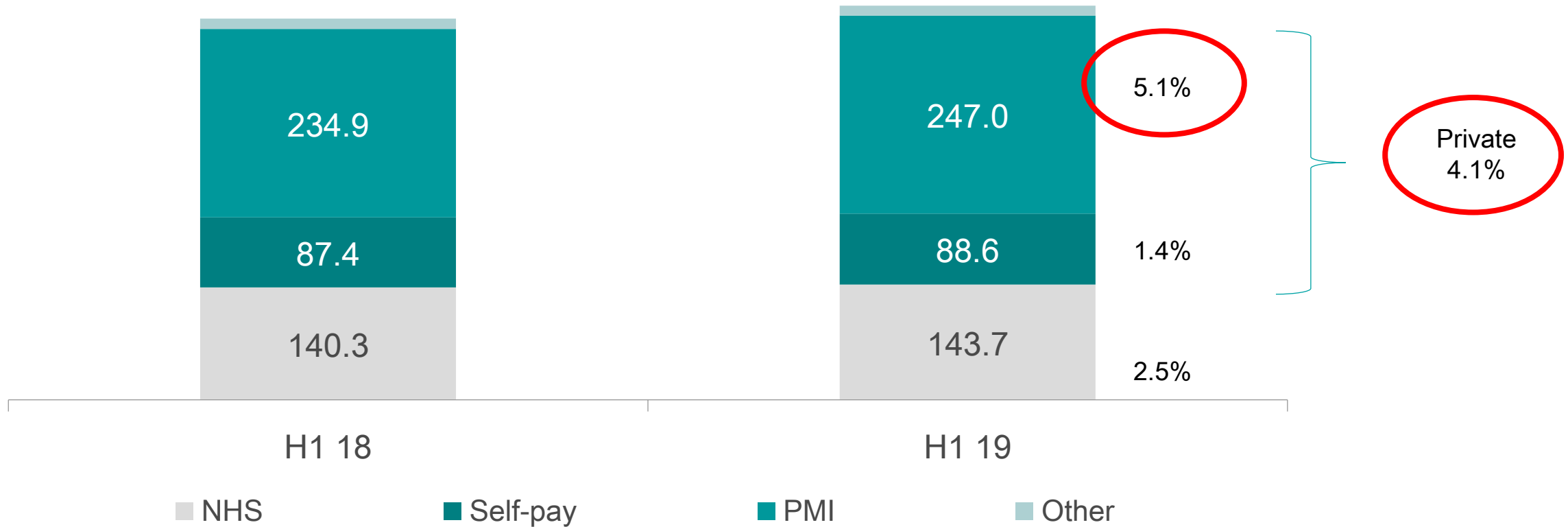
EBITDA pre-IFRS16 **£63.7m**,
13.0% margin
(H1 18: £66.1m,
13.9% margin)

Net bank debt decreased to
£362.2m
(H1 18: £381.0m,
FY18: £372.7m)

Net debt to EBITDA for covenant calculation **3.3x**
(FY18: 3.3x, H1 18: 3.0x)

Revenue growth in all three payor groups

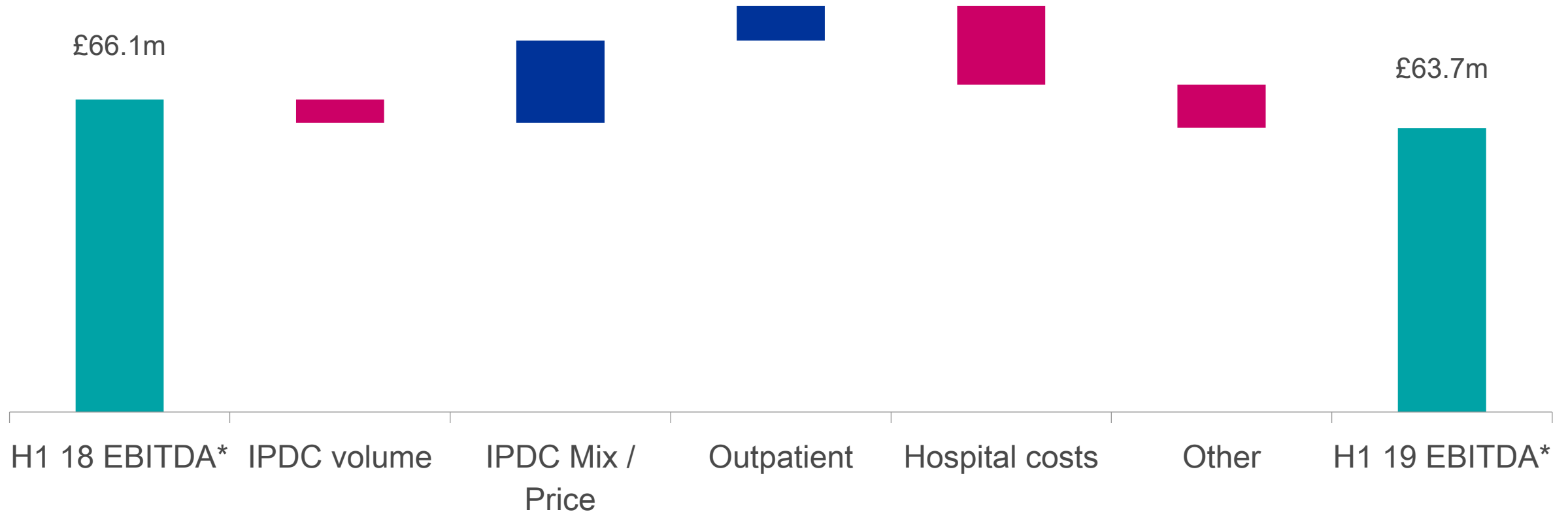
Revenue (£m)



Revenue growth in all three payor groups

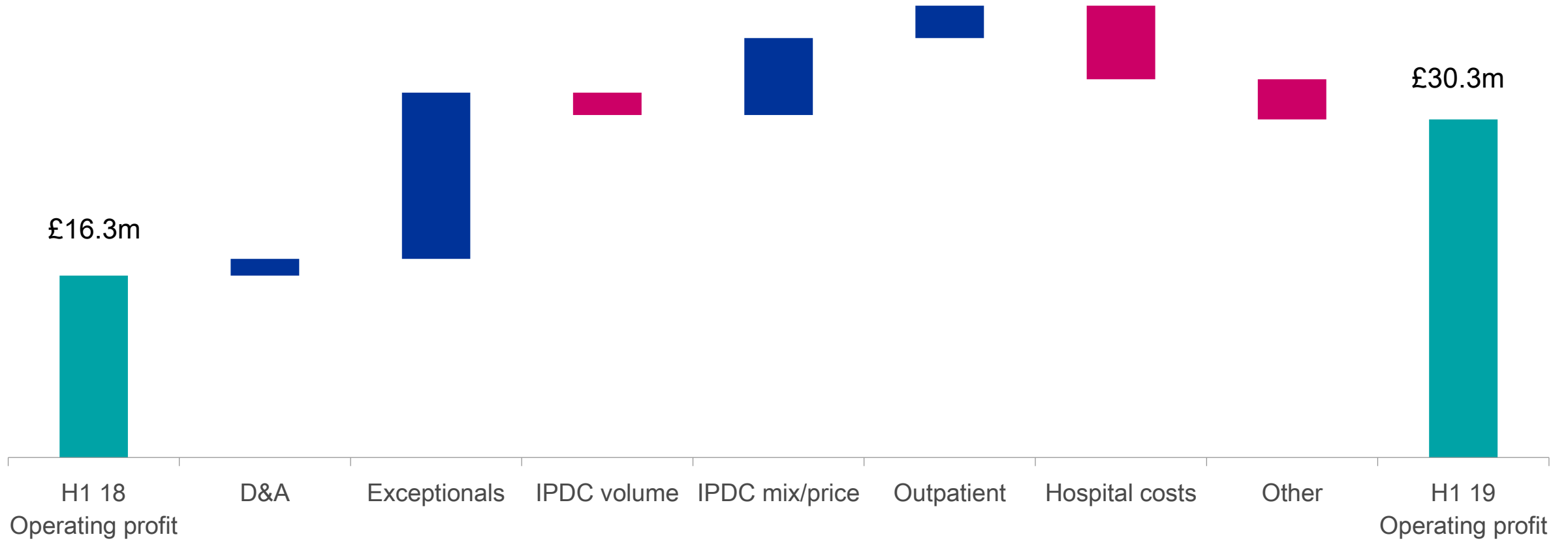
% change in H1 19 vs H1 18	IPDC volume	ARPC	IPDC revenue	Outpatient revenue	Total revenue
PMI	0.8%	4.6%	5.4%	4.7%	5.1%
Self-pay	(1.9%)	2.8%	0.9%	3.2%	1.4%
Total private	0.0%	3.9%	4.0%	4.4%	4.1%
NHS	(3.5%)	5.6%	1.8%	4.9%	2.5%
Total	(1.3%)	4.6%	3.2%	4.5%	3.4%

Revenue growth offset by planned investments



* EBITDA pre IFRS 16

Operating profit bridge



Planned cost investment and efficiencies

What we've achieved

- Full year impact of PY cost investments
- Procurement savings on consumables
- Share save scheme launched for first time
- Accruing team incentives across the group

Work in progress

- Further procurement opportunities through standardisation
- Working to reduce agency costs
- Improving the Spire bank proposition
- New food menu being introduced improving quality and efficiency
- Further opportunities with process and digital improvements

Cash positive

	H1 2019 (£m)
Cash from operating activities	97.0
Working Capital Movement	(11.8)
Capex	(21.5)
Financing activities (excl. dividends)	(45.0)
Dividends Paid (1.3p per share)	(10.0)
Other	(2.0)
Increase in cash	10.7

Solid financial headroom

	June 19 (£m)	June 18 (£m)
Bank Borrowings	420.6	426.1
Cash	58.4	45.1
Net bank debt	362.2	381.0

	June 19 (£m)	June 18 (£m)
Bank Borrowings	420.6	426.1
Lease Liabilities (under IFRS 16)	721.2	730.9
Total Borrowings	1141.8	1157.0

Covenant leverage 3.3x EBITDA at June 19 (3.3x at December 18, 3.0x at June 18) versus limit of 4.0x

H1 19 summary

3.4% revenue growth

Operating profit up

Cash generative, net
bank debt reduced

FY guidance
reiterated



Spire Healthcare

Operations and Strategy Review

Justin Ash, Chief Executive Officer

Looking after you.

Delivering on strategy



**First choice for
private
patients**



**NHS key
partner**

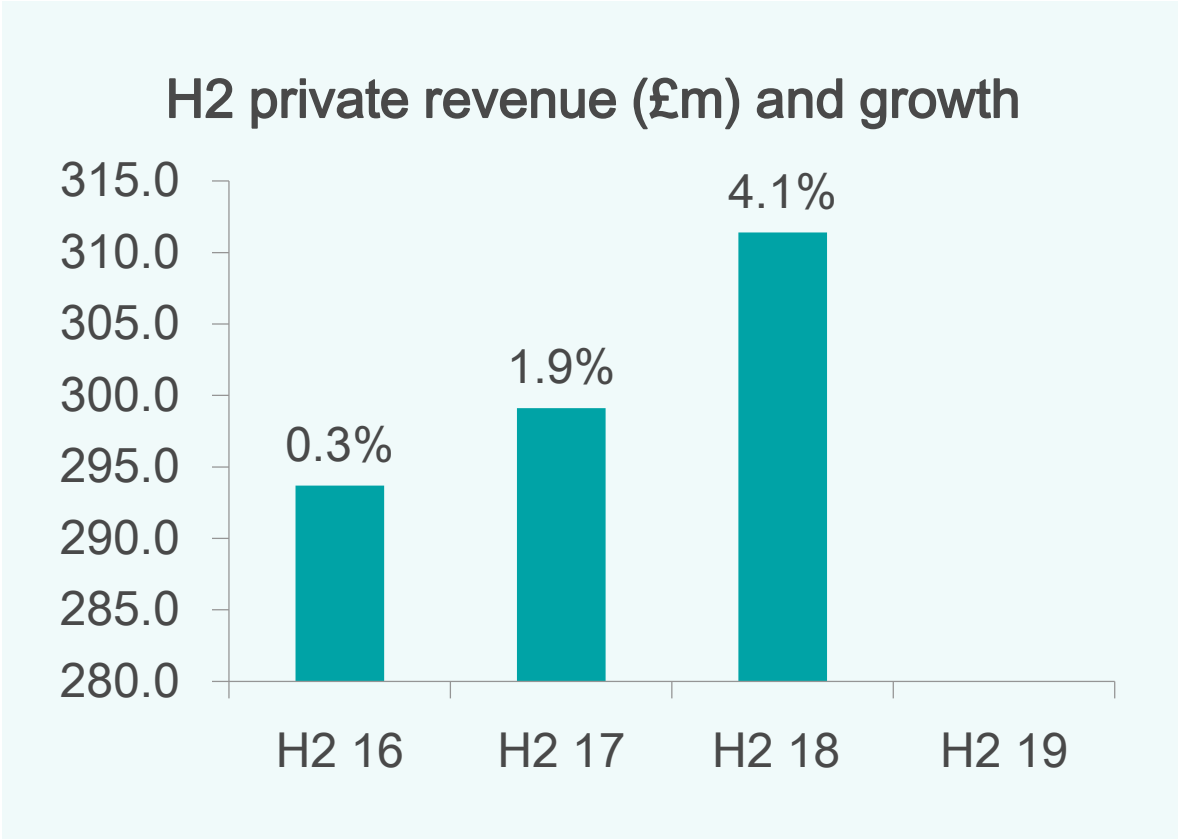
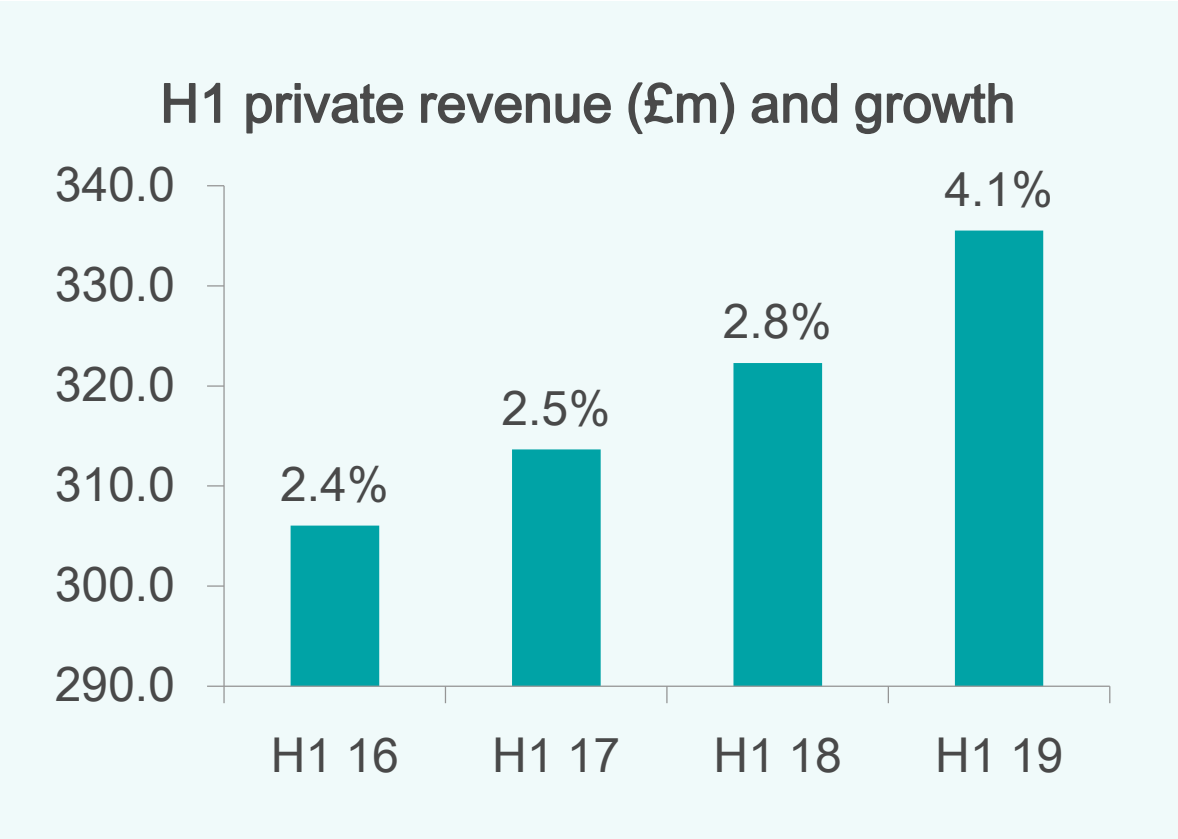


**Uncompromising
on patient safety**



**Improving
revenue, profit
and cash**

Sustained improvement in private revenue growth



Growth in PMI and self-pay

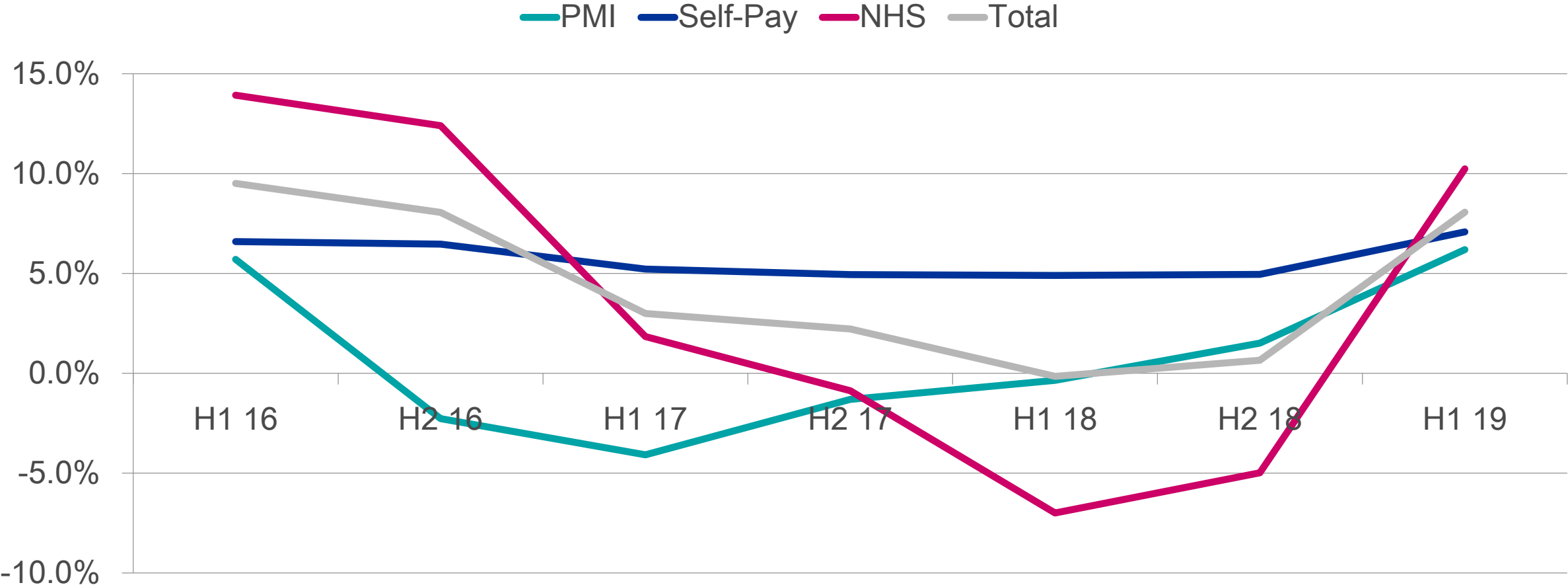
PMI +5.1%

- Capitalised on new contract wins
- Long term pricing agreements signed with Bupa and AXA PPP Healthcare
- PMI is benefitting from marketing campaigns
- Underlying market flat
- Existing contract revenue +3.8%

Self-pay +1.4%

- Marketing campaigns driving 19% growth in enquiries and 7% growth in first outpatient appointments
- Third national marketing campaign launched this week
- Conversion to inpatients lower than historical rates, affected by procedure mix
- Expanding digital strategy to support patient self-service

Growth in outpatient first appointments by payor



Growth in outpatients

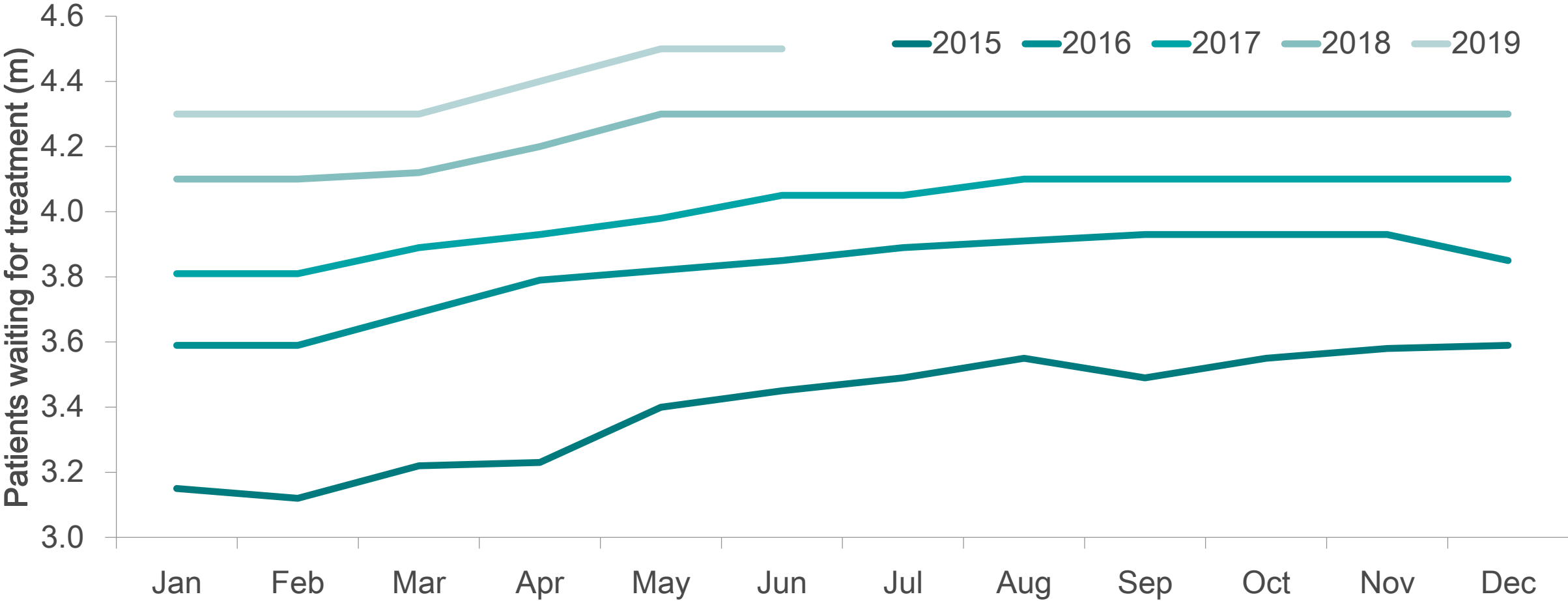
- We are directing more resources to outpatients in response to marketing feedback: patients want to know “what is wrong with me” quickly
 - Purchased property to develop outpatient and imaging department next to Spire Yale
- Spire GP appointments up 40%
 - Strong conversion of GP appointment to consultation
 - Continuing to generate downstream revenue
- OrthTeam Centre, an outpatient JV next to Spire Manchester, opened this month
- Developing digital tools to support patients to become more self-sufficient
- Area for continued strategic focus, builds admission pipeline

Developing our oncology business

- Oncology is an important specialty with significant potential for profitable expansion
- Total oncology revenues rose 15% in H1 19, essentially all PMI
- Low margin but strong cash profit per patient
- Working with GenesisCare to develop a national end to end private cancer pathway
- Sale of two Spire sites anticipated to complete 31 Oct 19

NHS waiting list is at a five year high

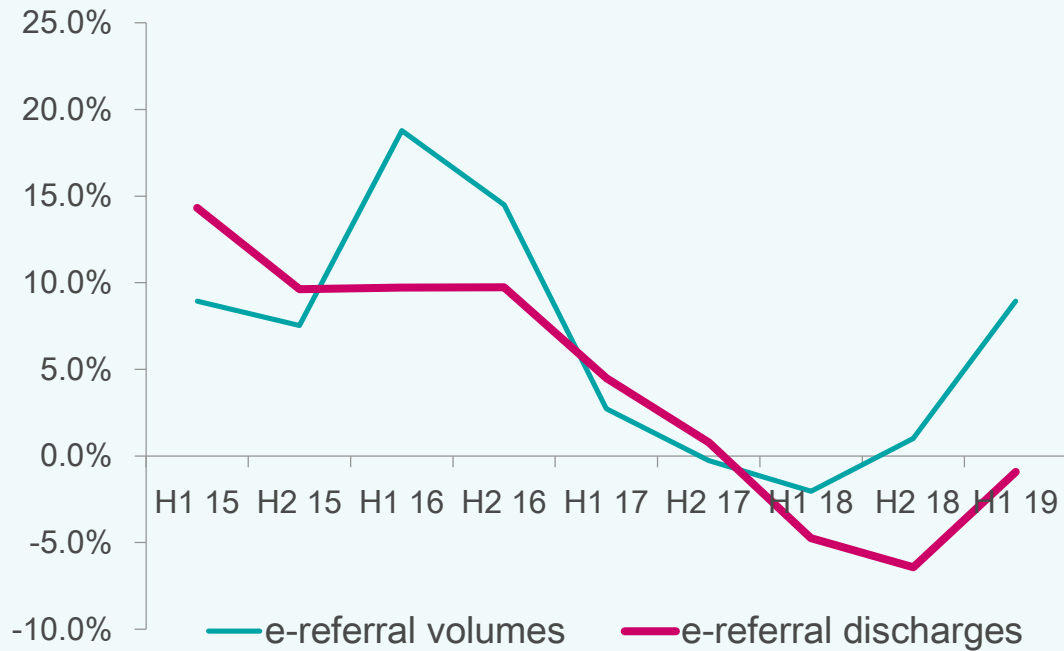
Orthopaedic waiting list at 511,000 patients



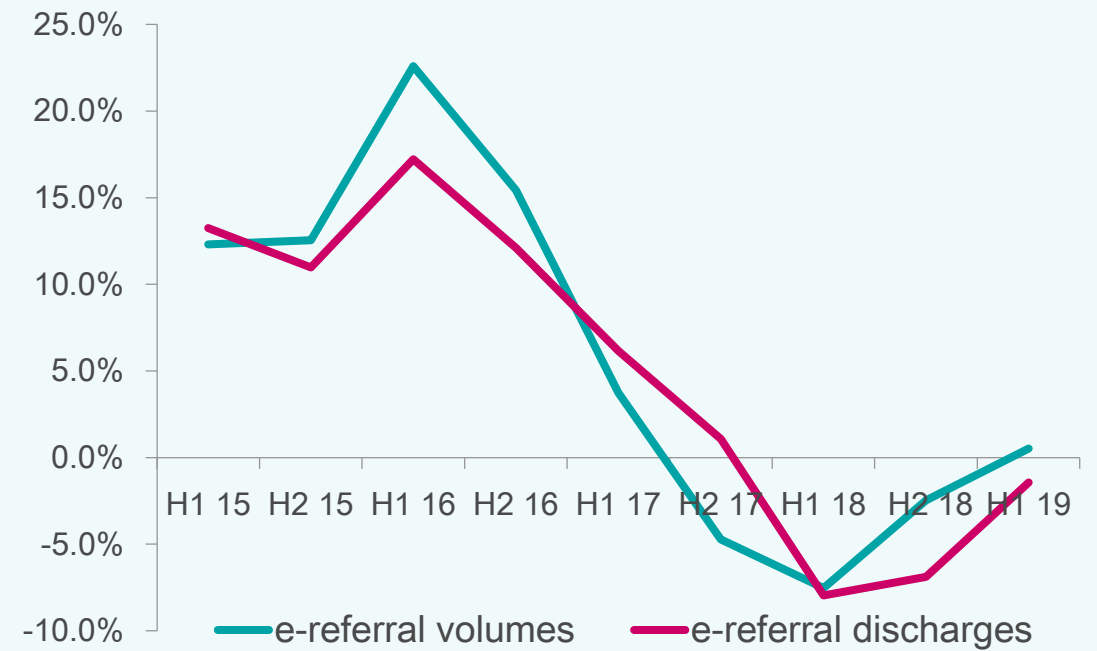
Source: NHS England

Spire: total NHS e-referrals up 10%, NHS orthopaedic referrals stable

All specialties



Orthopaedics



Remaining a key partner to the NHS

- Rationing and triage is continuing, but there is significant geographical variation
- IPDC admissions down 3.5%
- New treatment protocols impacting mix
- Positive tariff impact, approximately 2.5% in period
- Opening new service lines
- Continued gradual improvement expected

Uncompromising on patient safety

- CQC inspections increasing in frequency, now covering sites already rated Good and RI
- 6 sites inspected in H1
- 81% of sites rated Good, Outstanding or equivalent
- 5 Outstanding sites
- Working with Professor Tim Briggs on GIRFT initiative
- Working closely with CQC to implement recommendations at Leeds

Spire Manchester Hospital Quality Report

Overall rating for this location	Outstanding	☆
Are services safe?	Good	●
Are services effective?	Good	●
Are services caring?	Outstanding	☆
Are services responsive?	Outstanding	☆
Are services well-led?	Outstanding	☆

Spire Nottingham Hospital Quality Report

Overall rating for this location	Outstanding	☆
Are services safe?	Good	●
Are services effective?	Good	●
Are services caring?	Good	●
Are services responsive?	Outstanding	☆
Are services well-led?	Outstanding	☆

Continued focus on efficiency, patient and consultant experience

- Quality investments now largely complete
- Efficiency program gaining momentum
- Digital strategy key to future
- Multiple patient and consultant digital platforms launched
- Manchester and St Antony's delivering profit growth, Nottingham on track to break even
- Extensive planning for Brexit

Purpose driven by consumer insight

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

1. *Make it easy for me*

From booking my first appointment to paying my bill, I want every step to be as easy as possible.

2. *Recognise me*

Treat me as an individual based on my personal circumstances.

3. *Help me understand*

Explain things to me and let me ask questions.



4. *Make me feel safe*

You're the experts, I trust you to give me the best treatment and look after me properly.

5. *Care for me*

The little things make a difference, please show me you care.

Summary

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

Good progress in H1

Guidance reiterated

Remain focussed on
quality

Positive changes to
drive future
profitable growth



Spire Healthcare

Appendix

Looking after you.

Financial Headlines H1 19 – pre IFRS16

3.4% revenue
growth to
£491.6m
(H1 18: £475.6m)

Operating profit
£30.3m
(H1 18: £16.3m)

EPS **3.4p**
(H1 18: 2.0p)

Interim dividend
1.3p per share
(H1 18: 1.3p)

EBITDA **£63.7m**,
13.0% margin
*(H1 18: £66.1m, 13.9%
margin)*

Net debt decreased
to **£362.2m**
*(H1 18: £381.0m, FY18:
£372.7m)*

Private growth

	H1 19			H1 18			Variance		
	PMI	Self-pay	Total private	PMI	Self-pay	Total private	PMI	Self-pay	Total private
IPDC admissions	61.6	23.5	85.2	61.1	24.0	85.1	0.8%	(1.9%)	0.0%
ARPC (£)	2,514	2,905	2,622	2,404	2,826	2,523	4.6%	2.8%	3.9%
IPDC revenue (£m)	154.9	68.4	223.3	147.0	67.8	214.8	5.4%	0.9%	4.0%
Outpatient revenue (£m)	92.1	20.2	112.2	88.0	19.5	107.5	4.7%	3.2%	4.4%
Total	247.0	88.6	335.5	234.9	87.4	322.3	5.1%	1.4%	4.1%

Total growth across all payor groups

	H1 19			H1 18			Variance		
	Total private	NHS	Total	Total private	NHS	Total	Total private	NHS	Total
IPDC admissions	85.2	46.8	132.0	85.1	48.5	133.7	0.0%	(3.5%)	(1.3%)
ARPC (£)	2,622	2,404	2,545	2,523	2,277	2,434	3.9%	5.6%	4.6%
IPDC revenue (£m)	223.3	112.5	335.8	214.8	110.5	325.3	4.0%	1.8%	3.2%
Outpatient revenue (£m)	112.2	31.2	143.4	107.5	29.7	137.2	4.4%	4.9%	4.5%
Other revenue (£m)			12.3			13.1			(5.4%)
Total	335.5	143.7	491.6	322.3	140.3	475.6	4.1%	2.5%	3.4%

NHS revenue in detail

	H1 2019 (£m)	H1 2018 (£m)	Variance (%)
E-referral	127.5	122.8	3.9%
Local	16.2	17.5	(7.3%)
Total NHS revenue	143.7	140.3	2.5%

EBITDA to Operating Profit

Pre-IFRS 16	H1 2019 (£m)	H1 2018 (£m)
EBITDA	63.7	66.1
Depreciation (incl. profit/loss on PPE disposals)	(33.0)	(34.5)
Exceptional items	(0.4)	(15.3)*
Operating profit	30.3	16.3

Post-IFRS 16	H1 2019 (£m)	H1 2018 (£m)
EBITDA	96.8	98.9
Depreciation (incl. profit/loss on PPE disposals)	(45.4)	(46.4)
Exceptional items	(0.4)	(15.3)*
Operating profit	51.0	37.2

* Includes £12.6m write down on Spire Alexandra in H1 2018

Cash surplus after capex and dividend – pre IFRS16

	H1 2019 £m	H1 2018 £m
EBITDA	63.7	66.1
Operating cash flow before exceptionals and tax	52.2	62.2
Capex	(21.5)	(33.5)
Exceptional items	(0.1)	(1.4)
Financing activities (excl. dividends)	(11.9)	(10.1)
Dividends Paid (1.3p per share)	(10.0)	(10.0)
Other	2.0	(1.3)
Net increase / (decrease) in cash	10.7	5.9
Opening cash	47.7	39.2
Closing cash	58.4	45.1

Exceptional costs and lower tax driving profit growth post IFRS 16

	H1 2019 (£m)	H1 2018 (£m)
EBITDA	96.8	98.9
Depreciation, amortisation & profit/loss on disposal	(45.4)	(46.4)
Total exceptional and other costs before taxation	(0.4)	(15.3)
Tax credit on exceptional and other costs	0.1	7.1
Net finance costs	(41.4)	(39.4)
Taxation (excluding credit on exceptional & other costs)	(2.6)	(2.8)
Profit after tax	7.1	2.1

Balance sheet

	June 19 (£m)	Dec 18 (£m)
Fixed Assets	1,540.2	1,578.4
Goodwill	517.8	517.8
Inventory	31.7	29.4
Trade and other receivables	104.7	94.2
Cash and cash equivalents	58.4	47.7
Other current assets	14.4	4.0
TOTAL ASSETS	2,267.2	2,271.5
Bank Borrowings	420.6	420.4
Lease Liabilities	721.2	726.1
Trade and other payables	96.8	95.2
Deferred tax liability	57.3	56.5
Other liabilities	21.8	19.2
TOTAL LIABILITIES	1,317.7	1,317.4

Looking after you.

Continued revenue growth, offset by mix and planned investments

Revenue	Private growth with emphasis on PMI, improving decline in NHS admissions with tariff benefit
Mix	Continued shift to oncology and day case, strong growth in outpatients
Costs	FY effect of investment in quality, team reward and SAYE offset by efficiencies
D&A	c.£90-95m post IFRS 16
Operating profit	Move towards operating profit as key measure
Capex	c.£60-65m
Net financing costs	£25-30m pre-IFRS16, £80-85m post IFRS-16
Tax	Corporate tax rate c.24% post IFRS16 adjustment

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/Horley	Requires Improvement	North Cheshire	Outstanding	Tunbridge Wells	Good
Bristol/Glen	Good	Harpenden	Good	Norwich	Good	Washington	Good
Bushey	Good	Hartwood	Requires Improvement	Nottingham/Tollerton	Outstanding	Wellesley/Southend	Good
Cambridge Lea	Good	Hastings/Sussex	Outstanding	Parkway	Requires Improvement	Wirral/Murrayfield	Requires Improvement
Cardiff*	Positive	Hull	Good	Portsmouth	Good	Yale*	Positive
Clare Park	Good	Leeds	Requires Improvement	Regency	Good	Hesslewood Clinic	Good
Dunedin	Good	Leicester	Good	London East	Requires Improvement	Windsor Clinic	Good
Edinburgh/Murrayfield†	Satisfactory	Little Aston	Good	South Bank/Worcester	Requires Improvement	Abergele Clinic*	Positive
Edinburgh/Shawfair†	Good	Liverpool	Good	Southampton	Good		
Elland	Good	Manchester/Didsbury	Outstanding	St.Anthony's	Good		