



Spire Healthcare

H1 24 Results Presentation

12 September 2024



Looking after you.

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Agenda

H1 24 Overview

Justin Ash, Chief Executive Officer

H1 24 Financial Review

Harbant Samra, Chief Financial Officer

Key Themes and Outlook

Justin Ash, Chief Executive Officer

Q&A



Spire Healthcare

H1 24 Overview

Justin Ash, Chief Executive Officer

Looking after you.

H1 24 – Strong Group financial performance



Deliver strong financial performance

- Business on track and delivering
- Group Adjusted EBITDA +10.8%
- Group Adjusted EBIT +11.7%



Drive hospital performance

- Revenue +5.4% *
- Private revenue +5.1%
- NHS: eRS conversion increasing; revenue +5.2%
- Adjusted EBITDA +6.6%
- Adjusted EBITDA margin improved vs PY (+30 basis points to 18%)
- Savings and digitalisation progressing well (>£15m for FY24)


* Spire Tunbridge Wells was sold to the local NHS Trust on 31 March 2024. Excluding Tunbridge Wells from the Hospitals Business results for H1 2023 and H1 2024, revenue growth is 5.4%. Hospital revenue rose 4.9% as reported.

Our strategy: deliver strong financial performance underpinned by running great hospitals and developing new services




Drive hospital performance

Continue growth in our existing hospital estate with increasing margins



Invest in our workforce

Recruit, retain and develop a great workforce




Build on quality

Maintain strong quality and safety credentials as a competitive advantage in all our activities



Deliver strong financial performance

Financial discipline supporting cash generation, targeted investment and improving ROCE / shareholder returns



Champion sustainability

Become recognised as an ESG leader in our industry



Develop new services

Selectively invest to attract patients and meet more of their healthcare needs

H1 24 Performance – Delivering on our strategy



Invest in our workforce

- Reward strategy in progress; similar investment to PY
- Record low vacancies and staff turnover; 12.7% for clinical colleagues
- 39% reduction in agency spend



Build on quality

- 98% inspected sites rated 'Good' or 'Outstanding'
- Patient satisfaction 97%; up 1ppt on prior year
- Trustpilot score 4.5



Develop new services

- Vita on track and integrating well
- Launched new NHS Talking Therapies service in Kent
- Successfully retendered 2 large corporate and 2 large NHS contracts
- New integrated pathways between Vita MSK service and Spire Hospitals

Thank you to our colleagues





Spire Healthcare

H1 24 Financial Review

Harbant Samra, Chief Financial Officer

Looking after you.

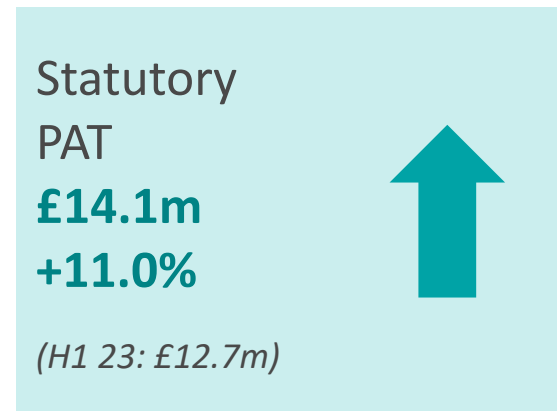
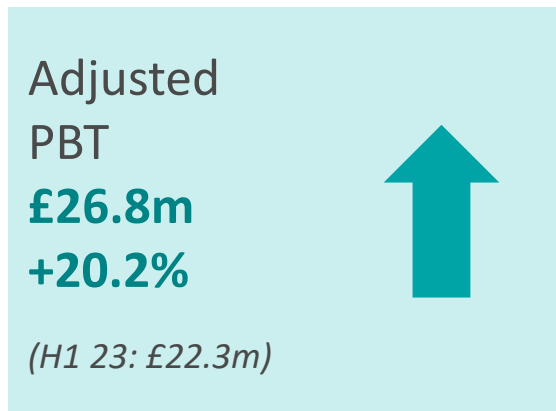
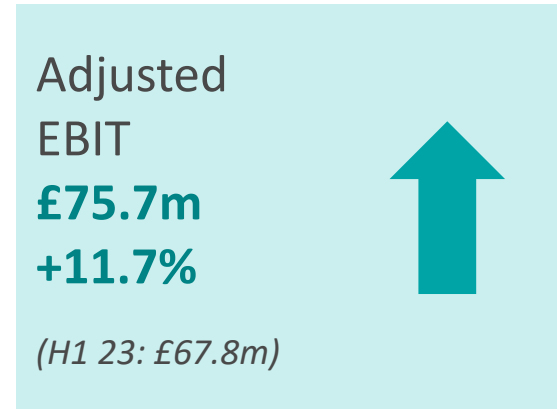
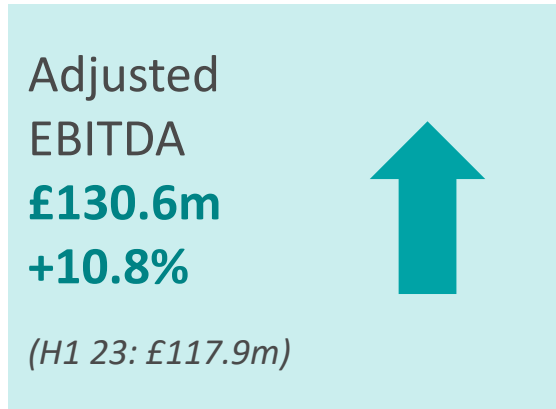
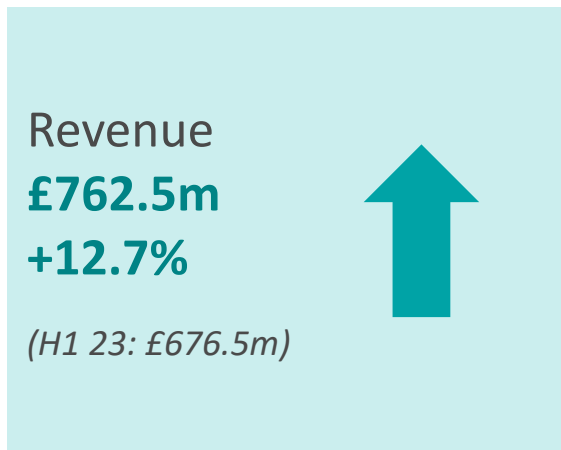
Strong financial progress in H1

Growth in hospitals margins

Improved Group earnings and returns

Strong Group H1 financial performance

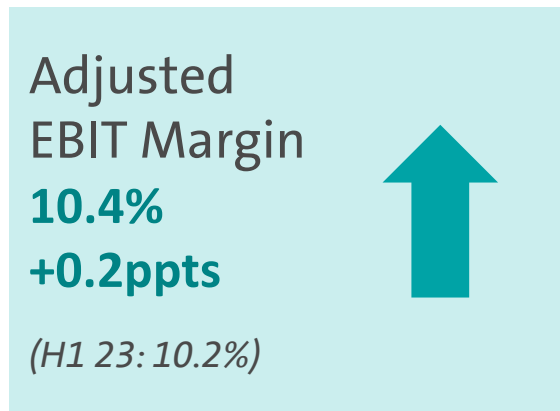
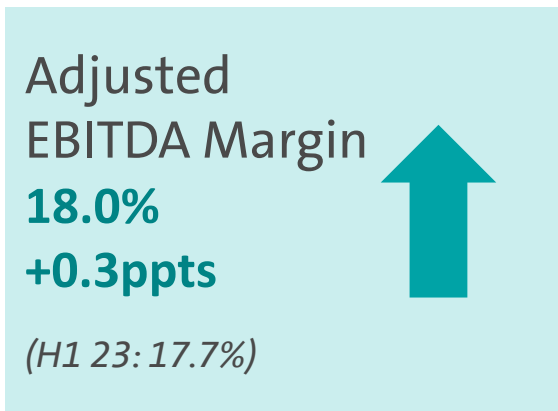
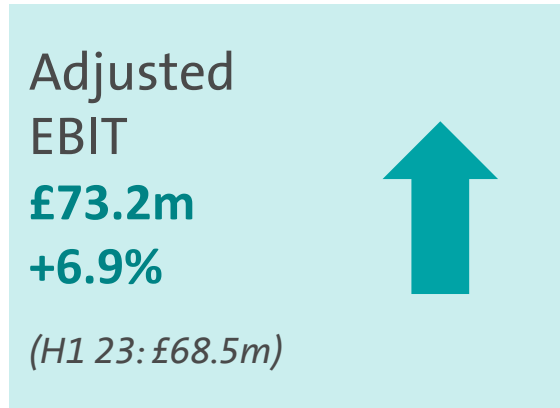
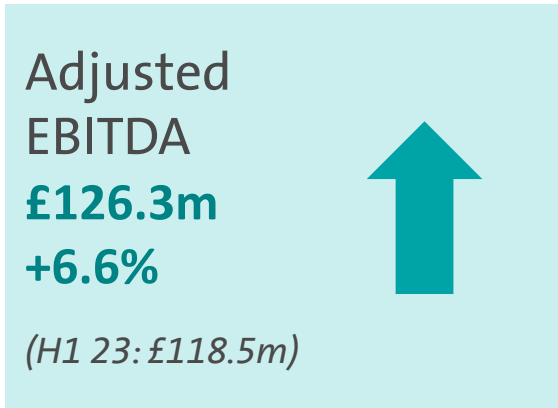
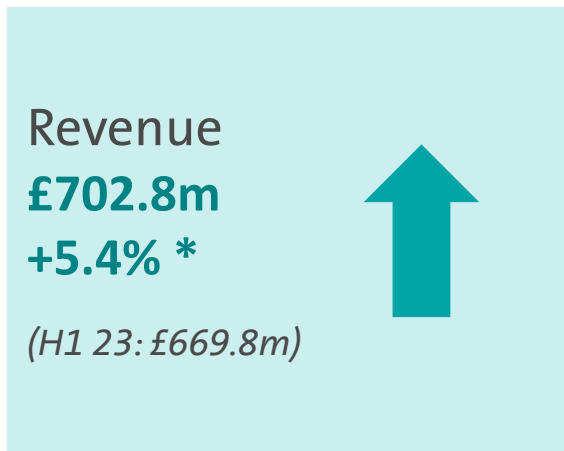
Group



Group comprises Hospitals Business and New Services (Vita, clinics and DCG)

Strong Hospital performance and margin improvement

Hospitals

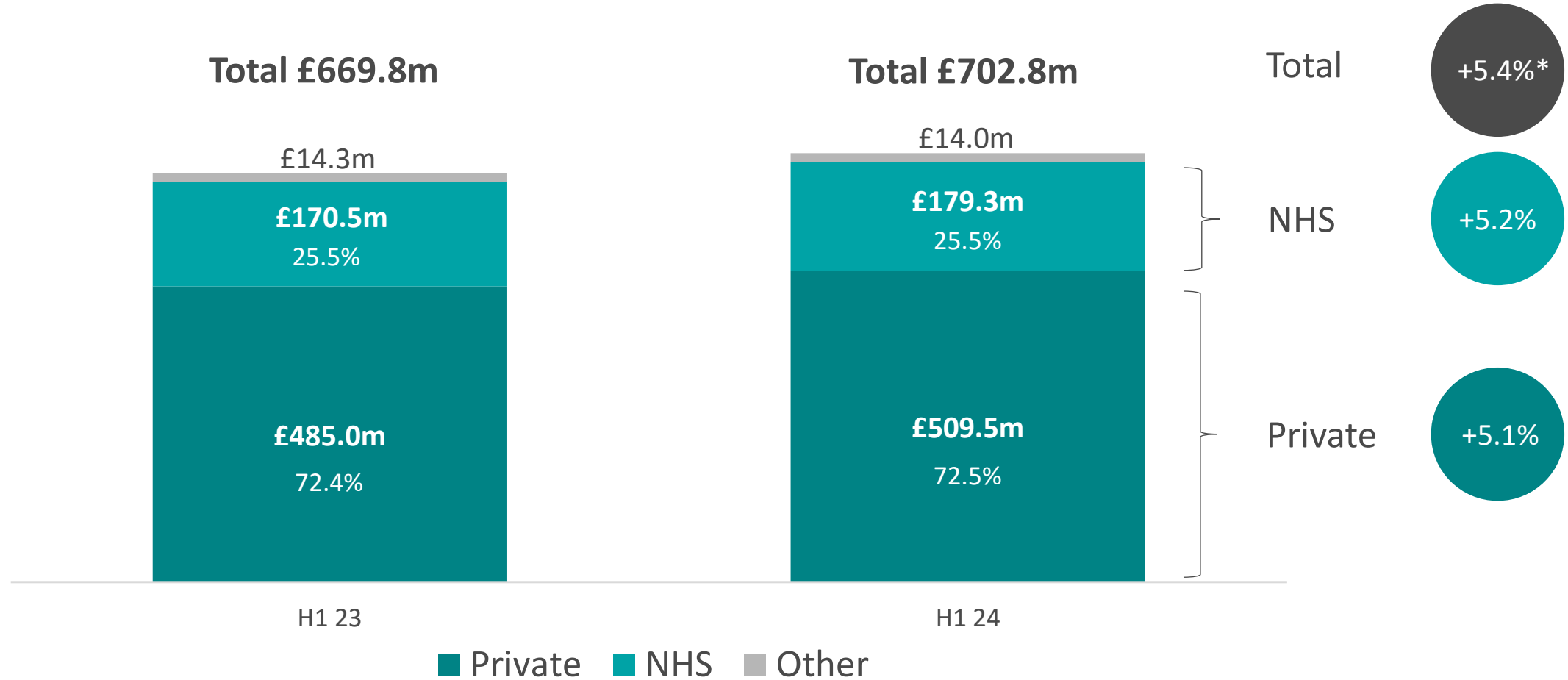


* Spire Tunbridge Wells was sold to the local NHS Trust on 31 March 2024. Excluding Tunbridge Wells from the Hospitals Business results for H1 2023 and H1 2024, revenue growth is 5.4%. Hospital revenue rose 4.9% on a reported basis.

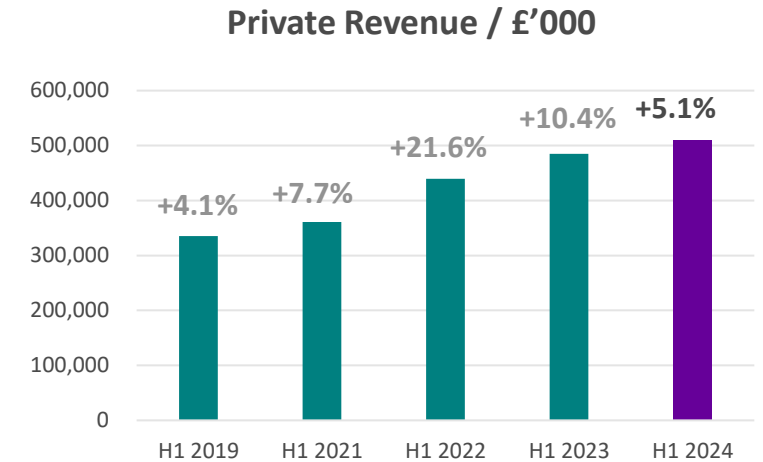
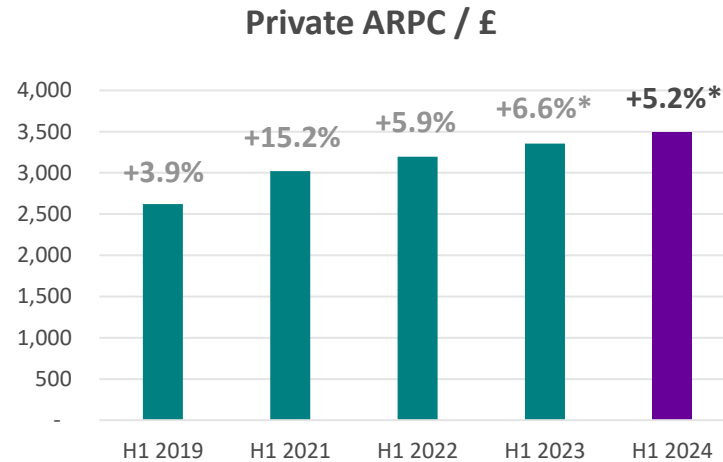
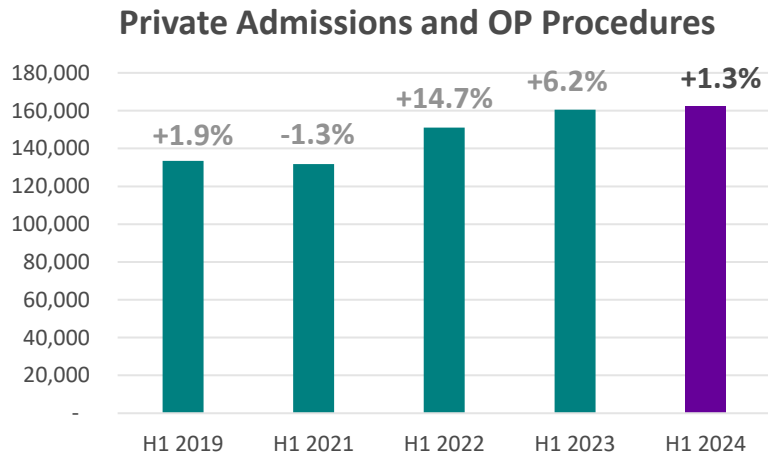
	PMI	Self-pay	NHS
FY23 2 Year Outlook	Strong growth	Modest growth with mix upside	Modest growth
H1 24 outturn in line with expectations			
H1 Outcome	<ul style="list-style-type: none">• Market strengthening• Network agreements driving volume and profit• Increase in daycase activity	<ul style="list-style-type: none">• Core activity on track; disciplined on price• Ophthalmic market very competitive• Substitution from SP to PMI	<ul style="list-style-type: none">• Increasing eRS activity• Focusing on higher acuity

Growth in hospital revenue

Hospitals



* Excluding Tunbridge Wells from the Hospitals Business results for H1 2023 and H1 2024, revenue growth is 5.4%. Hospital revenue rose 4.9% on an unadjusted basis.

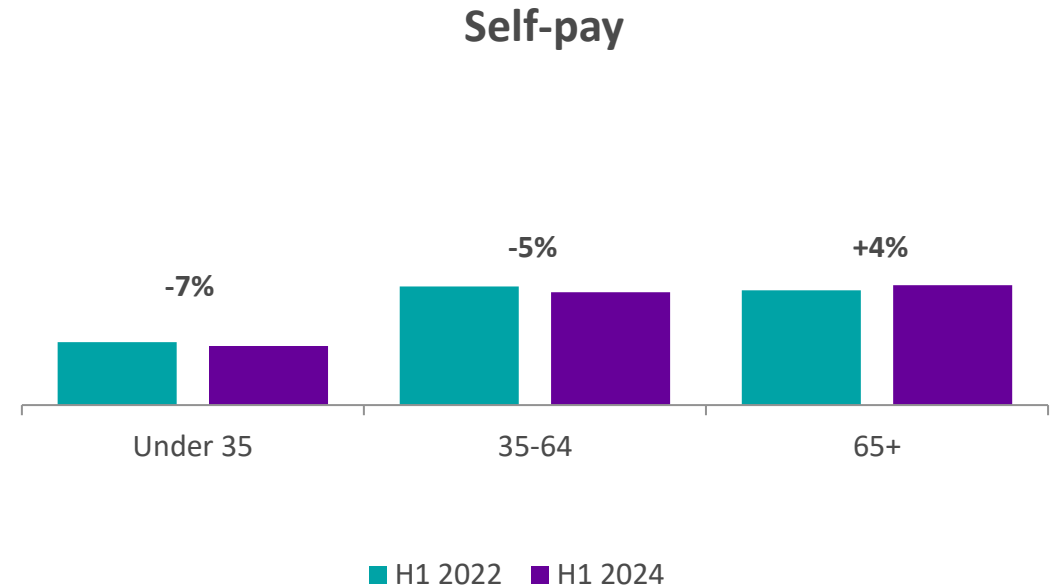
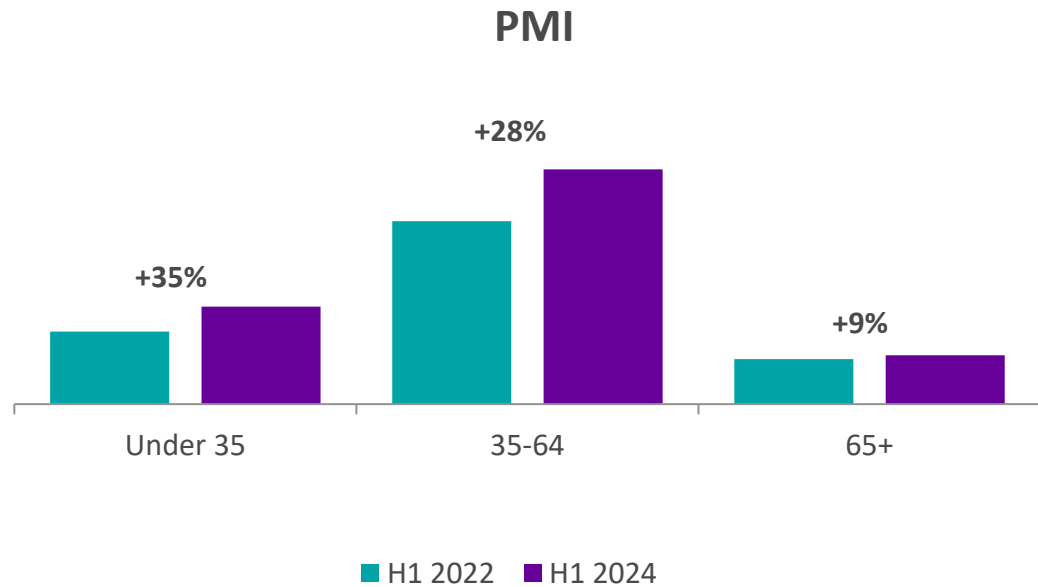


- Continued growth in Private – volume, ARPC and revenue
- PMI underpinned overall Private performance – PMI revenue up 9.7%, ARPC up 4.2%
- Some substitution of Self-pay to PMI – Self-pay revenue down 3%, ARPC up 7.5%

* ARPC growth presented on a weighted basis

Clear evidence of Self Pay patients switching to PMI

Hospitals

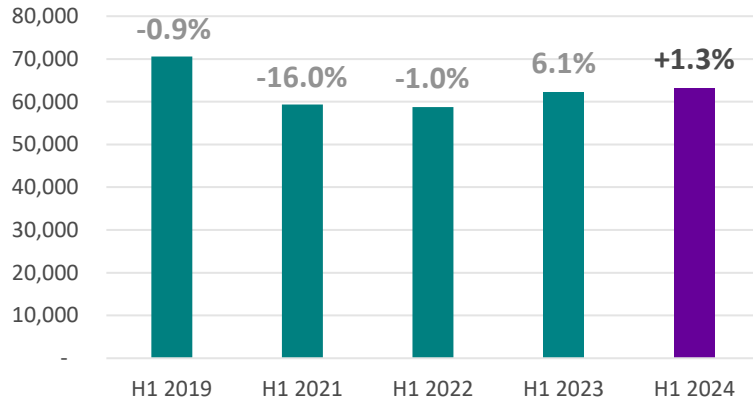


Splitting Spire's New OP Consultations by age, we see where PMI has grown most and where Self Pay has declined demonstrating some switch between payors

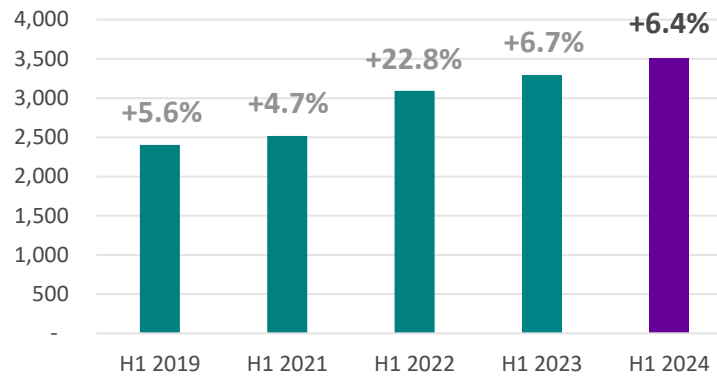
NHS Focus remains on optimising eRS activity

Hospitals

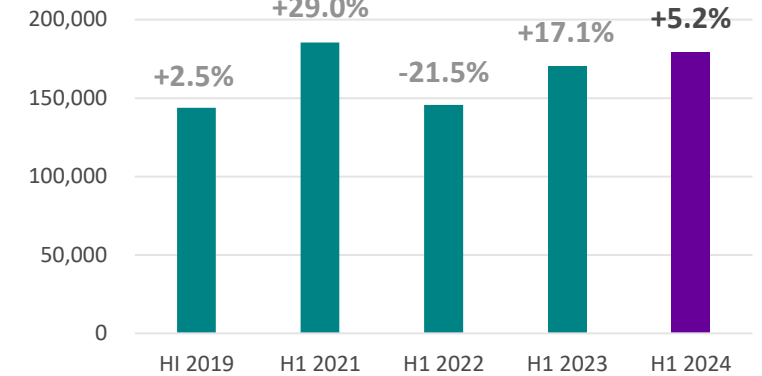
NHS admissions and OP procedures



NHS ARPC / £



NHS revenue £'000



- Focus on driving volume with the right acuity helping to drive growth in ARPC
- c.0.6% NHS tariff uplift from 1 April 2024, with NHS pay uplift TBC

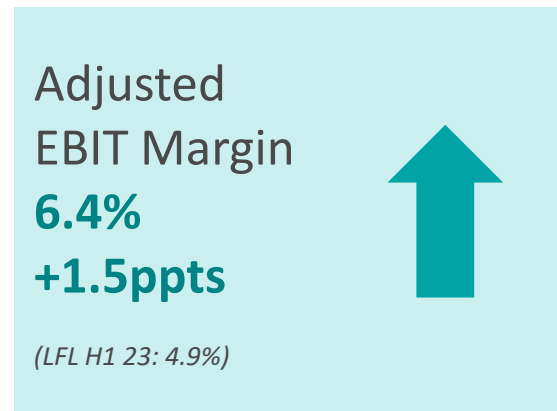
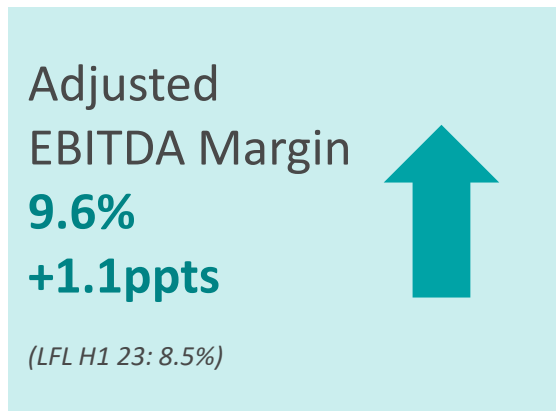
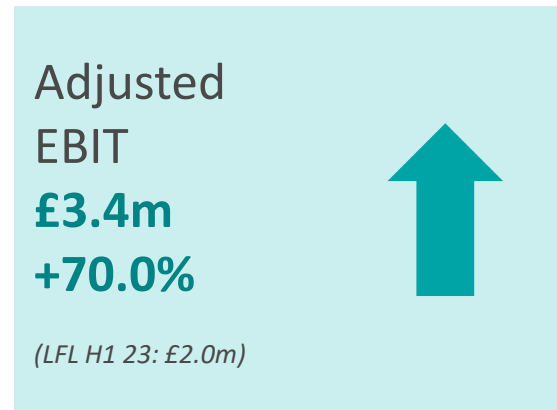
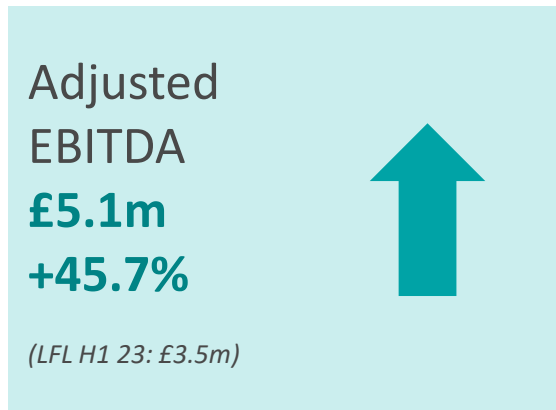
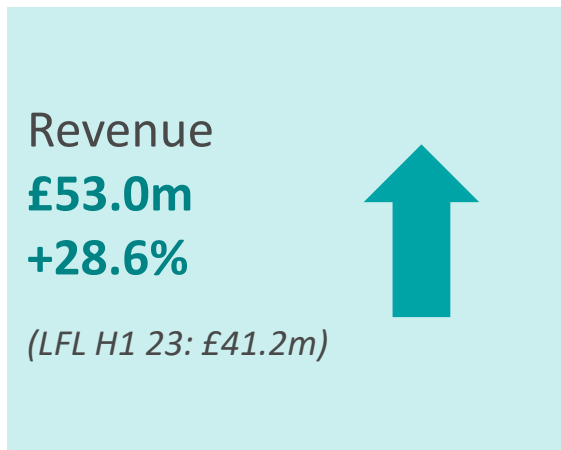
A reminder ...

- Additional savings of >£60m pa by 2026
- 4 streams: Digitalisation, Robotic Process Automation, Centralisation and other operational efficiencies
- Enables operational efficiency/ flexibility
- >£15m cost saving targeted for 2024; most crystallising in H2

Good progress Made in H1

- On track for >£15m of savings in 2024
- Increased digital access points for patients
- Purchase to Pay (P2P) pilot rollout underway
- Brentwood Patient Administration centre (supporting 5 hospital locations)

Vita integrating well and performing in line with expectations



Note: Like for like (LFL) numbers are provided for H1 23 which is the pre-acquisition performance of Vita which was acquired in October 2023.

Group adjusting items of £5.5m

Group

£m	H1 24	H1 23
Profit after tax before adjusting items	19.6	14.2
Adjusting items:		
Business reorganisation and restructuring	(1.8)	(1.6)
Net profit on sale of Tunbridge Wells	3.5	-
Remediation of Paterson malpractice issues	(4.6)	-
Integration costs for DCG and Vita	(0.7)	(0.4)
Amortisation on acquired intangible assets	(0.9)	-
Clinic set up costs	(0.8)	-
Tax (charge)/ credit on Adjusting items	(0.2)	0.5
Total Adjusting items	(5.5)	(1.5)
Statutory profit after tax	14.1	12.7

Cash movement since year end reflects timing and aligns with expectation

Group

£m	H1 23	H2 23	H1 24
Cash from operating activities	115.8	115.3	126.9
Capex	(31.0)	(53.4)	(51.5)
Working capital movement	(19.2)	3.7	(14.9)
Rent on leasehold property	(43.2)	(49.3)	(44.4)
Interest cost on bank debt	(9.3)	(7.7)	(10.6)
Proceeds from sale of Tunbridge	-	-	10.0
Own cash used for purchase of Vita	-	(33.2)	-
Dividend	-	(2.0)	(8.5)
Other	(11.6)	0.5	(13.6)
Increase/(Decrease) in cash	1.5	(26.1)	(6.6)
Opening cash balance	74.2	75.7	49.6
Closing cash balance	75.7	49.6	43.0

Timing impact

Capex Focus

Capex investment of £51.5m (H1 23: £31.0m) comprising:

- Investment projects:
 - Spire Abergele Clinic opened
 - Spire Harrogate Clinic (open later in year)
 - Spire Claremont minor operations unit
 - Energy saving initiatives progressing to plan
- Continuous infrastructure investment
 - Refurbishment at Spire Portsmouth and Spire Washington

Spire Abergele Clinic



Group KPIs H1 Outturn

Group

	Our view of FY24 at FY23 results	H1 24 outturn
Hospitals Revenue growth	Hospital business >5%	✓ Hospital business +5.4% (excl. impact of Tunbridge Wells)
Vita	Vita revenue >£100m, adjusted EBITDA c.£10m	✓ Vita revenue £53.0m and Adjusted EBITDA £5.1m
Hospitals margin	Margin improvement with >£15m of cost saving, weighted to H2	✓ Hospitals Adjusted EBITDA margin up 30bps to 18.0%; cost savings on track
Group Capex	FY24 - £95-105m	✓ £51.5m
Group Return on capital	ROCE 8-9% at year end	✓ ROCE 7.6% (LTM) up from 7.5% at FY23 and 6.9% at H1 23
Group Bank debt leverage	<2.0x (ahead of any M&A) at year end	✓ 2.1x down from 2.2x at 2023 YE
Group Adjusted EBITDA	FY24 in range (£255-275m)	✓ £130.6m

Strong progress in H1

Growth in hospitals margins

Improved Group earnings and returns

Further progress expected in H2



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Key Themes and Outlook

Justin Ash, Chief Executive Officer

Looking after you.

Hospital Revenue	Continued growth
Hospital Margins	Deliver savings
Quality	Continued focus
Vita / other services	Integration and future expansion plans
Outlook	Guidance maintained

	PMI	Self-pay	NHS
Our view of 2024/25	Strong growth	Modest growth with mix upside	Modest growth (Possible Upside)
Private	PMI and SP increasingly looking like one market Good growth		
Overall prospects for Hospitals Business remain strong			

Margins

- Generating efficiencies
- Savings and digitalisation programmes on track
- Significant change programme, going well
- Patient journey safety and quality benefits

Quality

- Continue to embed PSIRF
- Celebration of colleagues delivering excellence
- DAISY awards to nursing colleagues
- IRIS awards to other clinical colleagues



Community Healthcare

Trialling new community-based healthcare including GP, physio and mental health

B2C Mental Health

Launched Spire branded B2C mental health proposition

London Doctors Clinic

Introducing Spire pathology networks to LDC

Occupational Health

Continue to grow the business

Strategy update in 2025

Group trading within guidance range across financial KPIs

Group

	Our view of FY24 at FY23 results
Hospitals Revenue growth	Hospital business >5%
Vita	Vita revenue >£100m, adjusted EBITDA c.£10m
Hospitals margin	Margin improvement with >£15m of cost saving, weighted to H2
Group Capex	FY24 - £95-105m
Group Return on capital	ROCE 8-9% at year end
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Strong progress in H1

Growth in hospitals margins

Improved Group earnings and returns

Further progress expected in H2

Trading within guidance



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Appendix

Looking after you.

Technical guidance for 2024

Total lease payments	c.£102m - £107m (FY23: £100.2m)
Depreciation & Amortisation	c.£108m - £113m (FY23: £103.6m)
Capex*	c.£95m - £105m (FY23: £84.4m)
Net financing costs	c.£100m - £105m (FY23: £91.6m)
Tax**	Effective corporate tax rate between 25% - 35% (substantially deferred tax movements)
Net bank debt	c.£280m - £330m (31 December 2023: £315.7m)

* Excludes Capex on clinics or adjacent propositions

** The effective tax 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)

Maintained higher ARPC – reflects pricing, private mix and acuity

Hospitals

	H1 19			H1 22			H1 23			H1 24			
	PMI	Self-pay	NHS	PMI	Self-pay	NHS	PMI	Self-pay	NHS	PMI	Self-pay	NHS	
IPDC admissions ('000)	61.6	23.5	46.8	58.5	35.7	37.4	65.7	33.6	42.0	68.9	30.3	41.5	
ARPC (£)	2,514	2,905	2,404	2,729	3,961	3,090	2,870	4,297	3,298	2,992	4,618	3,509	
Total revenue (£m)	247.0	88.6	143.7	265.2	174.1	145.6	306.6	178.4	170.5	336.4	173.1	179.3	
										ARPC growth	+4.2%	+7.5%	+6.4%

Note: NHS ARPC is stated gross of consultant fees

Steady long-term growth of private ARPC

Hospitals

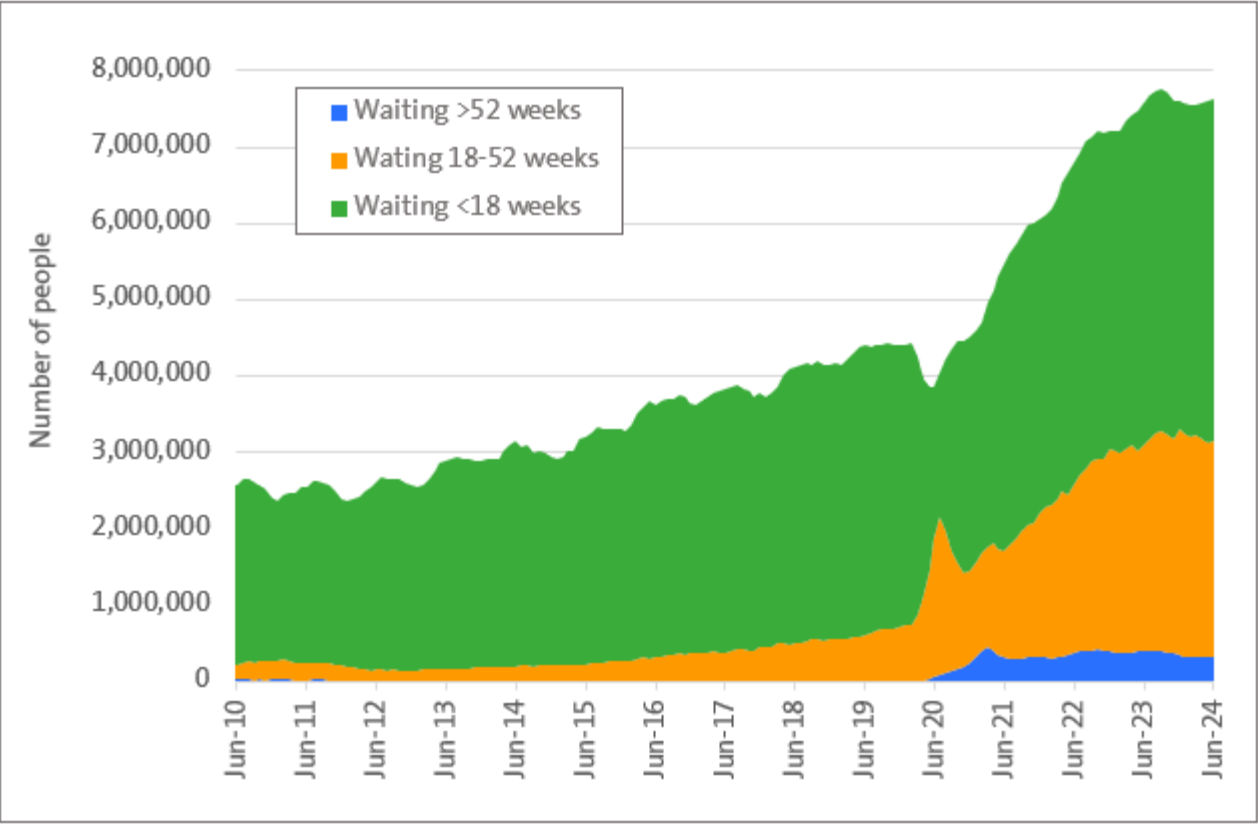
	FY19		FY21		FY22		FY23		H1 24	
	PMI	Self-pay	PMI	Self-pay	PMI	Self-pay	PMI	Self-pay	PMI	Self-pay
IPDC admissions ('000)	121.6	47.6	104.9	63.7	118.2	69.5	130.6	63.9	68.9	30.3
ARPC (£)	2,533	2,884	2,686	3,683	2,756	3,955	2,896	4,356	2,992	4,618
Total revenue (£m)	491.8	178.8	473.7	292.0	538.7	338.0	615.7	344.0	336.4	173.1

Portfolio management of payors and specialities by hospital to optimise capacity usage

Hospitals

Gross profit contribution index				Hospital portfolio	Hospital portfolio
	PMI	Self-Pay	NHS		
Orthopaedics	0.5	1.0	0.3	+80% Private revenue 16 hospitals	<ul style="list-style-type: none"> All payors and selected specialities contribute a positive gross margin Payor volume varies by hospital reflecting local market Disciplined optimisation of services key National procurement, staffing models and digitisation underpin margin
General surgery	0.2	0.3	0.1	60%-80% Private revenue 14 hospitals	
Ophthalmology	0.1	0.2	N/A	40-60% Private revenue 6 hospitals	
				<40% Private revenue 3 hospitals	

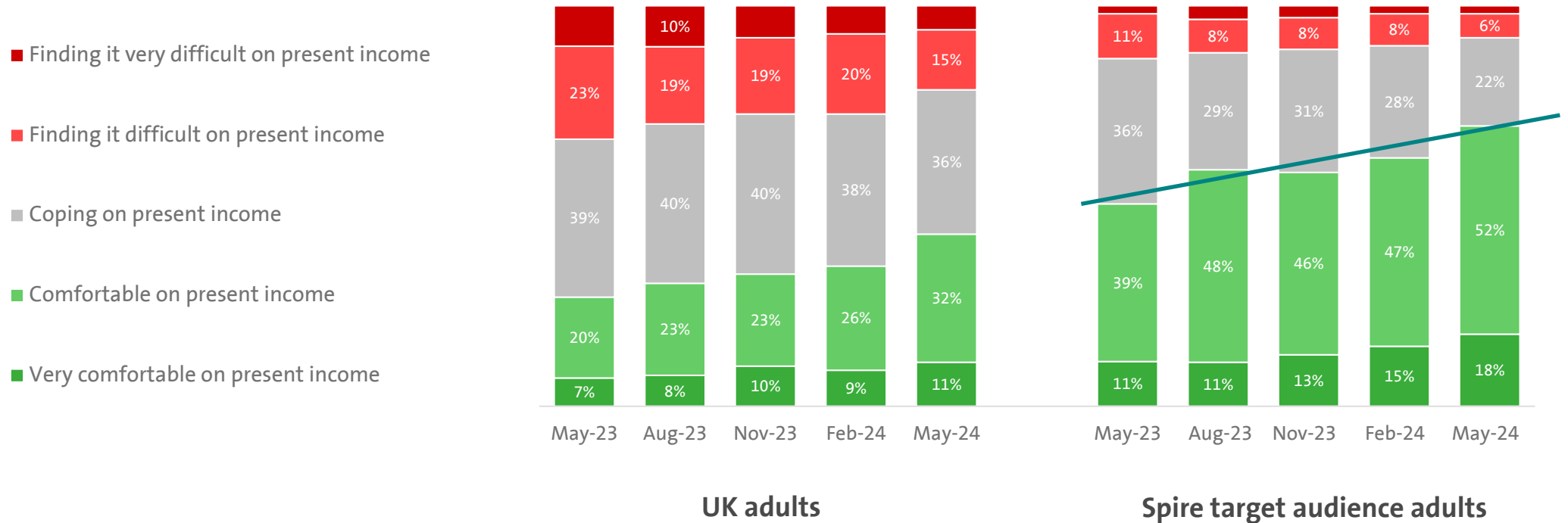
NHS waiting lists stood at 7.6m pathways in June 2024



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?

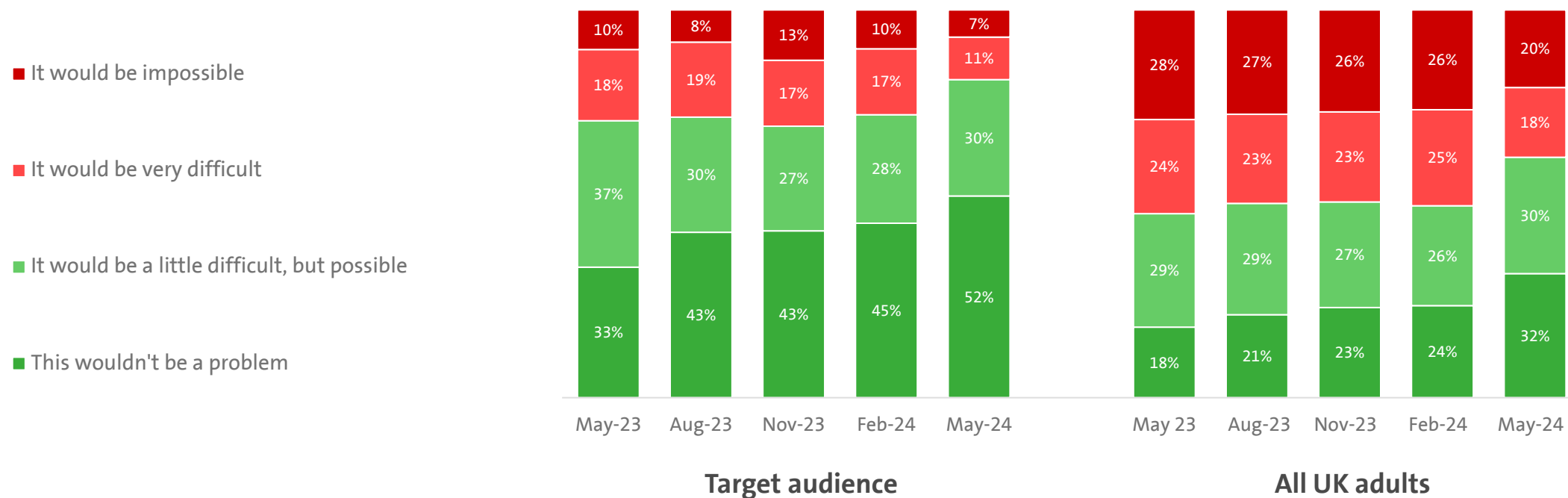


Source: Quarterly Omnibus Survey May 22 – May 24 amongst ~1,000 adults (range 1,000 – 1,021) representative of the UK population; ~250 adults (range 206 – 271) qualifying as Spire target audience
 Spire target audience: 35+, £50k household income OR retired and living comfortably

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



Source: Quarterly Omnibus Survey May 22 – May 24 amongst ~1,000 adults (range 1,000 – 1,021) representative of the UK population; ~250 adults (range 206 – 271) qualifying as Spire target audience
Spire target audience: 35+, £50k household income OR retired and living comfortably

Cash & Borrowings

Group

£m	31 Dec 20	31 Dec 21	31 Dec 22	31 Dec 23	30 Jun 24
Bank borrowings	420.8	427.5	324.3	365.3	366.4
Cash	106.3	202.6	74.2	49.6	43.0
Net bank debt	314.5	224.9	250.1	315.7	323.4

£m	31 Dec 20	31 Dec 21	31 Dec 22	31 Dec 23	30 Jun 24
Bank borrowings	420.8	427.5	324.3	365.3	366.4
Lease liabilities (under IFRS 16)	749.5	837.8	866.5	891.7	885.8
Total borrowings	1,170.3	1,265.3	1,190.8	1,257.0	1,252.2

Further reduction in Bank Debt Leverage and Total Debt Leverage (IFRS 16 lease liabilities)

Group

