



Spire Healthcare

# H1 21 Results Presentation

9 September 2021



*Looking after you.*

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

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

# Agenda

Introduction

Sir Ian Cheshire, Chair

H1 21 Overview

Justin Ash, Chief Executive Officer

H1 21 Financial Review

Jitesh Sodha, Chief Financial Officer

Q&A



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# Introduction

Sir Ian Cheshire, Chair

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# Strong foundations in place and ready to move forward

- Approach from Ramsay was unsolicited
- 72% voted in favour of the offer at the Court Meeting
  - Insufficient to meet the 75% acceptance level
- We respect the decision of all shareholders
- Today's results demonstrate that Spire Healthcare has a strong future as an independent company
  - Clear strategic direction
  - We look to the future with confidence



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# H1 21 Overview

Justin Ash, Chief Executive Officer

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# Spire Healthcare strategy to improve quality of earnings



**First choice for  
private  
patients**



**NHS key  
partner**



**Uncompromising  
on patient safety**



**Improving  
revenue, profit  
and cash**



# H1 21 highlights



**Delivered record private growth**



**Supported the NHS in crisis**



**Strengthened quality credentials and delivered Purpose**



**EBITDA in line with H1-19 despite COVID-19 restrictions**

**Strong platform to deliver growth**

# Q2 performance driven by successful execution of strategy



## First choice for private patients

- Drove higher private mix, lower dependency on NHS commissioning ✓
- Higher ARPC ✓
- Stronger underlying margin ✓
- Brand awareness growing ✓
- Customer satisfaction increasing ✓
- Market shares rebounding ✓

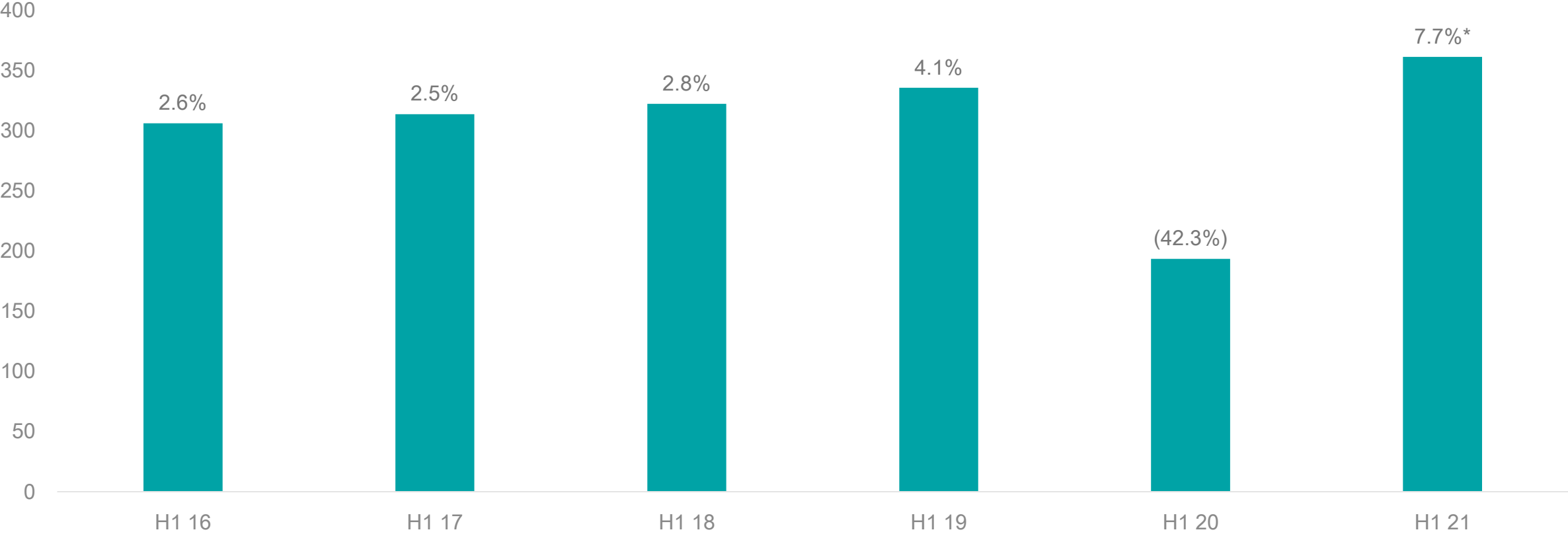


## NHS key partner

- NHS activity down but Spire holding share
  - Performed well under contract ✓
  - Strong growth in referrals ✓

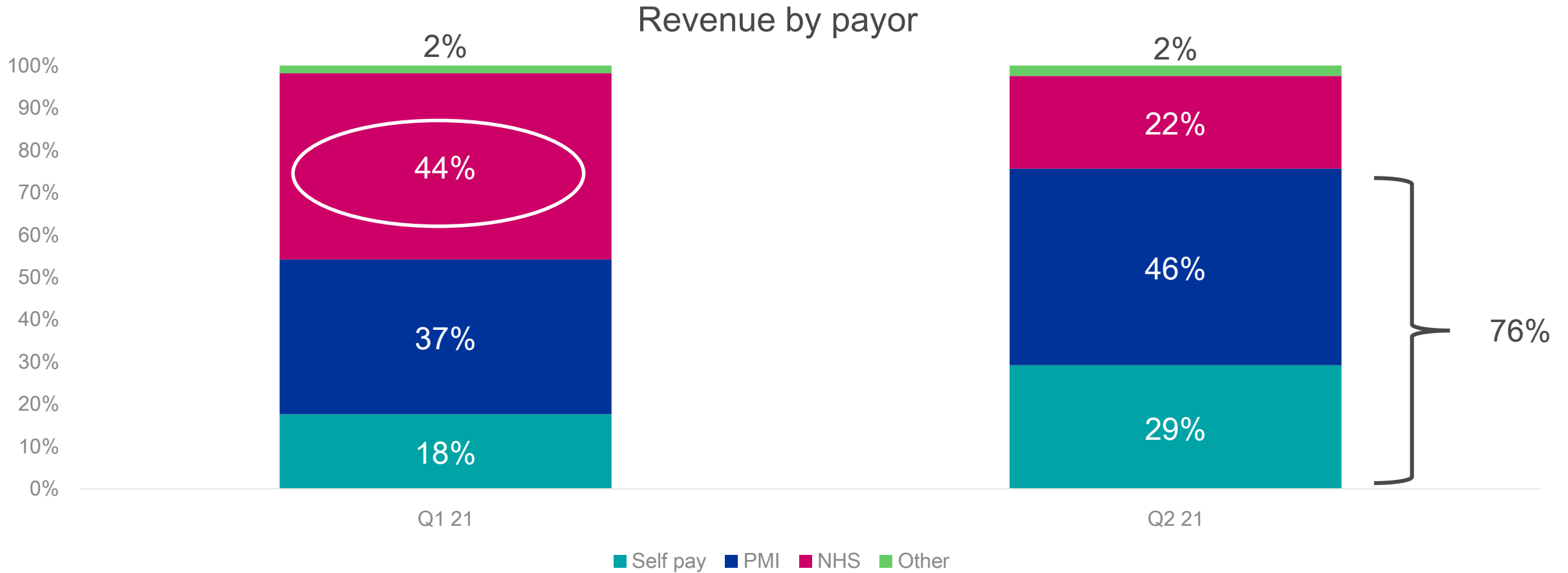
# Private first strategy continues to deliver

H1 private revenue (£m) and growth



\* Relative to H1 19

# Improved private mix in Q2 21, lower dependency on NHS



# Customer sentiment improving

**79%** of target audience aware of the increase in waiting lists (+18pp)

**53%** agree that they are more likely to consider a private hospital than before as a result (+2pp)

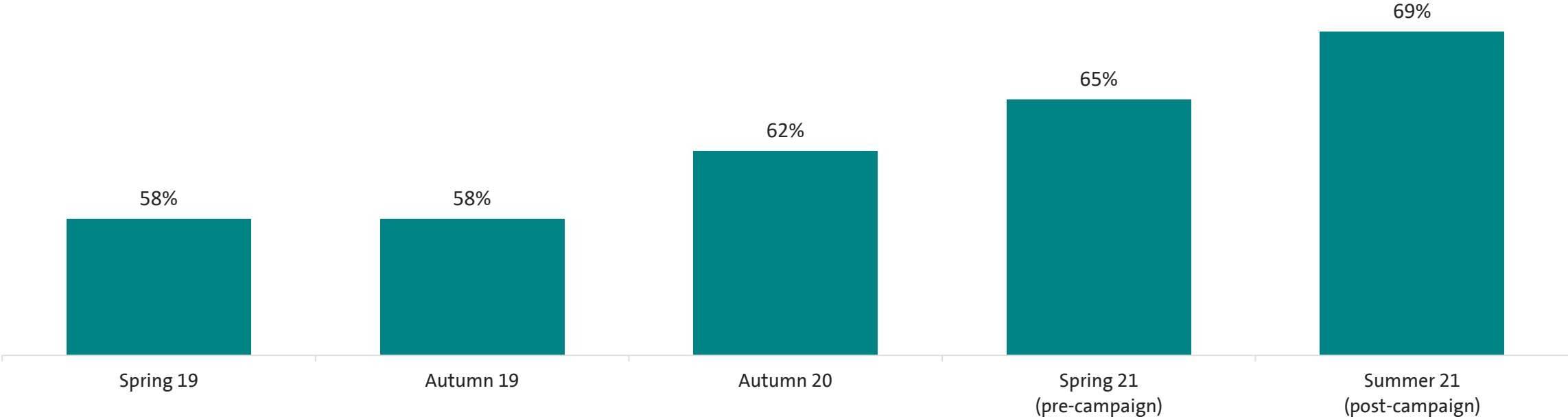
**11%** strongly agree (+1pp)

Source: Boxclever survey of UK adults for Spire Healthcare

# Brand awareness growing

## Prompted Awareness of Spire Healthcare

11 ppt increase in prompted awareness since pre-pandemic



Source: Spire Brand tracking survey  
Question: Which of these private healthcare providers have you heard of?



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# Customer satisfaction increasing

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

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

**93%** agree that our care was **outstanding** (+1pp)

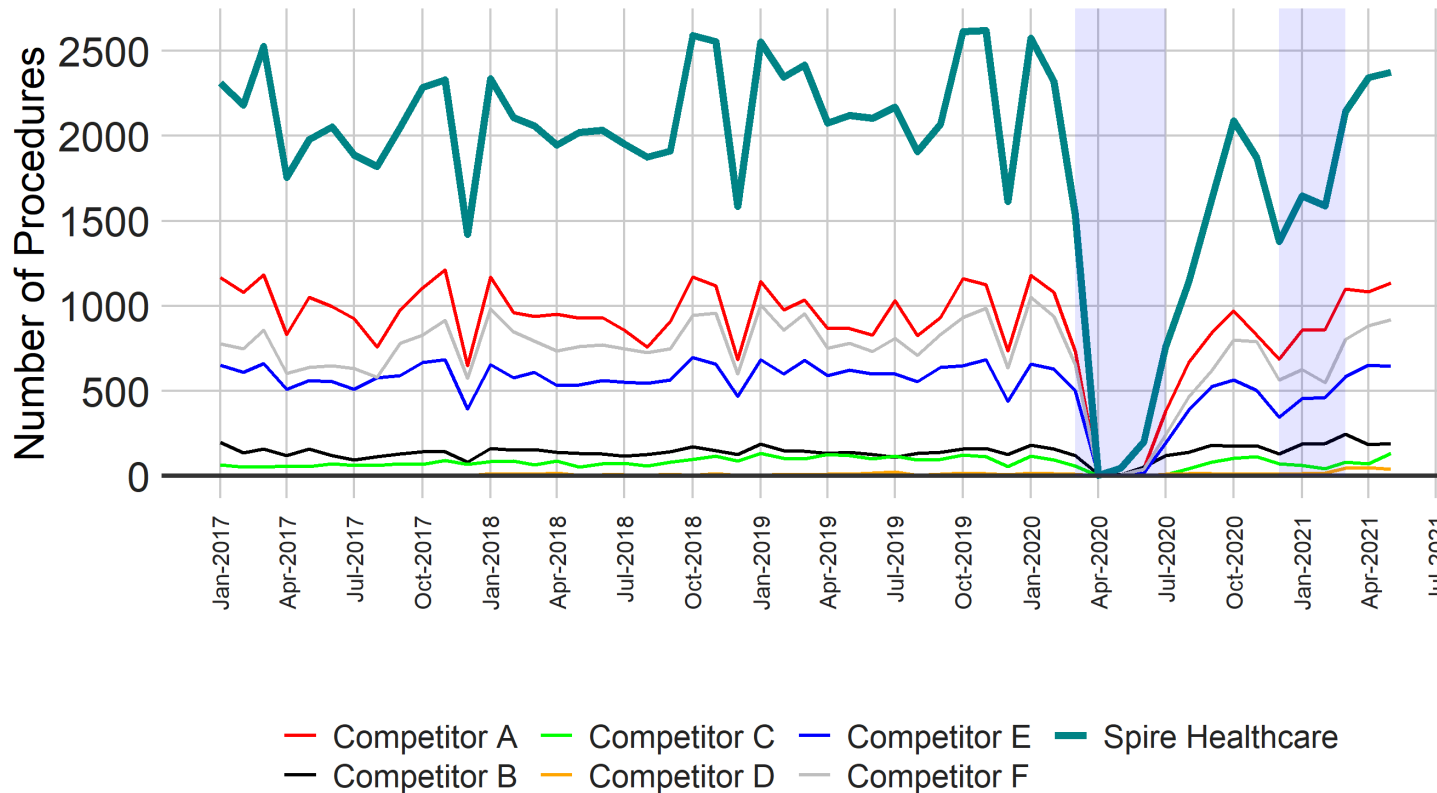
**95%** agree that our care was **personalised** (+1pp)

Source: Spire Healthcare Patient Discharge Survey (n=23,742), conducted from 1 January to 30 June 2021

# Market share rebounding

## Hip and Knee Procedures

Major Independent Providers (addressable market): Volume



Source: Spire Healthcare analysis of NJR data



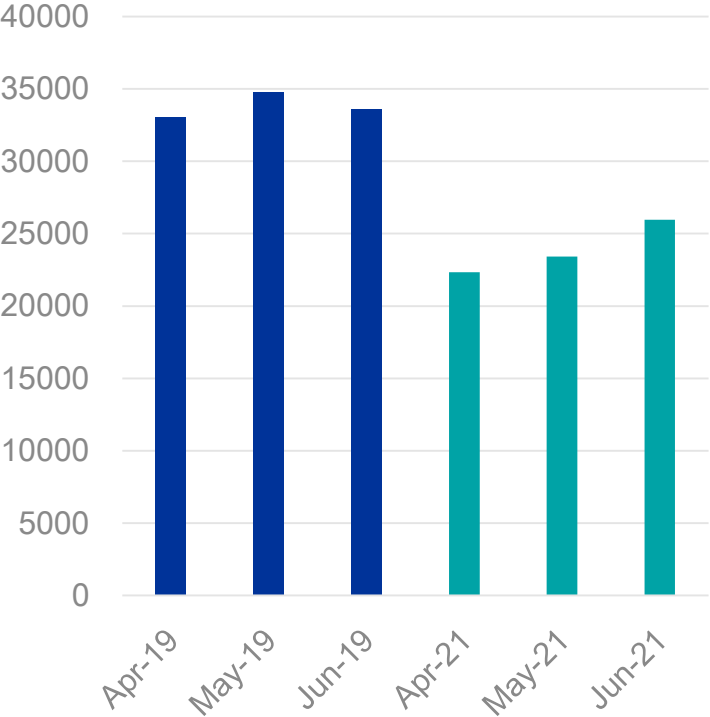
The addressable market is the volume of procedures undertaken either at a Spire hospital, or at a NHS or independent sector hospital that is local enough to be classed in a Spire hospital's competitive set

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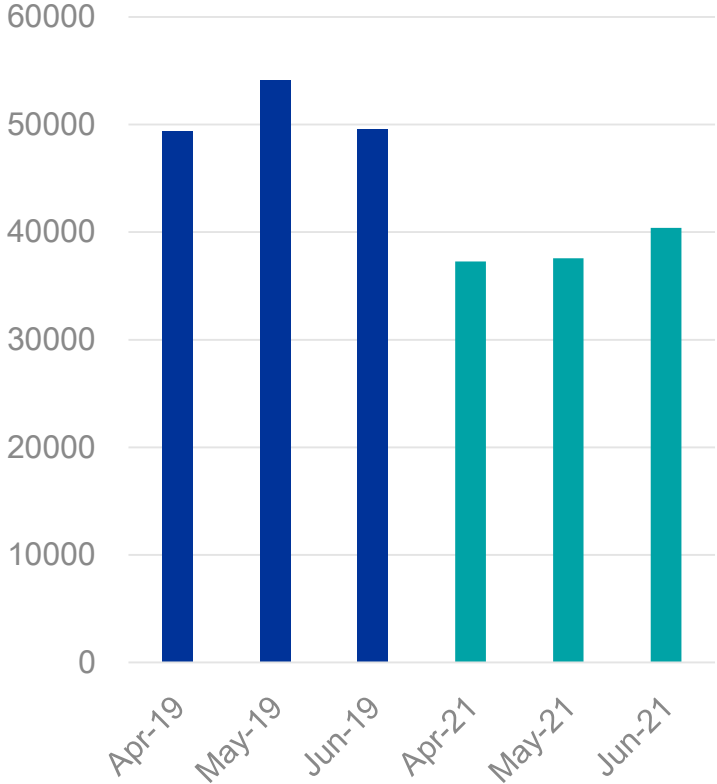


# Total NHS market volumes returning slowly

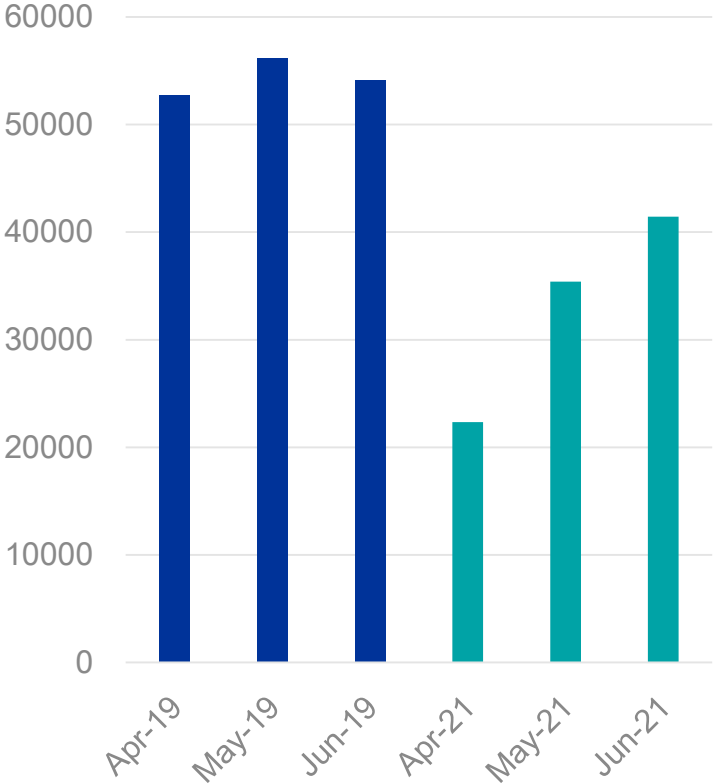
### Elective General & Acute admissions



### GP referrals made



### 1st Outpatient attendance



Source: NHS England, total private market



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# Uncompromising on patient safety

- CQC ready – CQC launched new monitoring framework in April
  - Moving from pre-announced to unannounced inspections
- Quality Improvement strategy underway
- GIRFT
- Medical Examiner appointed
- Strong laboratory network – all with up to date UKAS accreditation
- 166 nursing apprentices, further 115 apprentices joining by end year



# Colleague engagement increased further

**84%** are **proud** to  
work for Spire  
Healthcare (+4pp)

**87%** would  
**recommend** Spire  
Healthcare if a friend or  
family member needed  
treatment (+1pp)

**73%** are **excited**  
about the future (+11pp)

Source: Spire Healthcare Colleague survey 2021



# Improving revenue, profit and cash

- Actively managing COVID-specific costs down
- Efficiency programmes to deliver savings of at least **£15m** in 2022
  - Benefitting from Spire one best way
  - Benefitting from integrated quality performance framework (QAF)
  - Further savings expected through procurement
  - Joint synergy programme with Mediclinic
  - Electronic Pre-Operative Assessment (EPOA) now deployed to eight sites
  - New pricing system now in 28 sites
  - Various modules in development to create comprehensive electronic patient record



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# H1 21 Financial Review

Jitesh Sodha, Chief Financial Officer

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# Financial Summary

- H1 – delivered ‘trading in line with 2019’ guidance
- De-leveraged balanced sheet. Net Debt / EBITDA 2.7x
- Exceptional Self-Pay growth, PMI admissions recovering with strong revenues through complexity
- NHS Q1 as expected, Q2 lower commissioning
- July and August impact of ‘pingdemic’ and increased rate of COVID
- Looking ahead: positive outlook for demand, continued uncertainty from impact of COVID
- We continue to have opportunities for operational improvement and ‘self-help’
- Continued focus on cash, leverage and balance sheet

# Financial headlines H1 21: P&L

Revenue  
**£558.2m**

*(H1 19: £491.6m)  
(H1 20: £401.9m)*

Adjusted EBITDA  
**£96.0m**

*(H1 19: £96.8m)  
(H1 20: £61.6m)*

Adjusted EBIT  
**£48.5m**

*(H1 19: £51.4m)  
(H1 20: £14.9m)*

COVID costs  
reduced EBITDA by  
**£16m**

*(H1 20: NA)*

# Financial headlines H1 21: balance sheet

Capex  
**£26.5m**

(H1 19: £19.7m)  
(H1 20: £19.5m)

Net bank debt  
improved  
**£306.3m**

(H1 20: £330.6m,  
FY 20: £314.5m)

Net Debt/EBITDA  
ratio improved  
**2.7x**

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

FCF  
**£24.5m**

(H1 19: £37.7m)  
(H1 20: (£6.1m))



# Spire Healthcare core assumptions on 2021 operating environment

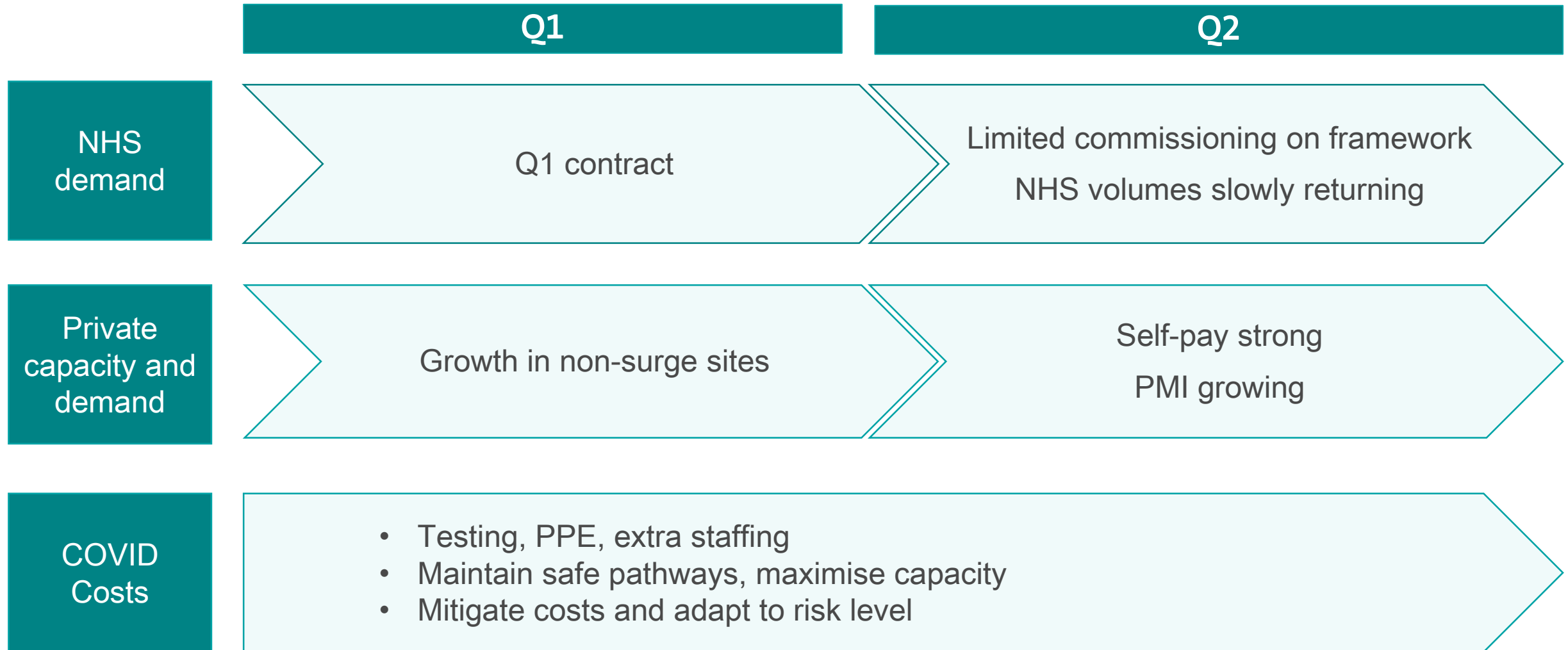
## Q1

- High COVID prevalence
- National lock-down
- NHS overwhelmed in some areas

## Q2

- Vaccine programme begins to take effect
- COVID prevalence reducing
- Lockdown easing

# Spire Healthcare core assumptions on 2021 operating environment

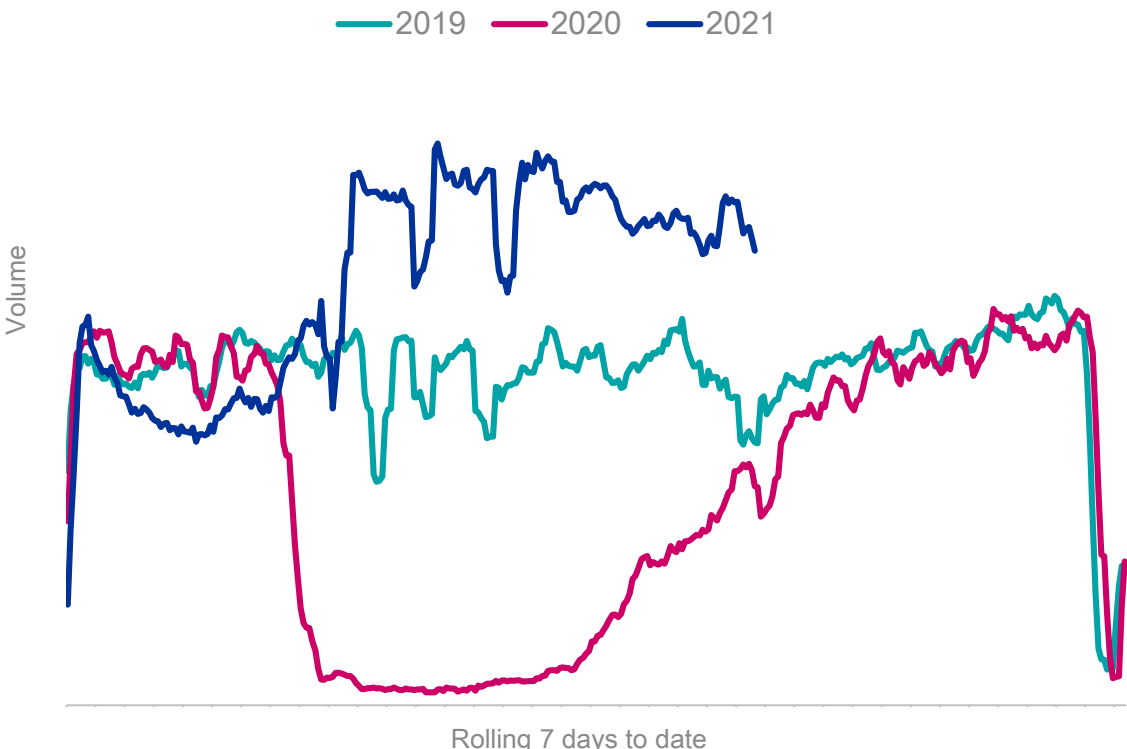


# Self-pay performance at record levels

### Self-Pay new outpatient consultation



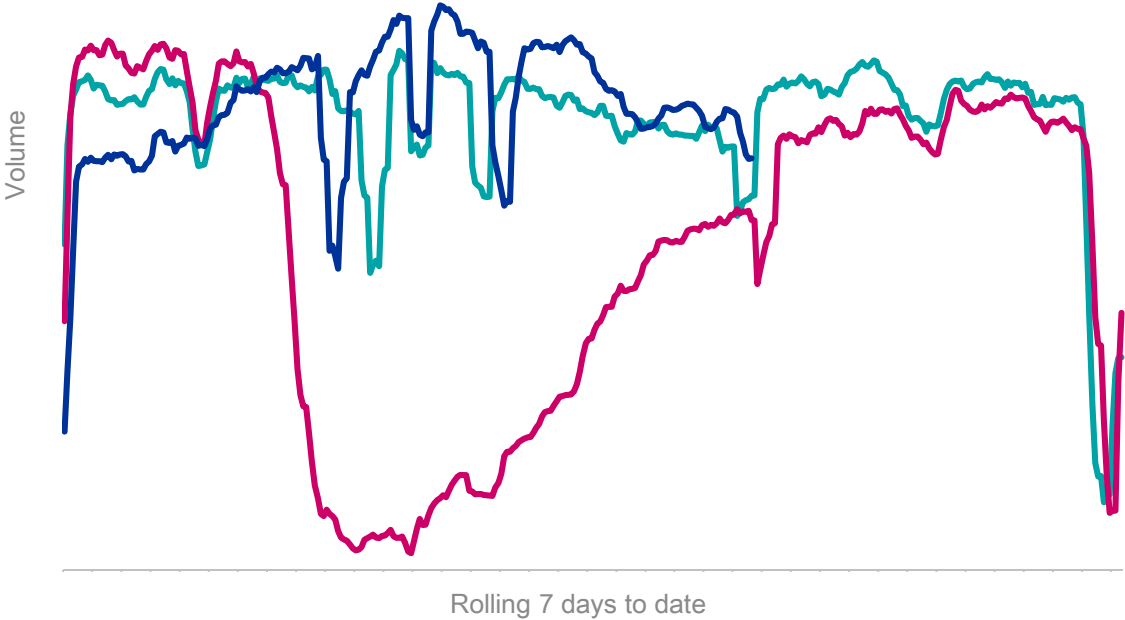
### Self-Pay IPDC admissions



# PMI volumes trending back to 2019 levels

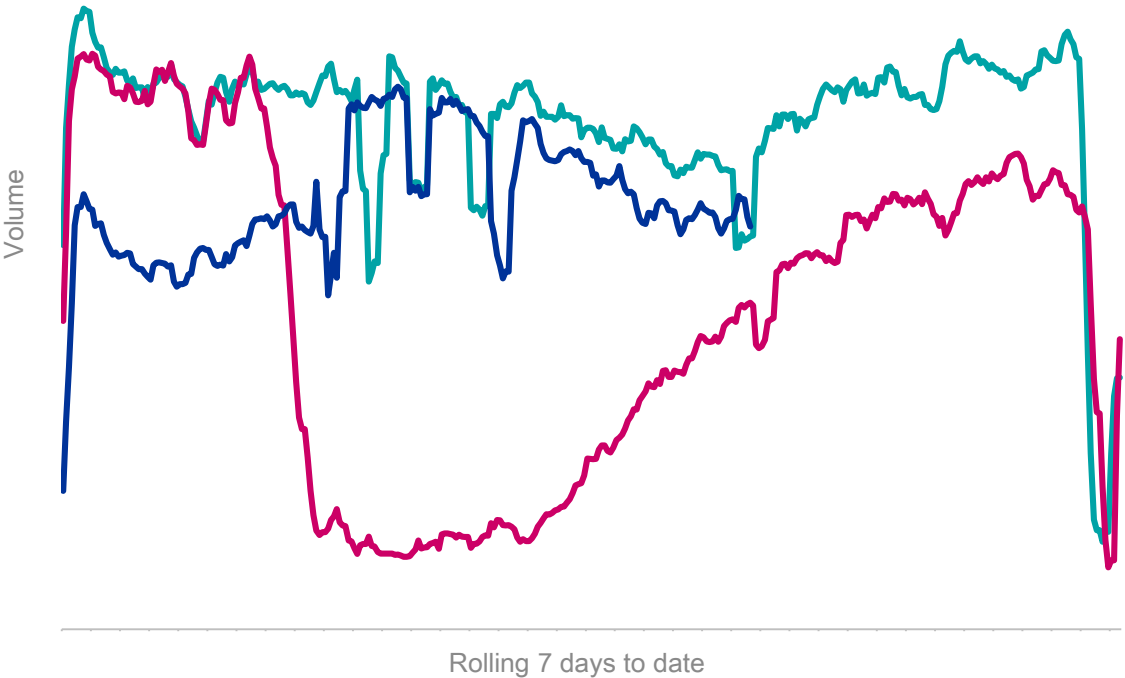
### PMI new outpatient consultation

—2019 —2020 —2021



### PMI IPDC admissions

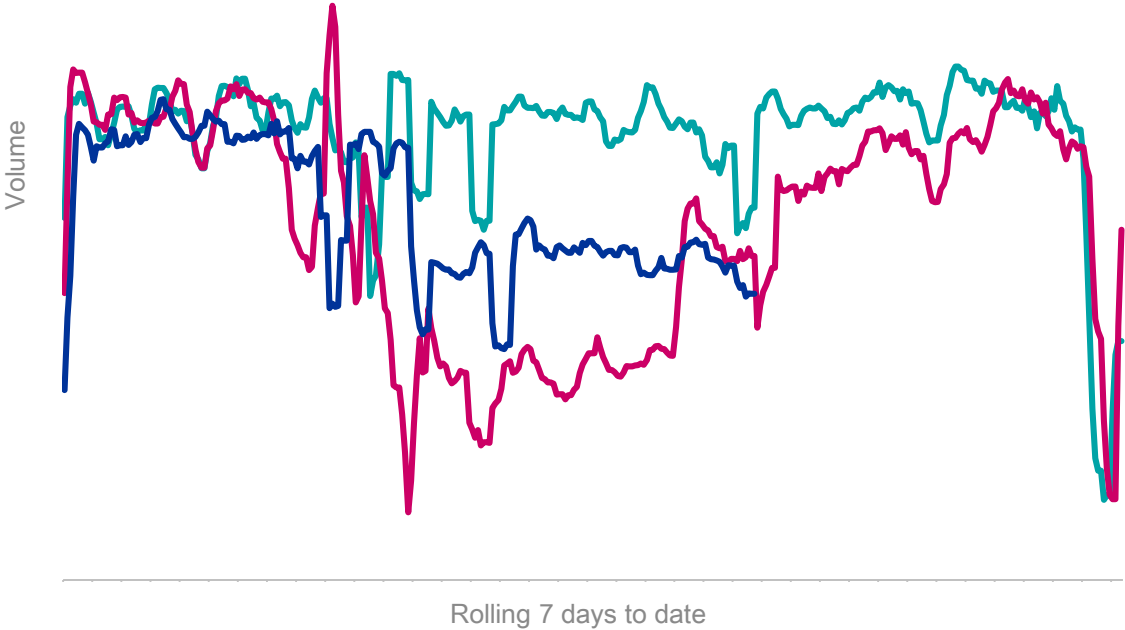
—2019 —2020 —2021



# NHS volumes below historical levels due to muted commissioning

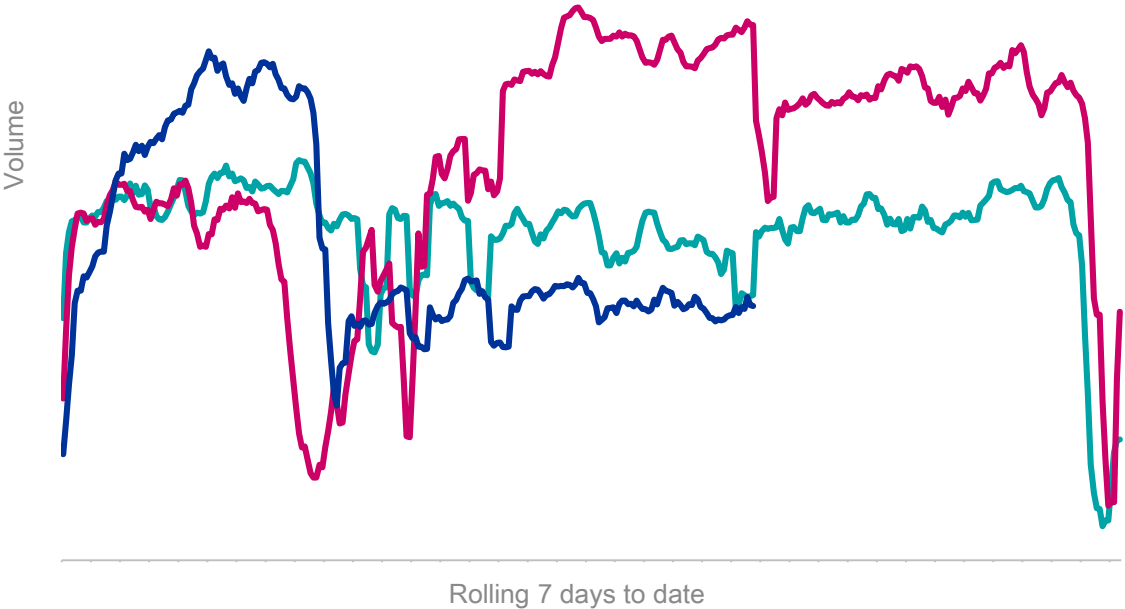
### NHS new outpatient consultation

—2019 —2020 —2021

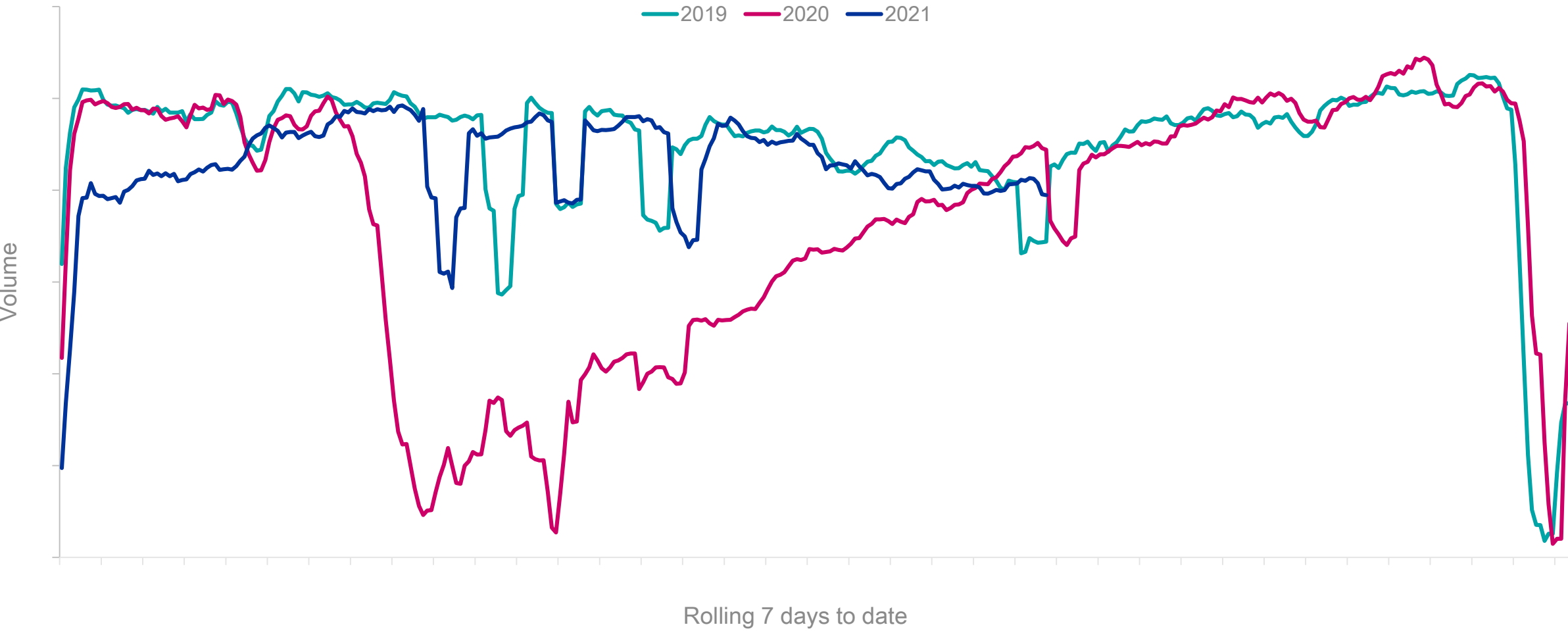


### NHS IPDC admissions

—2019 —2020 —2021



# Total Admissions – impact of COVID in July and August



# Higher ARPC reflects private mix and higher acuity

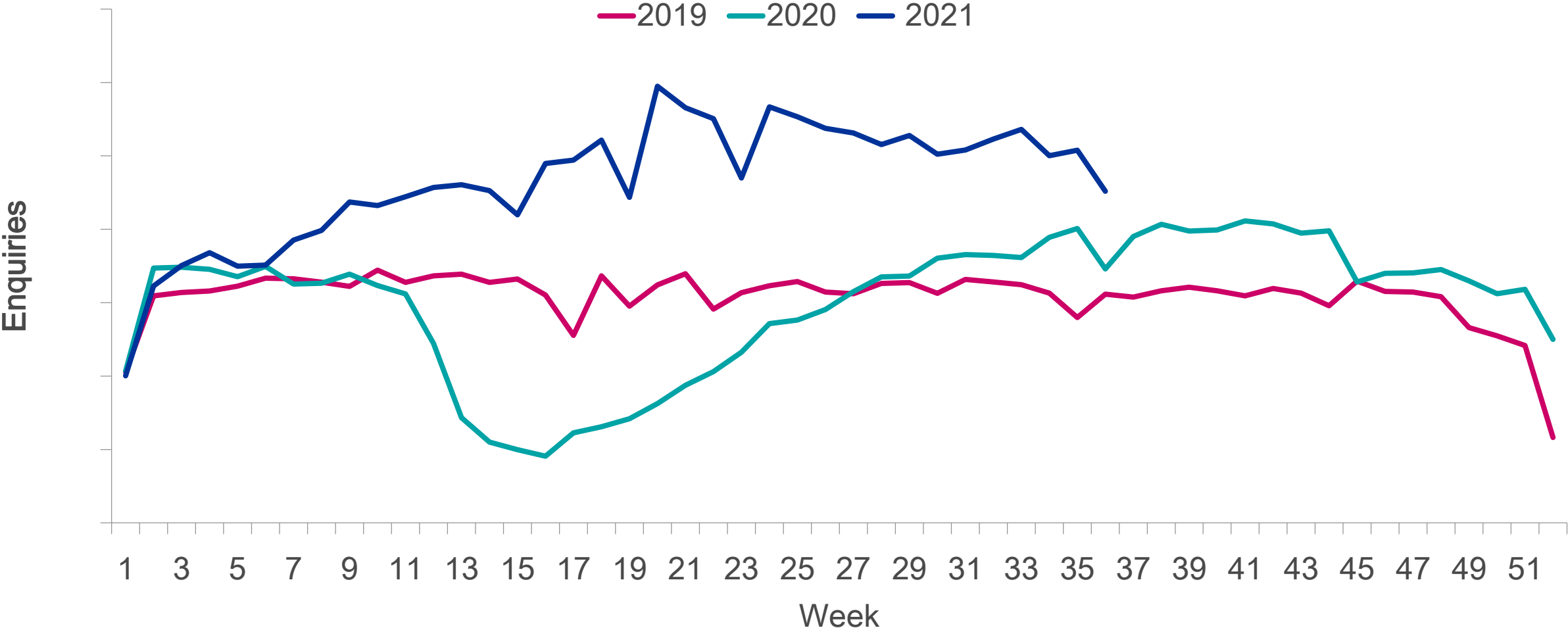
	Q2 21			Q2 19			Variance		
	PMI	Self-pay	Total private	PMI	Self-pay	Total private	PMI	Self-pay	Total private
IPDC admissions	28.6	17.7	46.3	30.1	11.8	41.9	(5.1%)	50.1%	10.4%
ARPC (£)	2,721	3,694	3,093	2,491	2,879	2,600	9.2%	28.3%	19.0%
IPDC revenue (£m)	77.8	65.4	143.2	75.1	34.0	109.1	3.7%	92.6%	31.3%
Outpatient rev (£m)	49.2	14.4	63.6	45.9	10.2	56.1	7.2%	39.8%	13.3%
<b>Total revenue (£m)</b>	<b>127.0</b>	<b>79.8</b>	<b>206.8</b>	<b>121.0</b>	<b>44.2</b>	<b>165.2</b>	<b>5.0%</b>	<b>80.6%</b>	<b>25.2%</b>

# Lower NHS volumes

	Q2 21			Q2 19			Variance		
	Total private	NHS	Total	Total private	NHS	Total	Total private	NHS	Total
IPDC admissions	46.3	17.0	63.3	41.9	22.3	64.2	10.4%	(23.9%)	(1.4%)
ARPC (£)	3,093	2,791	2,952	2,600	2,416	2,536	19.0%	15.6%	16.4%
IPDC revenue (£m)	143.2	47.5	190.7	109.1	53.9	163.0	31.3%	(12.0%)	17.0%
Outpatient rev (£m)	63.6	12.4	76.0	56.1	15.5	71.6	13.3%	(20.0%)	6.3%
Other revenue (£m)			6.6			5.8			13.2%
<b>Total revenue (£m)</b>	<b>206.8</b>	<b>59.9</b>	<b>273.3</b>	<b>165.2</b>	<b>69.4</b>	<b>240.4</b>	<b>25.2%</b>	<b>(13.6%)</b>	<b>13.7%</b>



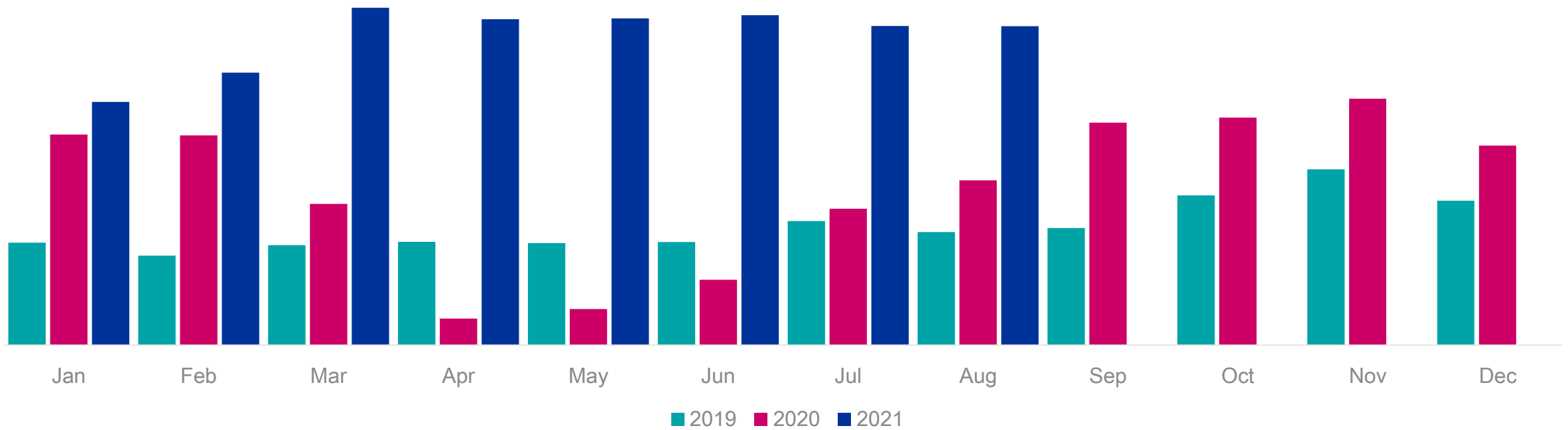
# Spire's weekly relevant enquiries significantly above 2019



# Increased online booking activity in 2021

- Three-fold increase in bookings made via our portals in H1 21 versus H1 19
- Online bookings provide Spire Healthcare with more visibility over the patient pathway

Total online bookings across all portals



# Supportive lenders and extension of Senior Facility maturity

Period end net debt to EBITDA 2.7x – lowest level since Y/E 2016

Waiver agreed for June 21 testing, ceiling returns to 4.0x for Dec 21 test

Now in a position to review capital structure and dividend policy

Total leverage of 6.0x

	June 21 (£m)	Dec 20 (£m)
Bank borrowings	422.4	420.8
Cash	116.1	106.3
<b>Net bank debt</b>	<b>306.3</b>	<b>314.5</b>
	June 21 (£m)	Dec 20 (£m)
Bank borrowings	422.4	420.8
Lease liabilities (under IFRS 16)	750.6	749.5
<b>Total borrowings</b>	<b>1,173.0</b>	<b>1,170.3</b>

# Financial headlines H1 21: Adjusting items and portfolio management

- Adjusting Items taken against Operating Profit of £2.3m
- The Adjusting items charge is largely comprised of two items:
  - £2.8m of merger and acquisition costs, largely relating to the attempted takeover bid; and
  - £0.4m credit regarding the cost settlement following the award to Spire Healthcare in the court ruling against RSA (subject to Appeal)
- Active Portfolio Management
  - Sussex lease expire 2022 rather than 2027 for £2m.
  - 2019 Revenue; £8.4m EBITDA: £0.4m
- Eliminating 15 (one-third) of the legal entities in the Group structure

# Investing for growth

- £75-85m planned capex investments

## Maintenance capex

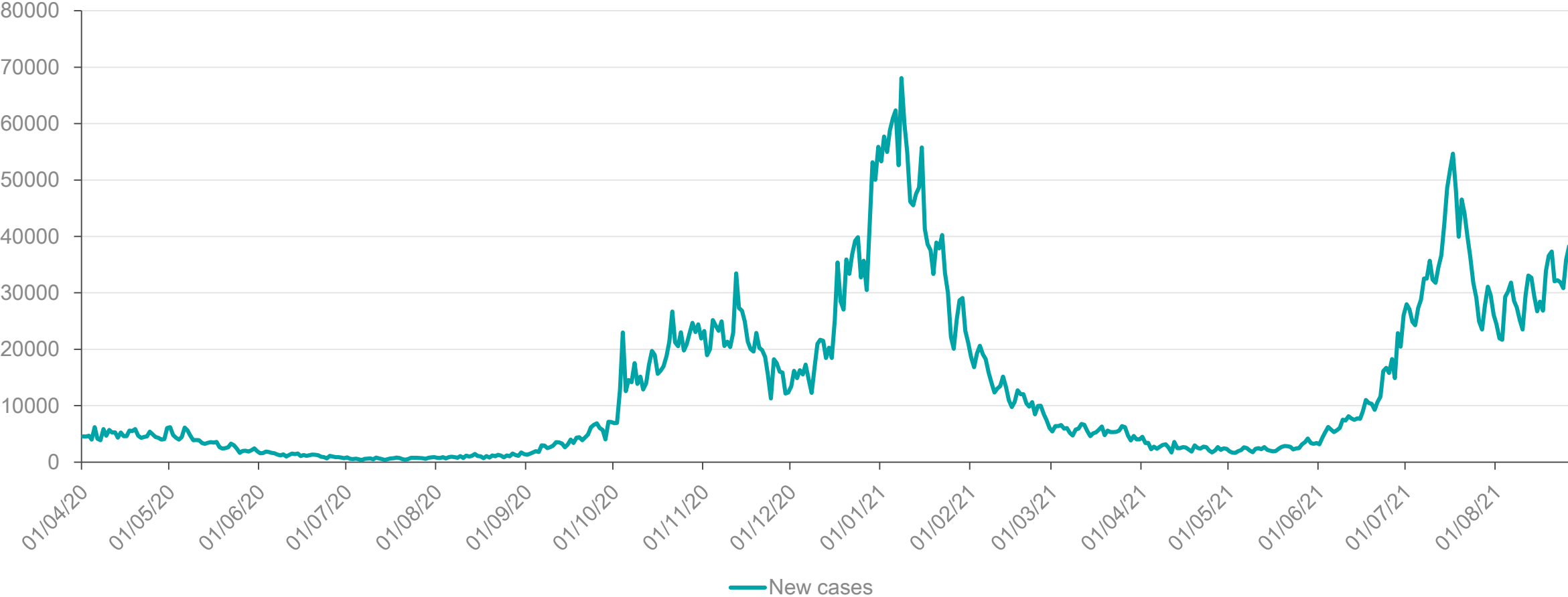
- Estate refurbishment and upgrades
- Plain film and diagnostic imaging

## Growth capex

- MRI and CT scanners
- Capacity enhancement
  - Norwich and Edinburgh
- Digital development

- Net carbon zero by 2030

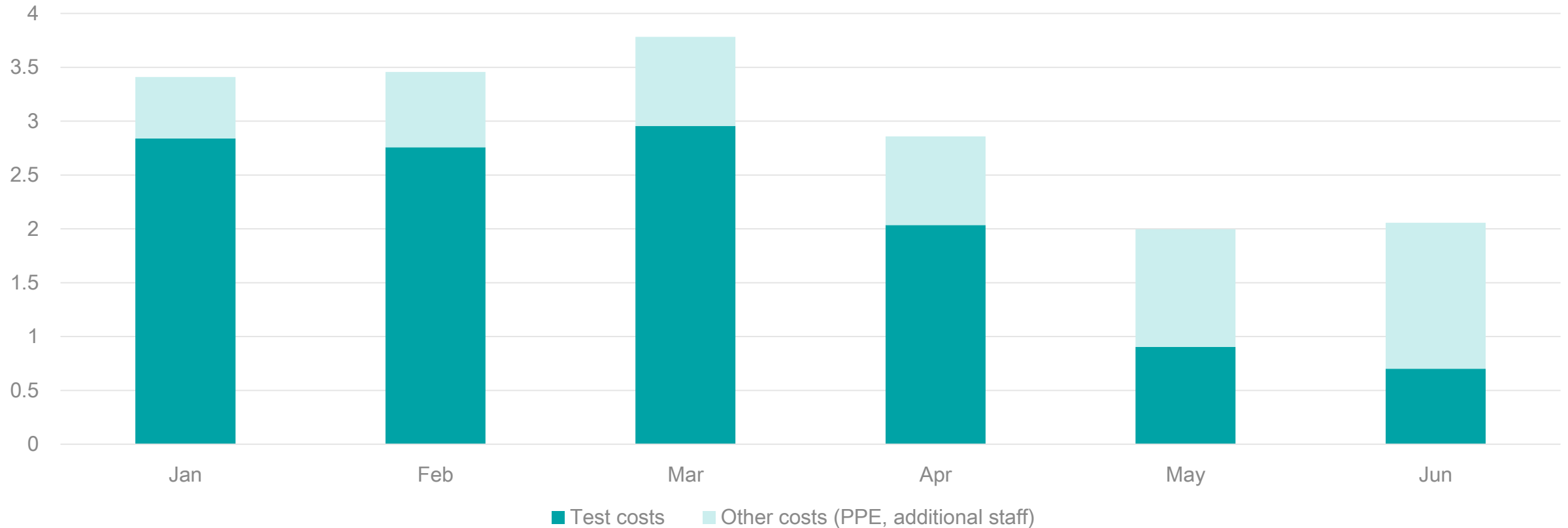
# New UK COVID cases building from June 21



Source: UK Government:  
<https://coronavirus.data.gov.uk/details/download>

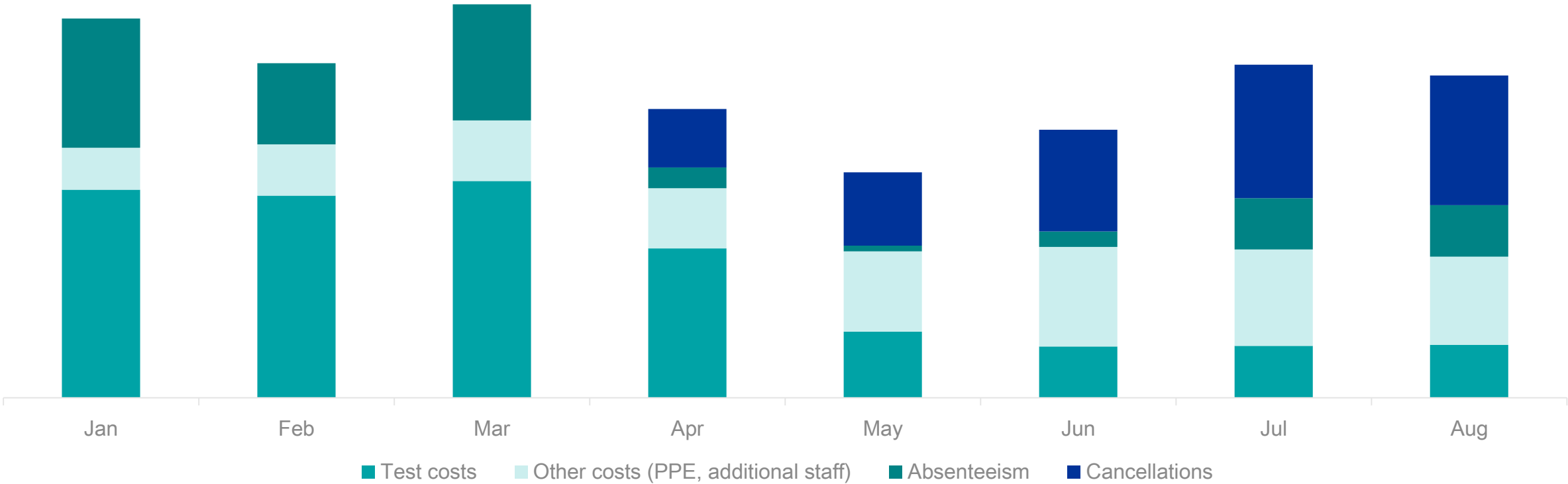
# Actively managing controllable COVID costs down

£16.2m impact in H1 21 EBITDA due to testing and consumable costs



# Exposed to non-controllable COVID costs caused by rising cases

Reduction in EBITDA due to COVID-specific issues (£m)





# Spire Healthcare core assumptions for H2 21

## Q1

- High COVID prevalence
- National lock-down
- NHS overwhelmed in some areas

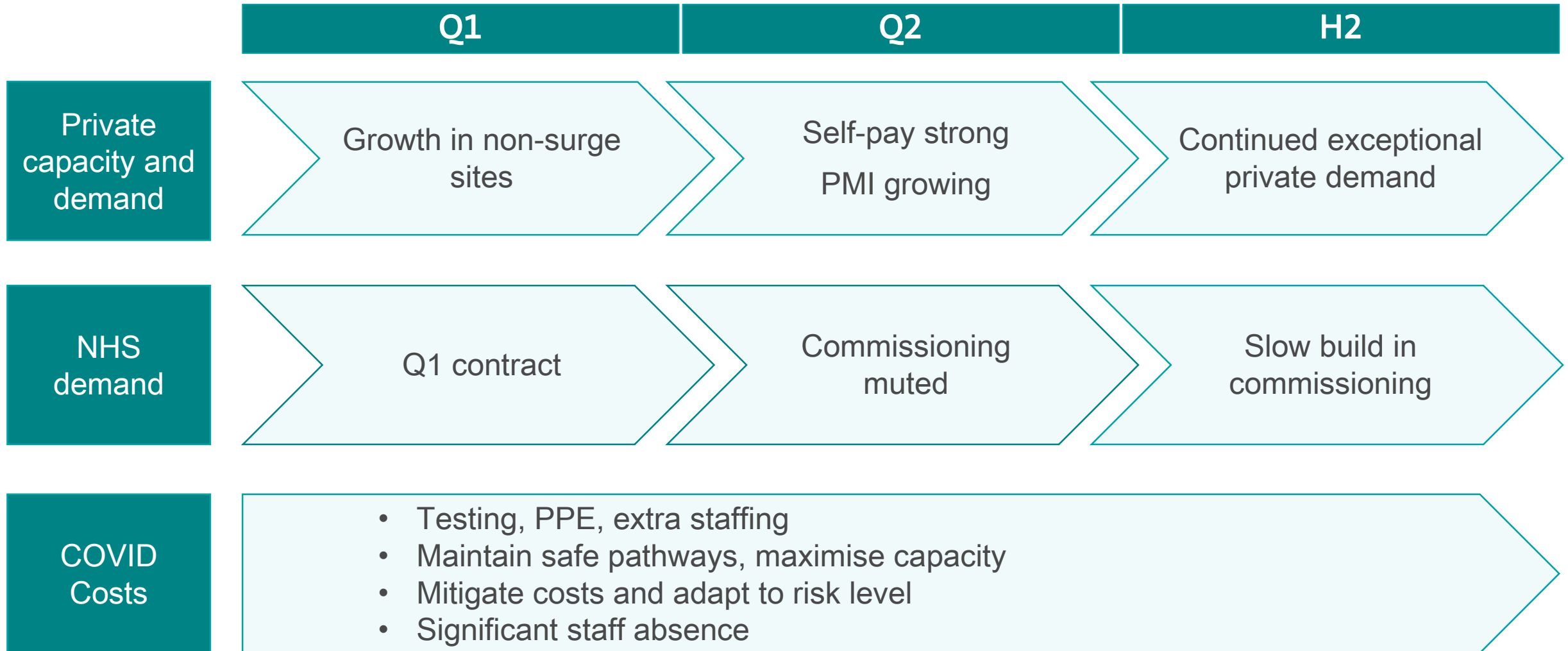
## Q2

- Vaccine programme begins to take effect
- COVID prevalence reducing
- Lockdown easing

## H2

- COVID prevalence high
- Pingdemic
- Stricter rules for healthcare workers
- Likely climb in prevalence into winter

# Spire Healthcare core assumptions for H2 21



# Outlook: Cautiously optimistic in uncertain environment

**H1 in-line despite continued impact from COVID**

**Cancellations and absence reduced EBITDA in July and August by c.£4m per month**

**H2 performance dependent on evolution of pandemic**

Uncertainties from changes in COVID environment and isolation requirements

# Robust business for the future

Positive start to 2021

Limited NHS commissioning,  
higher COVID-specific costs

Strong demand and efficiency  
savings going forwards

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



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# Appendix

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## Technical guidance for 2021

Total rent	c.£82m
D&A	c.£92-96m
Capex	c.£75-85m
Net financing costs	c.£82-87m
Tax	Effective corporate tax rate slightly above the statutory rate of 19%
Net bank debt	c.£295-335m

# 3 NHS England contracts negotiated

- 23 March 2020 – Cost recovery contract
  - 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
  - Credit to NHS for private work completed
- 13 August 2020 – Contract variation agreed
  - Cash costs remain covered
  - Minimum capacity for private work protected, subject to NHS surge requirements
  - Incentives for delivery of Private volumes whilst meeting NHS activity requirements
- 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 runs until end March 2021

# Revenue by payor

	Q1 21 (£m)	Q1 19 (£m)	Variance (%)	Q2 21 (£m)	Q2 19 (£m)	Variance (%)	H1 21 (£m)	H1 19 (£m)	Variance (%)
PMI	104.3	126.0	(17.2%)	127.0	121.0	5.0%	231.3	247.0	(6.3%)
Self-pay	50.1	44.4	13.0%	79.8	44.2	80.6%	129.9	88.6	46.7%
<b>Total private</b>	<b>154.4</b>	<b>170.4</b>	<b>(9.4%)</b>	<b>206.8</b>	<b>165.2</b>	<b>25.2%</b>	<b>361.2</b>	<b>335.6</b>	<b>7.7%</b>
Total NHS	125.5	74.3	68.7%	59.9	69.4	(13.6%)	185.4	143.7	29.0%
Other	5.0	6.5	(22.4%)	6.6	5.8	13.2%	11.6	12.3	(5.8%)
<b>Total revenue</b>	<b>284.9</b>	<b>251.2</b>	<b>13.4%</b>	<b>273.3</b>	<b>240.4</b>	<b>13.7%</b>	<b>558.2</b>	<b>491.6</b>	<b>13.5%</b>



# Operating cost analysis

	H1 21 (£m)	H1 21 (% sales)	H1 20 (£m)	H1 20 (% sales)	H1 19 (£m)	H1 19 (% sales)
Clinical staff	126.9	22.7%	97.1	24.2%	98.8	20.1%
Direct costs	132.8	23.8%	78.9	19.6%	110.7	22.5%
Medical fees	44.4	8.0%	29.1	7.2%	51.6	10.5%
<b>Cost of sales</b>	<b>304.1</b>	<b>54.5%</b>	<b>205.1</b>	<b>51.0%</b>	<b>261.1</b>	<b>53.1%</b>
<b>Gross profit</b>	<b>254.1</b>	<b>45.5%</b>	<b>196.8</b>	<b>49.0%</b>	<b>230.5</b>	<b>46.9%</b>

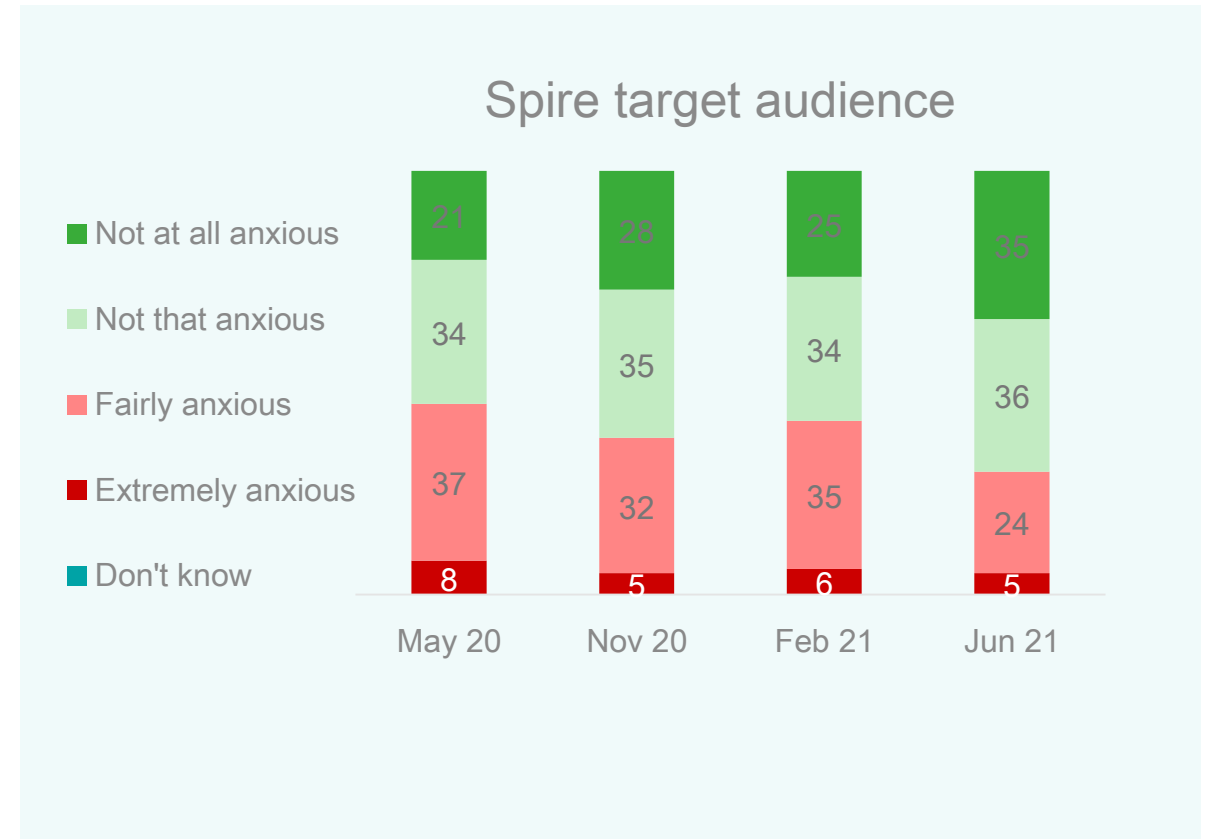
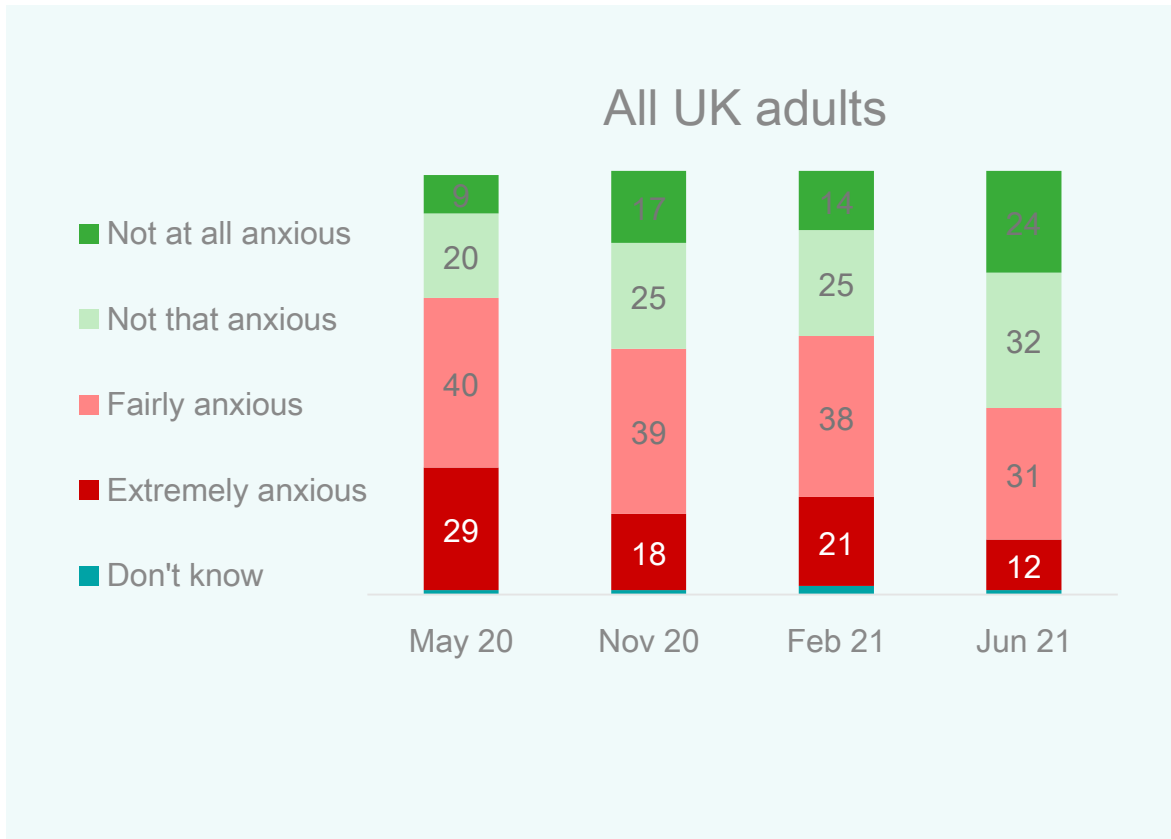
# Managed cash well

	H1 21 (£m)	H1 20 (£m)	H1 19 (£m)
Cash from operating activities	97.0	58.8	97.0
Working capital movement	(11.3)	13.2	(11.8)
Capex	(29.5)	(28.1)	(21.3)
Financing activities	(46.4)	(47.4)	(55.0)
Tax	-	3.6	1.8
Increase in cash	9.8	0.1	10.7
Opening cash balance	106.3	90.8	47.7
<b>Closing cash balance</b>	<b>116.1</b>	<b>90.9</b>	<b>58.4</b>

£75-85m capex in 2021, two year average capex as planned

# 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 – Yonder\* 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), November (n=1,086), February (n=1,052); Spire target audience - May (n=2,034), July (n=1,020), September (n=1,113), November (n=5,251), February (n=1,744)  
 \*NB Populus rebranded as Yonder in Autumn 2020

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

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