



Spire Healthcare

# FY 20 Results Presentation

4 March 2021



*Looking after you.*

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# Zoom Webinar rules of engagement

All attendee lines are muted

The Chat function is disabled

Please submit your name and organisation using the Q&A function

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

FY 20 Overview

Justin Ash, Chief Executive Officer

FY 20 Financial Review

Jitesh Sodha, Chief Financial Officer

Operations and Strategy Review

John Forrest, Chief Operating Officer

Q&A



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# FY 20 Overview

Justin Ash, Chief Executive Officer

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# FY 20 highlights

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

**Strong private momentum when COVID restrictions eased**

**Operational efficiencies driving financial returns**

**Strengthened the Spire business and delivered Purpose**

**Strong platform to deliver growth in 2021 and beyond**

# FY 20 / YTD 21 highlights

## Provided vital support to NHS during COVID pandemic

- >210,000 NHS patients seen
- 33,000 cancer admissions
- Q1 21 – urgent response
  - 9 cancer hubs
  - 13 sites in surge/others SLA restricted
- NHS contracts at below full cost providing liquidity throughout 2020
- Built strong local and central NHS relationships

## Strong private momentum when COVID restrictions eased

- Private income rebounds whenever capacity allowed
- Self-pay outpaced PMI
- Admissions tracked with consumer sentiment
- Prioritised clinically-urgent complex care driving stronger average revenue per case (ARPC)
- Helped Consultants get back to private activity

# FY 20 highlights

## Built momentum in returns and operational efficiencies

- Strong H2 performance
  - Revenues up 6% in H2 20 (vs H2 19)
  - EBITDA up 8% in H2
- Treatment mix benefited flow through
- COVID cost burden partly offset by growing efficiency
- Progress on digital platforms
- Strong cash management

## Strengthened medical and clinical governance

- Green pathways allowed rapid return to near normal capacity
- Over 90% of colleagues vaccinated
- 90% sites Good, Outstanding, or equivalent
- Group General Counsel – Gillian Fairfield
- Group Medical Director – Cathy Cale
  - Three regional MDs
- Implemented Paterson Inquiry recommendations
- Supported our colleagues and Consultant partners



# And Spire Healthcare's teams delivered on our Purpose in 2020

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

**83%** agree that our care has made a **positive difference**

**92%** agree that our care was **outstanding**

**94%** agree that our care was **personalised**

Source: Spire Healthcare Patient Discharge Survey (n=20,124), conducted from 1 July to 31 December 2020

# 2020/2021 evolution supports Spire strategy



## First choice for private patients

- Building demand
- Favourable consumer sentiment
- Spire target market less anxious



## NHS key partner

- Potential waiting list of 10m
- NHS Framework for waiting list reduction
- White paper supportive



## Uncompromising on patient safety

- Move to higher Acuity
- Support Consultant practice
- Maintain high quality



## Improving revenue, profit and cash

- Resilient during unprecedented year
- Plan to absorb COVID cost
- Focus on ROCE



# Key plans launched in 2021 to build the Spire strategic platform



**First choice for private patients**



**NHS key partner**



**Uncompromising on patient safety**



**Improving revenue, profit and cash**



**Leverage digital progress**



**Maximise capacity**



**Efficiency and margin recovery**



**Invest for growth**



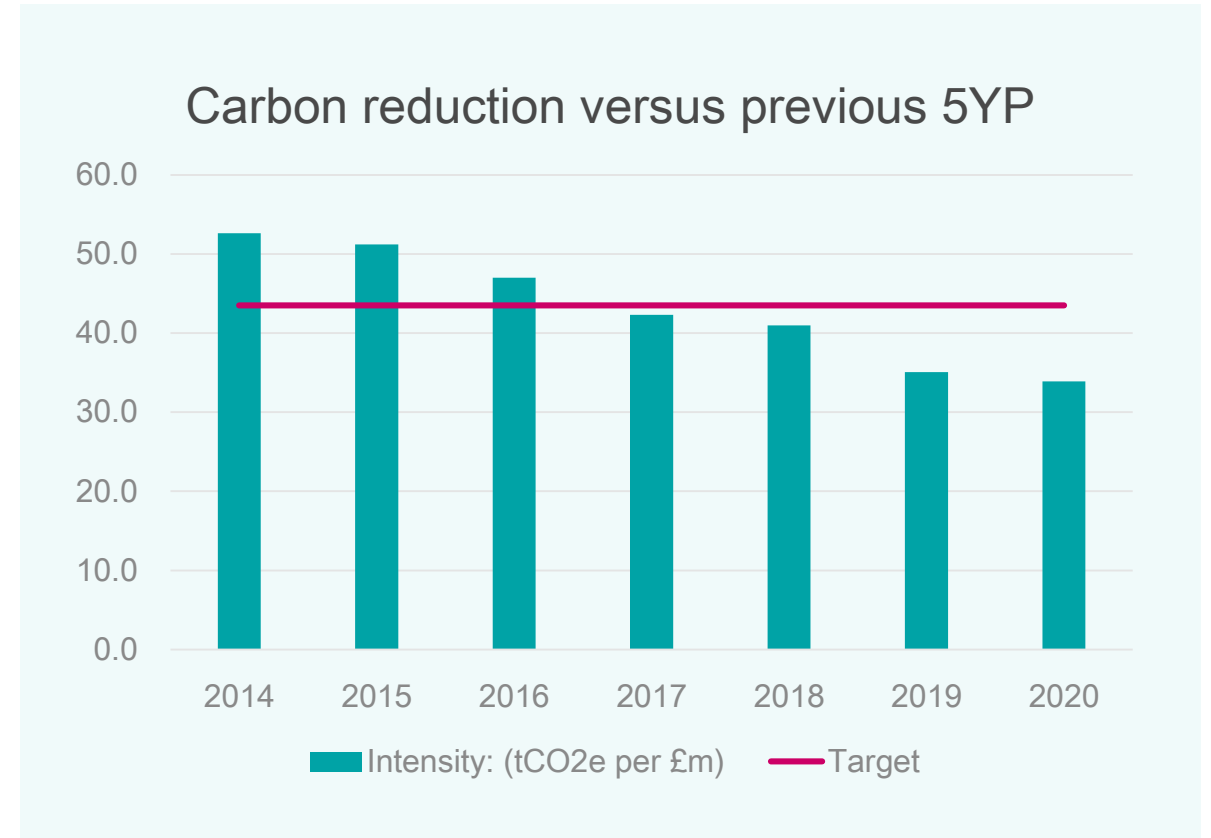
**Invest in Purpose**



**Invest in ESG**

# Investing in ESG to underpin Purpose

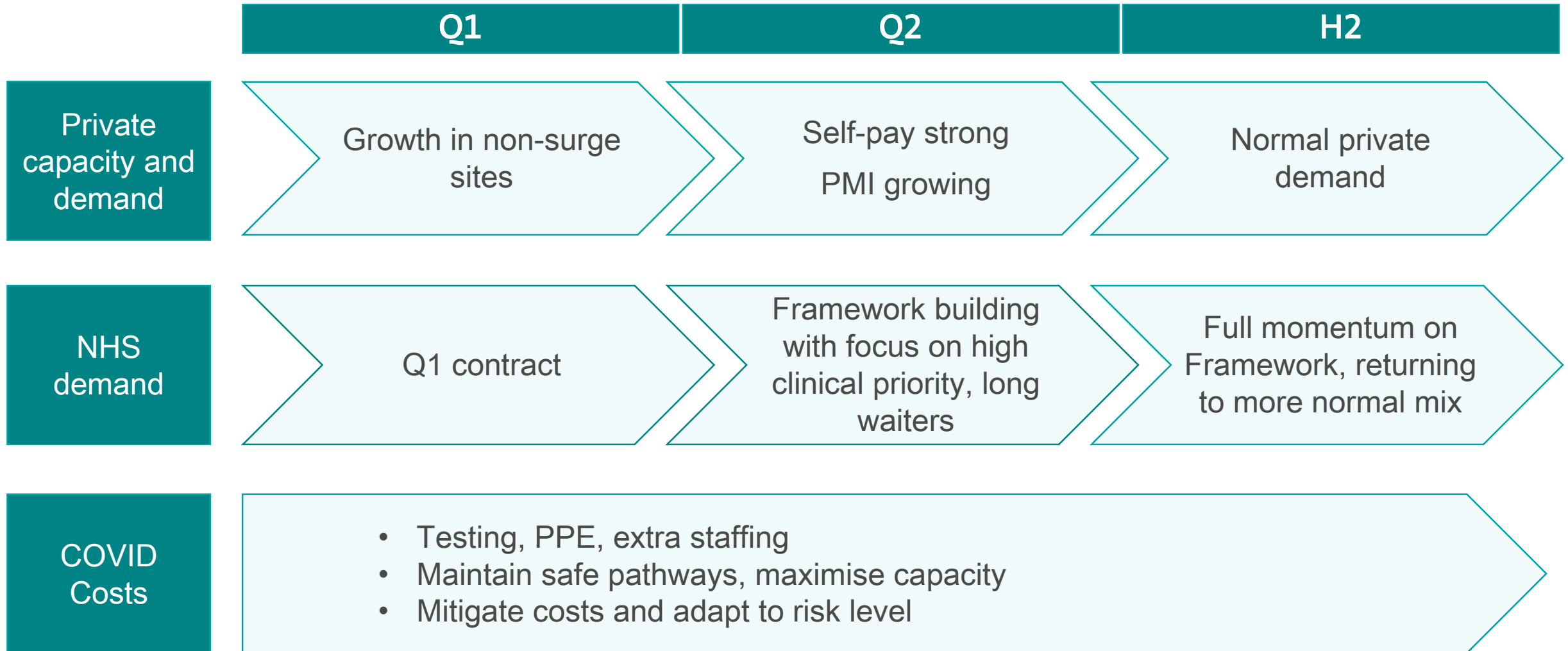
- Spire Purpose aligns business and ESG principles through positive social impact
- Continued focus on our people
- Key partner role with NHS
- New target to reach zero carbon emissions by 2030
  - Emissions already down by 34% since 2015
  - £15.7m investment planned over ten years
  - 100% green electricity procured from Oct 21
- Comprehensive ESG strategy in development



# Spire Healthcare core assumptions on 2021 operating environment

Q1	Q2	H2
<ul style="list-style-type: none"><li>• High COVID prevalence</li><li>• National lock-down</li><li>• NHS overwhelmed in some areas</li></ul>	<ul style="list-style-type: none"><li>• Vaccine programme begins to take effect</li><li>• COVID prevalence reducing</li><li>• Lockdown easing</li></ul>	<ul style="list-style-type: none"><li>• COVID prevalence low</li><li>• Second dose of vaccine programme begins to take effect</li><li>• Potential for regional spikes of new COVID variants</li></ul>

# Spire Healthcare core assumptions on 2021 operating environment



# 2021: Cautiously optimistic in uncertain environment

Cautiously optimistic that trading will return to 2019 levels in 2021

On track in Q1 despite unexpected environment

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



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# FY 20 Financial Review

Jitesh Sodha, Chief Financial Officer

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# FY 20 key messages – COVID financial impact well managed

COVID specific impacts		Other impacts relevant to 2021	
Comparators with prior year challenging	NHS contracts run April 20 - Mar 21, phased transition in 2021	Strong recovery of private volumes in Q4	Higher private ARPC PMI +6.8% Self pay +14.1%
Safe patient pathways a success	Total admissions 84% of 2019	Evidence of strong pent-up demand	Ongoing COVID costs c.£3m per month

Maintained focus on cash management

# Financial headlines FY 20: P&L

Revenue  
**£919.9m**

*(FY 19: £980.8m)*

Adjusted EBITDA  
**£161.1m**

*(FY 19: £189.0m)*

Adjusted EBIT  
**£67.1m**

*(FY 19: £97.6m)*

Total Adjusting  
items  
**£212.5m**

*(FY 19: £3.2m)*

# Financial headlines FY 20: balance sheet

Capex  
**£50.8m**

*(FY 19: £62.5m)*

Net bank debt  
improved  
**£314.5m**

*(H1 20: £330.6m,  
FY19: £330.0m)*

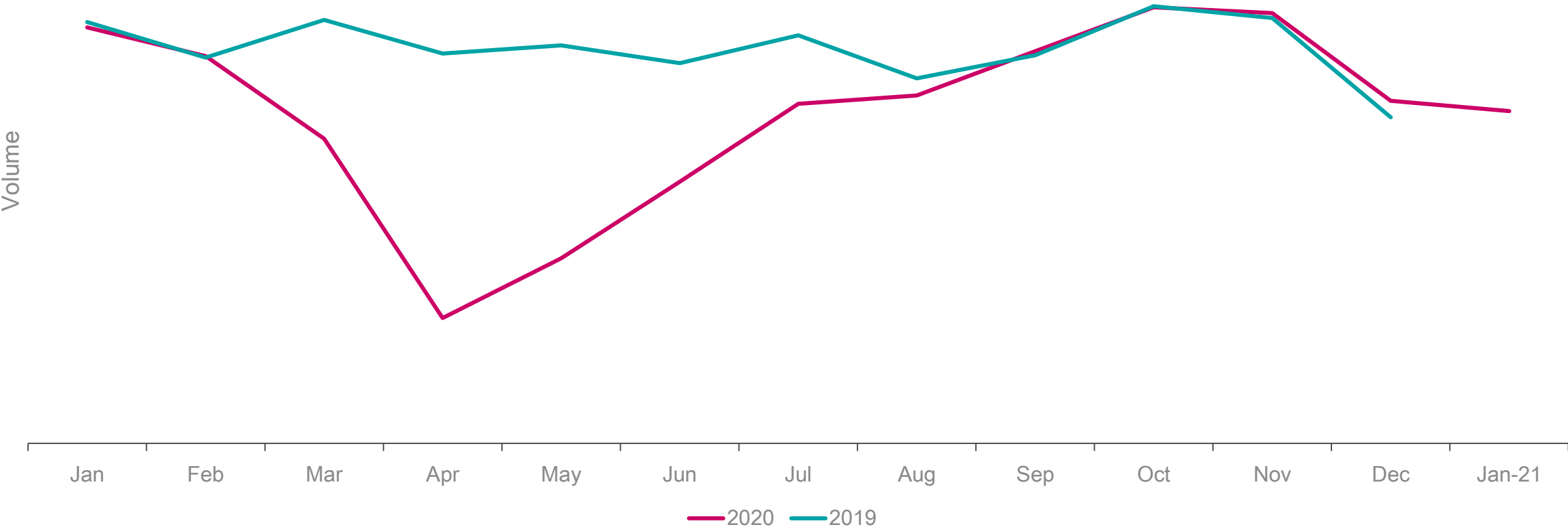
Dividend  
suspended

FCF\*  
**£34.7m**

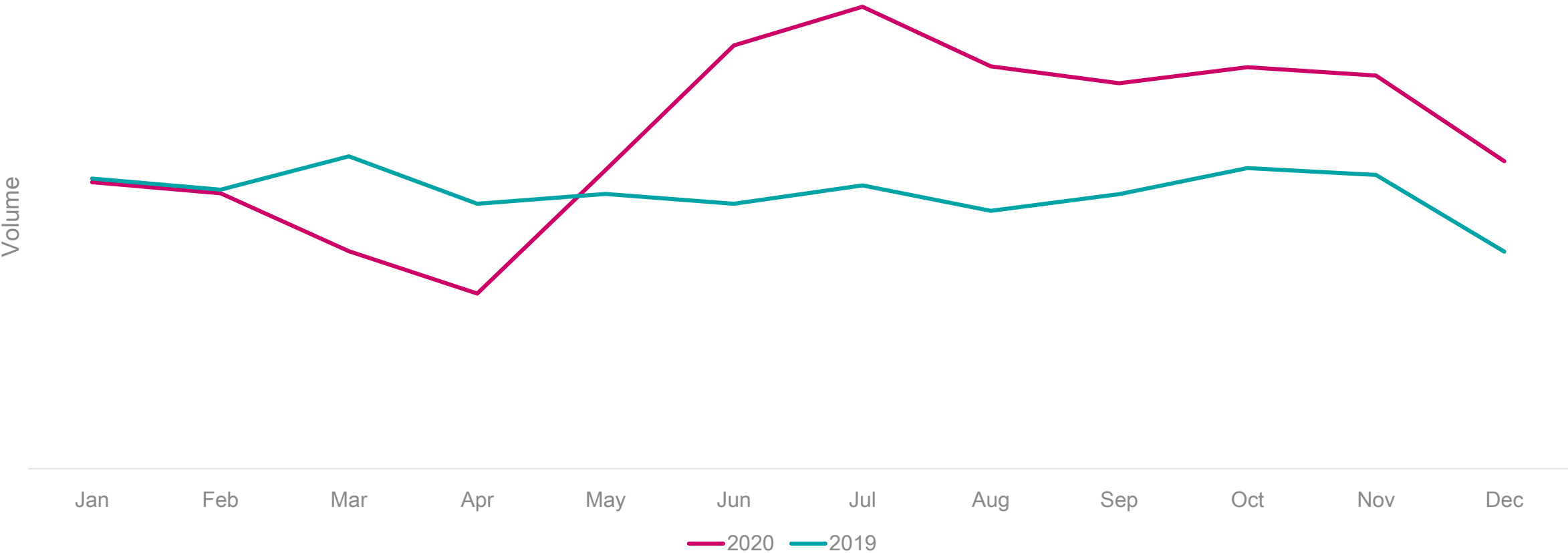
*(FY 19: £51.0m)*

\* FCF defined as EBITDA less rent less capex

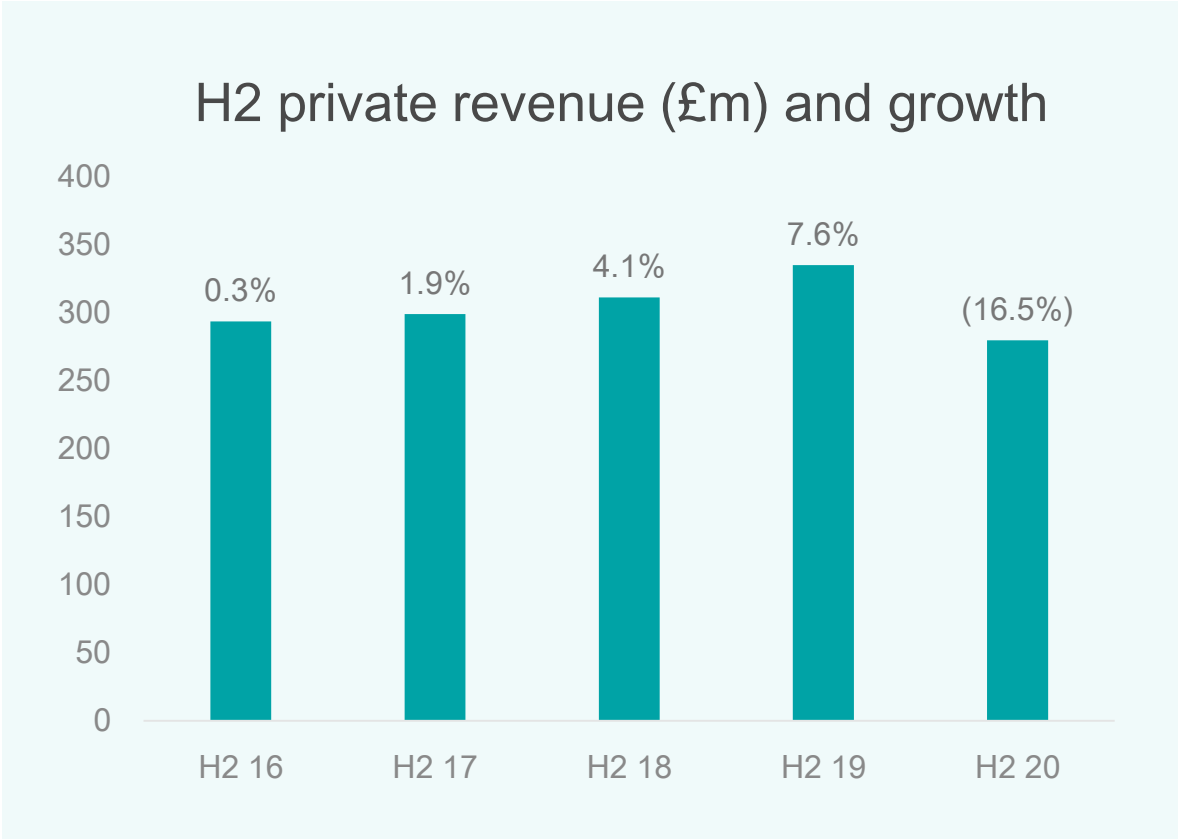
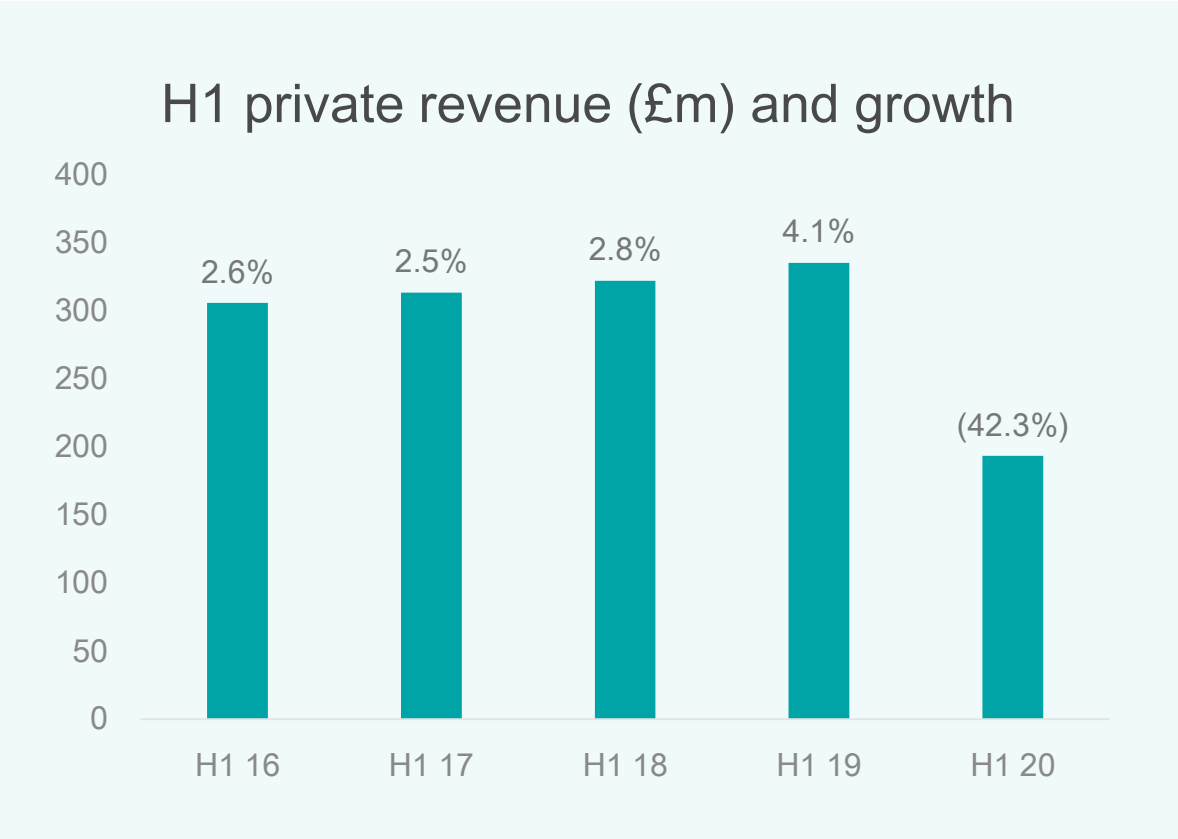
# Total admissions in 2020 only 16% below 2019



# NHS admissions increased 21% versus 2019

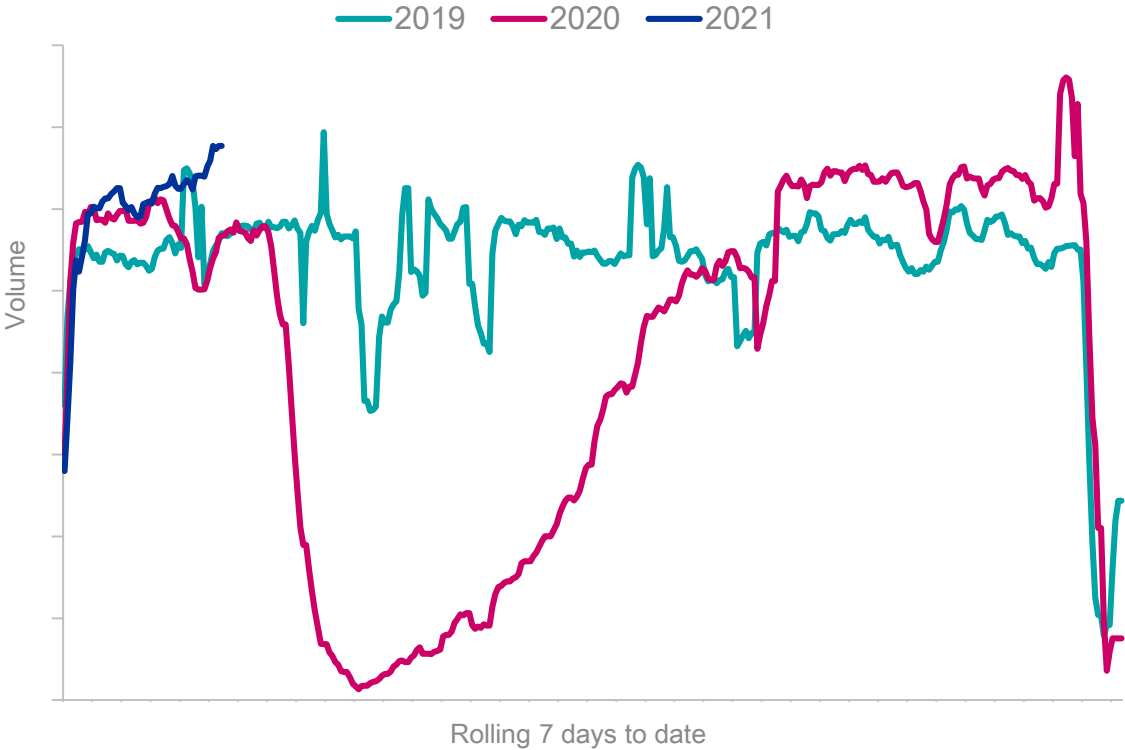


# Private income eliminated in 1<sup>st</sup> lockdown, and rebounded on easing

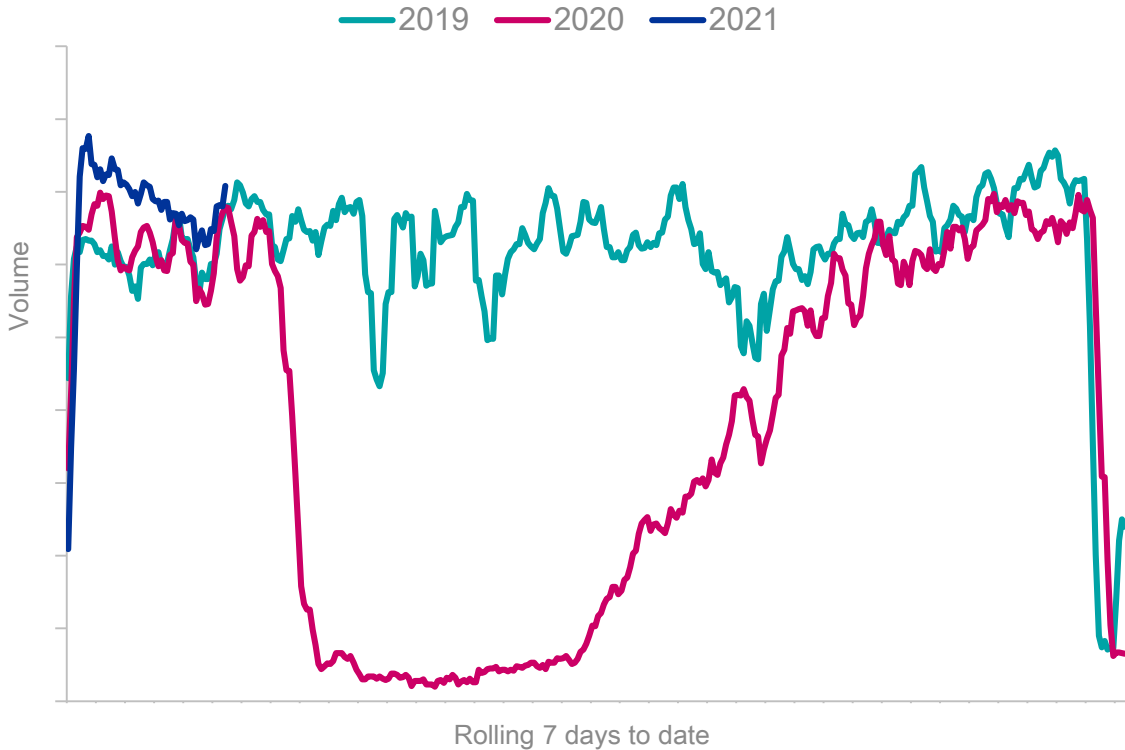


# Self-pay performance is above PY in 25 non-surge sites

### Self-Pay new outpatient consultation

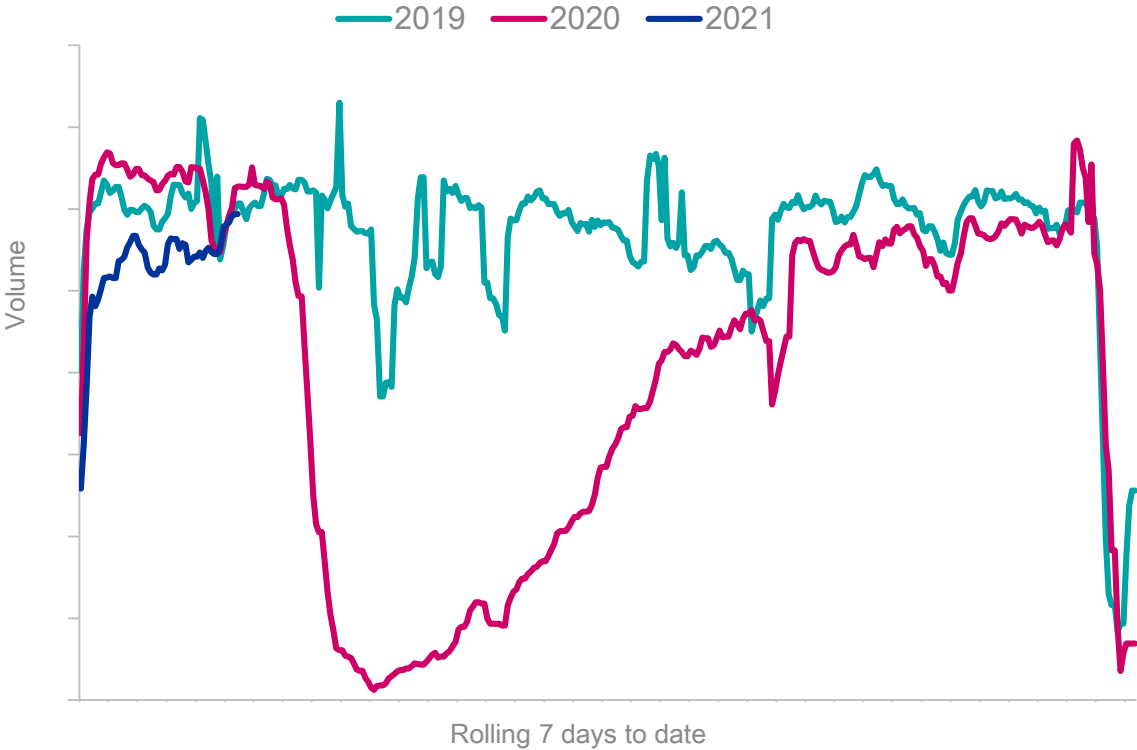


### Self-Pay IPDC admissions



# PMI outpatient consultations back to PY in non-surge sites

### PMI new outpatient consultation



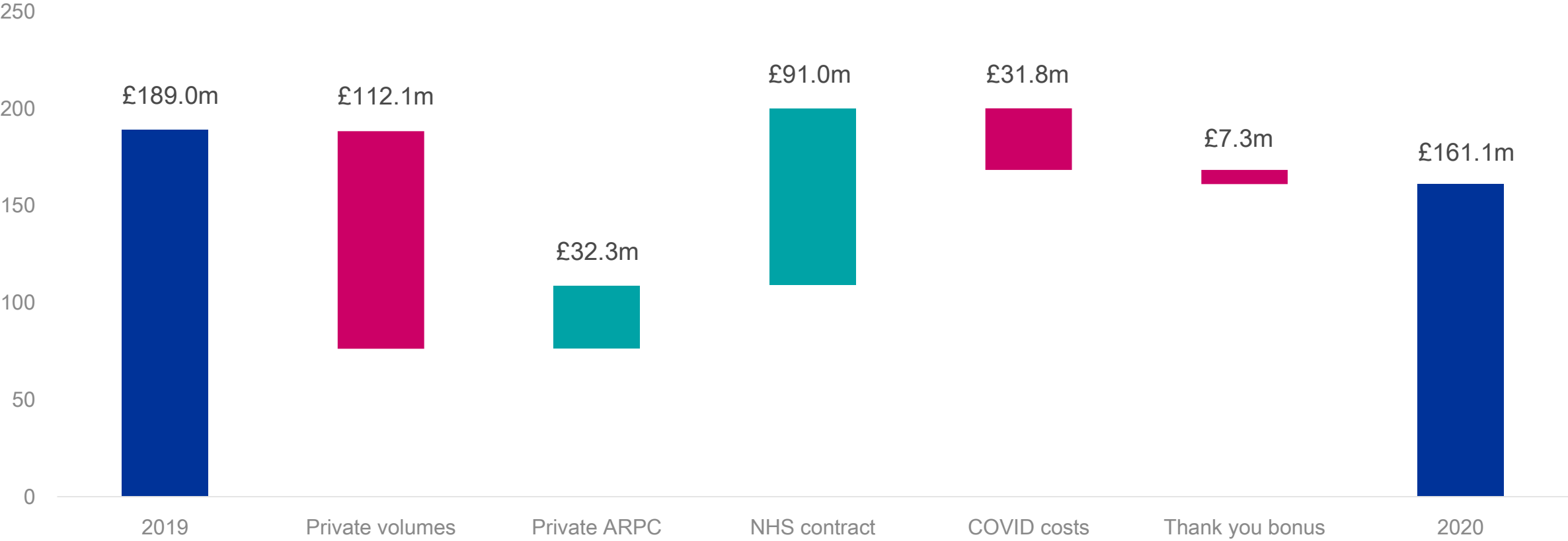
### PMI IPDC admissions





# COVID impacted cost base

EBITDA bridge



# Managed cash well

	H1 20 (£m)	H2 20 (£m)	FY 2020 (£m)
Cash from operating activities	58.8	101.2	160.0
Working capital movement	13.2	(17.1)	(3.9)
Capex	(28.1)	(18.2)	(46.3)
Financing activities	(47.4)	(50.5)	(97.9)
Tax	3.6	0	3.6
Increase in cash	0.1	15.4	15.5
Opening cash balance	90.8	90.9	90.8
<b>Closing cash balance</b>	<b>90.9</b>	<b>106.3</b>	<b>106.3</b>

£90-95m capex in 2021, two year average capex as planned

# Supportive lenders and extension of Senior Facility maturity

Waiver 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

Year end net debt to EBITDA 3.9x

	Dec 20 (£m)	Dec 19 (£m)
Bank borrowings	420.8	420.8
Cash	106.3	90.8
<b>Net bank debt</b>	<b>314.5</b>	<b>330.0</b>

	Dec 20 (£m)	Dec 19 (£m)
Bank borrowings	420.8	420.8
Lease liabilities (under IFRS 16)	749.5	745.3
<b>Total borrowings</b>	<b>1,170.3</b>	<b>1,166.1</b>

# Financial headlines FY 20: Adjusting items

- Adjusting items taken against Operating Profit of £213.3m
- Total Adjusting items of £212.5m after netting a credit of £0.8m which is reported against interest charges
- The Adjusting items charge is largely comprised of two items:
  - £200m write down in Goodwill (taken at H1 2020); and
  - £10.6m increase in the Paterson provision (net a credit of £11.6m) following publication of the Public Inquiry report and an award to Spire Healthcare in the court ruling against RSA.

# Outlook

**Q1 in-line despite new COVID variant**

**Recovery of private volumes and new NHS Framework contract**

**Trading returning to 2019 levels**

Uncertainties from changes in COVID environment and testing regime



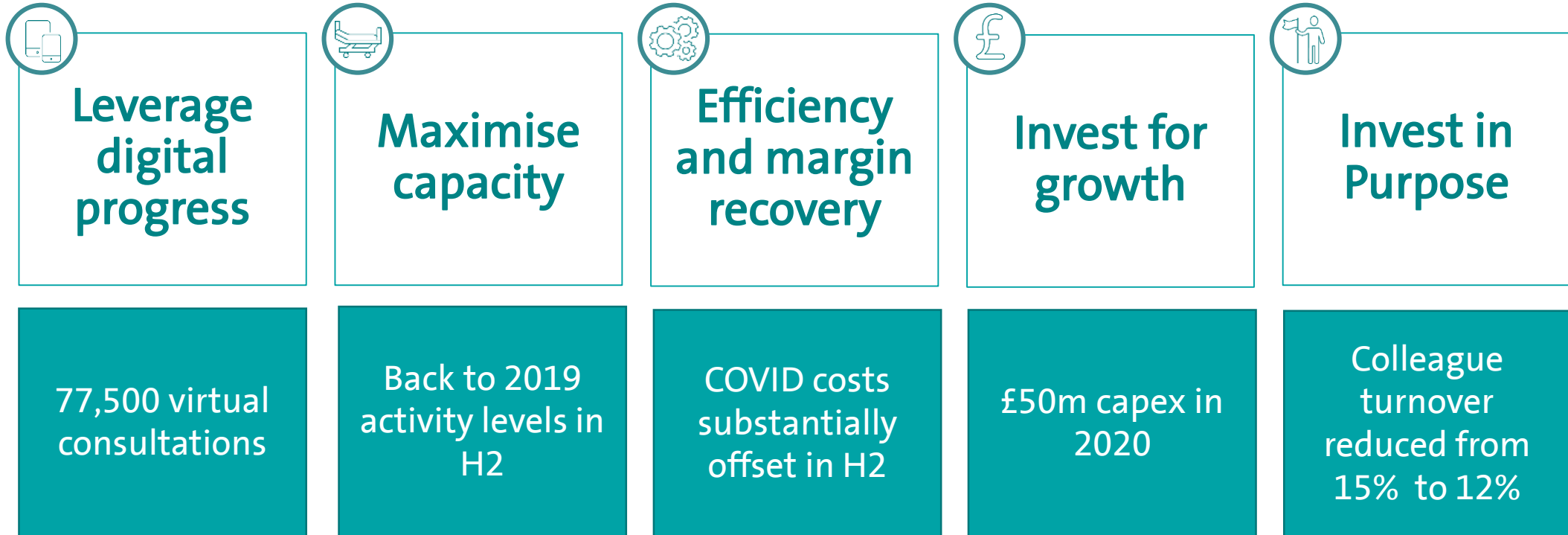
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# Operations and Strategy Review

John Forrest, Chief Operating Officer

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# Preparing for the future



# Leverage digital progress

## Easy to do business with

- Eliminate unnecessary tasks
- Standardise
- Leverage scale
- One best way
- Remove paper
- Automate

## Improved efficiency

- Digital marketing
- Direct booking
- Virtual consultation
- EPOA
- Pricing

## Digital innovation

- Sales and booking process
- Electronic patient record
- E-prescribing
- Remote CT reading
- Medical Technology

Percentage of bookings via digital tools

Roll out plans in place



# Our social media strategy evolved through COVID resulting in increased share of voice and positive sentiment across amongst our target consumers

## Patient COVID information



*Patient service orientated messaging to reassure and provide clear information*

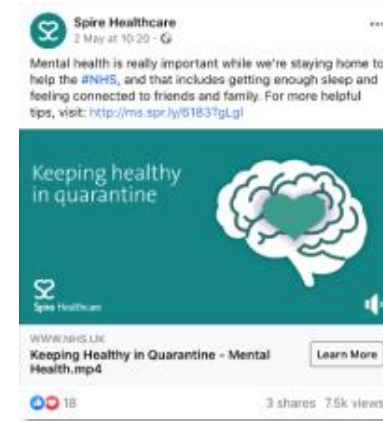
## Supporting the NHS



*Content highlighted the partnership between Spire and the NHS and the commitment our teams made through COVID-19*



## Patient health and service information

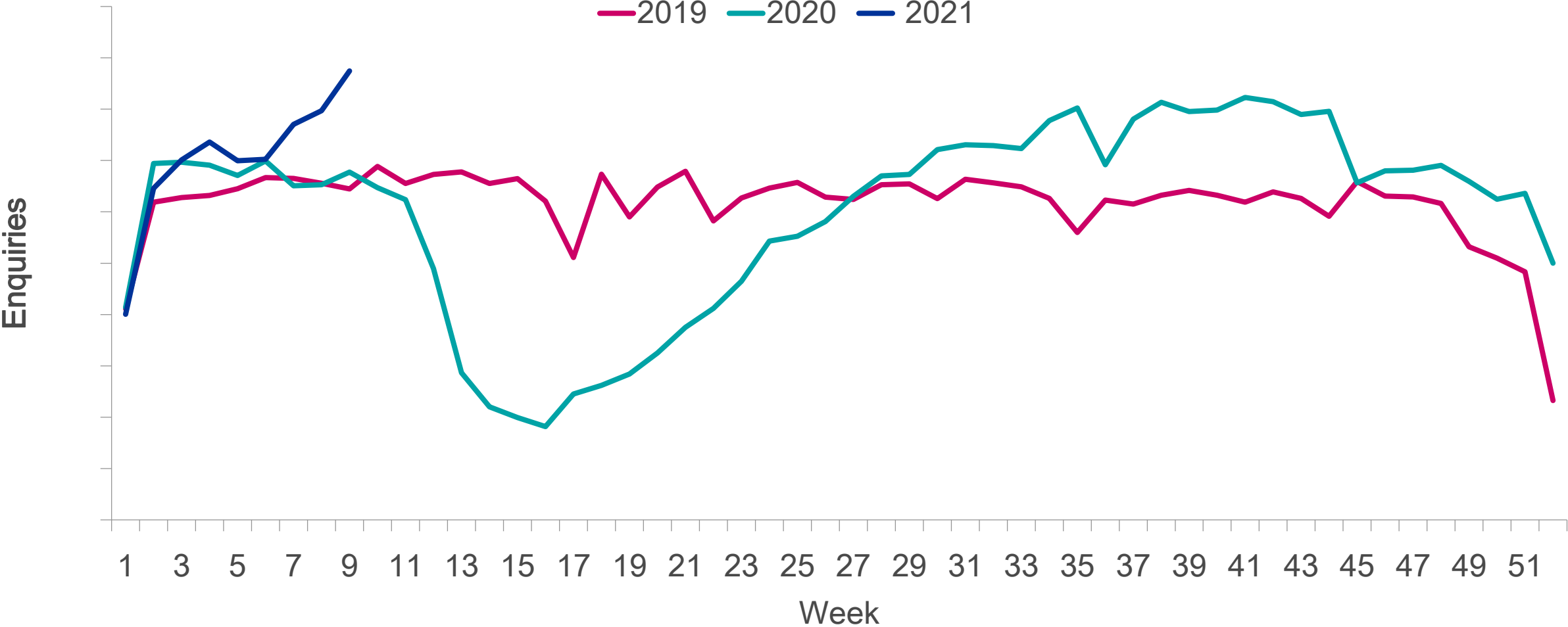


*Content promoting key virtual services and advice on keeping healthy during lockdown*



62% prompted brand awareness (from 58%)

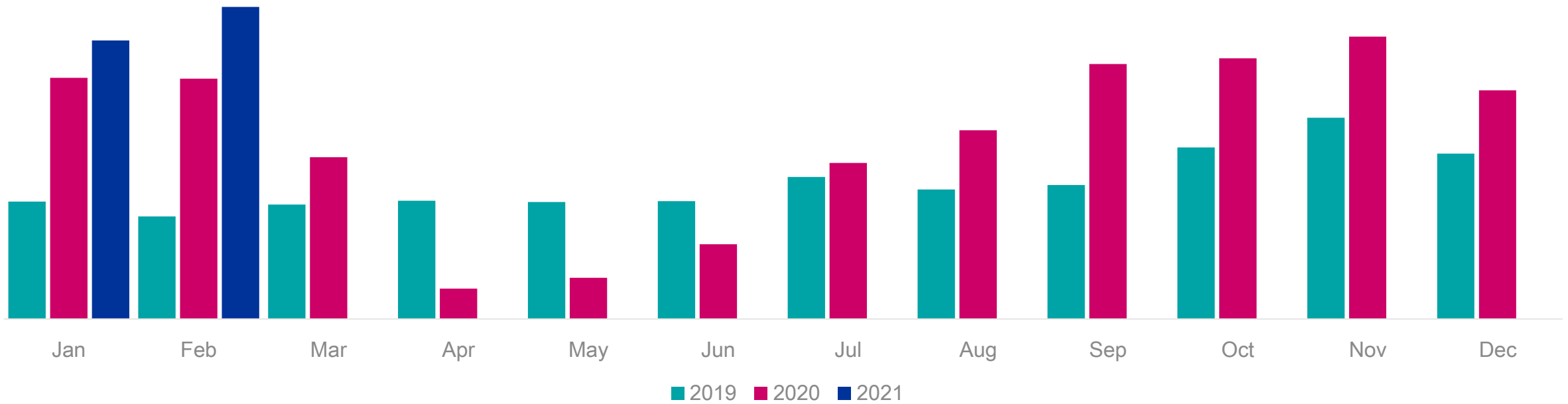
# Spire's weekly relevant enquiries consistently above PY from H2 20



# Increased online booking activity in 2020

- 33% increase in bookings made via our portals in FY 20 versus FY19
- Despite closing the PMI booking portal from mid-March to early July
- Online bookings provide Spire Healthcare with more visibility over the patient pathway

Total online bookings across all portals



# Maximise Capacity

Build back differently

## Optimise utilisation

- Increased operating hours
- Rebuild lists and set up for efficient use
- Optimise activity mix
- Optimise ARPC

## Higher acuity

- Nottingham CCU open - now 5 in estate
- Leverage NHS relationship to open further sites
- Support own activity and increased complexity

Improved theatre utilisation

# Purpose and culture

## Recruit

- New regional recruitment model
- Overseas nurse recruitment
  - 175 joined in 2018/2019
  - 154 joining in Q1 21
  - 125 in process

## Retain

- Retention measures
  - Agency 5% of clinical costs (from 8% in FY19)
- New starter retention
- Colleague engagement
  - +1pp to 80%

## Develop

- Continuing professional development
- Focus on inclusion and diversity

Colleague turnover and Colleague engagement score

# Efficiency & Margin Recovery

## Offset COVID costs

- Operational control
- Open in-house testing lab
- Adopt new testing platforms including lateral flow

## Operational efficiency

- Improve procurement
- Prosthesis rationalisation
- Improve revenue capture
- Imaging efficiency
- Reduce labour costs

Target steady improvement in margin

# Investing for growth

- £90-95m planned capex investments

## Maintenance capex

- Estate refurbishment and upgrades
- Plain film and diagnostic imaging

## Growth capex

- MRI and CT scanners
- Capacity enhancement
- Digital development

Return on capital employed

# Summary

2020 managed well

Built capability

Demand is building

On track in Q1, well positioned for long term growth

*Making a positive difference to our 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.£90-95m
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

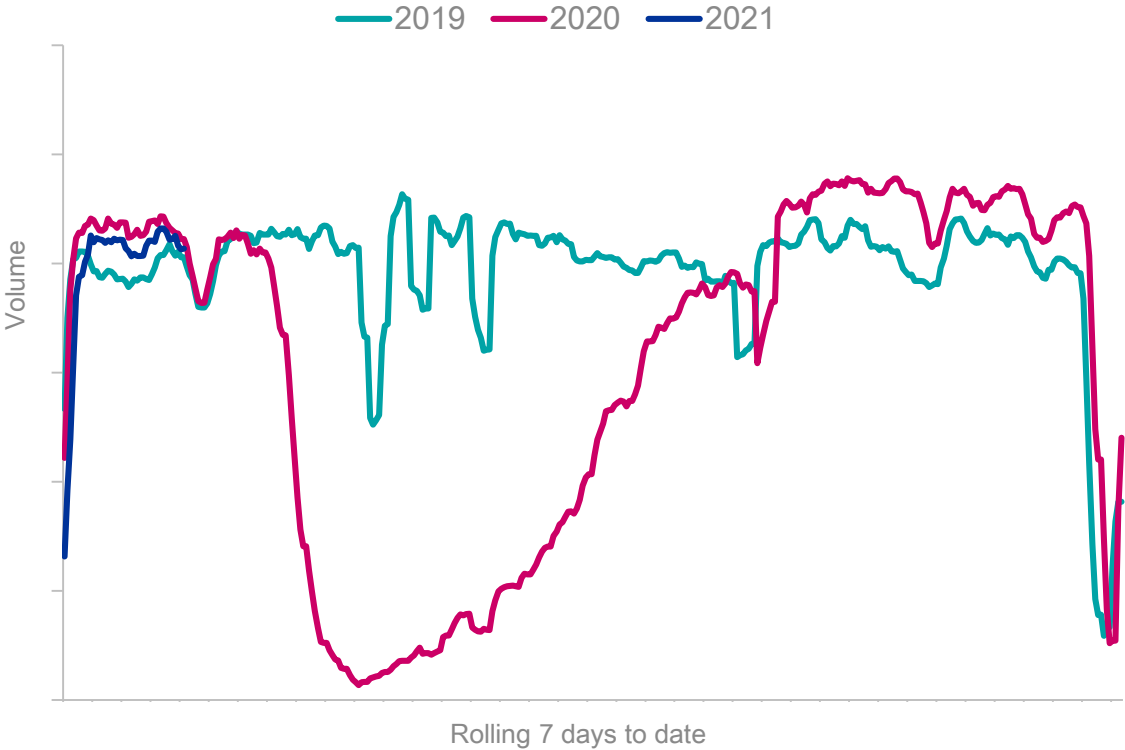
	H1 20 (£m)	H1 19 (£m)	Variance (%)	H2 20 (£m)	H2 19 (£m)	Variance (%)	FY 20 (£m)	FY 19 (£m)	Variance (%)
PMI	145.9	247.0	(40.9%)	191.7	244.9	(21.7%)	337.6	491.8	(31.4%)
Self-pay	47.6	88.6	(46.2%)	88.0	90.2	(2.4%)	135.6	178.8	(24.1%)
<b>Total private</b>	<b>193.5</b>	<b>335.5</b>	<b>(42.3%)</b>	<b>279.7</b>	<b>335.1</b>	<b>(16.5%)</b>	<b>473.2</b>	<b>670.6</b>	<b>(29.4%)</b>
Total NHS	200.4	143.7	39.4%	229.6	142.0	61.7%	430.0	285.7	50.5%
Other	8.0	12.3	(35.4%)	8.7	12.1	(28.6%)	16.7	24.5	(31.8%)
<b>Total revenue</b>	<b>401.9</b>	<b>491.6</b>	<b>(18.2%)</b>	<b>518.0</b>	<b>489.2</b>	<b>5.9%</b>	<b>919.9</b>	<b>980.8</b>	<b>(6.2%)</b>

# Operating cost analysis

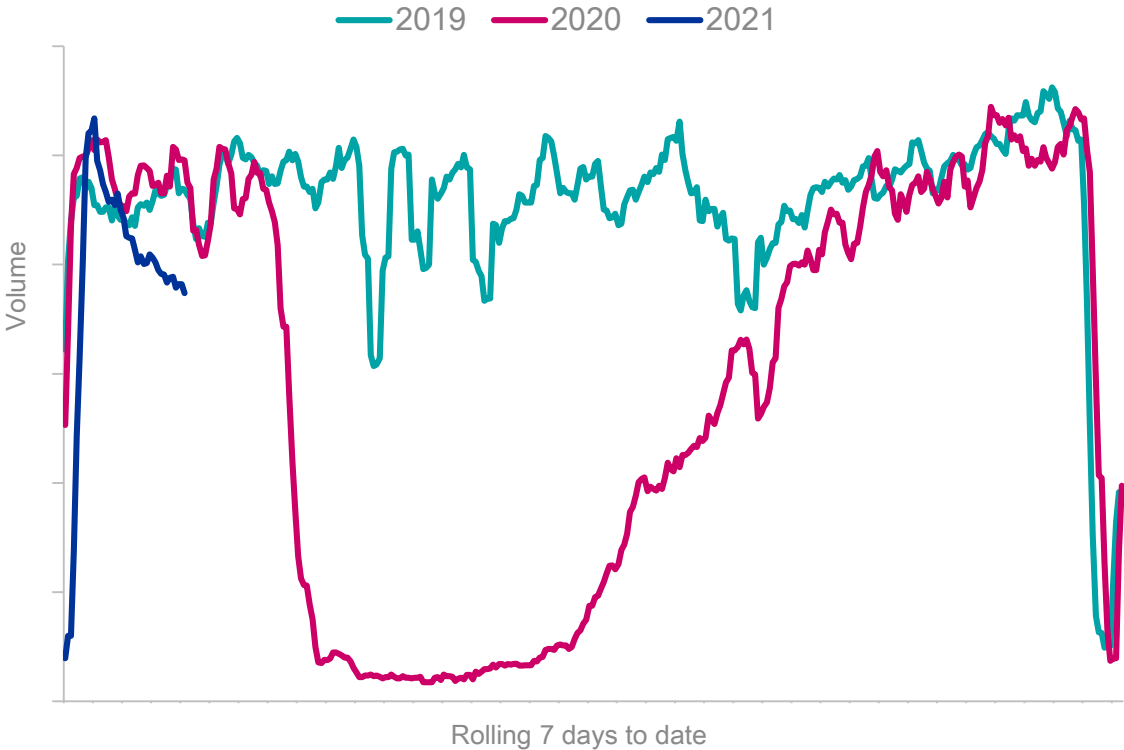
	FY 20 (£m)	FY 20 (% sales)	FY 19 (£m)	FY 19 (% sales)
Clinical staff	212.6	23.1%	203.3	20.7%
Direct costs	192.8	21.0%	223.9	22.8%
Medical fees	58.7	6.4%	102.2	10.4%
<b>Cost of sales</b>	<b>464.1</b>	<b>50.5%</b>	<b>529.4</b>	<b>54.0%</b>
<b>Gross profit</b>	<b>455.8</b>	<b>49.5%</b>	<b>451.4</b>	<b>46.0%</b>

# Self-pay recovery in Q4 20, outpatient activity remains strong in Q1 21

### Total Self-Pay new outpatient consultation

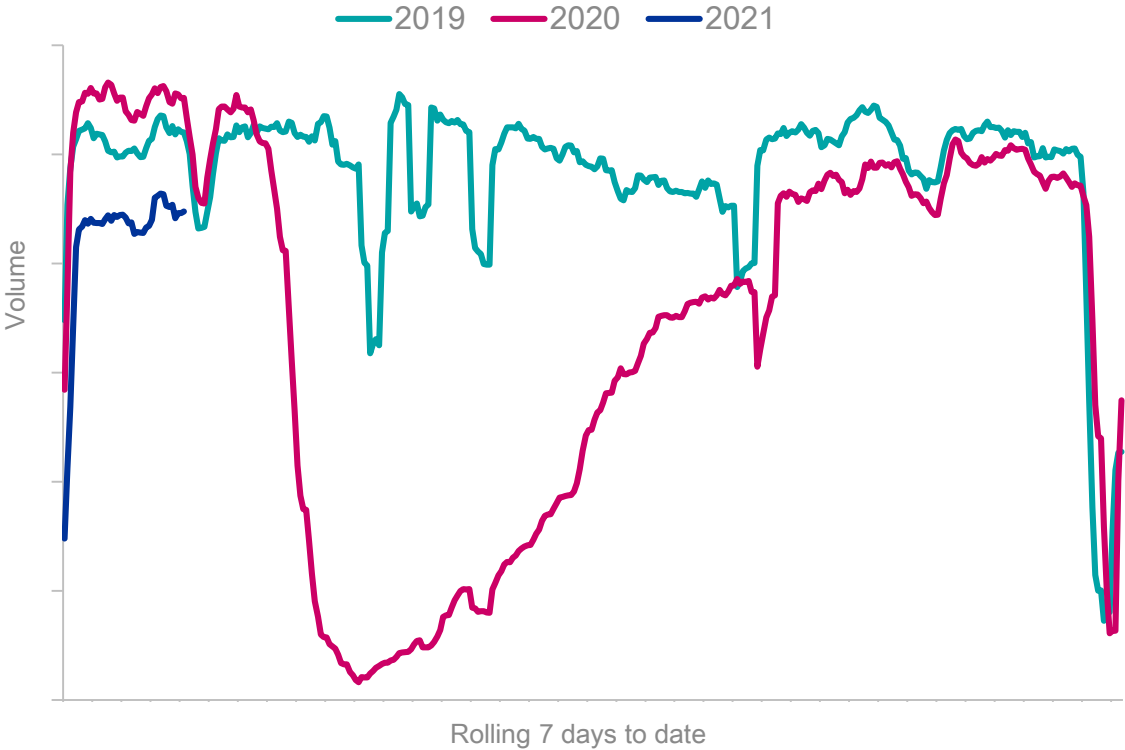


### Total Self-Pay IPDC admissions

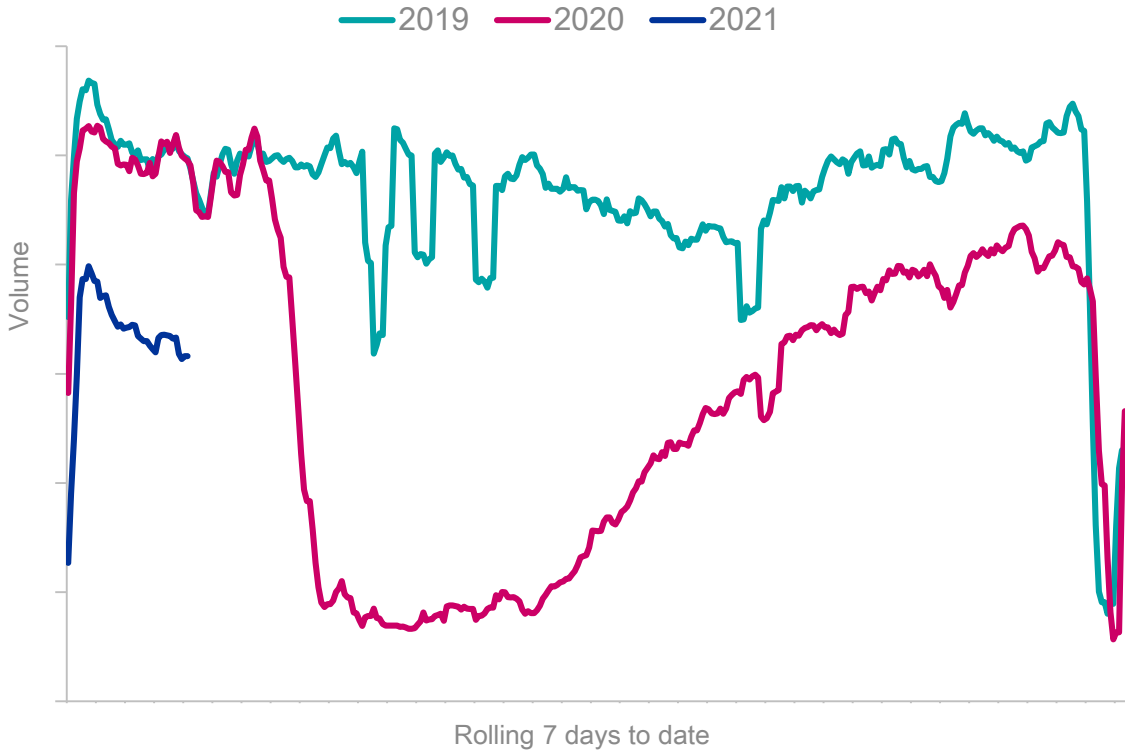


# Self-pay recovery outpaces PMI on a total basis

### Total PMI new outpatient consultation



### Total PMI IPDC admissions

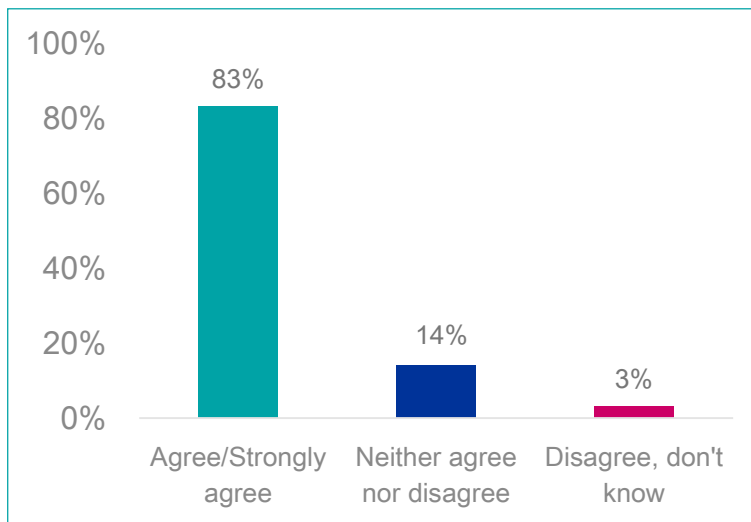


# And Spire Healthcare's teams delivered on our Purpose in 2020

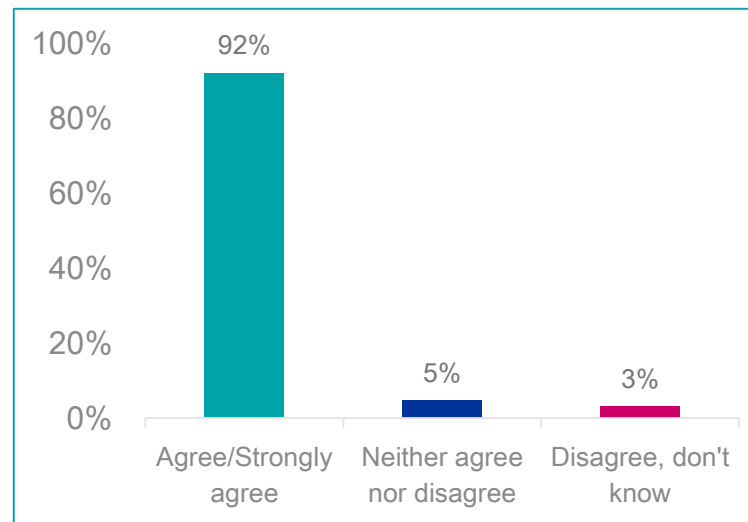
*Making a positive difference to our patients' lives through outstanding personalised care*

Thinking about the care you have received from Spire [hospital name], how much do you agree or disagree that ...

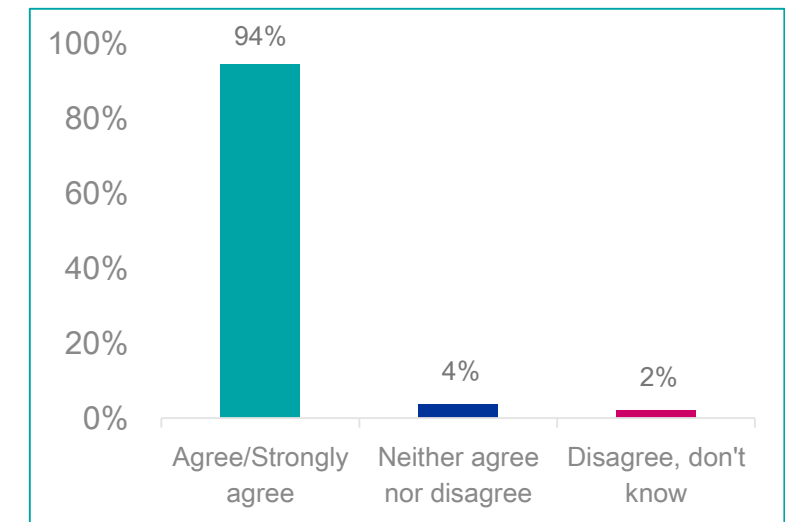
It has made a positive difference to your life



You received outstanding care



You received personalised care



Source: Spire Healthcare Patient Discharge Survey (n=20,124), conducted from 1 July to 31 December 2020



# Public more aware of private hospitals proposition

**54%** of our target market are aware of the role of the private sector to support the NHS

**74%** of our target market are aware of the likely increase in NHS waiting lists

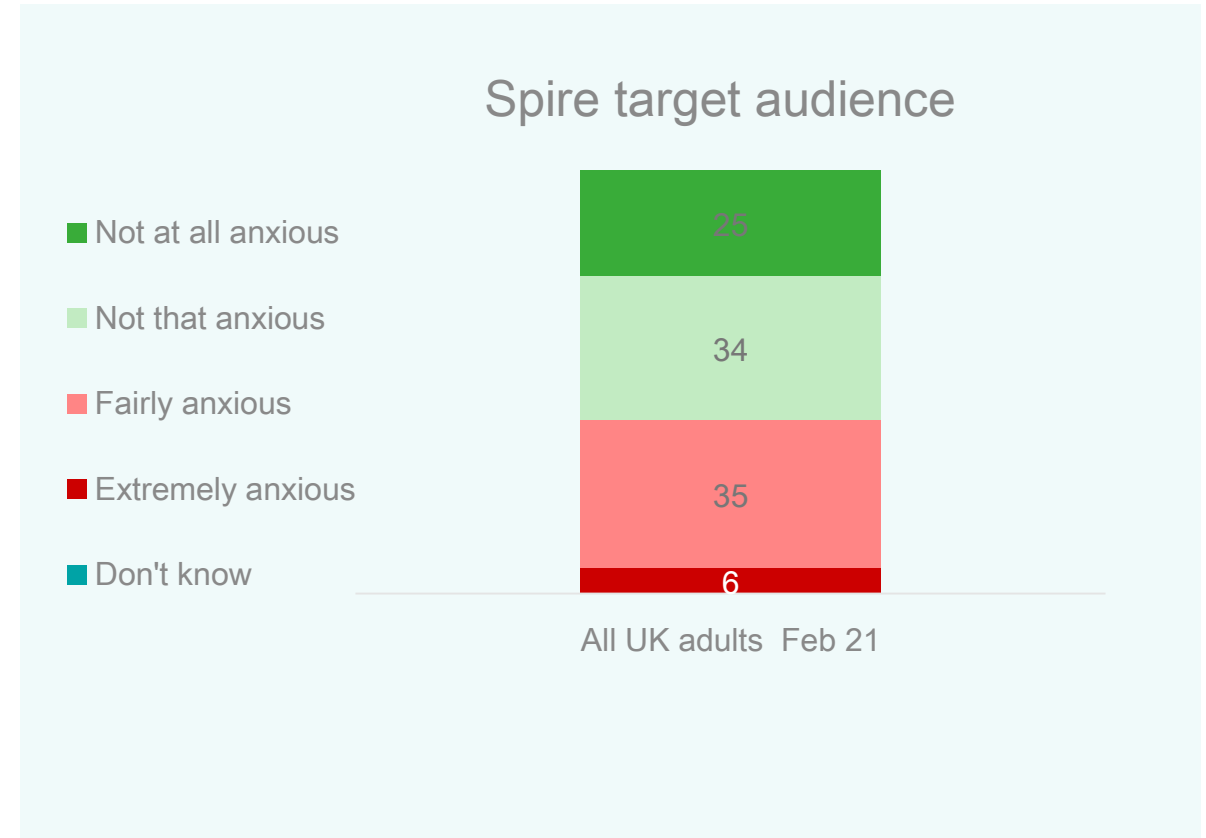
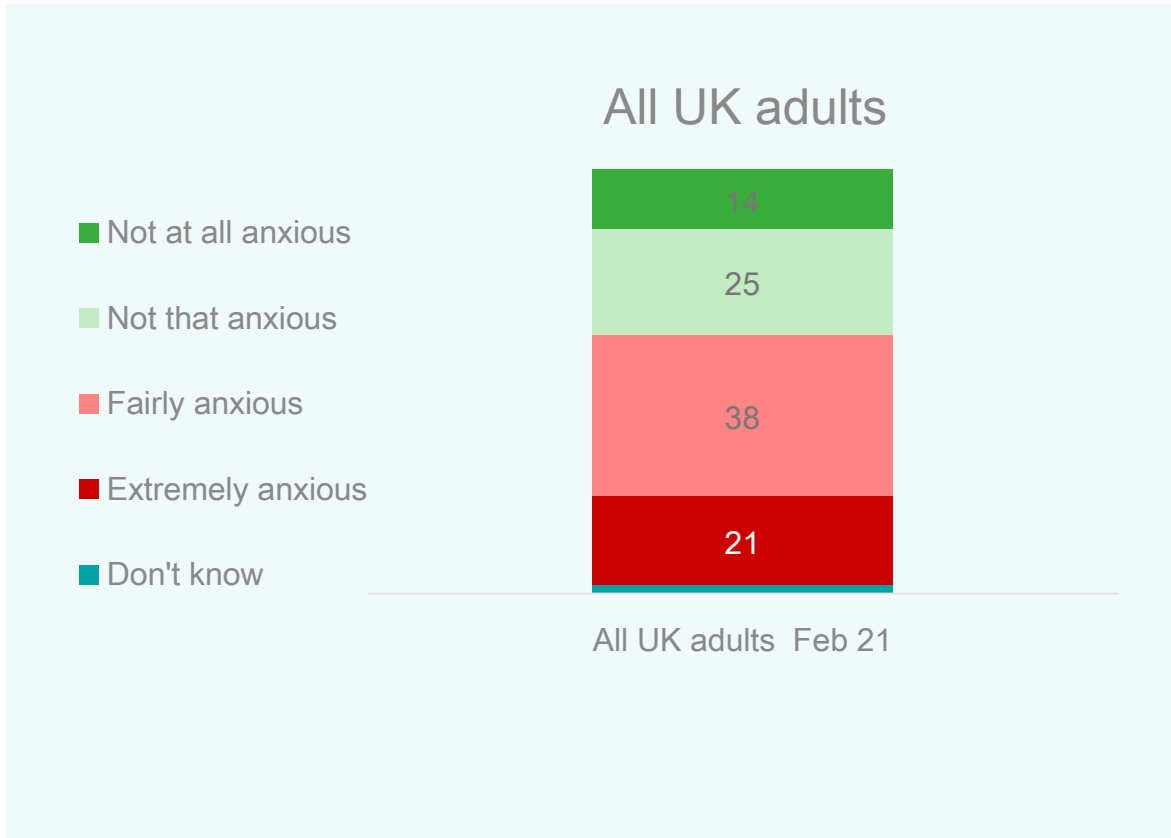
**62%** now see private hospital providers in a more positive light

**51%** more likely to consider a private hospital than before

Source: Proprietary Spire Healthcare research (n=1,744) conducted in February 2021  
Agency: Boxclever

# 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		