



Spire Healthcare

FY19 Results Presentation

5 March 2020

Looking after you.

Disclaimer

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Agenda

FY 19 Overview

Justin Ash, Chief Executive Officer

FY 19 Financial Review

Jitesh Sodha, Chief Financial Officer

Operations and Strategy Review

John Forrest, Chief Operating Officer

Q&A



Spire Healthcare

FY 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

Our strategy



First choice
for private patients,
NHS key partner



Uncompromising on
clinical quality and
patient safety

Our Purpose:

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



Improving revenue, profit
and cash

Delivering on strategy

First choice for private patients

- Private growth of 5.8%
- PMI growth of 7.0%
- Self pay growth improving to 2.7%
- Strong growth in private first appointments

NHS key partner

- H2 admission growth despite continued pressure on orthopaedics
- Continued momentum in e-referrals, and outpatient revenues
- Opening new service lines

Uncompromising on patient safety

- 11 inspections in 2019, all reports received rated Good or Outstanding
- 85% of hospitals now rated Good or Outstanding (or local equivalent)

Improving revenue, profit and cash

- Strong revenue growth
- Profit in-line with guidance
- Delivering on savings
- Further reduction in net bank debt

Delivering on strategy



**First choice for
private
patients**



**NHS key
partner**



**Uncompromising
on patient safety**



**Improving
revenue, profit
and cash**



Spire Healthcare

Quality initiatives

Justin Ash, Chief Executive Officer

Looking after you.

Uncompromising on clinical quality and patient safety

Ward to Board governance

- Open and transparent culture
- Freedom To Speak Up Guardian in all sites
- 2 clinicians on the Executive Committee and 2 others on the Board
- Paid Medical Advisory Committee Chairs

Patient safety

- Internal inspections
- Specialist advisors
- Investment in pre-operative assessment
- Investment in staffing ratios
- Clinical governance leads – Datix /RCA

Consultant oversight

- National Medical Governance Committee
- Analysis of outlier performance
- Uncompromising on scope of practice and biennial reviews
- Contribution to national registries

Paterson Inquiry

- Fully support the report's recommendations
- Liaising with Government and healthcare sector to implement them
- All Paterson patients treated at Spire will be communicated with in coming weeks
- No material financial impact anticipated

Rigorous consultant oversight

Assessing performance / identifying concerns

- Leadership culture
- Freedom to Speak Up Guardians
- National registries
- Outlier analysis
- Biennial reviews
- Getting It Right First Time
- Complaints
- Relationship with NHS Trusts

Reviewing concerns

- Medical Advisory Committees
- National Medical Governance Committee
- Patient Safety, Quality and Risk (internal inspections)
- Executive quality committee (PSQR)
- Board quality committee (CGNS)
- Spire Board

Clear outcomes / transparent communication

Consultants:

- No concern
- GMC/RCS/ Independent review
- Restriction / Suspension / Revocation of practising privileges

Patients:

- No concern
- Precautionary Patient Notification
- Patient Recall
- Duty of Candour

Driving up quality ratings

- CQC inspections increasing in frequency, now covering sites already rated Good and RI
- 11 sites inspected in FY19, all reports received rated Good or Outstanding
- 85% of sites now rated Good, Outstanding or equivalent

Hospital	2019 rating	Previous rating
Manchester	Outstanding	Requires Improvement
Fylde Coast	Good	Good
Liverpool	Good	Good
Cardiff	Positive	Positive
Little Aston	Good	Good
Southampton	Good	Good
Parkway	Good	Requires Improvement
London East	Good	Requires Improvement
Thames Valley	Good	Good
St Anthony's	Awaiting report	Good
Washington	Awaiting report	Good

Demonstrating robust quality systems

Summary of all published ratings by the CQC relating to inspections in England in 2019

Provider	No. of reports published	% Good and Outstanding	Outstanding	Good	Requires Improvement
Spire Healthcare	8	100%	1	7	0
Competitor A	20	55%	0	11	9
Competitor B	2	100%	0	2	0
Competitor C	1	100%	0	1	0
Others	6	83%	0	5	1
All private sector	37	73%	1	26	10



Spire Healthcare

FY 19 Financial Review

Jitesh Sodha, Chief Financial Officer

Looking after you.

FY 19 highlights

**Made our planned
investments in
quality and safety**

Revenue growth

**Generated cash and
reduced leverage**

Expectations met

Financial Headlines FY 19: in-line with expectations

£24m increased investment in patient safety and clinical quality since 2016

5.3% revenue growth to **£980.8m**
(FY 18: £931.1m)

Operating profit **£94.4m**
(FY 18: £71.1m)

Net bank debt decreased to **£330.0m**
(H1 19: £362.2m, FY 18: £372.8m)

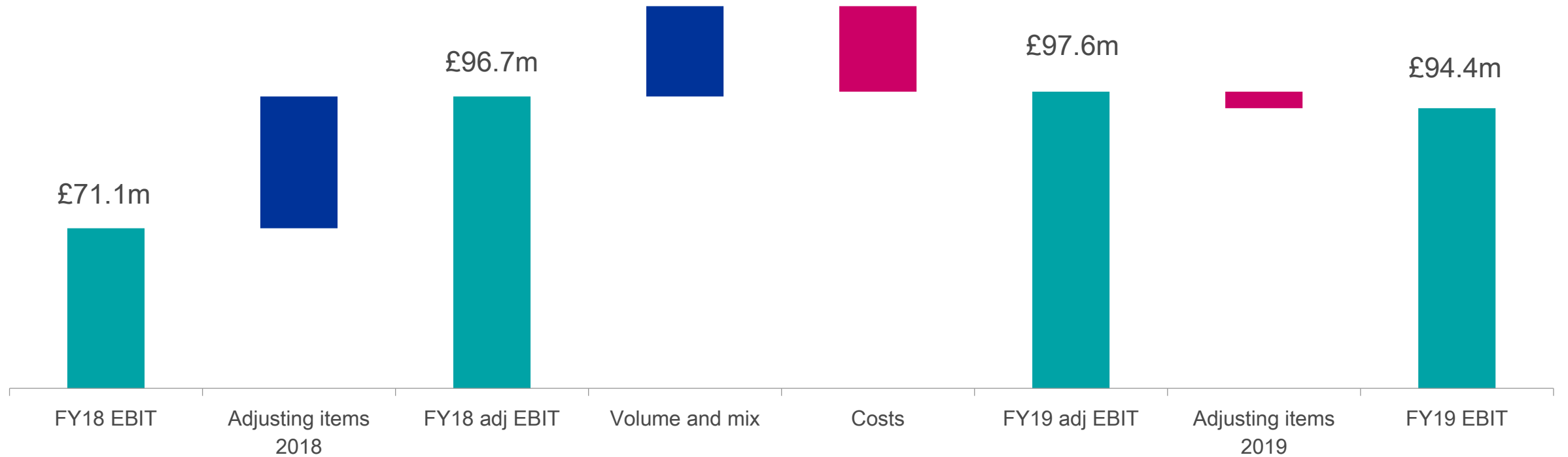
Net debt to EBITDA for covenant calculation **3.0x**
(H1 19: 3.3x, FY 18: 3.3x)

EBITDA **£189.0m**, 19.3% margin
(FY 18: £185.7m, 19.9% margin)

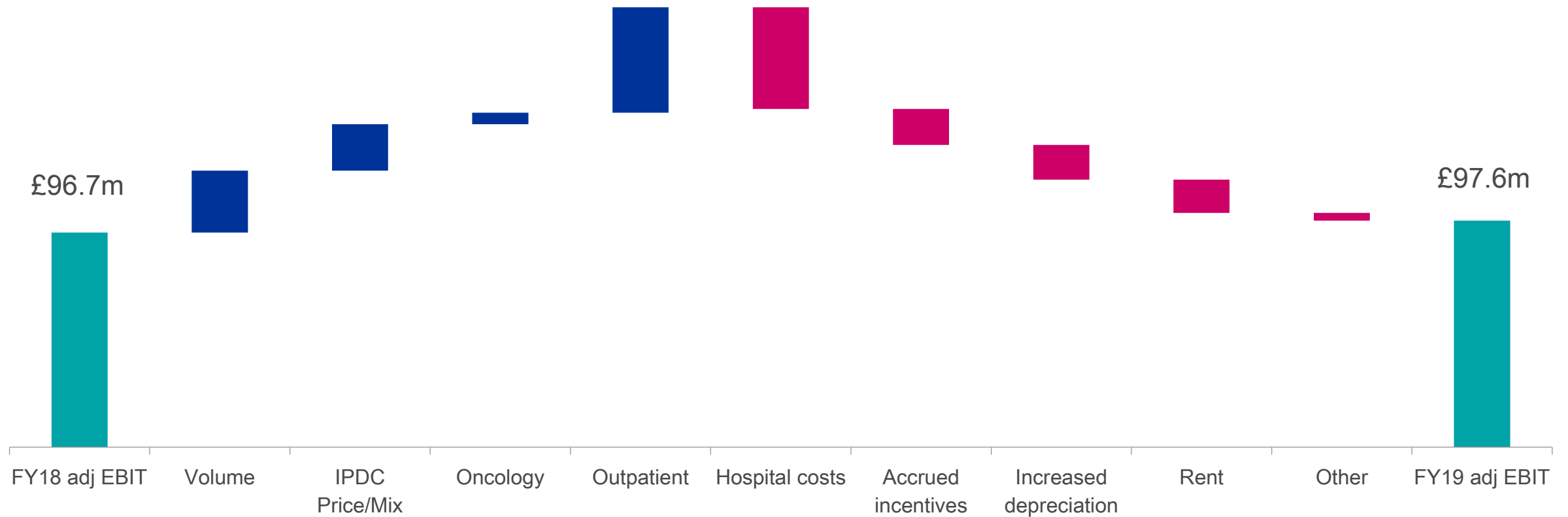
EBITDA pre-IFRS16 **£120.5m**, 12.3% margin
(FY 18: £119.4m, 12.8% margin)

Total dividend **3.8p** per share
(FY 18: 3.8p)

Operating profit growth driven by lower adjusting items



Revenue growth offset by planned investments

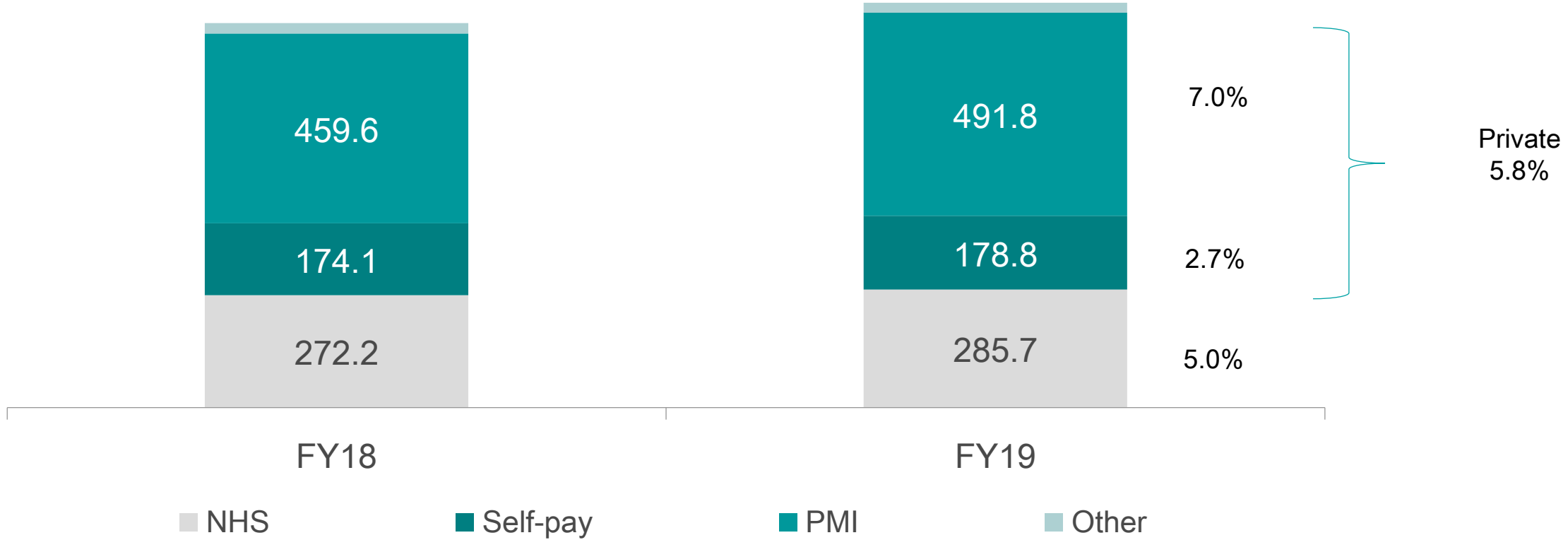


Operating cost analysis

	2019 (£m)	2019 (% sales)	2018 (£m)	2018 (% sales)
Clinical staff	203.3	20.7%	190.7	20.5%
Direct costs	223.9	22.8%	209.1	22.4%
Medical fees	102.2	10.4%	97.8	10.5%
Cost of sales	529.4	54.0%	497.6	53.4%
Gross profit	451.4	46.0%	433.6	46.6%

Revenue growth in all three payor groups

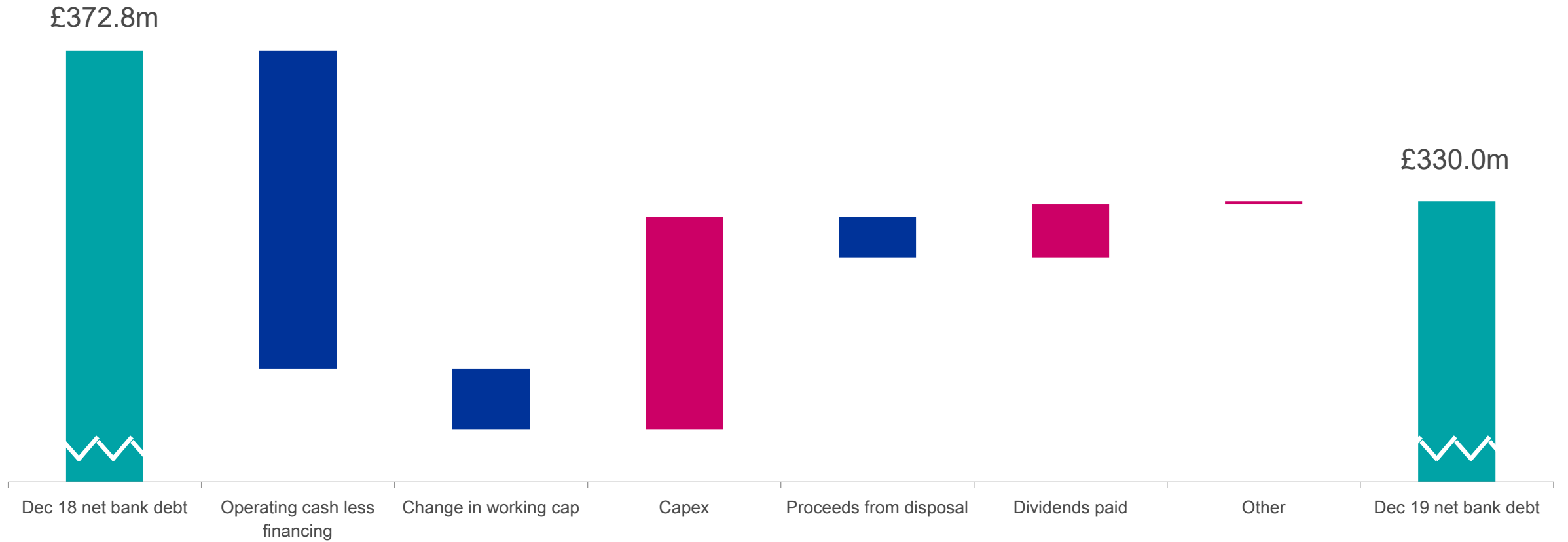
Revenue (£m)



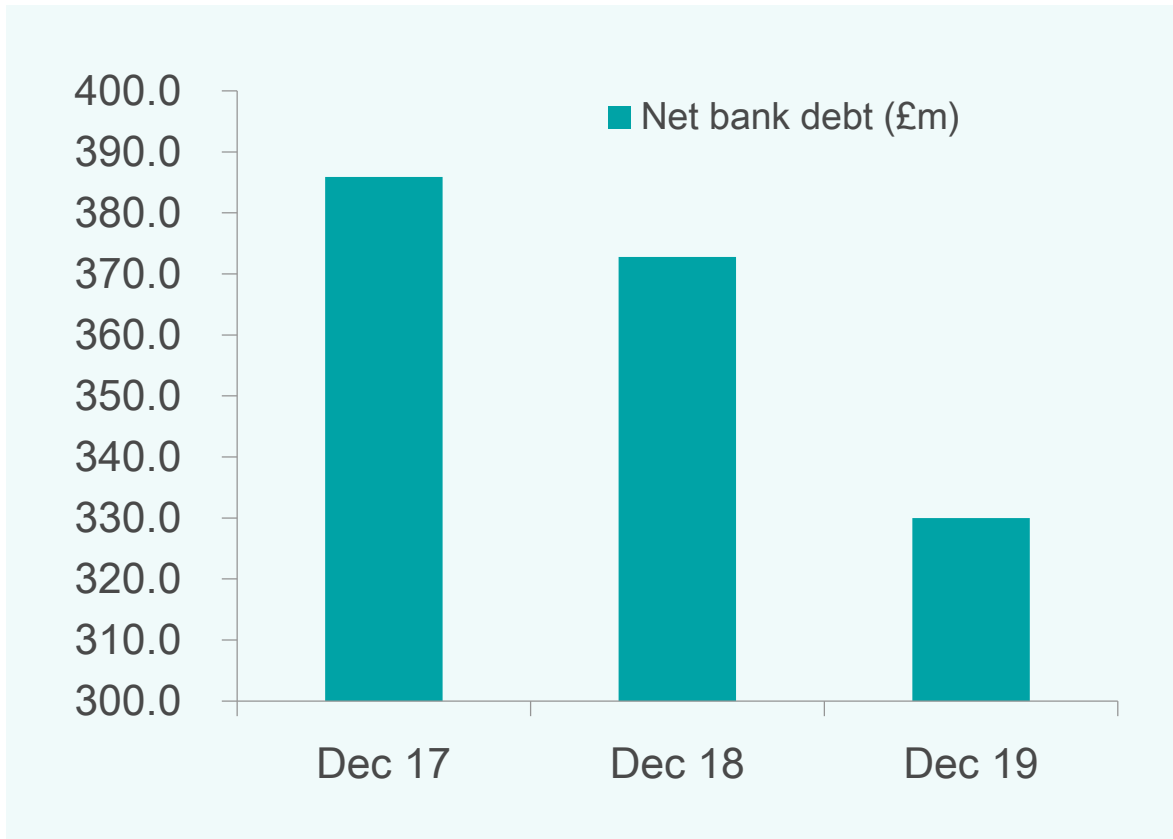
Revenue growth in all three payor groups, particularly in outpatients

% change in FY 19 vs FY 18	IPDC volume	ARPC	IPDC revenue	Outpatient revenue	Total revenue
PMI	1.4%	5.2%	6.7%	7.5%	7.0%
Self-pay	0.3%	1.0%	1.3%	7.4%	2.7%
Total private	1.1%	3.8%	5.0%	7.5%	5.8%
NHS	(0.8%)	5.8%	5.0%	4.7%	5.0%
Total	0.4%	4.5%	5.0%	6.9%	5.3%

Net debt reduction



Continued focus on net bank debt reduction



Reiterate focus on:

1. Cash generation
2. De-leverage
3. Maintenance of dividend
4. Increased focus on ROCE

Net debt/EBITDA	Dec 19 (x)	Dec 18 (x)
pre-IFRS16	3.0	3.3
post-IFRS16	5.7	5.8

Medical inflation mitigated by efficiency programmes

What we've achieved

- Procurement savings on consumables
- Standardised food menu introduced, improving quality and efficiency
- Improved culture and retention
 - Share save scheme launched for first time

2020 actions to reduce costs

- Further procurement opportunities through standardisation, especially prosthesis
- Comprehensive plan to improve labour as a percentage of revenue
 - Recruitment
 - Retention
- Imaging transformation project
- Efficiency benefits will be H2 weighted

Revenues above £1bn with operating profit growth

Market background	COVID-19 brings uncertainty which is being actively managed
Revenue	Continued focus on private, remain cautious on NHS volumes with <1% benefit from tariff
Mix	Continued shift to oncology and day case, growth in outpatients
Costs	Medical inflation mitigated by efficiency programmes
Phasing	Cost efficiency benefits weighted to H2
D&A	c.£90-95m
Capex	c.£70m
Net financing costs	£83-88m
Tax	Corporate tax rate 23-24%



Spire Healthcare

Operations and Strategy Review

John Forrest, Chief Operating Officer

Looking after you.

Our Purpose defines our business



Delivering on strategy



**First choice for
private
patients**



**NHS key
partner**



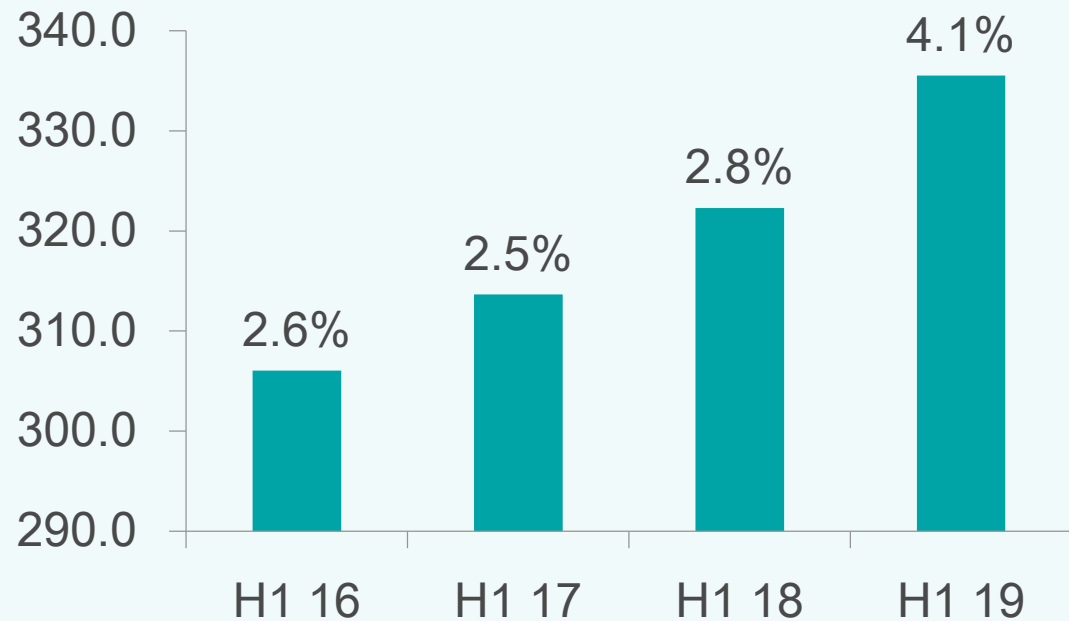
**Uncompromising
on patient safety**



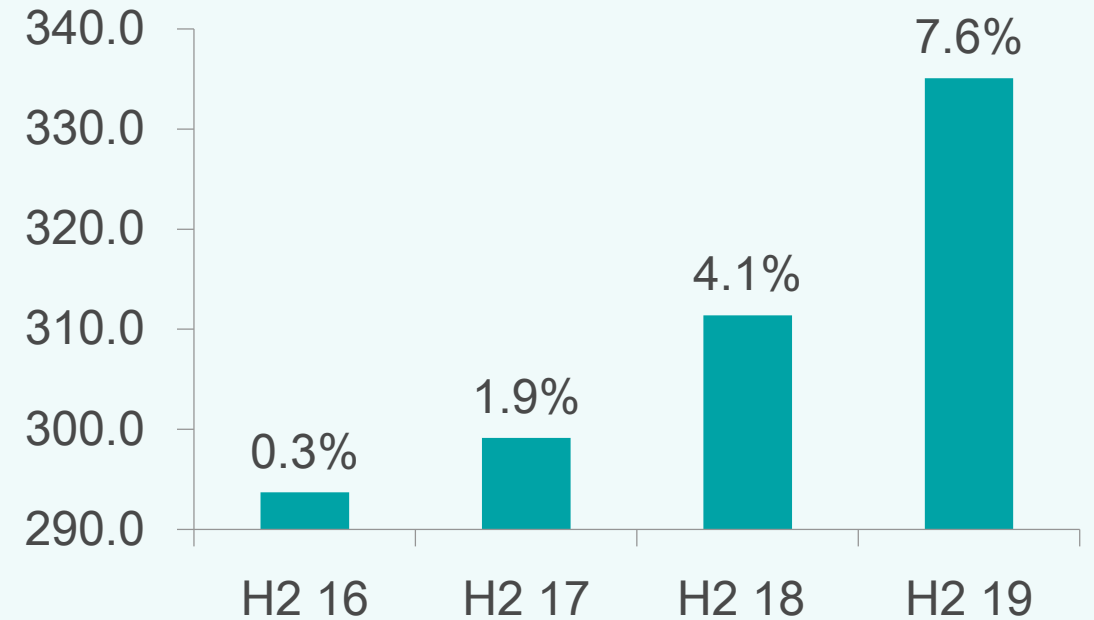
**Improving
revenue, profit
and cash**

First choice for private patients

H1 private revenue (£m) and growth



H2 private revenue (£m) and growth



Growth in PMI and self-pay

PMI +7.0%

- Capitalised on new contract wins
- Long term pricing agreements signed with Bupa and AXA PPP Healthcare
- Marketing campaigns stimulating growth
- Underlying market flat
- Existing contract revenue +3.7%

Self-pay +2.7%

- Improved momentum in H2
- Marketing campaigns driving 19% growth in enquiries and 7% growth in first outpatient appointments
- Conversion to inpatients lower than historical rates, affected by procedure mix
- Growth in core clinical procedures of 4.5% in FY 19 and 6.1% in H2 19
- Expanding digital strategy to support patient self-service

Advertising campaign elements

Brand response advertising



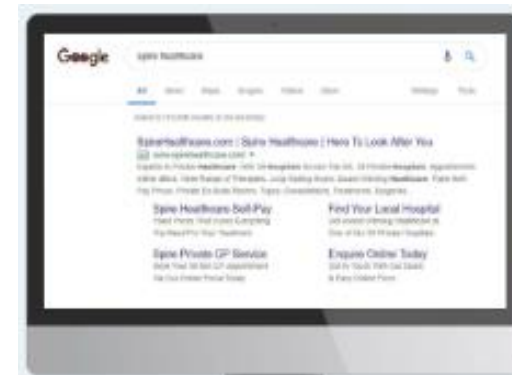
Specialty specific advertising



Treatment specific advertising and customer referrals help to increase consideration



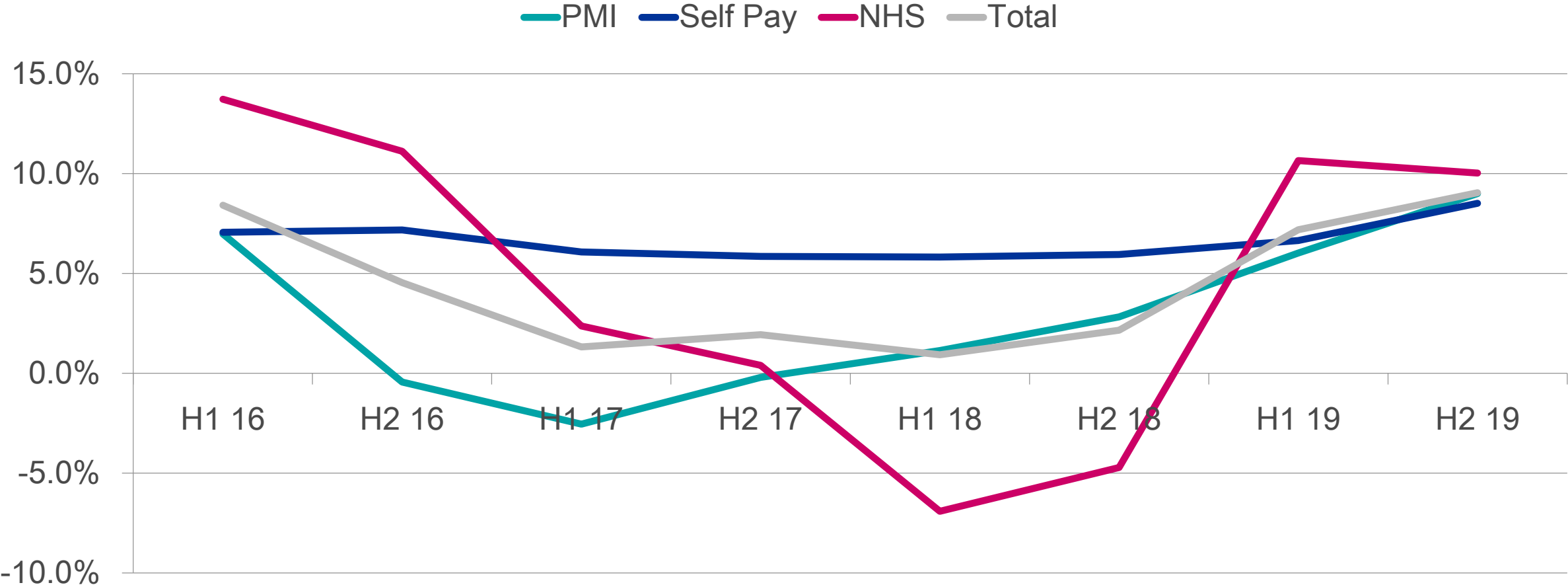
Optimised digital channels



Optimised digital channels and search ensure customers get the right information to give confidence to book an appointment

A mix of digital and traditional advertising, personalised by hospital, builds awareness

Growth in new outpatient consultations by payor



Growth in outpatients

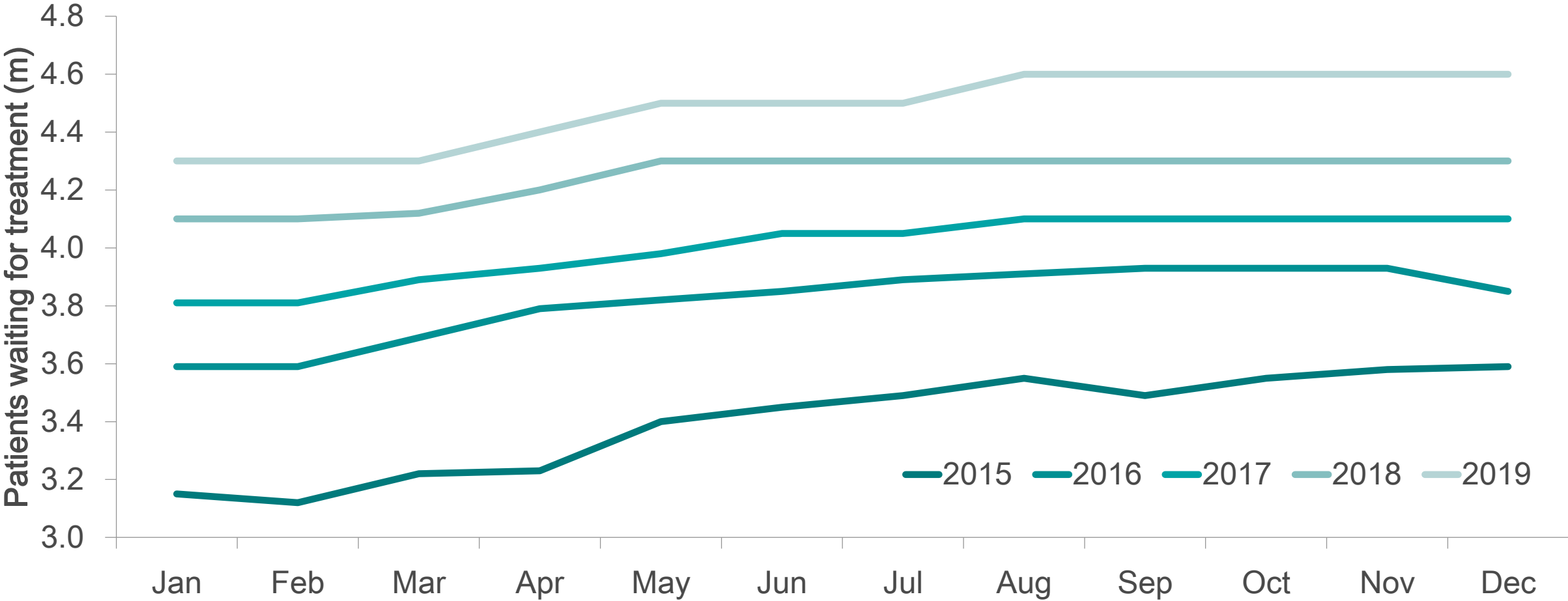
- We are directing more resources to outpatients in response to marketing feedback
 - Patients want to know “what is wrong with me” quickly
 - Purchased land and buildings to develop outpatient and imaging department next to Spire Yale
- Spire GP appointments up more than 60%
 - Strong conversion of GP appointment to consultation
 - Continuing to generate downstream revenue
- OrthTeam Centre, an outpatient JV next to Spire Manchester, opened in September 2019

Developing our oncology business

- Oncology is an important specialty with significant potential for profitable expansion
- Total oncology revenues rose 16% in FY19, essentially all PMI
- Expensive drug regimes contributing to lower 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 completed 31 October 2019

NHS waiting list is at a five year high

Orthopaedic waiting list at 526,000 patients

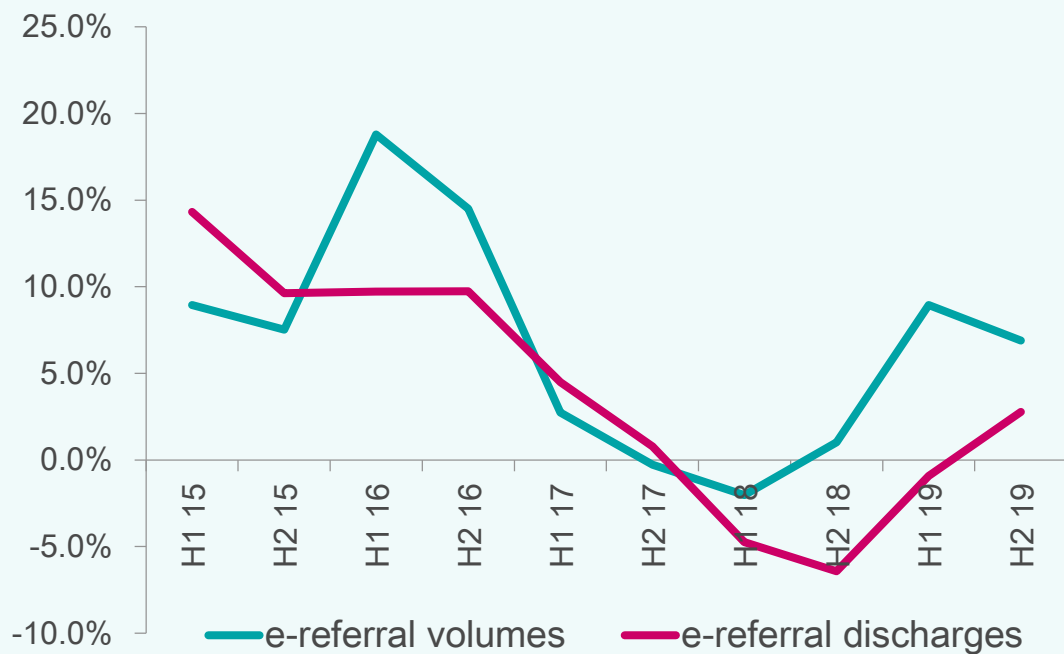


Source: NHS England

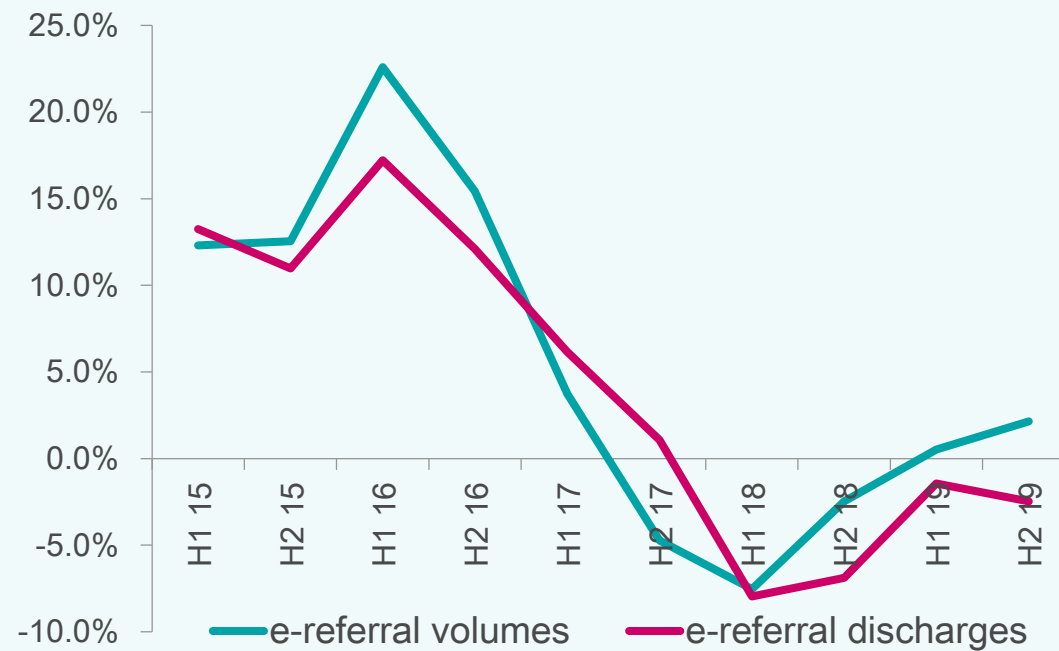
Spire: total NHS e-referrals up 7%

IPDC admissions down 0.8% in FY19 but up 2.3% in H2

All specialties



Orthopaedics



Remaining a key partner to the NHS

- Selectively opening new service lines including complex care such as cardiac and thoracic surgery
- Positive tariff impact and improved mix through complexity
- Rationing and triage is continuing, but there is significant geographical variation
- Recent positive commentary in NHS planning guidance for 2020/21
- Holding share remains our strategy

Continued focus on efficiency, patient and consultant experience

People

- Working to improve recruitment and retention
- New people management system in development
- Reduction in agency leveraging our Spire Bank
- 81% - improved colleague engagement

Systems

- New CIO appointed
- Multiple patient and consultant digital platforms launched
- Moving towards the automation of manual admin processes
- Greater visibility of future admissions

Core cost improvement

- Single patient record
- Prosthesis purchasing
- Imaging transformation
- Multiple future opportunities identified
- St. Anthony's and Manchester growing profits
- Nottingham breakeven in Q4

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

Delivering on strategy



**First choice for
private
patients**



**NHS key
partner**



**Uncompromising
on patient safety**



**Improving
revenue, profit
and cash**

Outlook for 2020: Revenues above £1bn with operating profit growth



Spire Healthcare

Appendix

Looking after you.

Financial Headlines FY 19 – pre IFRS16

5.3% revenue
growth to
£980.8m
(FY 18: £931.1m)

Operating profit
£51.5m
(FY 18: £28.6m)

EPS **4.8p**
(FY 18: 2.8p)

Total dividend **3.8p**
per share
(FY 18: 3.8p)

EBITDA **£120.5m**,
12.3% margin
(FY 18: £119.4m, 12.8%
margin)

Net debt decreased
to **£330.0m**
(H1 19: £362.2m, FY18:
£372.8m)

Private growth

	FY19			FY 18			Variance		
	PMI	Self-pay	Total private	PMI	Self-pay	Total private	PMI	Self-pay	Total private
IPDC admissions	121.6	47.6	169.3	119.9	47.5	167.4	1.4%	0.3%	1.1%
ARPC (£)	2,533	2,884	2,632	2,408	2,855	2,535	5.2%	1.0%	3.8%
IPDC revenue (£m)	308.2	137.4	445.6	288.8	135.5	424.4	6.7%	1.3%	5.0%
Outpatient revenue (£m)	183.7	41.4	225.1	170.8	38.5	209.3	7.5%	7.4%	7.5%
Total	491.8	178.8	670.6	459.6	174.1	633.7	7.0%	2.7%	5.8%

Total growth across all payor groups

	FY 19			FY 18			Variance		
	Total private	NHS	Total	Total private	NHS	Total	Total private	NHS	Total
IPDC admissions	169.3	92.0	261.2	167.4	92.7	260.1	1.1%	-0.8%	0.4%
ARPC (£)	2,632	2,434	2,562	2,535	2,300	2,451	3.8%	5.8%	4.5%
IPDC revenue (£m)	445.6	223.8	669.4	424.4	213.1	637.5	5.0%	5.0%	5.0%
Outpatient revenue (£m)	225.1	61.8	286.9	209.3	59.1	268.4	7.5%	4.7%	6.9%
Other revenue (£m)			24.5			25.2			(2.8%)
Total	670.6	285.7	980.8	633.7	272.2	931.1	5.8%	5.0%	5.3%

NHS revenue in detail

	FY19 (£m)	FY 18 (£m)	Variance (%)
E-referral	253.9	2144	5.2%
Local	31.8	30.8	3.1%
Total NHS revenue	285.7	272.2	5.0%

EBITDA to Operating Profit

Pre-IFRS 16	FY 19 (£m)	FY 18 (£m)
EBITDA	120.5	119.4
Depreciation (incl. profit/loss on PPE disposals)	(65.8)	(65.2)
Adjusting items	(3.2)	(25.6)*
Operating profit	51.5	28.6

Post-IFRS 16	FY 19 (£m)	FY 18 (£m)
EBITDA	189.0	185.7
Depreciation (incl. profit/loss on PPE disposals)	(91.4)	(89.0)
Adjusting items	(3.2)	(25.6)*
Operating profit	94.4	71.1

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

Cash surplus after capex and dividend – pre IFRS16

	FY 2019 £m	FY 2018 £m
EBITDA	120.5	119.4
Operating cash flow before exceptionals and tax	137.0	125.4
Capex	(60.6)	(73.7)
Proceeds from assets held for sale*	11.6	4.1
Adjusting items	(2.7)	(7.7)
Financing activities (excl. dividends)	(26.3)	(24.4)
Dividends Paid (3.8p per share)	(15.2)	(15.2)
Other	(0.7)	-
Net increase / (decrease) in cash	43.1	8.5
Opening cash	47.7	39.2
Closing cash	90.8	47.7

*Proceeds in 2019 relates to the Sale of the Bristol and Baddow Specialist Cancer Centres.

Exceptional costs and lower tax driving profit growth post IFRS 16

	FY 2019 (£m)	FY 2018 (£m)
EBITDA	189.0	185.7
Depreciation, amortisation & profit/loss on disposal	(91.4)	(89.0)
Total Adjusting items before taxation	(3.2)	(25.6)
Tax credit on Adjusting items	0.6	9.4
Net finance costs	(84.8)	(76.7)
Taxation (excluding credit on Adjusting items)	(3.0)	(3.7)
Profit after tax	7.2	0.1

Cash positive (post IFRS16)

	FY 2019 (£m)	FY 2018 (£m)
Cash from operating activities	184.9	176.3
Working Capital Movement	17.9	7.7
Capex	(60.6)	(73.7)
Proceeds from disposals*	11.6	4.1
Interest received	0.2	0.2
Lease liabilities	(77.4)	(75.0)
Other financing activities (excl. dividends)	(17.4)	(15.7)
Dividends Paid (3.8p per share)	(15.2)	(15.2)
Other	0.9	(0.2)
Increase in cash	43.1	8.5

*Proceeds in 2019 relates to the Sale of the Bristol and Baddow Specialist Cancer Centres.

Balance sheet

	Dec 19 (£m)	Dec 18 (£m)
Fixed Assets	1,563.4	1,576.1
Goodwill	517.8	517.8
Inventory	32.0	29.4
Trade and other receivables	73.0	81.1
Cash and cash equivalents	90.8	47.7
Other current assets	10.2	4.0
TOTAL ASSETS	2,287.2	2,256.1
Bank Borrowings	420.8	420.4
Lease Liabilities	745.3	726.1
Trade and other payables	114.2	95.2
Deferred tax liability	51.4	49.0
Other liabilities	15.6	16.9
TOTAL LIABILITIES	1,347.3	1,307.6

Looking after you.

Solid financial headroom

	December 19 (£m)	June 19 (£m)	December 18 (£m)
Bank Borrowings	420.8	420.6	420.4
Cash	90.8	58.4	47.7
Net bank debt	330.0	362.2	372.8

	December 19 (£m)	June 19 (£m)	December 18 (£m)
Bank Borrowings	420.8	420.6	420.4
Lease Liabilities (under IFRS 16)	745.3	721.2	726.1
Total Borrowings	1,166.1	1,141.8	1,146.5

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

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	Hartwood	Requires Improvement	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	Requires Improvement	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		