Spire Healthcare: Our Five Year Strategy – “80/100/200”

24 April 2018




Spire Healthcare

Looking after you.

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Strategy Overview –
Spire at an Inflection Point

Justin Ash
Chief Executive Officer




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Spire is at an Inflection Point

What You Will Hear Today → Spire Strategy Overview → Execution of Plan → Five-Year Financial Targets

Strategic Context

- Demand for UK healthcare provision will continue to rise rapidly
- NHS waiting lists (especially for elective work), rationing and restrictions are growing
- Increasingly people are becoming informed consumers of and prepared to pay for healthcare, with choices digitally enabled
- Quality will be the key to future success
- Spire is the market leader and is well placed to win

The Key Focus Of Our Strategic Reset

Areas of focus:

- Deliver leadership in clinical quality and customer care
- Revenue growth focussed on private
- Lower, disciplined capex focussed on optimising current sites and supporting their capacity and reach
- Deliver returns on recent new builds; further new sites on hold

Results in:

- More consistent and reliable performance
- Improved net cash flow – to support lower leverage/improved returns/ future investment
- **80% private, 100% quality, +£200m EBITDA by 2022**

Market Context

Market Context
A Sector with much Opportunity

Continuing growth in demand for UK healthcare

Consumers increasingly prepared to pay for healthcare (NHS backdrop)

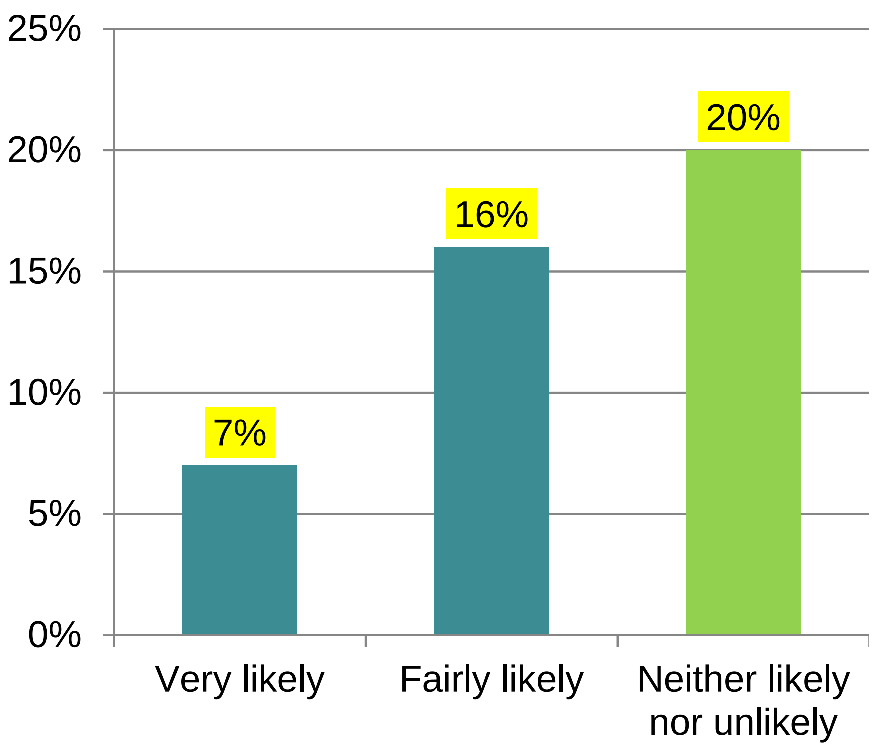
Quality will become the key differentiator

No clear Independent Sector Winner

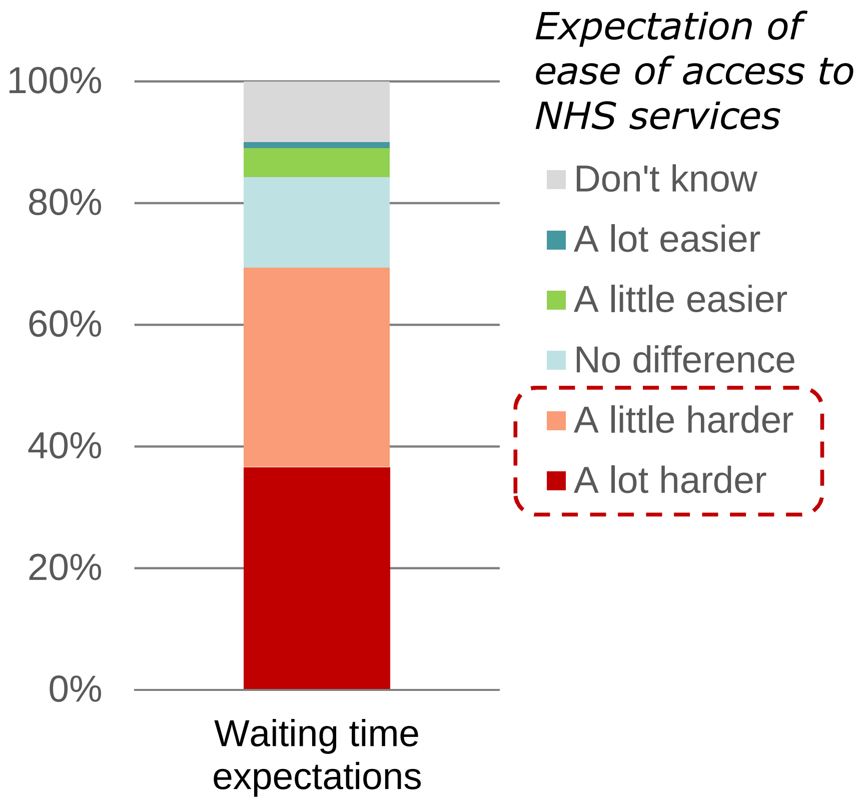
Digital communication and pathway growing in importance

Market Context
Changing Consumer Expectations

At least 23% of population currently willing to consider private…



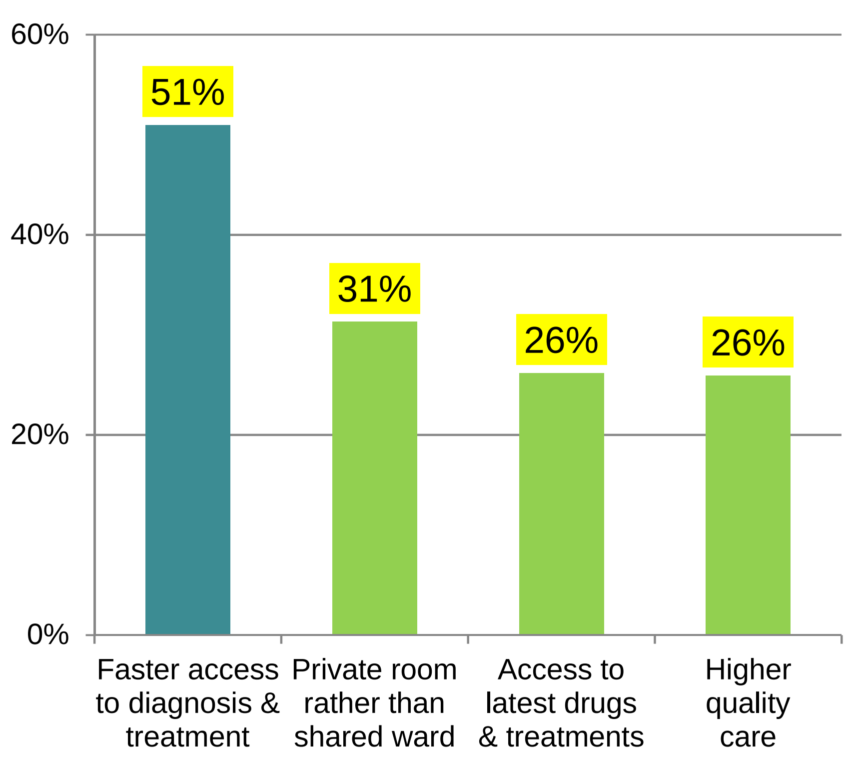
… supported by worsening of NHS waiting time



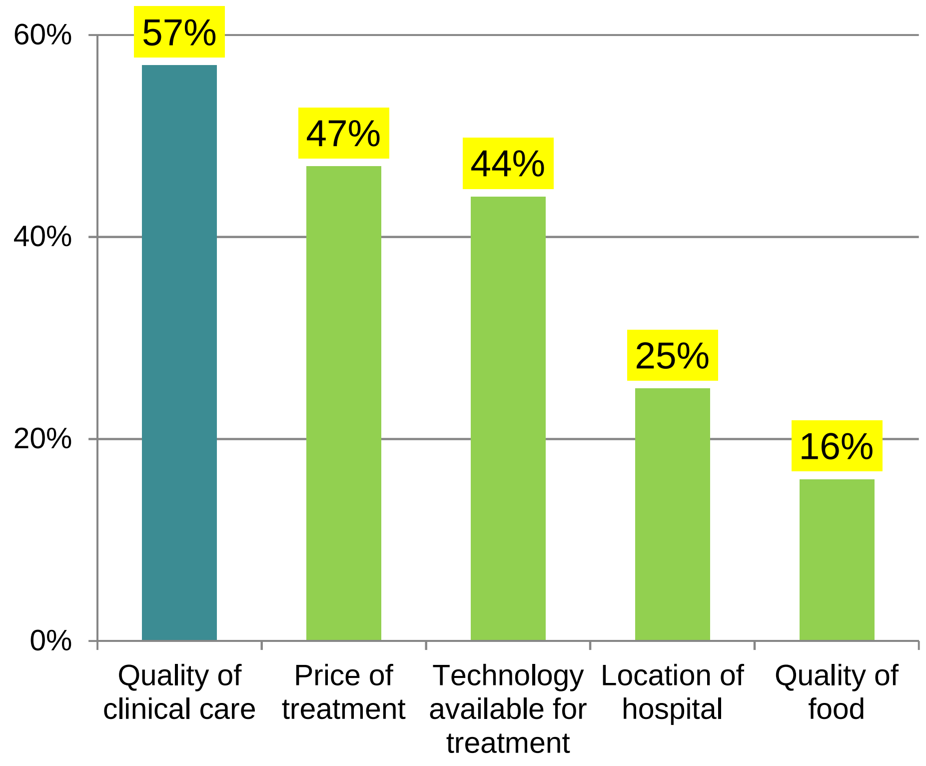
Independent poll of 2001 people, April 2018: (LHS) "If you are unable to access timely treatment in your local NHS hospital…how likely or unlikely would you be to consider accessing treatment from a private hospital?" (RHS) "Do you think it will become easier or harder to access NHS services in the next five years?"

Market Context
Quality is the Winner

Access and Quality underpin patient motivations to use private hospitals …



… but the key differentiator is Quality



Independent poll of 2001 people, April 2018: (LHS) "Which, if any, of the following would encourage you to use private hospital treatment rather than the NHS?" (RHS) "Which if any of the following characteristics would make a private hospital stand out to you?"

Market Context
Why Quality Matters to Stakeholders as well as Shareholders

Stakeholder	
Patients	• Excellent clinical outcomes drive propensity to recommend and reputation
Regulator	• Great Quality results in Outstanding inspection ratings
Funders	• Strong reputation for Quality strengthens Spire's position with private and public funders
Consultants	• Consultants enhance their own reputation by practising at high Quality facilities

2022 Strategy

- **80% Private**
- **100% quality**
- **Revenue = c.£1,200m**
- **EBITDA = £200m+**

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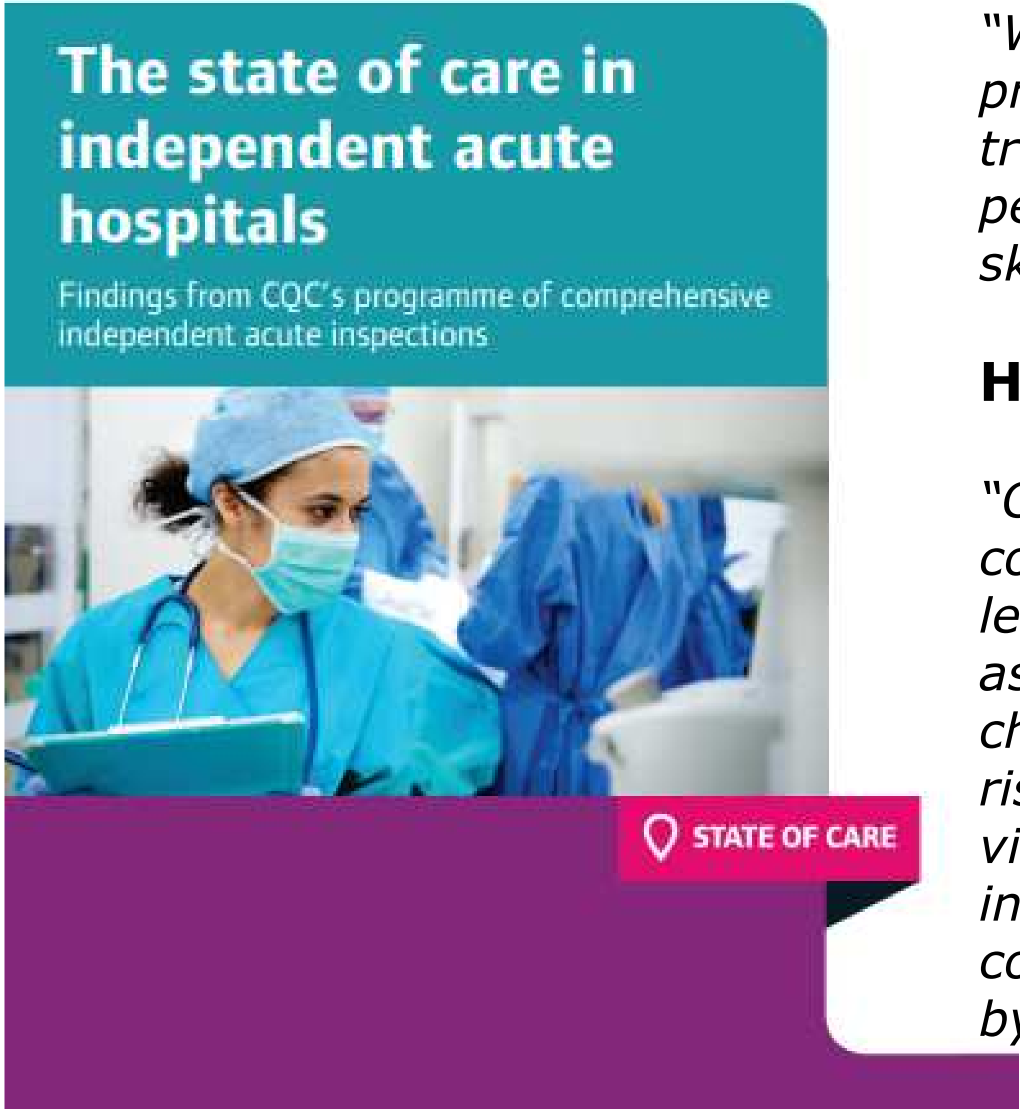
Market Context
Currently No Clear Winner on Quality



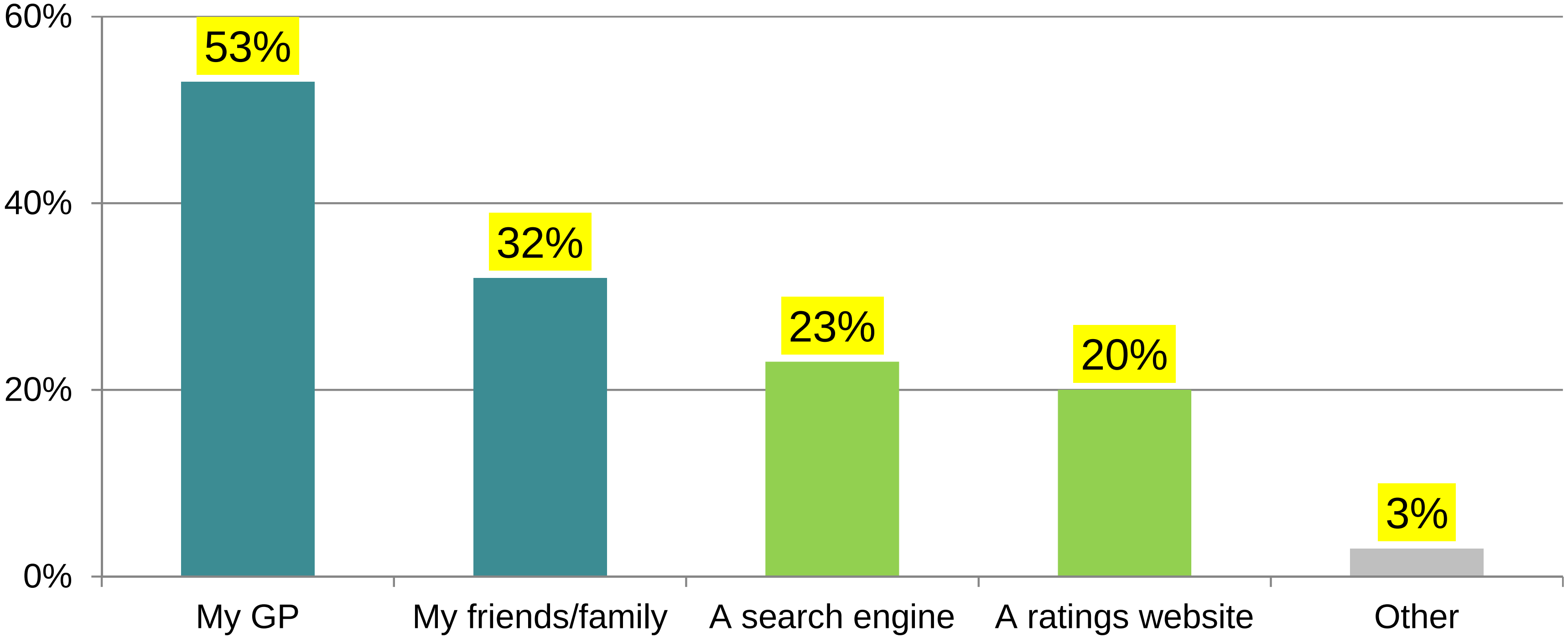
"We found that most patients had prompt access to effective treatment and experienced personalised care from highly skilled and caring staff."

However…

"Our inspections also identified concerns around the safety and leadership of some services, often as a result of a lack of safety checks and poor monitoring of risks. Too often, safety was viewed as the responsibility of individual clinicians, rather than a corporate responsibility supported by formal governance processes."

Market Context
Digital Communication Becoming a Key Driver

Key influencers on patient decision re choice of provider



Key actions	**Improve GP referral networks**	**Be # 1 in patient satisfaction and recommendation**	**Build digitally enabled patient journey**

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Independent poll of 2001 people, April 2018: "From which if any of the following places would you seek advice on which private hospital to use?"

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Spire's Strategic Reset

Spire Today
The Largest UK Independent Hospital Group

39 hospitals, 11 clinics and 1 cancer centre	134 operating theatres & 1,800 patient beds	775,000 patients (IP, DC and OP)	8,380 FTEs and 3,900 consultants

98% of patients rate "Excellent" or "Very Good"	70%* of hospitals rated "Good" or "Outstanding"	9.1% of all UK hip & knee procedures

* Includes Spire Nottingham and equivalent results from Scotland and Wales

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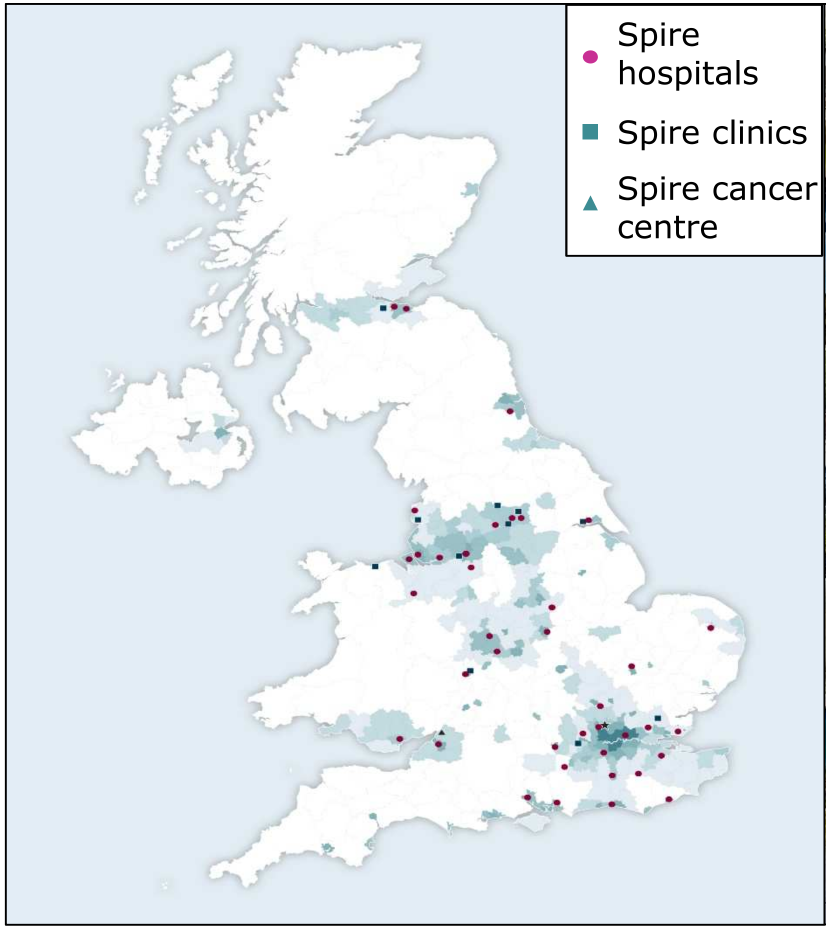
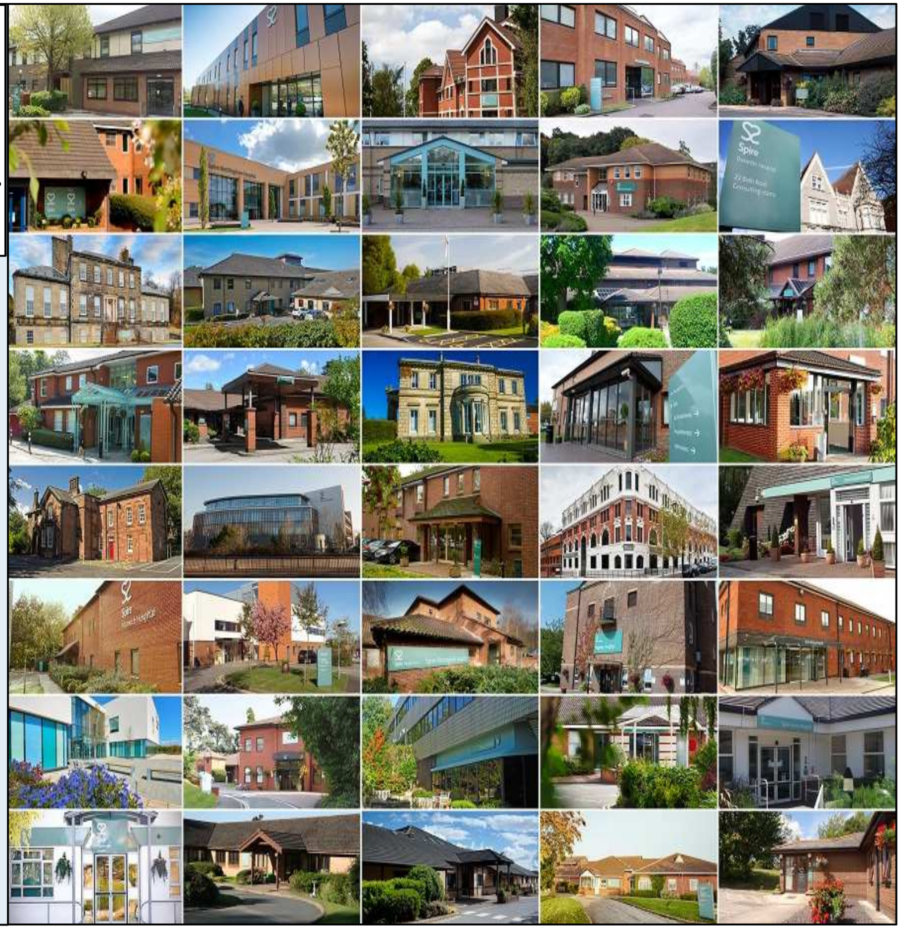
Spire's Strategic Reset
Extensive and Well-Positioned Network of Locations





Note: Shading of map reflects population density, with areas of greater population density shaded darker

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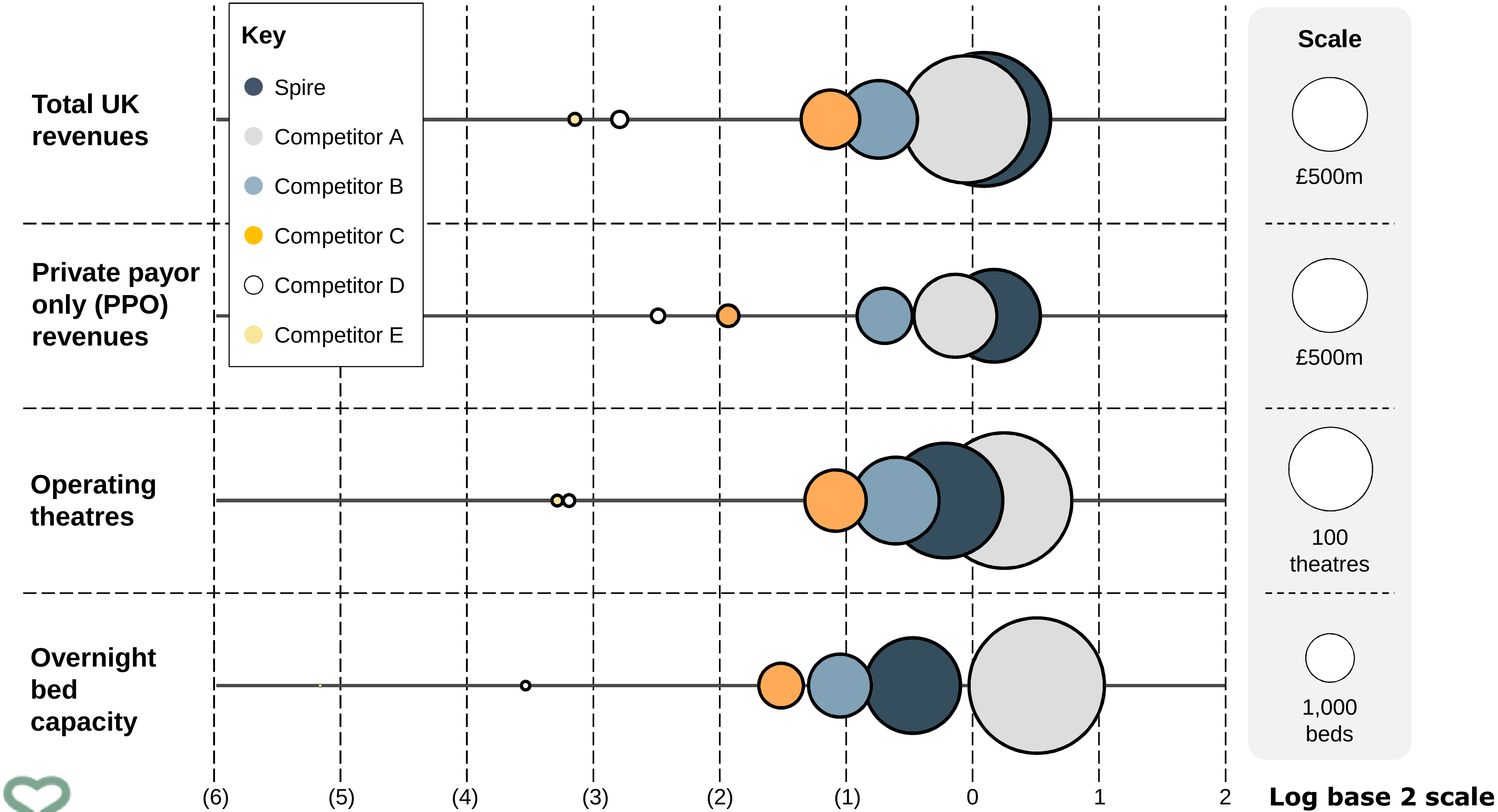
Spire's Strategic Reset
Spire Already the UK #1, and Well-Positioned to Win

Relative market shares: leading private hospital operators



Note: * Private Patient Only revenue estimated using share of total revenue as per Laing & Buisson (2017);
Source: Laing & Buisson; Company accounts

Spire's Strategic Reset
Strong Local Market Positions Reinforce Opportunity

Spire's hospital ranking in revenue within its catchment area

Key strategic opportunities

- Leverage leading positions in key markets
- Optimise activity mix and patient flow
- Address position in 'Follower' market

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Note: * Operating Profit contribution by hospital

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Spire's Strategic Reset
Spire's Private Proposition matches Consumer Need

Clinical excellence

High clinical quality outcomes

Quality regulatory scores

Very low infection rates

57% of respondents rate as a key differentiator

★★★½☆

Rapid access to diagnostics and treatment

51% rate as a key motivation for private hospital use

★★½☆☆

Easy to understand pricing

47% rate as a key differentiator

★☆☆☆☆

Use of modern & emerging technology

44% rate as a key differentiator

★★★½☆

Extensive network of locations

25% rate as a key differentiator

★★★★☆

High quality hospitality and free parking

16% rate as a key differentiator

★★★☆☆

Digitally enabled interface

A key channel to market

★★☆☆☆

★ Internal assessment based off management data

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Spire's Strategic Reset
Our 5 Year Vision

"To become the go-to UK independent healthcare brand, famous for clinical quality and customer care"

Spire's Strategic Reset:
Spire's 5 Year Strategy

Strategic goals and key enablers

- First choice for private patients
- Plan and deliver operational excellence
- Become best place to work
- Become best place to practise
- Most recommended customer experience
- Become famous for quality and clinical care

Results: 80/100/200

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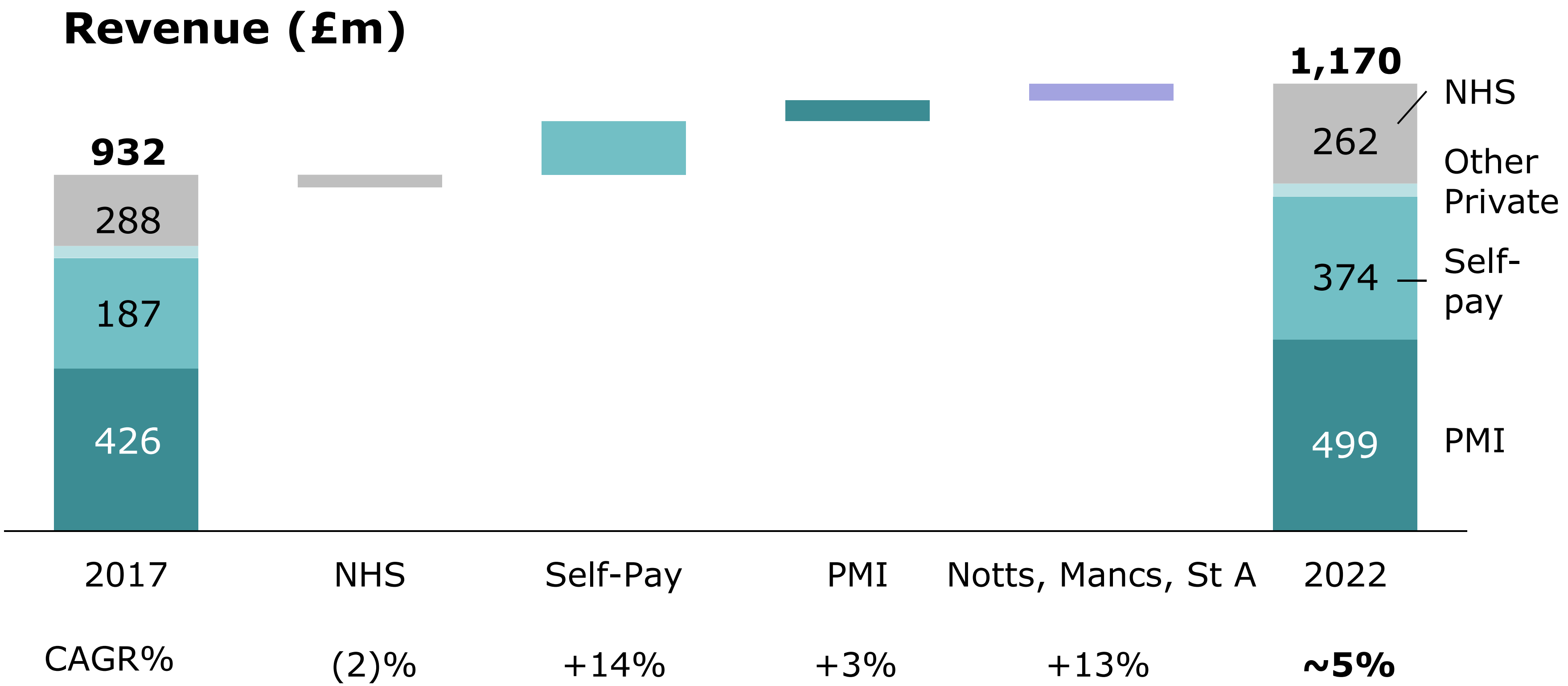
Spire's Strategic Reset
What We are Changing and What It will Deliver (1 of 2)

Strategic goals and key enablers	What we are changing	What it delivers
First choice for private patients	• Improve services • Digital, marketing and telephony upgrade	• Step-change in private growth
Plan and deliver operational excellence	• Data driven, granular ops focus • Clusters to drive efficiency	• Stronger performance • Leverage scale • Deliver on new sites
Become best place To practise	• Support consultants to grow • Targeted equipment / facility investments	• Growing consultant share

Spire's Strategic Reset
What We are Changing and What It will Deliver (2 of 2)

Strategic goals and key enablers	What we are changing	What it delivers
Become best place To work	• Central recruitment focus • Step change in comms and development	• High performance culture • High capability people
Most recommended customer experience	• Digitalise the patient journey • Targeted investments in facilities	• #1 in customer recommendations and referrals
Become famous for quality and clinical care	• Robust clinical governance at all levels • Go beyond the CQC • Data driven, embedded quality culture	• A strong pull for customers to select Spire • First choice for referrers

Spire's Strategic Reset
Our Strategic Reset targets Strong Revenue Growth and Improved Cash Flow / Capital Returns



Capex target in a typical year = £80m

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Spire's Strategic Reset
Measuring our Achievements – 80/100/200

Key priority	Measure	2017 Actual	2022 Vision
First Choice for Private Patients	Self-Pay Growth % Private Revenue	12% p.a. underlying, 9.6% p.a. for Group 69%	>10% p.a. c. 80%
Consultant Engagement	Consultant Engagement	67%	90%
Team Capability	Employee Engagement	81%	90%
Most Recommended	Friends & Family "Extremely likely"	98% 85%	100% 95%
Famous for Clinical Quality	Good/Outstanding PHIN data quality	70% N/A	100% Leading sector
Financial Performance	Revenue EBITDA Capex	£932m £150m £119m	c. £1,200m £200m+ Target £80m

Agenda and Spire Presenting Team

Item	Presenter	Title
Strategy Overview: **Spire at an Inflection Point**	Justin Ash	Chief Executive Officer
Execution of Plan: **Clinical Quality and Customer Care**	Dr JJ de Gorter Alison Dickinson	Group Medical Director Chief Nursing Officer
Execution of Plan: **Operational Excellence**	Dan Rees Jones Fergus Macpherson	Operations Director Operations Director
Execution of Plan: **Private Revenue Growth**	Peter Corfield	Chief Commercial Officer
Five-Year Financial Targets	David Lomas	Interim Chief Financial Officer
Summary	Justin Ash	Chief Executive Officer

Execution of the Spire Plan – Clinical Quality & Customer Care

Dr JJ de Gorter
Group Medical Director

Alison Dickinson
Chief Nursing Officer




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Clinical Quality & Customer Care
Spire's 5 Year Strategy

Strategic goals and key enablers

First choice for private patients

Plan and deliver operational excellence

Become best place to work

Become best place to practise

Most recommended customer experience

Become famous for quality and clinical care

Results: 80/100/200

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Clinical Quality & Customer Care
Why Quality Matters to Stakeholders as well as Shareholders

Patients

Regulator

Funders

Consultants

- Excellent clinical outcomes drive propensity to recommend and reputation
- Great Quality results in Outstanding inspection ratings
- Strong reputation for Quality strengthens Spire's position with private and public funders
- Consultants enhance their own reputation by practising at high Quality facilities

2022 Strategy

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- **EBITDA = £200m+**

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Clinical Quality & Customer Care
Becoming Famous for Quality

Right thing to do for our patients

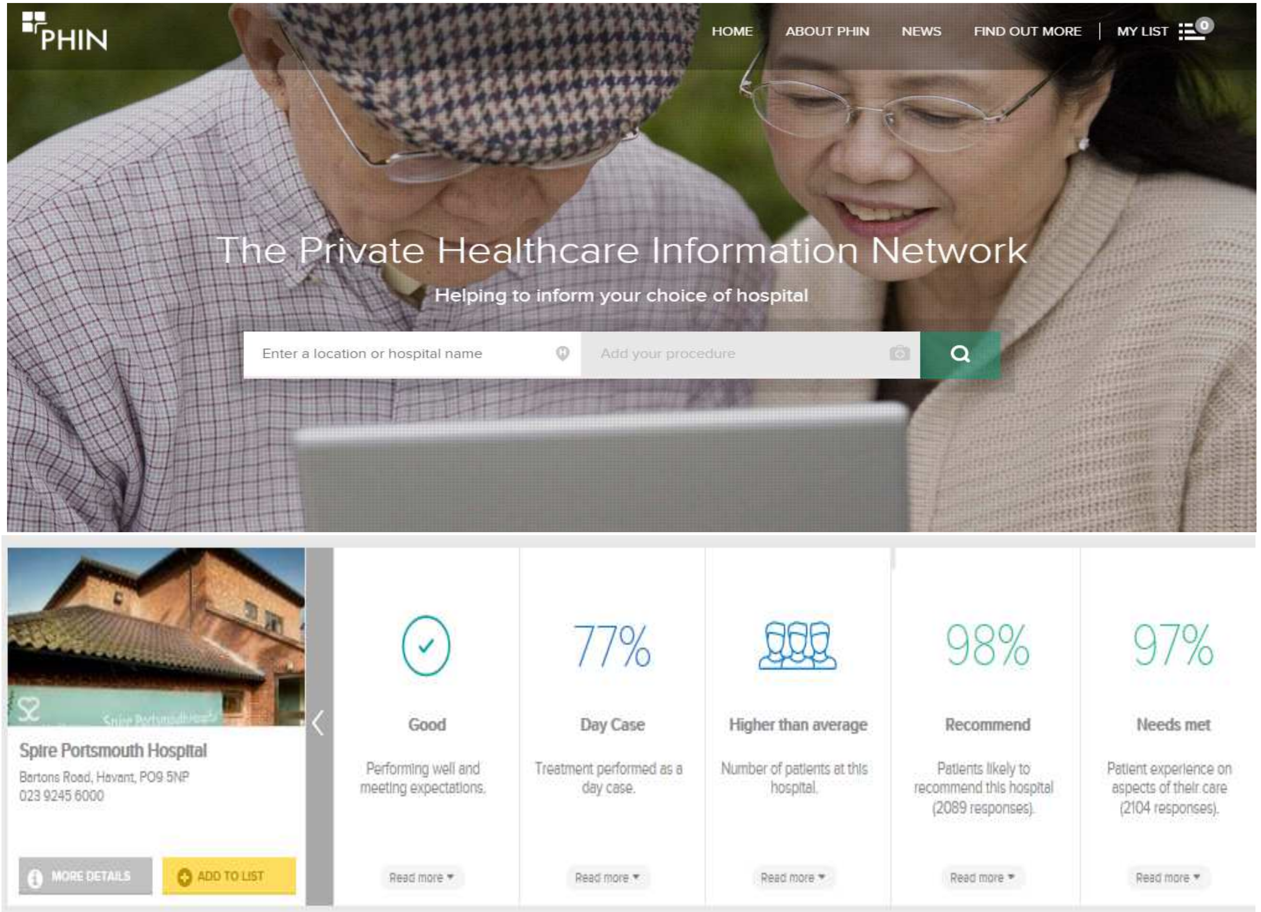
Quality data increasingly visible to consumers

Regulator becoming increasingly rigorous

Funders beginning to differentiate on quality

Consultants aligning with high quality providers

Clinical Quality & Customer Care
Quality Data is becoming Increasingly Visible to Consumers



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Clinical Quality & Customer Care
Spire Can Evidence Great Clinical Outcomes (1 of 3)

JAG
Joint Advisory Group
on GI Endoscopy
Accreditation

Bupa

UKAS
UNITED
KINGDOM
ACCREDITATION
SERVICE

A quality cancer environment
approved for you
WE ARE MACMILLAN. CANCER SUPPORT

SYSTEM CERTIFICATION
ISO 9001:2008
SGS

Sign up to
SAFETY
LISTEN LEARN ACT

CHKS
Insight for better healthcare

VTE Exemplar Centres
Providing leadership in thrombosis care

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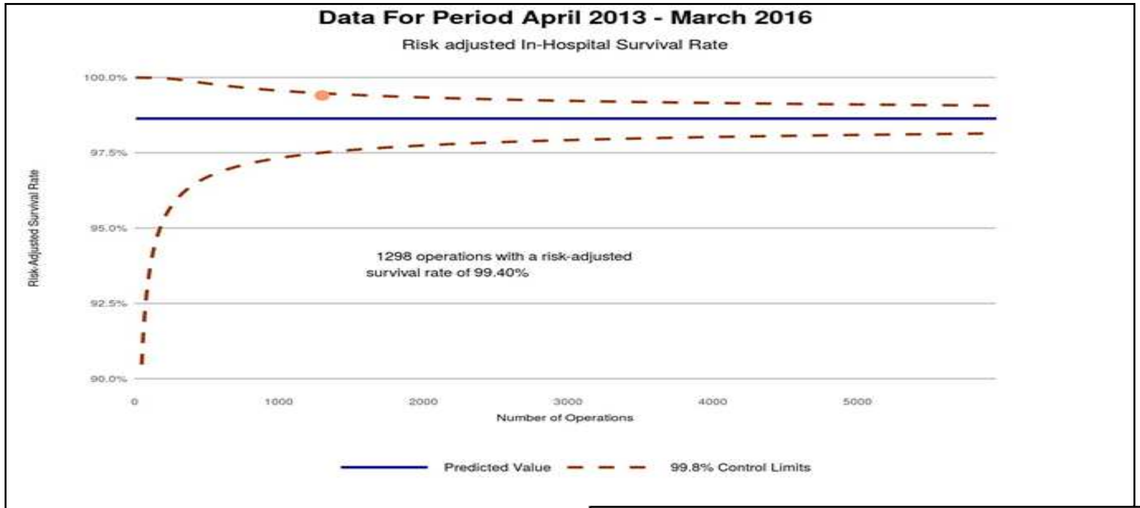
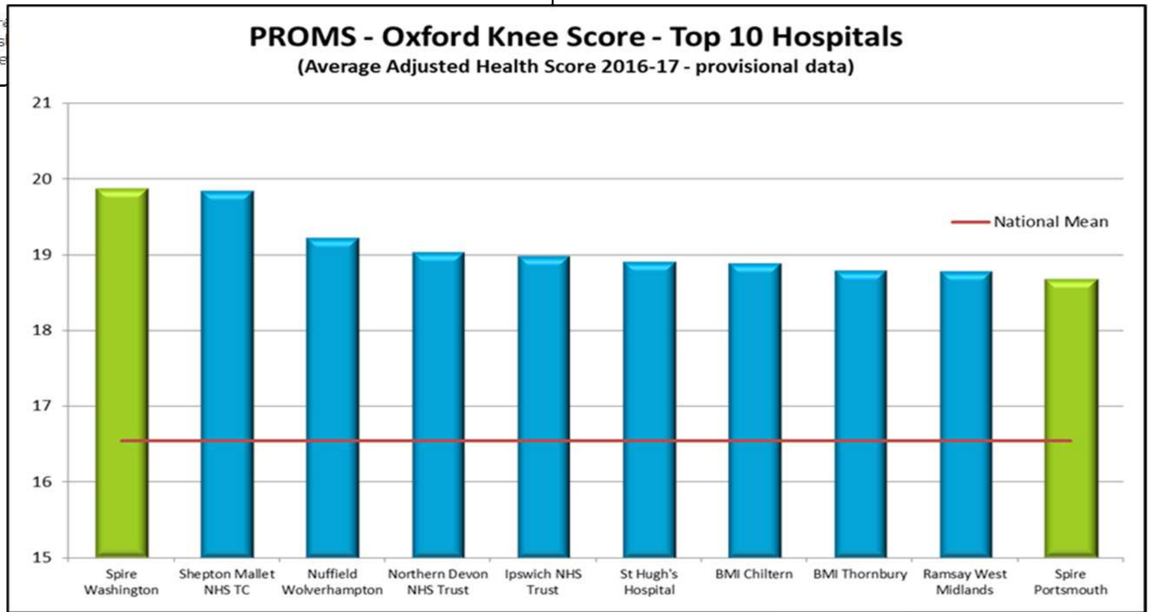
Clinical Quality & Customer Care
Spire Can Evidence Great Clinical Outcomes (2 of 3)



Graph 7 Shows the Risk-adjusted in hospital survival rate for Spire
appears on the SCTS website with the national average survival s
outcomes received congratulations from SCTS – one of only three
hospital to do so.



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Clinical Quality & Customer Care
Spire Can Evidence Great Clinical Outcomes (3 of 3)

Scorecard Measure	2017 Result	2016 Result
Friends and Family Test score	98 →	98
% patients responding 'extremely likely' or 'likely 'to recommend the hospital to friends and family.	98 →	98
% patients responding 'excellent' overall to the way they were prepared for being at home	74 ↑	71
% patients responding 'excellent' overall to the quality of care provided by their Consultant	91 ↑	90
% patients responding 'excellent' overall to the care and attention provided by nursing staff	89 ↑	87

Clinical Quality & Customer Care
Regulators, Funders and Consultants Increasingly Discerning Towards Quality Providers

Regulator becoming increasingly rigorous

We regulate independent acute healthcare providers in the same way as their NHS counterparts and we expect them to meet the same standards. ***(CQC State of Independent care report 2018)***

Funders beginning to differentiate on quality

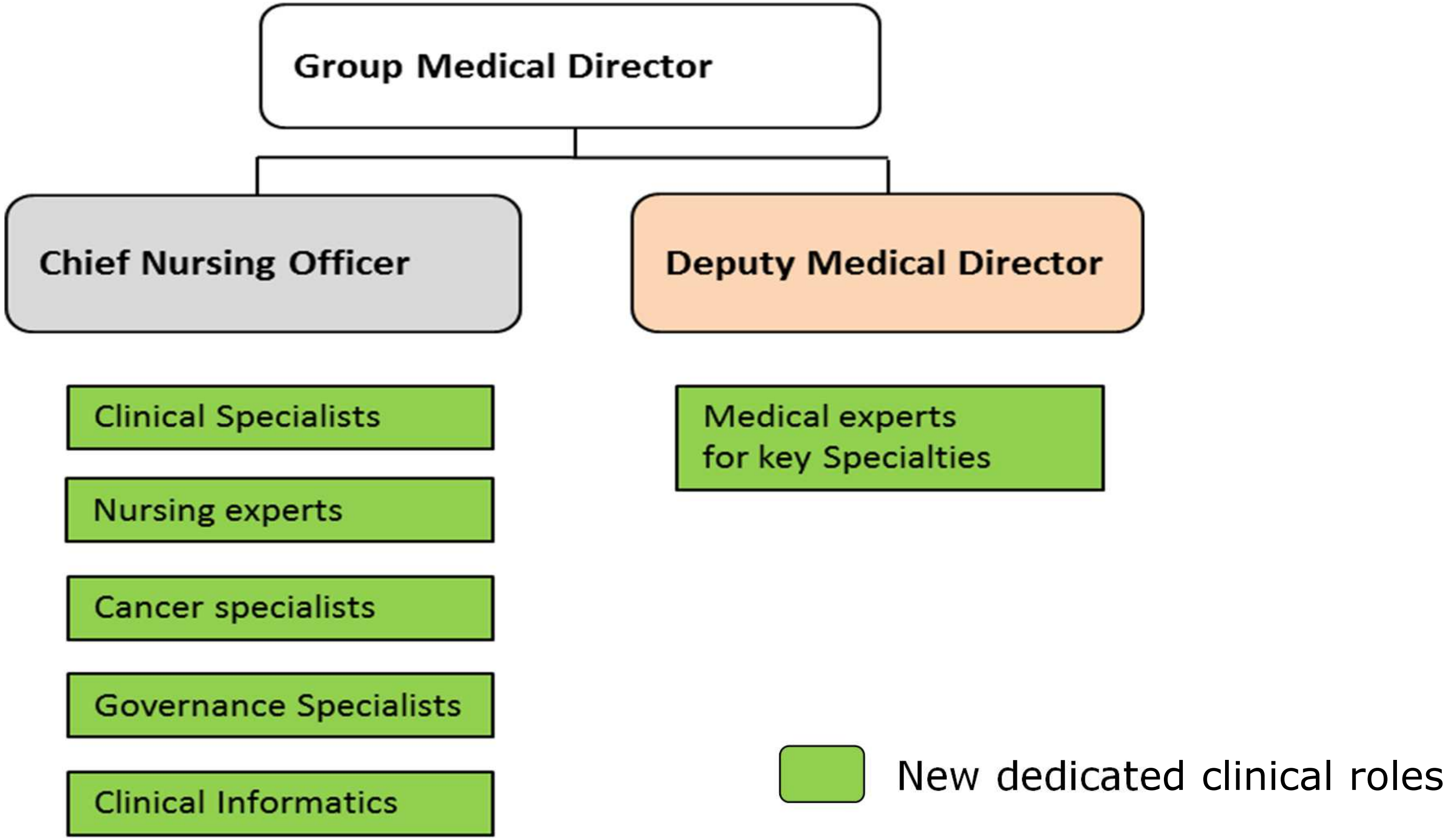
We're committed to working with hospitals and clinics to offer Bupa customers access to high quality healthcare. ***(Bupa)***

When it comes to your health we believe that swift diagnosis and prompt treatment matter most to our members, along with genuine help, support and understanding from people who care. ***(AXA)***

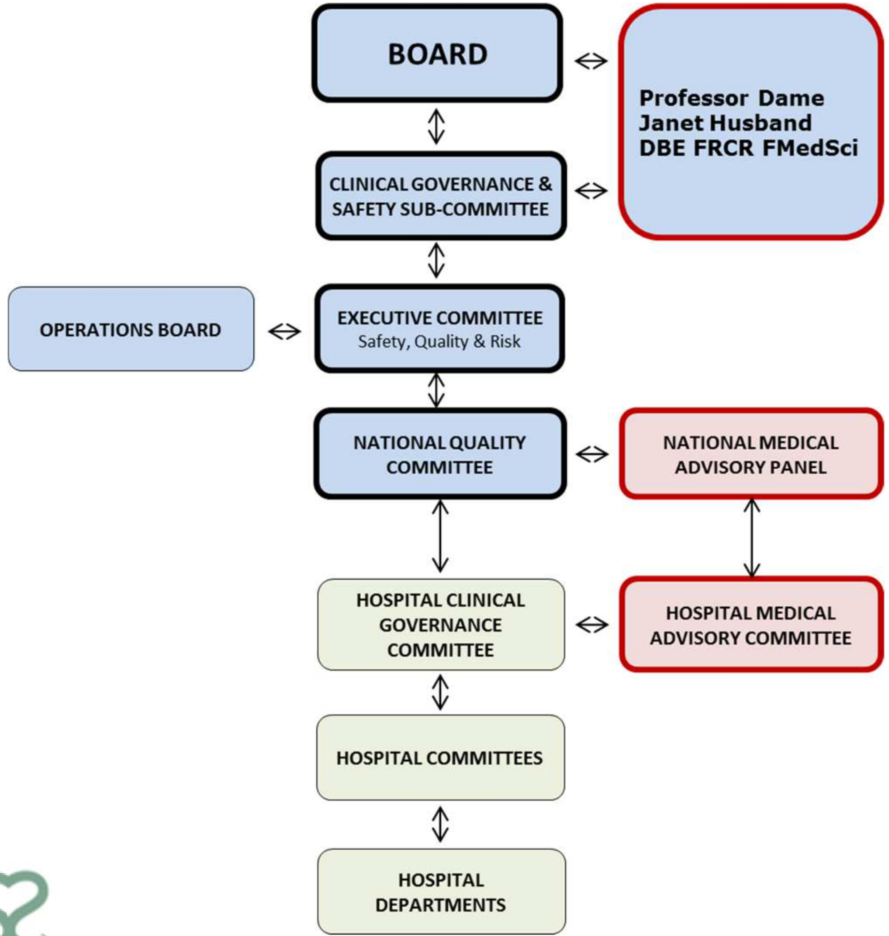
Consultants aligning with high quality providers

85% of Consultants rate Quality of facilities, Quality of staff and access to good diagnostic equipment as the Top 3 criteria to select where they practise. ***(Spire Consultant Survey 2017)***

Clinical Quality & Customer Care
Significant Recent Investment in Clinical Expertise and Capacity is Driving Improvement



Clinical Quality & Customer Care
Our Clinical Governance Framework has been Significantly Strengthened over the Past 12 months



- Ward-to-Board clinical oversight and assurance
- CMD/CEO involved in over 60 clinical quality forums p.a.
- Clinicians involved at every level in monitoring clinical quality and improvement opportunities
- Supported by rigorous analysis of data and reporting culture

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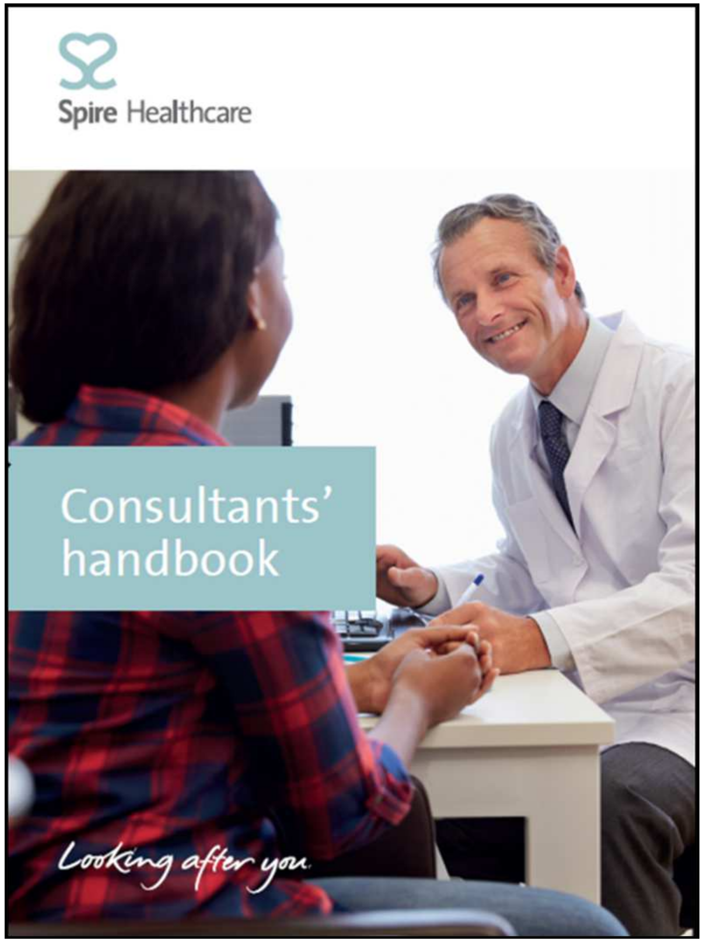
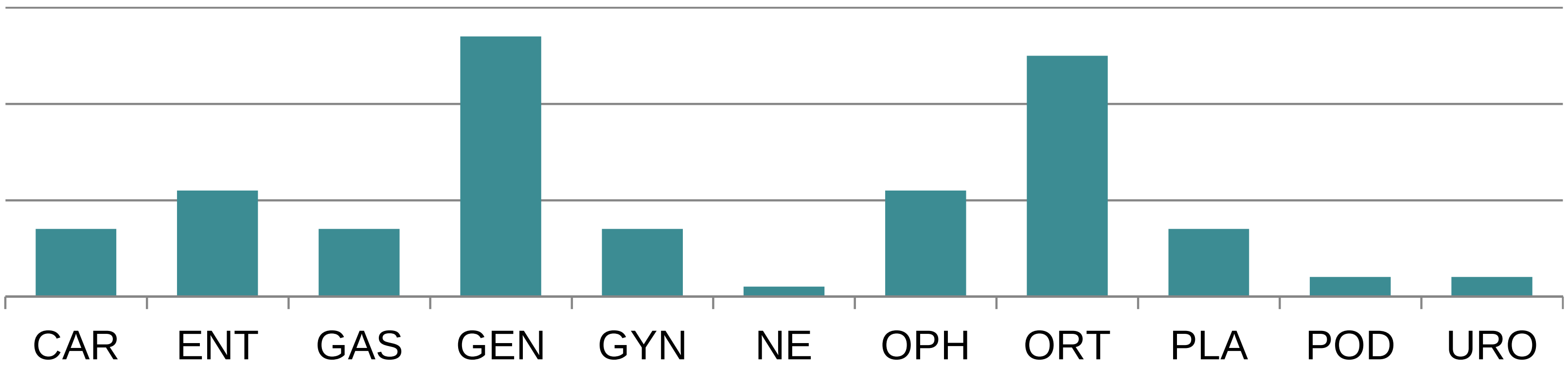
Clinical Quality & Customer Care
There has been a Considerable Step-Up in Systems for Consultant Oversight

- No compromise on Appraisal compliance
- Robust Biennial review of practising privileges
- Strong local links with NHS medical directors
- Unique Support to Consultants with CMA / GDPR requirements
- Bespoke, systematic and proactive analysis of outliers



Clinical Quality & Customer Care
We have Recently Launched Unique Data-Driven Assurance Systems

Example: *Treatment intervention outliers by specialty*



- Continuous system-wide reviews and follow-up
- Analysis of treatment/follow-up rates by specialty
- Statistical process control to identify potential over-servicing
- Practice review of outliers to determine if clinically justified
- Formal investigation if unjustified
- Referral to GMC if not in keeping with 'Good Medical Practice'

Clinical Quality & Customer Care
How We are Driving Clinical Excellence

- Investment in Clinical Expertise and Capacity
- Rigorous Clinical Governance from Ward to Board
- Robust Medical Oversight of Consultant practice
- Forensic Use of Data to Drive Continuous Improvement
- Relentless Focus on Being 'Outstanding' every day

Becoming 'Outstanding' Everyday

Becoming 'Outstanding' Everyday
Our CQC Performance Today

70% of Spire sites 'Outstanding' or 'Good'

	Outstanding	Good	Requires Improvement	Inadequate
Spire Overall	8%	62%	30%	0%
Independent Sector	7%	62%	31%	0%
NHS	7%	41%	50%	2%

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Becoming 'Outstanding' Everyday
Spire Results are Improving Year on Year

% Locations rated Good or Outstanding by CQC

Inspection Year	Number inspected	Overall	Safe	Effective	Caring	Responsive	Well led
2015	8	**63%**	63%	57%	100%	100%	63%
2016	25	**64%**	48%	88%	100%	92%	64%
2017	4	**100%**	75%	100%	100%	100%	100%
2018	2	**100%**	100%	100&	100%	100%	100%

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Becoming ‘Outstanding’ Everyday
Renewed Focus on Areas Requiring Improvement

<table>
<tr><th></th><th>% of hospitals ‘requiring improvement’</th><th>Key improvement actions</th></tr>
<tr><td>Safe</td><td>43%</td><td rowspan="5">• Deep dive on ‘Safe’ and ‘Well-led’ in unannounced audits
• Safe staffing emphasis including ‘daily huddle reviews’
• New e-tool to be rolled out
• 48 hour flashes
• Roll out of NHS Learning from Death protocols
• Recent investments in all aspects of Health and Safety
• Comprehensive Whistleblowing Network and ‘Freedom to Speak’ Guardian at every site
• High visibility of criticality of safety from top through to all levels</td></tr>
<tr><td>Effective</td><td>17%</td></tr>
<tr><td>Caring</td><td>0%</td></tr>
<tr><td>Responsive</td><td>5%</td></tr>
<tr><td>Well led</td><td>30%</td></tr>
</table>

Becoming 'Outstanding' Everyday
Some 'Outstanding' Hospitals in Our Estate

Safe	Well-Led	Caring

- Montefiore
- Sussex
- Cheshire
- St Anthony's
- Nottingham
- Leeds

- **CQC State of Care Report (2018) highlighted Spire Cheshire as a special case study for 'Outstanding'**
- Another 2 Spire hospitals rated 'Outstanding'
- St Anthony's improved rating from 'Requires Improvement' to 'Good'
- Nottingham inspected February 2018 – draft rating 'Good' with Well-Led rated as 'Outstanding'
- Both Scottish hospitals inspected in 2017 – Rated 5 (very good) for all areas

Becoming 'Outstanding' Everyday
What is changing – Going Over and Beyond CQC

Internal inspections driving excellence (70+ inspections p.a.)

- 'Requiring improvement" hospitals: 2 internal inspections p.a.
- 'Good' and 'Outstanding' hospitals: 1 internal inspection p.a.
- Inspections are a mix of announced and unannounced
- Go over and beyond CQC requirements in frequency, standard and rigour
- Inspectors are subject matter experts; sit on national panel
- Covers core services and key lines of enquiry

Data driving learnings

- Monthly Quality Governance Report – scale enables system-wide benchmarking
- Pooling of learnings drive excellence across estate
- Executive "Quality on a Page" report/meeting

Becoming 'Outstanding' Everyday
What is changing – Real-time "Quality on a Page" Report

Redacted

Becoming 'Outstanding' Everyday
What is changing – Other Quality Initiatives

Investment in quality resources

- Clinical experts recruited to the central team to drive quality and test assurance
- Intensive hospital onsite support where required
- Pursuing clinical accreditations - Macmillan, Bupa, SGS, UKAS, JAG

National conferences and significant investment in staff training

- Staff competencies
- "Human Factors" training
- Root Cause Analysis training
- Pre-operative assessment courses
- "Freedom to Speak Up Guardian" training
- Practical clinical skills train the trainer
- Advanced communication skills

Becoming 'Outstanding' Everyday
What is changing - 'Project Outstanding'

- Create a Spire culture that is focussed on quality, safety and the customer
- Ensure that getting to 'Outstanding' is considered everyone's responsibility
- Identify best practices and rolling out to all sites via learning network
- Introduce technology that embeds quality gains

Our 'Outstanding' hospitals

Montefiore	Sussex	Cheshire

Montefiore

Sussex

Cheshire

Clinical Quality & Customer Care
Achieving our Targets

Our Goal :
To be Famous for Clinical Quality and Customer Care

2018	• Every site inspected by CQC this year to be rated Good/Outstanding • 100% Compliance on key domains
2019	• Every site to be rated ‘Good’ or ‘Outstanding’ • Leverage PHIN data to support Quality positioning • Increase accredited facilities (JAG, MacMillan, UKAS & Bupa)
2020	• Majority of sites to be rated ‘Outstanding’ by end 2020 • <u>All</u> relevant facilities accredited by JAG, MacMillan, UKAS & Bupa • Leverage PHIN data to support Quality positioning

Execution of the Spire Plan - Operational Excellence

Justin Ash
Chief Executive Officer




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Operational Excellence
Spire's 5 Year Strategy

Strategic goals and key enablers

- First choice for private patients
- Plan and deliver operational excellence
- Become best place to work
- Become best place to practise
- Most recommended customer experience
- Become famous for quality and clinical care

Results: 80/100/200

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Operational Excellence
Significant Momentum in Operational Changes

What we are changing	What we will deliver
Strengthen hospital leadership and accountability	Greater consistency of performance
Become customer-centric	Improved customer recommendation
Improve attractiveness to consultants	Increased private payor growth
Perception of Spire as a employer of choice	Stable high quality hospital teams with reduced agency spend
Leveraging scale in pathology and distribution	Enhanced service and reduced cost
New sites – relentless focus on delivery	Profitable, successful new sites

Operational Excellence
Determination to Succeed in New Hospitals in 2018

Operational highlights:

- Focus on quality and achieving ‘Good’ / ‘Outstanding’ CQC ratings
- Strengthened senior leadership within each hospitals
- Targeted consultant recruitment drive
- Targeted investment in technology
- Private growth is strong across all sites, with focus on NHS where appropriate
- Granular on cost management

Execution of the Spire Plan - Operational Excellence

Dan Rees Jones
Operations Director

Fergus Macpherson
Operations Director




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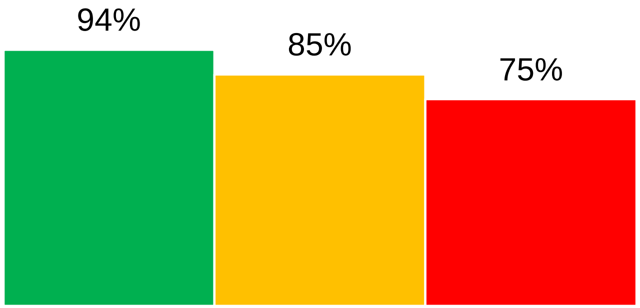
Operational Excellence
Variations in Hospital Performance

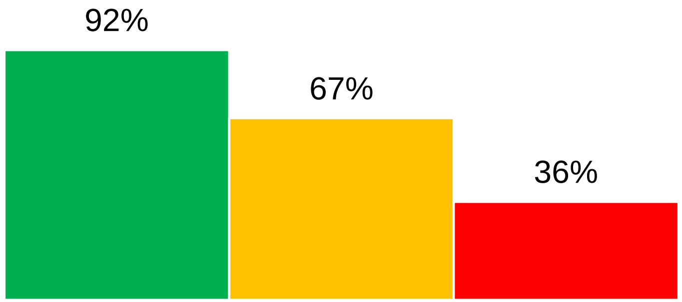
- Average of top 3 hospitals
- Average across estate
- Average of bottom 3 hospitals

Customer experience



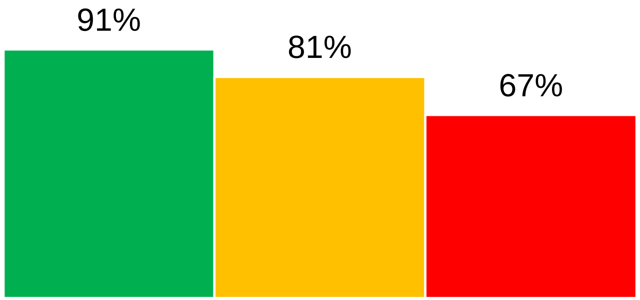
% of patients 'extremely likely to recommend'

Place to practise



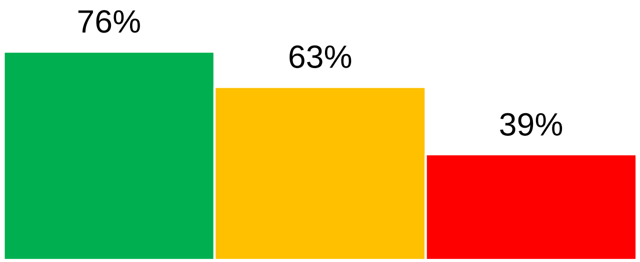
% of consultants rating services as 'Excellent' or 'Good'

Place to work



% employee engagement at hospital level

Operational excellence



Theatre utilisation

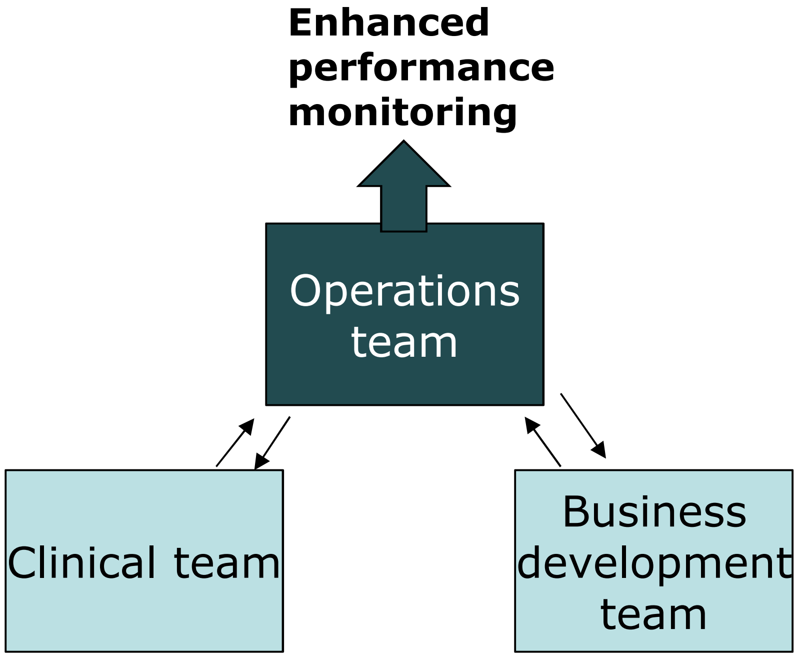
Operational Excellence
Hospital Leadership and Clusters

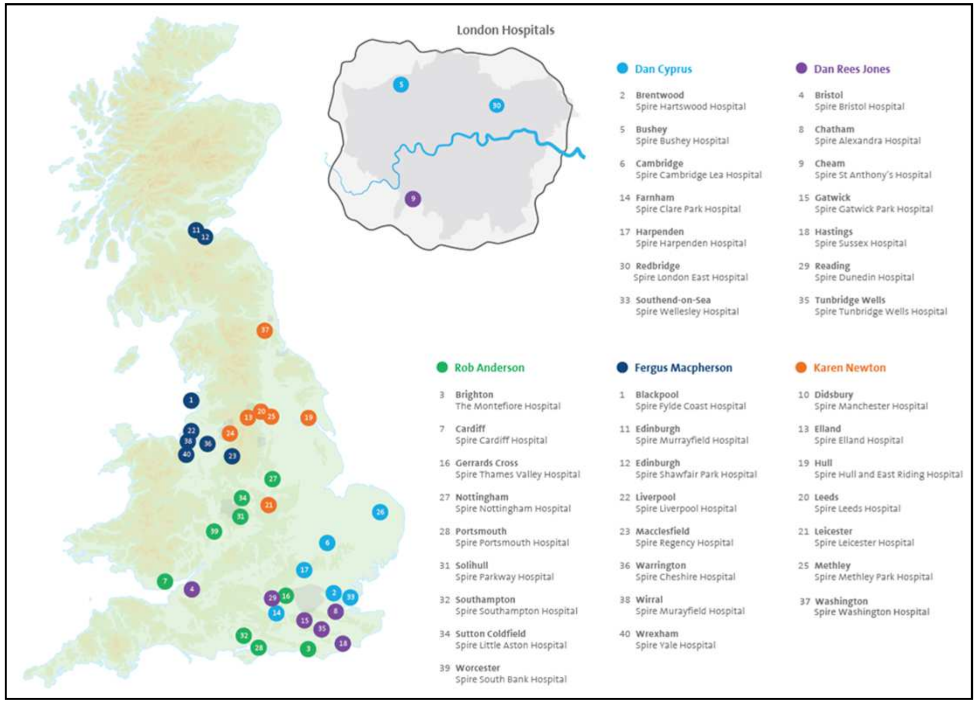
What we are changing

- Establish Clusters
- Greater OD / hospital interactions
- Commercial and clinical KPIs driven

What it will deliver

- Knowledge sharing
- Improved performance through alignment
- Resource optimisation and skill mix





Operational Excellence
Become the most recommended customer experience

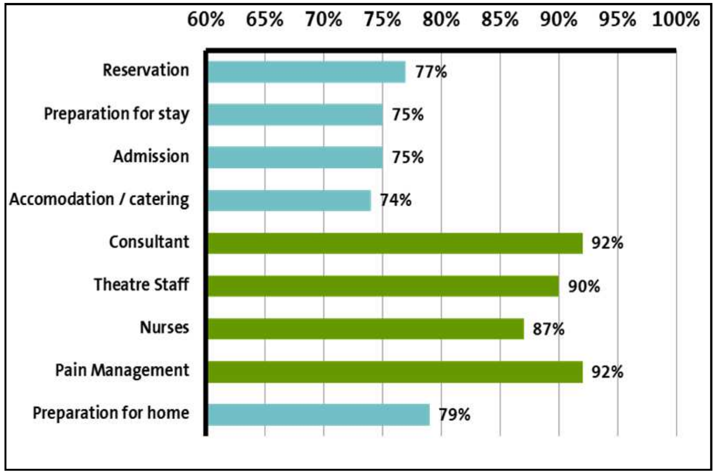
What we are changing

- Optimise the patient journey; take it online
  - Admission: online booking
  - Discharge: electronic discharge
  - After-discharge: questionnaire
- Planned programme of refurbishment in bedrooms

What it will deliver

- Improved patient scores
- Improved local recommendation
- Increased digital efficacy
- Drives self-pay and referrals

85% saying 'extremely likely to recommend'



Operational Excellence
Become the Best Place to Practise

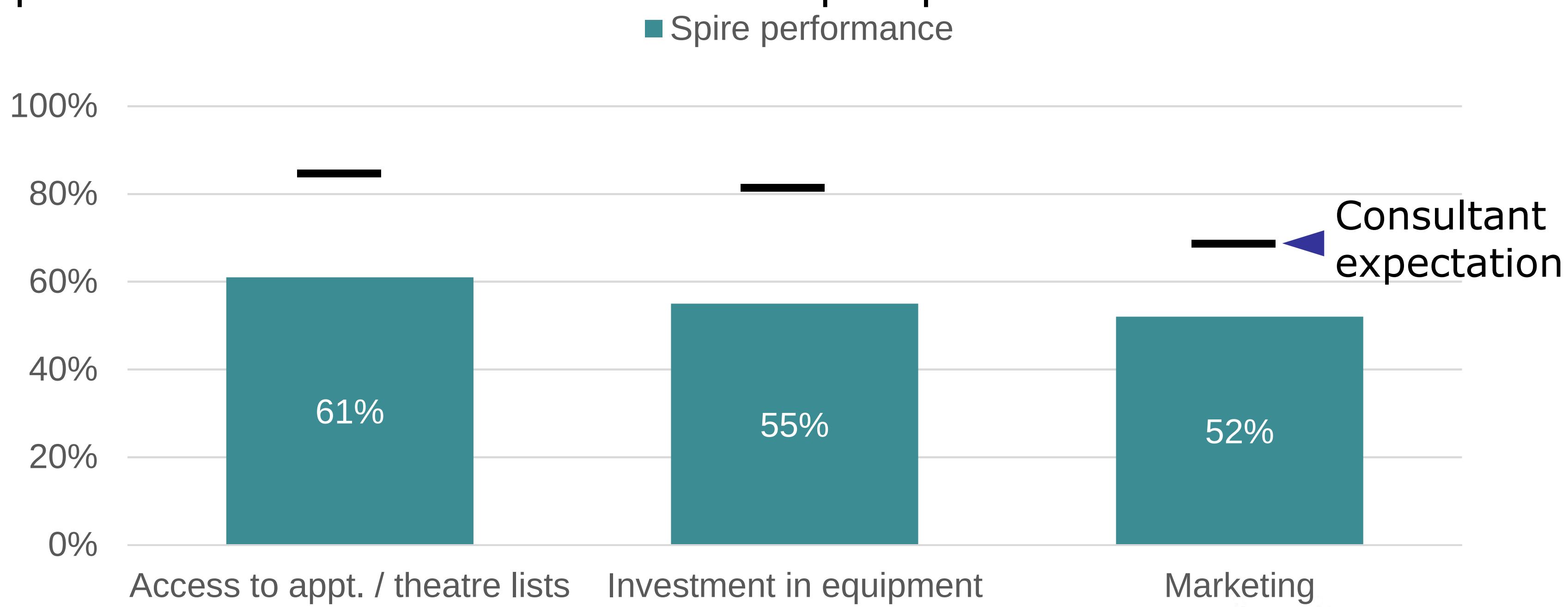
What we are changing

- Optimising theatre utilisation
- Targeted investment in equipment
- Alignment of central and local marketing initiatives
- Increasing responsiveness to consultant needs through key account management

What it will deliver

- Enhanced access to theatres
- Grow consultant business and increase share of splitter time
- Be consultants' best growth partner

Top 3 consultant needs and areas of Spire performance variance



Spire Healthcare

Looking after you.

Operational Excellence
Become the Best Place to Work

What we are changing

- Major revamp of incentive schemes – high quality hurdle
- Reward and recognition platforms – 'Spire for you'
- Ashridge leadership programme

- Central recruitment solution

What it will deliver

- Improve staff engagement and retention
- High performance culture
- Reduce agency spend

- Candidate friendly recruitment - right person, right role, faster
- Reduce agency spend

Results from employee survey

5 highest scoring questions	2017
I can rely on colleagues in my team to be there for me if I need help or support	88%
I feel like I really fit in with the rest of my team	87%
I get personal satisfaction from the work I do	87%
I believe what I do at work makes a positive difference to Spire Healthcare	86%
If a friend or relative needed treatment I would be happy with the standard of care provided by Spire Healthcare	85%

5 lowest scoring questions	2017
Other departments understand the impact their actions have on my team	39%
Senior managers appreciate the challenges in my role	46%
There are sufficient numbers of staff in my team to manage our workload	51%
Senior managers provide rationale for decisions that impact on me	53%
Different teams within Spire Healthcare work effectively together	55%

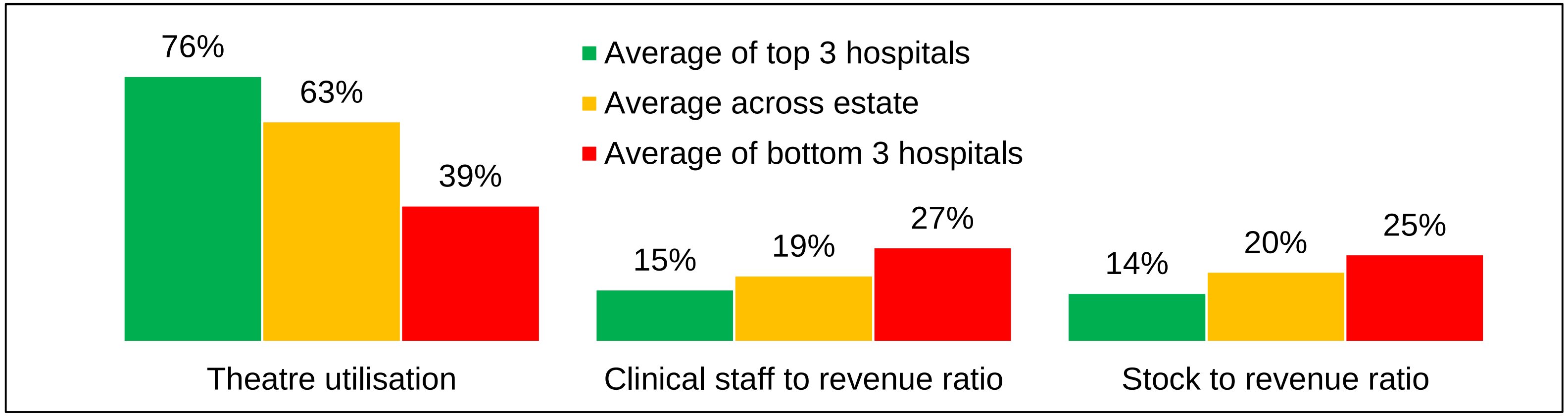
Operational Excellence
Plan and Deliver Operational Excellence

What we are changing

- Data-driven operational management
- Clusters
- More ODs, enhanced hospital engagement

What it will deliver

- Reduced variance & improved performance
- Enhanced profitability
- Strengthened leadership; adapt and react more quickly



Stock includes consumables, drugs and prostheses

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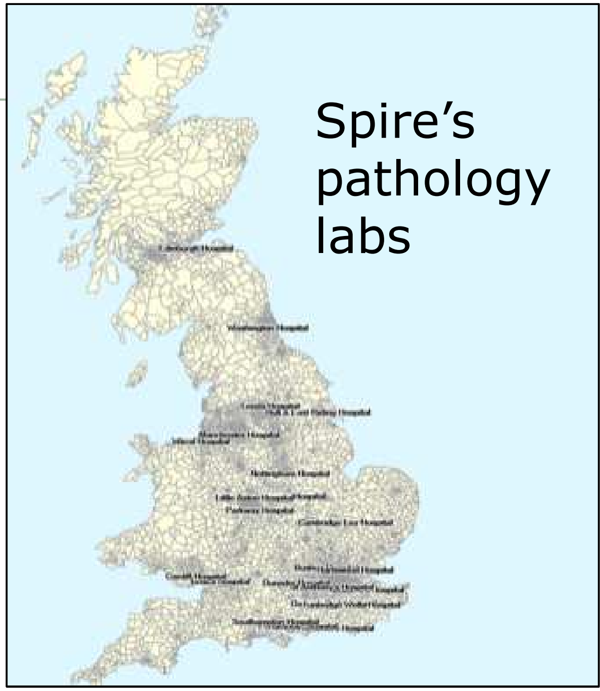
Operational Excellence
Pathology: A Unique Capability

What we are changing

- Investing in our unique, national Pathology network
- National Quality Database driving high accreditation status
- Digitalising pathology

What it will deliver

- Improved Quality in pathology
- Enhanced service levels for patients and consultants
- Lower cost
- Key differentiator



Operational Excellence
Scale in National Distribution and Procurement

What we are changing

- Leveraging scale and national network for distribution
- Leveraging scale in procurement

What it will deliver

- Greater flexibility
- Greater consistency
- Enhanced service levels
- Lower cost

Operational Excellence
Spire Manchester – Improved Profitability

What we are changing:

- CQC ready
- Leading orthopaedic team won from competitor
- Strengthened management
- Equipped and further investing in innovative technology
- Private activity ahead of plan

Improved profitability

Operational Excellence
Spire St Anthony's – Profitable

What we are changing:

- 'Good' CQC now awarded
- Strengthened management
- 50 new consultants (+20% growth)
- Strong momentum in self-pay
- Momentum in eReferrals
- £5m cost base reduction (2017 vs 16)

Profitable

Spire Healthcare

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Operational Excellence
Spire Nottingham – Good Progress

What we are changing:

- CQC – 'Good'
- Strengthened management
- Focused consultant acquisition
- Develop NHS referrals
- YTD Self-Pay volume +120% vs 2017

Good progress

Operational Excellence
Significant Momentum in Operational Changes

What we are changing	What we will deliver
Strengthen hospital leadership and accountability	Greater consistency of performance
Become customer-centric	Improved customer recommendation
Improve attractiveness to consultants	Increased private payor growth
Perception of Spire as a employer of choice	Stable high quality hospital teams with reduced agency spend
Leveraging scale in pathology and distribution	Enhanced service and reduced cost
New sites – relentless focus on delivery	Profitable, successful new sites

Execution of the Spire Plan - Private Revenue Growth

Peter Corfield
Chief Commercial Officer




Spire Healthcare

Looking after you.

Private Revenue Growth
Spire's 5 Year Strategy

Strategic goals and key enablers

First choice for private patients

Plan and deliver operational excellence

Become best place to work

Become best place to practise

Most recommended customer experience

Become famous for quality and clinical care

Results: 80/100/200

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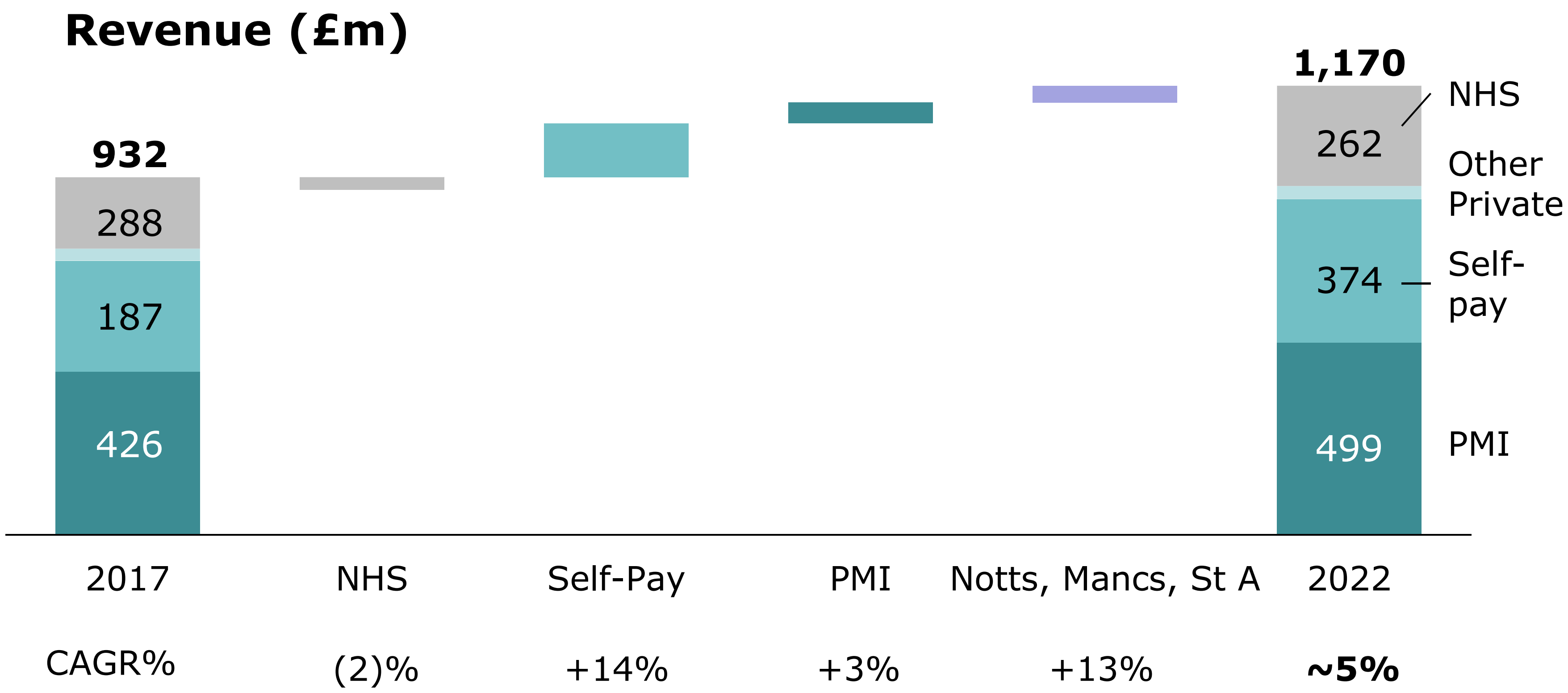
Private Revenue Growth
Five-Year Financial Targets



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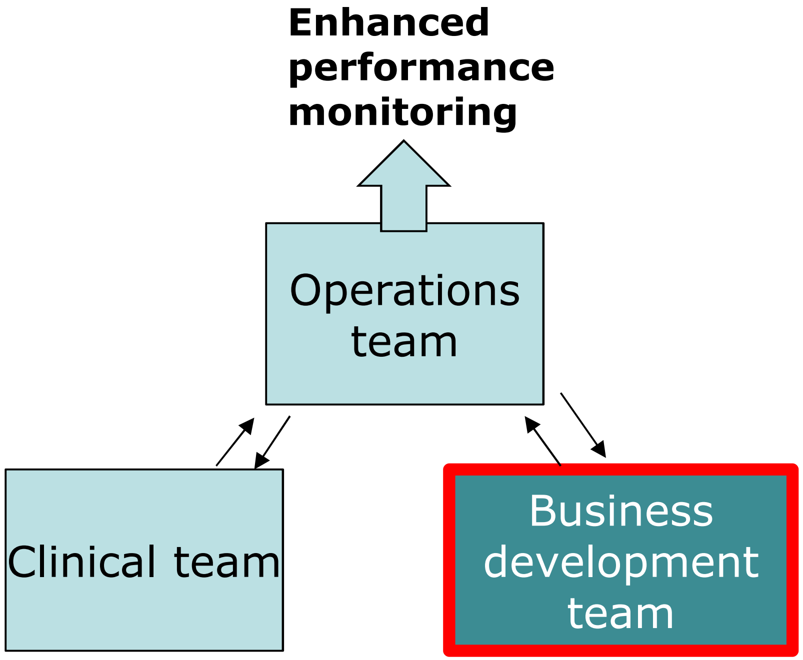
Private Revenue Growth
Working With The Operations Team

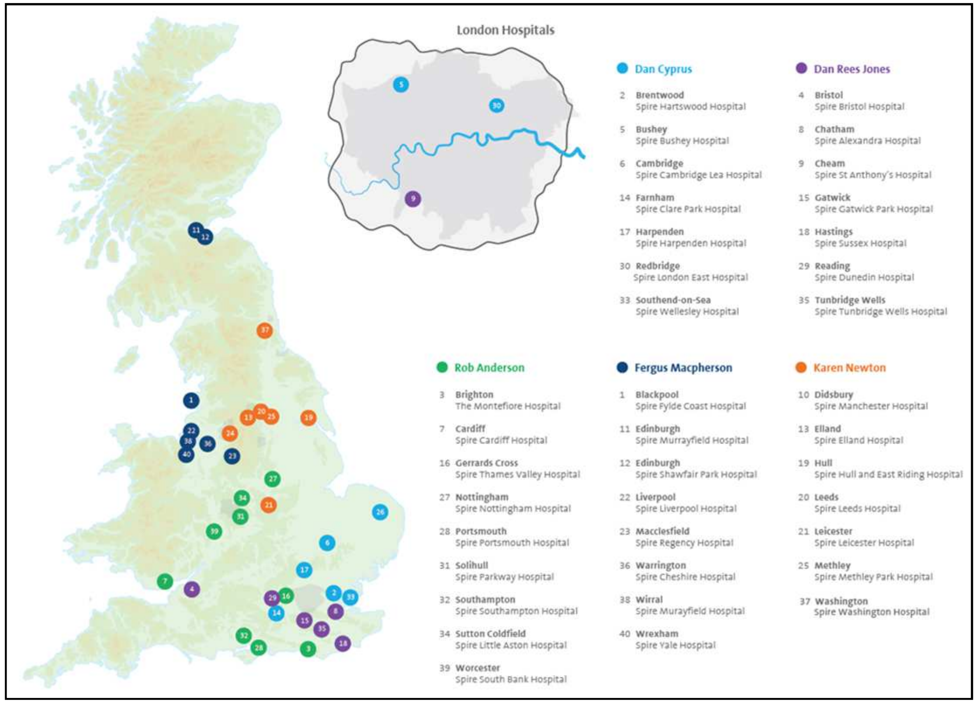
What we are changing

- Establish Clusters
- Greater OD / hospital interactions
- Commercial and clinical KPIs driven

What it will deliver

- Knowledge sharing
- Improved performance through alignment
- Resource optimisation and skill mix





Private Revenue Growth
Spire's 5 Year Growth Projections

Private Growth

NHS	PMI	Self-Pay
Slight Decline, Capitalise On Any Upside	Above Market Growth	Accelerated Growth

Valued NHS Partner

£288m
Total Revenue

86%
eReferral

102k
NHS Discharges

3,275
Hip Replacements

5,893
Knee Replacements

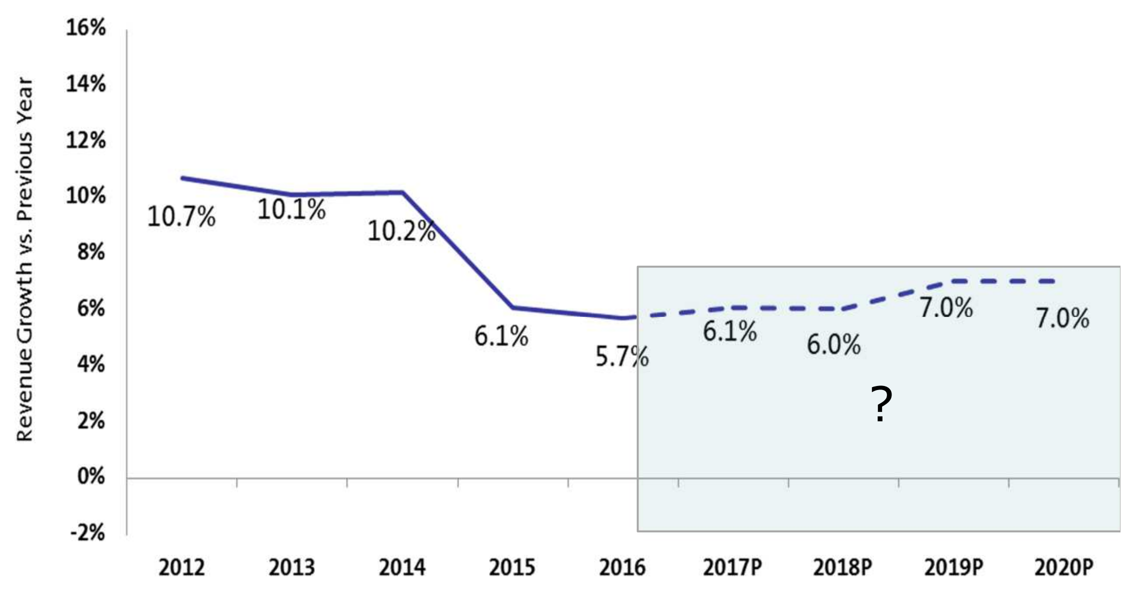
15wks
Average Waiting Time

56
Contracts

Source: Spire MI, Full Year 2017

NHS Revenue Growth
Outlook Is Uncertain; Cautious Forecast

YoY Growth in NHS Revenue 2012-2020



NHS CAGR – Actual & L&B Forecast

2012-17		2017-20	
L&B	Spire	L&B (F)	Spire (F)
8%	8%	7%	(2)%

Source: LaingBuisson 2017, with data modelled to strip out central London. Spire MI – underlying performance

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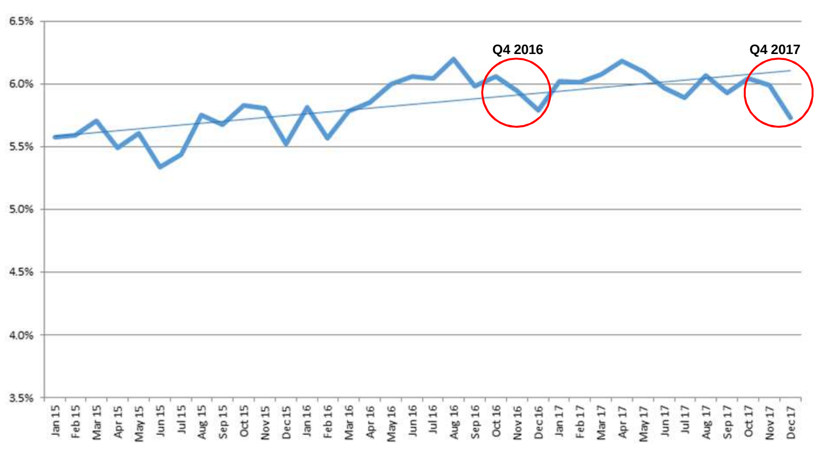
Looking after you.

NHS Revenue Growth
Spire Holding Share Despite NHS Volatility

Decline In GP Referrals In Q4

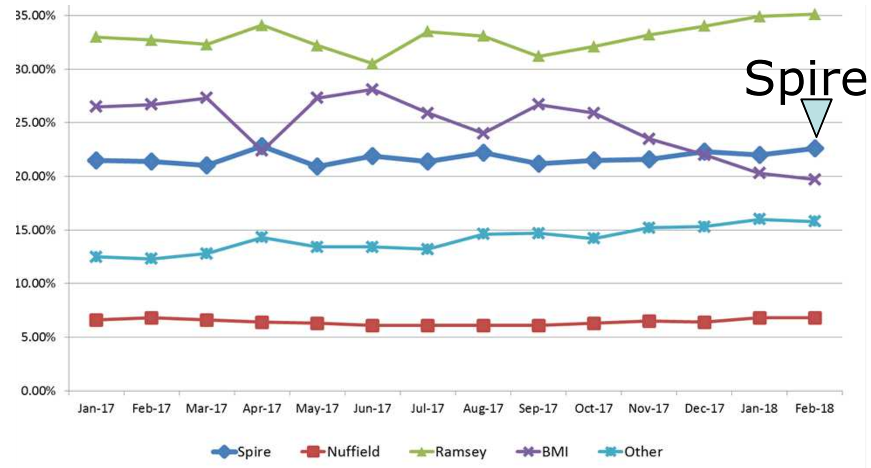
GP Referrals - Independent Providers Share of GP Referrals Jan 15 – Dec 17



Source: NHS England

Spire Holding Market Share

Independent Providers Market Share of NHS eReferral Discharges



Source: NHS England

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NHS Revenue Growth
Key Success Drivers In The NHS Market

1. A Good Partner
2. NHS Compliance
3. Strong National & Local Relationships
4. Operating Discipline

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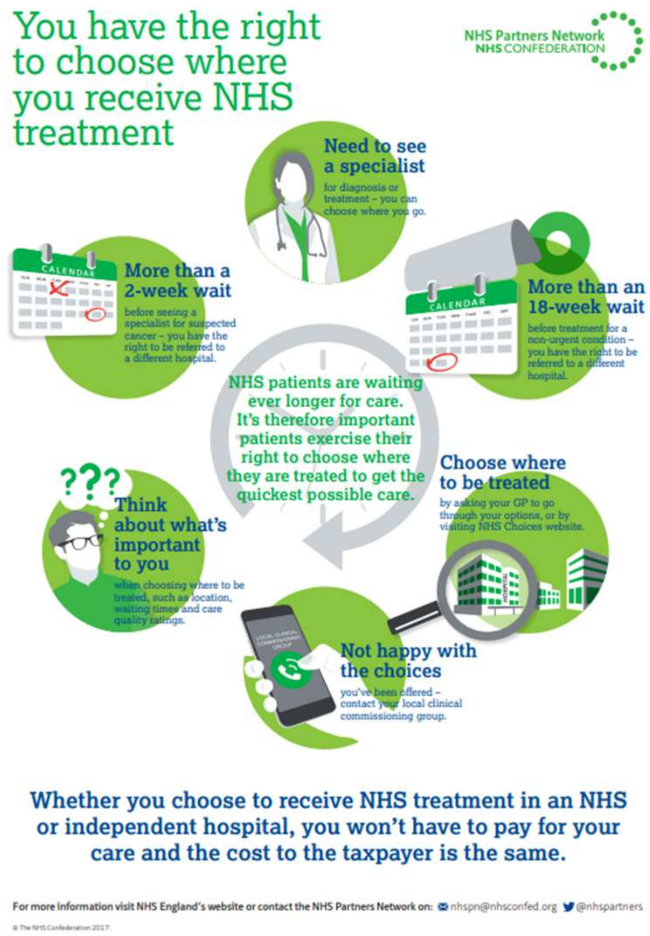
NHS Revenue Growth
Tactical Initiatives To Maintain Share In A Volatile NHS Market

- Flex Patient Pathway
- Maximise Slot Utilisation
- eReferral Sales Drive
- Broaden Footprint
- Waiting List Contracts



Private Revenue Growth
Spire's 5 Year Growth Projections

Private Growth

NHS	PMI	Self-Pay
Slight Decline, Capitalise On Any Upside	Above Market Growth	Accelerated Growth
(2)% p.a.		

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Significant Partner In UK PMI

£426m
Total Revenue

46%
Total Revenue

28k
Overnight Admissions

90k
Day Case Admissions

44%
Total Admissions

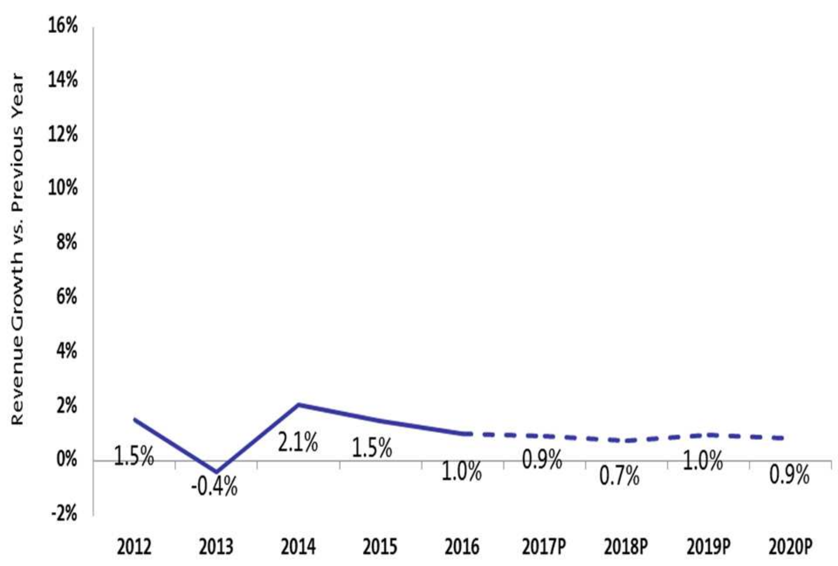
88%
Top 4 PMI Revenue

100%
Long Term Contracts

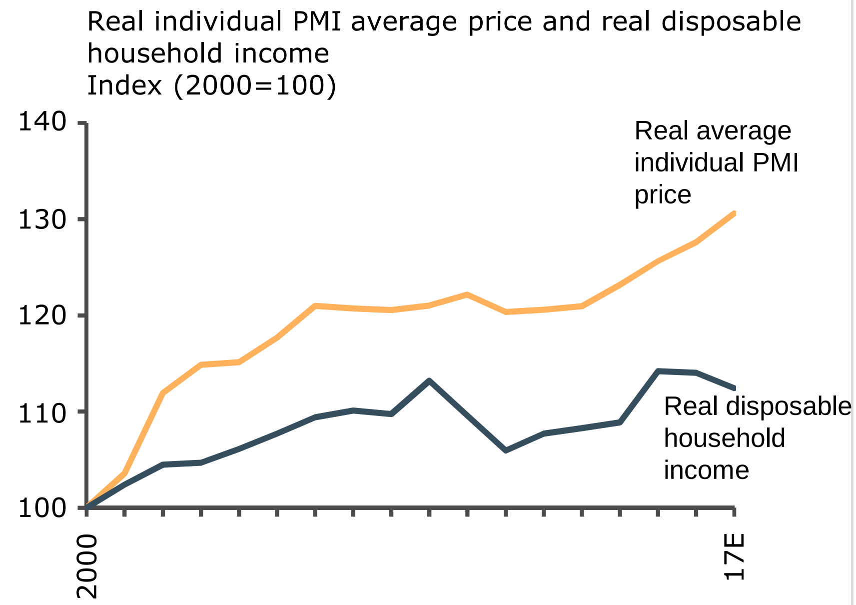
Source: Spire MI, Full Year 2017

Private Revenue Growth: PMI
Stable Market Dynamics But Affordability An Issue

YoY Growth In PMI Revenue 2012-2020



Declining Affordability Of Individual



PMI CAGR – Actual & L&B Forecast

2012-17		2017-20	
L&B	Spire	L&B (F)	Spire (F)
1%	1%	1%	3%

Source: LaingBuisson 2017, data modelled excl. central London. Spire MI, underlying performance

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Looking after you.

Private Revenue Growth: PMI
Key Initiatives To Gain Market Share

1. Long-Term Relationships
2. Key Account Management (KAM)
3. Ease of Doing Business
4. Service Development

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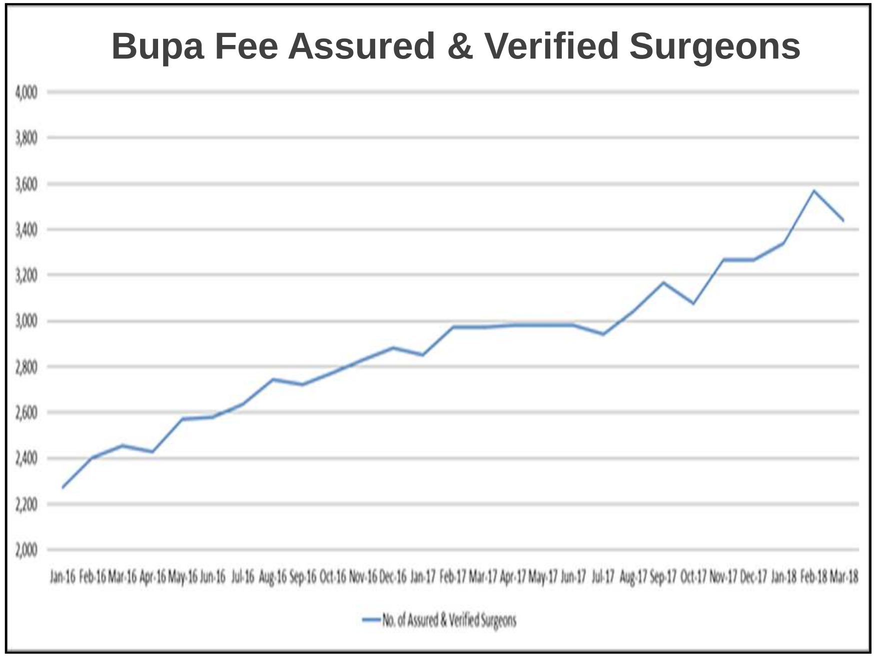
Looking after you.

Private Revenue Growth: PMI
We Are Driving KAM & Ease Of Doing Business

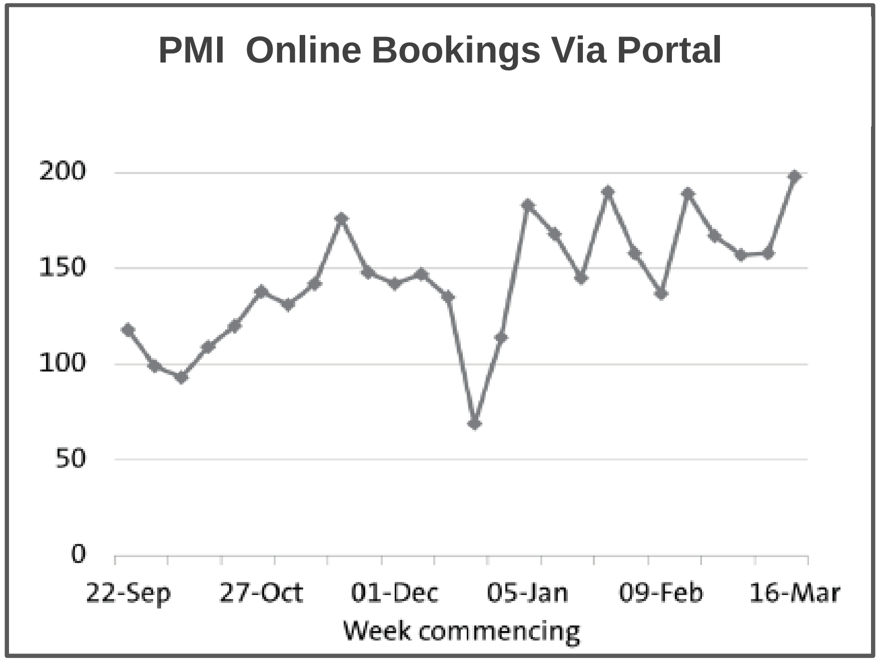
Bupa Fee Assured & Verified



Source: Spire MI 2018

Growing our fee assured and verified consultants to drive referrals

Online PMI Bookings Tool



Source: Spire MI, PMI online bookings through the PMI portal

Growing use of PMI portal by key insurers

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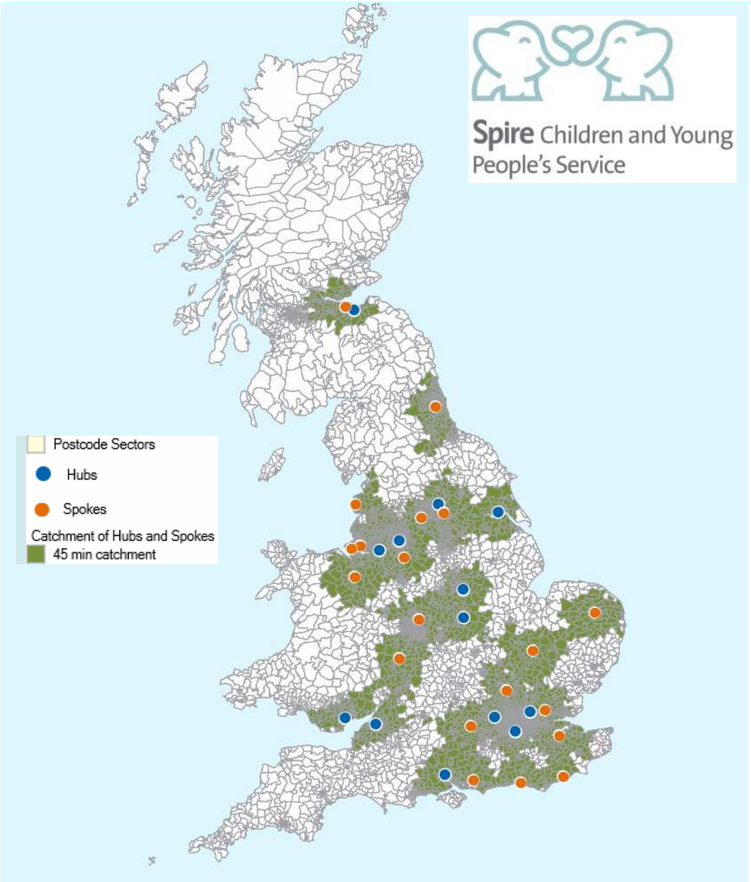
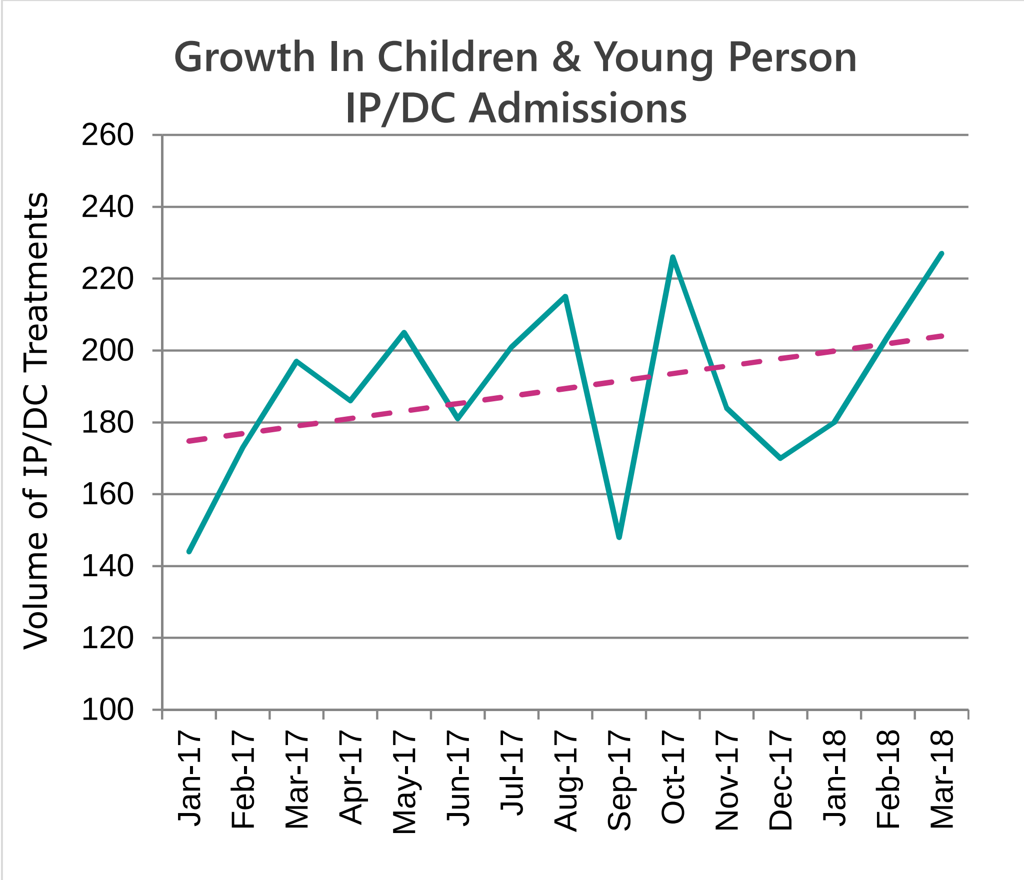
Private Revenue Growth: PMI
We Are Delivering New Services In Paediatrics

We Have Delivered A New National Paediatrics Network





Source: Spire MI 2018

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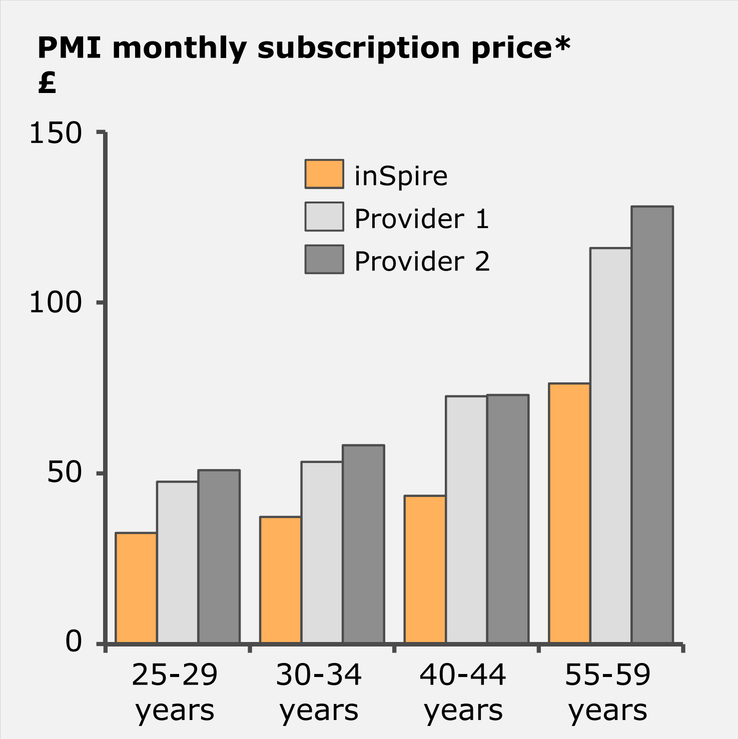
Looking after you.

Private Revenue Growth: PMI
Plans In Place To Grow Own PMI Proposition – inSpire

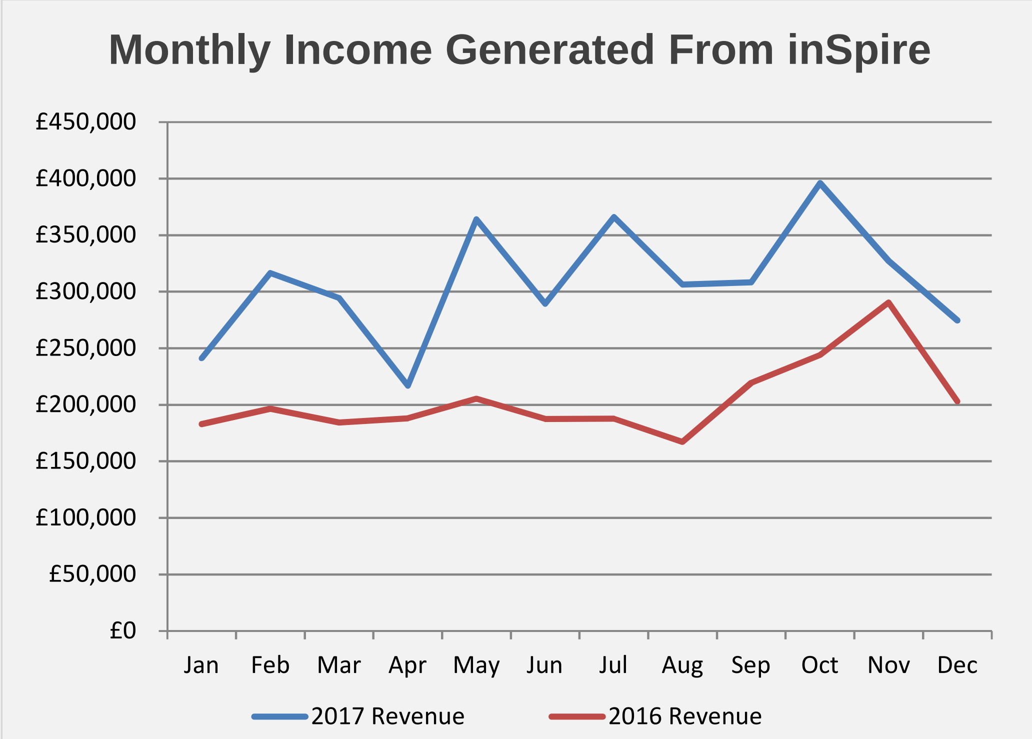
Competitively Priced In-house PMI Proposition (inSpire)



Note: * Medium coverage, For a male non-smoker, with £250 excess and comparable cover under the policy, as on 04/04/2018

Source: Compare the market; inSpire quote generator

inSpire Delivering Continued Income Growth



Source: Spire MI 2018

Spire Healthcare

Looking after you.

Private Revenue Growth
Spire's 5 Year Growth Projections

	Private Growth	
NHS	**PMI**	**Self-Pay**
Slight Decline, Capitalise On Any Upside	Above Market Growth	Accelerated Growth
(2)% p.a.	3% p.a.	

Spire Healthcare

Looking after you.

Delivering Double-Digit Self-Pay Growth

£187m
Total Revenue

16%
YoY website traffic

29%
YoY Outpatient bookings

188%
YoY webform enquiries

63%
Enquiries mobile devices

129%
YoY OP bookings via web

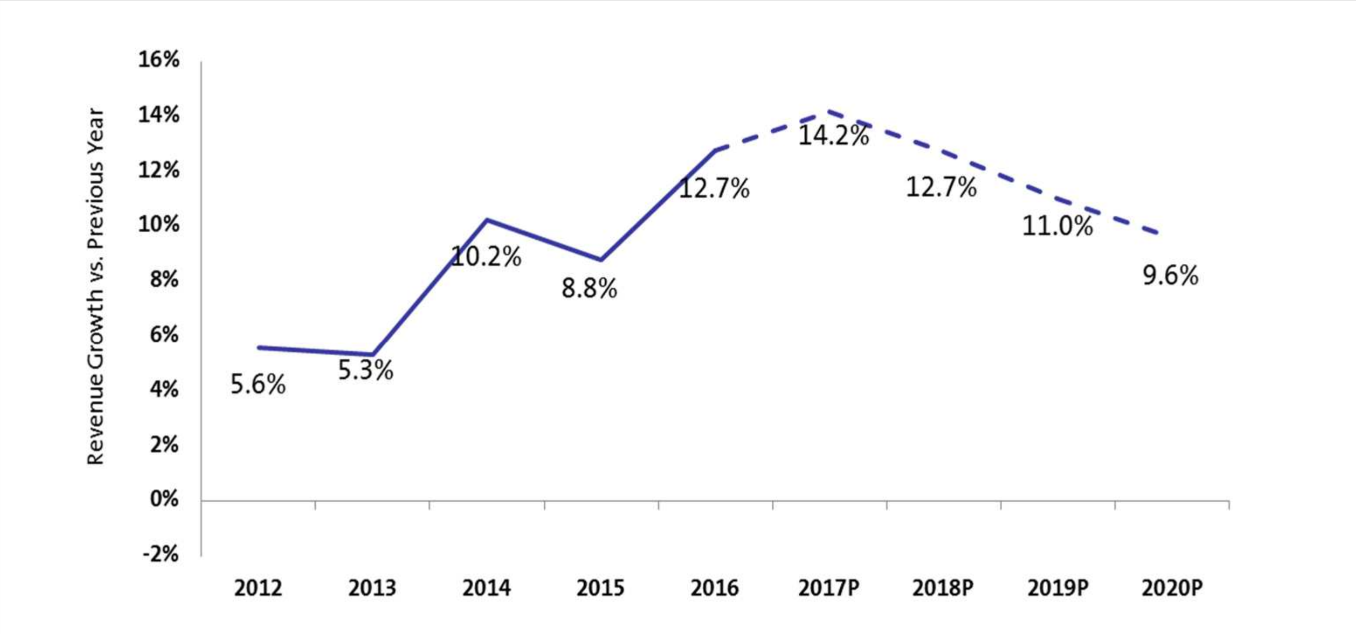
3,012
Spire GP appointments

40%
Online GP bookings

Source: Spire MI, Full Year 2017 & Q1 2018

Private Revenue Growth: Self-Pay Market Favourable Dynamics And Focus Of Our Strategy

YoY Growth in Self-Pay Revenue 2012-2020



Self-Pay CAGR – Actual & L&B Forecast

2012-17		2017-20	
L&B	**Spire**	**L&B (F)**	**Spire (F)**
10%	8%	11%	14%

Source: LaingBuisson 2017, with data modelled to strip out central London. Spire MI, underlying performance

Spire Healthcare

Looking after you.

Private Revenue Growth: Self-Pay
Key Initiatives To Gain Market Share

Private Revenue Growth: Self-Pay Insight - Sophisticated Segment Targeting Tool

Segment	Description	POP	Private	Digital Index
1	Tend to be older. They are NHS loyalists & advocates who trust medical professionals & the advice they give. Generally unwilling to pay for medical treatment.	16%	8%	78
2	Most likely to have prior experience of private healthcare. Tend to be younger & comfortably off. Most willing to seek alternatives to the NHS & to seek health information online.	11%	26%	147
3	High income individuals with a focus on health and fitness. They are avid researchers and seek information. Positive about the NHS, but willing to pay to overcome pain points	22%	26%	121
4	Daily life is impacted by their health and they are proactive about seeking advice due to multiple NHS pain points. Would like to 'go private', but generally can't afford it.	13%	14%	75
5	Do not prioritise health over their busy lives, in which they are getting by day-to-day. Cost is a barrier to private healthcare, but willing to pay to return to normal quickly.	16%	11%	109
6	Don't tend to have much of an opinion about healthcare, reacting as & when the need for care arises. Do not seek out information or have a view on different providers.	23%	15%	94

Spire Healthcare

Looking after you.

Private Revenue Growth: Self-Pay
Insight - Target Self-Pay Segments 2, 3 & 5

1

Tend to be older. They are NHS loyalists & advocates who trust medical professionals & the advice they give. Generally unwilling to pay for medical treatment.

16%	8%	78
POP	Private	Digital Index

2

Most likely to have prior experience of private healthcare. Tend to be younger & comfortably off. Most willing to seek alternatives to the NHS & to seek health information online.

11%	26%	147
POP	Private	Digital Index

3

High income individuals with a focus on health and fitness. They are avid researchers and seek information. Positive about the NHS, but willing to pay to overcome pain points

22%	26%	121
POP	Private	Digital Index

4

Daily life is impacted by their health and they are proactive about seeking advice due to multiple NHS pain points. Would like to 'go private', but generally can't afford it.

13%	14%	75
POP	Private	Digital Index

5

Do not prioritise health over their busy lives, in which they are getting by day-to-day. Cost is a barrier to private healthcare, but willing to pay to return to normal quickly.

16%	11%	109
POP	Private	Digital Index

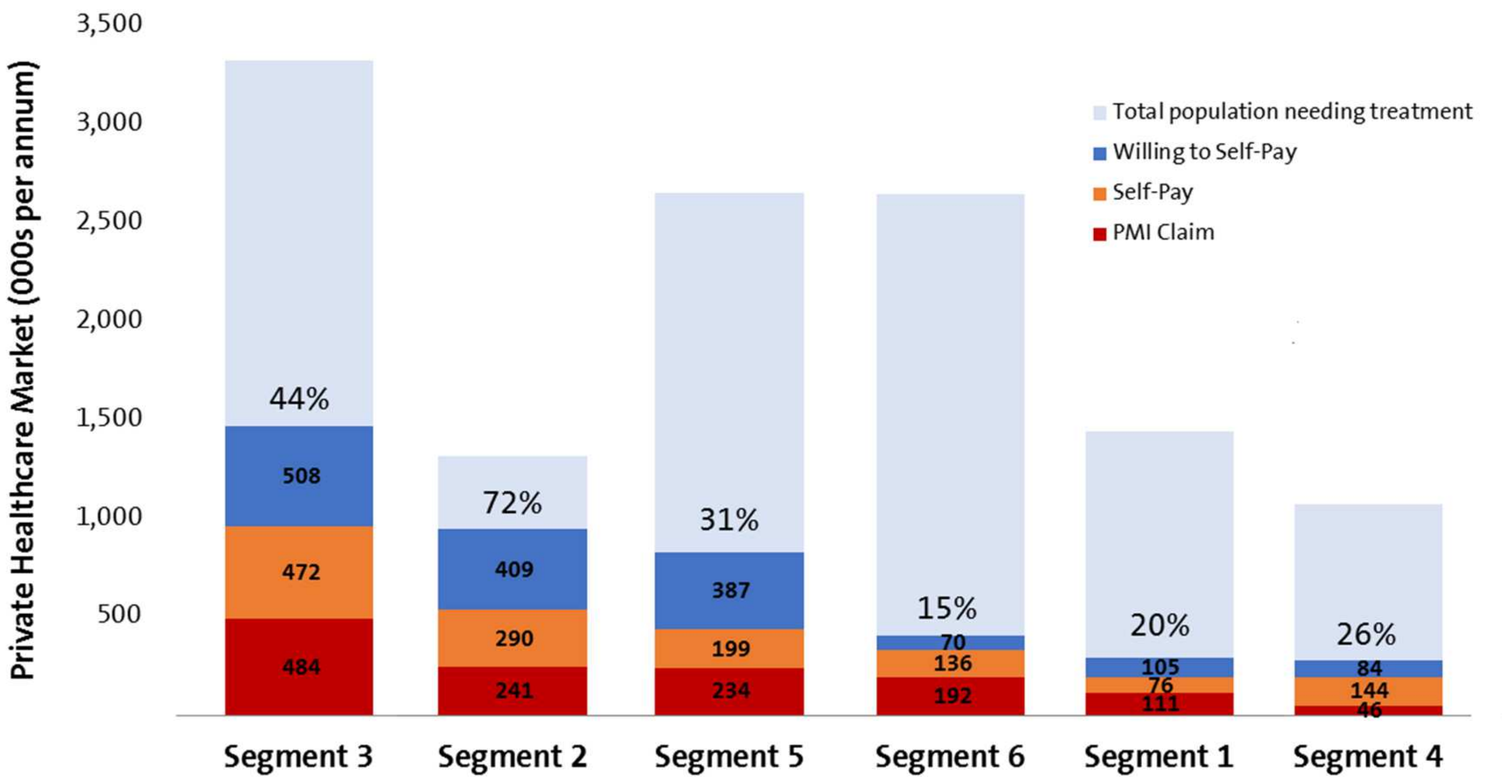
6

Don't tend to have much of an opinion about healthcare, reacting as & when the need for care arises. Do not seek out information or have a view on different providers.

23%	15%	94
POP	Private	Digital Index

Private Revenue Growth: Self-Pay
We have Identified Significant Self-Pay Opportunity

Potential Additional 1.3m People Willing To Self-Pay



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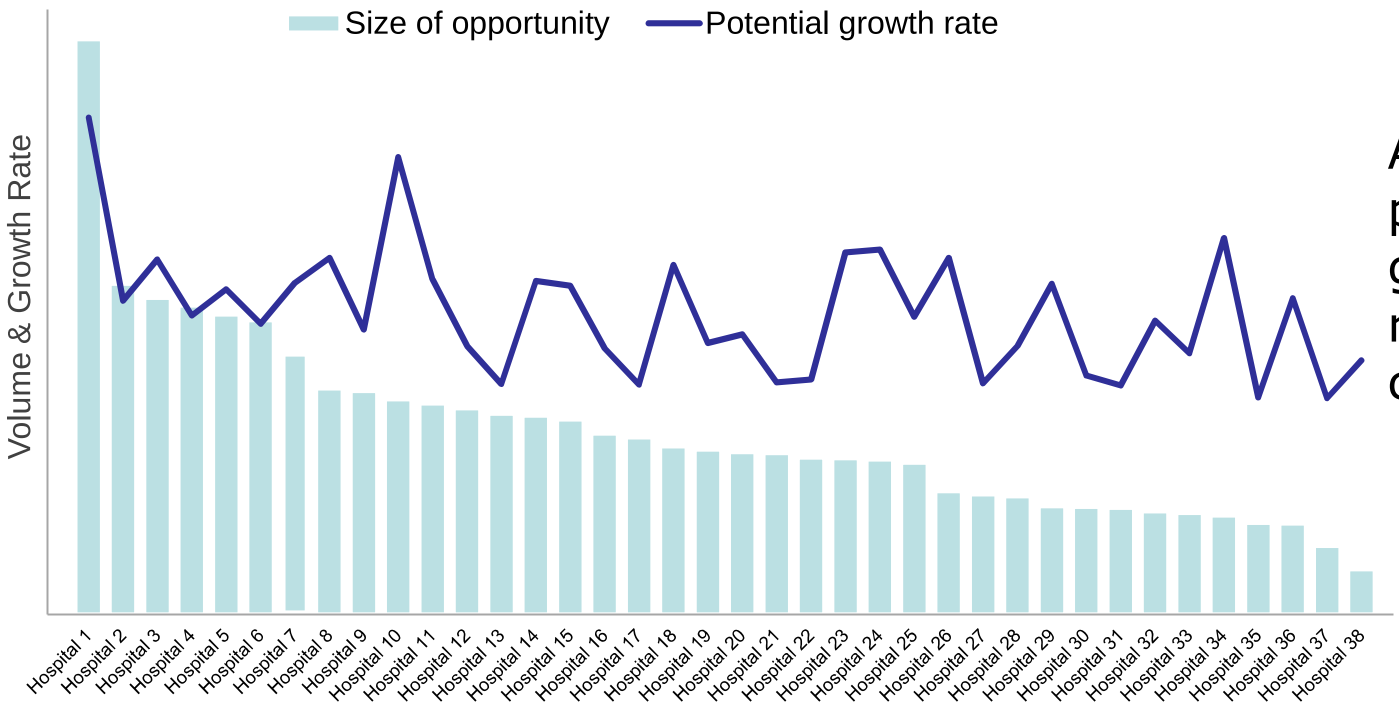
Looking after you.

Private Revenue Growth: Self-Pay
Delivering Self-Pay Growth Opportunity By Site

Self-Pay Growth Opportunity By Hospital



Average potential growth rate = c.150%

Source: Spire SpOT model; Population modelled as most willing to self-fund medical treatment in the future. Volume opportunity and growth rate versus today's modelled self-pay market

Private Revenue Growth: Self-Pay Focus On Speed And Access

Self-Pay Proposition

When you have a health problem or notice a symptom it is normal to want to quickly find out…

“What Is Wrong With Me?”

Key services available include:

- **Private GP** – Book a face to face appointment with a Private GP
- **Assessment with a physiotherapist** – Book an appointment with one of our approved physiotherapists who can help diagnose the cause of your back, muscle or joint pain
- **Appointment with a consultant** – Book an appointment with a specialist Consultant – without seeing a GP first
- **One-stop diagnosis clinic** – The ability to book a “one-stop” appointment aimed at providing you with a diagnosis and treatment plan in one visit

Private Revenue Growth: Self-Pay
Growth In Our Private GP Proposition – Spire GP

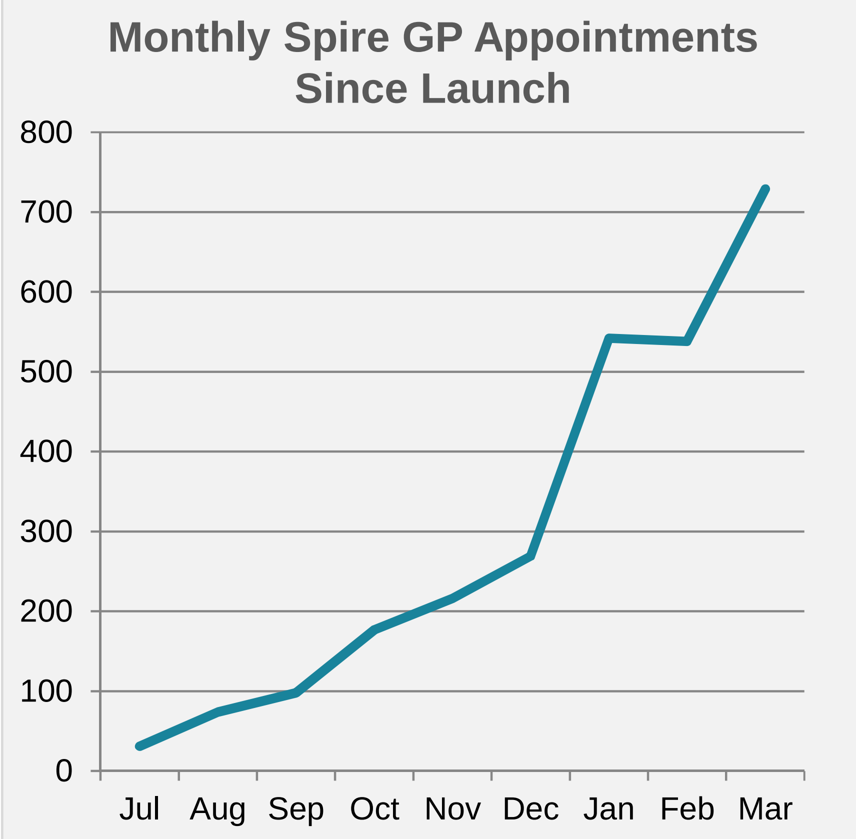
Spire GP

- 37 Hospitals National Coverage
- 80 GPs
- 30-minute Appointments
- Online Booking
- Downstream Revenue
- Integrated GP Platform

2018 Development

- GP Indemnity Cover
- Extended Services

Spire GP Appointments



Source: Spire MI March 2018

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Looking after you.

Private Revenue Growth: Self-Pay
Developing A Competitive Pricing Strategy

Consumer Price Research Findings

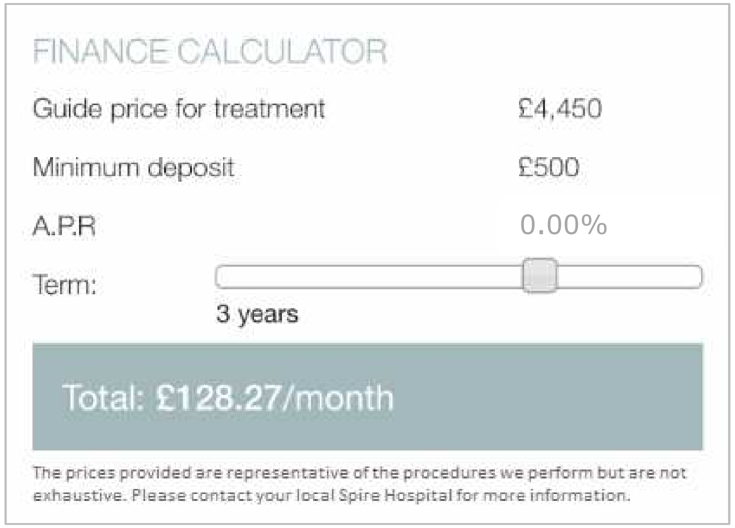
1. Diagnostics are **price elastic**
2. Lowering diagnostic prices can **grow demand**
3. Surgery is mainly **price inelastic**
4. Transparency of pricing is key

Pricing Trial (LIVE)

- 8 Hospitals lowered MRI to £395
- 3 month trial ending 31st May
- Monitoring impact on downstream

Improving Price Transparency

✓	New online price treatment pages
WIP	Enhanced finance options including a digital finance calculator, CMA compliance, aids transparency



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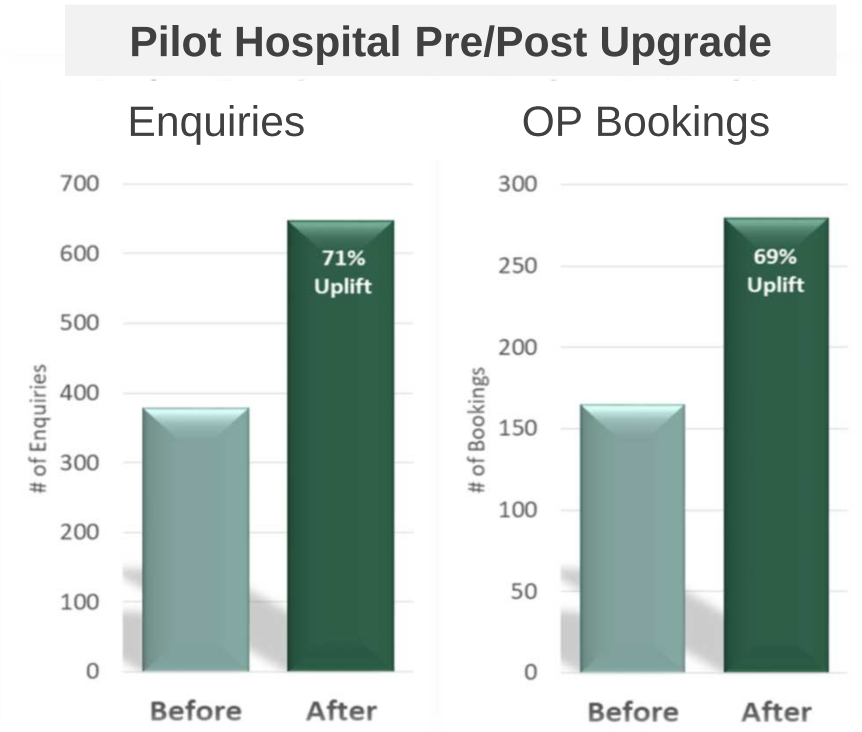
Looking after you.

Private Revenue Growth: Self-Pay
Transforming Access By Investing In Telephony

Implementation Of Best Practice

Impact On Business Performance



Source: Spire MI; Pre- control period 29/9/18 to 26/10/18; New processes implemented 09/3/18 to 3/4/18

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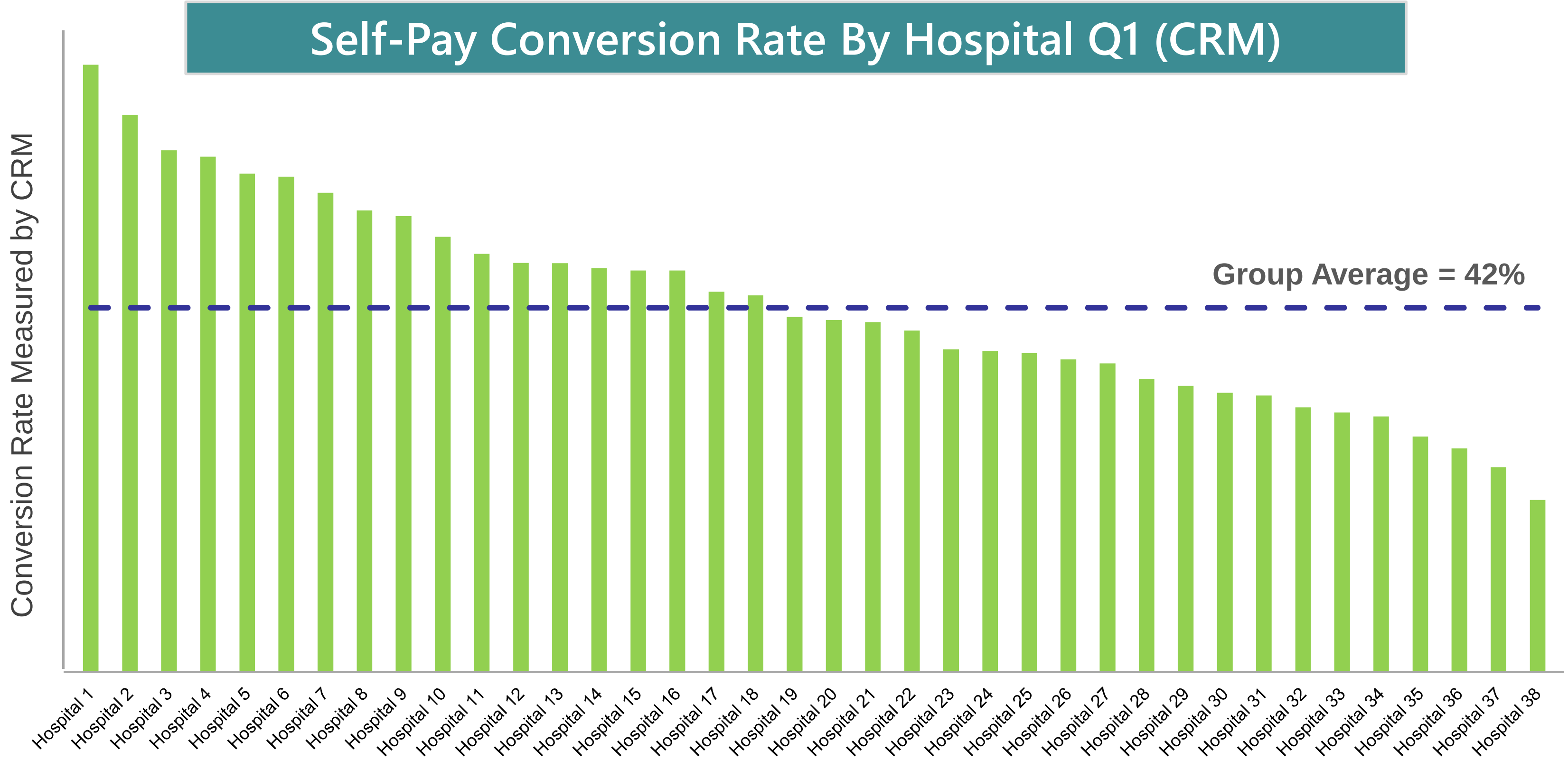
Looking after you.

Private Revenue Growth: Self-Pay
Significant Focus On Improving Conversion Rates Within Local Sales Teams



Source: Spire MI recorded on CRM, Q1 2018

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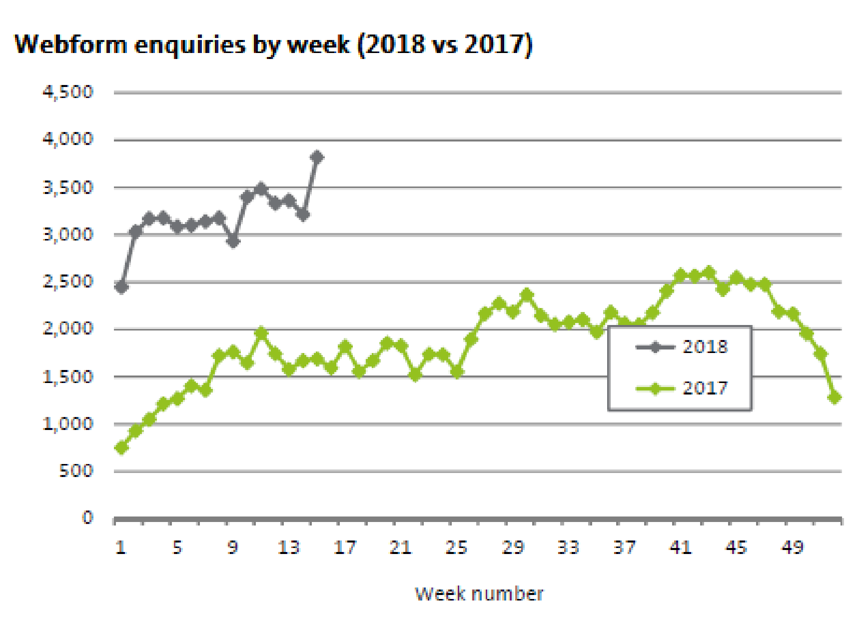
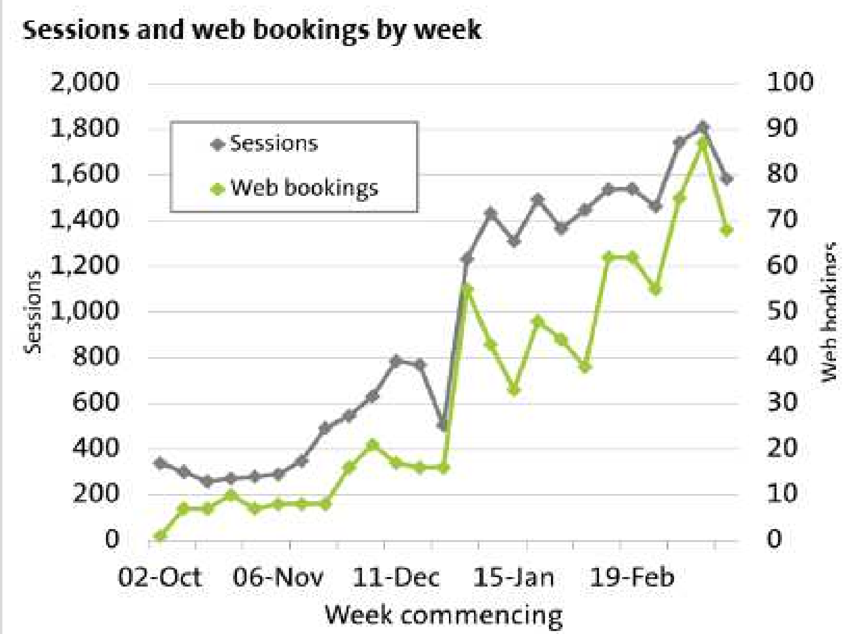
Looking after you.

Private Revenue Growth: Self-Pay
Developing Market Leading Digital Capabilities

Digital Enquires



Spire GP Online Booking



2018 Development

Online Consultant Appt. Booking

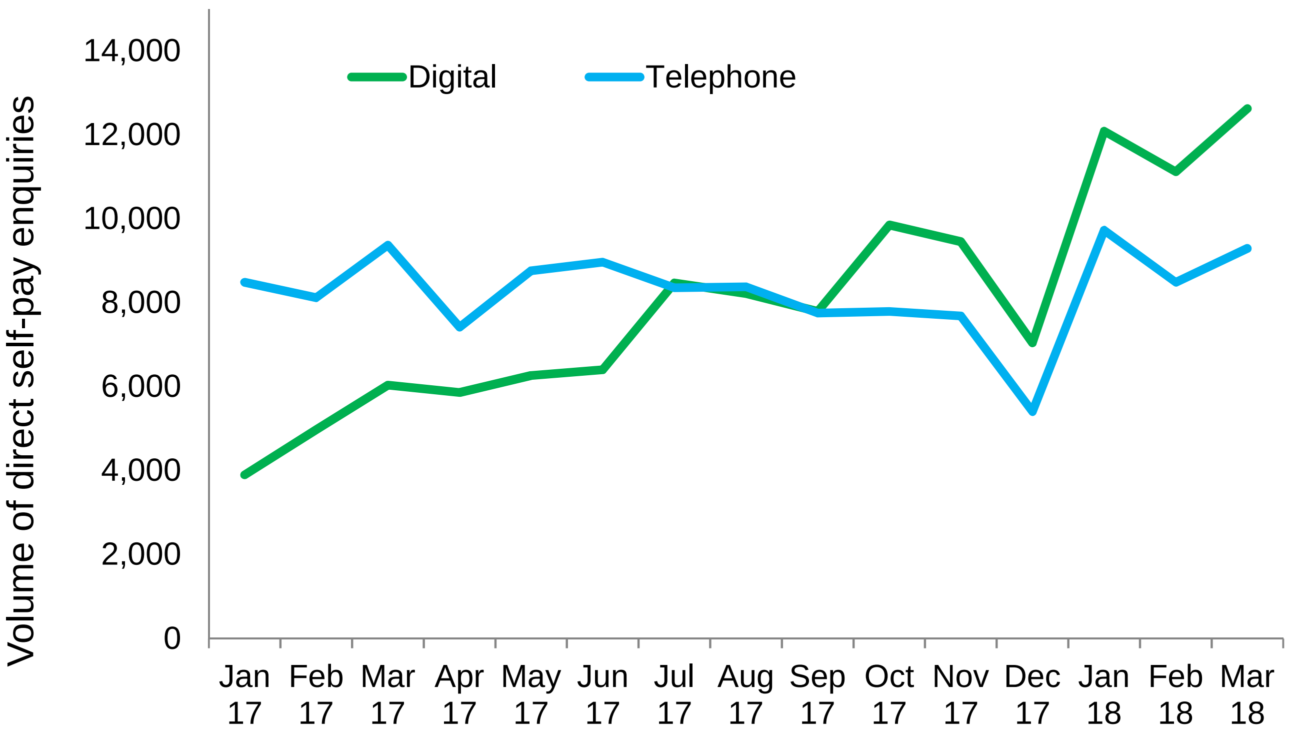
Customer Self Service Portal

Spire Healthcare

Looking after you.

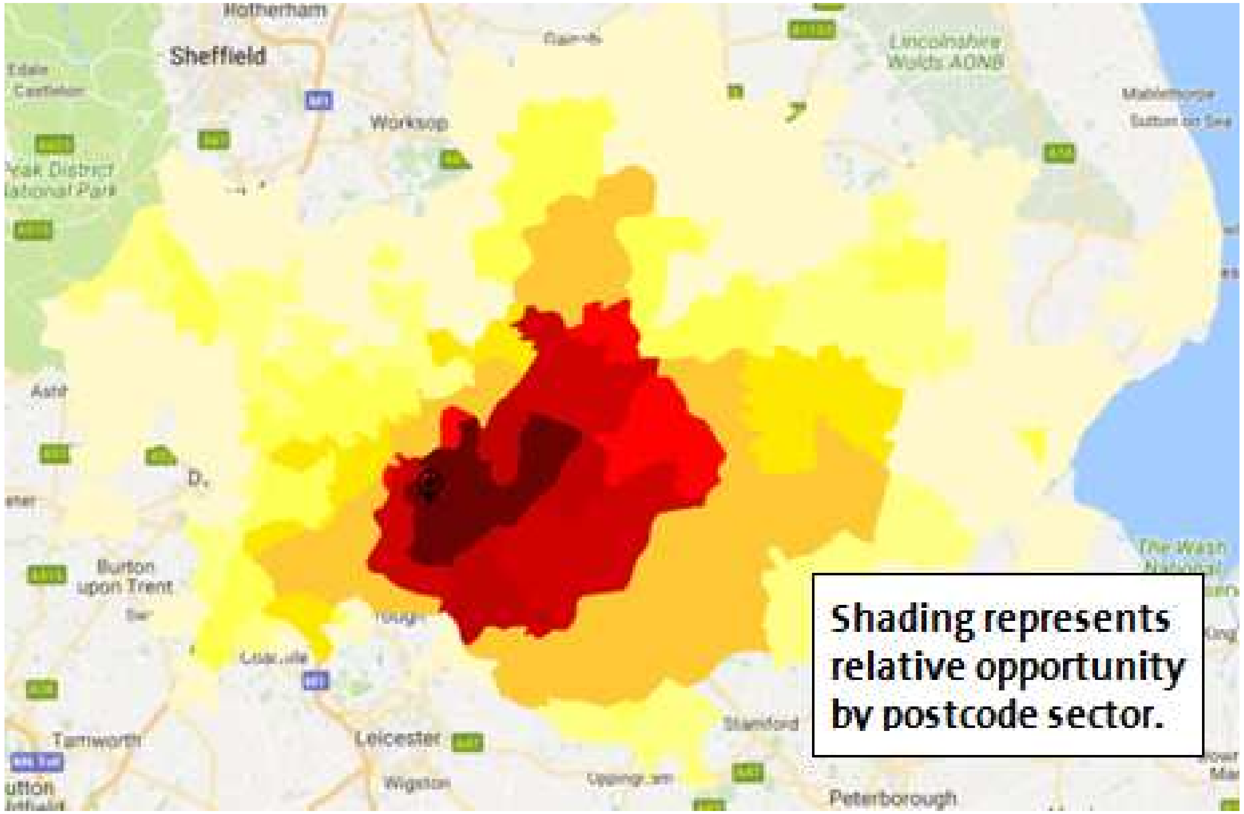
Private Revenue Growth: Self-Pay
Significant Momentum In Digital Volume

Self-Pay Web Enquiries vs. Phone



Private Revenue Growth: Self-Pay
We Will Be Deploying Unique Capability In Geographic Specific Targeting

Spire Opportunity Tool (SpOT) Helps Identify Local Potential



Spire Healthcare

Looking after you.

Private Revenue Growth
Summary - Private Pay Growth Execution

PMI

	Delivered	Benefit
✓	Stable long term contracts	Stable revenue & price confidence
✓	Strong PMI relationships	Incremental revenue
✓	New national paediatrics service	Incremental revenue
✓	Own PMI product growing strongly	Incremental revenue
WIP	Easy to do business with	Incremental revenue

Self-Pay

	Delivered	Benefit
✓	Sophisticated customer segmentation	New customers; Incremental Revenue
✓	Geographic specific segment targeting	Marketing effectiveness
✓	Step-up in telephony and digital capabilities	Ops effectiveness; incremental revenue
✓	National Spire GP; strong franchise	Incremental revenue
WIP	Competitive pricing strategy	Incremental revenue

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Private Revenue Growth
Spire's 5 Year Growth Projections

Private Growth

NHS	PMI	Self-Pay
Slight Decline, Capitalise On Any Upside	Above Market Growth	Accelerated Growth
(2)% p.a.	3% p.a.	14% p.a.

Five-Year Financial Targets

David Lomas
Interim Chief Financial Officer

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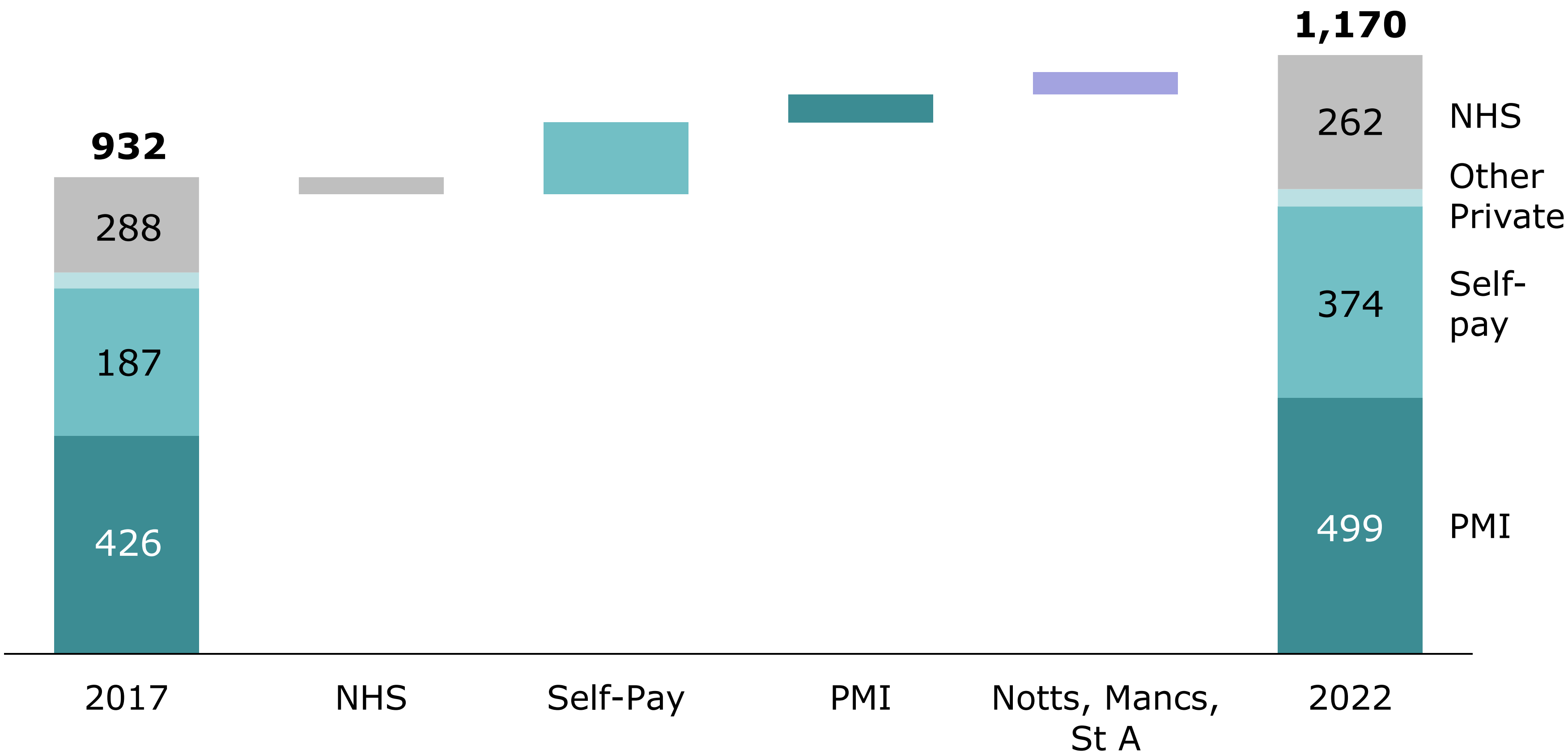
Five-Year Financial Targets

Five-Year Financial Targets
Revenue Key Assumptions, 2018-2022

	NHS	PMI	Self-Pay
Increase in patient admissions	Single digit % decrease p.a.; strong regional differences	Single digit % increase p.a. driven by market share gain and new clinical services	Double digit increase p.a. driven by growing market and new clinical services
Tariffs	Low single digit % increase p.a.	Low single digit % increase p.a.	Low single digit % increase p.a.
Increase in private patient revenue ratio	PMI and Self-Pay mix gradually increases from < 70% to c. 80% of revenue		

Five-Year Financial Targets
Revenue Profile (£m), 2017-2022



CAGR	(2)%	+14%	+3%	+13%	**~5%**

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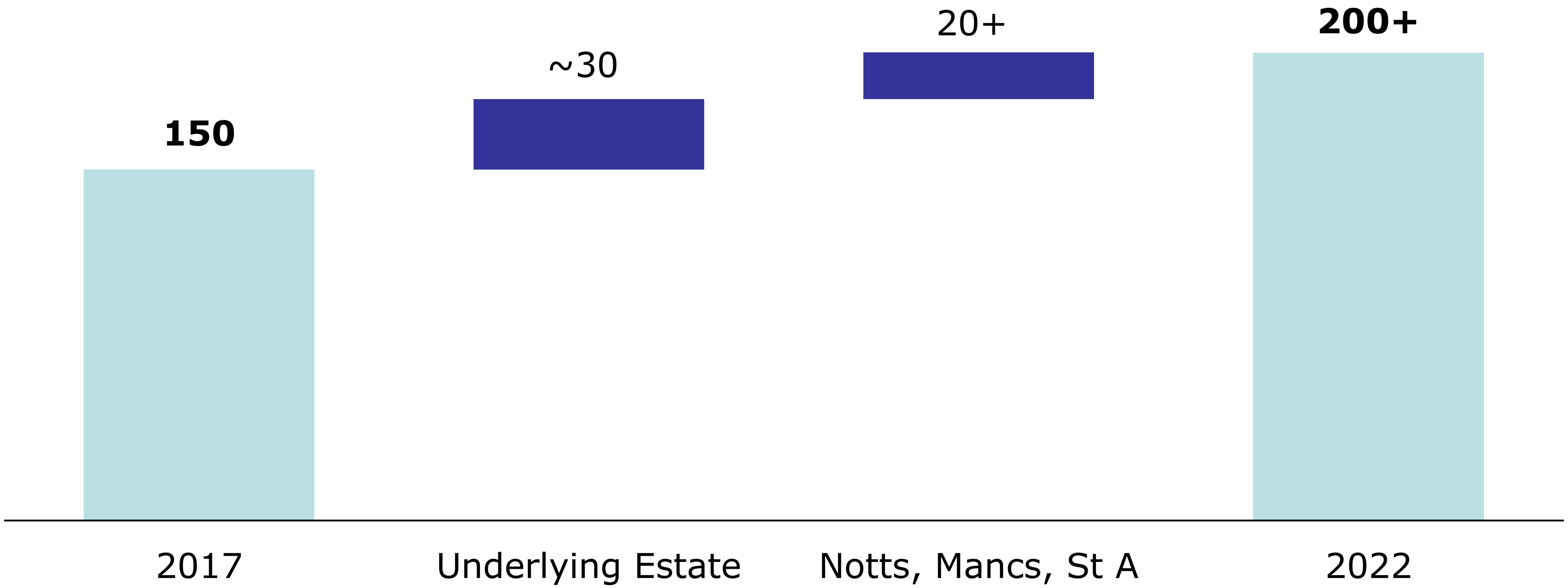
Five-Year Financial Targets
Drivers of Cost Efficiency, 2018-2022

Driver	Comment
Leverage value of recent investment	Benefit from improved operational performance as each of St Anthony's, Nottingham, Manchester grows to expected patient volume
Improved bed and theatre asset utilization	Benefit from operational gearing across hospital portfolio
Clinical staff mix / productivity /market rates for labour	Changes in mix between e.g. RCNs/HCAs, improvement in clinical staff productivity, lower agency spend, partially offset by cost of moving to at least voluntary Living Wage, and increases in clinical pay-rates
Efficient patients work flow	Implementation of digital functionalities and focus on operational excellence
Procurement costs	Expand scope of Procurement team

Five-Year Financial Targets
EBITDA Profile (£m), 2017-2022



	2017			2022
Margin	16%			~17%

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Five-Year Financial Targets
EBITDA to Cash, 2018-2022

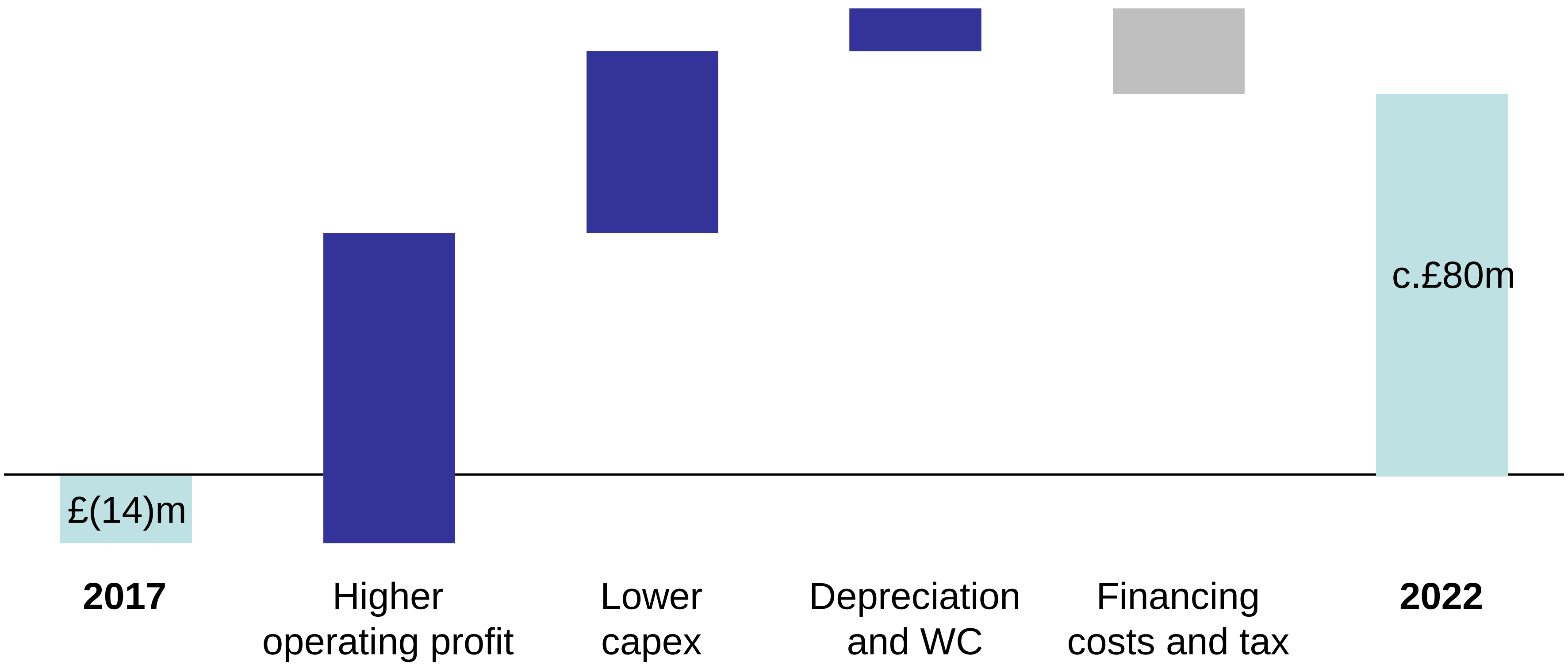
Element	Comment
Working capital	Continue strong working capital management
Capex	Lower capex needed focused on investment in core estate to support quality and private growth ▪ Target of £80m Capex for maintenance, upgrades and capacity enhancements ▪ No New build hospitals planned, Milton Keynes on hold
Net debt/EBITDA	Target c.2.5x in the medium term

Five-Year Financial Targets
Targeted Capex, 2018-2022

£m	2015 (£m)	2016 (£m)	2017 (£m)	Target for a typical year (£m)
Maintenance	31	26	37	c.30
Refurbishment and Upgrades	7	7	20	c.30
New capability & capacity enhancements	23	28	31	c.20
New build hospitals	48	89	31	0
Total Capex	**109**	**150**	**119**	**c.80**

Five-Year Financial Targets
Free Cash Flow* (£m), 2017-2022

Cumulative cash flow in 2018-22 = c.£0.25bn



*FCF = cash available for paying down debt, shareholder returns, or other investments

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Summary –
Strong Business, Compelling Proposition

Justin Ash

Chief Executive Officer

Spire Healthcare

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Summary
Strategic Context

- Demand for UK healthcare provision will continue to rise rapidly
- NHS waiting lists (especially for elective work), rationing and restrictions are growing
- Increasingly people are becoming informed consumers of and prepared to pay for healthcare, with choices digitally enabled
- Quality will be the key to future success
- Spire is the market leader and is well placed to win

Summary
The Key Focus Of Our Strategic Reset

Areas of focus:

- Deliver leadership in clinical quality and customer care
- Revenue growth focussed on private
- Lower, disciplined capex focussed on optimising current sites and supporting their capacity and reach
- Deliver returns on recent new builds; further new sites on hold

Results in:

- More consistent and reliable performance
- Improved net cash flow – to support lower leverage/improved returns/ future investment
- **80% private, 100% quality, +£200m EBITDA by 2022**

Summary
Spire's 5 Year Strategy

Strategic goals and key enablers

First choice for private patients

Plan and deliver operational excellence

Become best place to work

Become best place to practise

Most recommended customer experience

Become famous for quality and clinical care

Results: 80/100/200

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Summary
Spire's Goals

Key priority	Measure	2017 Actual	2022 Vision
First choice for private patients	Self-Pay Growth % Private Revenue	12% p.a. underlying, 9.6% p.a. for Group 69%	>10% p.a. c. 80%
Consultant engagement	Consultant Engagement	67%	90%
Team capability	Employee Engagement	81%	90%
Most recommended	Friends & Family "Extremely likely"	98% 85%	100% 95%
Famous for clinical quality	Good/Outstanding PHIN data quality	70% N/A	100% Leading sector
Financial performance	Revenue EBITDA Capex	£932m £150m £119m	c. £1,200m £200m+ Target £80m

Summary
Spire's Plan over time

Our Vision	2018 Consolidate	2019 – 2022 Rapid Profitable Growth
"To become the go-to UK independent healthcare brand, famous for clinical quality and customer care"	• Focus on Clinical quality • Develop Self-Pay • Drive recent hospital developments • Invest in delivery infrastructure • Minimise impact of volatile NHS	• Focus on Clinical quality • Accelerate Self-Pay • Grow PMI market share • Selective NHS work • Improved margins • Focused Capex • Strengthen free cash flow • Reduce debt

Q&A

Summary
Spire Healthcare: Our Five Year Strategy – 80/100/200

Private revenues = 80% of total	Clinical Quality/ Customer Care = 100%	Annual EBITDA = £200m+

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Spire Healthcare: Our Five Year Strategy – “80/100/200”

24 April 2018




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Looking after you.

Financial annex

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Free Cash Flow, 2017

	2017 (£m)
Operating Profit	**92**
Exceptional items	(49)
Operating Profit after exceptionals	**43**
Net capital expenditure	(118)
Depreciation & impairment	68
Working capital & other items	15
Operating cash flow	**8**
Cash financing costs	(19)
Cash tax paid	(3)
Free cash flow	**(14)**
Dividends	(15)
Movement in net debt	(29)
Net debt	**463**
Net debt/EBITDA	3.1x