



Spire Healthcare

FY23 Results Presentation

29 February 2024



Looking after you.

Disclaimer

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Agenda

FY23 Overview

Justin Ash, Chief Executive Officer

FY23 Financial Review

Jitesh Sodha, Chief Financial Officer

Strategic Developments

Justin Ash, Chief Executive Officer

Outlook for FY24

Justin Ash, Chief Executive Officer

Q&A



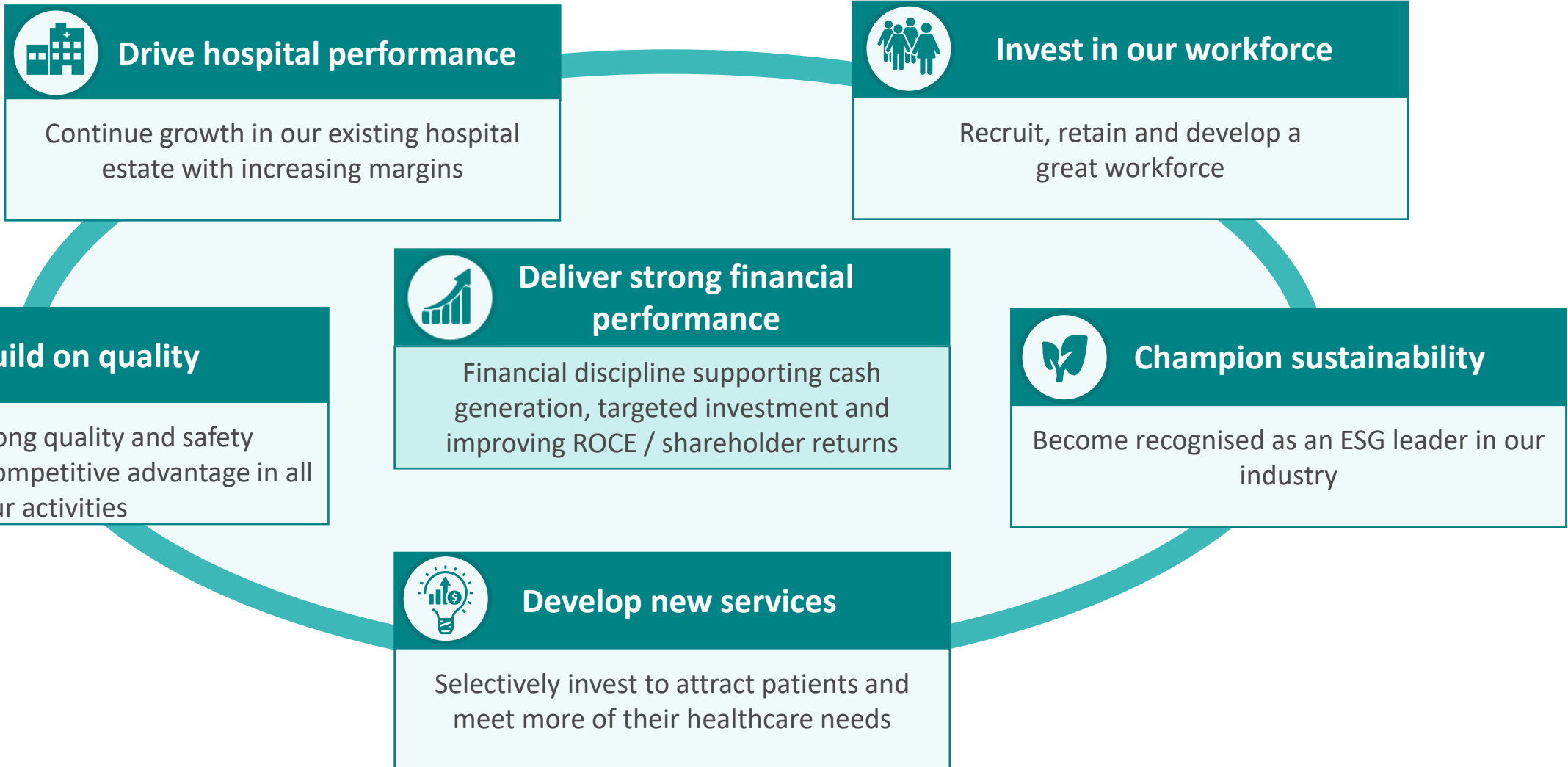
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FY23 Overview

Justin Ash, Chief Executive Officer

Looking after you.

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



Delivered strong financial performance



Revenue
Up 13.4%



Adjusted
EBITDA
Up 15.0%



Adjusted
EBIT
Up 23.5%



Adjusted Profit
before tax
Up 175%



Another £15m cost
savings delivered
(FY22: £15m)

ROCE
7.5%
(FY22: 6.2%)



Proposed final
dividend of 2.1
pence per share

Driven hospital performance



Revenue
up 10.8%

Private Mix
72.3%

Private Revenue
Up 9.5%

Delivered a further
£15m savings

Good Mix & Pricing
Control
**Weighted Private
ARPC +6.8%**

Hospital Adjusted
EBITDA Margin
17.6%
(FY22: 17.0%)

Delivered margin growth in an inflationary environment
Well-positioned to achieve medium-term target of EBITDA margin >21%

Hospital business excludes VHG, DCG and the clinics

Invested in our workforce



Recruitment brought
in-house

Commitment to learning
and development

Material pay award

Colleague survey:
81% colleagues
'Proud to work for Spire'
(+1ppt vs FY22)

Colleague survey:
86% response rate
(+9ppts vs FY22)

Leaver rates to 15.1% *
(FY22: 18.8%)
Agency use now falling

* Permanent colleagues, excluding bank staff

98% of inspected sites rated
'Good' or 'Outstanding'
(FY22: 98%)

230 FTSU Guardians &
Ambassadors



96% patients rating
experience as
'Good' or 'Very Good'
(FY22: 96%)

93% patients agree that
our care was 'Outstanding'
(+1ppt vs FY22)



83% of our consultants rate our care as
'Excellent' or 'Very Good'
(+5ppt vs FY22; 7ppt rise in response rate to 48%)

Championed sustainability and ESG



12% reduction in GHG emission intensity* to 19.9 tCO₂e per £m (*down 13% in 2022*)

35%
waste recycled
(30% in 2022)

47% female
representation at
Exco & board
level combined
(2022: 37%)

Ranked 7th of FTSE
250 companies in
terms of women in
leadership**

Forging
relationships with
local communities



* Carbon emissions per £ revenue
** Source: ftsewomenleaders.com

Develop new services



Vita Health Group

Potential market growth -
£3bn plus across talking
therapies, MSK &
dermatology

Opportunities with
hospitals business
beginning to be realised

Spire Occupational Health

Performing well

New client wins

Government OH
taskforce

London Doctor Clinic & Clinics

5 new LDC sites
(4 closed)

Spire Abergele Clinic open

Thank you to our colleagues





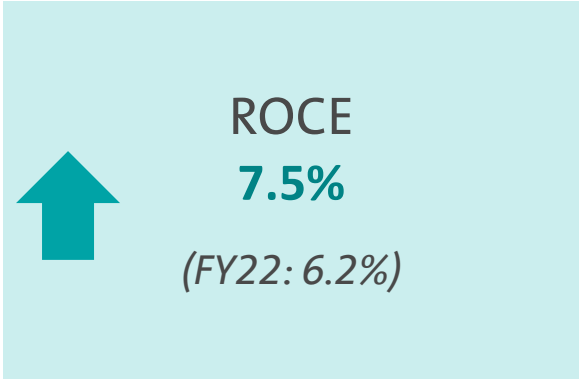
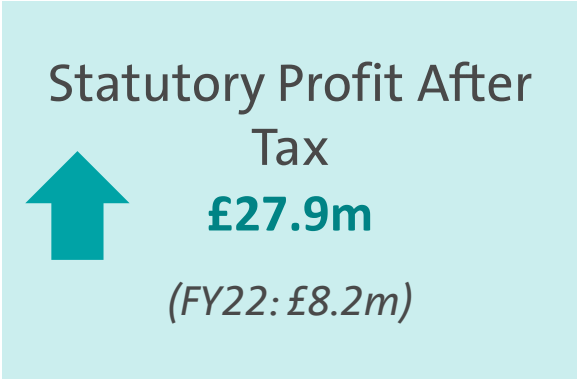
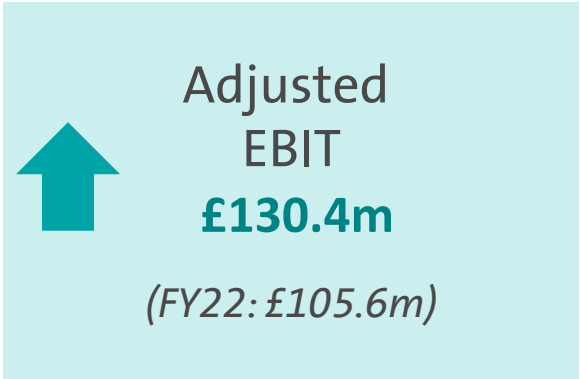
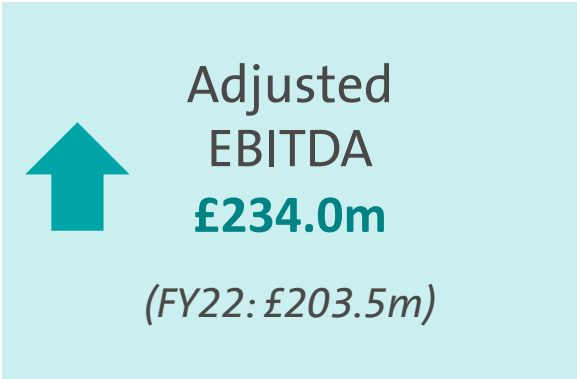
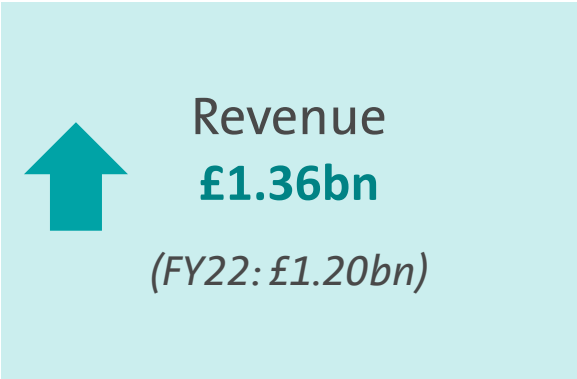
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FY23 Financial Review

Jitesh Sodha, Chief Financial Officer


Looking after you.


Strong financial performance in 2023




Delivered EBITDA & EBIT margin growth across Group & Hospitals business


Group *(Incl. Vita, DCG & Clinics)*

Adjusted EBITDA
Margin
17.2% 
(FY22: 17.0%)

Adjusted EBIT
Margin
9.6% 
(FY22: 8.8%)

Hospitals Business

Adjusted EBITDA
Margin
17.6% 
(FY22: 17.0%)

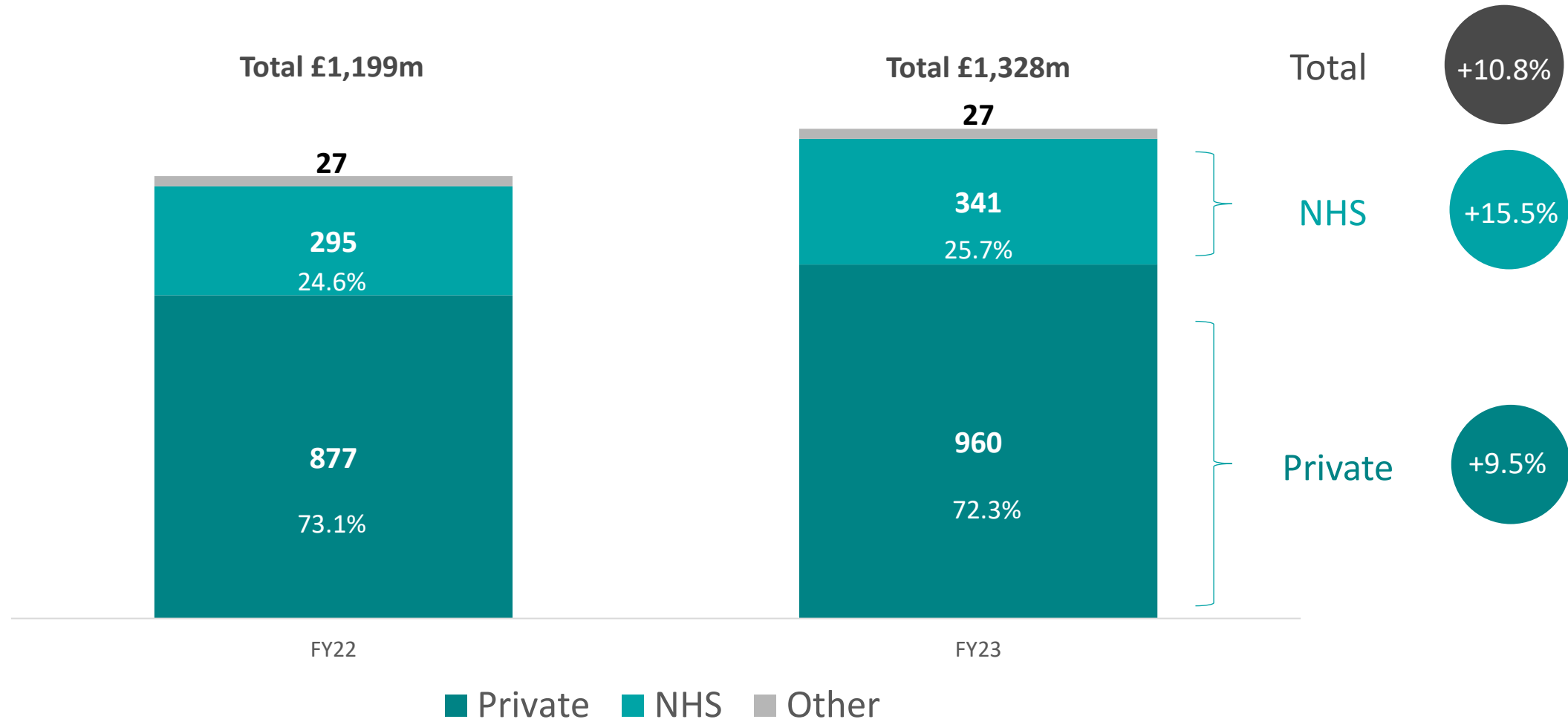
Adjusted EBIT
Margin
9.9% 
(FY22: 8.8%)

Good cash generation, invested in our business and reduced debt leverage

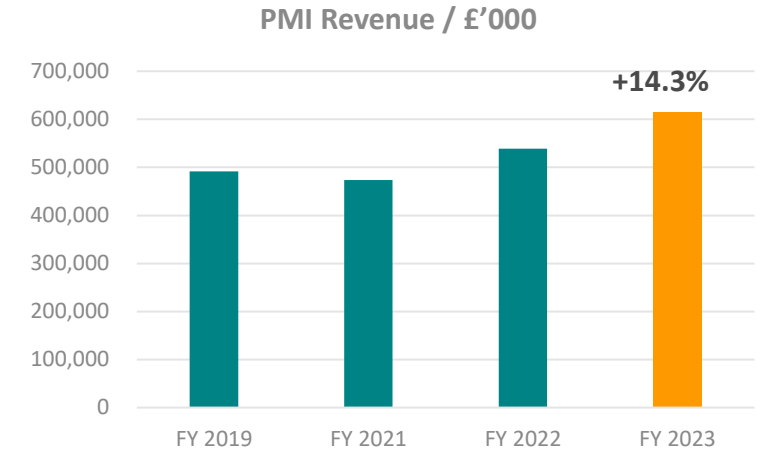
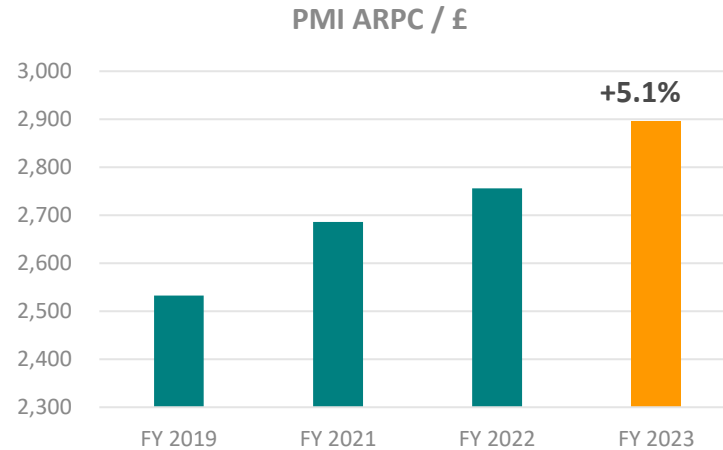
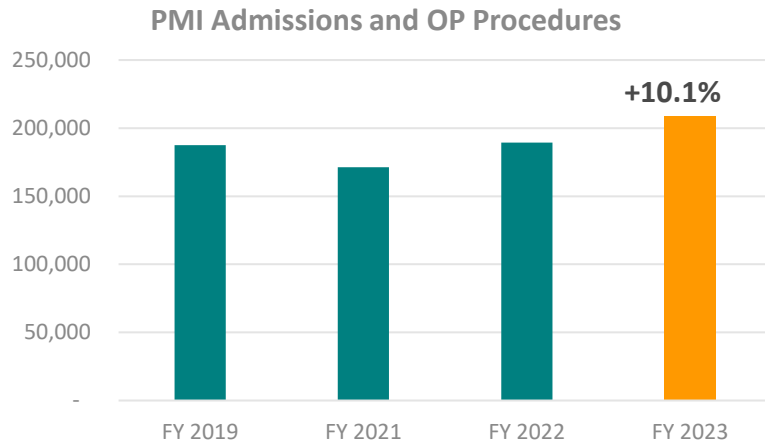
- Cash conversion* of 98% (FY22: 92%)
- Free cash flow up 71.4% to £48m
- Full-year capex of £84.4m and in target range of 6-7% of revenue
- Borrowed £50m to fund acquisition of VHG; paid down £10m by the year end
- Net bank debt at end 2023 £315.7m (end FY22: £250.1m) after acquisition of VHG
- Net debt to EBITDA covenant ratio unchanged at 2.2x
- Extended funding facility by 1 year to Feb 2027
- Interest rate hedge: 75% covered to Apr 2024; 50% thereafter to Feb 2026

* Adjusted for VHG

Revenue growth across Private and NHS hospital business

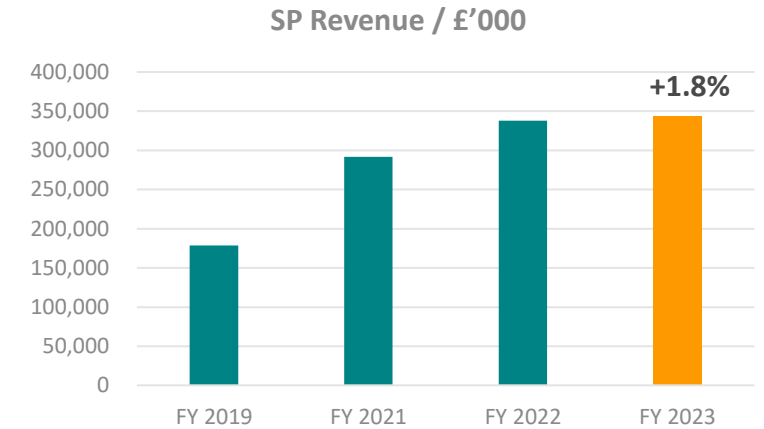
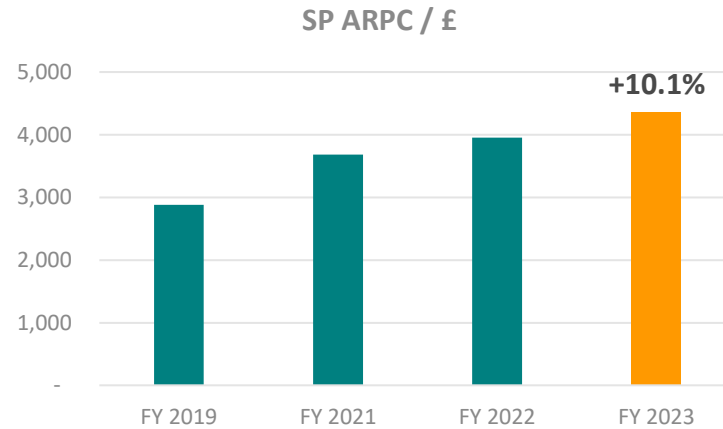
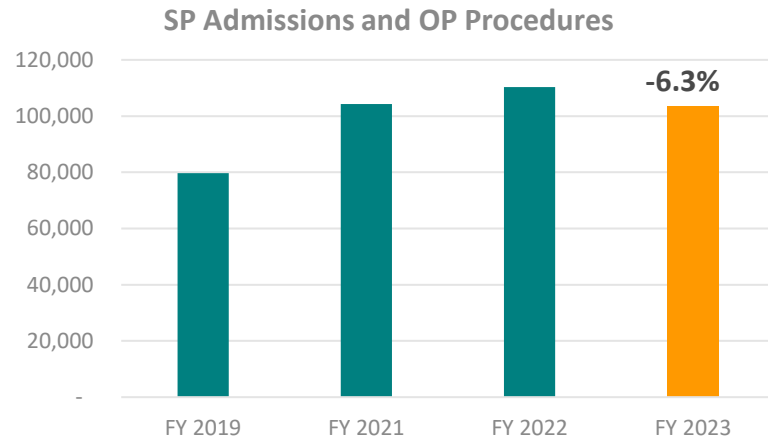


PMI – Continued admission and ARPC growth



- Growth of the medical insurance market, with more private and corporate policies
- Incremental volume growth from long-term arrangements with PMIs

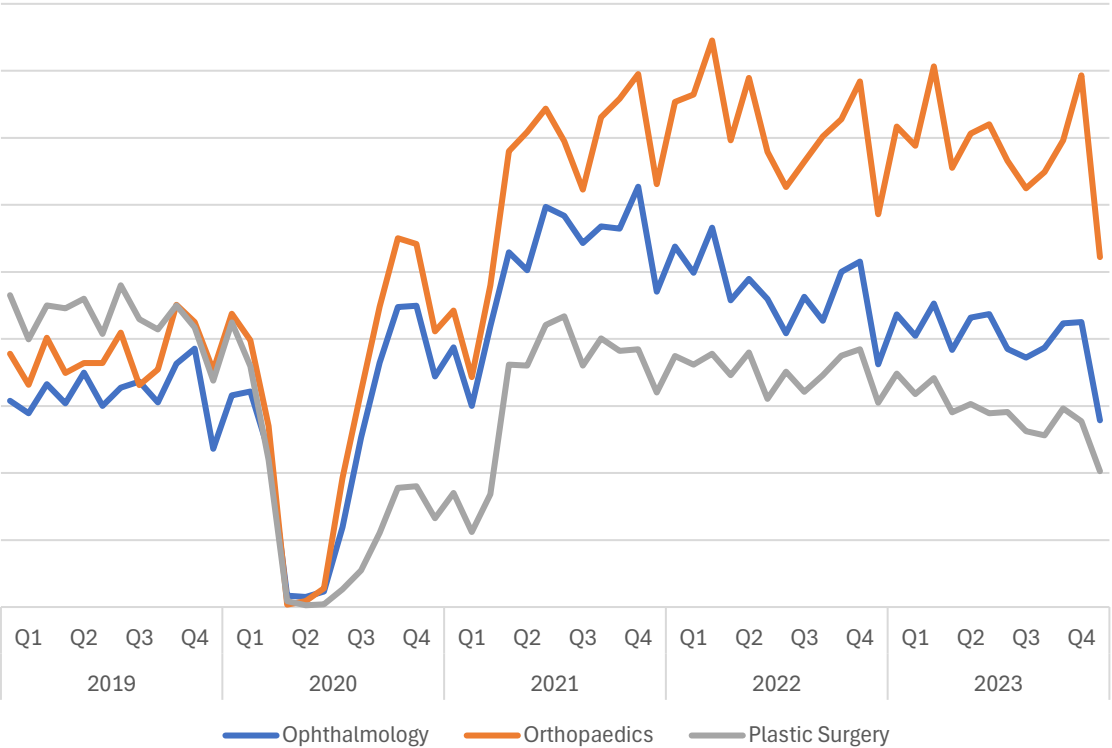
Self-pay – Sustained revenue growth through ARPC and management of mix



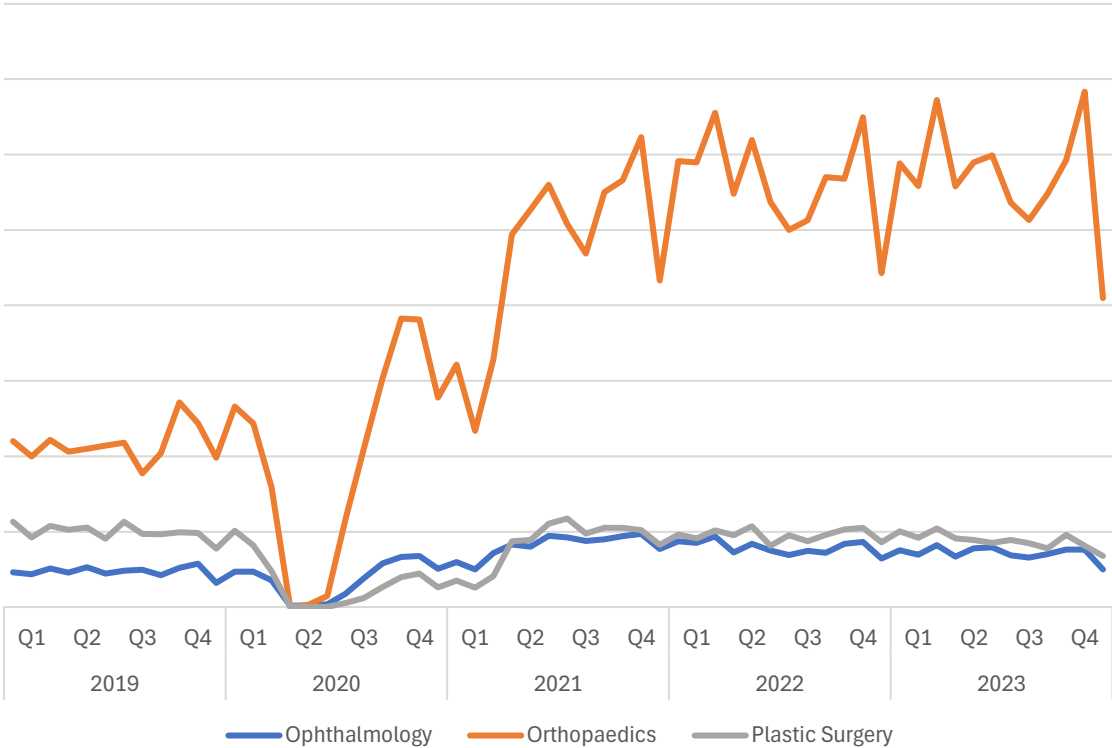
- Enquiry levels remain strong
- Delivered revenue growth against a record year in 2022
- ARPC full year growth of 10.1%
- ARPC growth reflects underlying price plus active management of mix – see next slide
- PHIN data showing modest activity decline in the whole market

Self-pay – Optimised revenue through management of mix

Self-pay admissions

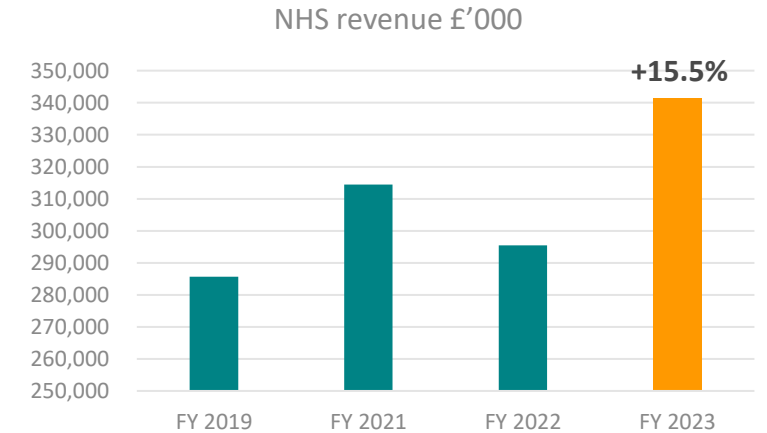
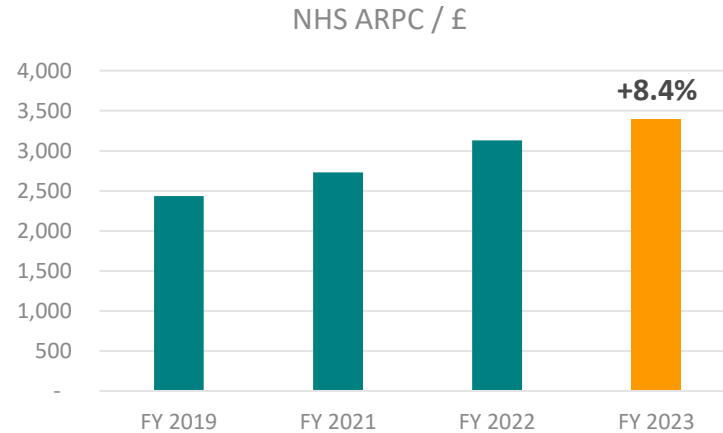
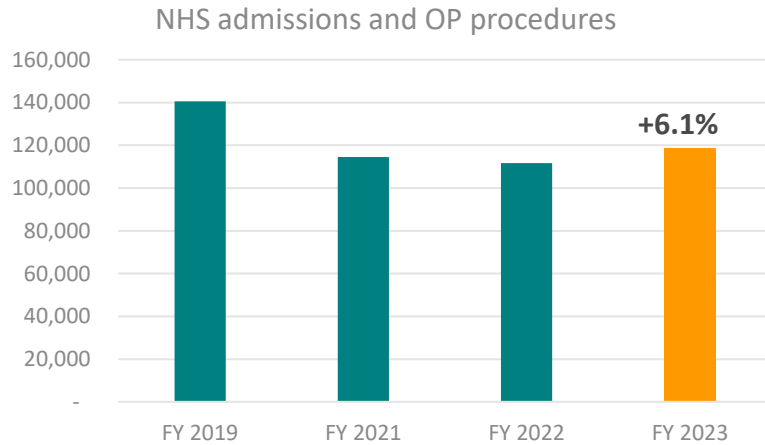


Self-pay IPDC revenue



Source: Spire data

NHS – Continued admission and ARPC growth

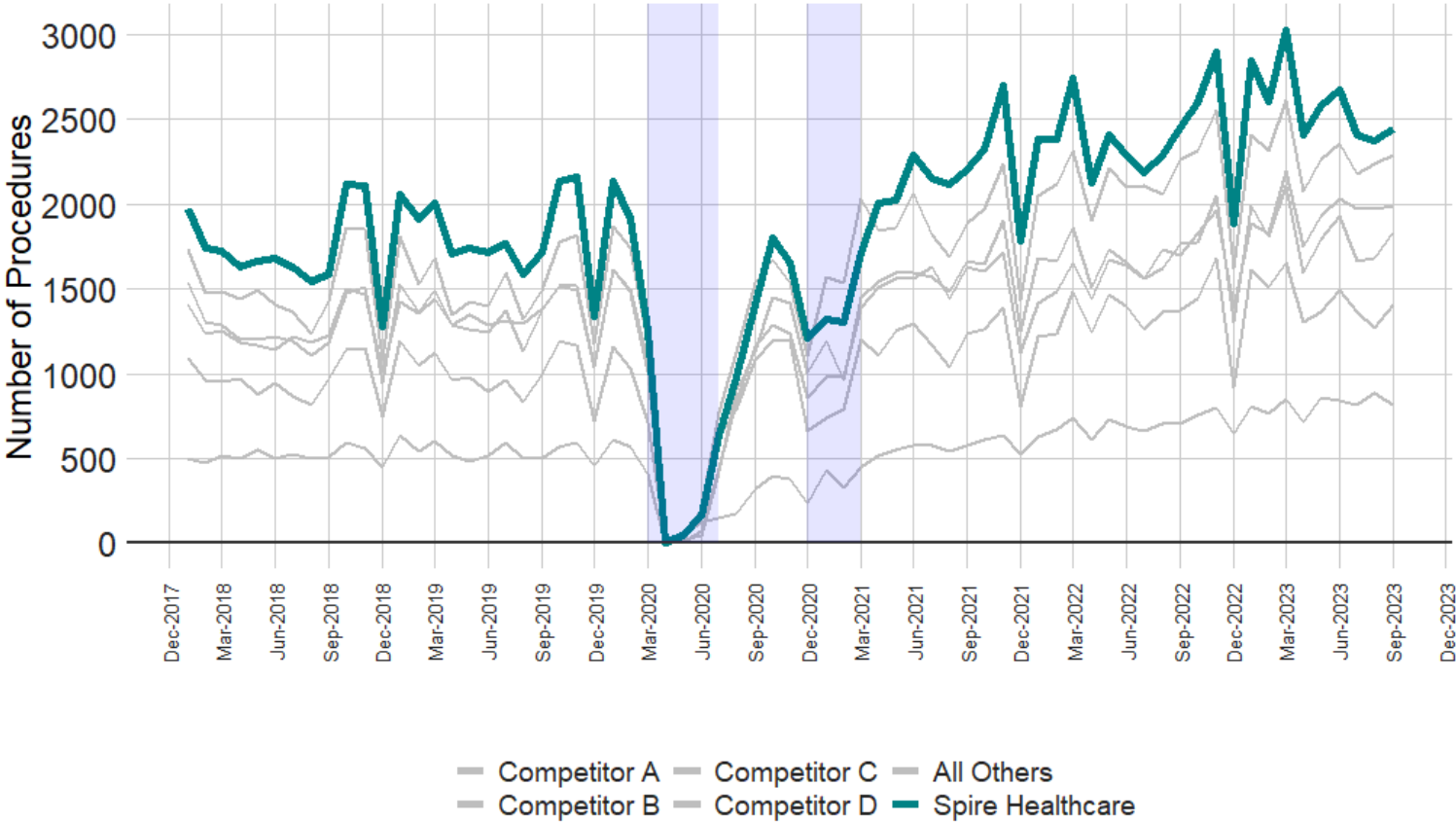


- Increasing referrals through eRS and supporting NHS trusts long waiters
- Orthopaedic volumes up 14% YOY; now c.58% of all Spire Healthcare NHS activity
- c.4.1% NHS tariff uplift from 1 April 2023

Continued focus on orthopaedics

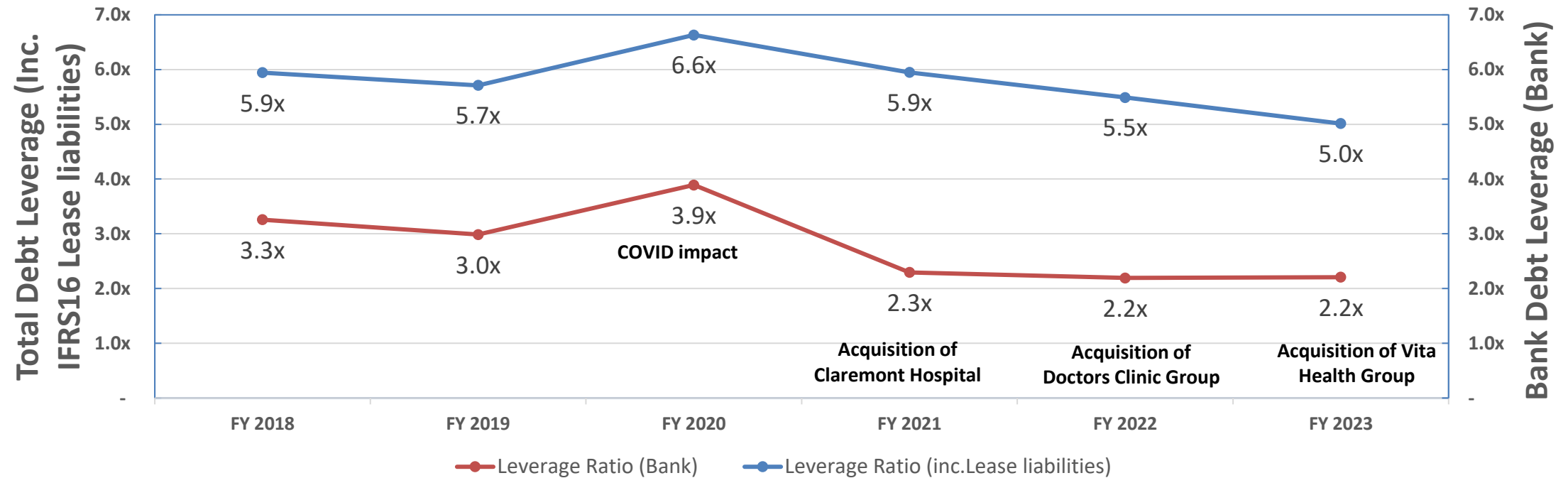
Hip and Knee Procedures

Volume among independent sector providers



Source: NJR data

Reduction in Bank Debt Leverage and Total Debt Leverage (IFRS 16 lease liabs)



- Significant reduction in leverage whilst executing M&A strategy and funding capex investment in the estate and new projects
- Fair value of owned sites £1.2bn based on latest valuation (on balance sheet at £651m)

Capex – disciplined approach, targeting financial returns

Capex Focus

Capex investment of £84.4m (FY22: £90.1m) comprising

- Continuous infrastructure investment
- Investment projects, including:
 - Yale Chesney Court – outpatient & diagnosis
 - Claremont - new minor operating theatre
 - Nottingham and Manchester – new cardiac facilities
 - Two new clinics

Spire Abergele Clinic



Solar panel and Building Management Controls system installations

- Energy hedge ends in October 2024
 - Additional £2m for gas and electricity in Q4
- Installation of solar panels and building management control systems at each hospital in 2024
 - Investment of £12m
 - 17% reduction in electricity consumption

Typical Hospital Solar Array



Proud of our progress in FY23

Delivered strong full year results across Revenue, EBITDA, EBIT and PBT in line with our expectations

Adjusted basic EPS up from 4.2p to 7.9p per share (+88%)

Recommended final dividend 2.1p per share *(FY22: 0.5p per share)*

Growth delivered in an inflationary and complex market environment



Spire Healthcare

Strategic developments

Justin Ash, Chief Executive Officer

Looking after you.

Delivering against Spire Healthcare's medium-term financial objectives and financial framework

		<u>2022</u>	<u>2023</u>	<u>In-year achievement</u>	<u>Target/framework measure</u>
Medium-term financial objectives	Hospital growth	+8.3%	+10.8%	✓	>5% revenue CAGR
	Hospital EBITDA margin Hospital EBIT margin	17.0% 8.8%	17.6% 9.9%	↑	EBITDA >21% EBIT >13%
	ROCE	6.2%	7.5%	↑	>10%
	New Services	£0m	£31.4m*	↑	>£50m of additional revenue
Financial Framework	Payor Mix	73.1%	72.3%	✓	70-80% Private
	Organic Capex	7.5%**	6.2%	✓	6-7% of Revenue
	Cash Conversion	92%	98%	✓	c.100%

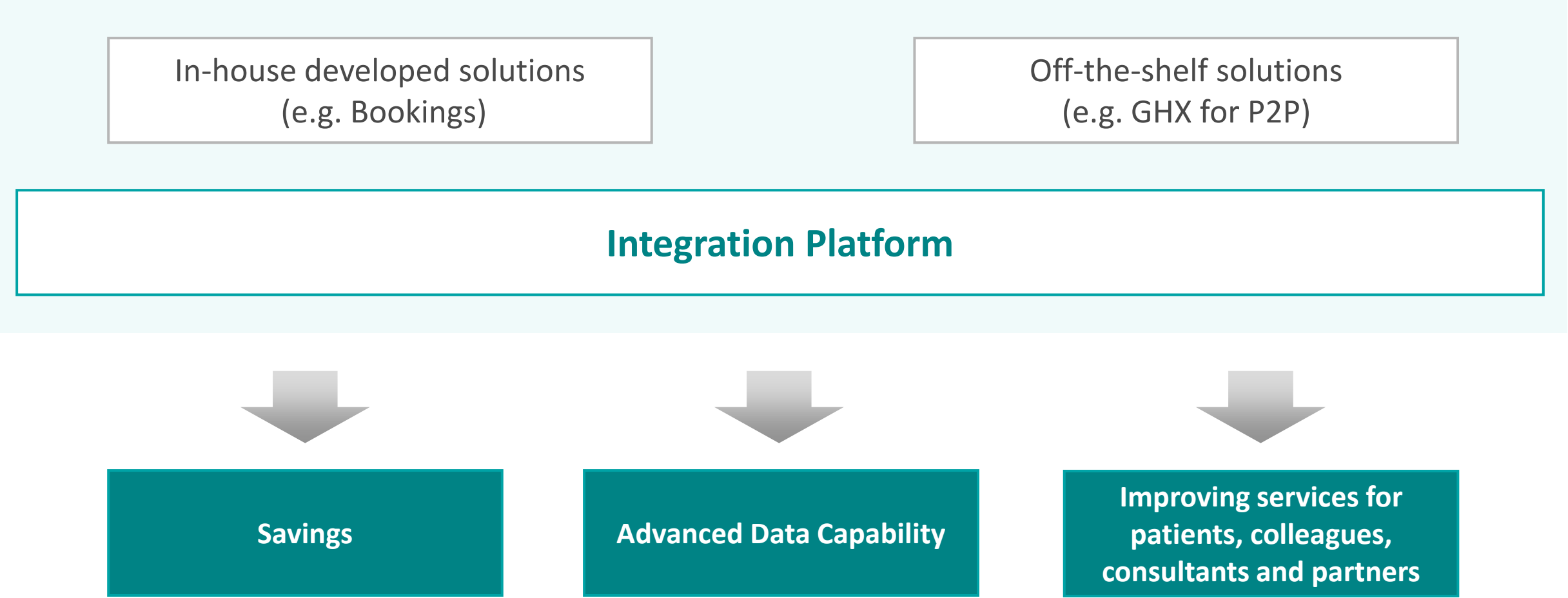
Hospital growth prospects >5% per annum

	PMI	Self Pay	NHS
2023	+14.3% revenue YoY	+1.8% revenue YoY	+15.5% revenue YoY
Our view of 2024/25	Strong growth	Modest growth with mix upside	Modest growth

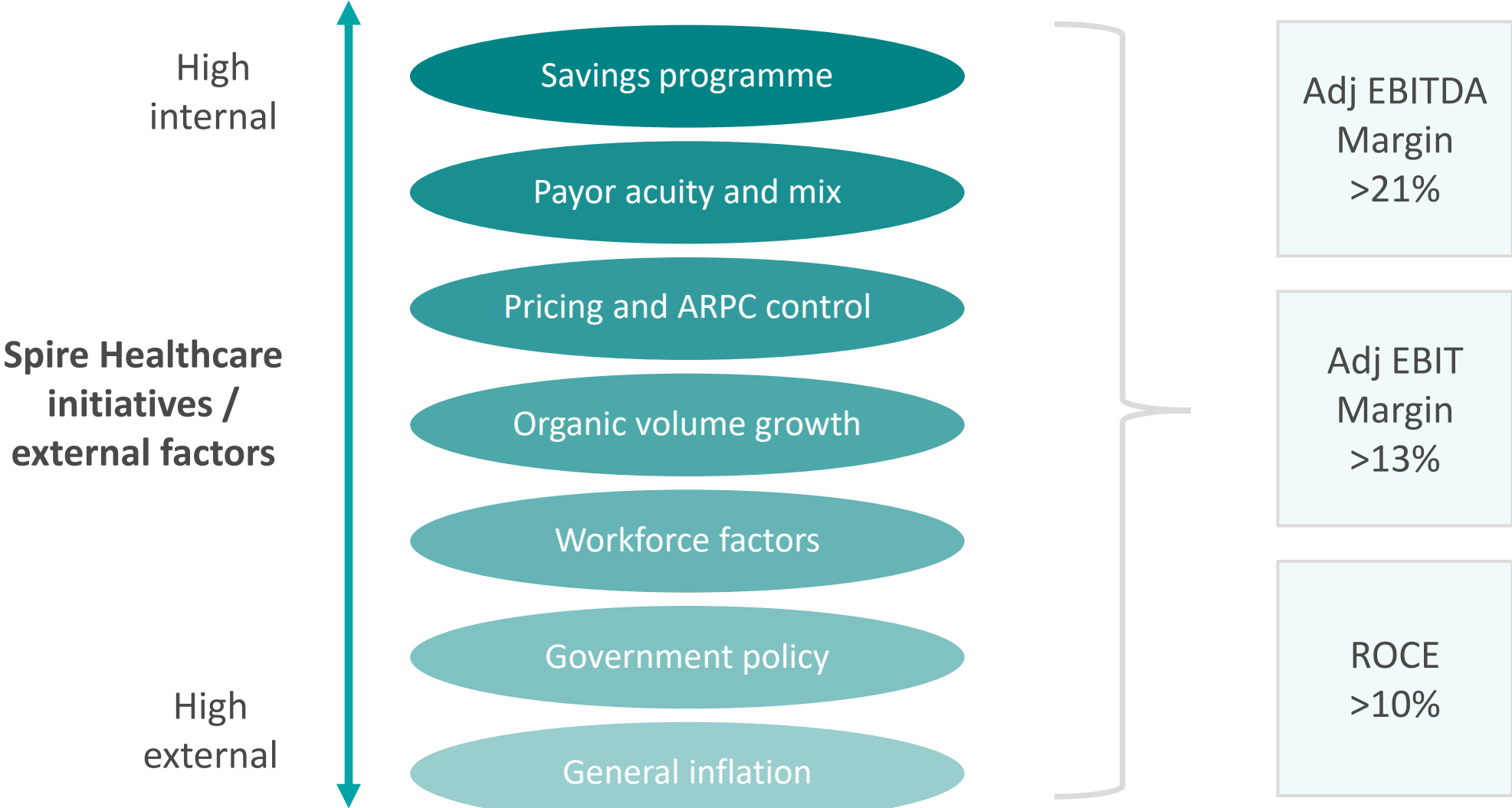
Savings programme – at least £60m in additional savings by 2026, driven by four workstreams

Driver of savings	Percentage of total savings through to 2026 YE
Automation & Digitalisation	c.50%
Centralisation	c.10%
One best way / Standardisation	c.40%

Digitalisation strategy – not a ‘big bang’, but agile and flexible – delivered through bolting-on a series of improvements to integration platform



Savings and other levers driving Hospital Adj EBITDA margin >21% by end 2026





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Outlook for FY24

Justin Ash, Chief Executive Officer

Looking after you.

Key Priorities

Savings and digitalisation

Reward framework

Vita and Occupational Health strategy

Key Outcomes

>£15m of cost savings (H2 weighted)

Further progress on workforce
& investment

Further develop new services

Guidance for 2024 – Strong financial performance

Group Adj EBITDA £255m to £275m*

Adverse Factors	Supporting Factors
Consumer sentiment / economy	Private growth
Excessive inflation	Acceleration of digitalisation / savings
High incidence of respiratory illness	New service
NHS budgetary constraints	NHS commissioning

*Includes Vita Health Group

Guidance for 2024 – Strong financial performance (cont'd)

- Strong start to 2024, continuing momentum from last year
- Revenue growth:
 - Hospital business >5%
 - VHG revenue >£100m, adjusted EBITDA c.£10m
- Reward investment similar to 2023
- Margin improvement, weighted to H2
- Continue to invest in the estate
- ROCE 8-9%
- Bank Debt Leverage <2.0x (ahead of any M&A)
- Continued delivery of strategy
- Focus on quality and patient safety

Capital Markets Event on 17 April 2024

Additional detail on our savings programme & margin development

Introduction to Vita Health Group

Overview of our Occupational Health business



Spire Healthcare

Thank you

Looking after you.



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Appendix

Looking after you.

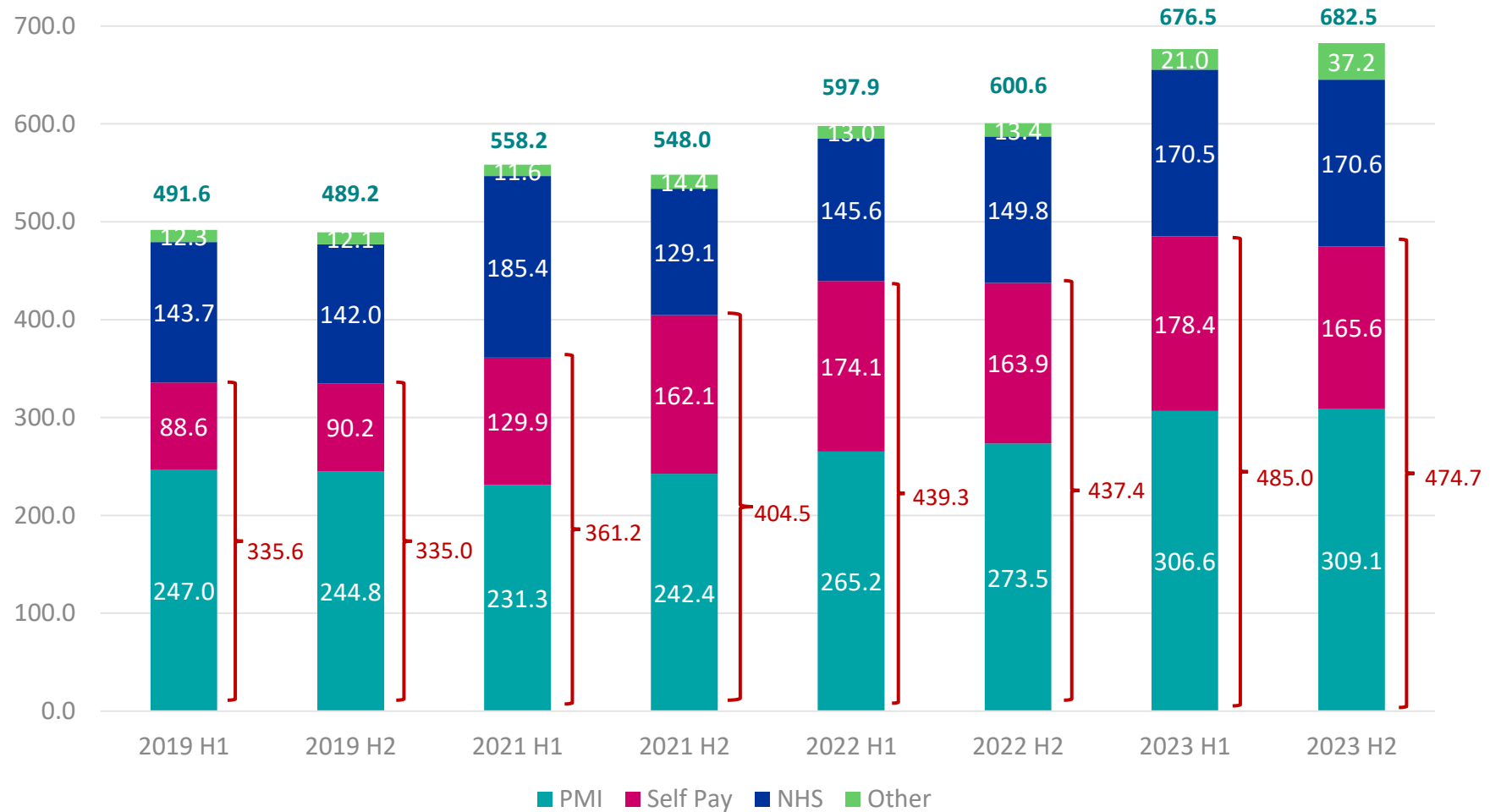
Technical guidance for 2024

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

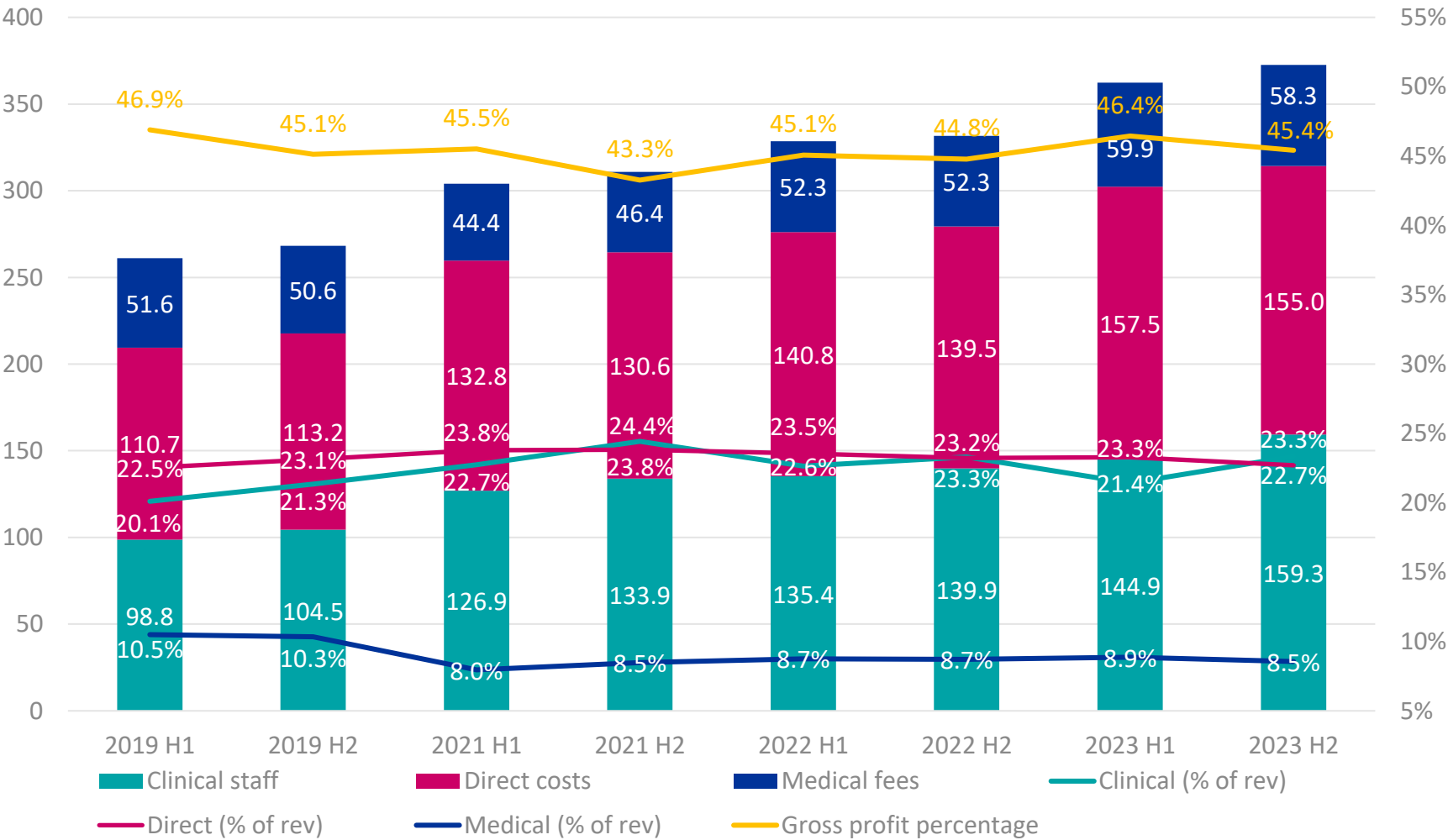
* Excludes Capex on clinics or adjacent propositions

** The tax effective rate is driven by the statutory rate of 25%, adjusted for disallowable items (eg non-qualifying depreciation) and movements on deferred tax (primarily in respect of IFRS 16 leases)

Revenue by Payor

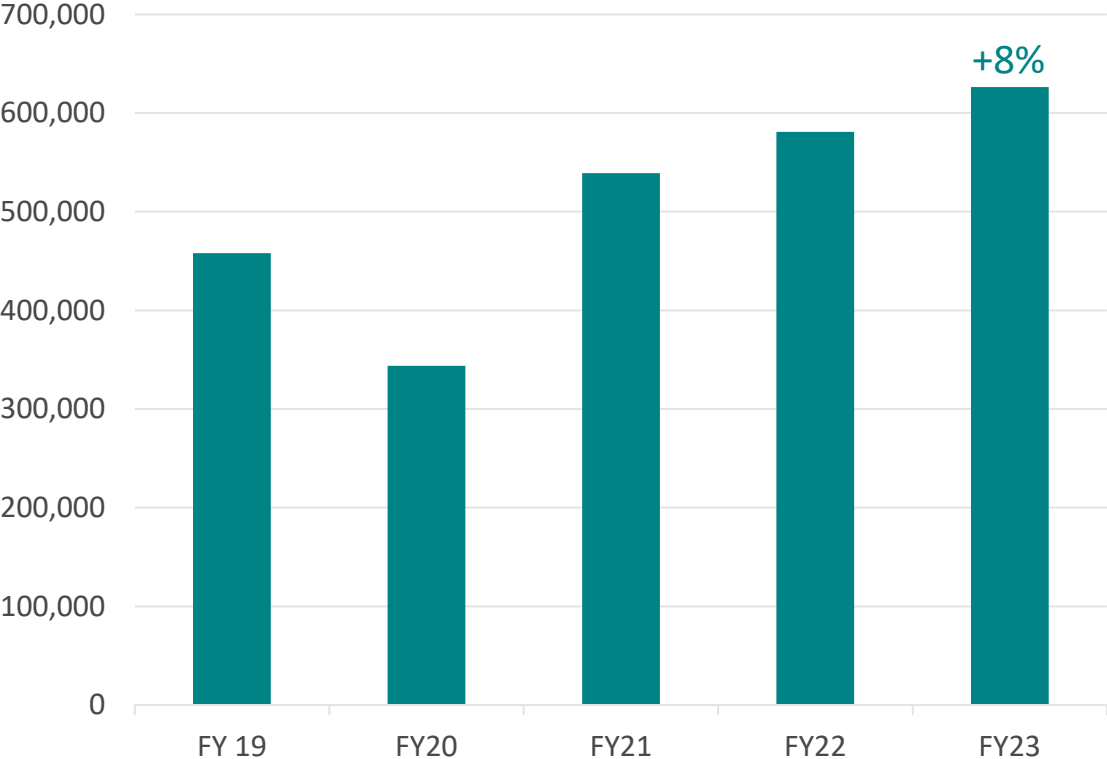


Cost of sales analysis

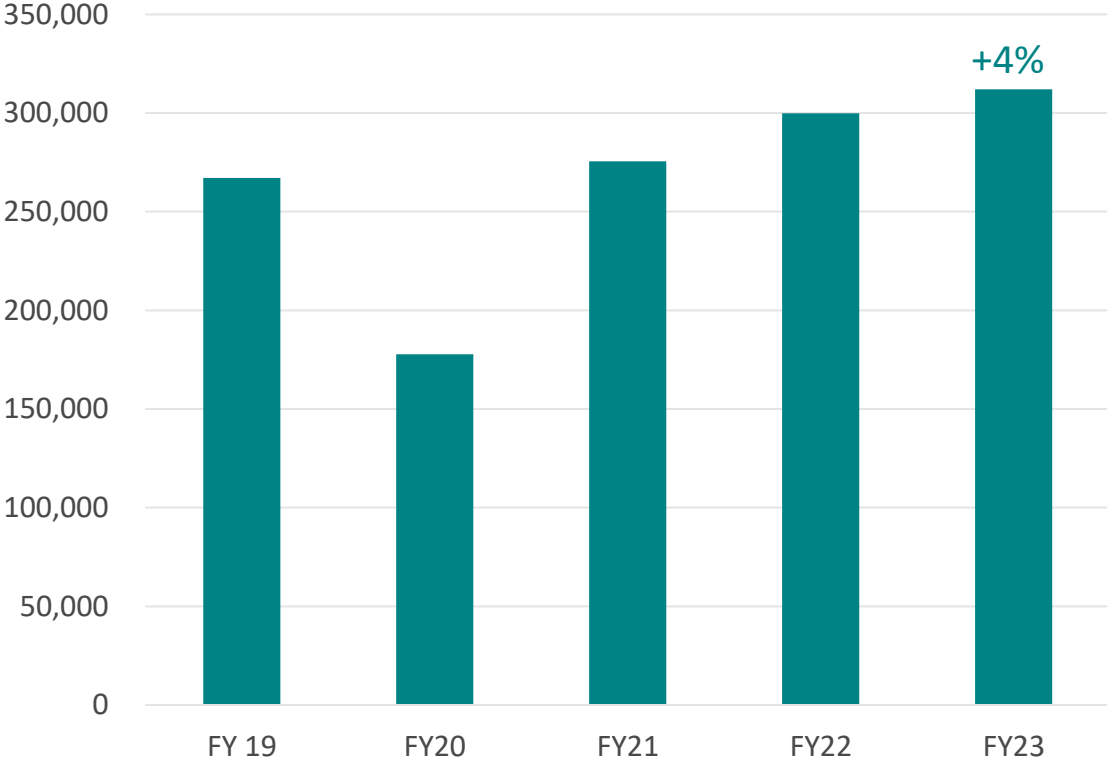


Private volumes – strong outpatient and procedures growth

New OP consultations



IPDC and OP procedures



Maintained higher ARPC – reflects pricing, private mix and acuity

	PMI				Self-pay				NHS			
	FY19	FY21	FY22	FY23	FY19	FY21	FY22	FY23	FY19	FY21	FY22	FY23
IPDC admissions ('000s)	121.6	104.9	118.2	130.6	47.6	63.7	69.5	63.9	92.0	75.0	75.1	82.2
ARPC (£)	2,533	2,686	2,756	2,896	2,884	3,683	3,955	4,356	2,434	2,731	3,129	3,392
ARPC YOY growth (%)				+5.1				+10.1				+8.4
Total revenue (£m)	491.8	473.7	538.7	615.7	178.8	292.0	338.0	344.0	285.7	314.5	295.4	341.2

Note: NHS ARPC is stated gross of consultant fees

Cash flow

£m	FY23	FY22	FY21	FY20	FY19
Cash from operating activities	231.1	196.7	172.4	160.0	184.9
Working capital movement	(15.5)	(15.0)	11.4	(3.9)	17.9
Capex	(84.4)	(87.7)	(67.0)	(46.3)	(60.2)
Proceeds from disposal of assets and other	0.4	3.7	88.9*	-	11.6
Acquisition cash outflow **	(73.2)	(11.3)	(14.7)	-	-
Financing activities	(82.9)	(214.7)	(94.7)	(97.9)	(110.0)
Tax	(0.1)	(0.1)	-	3.6	(1.1)
(Decrease)/Increase in cash	(24.6)	(128.4)	96.3	15.5	43.1
Opening cash balance	74.2	202.6	106.3	90.8	47.7
Closing cash balance	49.6	74.2	202.6	106.3	90.8

*Proceeds in 2021 relate to the sale and leaseback of Spire Cheshire and the sale of Spire Sussex. Proceeds in 2019 relates to the sale of Bristol and Baddow Specialist Cancer Centres.

**The costs of acquisitions relates to Vita Healthcare Group (previously Doctors Clinic Group and Claremont Hospital).

Cash and borrowings

£m	Dec 23	Dec 22	Dec 21	Dec 20
Bank borrowings	365.3	324.3	427.5	420.8
Cash	49.6	74.2	202.6	106.3
Net bank debt	315.7	250.1	224.9	314.5

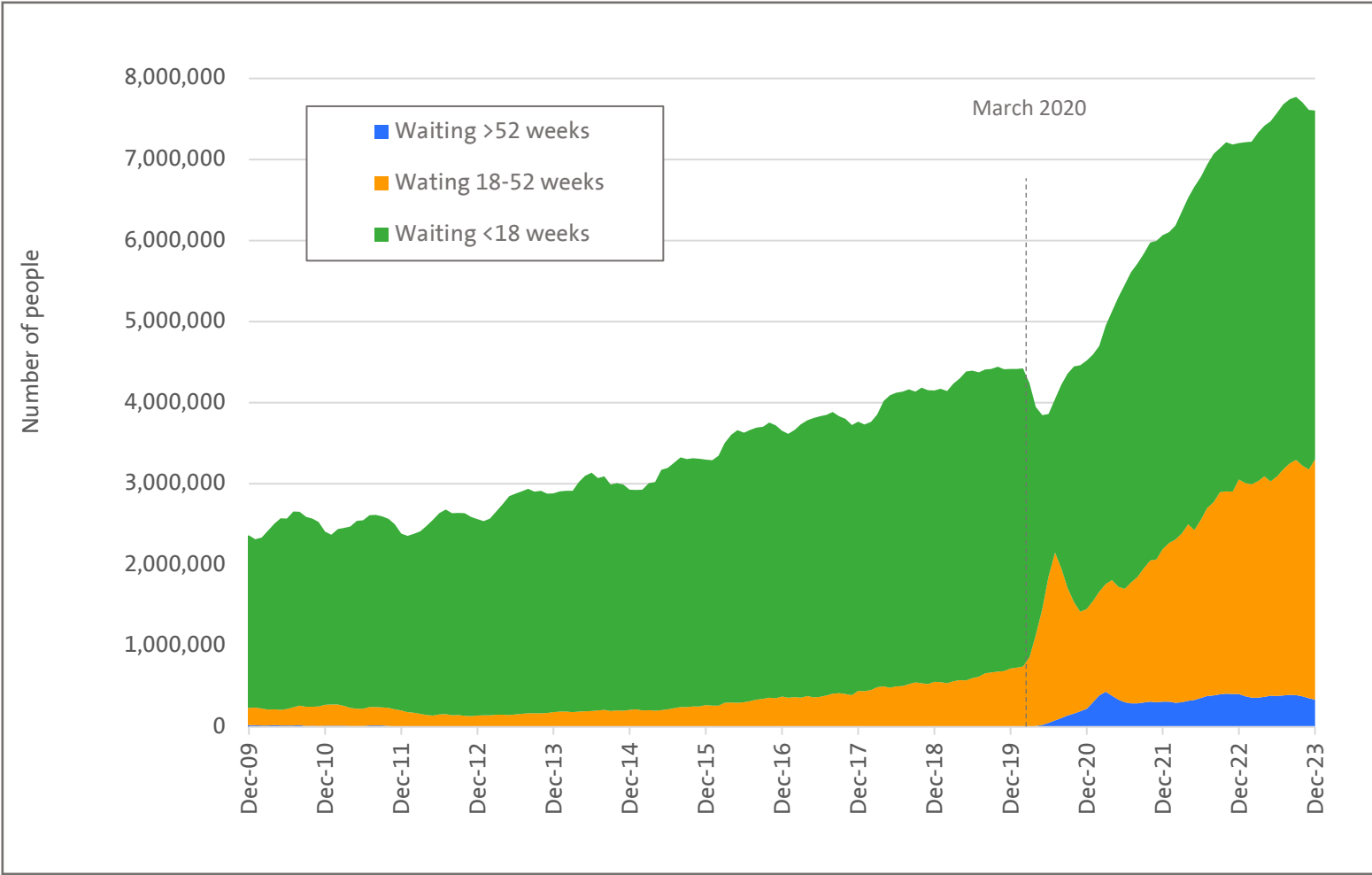
£m	Dec 23	Dec 22	Dec 21	Dec 20
Bank borrowings	365.3	324.3	427.5	420.8
Lease liabilities (under IFRS 16)	891.7	866.5	837.8	749.5
Total borrowings	1,257.0	1,190.8	1,265.3	1,170.3

Net bank debt and total debt under IFRS16

Net Bank Debt	2023 YE £m	2022 YE £m	2021 YE £m
Bank Debt (incl. paid fees and accrued interest)	365.3	324.3	427.5
<i>less</i> Cash	49.6	74.2	202.6
Net Bank Debt	315.7	250.1	224.9

Total Debt (IFRS 16)	2023 YE £m	2022 YE £m	2021 YE £m
Bank Debt (incl. paid fees and accrued interest)	365.3	324.3	427.5
<i>Plus</i> Lease Liabilities	891.7	866.5	837.8
Total IFRS 16 Debt	1,257.0	1,190.8	1,265.3
<i>Less</i> Cash	49.6	74.2	202.6
Net Total IFRS 16 Debt	1,207.4	1,116.6	1,062.7
Net Total Debt / EBITDA Ratio	5.2	5.5	5.9

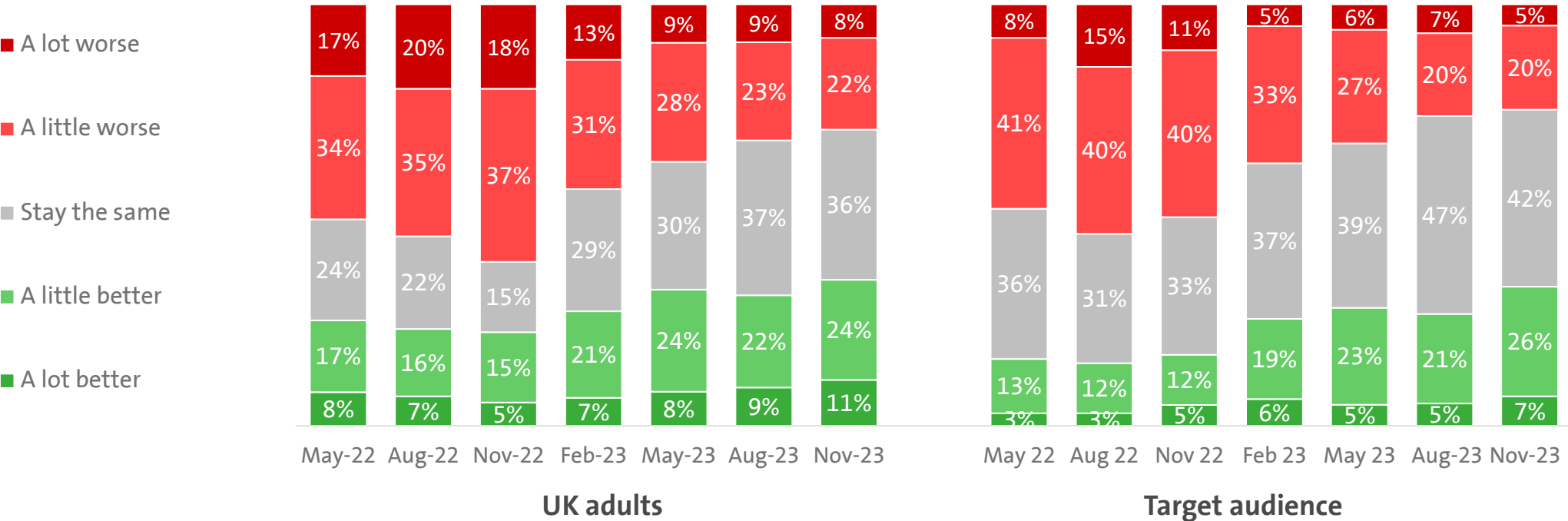
NHS waiting lists stood at 7.6 million pathways in December 2023



Source: NHS England: <https://www.england.nhs.uk/statistics/statistical-work-areas/rtt-waiting-times/>

More people now think things will be better financially in 12 months than think things will be worse – a big improvement on last year

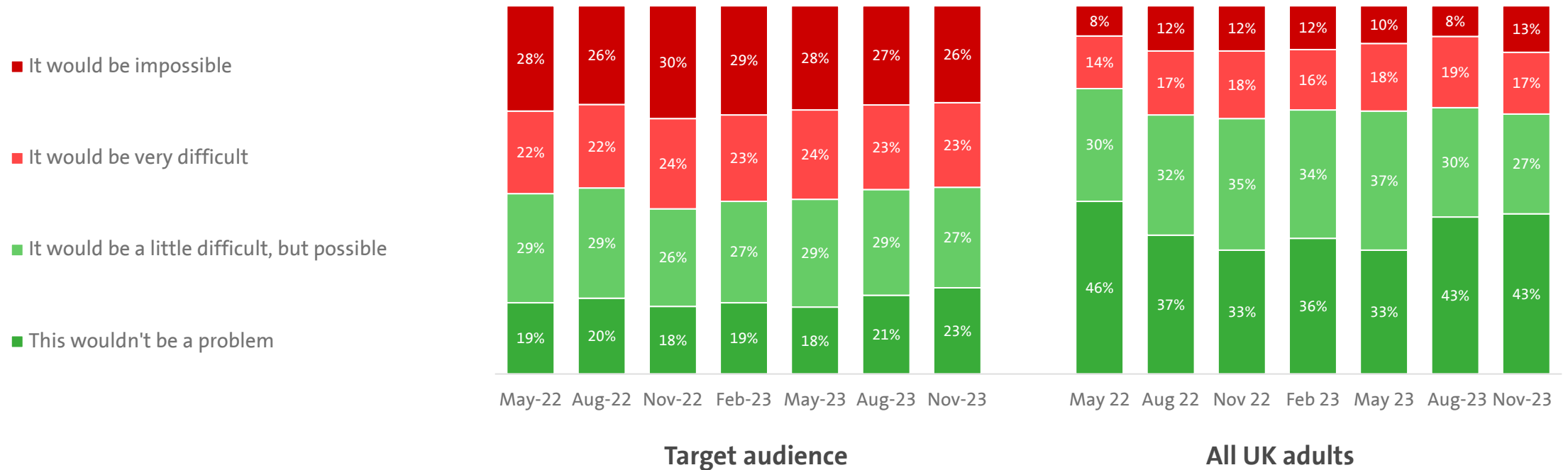
How do you expect the financial position of your household to change over the next 12 months?



UK adults and our target audience - ease of accessing £5k

How easily could you access £5,000 for medical treatment if you felt you really needed to?

- Target audience remains more resilient than the population at large



Source: Quarterly Omnibus Survey May 22 – August 23 amongst ~1,000 adults (range 1,000 – 1,021) representative of the UK population; ~250 adults (range 206 – 264) qualifying as Spire target audience
 Spire target audience: 35+, £50k household income OR retired and living comfortably

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

Site	Rating	Site	Rating	Site	Rating	Site	Rating
Alexandra ¹	Requires Improvement	Edinburgh/Shawfair [†]	Good	London East	Good	Thames Valley	Good
Brighton/Montefiore	Outstanding	Elland	Good	Manchester	Outstanding	Tunbridge Wells	Good
Bristol	Good	Fylde Coast	Good	Methley Park	Good	Washington	Good
Bushey	Good	Gatwick	Good	Norwich	Good	Wellesley	Good
Cambridge Lea	Good	Harpenden	Good	Nottingham	Outstanding	Wirral	Good
Cardiff*	Positive	Hartwood	Good	Parkway	Good	Yale*	Positive
Cheshire	Outstanding	Hull	Good	Portsmouth	Good		
Clare Park	Good	Leeds	Good	Regency	Good		
Claremont	Outstanding	Leicester	Good	South Bank	Good		
Dunedin	Good	Little Aston	Good	Southampton	Good		
Edinburgh/Murrayfield [†]	Exceptional	Liverpool	Good	St. Anthony's	Good		
Abergele Clinic*	Positive	Hesslewood Clinic	Good	LDC London Bridge	Good	Vita BSE	Good
Bushey Diagnostic Centre	Good	LDC Kings Cross	Good	Orth Team Centre	Good	Vita Pennine	Good

¹ Last inspected in 2016

* Healthcare Inspectorate Wales

† Healthcare Improvement Scotland