



# Providing Advanced Medical Technology

Inspiration Healthcare Group plc

Full Year Results Presentation – year ended 31 January 2020

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- A Medical Technology Company, founded in 2003, founders are still with the business
- Grown profitability over 16 years, cash generative
- FY2020 Revenue - £17.8m, 90 employees across 4 sites in the UK
- Global provider of neonatal intensive care and patient warming products
- Products sold to every NHS Neonatal Intensive Care Unit (NICU) approx. 200
- Actively selling products in over 50 countries through over 75 distributors
- Extensive management knowledge of the market
- Synergistic product ranges add value to customers



- Employees are essential workers – mostly working remotely, also keeping supply chain flowing
- £5m of adult ventilator orders
- Dependent on suppliers to deliver
- Consumable business continues to flow
- Some capital product sales may slow
- Limited access for Technical Support staff to visit hospitals
- Overall believed to be neutral to positive impact on outlook



## VENTILATOR CHALLENGE | UK

- Initially Inspiration was asked to join the VentilatorChallengeUK consortium as an expert adviser on clean sheet design
- Adding experience to the team in ventilators and user expectations
- Consortium changed remit to look at scaling existing production of small UK based manufacturers
- Inspiration maintained as an adviser
  - Bringing life support and ventilator experience from a UK market and user perspective
  - Trying to ensure ventilator specific issues are not missed
  - Helping provide some QA process support to aid maintain compliance of Quality Systems

Inspiration's remit developed further outside the VentilatorChallengeUK consortium:

- Contracted through Cabinet Office for expansion of Inspiration's 24/7 service
- For all challenge ventilators as well as Inspiration's imported ventilators

Become a global leader in neonatal intensive care equipment  
Targeting £100m revenue & c.15% EBITDA margin in the medium term

Continued organic  
growth from existing  
products in Core  
Business

Further investment in  
and development of  
Disruptive Technologies

Acquisition of small to  
medium sized assets  
and or technologies

Leverage  
Key Internal Strengths

Strong knowledge of market within management  
Track record of identifying and commercialising disruptive technologies  
Understanding of the regulatory landscape  
Relationships with Key Opinion Leaders  
Experienced management team with Subject Matter Experts in Medical Devices

# Highlights – year ended 31 January 2020



Made first acquisition  
- Viomedex



Successful Placing raising  
£4.25m



Winners of the 2019 Queen's  
Award for Enterprise  
(International Trade)



Patents granted for:  
Project Wave<sup>1</sup> and FirstBreatH



CE Mark for all Inspiration  
Healthcare products to  
May 2024



Launched specialist  
neonatal warming  
controller – C cosyTherm<sup>2</sup>



Shipped largest ever order for  
Patient Warming Systems



New markets:  
Large order for hypothermia  
workstations in Sri Lanka

<sup>1</sup> Project Wave Intellectual Property is used under licence

# First Acquisition:



## Summary:

- Acquired Vio Holdings Ltd ("Viomedex") on 24 September 2019, for a total consideration of £4m (£3m cash, £0.25m consideration shares plus £0.75m deferred consideration shares\*)
- Successfully raised £4.25 million via an oversubscribed placing
- Viomedex is a contract manufacturer and OEM supplier of single use medical devices focusing on neonatal intensive care

## Strategic Rationale:

- Improved margins on Inspiration Healthcare products by retaining sub-contract manufacturers' margins
- Broaden Inspiration Healthcare's product portfolio in neonatal intensive care
- Acquire manufacturing capability to assemble single-use medical devices

## Synergies:

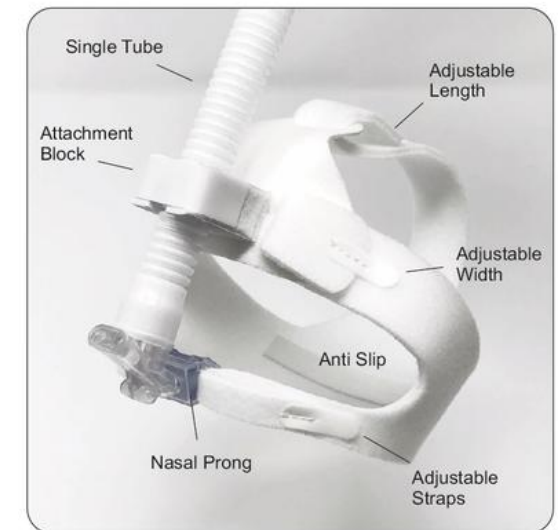
- Grow revenue of Target products, gain efficiencies in back office, invest for further growth

## Post Acquisition:

- Four months reported since acquisition performed in line with expectations
- Three patents granted for FirstBreath
- Integration progressing well

*\*Deferred consideration conditions not met at 31<sup>st</sup> January 2020*

## FirstBreath nCPAP





# Financial Highlights – YE January 2020\*



- 15% revenue growth to £17.8m, 12% revenue growth (excluding Viomedex) on a like-for-like basis - both above market expectations
- Sales of new products generated revenues of £2.7m<sup>1</sup>
- Viomedex<sup>2</sup> performed in line with expectations
- EBITDA<sup>3</sup> growth of 28% to £2.1m
- Operating Profit of £1.5m (before exceptional items) exceeded forecast
- Strong cash position at £4.5m (no debt)

\* All figures quoted in this presentation include the impact of Viomedex unless otherwise stated.

<sup>1</sup> Products launched in the during the last three years

<sup>2</sup> On 24 September 2019 the Group acquired the entire issued share capital of Vio Holdings Limited, the holding company of Viomedex Limited

<sup>3</sup> Earnings before interest, tax, depreciation, amortisation, share based payments and exceptional items on a basis consistent with prior year before applying IFRS 16, leases

# Financial KPI's – YE January 2020



- Group revenues:
  - Inspiration Branded Revenue: £8.1m, growth of 12%
  - International Sales: £6.0m, growth of 12%
- Gross margin: 48.2% (2019: 45.5%) from improved product mix and benefit of Viomedex acquisition
- EBITDA<sup>1</sup> margin: 11.9% up from 10.6%, due to improved GP and control of cash-based overheads
- Underlying EPS<sup>2</sup> increased 6% to 3.62 pence (2019: 3.40 pence)
- Investment in R&D 4% of revenue (2019: 4%)

<sup>1</sup> Earnings before interest, tax, depreciation, amortisation, share based payments and exceptional items on a basis consistent with prior year before applying IFRS 16, leases

<sup>2</sup> Adjusted to exclude exceptional items, one-off deferred tax charges and significant prior year tax amendments

# Consolidated Income Statement



	<i>FY2019</i> <i>£'000</i>	<i>FY2020</i> <i>£'000</i>	<i>Comments</i>
Revenue	15,487	17,775	<ul style="list-style-type: none"> <li>15% growth including Viomedex. 12% growth like for like basis</li> </ul>
Gross Profit	7,042	8,572	<ul style="list-style-type: none"> <li>Increased 22%</li> </ul>
<i>gross profit margin</i>	45.5%	48.2%	<ul style="list-style-type: none"> <li>Increase in GP% due to Viomedex acq'n and higher service revenue</li> </ul>
EBITDA <sup>1</sup> pre IFRS 16 – lease adjustment	1,648	2,113	<ul style="list-style-type: none"> <li>Growth of 28%</li> </ul>
<i>EBITDA margin</i>	10.6%	11.9%	
IFRS 16 – lease adjustment	-	159	
EBITDA <sup>1</sup> post IFRS 16 – lease adjustment	1,648	2,272	<ul style="list-style-type: none"> <li>Growth of 38%</li> </ul>
<i>EBITDA margin</i>	10.6%	12.8%	
Operating profit pre exceptional items	1,213	1,521	<ul style="list-style-type: none"> <li>Growth of 25%</li> </ul>
Exceptional items	-	-383	<ul style="list-style-type: none"> <li>£0.2m acq'n of Vio &amp; £0.1m impairment of the investment</li> </ul>
Operating profit post exceptional items	1,213	1,138	
Profit before tax	1,219	1,126	
Taxation	-116	-393	<ul style="list-style-type: none"> <li>One-time charge on Vio acq'n</li> </ul>
Profit after tax	1,103	733	<ul style="list-style-type: none"> <li>Decrease due to share issue for Vio acq'n and one-off deferred tax</li> </ul>

Extracted from the unaudited financial statements for the year ended 31 January 2020

1 Earnings Before interest, tax, depreciation, amortisation, share based payments and exceptional items – before/after IFRS 16

# Consolidated Cash Flow



	<i>FY2019</i>	<i>FY2020</i>	<i>Comments</i>
	<i>£'000</i>	<i>£'000</i>	
Cash generated from operations	995	1,616	← EBITDA increase
Interest paid	-	-21	← IFRS 16 – leases adjustment
Taxation received	-	104	
Taxation paid	-147	-235	
<b>Net cash generated from operating activities</b>	<b>848</b>	<b>1,464</b>	
<b>Cash flows from investing activities:</b>			
Payment for acquisition of subsidiary	-	-3,000	← Acq'n of Viomedex. £3.25m total split £3m cash and £0.25m shares
Interest received	6	9	
Capex – capitalised development costs	-276	-192	
Capex – PP&E and other intangibles	-125	-187	
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares	-	4,246	← Viomedex fund raise
Share issue costs	-	-250	
Principle elements of lease payments	-	-149	← IFRS 16 – leases adjustment
<b>Net increase in cash and cash equivalents</b>	<b>453</b>	<b>1,941</b>	
<b>Cash and cash equivalents at the year end</b>	<b>2,539</b>	<b>4,480</b>	

Extracted from the unaudited financial statements for the year ended 31 January 2020

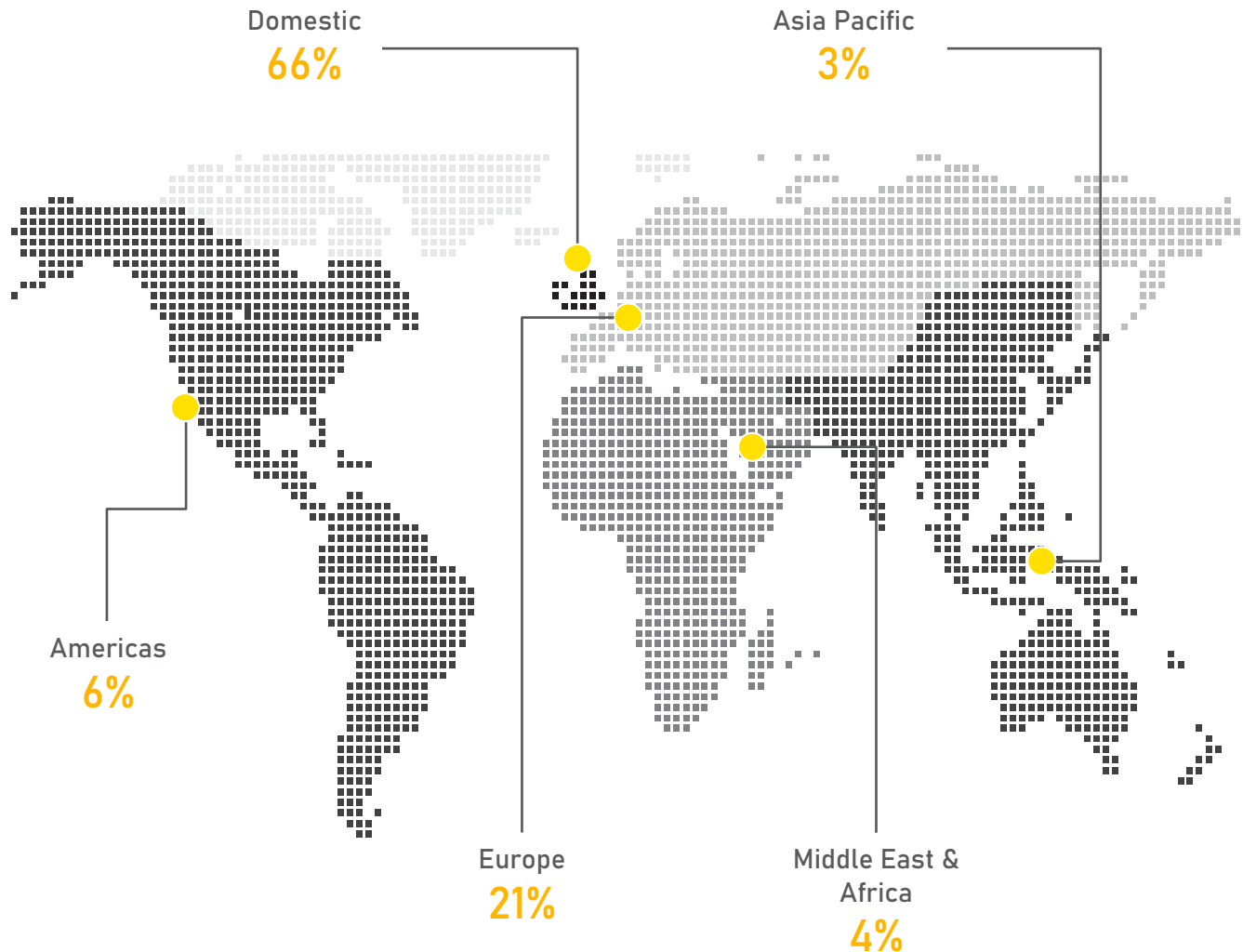
# Consolidated Balance Sheet



	<i>31 January 2019 £'000</i>	<i>31 January 2020 £'000</i>	<i>Comments</i>
Goodwill	-	2,021	← Acq'n of Viomedex
Intangible assets acquired	-	449	← Acq'n of Viomedex
Intangible assets	1,293	1,185	
PPE	408	496	
Right of use assets	-	553	← IFRS 16 – leases adj.
Investments	111	-	← NPXe Impairment
<b>Total non-current assets</b>	<b>1,812</b>	<b>4,704</b>	
Cash	2,539	4,480	
Working capital	1,287	2,760	← £ 0.7m increase due to acq'n of Vio. £1m increase in trade debtors due to increase in sales and £0.1m decrease due to IFRS 16 – lease adj.
Non-current liabilities	-105	-1,395	← £0.4 increase due to IFRS 16 – leases adj. and £0.7m increase in 2 year supply of Tecotherm product
<b>Net Assets</b>	<b>5,533</b>	<b>10,549</b>	

Extracted from the unaudited financial statements for the year ended 31 January 2020

# Revenue Breakdown – Geography



## Distribution Partners

- Direct sales in UK and Ireland (“Domestic”)
  - NHS Trusts
  - Private healthcare providers
- Distribution network covering over 50 countries
- Strong growth in Europe in FY2020
- 18 distributors > £100k accounting for 70% of international revenue
- Top 50 distributors account for 91% of international revenue
- No one distributor accounts for more than 5% of total revenue

# Revenue Breakdown – Sector and Ownership

## Market Sector

### Critical Care



64%  
£11.4m

### Operating Theatre



10%  
£1.7m

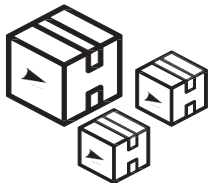
### Home Healthcare



26%  
£4.6m

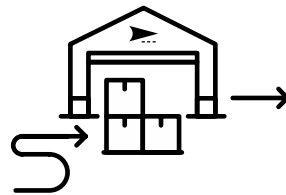
## Product Ownership

### Branded Products



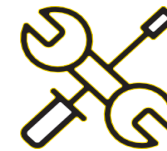
45%  
£8.1m

### Distributed Products



43%  
£7.6m

### Technical Support



11%  
£1.9m

Excludes other revenue 1%, £0.2m

- Critical Care
  - Large order for PWS in Poland
  - Large Order in Sri Lanka
  - Supply difficulties for one distributed product due to OEM regulatory delays
  
- Operating Theatre
  - Slower than planned re-energising of distribution network
  
- Home Healthcare:
  - Investment in customer facing resources
  - Regulatory problems for a 'feed' manufacturer
  - Novel solution approved by Dept Health and Social Care
  - Maintain consumable market penetration



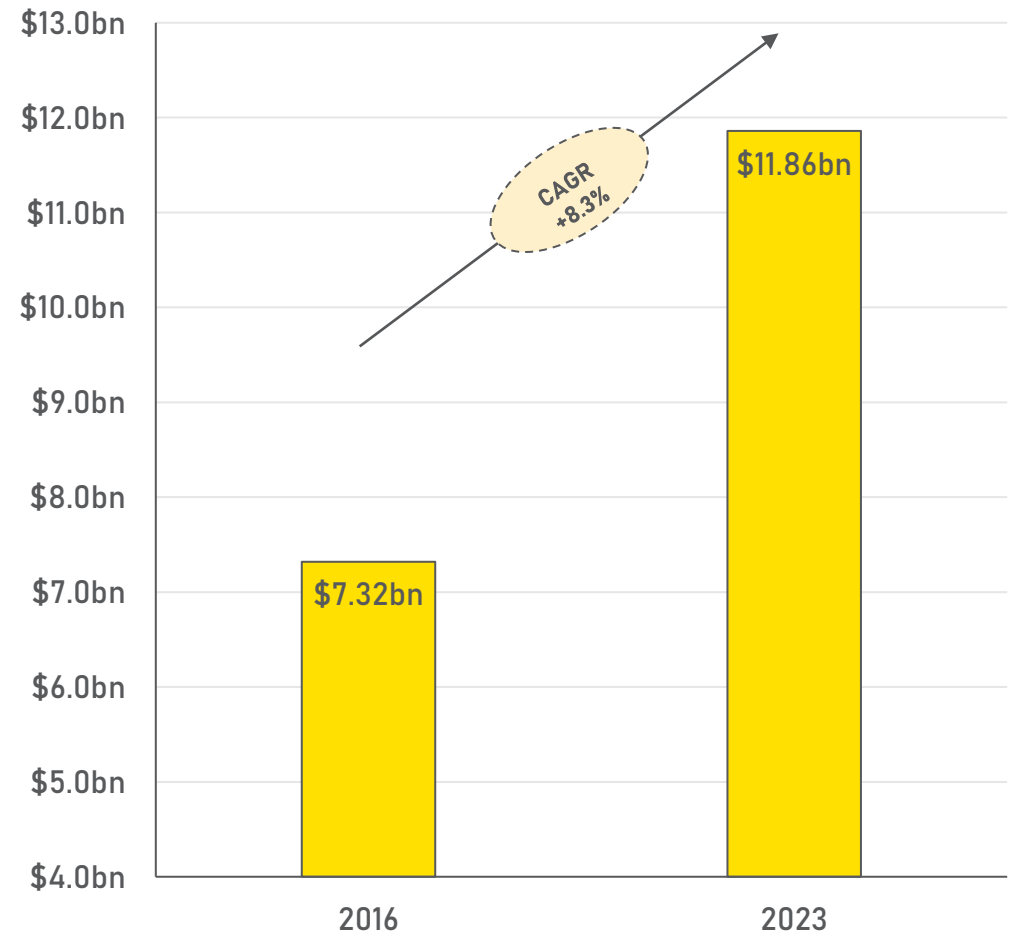
# Our Market Opportunity - Neonatal

## Key Stats

- Every year, an estimated 15 million babies are born preterm<sup>1</sup> and this number is rising<sup>3</sup>
- Preterm birth complications are responsible for approximately 1m deaths in 2015 – the largest cause of mortality in infants under 5 (18%)<sup>3</sup>
- Across 184 countries, the rate of preterm birth ranges from 5% to 18% of babies born, of which 10% require resuscitation at birth<sup>3</sup>
- Typical preterm babies cost approximately £1,500 per day in NICU in developed world
- 4.2% of preterm babies are born in Europe and 3.3% born in North America<sup>4</sup>
- Global Market for Neonatal Medical Equipment: \$11.86bn by 2023<sup>2</sup>

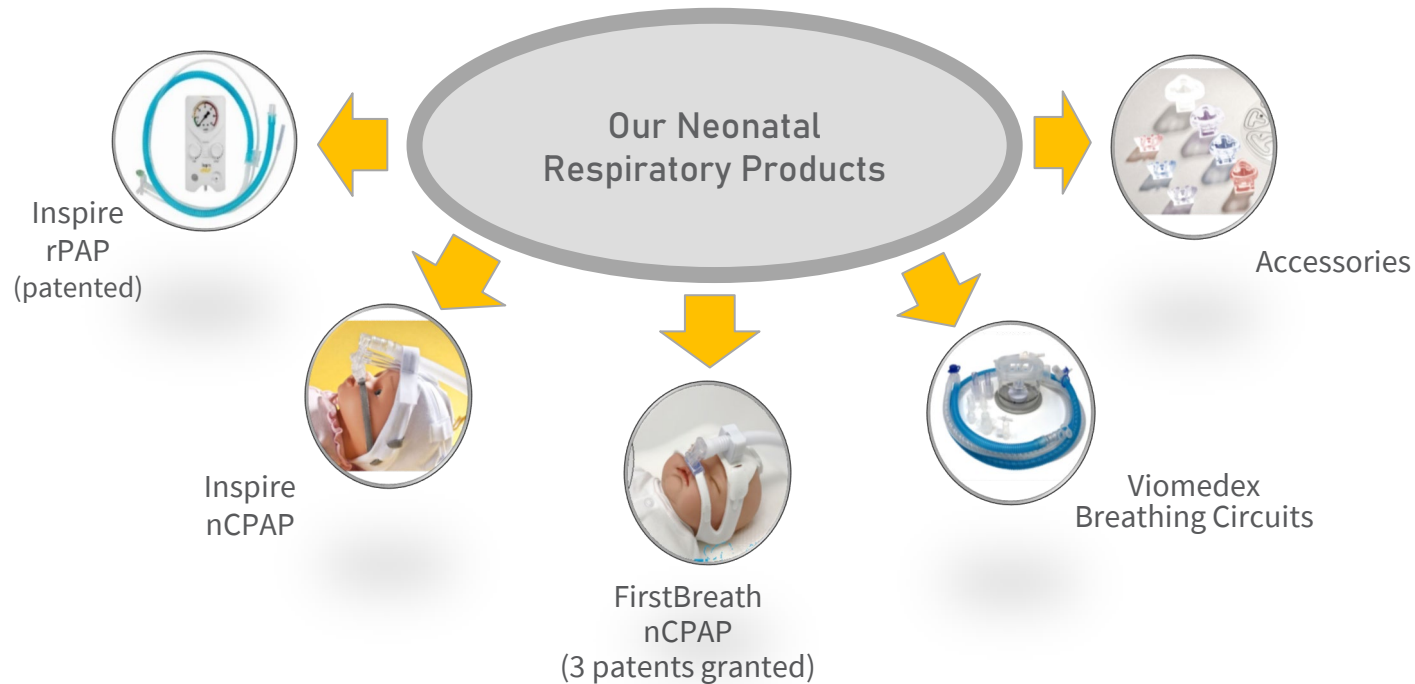
Sources: (1) Before 37 completed weeks of gestation  
(2) Statistics MRC – March 2017  
(3) Global, regional, and national causes of under-5 mortality in 2000-15 – Liu L et al 2016  
(4) Global, Regional & National estimates of levels of preterm birth 2014 – Chawanpaiboon et al 2019

## Global Fetal & Neonatal Care Equipment Market<sup>2</sup>



## Neonatal Intensive Care Respiratory Devices Market:

US\$1.4bn → US\$2.15bn between 2019 and 2027\*

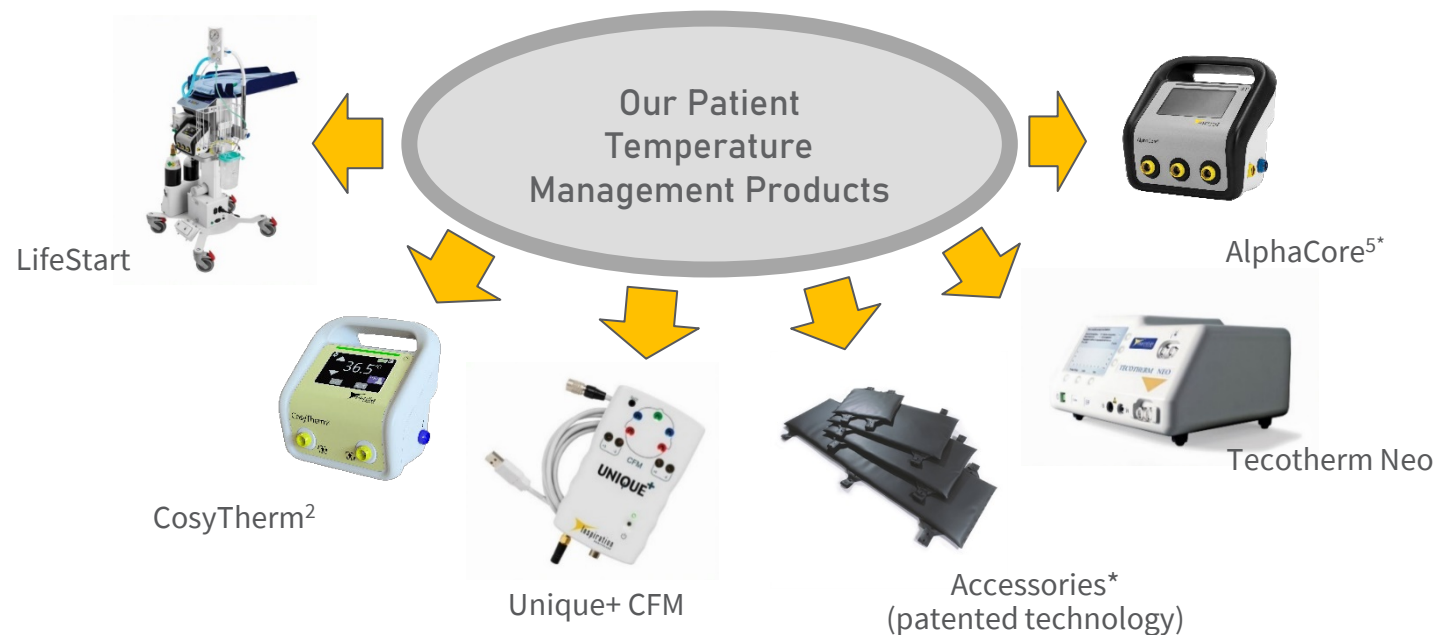


## Disruptive Technology Development: Project Wave

\* Source: Credence Research June 2019

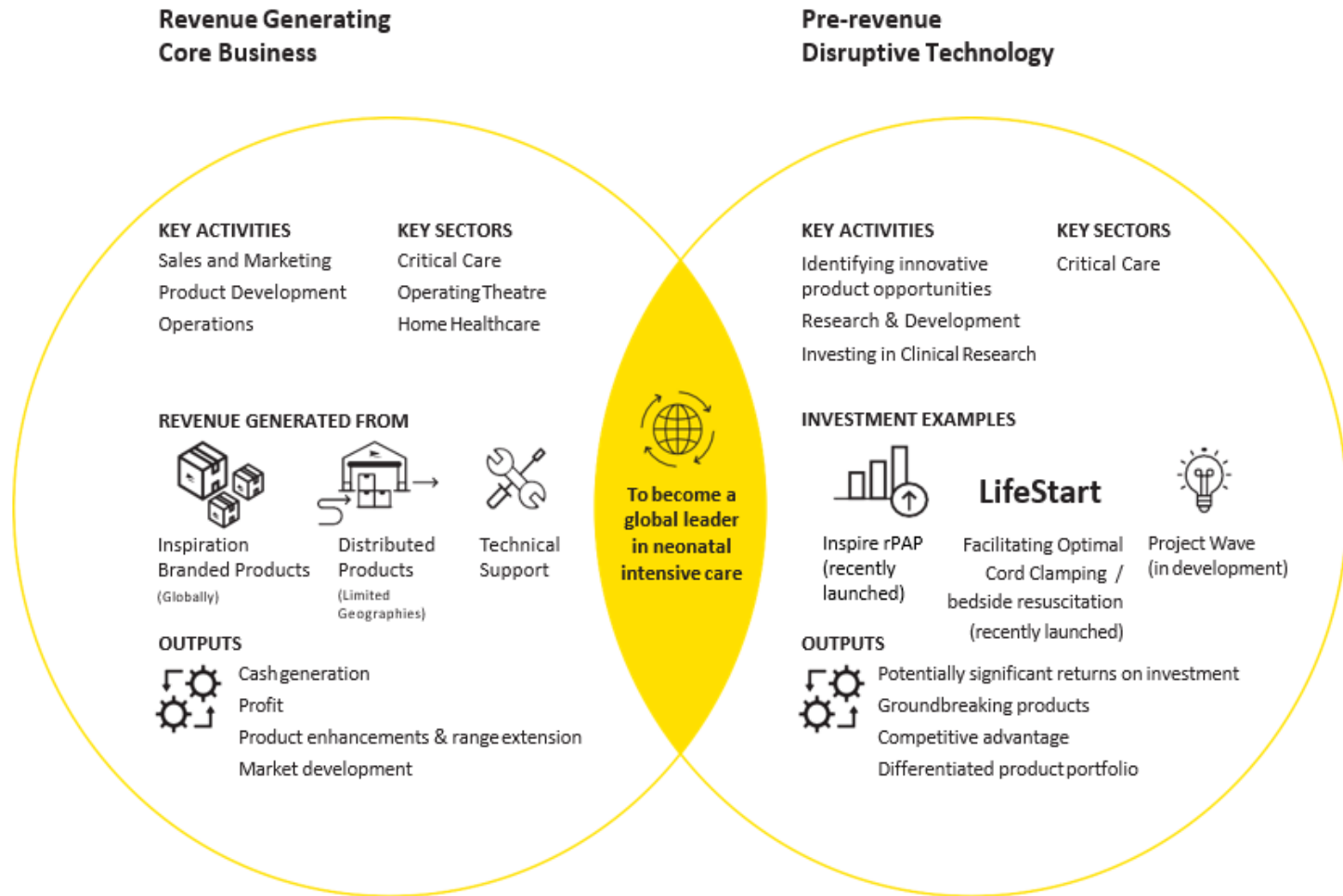
## Patient Temperature Management Market:

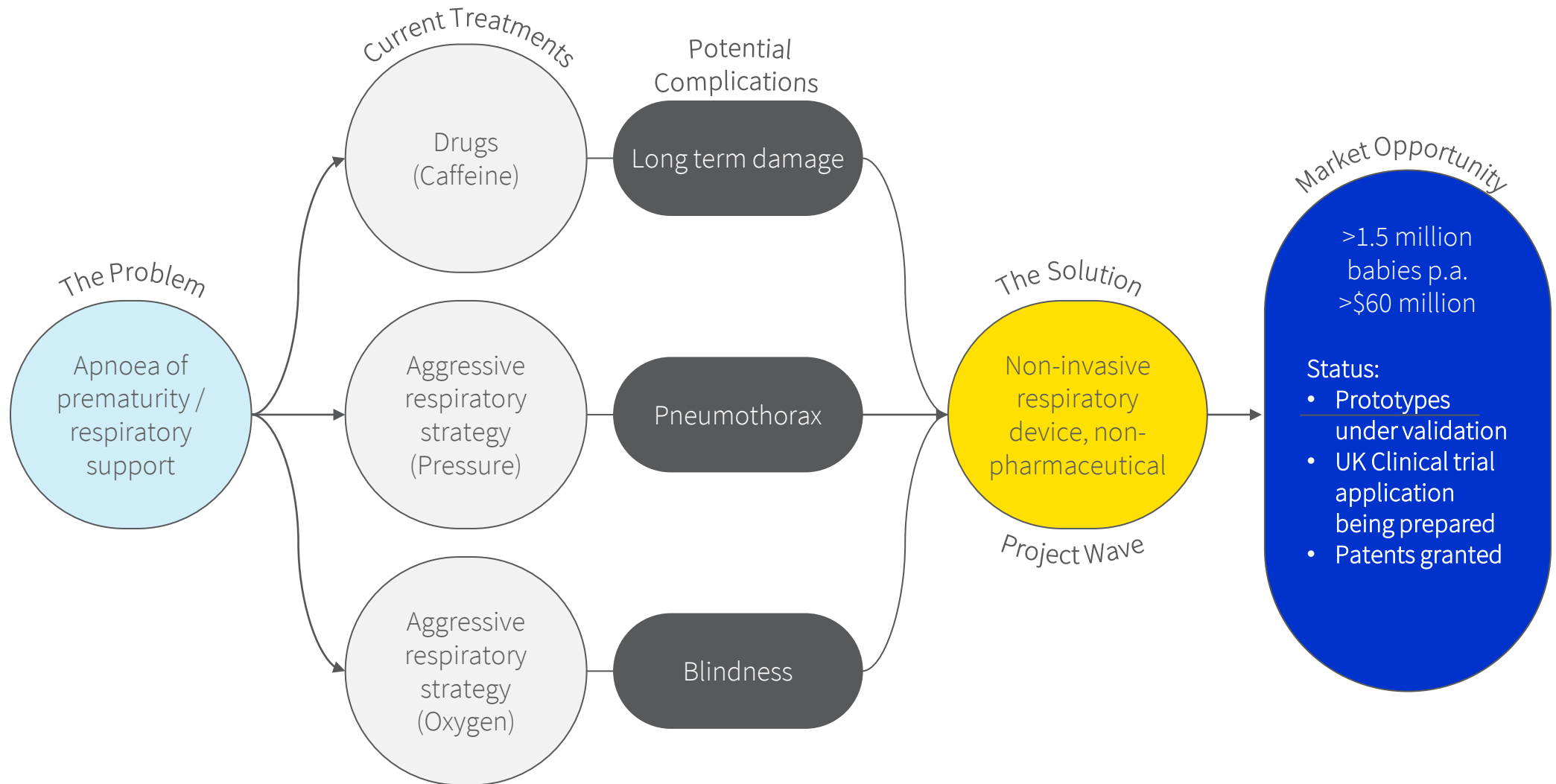
US\$2.6bn → US\$4.7bn between 2019 and 2026\*\*



\* Neonatal & Adult Applications \*\* Source: Grand View Research June 2019

# Our Business Model





Become a global leader in neonatal intensive care equipment  
Targeting £100m revenue & c.15% EBITDA margin in the medium term

Continued organic  
growth from existing  
products in Core  
Business

Further investment in  
and development of  
Disruptive Technologies

Acquisition of small to  
medium sized assets  
and or technologies

- Significant progress made in organic growth FY20
- Strengthened our IP
- Completed first acquisition with ambitions for more
- Strong cash position £4.5m



Robust business expected to withstand Covid-19 impacts

# 1 Appendix



## Ideal Target – Number identified

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### Transformational

- Greater than £10m revenue
  - Established Technology / Brand
  - Neonatal
- 

### Synergistic Products

- Additive to range
  - Add to value proposition
- 

### Route to Market

- Broadens distribution network
  - Direct Sales team
- 

### Other benefits

- Add core competency (i.e. manufacturing)
- Increase expertise

## Considered & Opportunistic

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### Incremental – cash / debt

- Typically less than £5m
  - Novel Technology / Distribution
  - Neonatal / Operating Theatre
- 

### Synergistic Products

- Need development / investment
- 

### Route to Market

- Direct Sales team in key market
  - Use existing channels
- 

### Other benefits

- Securing IP