

# Interim Results Presentation

Period ended 31 July 2021

## Inspiration Healthcare Group plc

Innovate | Create | Inspire

Neil Campbell – CEO

Jon Ballard – CFO

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# About Us



# About Us



Product groups with Patents granted



British Based Medical Technology  
Company

50,000 sq ft  
across 5 UK sites



Infrastructure

200+



Staff

80+ Countries



Global Sales Reach

30+ staff  
6%+ targeted spend



R&D

# Operational Highlights

to 31st July 2021

- Integration of SLE Ltd in line with operational strategies
- Synergies and cross selling opportunities being realised
- Secured new regulatory approvals for key products (SLE6000) in China and Japan
- The Queens Award for Enterprise for Innovation was awarded to SLE Ltd for the Oxygenie product
- The Project WAVE study has recruited its first patient in Brighton and Sussex NHS Trust
- Increased expenditure in R&D to accelerate new product launch
- Renewed the Micrel SA UK and Ireland distribution agreement
- Good progress on AlphaCore range

# Financial Highlights

to 31st July 2021

- Total Group Revenue £20.9m, an increase of 47% compared to the same financial period last year
- Gross Margin up to 52.5% from 51.4%
- EBITDA<sup>1</sup> growth of 42% to £3.6m, margin of 17.3%
- Operating Profit growth of 140% to £2.6m
- Underlying diluted EPS<sup>2</sup> decreased to 3.7 pence (2020: 4.3 pence)
- Period end net cash of £8.6m, no debt. Undrawn £5m RCF available.
- Interim dividend increase of 2.5% to 0.205p per share

*1 Earnings before interest, tax, depreciation, amortisation, share based payments and non trading items*

*2 Adjusted to exclude £0.3m acquired intangible asset amortisation and £nil of non trading items (2020: £nil and £1.0m respectively)*

# Consolidated Income Statement

|  | PE July 2021<br>£'000 | PE July 2020<br>£'000 | FY 2021<br>£'000 | Comments   |
|--|-----------------------|-----------------------|------------------|--|
| <b>Revenue</b>                               | <b>20,893</b>         | <b>14,218</b>         | <b>36,980</b>    | <ul style="list-style-type: none"> <li>Increased by 47%, benefiting from a full 6 months of SLE.</li> </ul>  |
| <b>Gross Profit</b>                          | <b>10,961</b>         | <b>7,302</b>          | <b>18,022</b>    | <ul style="list-style-type: none"> <li>Increased by 50%.</li> </ul>  |
| <i>Gross profit margin</i>                   | 52.5%                 | 51.4%                 | 48.7%            | <ul style="list-style-type: none"> <li>Improved margin primarily due to increase revenue from branded product benefiting from a full 6 months of SLE.</li> </ul>   |
| <i>Admin. expenses pre non trading items</i> | -8,363                | -5,180                | -13,764          | <ul style="list-style-type: none"> <li>Admin expenses increased 61% as a result of both a full 6 months of SLE c. £2.7m and acquired intangible and right of use asset amortisation c. £0.5m.</li> </ul> |
| Adjusted operating profit                    | <b>2,598</b>          | <b>2,122</b>          | <b>4,258</b>     |  |
| Non trading items                            | -                     | -1,040                | -1,014           |  |
| Operating profit                             | <b>2,598</b>          | <b>1,082</b>          | <b>3,244</b>     |  |
| Net finance expense                          | -98                   | -8                    | -111             | <ul style="list-style-type: none"> <li>Increase due to a IFRS 16 leases and full 6 months chargeable in relation to the arranged RCF facility.</li> </ul>  |
| Profit before tax                            | 2,500                 | 1,074                 | 3,133            |  |
| Income tax                                   | -289                  | -287                  | -318             |  |
| <b>Profit after tax</b>                      | <b>2,211</b>          | <b>787</b>            | <b>2,815</b>     | <ul style="list-style-type: none"> <li>Increased 180%.</li> </ul>  |
| <b>Adjusted EBITDA<sup>1</sup></b>           | <b>3,617</b>          | <b>2,548</b>          | <b>5,611</b>     | <ul style="list-style-type: none"> <li>Increased by 41%.</li> </ul>  |
| <i>Adjusted EBITDA margin</i>                | 17.3%                 | 17.9%                 | 15.2%            |  |

Extracted from the unaudited financial statements for the period ended 31 July 2021

<sup>1</sup> Earnings Before interest, tax, depreciation, amortisation, share based payments and non-trading items

# Consolidated Balance Sheet

|   | <i>PE July 2021</i> | <i>PE July 2020</i> | <i>FY 2021</i> | <b>Comments</b>   |
|---|---------------------|---------------------|----------------|---|
|   | <i>£'000</i>        | <i>£'000</i>        | <i>£'000</i>   |   |
| Intangible assets                         | 16,364              | 15,818              | 15,206         | <ul style="list-style-type: none"> <li>• Increase of £0.5m compared to PE July 2020 primarily due to increased spend on development costs and other intangibles offset by amortisation. Consists of c. £13m goodwill and acquired intangibles plus £3m net book value of development costs.</li> </ul>  |
| PPE                                       | 1,174               | 811                 | 919            |   |
| Right of use asset                        | 3,031               | 482                 | 3,102          |   |
| <b>Total non-current assets</b>           | <b>20,569</b>       | <b>17,111</b>       | <b>19,227</b>  |   |
| Net Cash                                  | 8,608               | 6,163               | 10,653         | <ul style="list-style-type: none"> <li>• £8.6m cash, no debt. £5m RCF facility available currently undrawn.</li> <li>• Reduction £4.3m compared to PE July 2020 due to decrease in inventories of c. £2.3m as a result of improved management/CV19 plus a decrease of trade and other receivables of c. £2m primarily as a result of non recurring CV19 transactions.</li> <li>• Decrease due to a reduction of trade payables and contract liabilities, primarily as a result of non recurring CV19 transactions, off set in part by inclusion of IFRS 16 lease liabilities and deferred tax liability as a result of the acquisition of SLE.</li> </ul> |
| Other current assets                      | 14,367              | 18,665              | 13,353         |   |
| <b>Total liabilities excl. borrowings</b> | <b>-9,883</b>       | <b>-12,199</b>      | <b>-11,657</b> |   |
| <b>Net assets</b>                         | <b>33,661</b>       | <b>29,740</b>       | <b>31,576</b>  |   |

Extracted from the unaudited financial statements for the period ended 31 July 2021

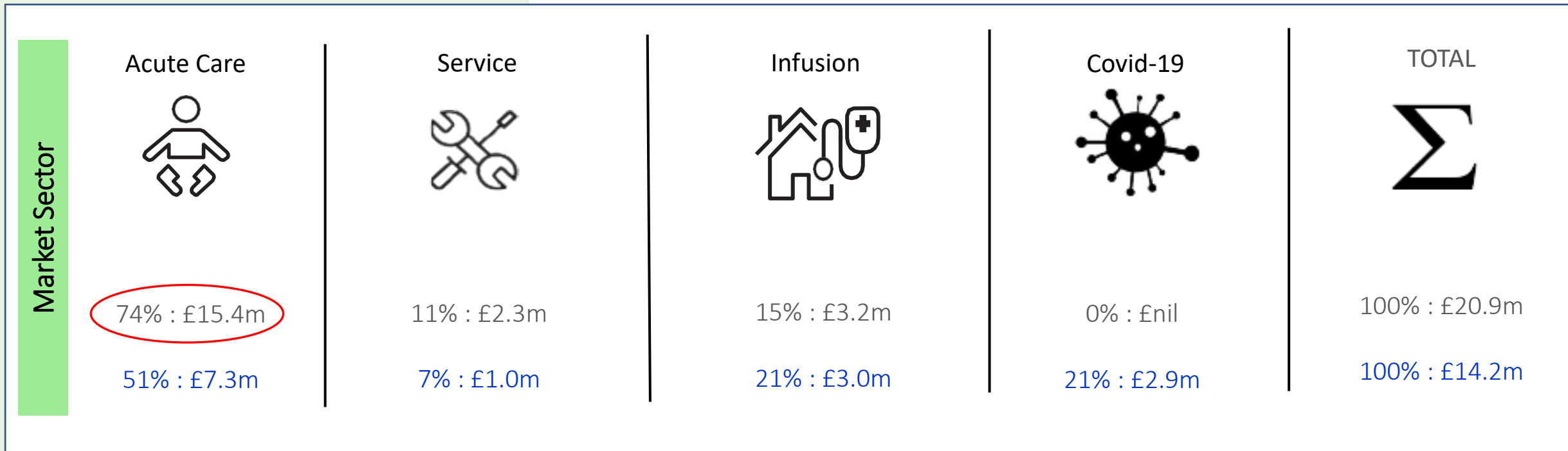


# Consolidated Cash Flow

|  | PE July 2021<br>£'000 | PE July 2020<br>£'000 | FY 2021<br>£'000 | Comments  |
|--|-----------------------|-----------------------|------------------|---|
| Cash generated from operations                       | 1,057                 | 2,242                 | 4,944            | • Decrease compared to FY 2021 due to an increase in trade debtors as a result of revenue timing. |
| Taxation paid  | -398                  | -114                  | -209             |   |
| Net cash generated from operating activities         | 659                   | 2,128                 | 4,735            |   |
| Cash flows from investing activities:                |                       |                       |                  |   |
| Payment for acquisition of subsidiary                | -                     | -16,200               | -19,457          | • Increased investment in R&D accelerating new product development programme.                     |
| Cash acquired through business combinations          | -                     | -                     | 6,314            |   |
| Interest received                                    | -                     | 2                     | 3                |   |
| Capex – capitalised development costs                | -1,379                | -87                   | -614             | • Final FY 2021 dividend paid at 0.4p per share. Total FY 2021 dividend 0.6p per share.           |
| Capex – PP&E and other intangibles                   | -734                  | -75                   | -306             |   |
| Cash flows from financing activities:                |                       |                       |                  |   |
| Proceeds from issue of shares                        | -                     | 16,967                | 16,967           | • Final FY 2021 dividend paid at 0.4p per share. Total FY 2021 dividend 0.6p per share.           |
| Share issue costs                                    | -                     | -957                  | -957             |   |
| Principle elements of lease payments                 | -221                  | -85                   | -262             |   |
| Interest paid  | -98                   | -10                   | -114             |   |
| Dividends paid                                       | -272                  | -                     | -136             |   |
| Proceeds from borrowings                             | -                     | 1,500                 | -                |   |
| Net (decrease)/increase in cash and cash equivalents | -2,045                | 3,183                 | 6,173            |   |
| Cash and cash equivalents at the year end            | 8,608                 | 7,663                 | 10,653           |   |

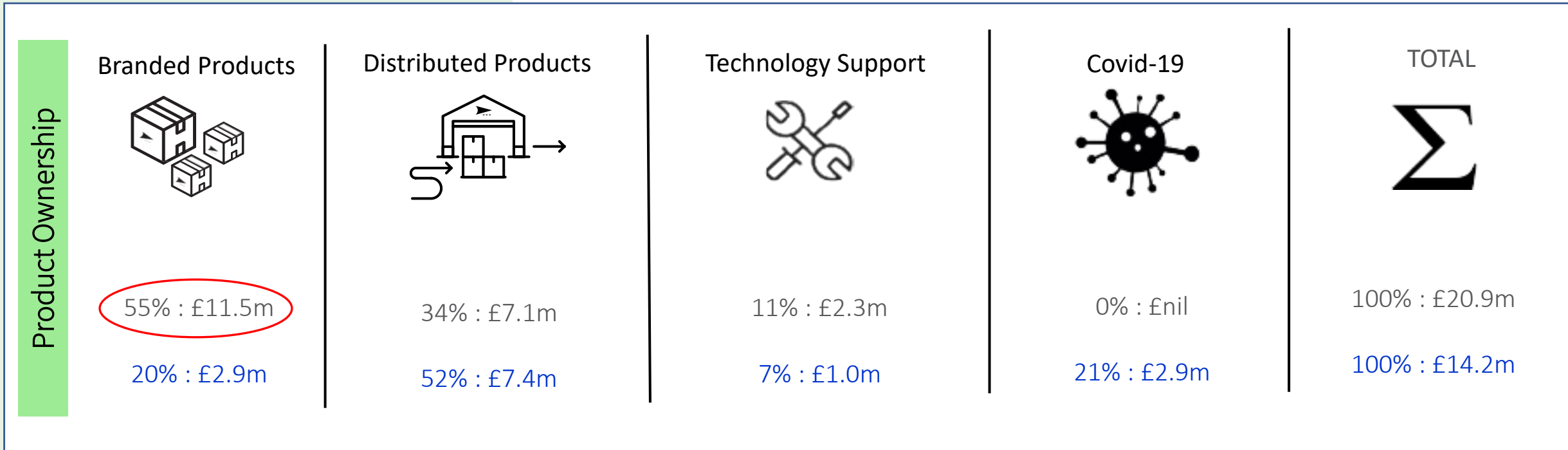
Extracted from the unaudited financial statements for the period ended 31 July 2021

# Revenue Breakdown – Sector



Figures reported in GREY = PE 31 July 2021 Group Revenue  
 Figures reported in BLUE = PE 31 July 2020 Group Revenue

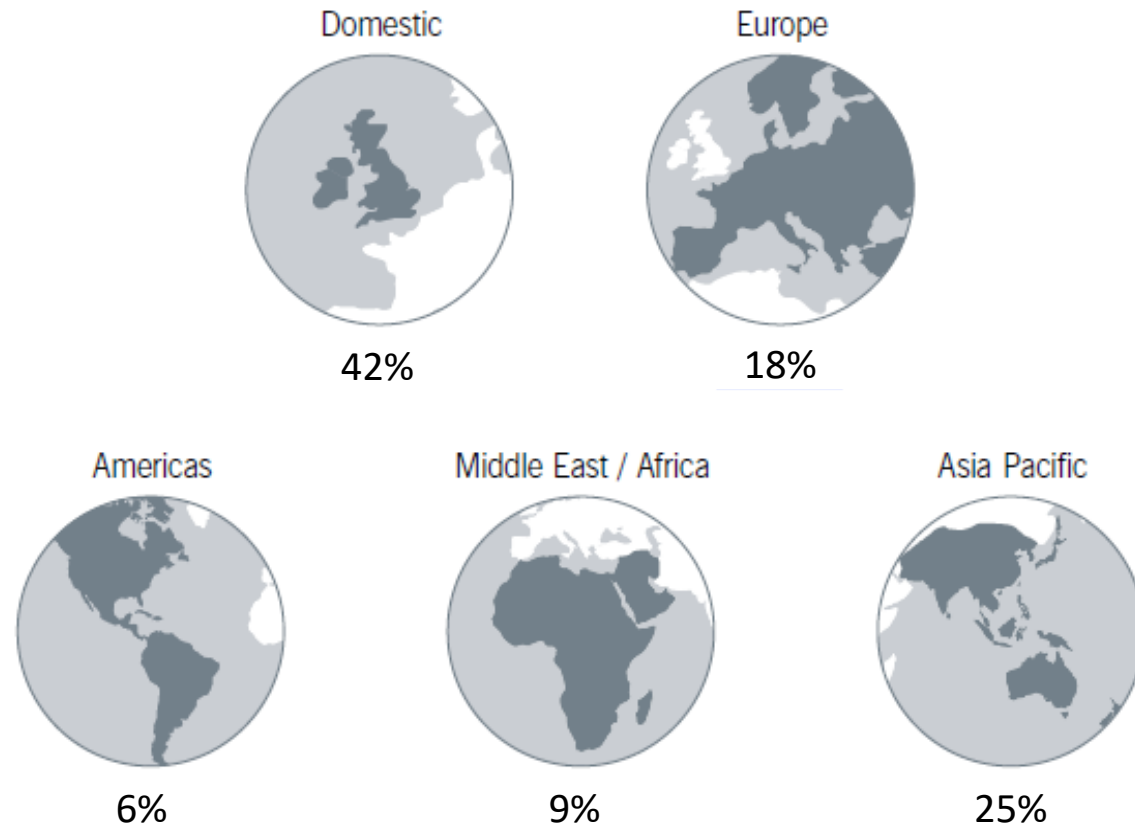
# Revenue Breakdown – Product Ownership



Figures reported in GREY = PE 31 July 2021 Group Revenue  
 Figures reported in BLUE = PE 31 July 2020 Group Revenue

# Revenue Breakdown – Geography

Percentage of Revenue by Market PE July 2021



Group  
Integration  
Progress

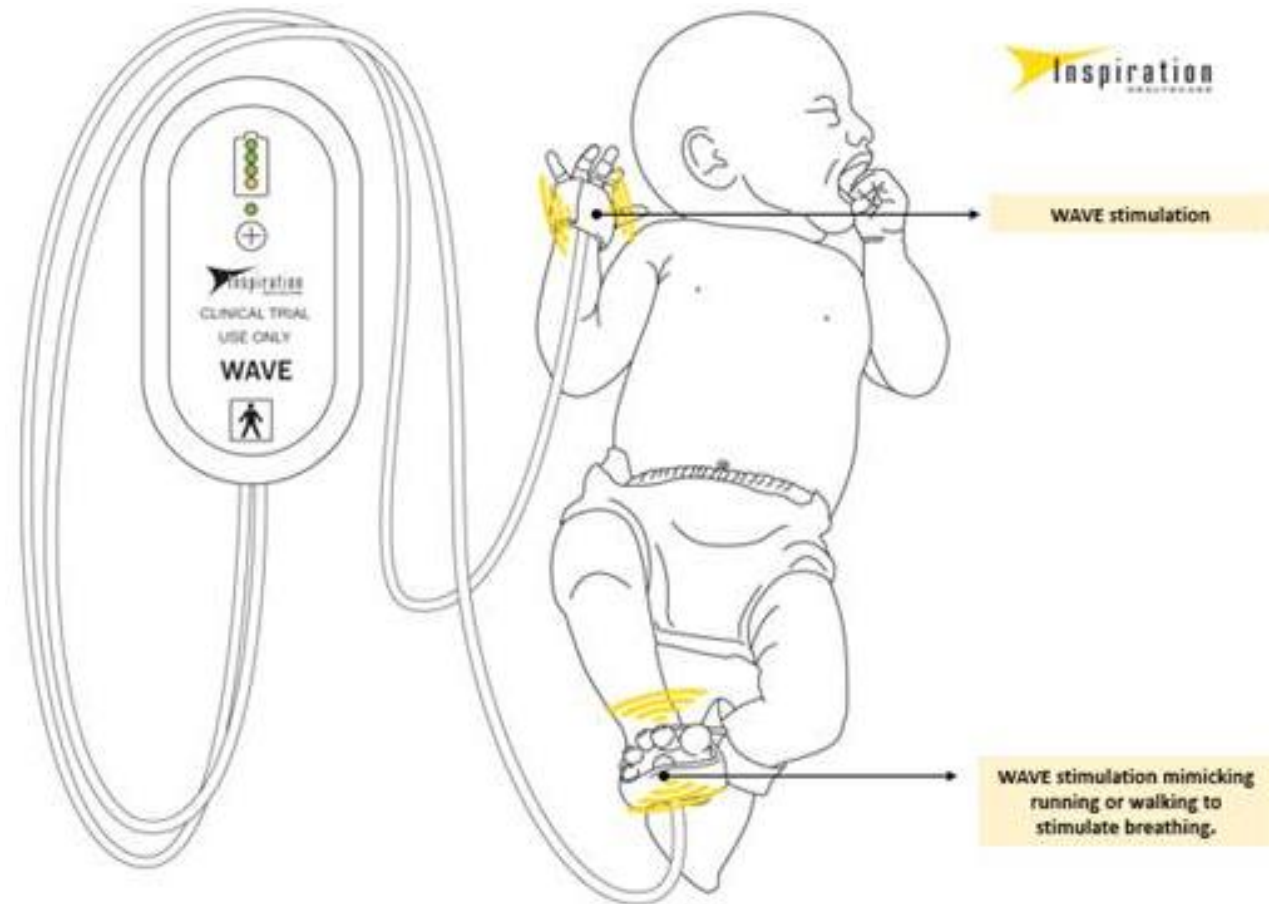
Synergies  
being realised

|                    | SLE     | IHL       | Viomedex             | Group  |
|--------------------|---------|-----------|----------------------|--|
| Dom Sales          | -       | -         | -                    | Now one team   |
| Intl Sales         | -       | -         | -                    | Now one team   |
| Tech Support       | -       | -         | -                    | Now one team   |
| Customer Service   | Croydon | Leicester | Hailsham / Leicester | Combine when ERP in place (Nov 2021)   |
| R&D                | -       | -         | -                    | Now one team / one plan  |
| QA / RA            | BSi     | TUV (Sud) | ECM                  | Now one team<br>Combine to one NB – end 2022<br>Integrate without losing registrations |
| Manufacturing      | Croydon | Outsource | Hailsham             | Maintain   |
| Software Systems   |         |           |                      |  |
| - Document Control | Q-Pulse | Q-Pulse   | n/a                  | Trackwise spring '22   |
| - ERP              | Sage    | Priority  | Priority             | All to use Priority - November 2021  |

# Project Wave

2021-22

- Patient Recruited
- Recruitment slow
- Increasing scope of trial (larger target patient group)
- Design improvements
- US trial being investigated



# Transforming - Investing for the Future

## Capital Projects for 2021/22

Investment c.£3m



### New facilities

- Office, factory, warehouse space including R&D facilities
- Construction programme delayed due to shortages of material and construction workers
- Project Management
- Planning move Spring 2022

### Software Tools

- ERP – Live Nov. 2021
- Trackwise – ongoing finalised Spring 2022

# Transforming - Investing for the Future



Infrastructure  
- 50% increase in Space  
- New software tools



Reducing Carbon Impact - state of the art natural ventilation cooling & heating incorporating internal greenspaces



All working spaces with modern furniture including sit-stand desking throughout to promote better health



Optimised assembly & production facilities for each product group – drive efficiencies in manufacturing



State of the art automated warehousing systems



Dedicated R&D facilities accommodating high tech testing equipment



Group Tech Support Centre – improve customer experience



New Clean Room - ensure all group clean room requirements can be met



# Supply Chain Disruption

## Challenges

- Some materials have seen increases of 2,250%
- Global semi-conductor shortages
- Screen shortages
- Battery delivery issues due to availability and shipping
- Cardboard shortages due to the increase in home deliveries during Covid lockdown

## Solutions

- Increase Stock levels secure raw material to maintain manufacturing
- Greater investment in Production Engineering and R&D to facilitate changes quickly
- Greater supply chain collaboration to secure materials get earlier visibility of issues

## Management

- **Minimising impact with creative solutions, hard work and collaboration**

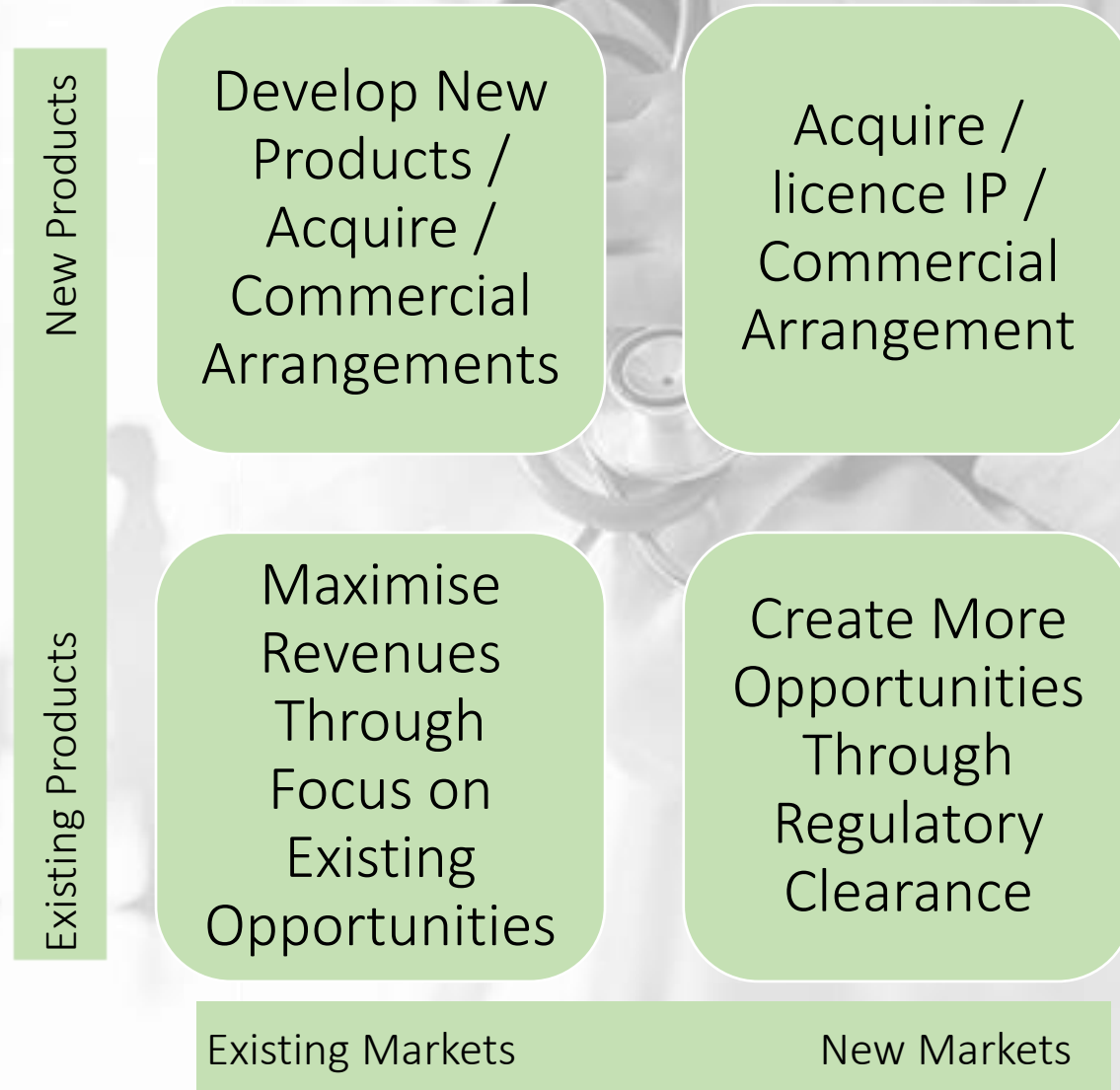
# Charitable Giving Initiative

## Putting Back Into Our Global Community

- Inspiration Healthcare Group is an ethical company with high principles in business
- Natural step to create a charitable giving to give back to our market
- Worldwide remit – supporting smaller charities
- Donation requests encouraged through our employees and through our websites
- Charitable Giving Committee created to review donation requests 100% Group staff
- All donation payments will be managed by Charity Aid Foundation (CAF)

Underpins our commitment to improving patient outcomes.

# Future Plans & Opportunities



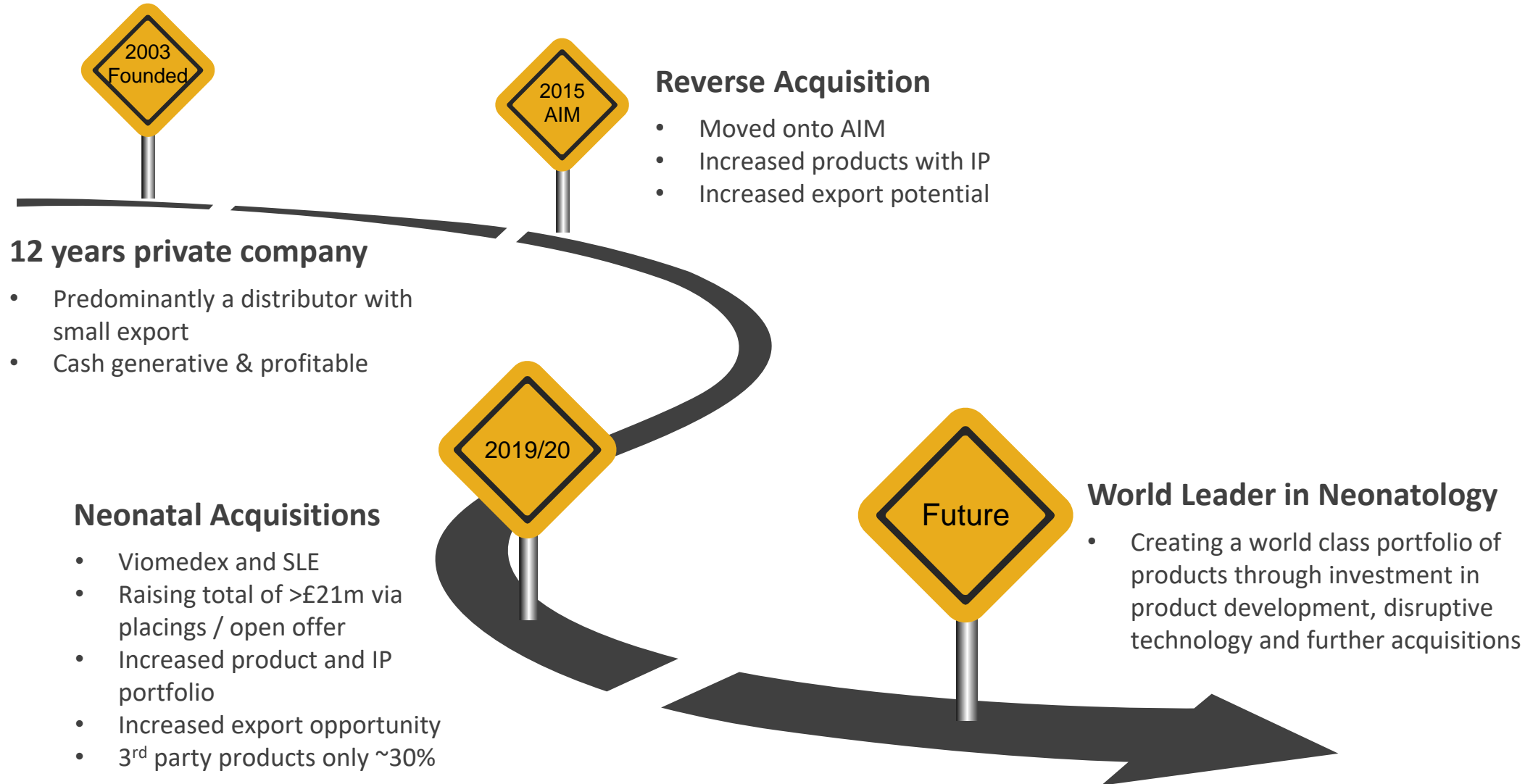
# Summary and Outlook

- Total Group Revenue up to £20.9m, 47% increase compared to same period last year
- SLE Ltd integration on track, synergies being realised
- Supply chain challenges being managed
- Increasing investment in new product development
- Further international sales growth through regulatory clearances and enlarged Group synergies
- New facilities to open in Spring
- Project WAVE – first patient recruited, scope of trial widened

“Our expectations of revenue remains unchanged for the year, albeit with a different product mix in the second half. However, given the strong margin performance with lower than anticipated cash-based costs in the first half, our expectations for full year profit have increased.”

# 1 | Appendix

# Journey to becoming a world leader in neonatology



# Acquisition of SLE Ltd

- SLE is a leader in the design and manufacture of ventilators and accessories for neonatal intensive care
- Y/E Jul '19: Revenue £16.1m, adjusted EBITDA<sup>1</sup> £2.4m, net income £1.5m and 110 Employees
- Y/E Jul '19 Exports ~90% of revenue; major export markets: China, Japan, India, Middle-East
- Approx. 30,000sqft office and manufacturing facility in Croydon
- Synergistic alignment with Inspiration neonatal range esp. respiratory disposables
- Cross selling opportunities through enhanced route to market
- R&D scale and regulatory efficiencies to access new markets for Group products
- New Opportunities:
  - Drive efficiencies in procedures and systems
  - Integration on track



<sup>1</sup> Earnings Before interest, tax, depreciation, amortisation, share based payments and exceptional items and risk adjusted pro forma adjustments to SLE from conversion from FRS 102 to IFRS

# Our Market Opportunity - Neonatal

## Key Stats

- Every year, an estimated 15 million babies are born preterm<sup>1,4</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
- Global Market for Neonatal Medical Equipment: \$11.86bn by 2023<sup>2</sup>

Sources:

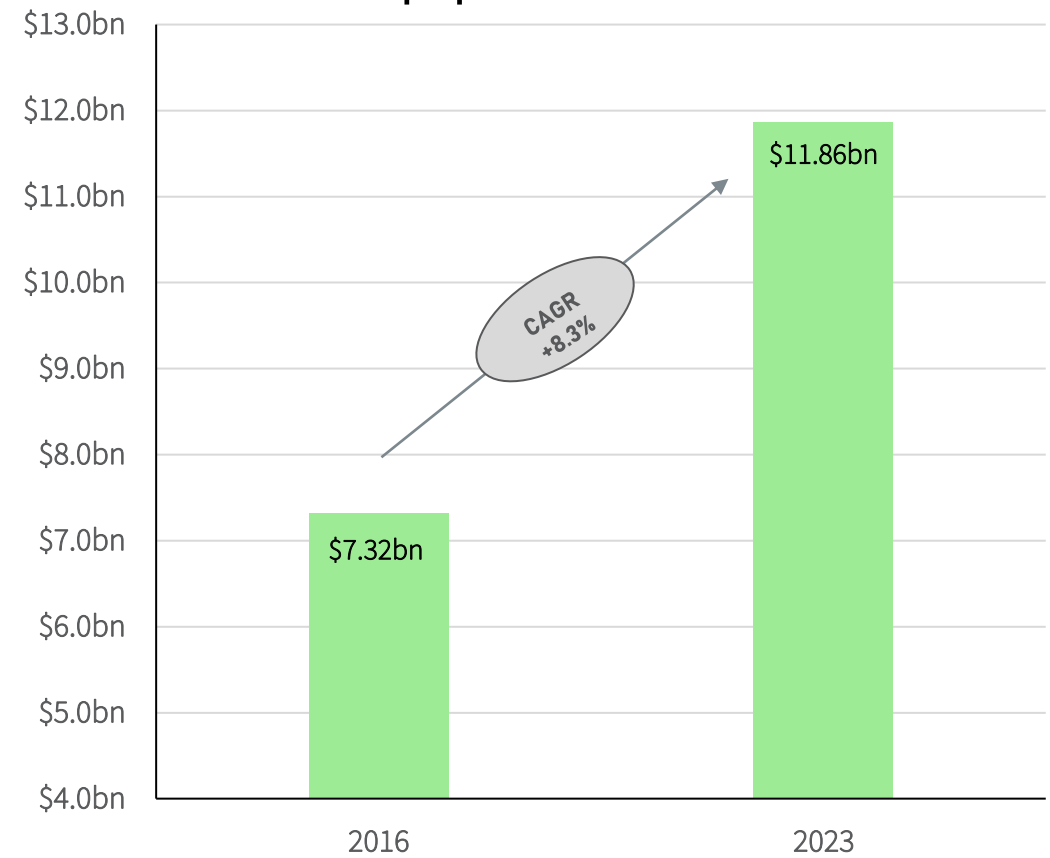
(1) Before 37 completed weeks of gestation

(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 Foetal & Neonatal Care Equipment Market<sup>2</sup>

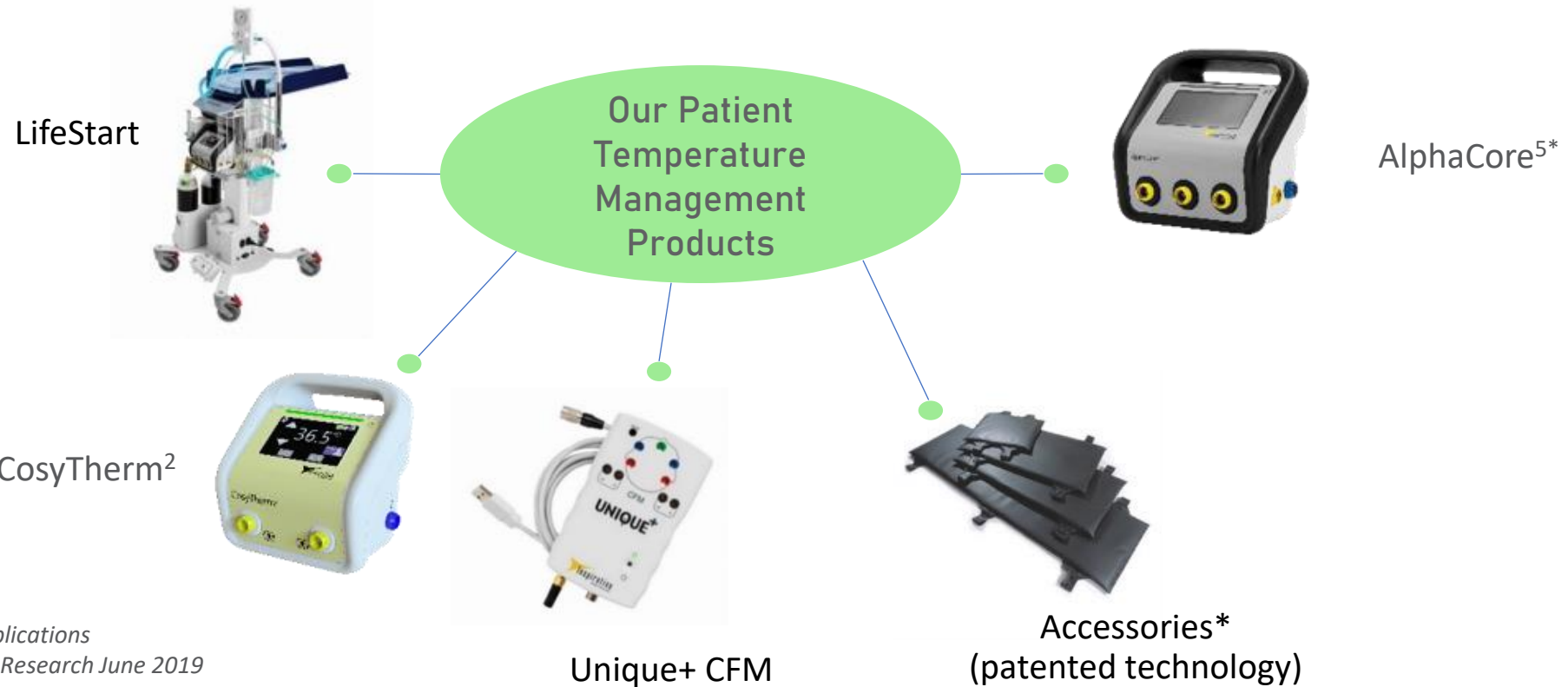




# Market Opportunity – Temperature Management

## Patient Temperature Management Market:

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



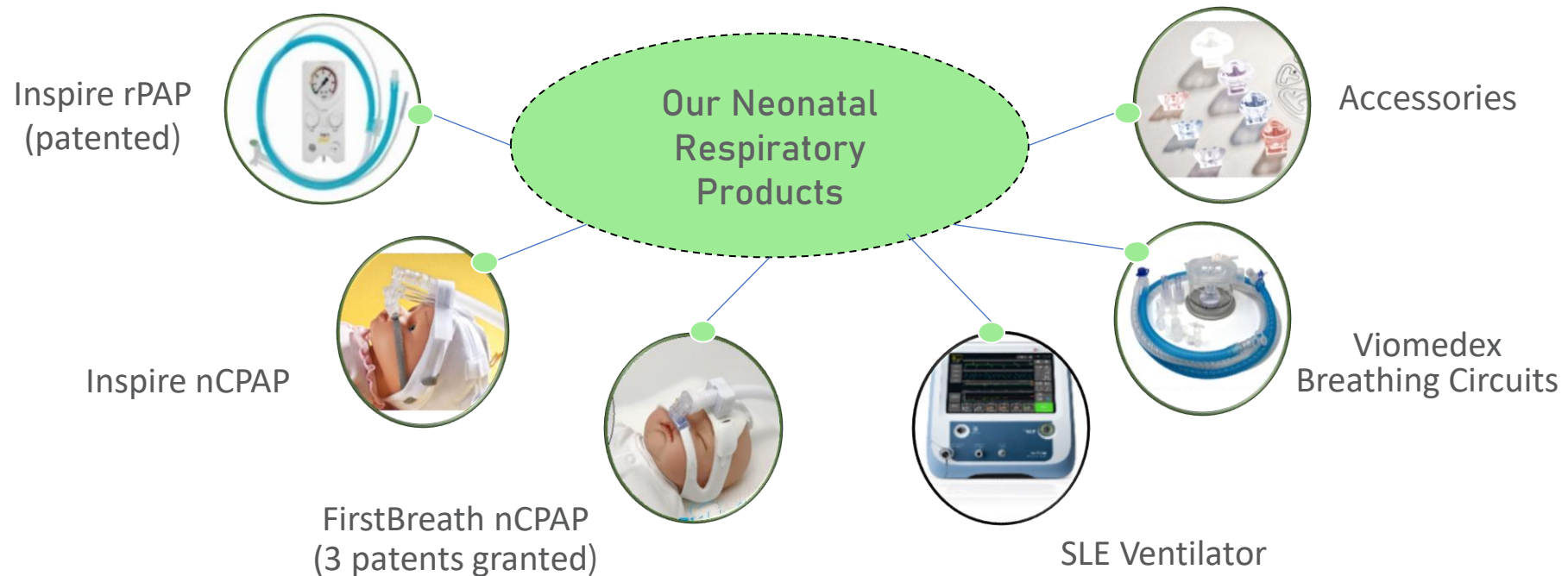
\*Neonatal & Adult Applications

\*\*Source: Grand View Research June 2019

# Market Opportunity – Neonatal Respiratory Devices

## Neonatal Intensive Care Respiratory Devices Market:

US\$1.4bn → US\$2.1bn between 2019 and 2027\*

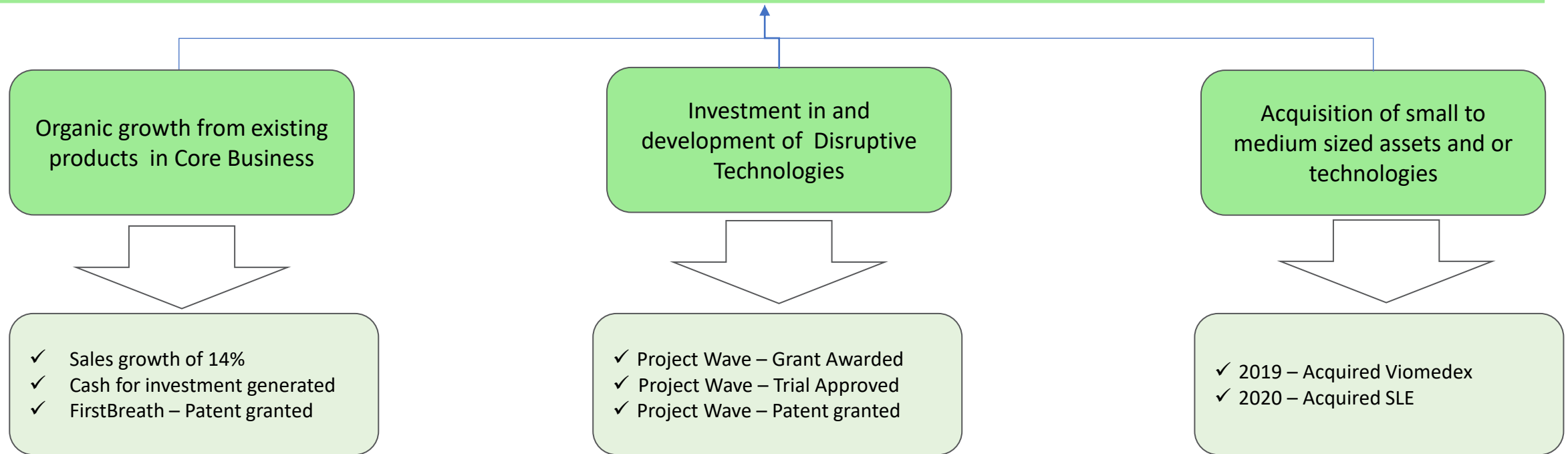


## Disruptive Technology Development: Project Wave

\* Source: Credence Research June 2019

# Our Ambition & Strategy

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



Progress made in all areas