



# Inspiration Healthcare Group plc

*"Pioneering medical technology starting with the very first breaths of life"*

Roy Davis – Executive Chairman  
Alan Olby - CFO

October 2024

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# Today's Agenda

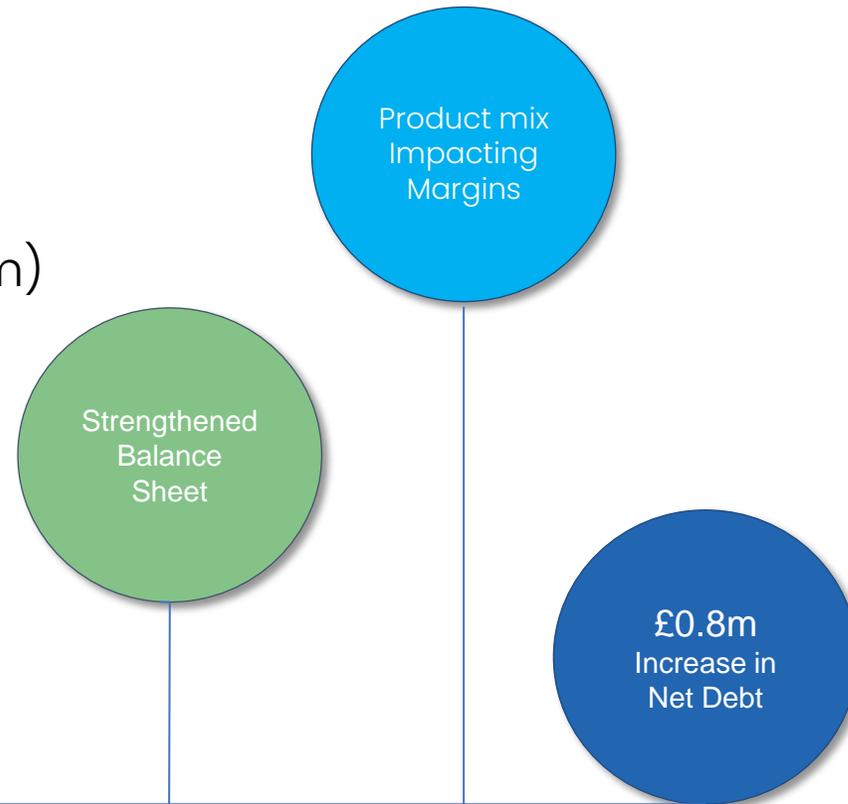
1. ***H1 2024 Highlights***
2. Business Update
3. Financial Review & Outlook
4. Summary and Q&A
5. Appendices

# Overview: A Challenging Time

- Overall H1 revenues of £17.0m – down 17% vs prior year
  - Neonatal sales declined by 26%
    - Impacted by discontinued products
    - UK sales down 20% to £4.3m (H1 FY24: £5.4m) – UK restructuring beginning to gain traction
    - International sales down 40% at £6.5m (H1 FY24: £10.7m) in H1 – International being re-focused to drive sales
  - Infusion business performing well
    - H1 growth +19% on prior year, sales of £5.0m a record half year
  - Airon sales of £1.2m – more than double vs prior year (pre-acquisition)
- Middle East contract signed and being progressed – expect to ship H2
- Margin pressure – impacted by mix and lower ventilator sales
- FY revenues will be second half weighted – margin pressure to remain
- Turnaround progressing but challenges – it is all about sales!

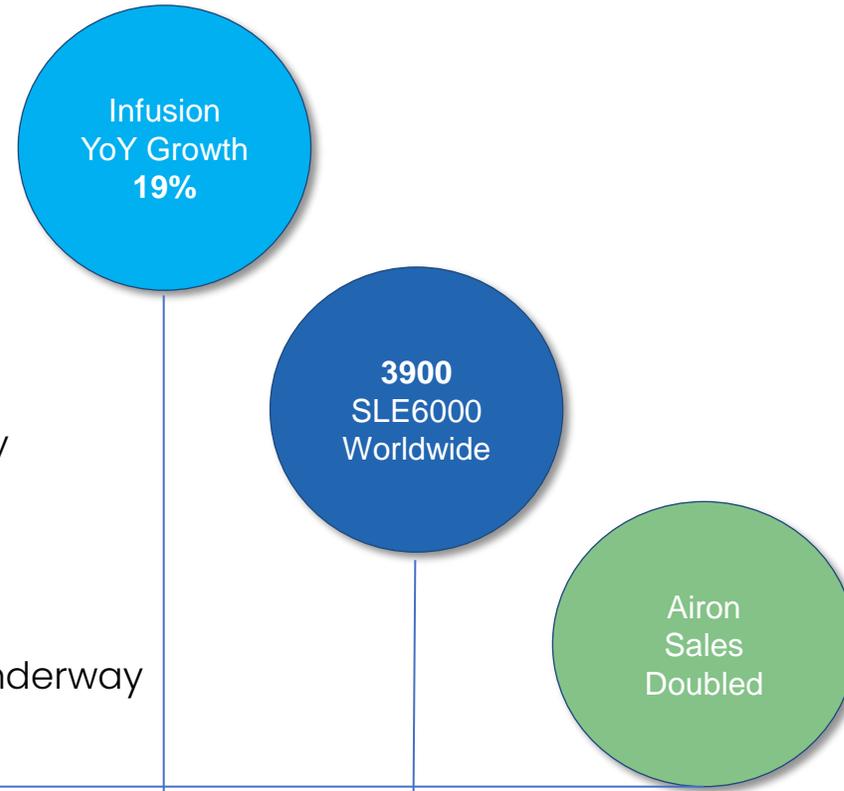
# Financial Highlights

- Revenues down on prior year at £17.0 million (H1 FY24: £20.4 million)
  - Gross margin: Reduced to 43.5% (H1 FY24: 48.6%)
  - EBITDA loss of £0.9m (H1 FY24: profit of £1.8m)
  - Operating loss of (£2.0m) (H1 FY24: profit of £0.6m)
- Operating cash outflow of £2.3m (H1 FY24: +£3.5m)
- Net debt increased to £6.8 million (31 January 2024: £6.0 million)
- Fundraise (gross proceeds £3.0m)



# Operational Highlights

- Build on positives
  - Leverage NHS business in UK
  - Neonatal – UK re-organization starting to work
  - Infusion – build on strength in Homecare to enter new markets
  - Middle East order received – expect H2 shipment
- CCO Appointment
  - Restructured UK sales team
  - Drive International distributor sales efforts
- North America strategy
  - Airon sales outperforming, International sales opportunity
  - Meeting with FDA re 510k application
- Re-structuring during period
  - Change in Chairman / CEO – recruitment for new CEO underway
  - Closed Hailsham site – annual savings £0.5m



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# Business Update: A Reminder of What We Do – Two Distinct Markets

Inspiration Healthcare designs, manufactures and markets pioneering medical technology that saves lives and improves the outcomes of patients starting with the very first breath of life

## Neonatal Intensive Care (approx. 75% revenue)

**Serviceable addressable market £321m**  
**Neonatal ventilation CAGR ~5.1% - 7.1%**

## Infusion Therapies (approx. 25% revenue)

- Own brand capital and consumable products with IP
- Distribute complementary products
- Direct sales in UK, Ireland and USA
- Global sales into >75 countries
- Manufacturing in UK and USA
- UK service centre
- In-house R&D at state-of-the-art manufacturing centre in South London

- Distribution of market leading products
- UK sales & support
- UK service centre

# Our Immediate Focus – ‘Back to Basics’

## 4. EXECUTE FUTURE STRATEGY

Develop vision & strategy  
Develop & execute US product & commercial plan  
Develop & Implement R&D  
Roadmap to deliver on future potential



## 3. IMPROVE WORKING CAPITAL

Reduce inventory  
Manage CSO / DSO days  
Improve Supply Chain Management



Back  
to  
Basics

## 1. DRIVE SALES

Improve geographic spread  
Improve distributor sales  
Leverage NHS relationships  
Increase recurring revenues from consumables & service



## 2. INCREASE PROFITS

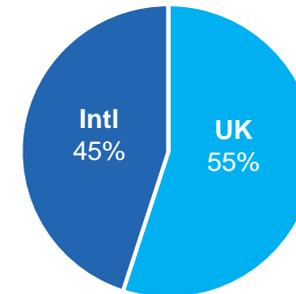
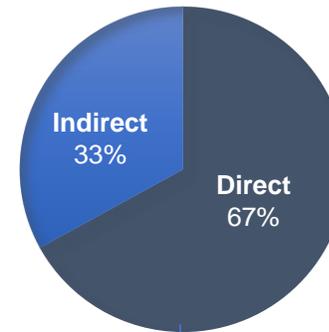
Improve operational efficiency  
Improve product margins  
Reduce costs  
Review structure for efficiency opportunities



# Back to Basics: Driving Sales



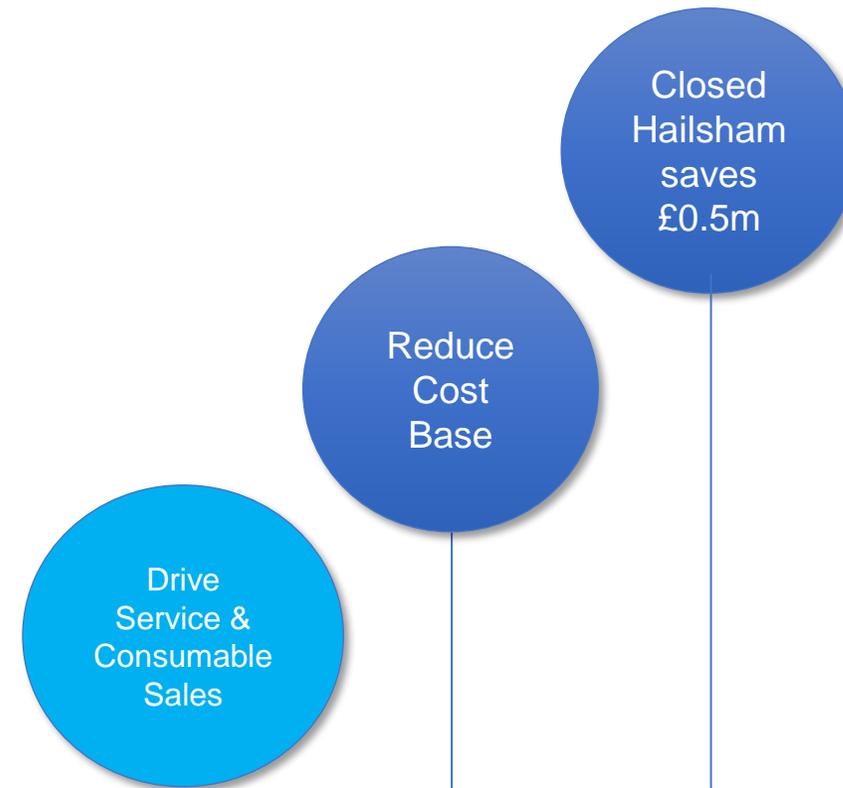
- Improve geographic spread
  - Direct sales in H1 67%
  - Indirect sales in H1 33%
  - Strengthen sales team
- Pursue US market opportunity
  - 50% of global neonatal market – minimal sales at present
  - FDA approval of SLE6000
  - Leverage Airon position to build presence
- Focus on higher margin opportunities
  - Own brand – 59%
  - Distributed products – 41%
- Diversify product offering
  - Drive consumable and service revenues
  - Identify synergistic portfolio products



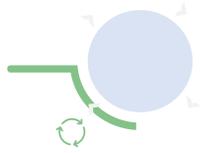
# Back to Basics: Increase Profits



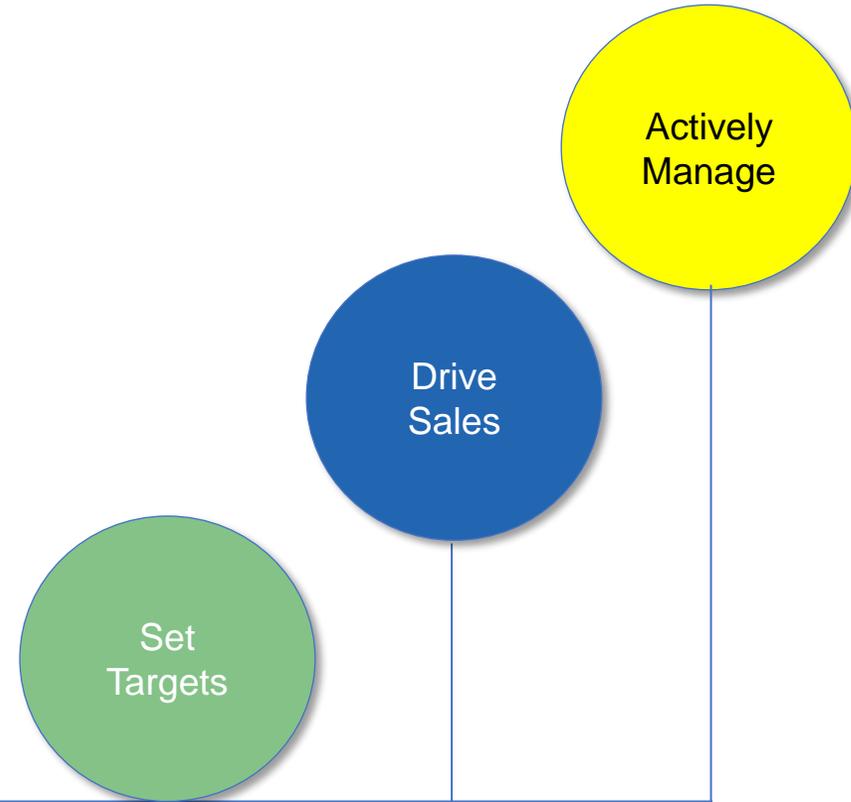
- Improve operational efficiency
  - Closed Hailsham site – transferred production to China
  - All UK operations now in one site - Croydon
- Increase product margins
  - Focus on higher margin products & markets
  - Increased focus on service – sales +8% v prior year
  - Launching new consumable range in 2025
- Reduce costs
  - Improve productivity through greater integration
- Organise for efficiency
  - Looking at optimising organisational structure
  - Customer focused processes

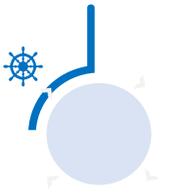


# Back to Basics: Improve Working Capital



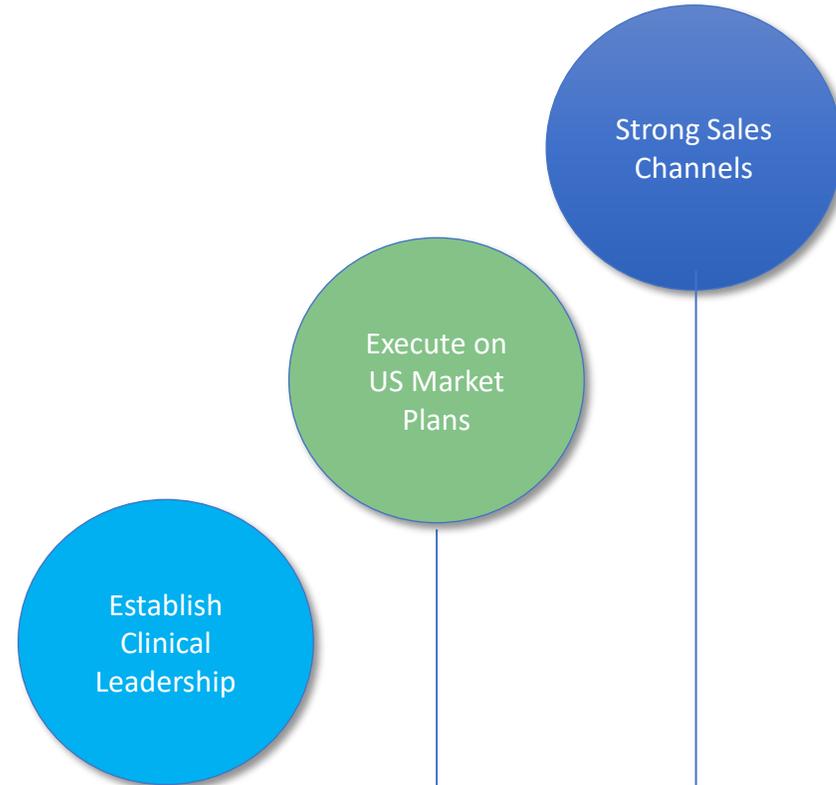
- Reduce inventory
  - Inventory £14.1m
  - Actively managing suppliers
  - Majority of inventory increase relates to SLE6000
  - Ship delayed ME order
  - Sales is key driver of reduction
- Manage DSO / CSO
  - Additional credit control resource
- Improve supply chain management
  - Active management of suppliers
  - Move to 'Lean'





# Back to Basics: Execute Future Strategy

- Develop & execute future vision & strategy
  - Focus!
  - All about the customer!
  - E<sup>3</sup> – Excellence in Everything We Do
  - Deliver on potential
- Recruit new CEO
- Key drivers of future growth
  - Strong sales channels
  - Balanced geographic sales
  - New product roadmap
  - Clinical leadership
  - US commercial strategy
  - Consumable and service revenues
  - Operationally 'lean'



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# H1 Financials Summary

Revenue



**£17.0m**

(H1 FY24: £20.4m)

Gross Margin



**43.5%**

(H1 FY24: 48.6%)

Adjusted  
EBITDA<sup>1</sup>



**£(0.9)m**

(H1 FY24: £1.8m)

Adjusted  
Operating (Loss)/  
Profit<sup>3</sup>



**£(2.0m)**

(H1 FY24: £0.6m)

Operating  
Cash Flow



**£(2.3)m**

(H1 FY24: inflow £3.5m)

Net Debt<sup>2</sup>



**£(6.8)m**

(31 January 2024: £(6.0)m)

Capital  
Raise



**£3.0m gross**

<sup>1</sup> Earnings before interest, tax, depreciation, amortisation, impairment, share based payments and non-recurring items

<sup>2</sup> Cash and cash equivalents, short-term investments, less revolving credit facility and invoice financing borrowings

<sup>3</sup> Adjusted for non-recurring items

# H1 FY25 Revenue

	H1 FY25 £'000	H1 FY24 £'000	Change %	
<b>Neonatal products</b>	<b>12,000</b>	<b>16,125</b>	<b>-26%</b>	↓
<b>Infusion Therapy products</b>	<b>5,039</b>	<b>4,245</b>	<b>19%</b>	↑
	<b>17,039</b>	<b>20,370</b>	<b>-16%</b>	↓
<i>Neonatal products:</i>				
Capital	6,473	11,734	-45%	↓
Consumable	4,312	4,391	-2%	→
Airon	1,215	-	-	↑
	<b>12,000</b>	<b>16,125</b>	<b>-26%</b>	
<i>Neonatal products by Geography:</i>				
UK/Ire	4,310	5,398	-20%	→
International	6,475	10,727	-40%	↓
Airon	1,215	-	-	↑
	<b>12,000</b>	<b>16,125</b>	<b>-26%</b>	
<i>Neonatal Key Brands:</i>				
SLE6000	3,672	5,156	-29%	↓
SLE1000&5000 (end of life)	578	2,600	-78%	↓
Other	6,535	8,369	-22%	↓
Airon	1,215	-	-	↑
	<b>12,000</b>	<b>16,125</b>	<b>-26%</b>	

Neonatal revenues declined 26% to £12.0m

- Capital sales declined 45% due to timing of orders and EOL products
- Consumable sales holding up due to growth in service
- Airon more than double PY (pre acquisition)
- UK/Ire restructure and expect strong H2
- International hit by EOL products
- SLE6000 to pick up lost sales from EOL products

Infusion Therapy products showing strong growth in homecare sector, new pump providing opportunities for further growth in both homecare and NHS

# Income Statement

	H1 FY25 £'000	H1 FY24 £'000
<b>Revenue</b>	<b>17,039</b>	<b>20,370</b>
<b>Gross Profit</b>	<b>7,405</b>	<b>9,898</b>
<i>Gross margin</i>	43.5%	48.6%
Operating expenses pre non-recurring items	(9,377)	(9,342)
Adjusted operating profit	<b>(1,972)</b>	<b>556</b>
Non-recurring items	(1,203)	(406)
Operating (loss)/profit	<b>(3,175)</b>	<b>150</b>
Net finance expense	(528)	(290)
Loss before tax	(3,703)	(140)
Income tax	(82)	84
<b>Loss after tax</b>	<b>(3,785)</b>	<b>(56)</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>(913)</b>	<b>1,760</b>

- Margin impacted by:
  - Lower capital sales
  - Increased sales of distributed products
- Operating expenses in line with PY
- Non-recurring items:
  - restructuring costs arising from CEO change, sales restructure & Hailsham closure
  - Contingent consideration for Airon earn out
- EBITDA Loss due to lower sales and margin

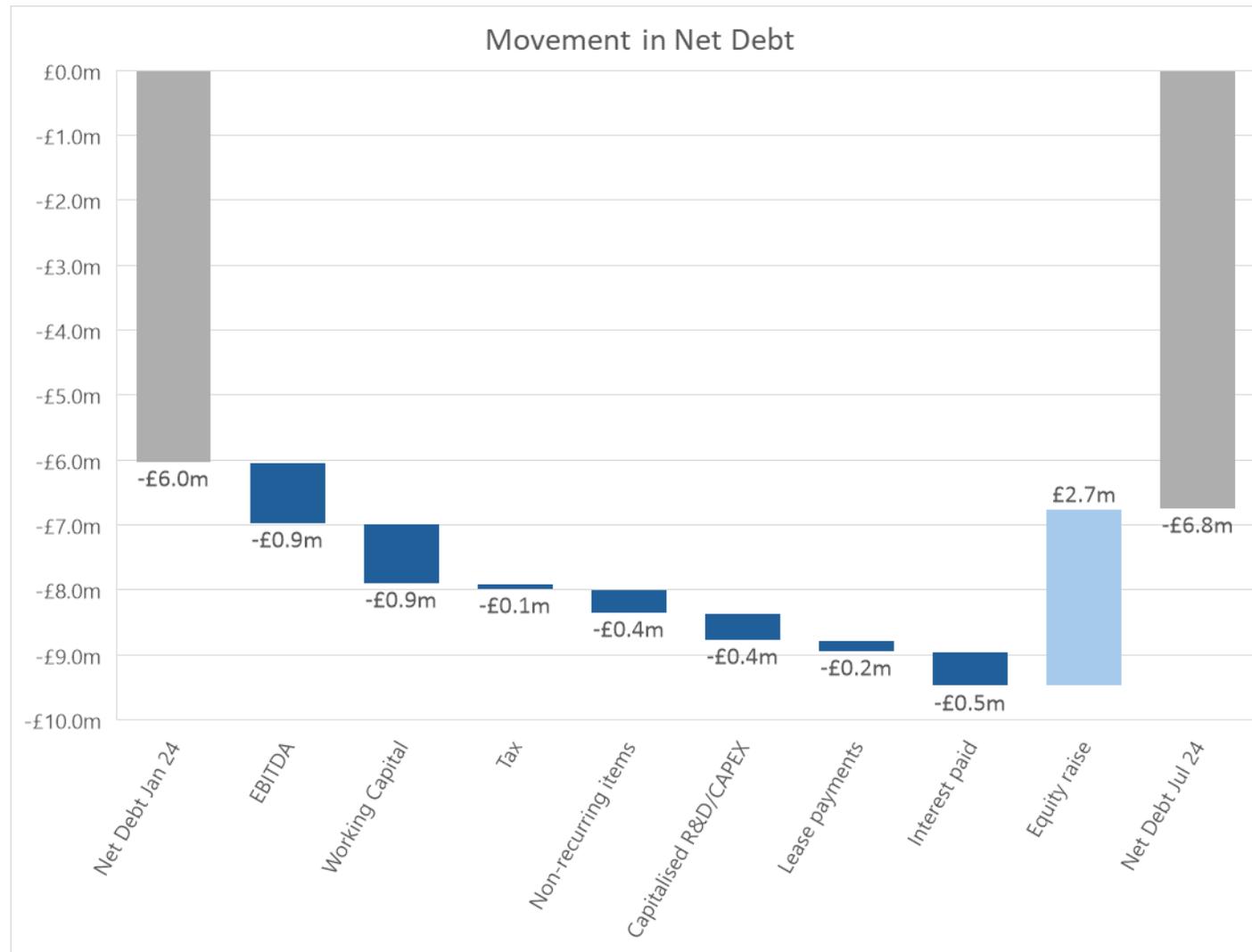
<sup>1</sup> Earnings Before interest, tax, depreciation, amortisation, impairment, share based payments and non-recurring items.

# Balance Sheet

	31 Jul 24	31 Jan 24
	£'000	£'000
<b>Non-current assets</b>	<b>25,522</b>	<b>25,993</b>
Inventories	14,118	13,743
Trade and other receivables	9,623	8,669
Net debt	(6,762)	(6,047)
Current liabilities	(9,300)	(7,913)
<b>Net current assets</b>	<b>7,679</b>	<b>8,452</b>
<b>Non-current lease liabilities</b>	<b>(5,237)</b>	<b>(5,477)</b>
<b>Net assets</b>	<b>27,964</b>	<b>28,968</b>

- Inventory increased £0.4m
- Receivables increase of £1.0m from revenue phasing and timing of prepayments
- Liabilities increase of £1.4m from earn out provision and timing of supplier payments

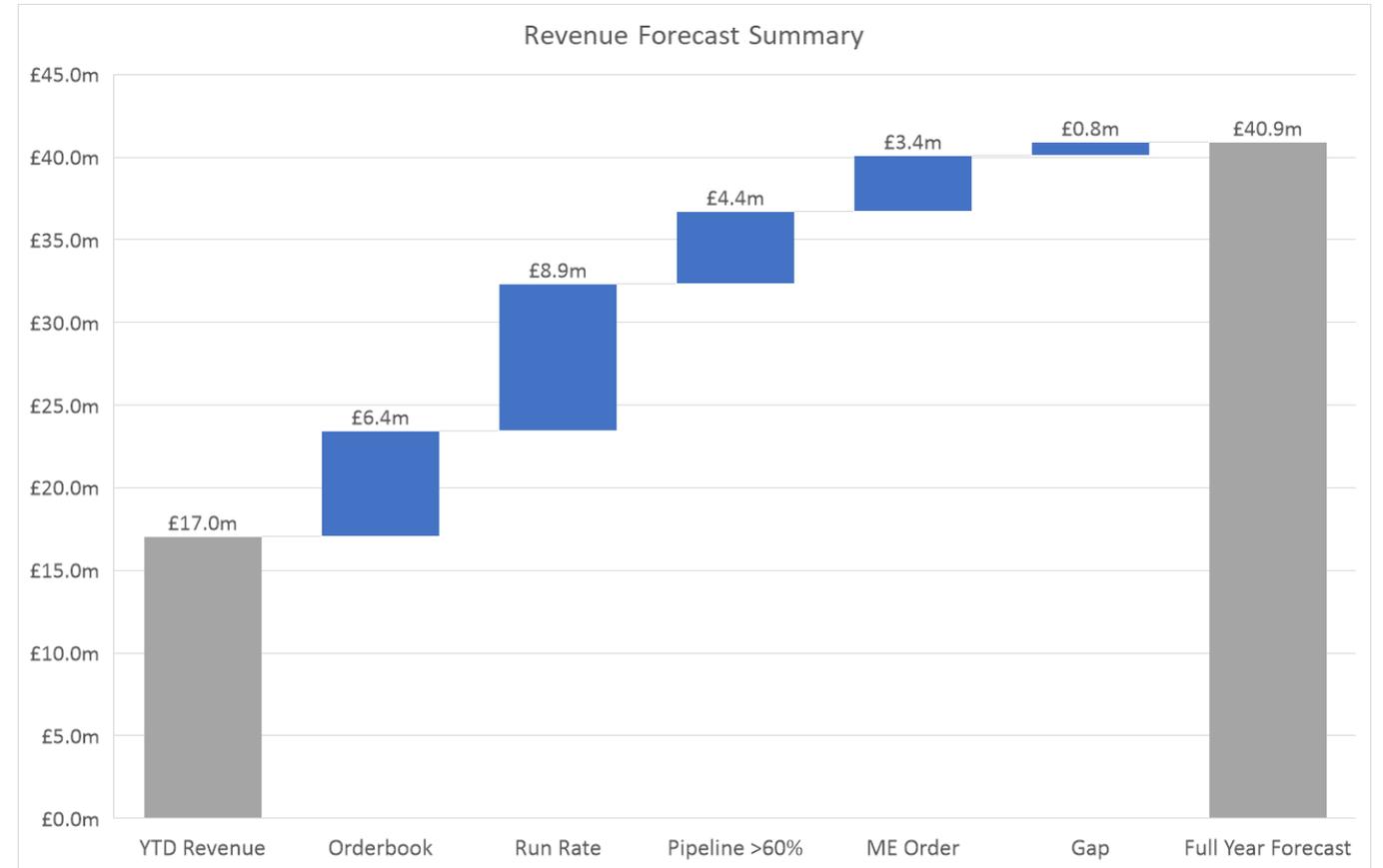
# H1 Movements in Net Debt



- Operating cash outflow of £2.2m (H1 FY24: inflow of £3.5m) due to EBITDA loss and working capital increase
- Working capital increased by £0.9m
- Inventory remains elevated at £14.1m due to ongoing delay to large Mid East order and excess purchasing
- Equity raise of £2.7m net of expenses completed at end of period
- The Group has access to £10m RCF and £5m invoice finance facility to provide liquidity headroom
- Net debt of £6.8m at 31 July

# FY25 Revenue Pipeline

- FY25 Revenue forecast broken into component parts
- YTD Revenue of £17.0m reflects H1 revenue to 31 July
- Orderbook of £6.4m represents confirmed orders for delivery in balance of FY25
- Run Rate of £8.9m – based on current (H1 FY25) run rates, predictable revenues with short lead times, includes:
  - consumable items,
  - spare parts,
  - service revenues
  - capital sales
  - Airon revenues in USA
- Pipeline – £4.4m: includes only FY25 opportunities with 60% probability and above, risk adjusted
- ME order expected to be delivered in H2 upon receipt of the agreed letter of credit
- Current gap of £0.8m expected to be covered by conversion of pipeline and other opportunities not reflected in pipeline



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# Summary: Turnaround Underway

- Focus on 'Back to Basics'
  - Driving sales – especially internationally
  - Ensuring operational and cost efficiency
  - Managing cash generation
  - Change will take time
- Developing new strategy and R&D roadmap for future success
- Recruiting new CEO
- Outlook
  - Revenues H2 weighted – large Middle East Contract progressing and expected to ship in H2
  - Additional material 'one-off' tender opportunities for H2 & FY26
  - Underlying demand in market remains strong
  - Margin pressure due to mix likely to continue, impacting FY earnings expectations
  - Operational restructure to support commercial execution and reduce cost base

*It's All About Execution!*

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# Broad portfolio of innovative, specialist neonatal products

## Key Neonatal Products



First Breath™  
nCPAP  
(3 patents granted)

Inspire  
nCPAP™

Inspire rPAP™  
(patented)



Breathing  
Circuits



SLE  
Ventilators



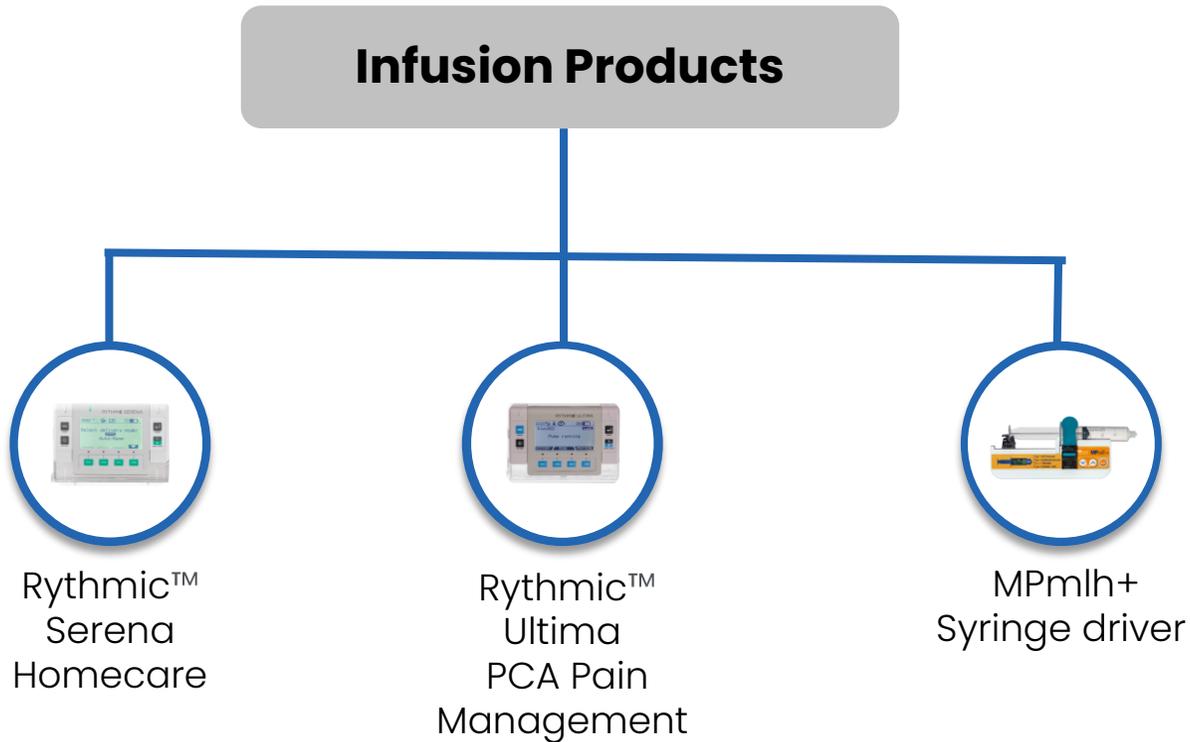
Airon  
Ventilators



LifeStart™

- Core focus area with a high level of expertise
- Products designed specifically for the neonate
  - Include benefits such as OxyGenie™, The Queen's Award-winning auto-O<sub>2</sub> software
- Manufactured products are supported by complementary distributed technology providing us with a comprehensive offering
- Approx 70% capital, 30% recurring revenue

# Portfolio of specialist infusion products



- Exclusive UK distributor for Micrel Medical
- Active in multiple markets;
  - Parenteral Nutrition
  - PCA and Regional Anaesthesia
  - Epidural pain management
  - Oncology
- Value add through direct Sales and Clinical Support
- Approx 20% capital, 80% recurring revenue

# Neonatal Intensive Care: A Growing Core Market Despite Changing Market Dynamics

## Global Growth Drivers

 <p>Increase in healthcare infrastructure</p>	 <p>Increase in premature births</p>
 <p>Technology advancements</p>	 <p>Increase in Affordability</p>

## Changing Market Dynamics

- Post-Covid healthcare spending changes (Adult Ventilator Market contraction due to oversupply resulting in more aggressive competition in Neonates)
- Increased regulation slowing new markets penetration
- Increased macro-economic uncertainty affecting government healthcare investment



Every year, an estimated 15 million babies are born preterm<sup>1,2</sup> and this number is rising<sup>3</sup>



Neonatal Intensive Care<sup>4</sup>  
\$7.7bn with a CAGR of 6.46%



~£1,500 cost per baby per day in neonatal intensive care

**Notes:**

- (1) Before 37 completed weeks of gestation
- (2) Global, Regional & National estimates of levels of preterm birth 2014 – Chawanpaiboon et al 2019
- (3) Global, regional, and national causes of under-5 mortality in 2000-15 - Liu L et al 2016
- (4) Berkshire Hathaway 2022. Worldwide Neonatal Intensive Care Unit Industry is expected to grow with a CAGR of 6.46% from 2021 to 2027

# Infusion Therapies: A Growing Opportunity

## UK and Ireland Market Growth Drivers



NHS desire to get patients home earlier



Technology advancements – remote monitoring of equipment



Centres of excellence for certain therapies



Price pressure always in the background

## Market Opportunities\*



New products with superior features (including remote monitoring)



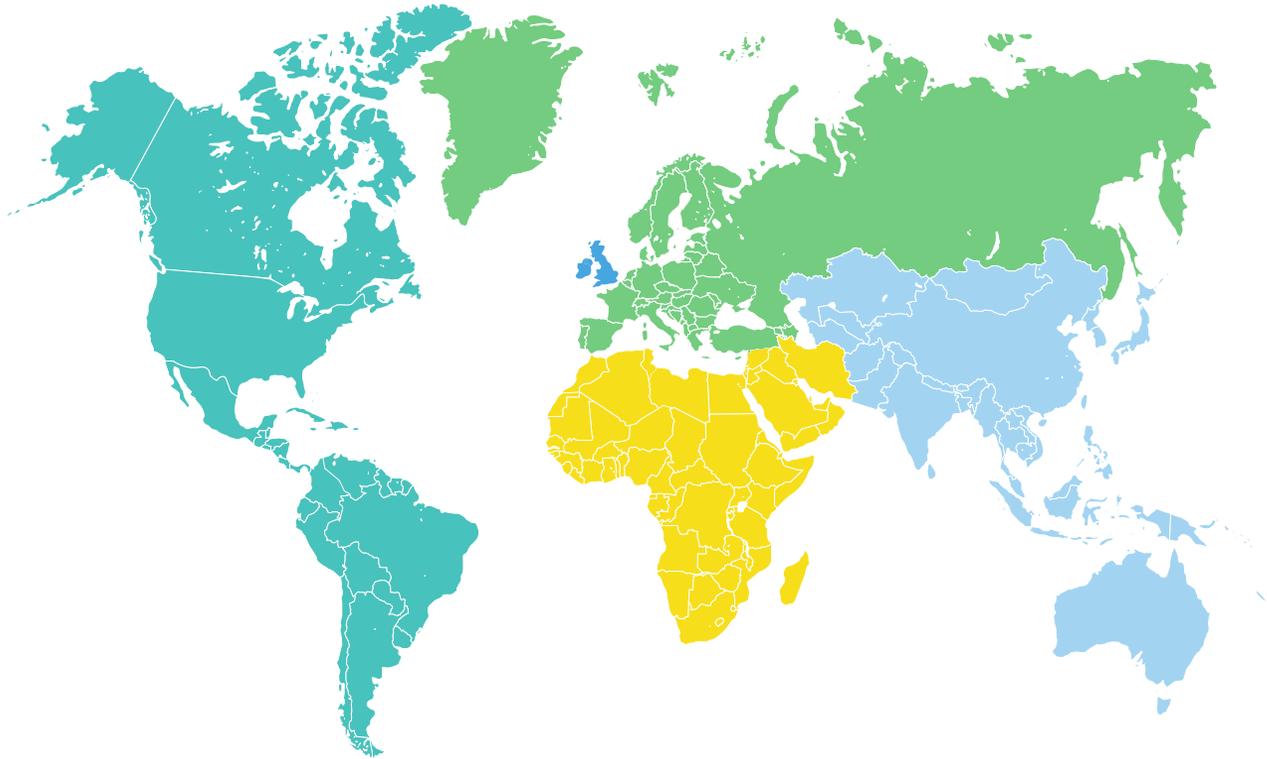
Expand into new therapy areas



Capital linked to consumables

\* Management Estimated working with over 70% of NHS Trusts in England & Wales

# Revenue by geography



Domestic £9.4m (H1 FY24 £9.7m)	H1 FY25: 55%	H1 FY24: 48%
Europe £2.8m (H1 FY24 £3.2m)	H1 FY25: 16%	H1 FY24: 15%
Americas £1.7m (H1 FY24 £1.1m)	H1 FY25: 10%	H1 FY24: 6%
Asia Pacific £2.0m (H1 FY24 £3.1m)	H1 FY25: 12%	H1 FY24: 15%
Mid East, Africa £1.1m (H1 FY24 £3.3m)	H1 FY25: 7%	H1 FY24: 16%