



Results for the 6 months to 30 June 2019

September 2019



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H1 2019 highlights

Financial Highlights

- Continued to deliver strong double-digit organic revenue growth in line with board expectations
- Modest reduction in gross profit margin as previously guided
- Interim dividend proposed of 0.85p per share
- Increased investment to £2.3m (people and technology) to support radiologist output and future double-digit growth

Operating Highlights

- Strong recruitment boosting reporting capacity
- First steps initiated to enable reporting from overseas locations
- Further investment in data centre to improve resilience and workflow
- Progress developing workflow and artificial intelligence (AI) strategy

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Income statement

	H1 2019 £'000s	H1 2018 £'000s	Change
Revenue	21,978	18,592	18.2%
Gross profit	10,463	9,091	15.1%
Gross profit margin	47.6%	48.9%	(1.3)%
EBITDA ⁽¹⁾	6,153	5,610	9.7%
EBITDA margin	28.0%	30.2%	(2.2)%
Adjusted Operating profit ⁽²⁾	5,339	4,990	7.0%
Adjusted Operating profit margin	24.3%	26.8%	(2.5)%
Adjusted EPS (pence) ⁽³⁾	3.98	3.64	9.5%

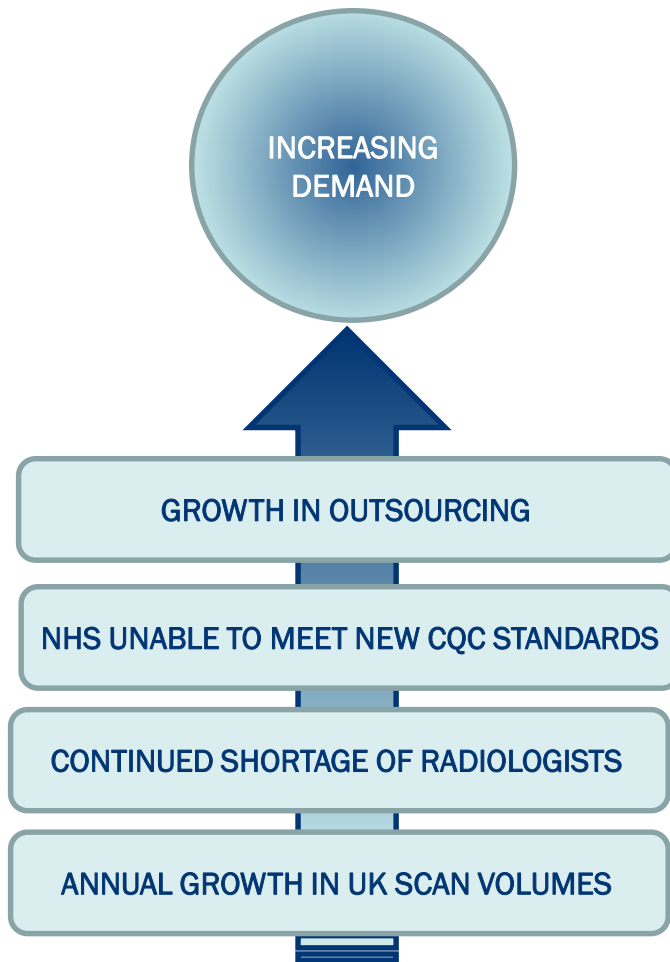
- Double digit revenue growth driven primarily by expanding offering with longstanding customers (pre 2017)
- Gross margin reflects expected modest price reductions
- Significant investment to recruit IT resources and other staff to improve scalability and support future growth ambition
- Investment to establish initial overseas reporting and duplicated property costs from head office change

(1) EBITDA is a non-IFRS measure and is calculated as operating profit before depreciation, amortisation, exceptional items, and share based payments.

(2) Adjusted operating profit is a non-IFRS measure and is calculated as operating profit before depreciation, amortisation, exceptional items, and share based payments.

(3) Adjusted earnings per share is a non-IFRS measure and is calculated as earnings per share before exceptional items (including certain exceptional costs relating to refinancing), share based payments and amortisation in respect of assets acquired on acquisition

Business overview: Demand continues to grow



Market growth

- Increasing expectations for quicker diagnostic response. **CQC instructed standards for reporting turnaround times for the first time**
- Growth in A&E admissions and more conditions requiring diagnostic imaging
- **More images being produced per scan**
- **Clinical guidelines evolving** to include more diagnostic imaging and imaging earlier in the diagnostic pathway
- Move to 7-day working is expected to further drive growth

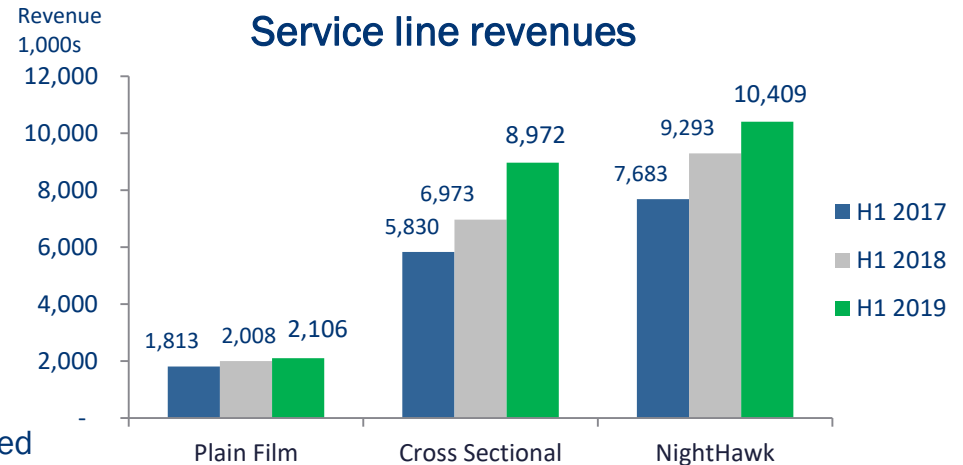
Radiologist shortage – RCR 2018 census

- Increasing radiologist gap from 1,104 consultants currently increasing to 1,867 in five years time
- **Only 2% of radiology departments able to meet their reporting requirements** within contracted staff hours
- Estimated 154 trainees will enter UK consultant workforce in 2019, insufficient to meet 379 consultant vacancies reported in 2018
- Current taxation issue for doctors overtime exacerbating pressure, although signals that this will be amended

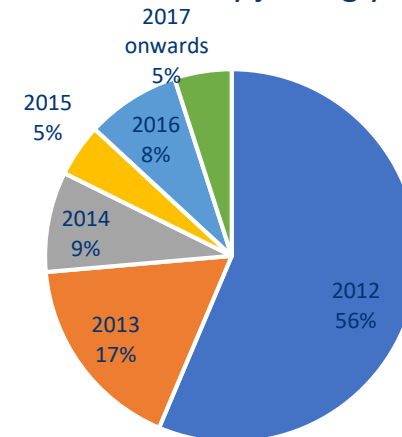
Service line highlights: Maintain strong revenue and volume growth

	Revenue growth	Volume growth	Gross profit H1 2019	Gross profit H1 2018
NightHawk	12.0%	20.0%	48.4%	50.4%
Cross Sectional	28.7%	27.9%	52.0%	51.8%
Plain Film	4.9%	4.6%	49.1%	49.2%

- **NightHawk growth**
 - Strong volume growth from existing client base, predicted price decreases due to contract renegotiation
 - Continued service improvements, NH portals and focus on turnaround times
- **Routine growth**
 - Deeper partnership with clients and increased client penetration
 - Volume growing faster than the overall rate of UK scans
 - Managing demand within portfolio
- **Client overview**
 - Majority of growth from existing clients
 - 95% revenue from clients pre 2017

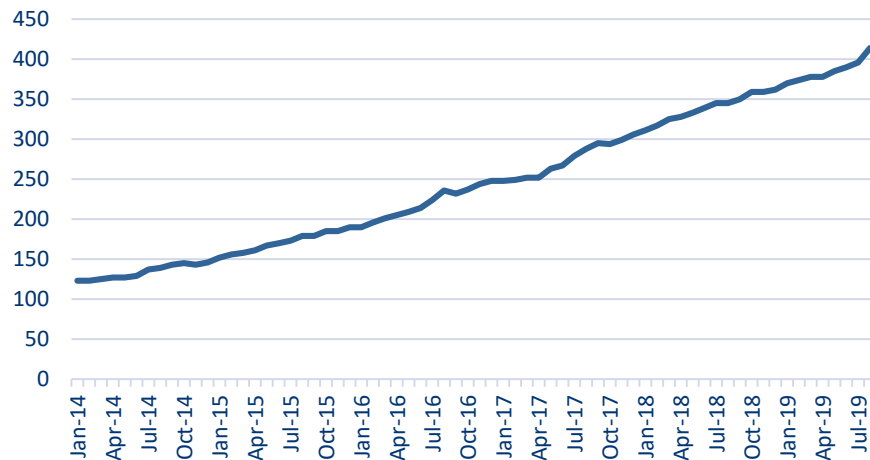


H1 Revenue by joining year



Business overview: reporter recruiting update

Medica contracted reporters



Update on reporter capacity

- 28 net additions in H1 2019
- 390 contracted as at 30 June (December 2018: 362). In total, 414 as at 31 August
- Continued progress to recruit reporters: attractiveness of Medica as part of a flexible portfolio of work alongside consultant role
- Retention remains high
- Projects to drive improved productivity of reporters by reducing administrative tasks
- Progress to establish international reporting, however still at early stage due to need to ensure secure data links to overseas reporters and quality control

Cashflow

£000s	6 Months to 30 June 2019	6 Months to 30 June 2018	Year to 31 December 2018
Operating activities			
Profit before tax	4,658	4,354	9,156
Depreciation and amortisation	1,249	1,055	2,141
Share based payments	81	65	135
Net finance costs	135	136	261
Movement in debtors and creditors	(1,874)	488	112
Tax paid	(1,177)	(1,100)	(2,172)
Net cash inflow from operating activities	3,072	4,998	9,633
Investing activities			
Investing activities	(2,311)	(1,161)	(1,591)
Financing activities			
Interest paid and loan fees	(163)	(156)	(305)
Dividends paid to ordinary shareholders	(1,667)	(1,222)	(2,056)
Net cash inflow/ (outflow) from financing activities	(1,830)	(1,378)	(3,952)
Net change in cash and cash equivalents	(1,069)	2,459	5,681
Movement in net cash			
Cash and cash equivalents, beginning of period	12,588	6,907	6,907
Increase in cash and cash equivalents	(1,069)	2,459	5,681
Cash and cash equivalents, end of period	11,519	9,366	12,588

- Significant CAPEX investments of £2.3m including £1.3m storage area network (SAN), other data centre equipment and reporter workstations to support future growth
- Increase in debtors which has started to unwind
- Board has approved interim dividend of 0.85p/ share to be paid in October 2019
- Net debt of £0.5m at period end

Source:

1 Audited group accounts under IFRS full year 2018 and unaudited half year

Business Overview (1): Investing to deliver a scalable and robust platform

- Technical Review: as a result of new CTO, Marc O'Brien's review of current systems, the following improvements have been made:
 - Investment in storage area network (SAN) to improve resilience and scalability at main data centre
 - Commenced virtualisation of client servers to improve workflow and service management
 - Developed and implemented a robust, secure and scalable overseas IT solution
 - Fortification of cyber security program
 - Projects initiated to improve IT architecture and workflow including use of AI and robotic process automation (RPA) to support service delivery

Business Overview (2): Investing to deliver a scalable and robust platform

- Overseas Capacity update
 - Established a subsidiary in Australia
 - Started reporting for UK Trusts in H1
 - Current one full-time radiologist and one part-time. Both UK accredited.
 - Reporting from UK accredited radiologists working in EU
- Continuing to develop NightHawk service with NH3 portal launched in February and increasing specialist neurology capability
- Scaling recruitment, deployment and project management teams
- Developing reporter management structure including new roster system
- Launched PET CT reporting service
- Relocated head office premises to new location in Hastings

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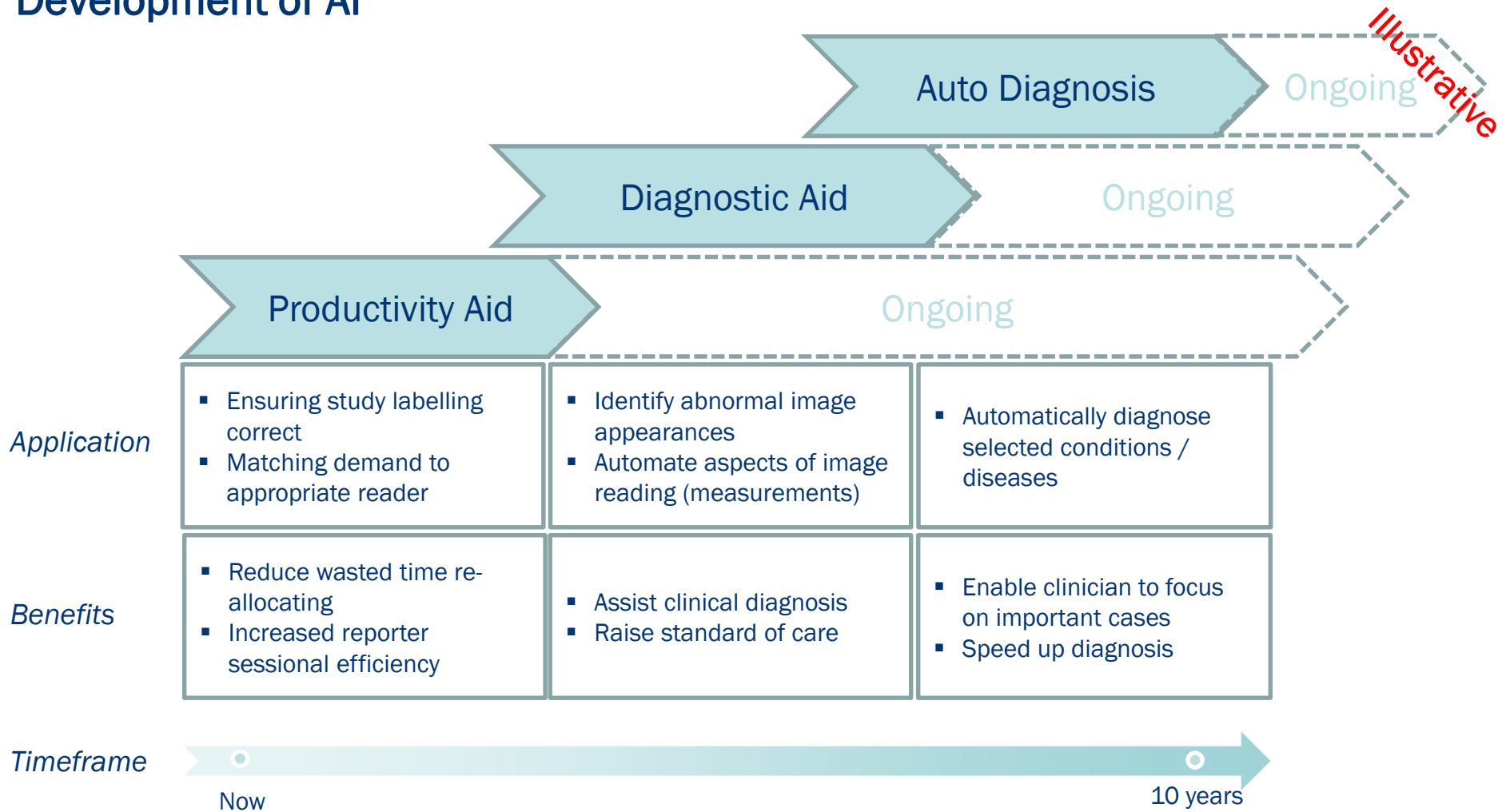
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Artificial Intelligence – market overview

- **By 2023, forecast to be a gap of 31% in the UK radiology workforce***
 - Forecast for 60% increase in Cross Sectional exams in England by 2024
 - No evidence that AI tools will be able to increase effective capacity/productivity by as much as 20%, leaving a large structural driver for our services

- **AI development in the NHS has been incentivised** but progress will be limited whilst the following points are addressed
 - Safety/Regulation
 - Accuracy and validation requirements of data and algorithms
 - Technology infrastructure to accept AI data outputs and GDPR compliance
 - CE accreditation
 - Medical indemnity liability
 - Cultural acceptance: particularly concern for Autonomous reporting

Development of AI



Artificial Intelligence

Current position

- Client engagement indicates controlled adoption of AI could provide an additional driver for clients to use our services
- We are actively engaged with a number of AI companies
- Medica current focus is
 - Workflow Improvement
 - Clinical Prioritisation

Short to medium term implications for Medica

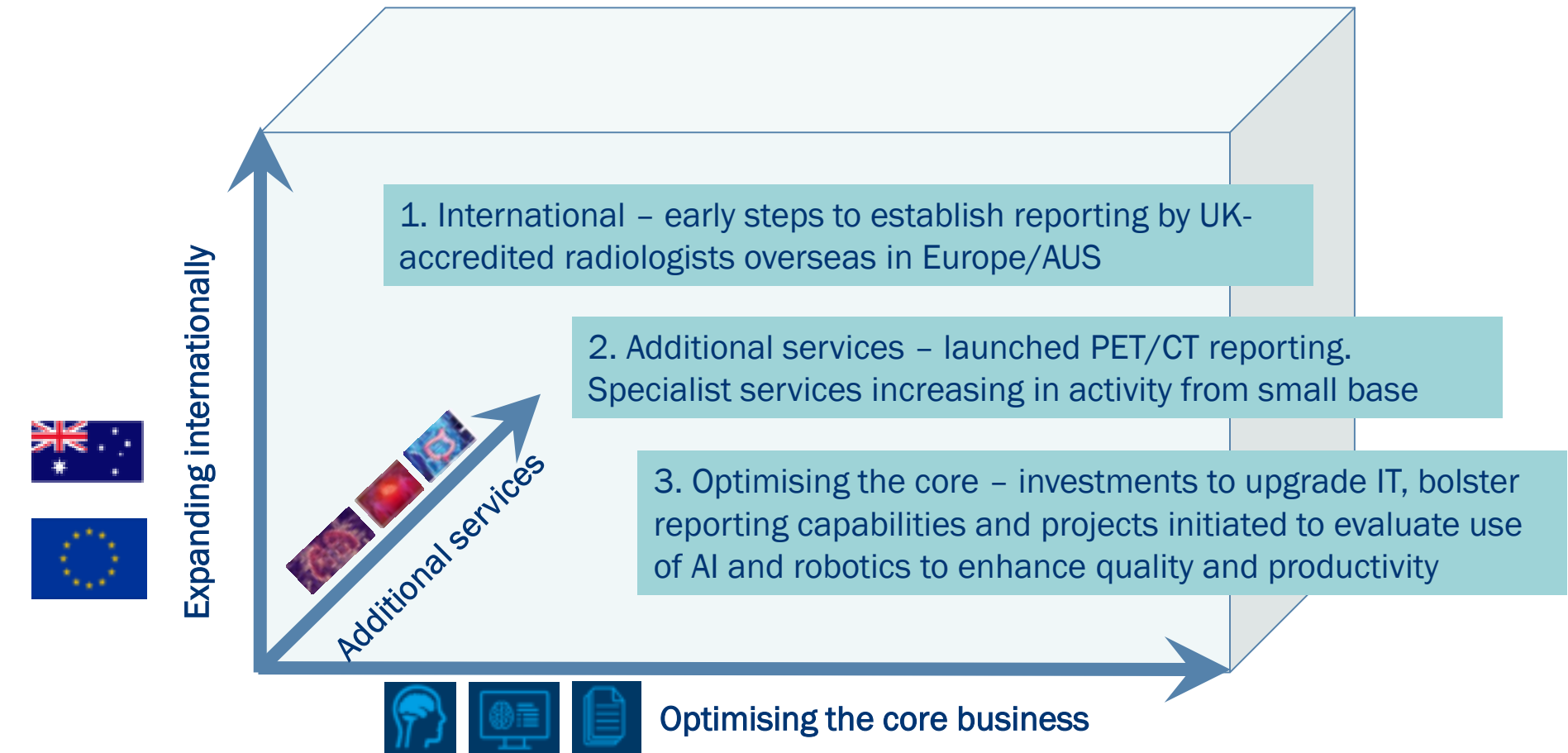
- Shortlist of providers identified for trial in Q4 2019/Q1 2020
- Selected tools expected to:
 - Improve operational efficiency, by workflow improvement
 - Decrease turnaround for targeted abnormal findings through clinical prioritisation
- Both benefits and additional costs expected to be limited in next 12-24 months whilst the market matures

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Our current strategy

Leveraging our core business to deliver growth



Business overview: Current growth strategy



Focus for H2 2019

- The main focus will continue to be on:
 - Increasing reporting capacity from UK and overseas to deliver a high quality and responsive NightHawk service to customers
 - Become more integrated with customer demand management and scheduling
 - Leveraging the investments made to enhance systems, processes and strengthening of the technical and service delivery team
 - Evaluating the implementation of AI for Medica and its customers

Summary and outlook

- Continued strong double-digit organic revenue growth from core business
- Invested in technology and people to continue to develop the platform to support future growth
- Ensuring Medica remains an attractive place for reporters to expand their portfolio of work thereby maintaining and expanding our reporting capacity
- Focus will be on further strengthening the platform to deliver the core service whilst ensuring that it is scalable to support future growth opportunities
- Evolve international strategy and broader diversification of services and opportunities for the group
- Board confident in meeting its full year expectations

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What is teleradiology?

The transmission of patient images, such as X-ray/CT/MRI, from one location to another, for the purpose of interpreting and reporting those images



1. Patient admitted to hospital

- Stroke and head injuries
- Cancer screening
- Fractures and trauma
- Daytime / out of hours



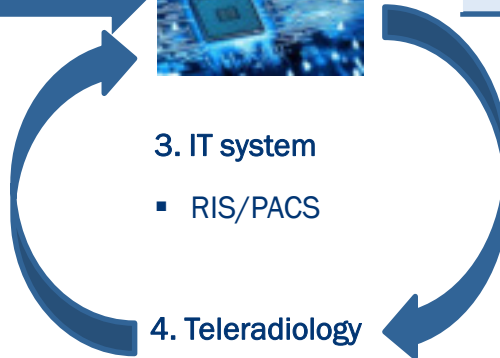
2. Scanner

- CT (Cross-sectional)
- MRI (Cross-sectional)
- X-ray (Plain film)



3. IT system

- RIS/PACS



4. Teleradiology



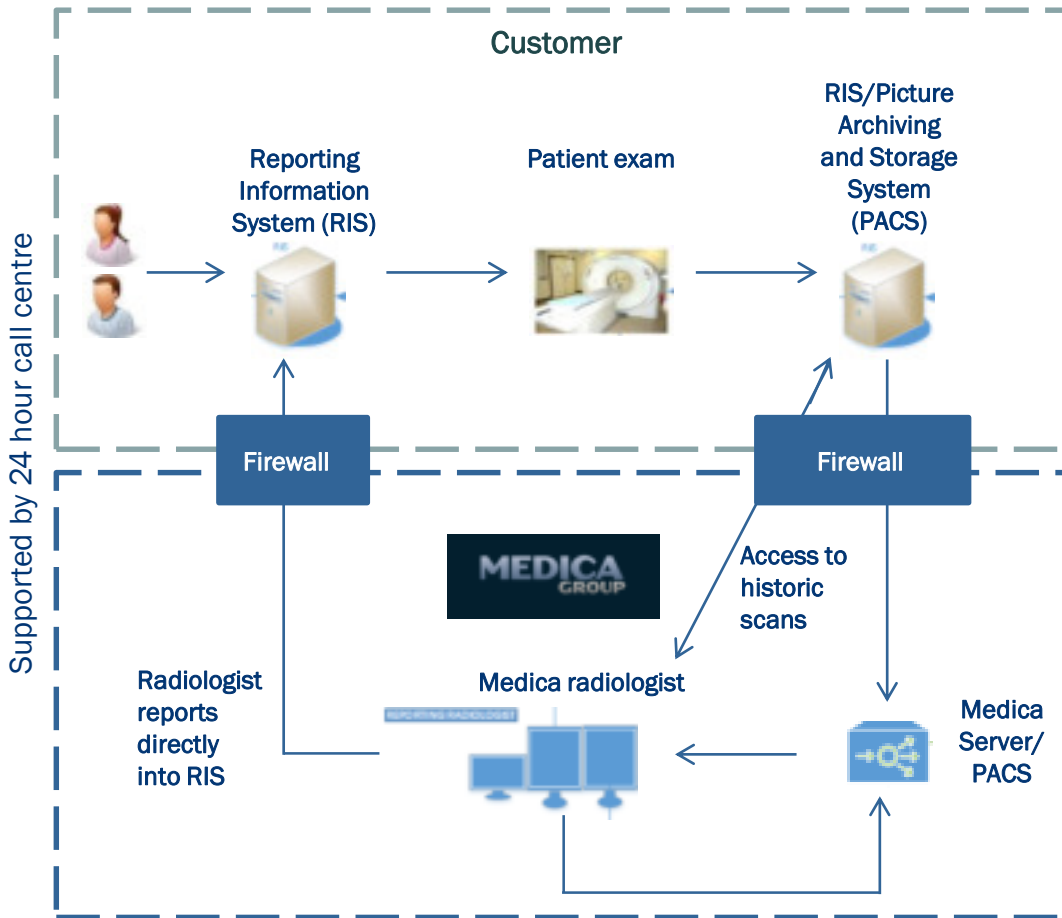
4. Hospital based radiologist

MEDICA GROUP

- Network of 400 reporters – based at home and in reporting centres with complete equivalence to the NHS
- NightHawk and Routine services
- Day/night time; 24/7, 365 days a year

Customer embedded integrated reporting platform

An overview of Medica's reporting process



The benefits of the Medica platform

- Through virtual private network Medica can access client's own RIS, equivalent to in-house radiologists and the only provider to offer this as standard, giving a number of advantages
 - Access to patient data data including historical reports
 - Knowledge of allergy alerts
 - Ability to recommend/book further referrals
 - Saves client time selecting files to send to Medica
- Medica's radiologists are available to discuss or clarify reports with the customers
- Experienced technical team offering full support 24/7
- Dual data centre and multiple contingency systems providing robust and resilient network
- Network linking Medica with its 400+ reporters and 100 hospitals
- Network is scalable and has been designed to cope with a trebling in volumes
- Supported by in-house technical team
- Differentiating NightHawk contingency system - eliminates downtime

Delivering a high quality clinical service

Radiologist selection

- Strict selection criteria based upon training and experience
- Credentialing of radiologists to fully understand their subspecialty expertise and then match with incoming work
- Entry quality assurance reporting audit

Radiologist monitoring

- Radiology reporting quality audit
- Reporting discrepancy notification
- Supportive reflective learning process
- Annual medical appraisal
- 'Listening' – multiple and diverse feedback
- Formal concerns process – aim at remediation

Clinical protocol

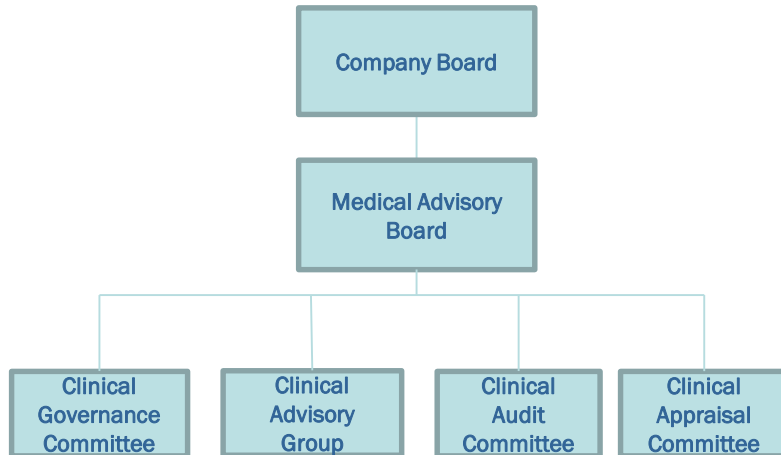
- Clinical operating policies and procedures based upon UK national 'best practice' and national experience
- Advice through specialist clinical advisory group

Learning organisation

- Structured clinical investigation process
- Formal learning and feedback approach with clinical governance committee oversight

Investing in strong clinical governance and quality control

Clinical governance structure



Highly experienced clinical governance structure

- Clinical Advisory Group consisting of 12 members, selected on the basis of their radiological subspecialty expertise and wider clinical skill sets.
- Market leading clinical governance strategies and processes

Market leading controls and support process in place

- All new radiologists' initial reporting is audited
- Ongoing programme of auditing reporting
- Team of seven permanent staff supporting clinical services
- Clinical output monitored in fortnightly Clinical Governance Committee meetings
- Quarterly meetings of the Medical Advisory Board
- Supportive and developmental radiologist management environment
- Medica currently delivers external audit for the NHS and independent hospitals, reviewing the performance and advising on remediation of their radiologists

Accreditations:



Income statement

£000s	6 Months to 30 June 2019	6 Months to 30 June 2018	Year to 31 December 2018
Revenue	21,978	18,592	38,969
Cost of sales	(11,515)	(9,501)	(19,883)
Gross profit	10,463	9,091	19,086
Administrative expenses	(5,640)	(4,601)	(9,424)
Operating profit	4,823	4,490	9,662
Exceptional items	(30)	0	(245)
Operating profit after exceptional items	4,793	4,490	9,417
Finance income	44	18	68
Finance costs	(179)	(154)	(329)
Net finance costs	(135)	(136)	(261)
Profit before tax	4,658	4,354	9,156
Analysed as			
EBITDA	6,153	5,610	11,938
Share based payments	(81)	(65)	(135)
Exceptional items	(30)	0	(245)
Finance costs	(179)	(154)	(329)
Finance income	44	18	68
Depreciation	(579)	(420)	(853)
Amortisation	(670)	(635)	(1,288)
Profit before tax	4,658	4,354	9,156
Income tax charge	(777)	(807)	(1,794)
Other comprehensive income	(1)	0	0
Profit and total comprehensive income attributable to the equity holders of the parent	3,880	3,547	7,362
Profit per share (basic and diluted)			
Basic profit per ordinary share	3.49	3.19	6.62
Diluted profit per ordinary share	3.47	3.18	6.58

Source:

1 Audited group accounts under IFRS full year 2018, unaudited half year figures

Balance sheet

£000	6 Months to 30 June 2019	6 Months to 30 June 2018	Year to 31 December 2018
ASSETS			
Non-current			
Goodwill	15,948	15,948	15,948
Other intangible assets	7,778	8,780	8,243
Property, plant and equipment	4,055	2,022	1,938
Non-current assets	27,781	26,750	26,129
Current			
Trade and other receivables	10,616	8,177	8,634
Cash and cash equivalents	11,519	9,366	12,588
Current assets	22,135	17,543	21,222
LIABILITIES			
Current			
Trade and other payables	(3,832)	(3,839)	(3,970)
Current liabilities	(3,832)	(3,839)	(3,970)
Non-current Liabilities			
Borrowings and other financial liabilities	(12,474)	(11,900)	(11,912)
Deferred tax	(976)	(1,264)	(1,128)
Non-current liabilities	(13,450)	(13,164)	(13,040)
Net Assets	32,634	27,290	30,341
Equity			
Share capital	222	222	222
Share premium	14,721	14,721	14,721
Retained earnings	17,692	12,347	15,398
Foreign exchange equity	(1)	-	-
Total equity	32,634	27,290	30,341

Source:

1 Audited group accounts under IFRS full year 2018, unaudited half year figures

Cashflow

£000s	6 Months to 30 June 2019	6 Months to 30 June 2018	Year to 31 December 2018
Operating activities			
Profit before tax	4,658	4,354	9,156
Adjustments:			
Depreciation of property plant and equipment	579	420	853
Amortisation of intangible fixed assets	670	635	1,288
Share based payments	81	65	135
Finance income	(44)	(18)	(54)
Finance costs	179	168	329
<i>Changes in:</i>			
Decrease / (Increase) in trade & other receivables	(1,982)	34	(424)
Increase / (decrease) in trade and other payables	108	454	536
Movement in financial instruments	0	(14)	(14)
Tax (paid)/received	(1,177)	(1,100)	(2,172)
Net cash inflow from operating activities	3,072	4,998	9,633
Investing activities			
Purchase of property plant and equipment	(2,188)	(571)	(920)
Purchase of software intangible assets	(167)	(608)	(725)
Interest received	44	18	54
Cash outflow from investing activities	(2,311)	(1,161)	(1,591)
Cash flows from financing activities			
Interest paid and loan fees	(163)	(156)	(305)
Dividends paid to ordinary shareholders	(1,667)	(1,222)	(2,056)
Net cash inflow/(outflow) from financing activities	(1,830)	(1,378)	(2,361)
Net change in cash and cash equivalents	(1,069)	2,459	5,681
Movement in net cash			
Cash and cash equivalents, beginning of period	12,588	6,907	6,907
Increase in cash and cash equivalents	(1,069)	2,459	5,681
Cash and cash equivalents, end of period	11,519	9,366	12,588

Source:

1 Audited group accounts under IFRS full year 2018, unaudited half year figures

Glossary

Cross-sectional	CT and MR exams
CT	Computerised tomography, a type of scan that makes use of computer processed combinations of many x-rays
DXA	Dual energy X-ray absorptiometry, a special type of x-ray that measures bone mineral density
GMC	General Medical Council
MR/MRI	Magnetic resonance imaging, a scan that uses magnetic fields and radio waves to produce images
NICE	National Institute for Health and Care Excellence
NightHawk	Out of hours cross sectional reporting
PACS	Picture and Archiving Communications System, a medical imaging technology that allows for economical storage and convenient access to images
PET	Positron emission tomography
Plain Film	X-ray
Radiographer	Healthcare professional with qualification to undertake specified radiology reporting
Radiologist	Specialist doctor skilled in the interpretation of radiological images with FRCR qualification or equivalent
RCR	The Royal College of Radiologists
RIS	Radiology Information System, the electronic system that manages imaging departments
Teleradiology	The interpretation of an image at a site remote from the acquisition of the image