



Results for the year ended 31 December 2018

March 2019



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Today's agenda

1. Highlights
 2. Financial review
 3. Business strategy and outlook
 4. Q&A
 5. Appendix
-

2018 highlights

- Continued to deliver strong double digit organic growth in line with market expectations
- Maintenance of gross profit margin and EBITDA margin
- Maintained market leading position in the UK
- Strong radiologist recruitment
 - 56 net additions during 2018
 - 362 contracted as at 31 December (December 2017: 306)
 - As of today 375
- Started internationalisation of Medica
- Development of specialist services
- Increasing investment (people and technology) to support future double digit growth and margin protection
- Final dividend proposed of 1.5p per share (2.25p for full year)

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1. Highlights
 2. *Financial review*
 3. Business strategy and outlook
 4. Q&A
 5. Appendix
-

Income statement

	2018	2017	% change
Revenue	38,969	33,715	15.6%
Gross profit	19,086	16,432	16.1%
Gross profit margin	49.0%	48.7%	0.3%
EBITDA ⁽¹⁾	11,938	10,581	12.8%
EBITDA margin	30.6%	31.4%	-0.8%
Adjusted EPS (pence) ⁽²⁾	7.75	6.92	12%

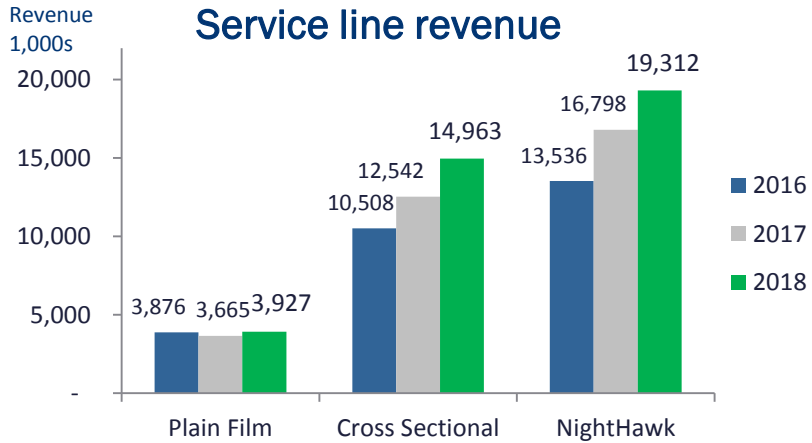
- Double digit revenue growth driven by existing customers
- Gross margin maintained but expected to reduce over the next 18 months
- Modest price decreases in the period (as previously guided), partly offset by increased complexity of exams
- Administration costs increased 19% on comparative period reflecting increase in staff numbers, investment in IT and new services to maintain future growth and full period PLC costs
- Modest reduction in EBITDA margin, still above 30%

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

(2) 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

Service line highlights: Strong revenue and volume growth

	Revenue growth	Volume growth	Gross profit 2018	Gross profit 2017
NightHawk	15.0%	19.4%	49.9%	50.5%
Cross Sectional	19.3%	21.6%	51.9%	52.1%
Plain Film	7.2%	7.9%	49.4%	49.4%



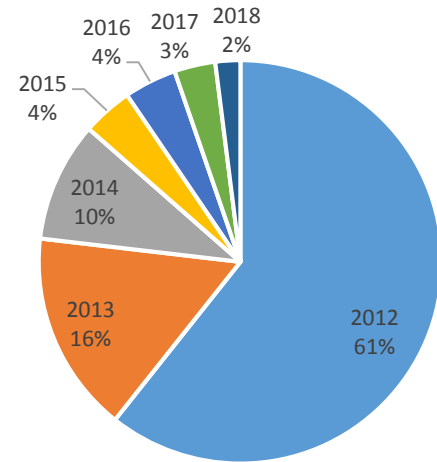
- Growth from existing clients**

- 85% of the growth in 2018 from 2017 from existing clients
- Average client revenue increased 17% from 2017
- Increased routine penetration as partnerships grow
- Growth in Nighthawk demand

- Stable client base**

- 61% of revenue is from clients with Medica in 2012 or earlier, 87% before 2015
- Two first time outsourcers added in 2018
- Renewal of two largest clients in 2018

2018 Revenue by joining year



Cashflow

£000s	Year to 31 December 2018	Year to 31 December 2017
Operating activities		
Profit before tax	9,156	5,662
Depreciation and amortisation	2,141	1,992
Share based payments	135	74
Net finance costs	261	1,193
Movement in debtors and creditors	112	(2,503)
Tax paid	(2,172)	(904)
Net cash inflow from operating activities	9,633	5,514
Investing activities		
	(1,591)	(1,420)
Equity and borrowing movement		
	-	(473)
Interest paid and loan fees	(305)	(816)
Dividends paid to ordinary shareholders	(2,056)	(611)
Net cash inflow/(outflow) from financing activities	(2,361)	(1,900)
Net change in cash and cash equivalents	5,681	2,194
Movement in net cash		
Cash and cash equivalents, beginning of period	6,907	4,713
Increase in cash and cash equivalents	5,681	2,194
Cash and cash equivalents, end of period	12,588	6,907

- Highly cash generative with strong cash conversion
- 65% of CAPEX on expansionary radiologist and client equipment
- Dividend of 1.5p/share to be paid in June 19
- Net cash of £0.6m at year end.

Source:

1 Audited group accounts under IFRS full year 2018 and 2017

Today's agenda

1. Highlights
 2. Financial review
 3. *Business strategy and outlook*
 4. Q&A
 5. Appendix
-

Business overview: Good progress since IPO

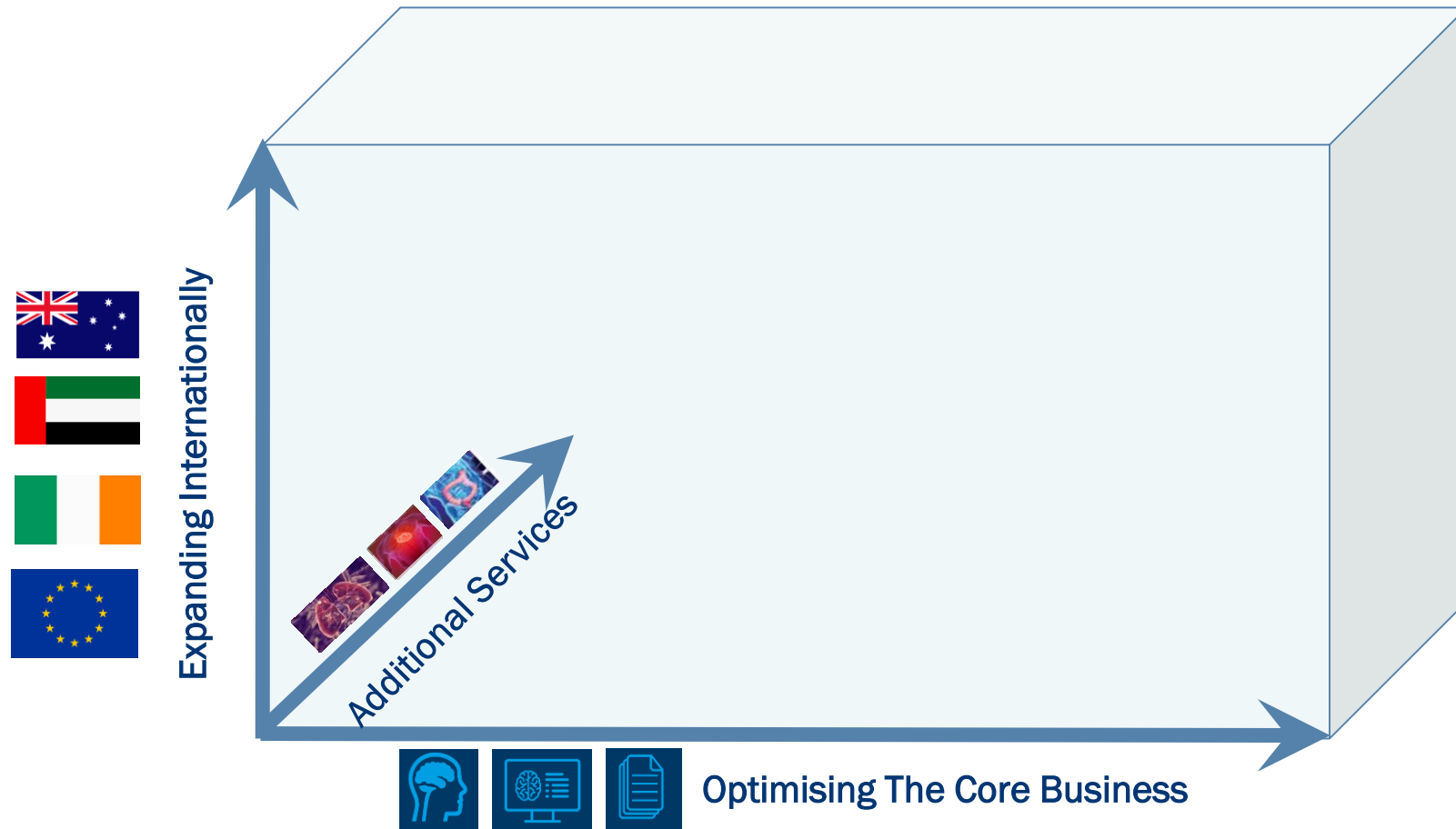
Metric	At IPO year end (31/12/2016) ¹	At 31 December 2018	Trend	Comments
Revenue	£28.5m	£39.0m	↑	Organic growth only in 2017 and 2018
Revenue from clients > 3 years	77%	87%	↑	Increased penetration of existing customers
EBITDA margin	32.4%	30.6%	↓	PLC costs reduced margin as expected
Net debt (Cash)	£10m ²	(£0.6m)	↑	Strong cash generation Net cash of £0.6m at end of 2018
Number of radiologists	248	362	↑	46% increase; strong recruitment to date and good pipeline
Market share	~50%	~50%	↔	Maintained market leading position. (Estimate based on market intelligence)
Pricing	GP 49.8%	GP 49.0%	↓	NightHawk and Cross Sectional average price fall as expected. Continued pressure expected.

(1) IPO numbers based on audited accounts for the year ended 31st December 2016

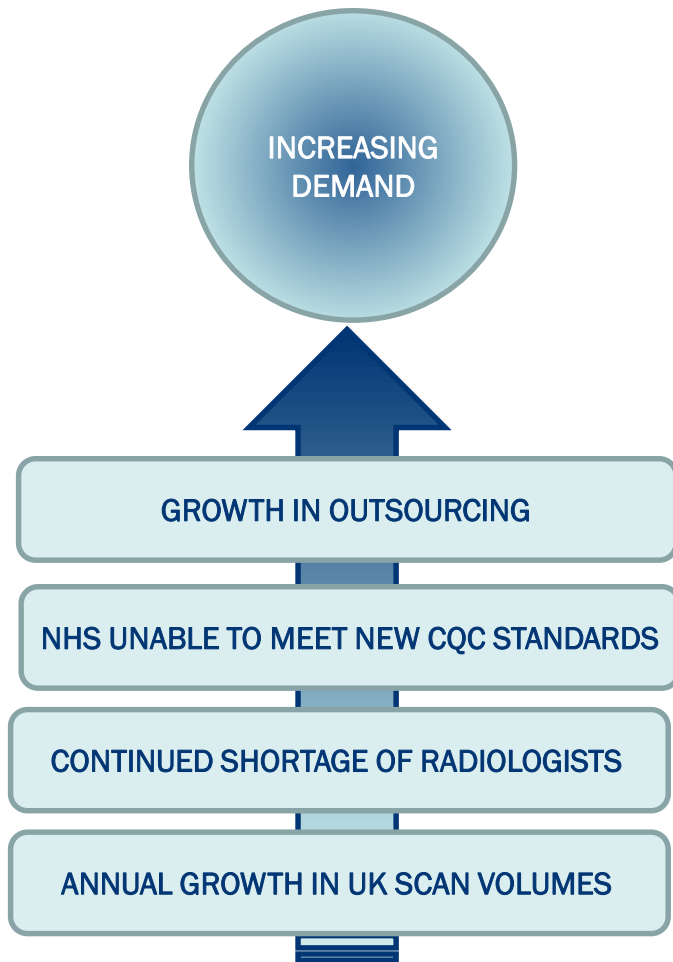
(2) Net debt as at IPO

Our Strategy

Leveraging our Core Business To Globalise Tele-Radiology



Business overview: Market drivers increasing demand



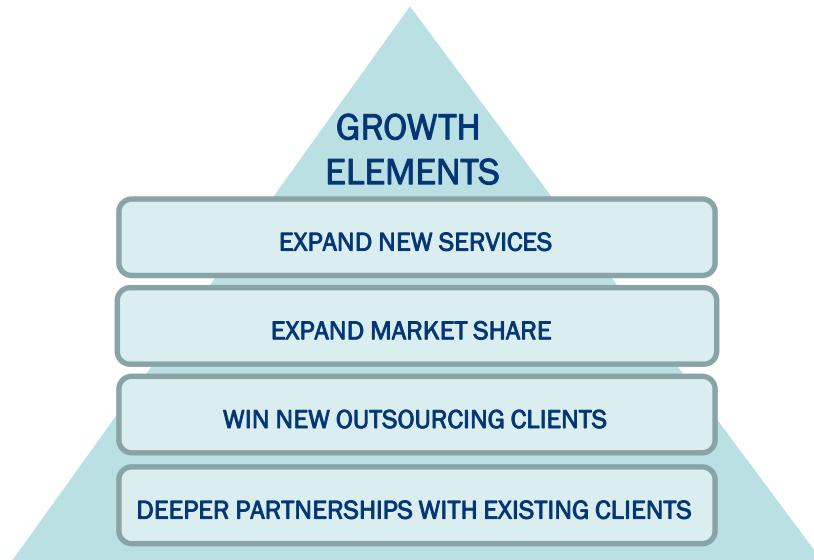
Market growth

- Increasing expectations for quicker diagnostic response. **CQC** instructed the National Imaging Optimisation Delivery Board to develop **standards for reporting turnaround times for the first time**
- *An ageing demographic*
- More conditions are suitable for diagnostic reporting
- *More images being produced per scan*
- Drive for early diagnosis
- Growth in A&E admissions requiring diagnostic imaging
- *NICE guidelines evolving* to include more diagnostic imaging
- Move to 7-day working is expected to further drive growth

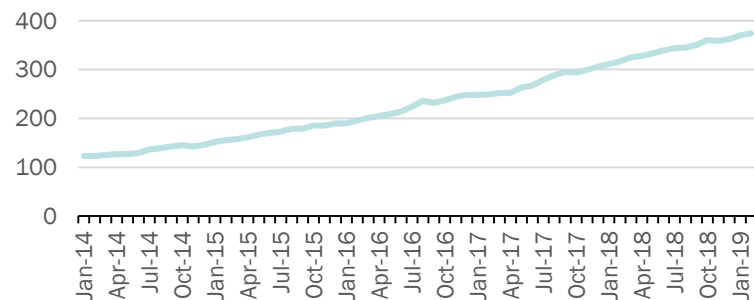
Radiologist shortage – RCR 2017 census

- Increasing radiologist gap from 1,000 consultants currently increasing to 1,600 in five years time
- *Only 3% of radiology departments able to meet their reporting requirements* within staff contracted hours
- 44% of radiology departments disclosed that some images were auto-reported or unreported
- Vacancy rate rose from 8.5% in 2016 to 10.3% in 2017

Business overview: UK growth strategy



Medica contracted reporters



Key focus on:

- **NightHawk growth**
 - Increase in capacity from overseas
 - Investment in platform and people
 - Delivery of improved overall service to clients
- **Robust clinical governance**
 - Medica most trusted provider for clients
 - Attracts and retains radiologists
- **Recruitment and retention**
 - Active recruitment team
 - UK radiology events
- **Meeting client expectations**
 - Active account management
 - Focus on service levels and turnaround times
- **Technology and innovation**
 - Recent investment in strengthening technical team
 - Continued improvement of productivity and process

Business overview: Enhancement of reporting services

- Focus on NightHawk
 - Investment made in new NightHawk platform (delivered Feb 2019)
 - Capacity boost from overseas radiologists
 - Increasing availability of subspecialty opinion (e.g. Neuro)
 - Renewed focus on end to end patient pathway
 - Customer-led demand for partnership on complex reporting
 - Increasing confidence in our clinical delivery.
 - Examples include:
 - MR multi parametric prostate
 - CT coronary angiography
 - Low dose CT lung cancer screening / surveillance
 - Changes in technology, government policy and NICE recommendations create a delivery challenge for clients which we can help them meet.
-

Business strategy: Building a global clinical reporting network

Project:

- Introduction of reporting locations outside of UK to meet continued growing demand
- Formal NHS Digital Authority to Proceed received
- Introduction in H1 2019

Model:

- Full standard Medica technical solution, with no compromise
- Radiologist selection and governance identical to UK reporters
- Recruit from UK and ex-UK GMC radiologists
- Offers choice to clients - UK only, or hybrid UK / international delivery model
- Delivery initially in Australia and New Zealand, approval already received for to expand multiple additional locations

Opportunities:

- Utilise UK-experienced radiologists, wherever they are located
- Provides additional capacity and subspecialist expertise to support UK Routine and NightHawk growth
 - Increased ability to service peak in Routine demand over UK summer
 - NightHawk capacity from radiologists in different time zones to complement UK based radiologists
- Provides additional capacity to target overseas clients



Radiology and artificial intelligence

- Opportunities for radiology
 - Image analysis
 - Radiology workflow
- First movers facing significant barriers in developing AI algorithms
 - Lack of reliable data, especially translating in wide-area clinical practice across multiple locations
 - High quality validation is an issue.
 - Most vendors are start-ups
- Key considerations for Medica
 - Positive effect on productivity and efficiency
 - Increased clinical accuracy
 - Return on investment
 - Meeting regulatory requirements

Business strategy: Leveraging our strong core growth

Core business growth	<ul style="list-style-type: none"> ▪ Continued development of Nighthawk and Routine business: <ul style="list-style-type: none"> - Develop partnerships with NHS Trusts - New outsourcers / Independent sector - Increasing capacity including international - Radiographer reporting - Specialist service lines 	
Future developments	Adjacent opportunities	<ul style="list-style-type: none"> ▪ Expansion into related areas: <ul style="list-style-type: none"> - Screening - International clients - Autopsy reporting - Clinical trials
	Broader growth opportunities	<ul style="list-style-type: none"> ▪ Build or acquisition: <ul style="list-style-type: none"> - Service expansion into other areas e.g. pathology - Wider telehealth diversification - Artificial intelligence

Summary and outlook

- Strong double digit organic growth in line with market expectations
- Strong cash generation eliminating net debt
- Good radiologist recruitment with strong pipeline
- Positive progress on future growth initiatives – new services, international network, technology
- Focused on maintaining double digit growth from core organic business
- International strategy and broader diversification

Today's agenda

1. Highlights
 2. Financial review
 3. Business strategy and outlook
 4. Q&A
 5. Appendix
-

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1. Highlights
2. Financial review
3. Business strategy and outlook
4. Q&A
5. *Appendix*

Radiology and artificial intelligence

AI continues as a hot topic with emerging consensus views:

- Opportunities for radiology
 - Image analysis
 - Radiology workflow

- First movers facing significant barriers in developing AI algorithms
 - Lack of reliable data, especially translating in wide-area clinical practice across multiple locations
 - High quality validation is an issue. 6% of AI algorithms validated with external image analysis and none were fit for widespread clinical introduction
 - Most vendors are start-ups

Radiology and artificial intelligence

In the medium- to long-term high quality AI could support radiology growth

- Image analysis
 - Radiologist assistant
 - Will be embedded in image viewing platforms
- Workflow efficiency
 - Selecting correct image protocols
 - Minimising radiation usage
 - Checking reports and actions on reports e.g. ALERTs for critical findings
 - Radiologist work allocation – subspecialisation; prioritisation

Radiology and artificial intelligence

- Key considerations for Medica
 - Positive effect on productivity and efficiency
 - Increased clinical accuracy
 - Return on investment
 - Meeting regulatory requirements
- Investment is most likely to be in terms of
 - Image viewing (PACS) platform – modular enhancements
 - Workflow orchestration tools – may be embedded in PACS platform
- Changing landscape under ongoing review with sources including:
 - Attendance at scientific meetings
 - AI community
 - Aunt Minnie.com
 - International meetings - KOLs
 - European Congress of Radiology
 - Radiological Society of North America

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)

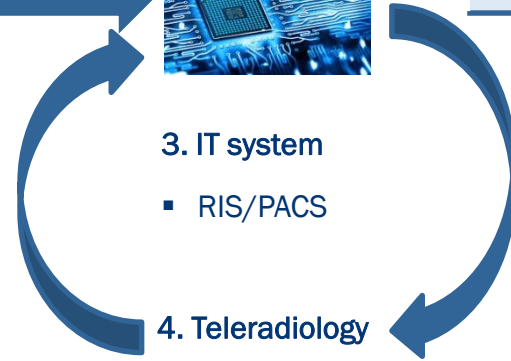


3. IT system

- RIS/PACS



4. Hospital based radiologist



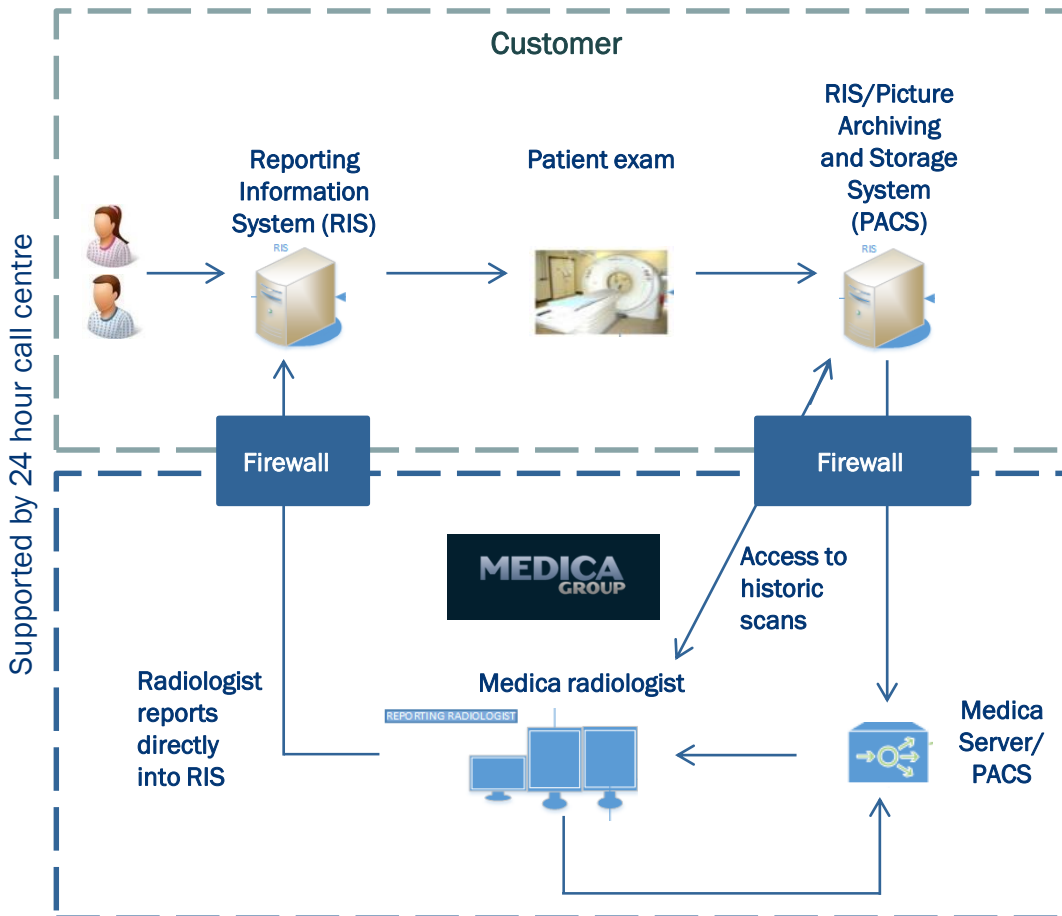
4. Teleradiology

MEDICA GROUP

- Network of 360+ 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 360+ 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

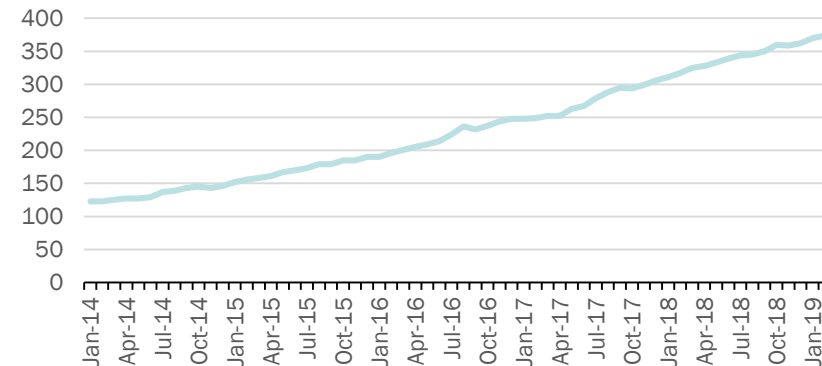
Radiologist selection

- 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

Medica contracted reporters



Clinical protocol

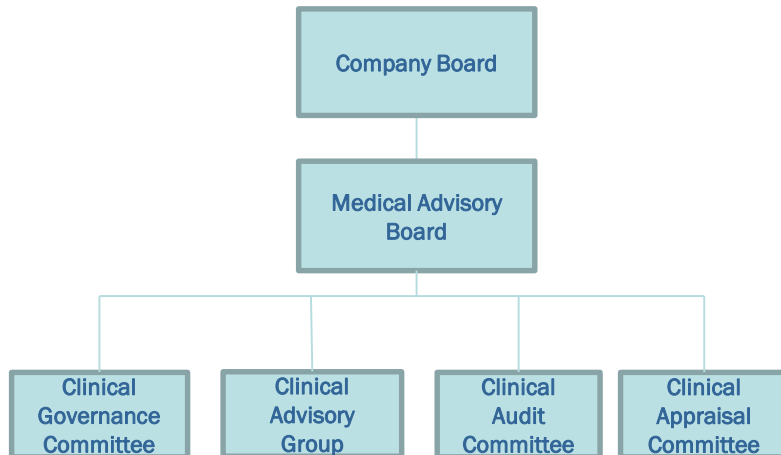
- Clinical operating policies and procedures based upon UK national ‘best practice’ and national experience
- Advice through specialist clinical advisory group

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:



Business strategy: Developing new services leveraging our existing platform



	CT lung screening	Cardiac	Multi parametric prostate	Other services
Offering	<ul style="list-style-type: none"> Specialist reporting of low dose CT lung screening examinations 	<ul style="list-style-type: none"> Specialist reporting for CT Coronary Angiograms and Cardiac Calcium Scoring 	<ul style="list-style-type: none"> Specialist reporting of advanced MR imaging in the diagnosis of prostate cancer 	<ul style="list-style-type: none"> Client audit CT colonography DXA RECIST Nuclear medicine
First launched	<ul style="list-style-type: none"> Launch expected H2 2019 	<ul style="list-style-type: none"> Launched in Q1 2018 Delivered service to two clients starting Feb 18 	<ul style="list-style-type: none"> Launched in Q2 2018 12 clients had used the service by end of 2018 	<ul style="list-style-type: none"> Colonography and DXA have been established for some time RECIST reporting is at project scoping stage
What Medica has done	<ul style="list-style-type: none"> Established clinical requirements by engagement with potential client and Medica subspecialty lead Partnered with a scanning provider in two bids for regional screening contracts (one successful, one decision pending) Submitted proposal to existing client for reporting only service 	<ul style="list-style-type: none"> Purchased software to enable diagnosis Assembled a team of high quality cardiac reporters, lead by a recognised leader in the field based at the Royal Brompton Hospital 	<ul style="list-style-type: none"> Purchased hardware to enable diagnosis Working group established to launch service, clinical lead in place Engaged with several clients interested in piloting the service, commenced workflow testing 	<ul style="list-style-type: none"> Purchased software to enable diagnosis Recruited specialist radiologists to undertake reporting Engaged with SMEs to inform scope and best in class delivery approach.
Opportunity	<div style="display: flex; align-items: center; justify-content: center;"> ← Roll out across new and existing customers → </div>			

Income statement

£000s	Year to 31 December 2018	Year to 31 December 2017
Revenue	38,969	33,715
Cost of sales	(19,883)	(17,282)
Gross profit	19,086	16,433
Administrative expenses	(9,424)	(7,917)
Operating profit	9,662	8,516
Exceptional items	(245)	(1,661)
Operating profit after exceptional items	9,417	6,855
Finance income	68	50
Finance costs	(329)	(661)
Exceptional items finance costs	0	(582)
Net finance costs	(261)	(1,193)
Profit before tax	9,156	5,662
Analysed as		
EBITDA	11,938	10,582
Share based payments	(135)	(74)
Exceptional items	(245)	(1,661)
Exceptional finance costs	0	(582)
Finance costs	(329)	(661)
Finance income	68	50
Depreciation	(853)	(775)
Amortisation	(1,288)	(1,217)
Profit before tax	9,156	5,662
Income tax charge	(1,794)	(1,331)
Profit and total comprehensive income attributable to the equity holders of the parent	7,362	4,331
Profit per share (basic and diluted)		
Basic profit per ordinary share	6.62	3.99
Diluted profit per ordinary share	6.58	3.96

Source:

1 Audited group accounts under IFRS full year 2018 and 2017

Balance sheet

£000	Year to 31 December 2018	Year to 31 December 2017
ASSETS		
Non-current		
Goodwill	15,948	15,948
Other intangible assets	8,243	9,218
Property, plant and equipment	1,938	1,880
Non-current assets	26,129	27,046
Current		
Trade and other receivables	8,634	8,210
Cash and cash equivalents	12,588	6,907
Current assets	21,222	15,117
LIABILITIES		
Current		
Trade and other payables	(3,970)	(3,932)
Derivative financial instruments	-	(14)
Current liabilities	(3,970)	(3,946)
Non-current Liabilities		
Borrowings and other financial liabilities	(11,912)	(11,888)
Deferred tax	(1,128)	(1,429)
Non-current liabilities	(13,040)	(13,317)
Net Assets	30,341	24,900
Equity		
Share capital	222	222
Share premium	14,721	14,721
Retained earnings	15,398	9,957
Total equity	30,341	24,900

Source:

1 Audited group accounts under IFRS full year 2018 and 2017

Cashflow

£000s	Year to 31 December 2018	Year to 31 December 2017
Operating activities		
Profit before tax	9,156	5,662
Adjustments:		
Depreciation of property plant and equipment	853	775
Amortisation of intangible fixed assets	1,288	1,217
Share based payments	135	74
Finance income	(54)	(12)
Exceptional finance costs	-	582
Finance costs	329	661
<i>Changes in:</i>		
Decrease / (Increase) in trade & other receivables	(424)	(2,138)
Increase / (decrease) in trade and other payables	536	(365)
Movement in financial instruments	(14)	(38)
Tax (paid)/received	(2,172)	(904)
Net cash inflow from operating activities	9,633	5,514
Investing activities		
Purchase of property plant and equipment	(920)	(820)
Purchase of software intangible assets	(725)	(612)
Interest received	54	12
Cash outflow from investing activities	(1,591)	(1,420)
Cash flows from financing activities		
Net Equity funds raised	-	14,797
Repayment of borrowings	-	(15,270)
Interest paid and loan fees	(305)	(816)
Dividends paid to ordinary shareholders	(2,056)	(611)
Net cash inflow/(outflow) from financing activities	(2,361)	(1,900)
Net change in cash and cash equivalents	5,681	2,194
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Cash and cash equivalents, end of period	12,588	6,907

Source:

1 Audited group accounts under IFRS full year 2018 and 2017

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