



Interim results

Six months period ended 30 June 2018

September 2018



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Today's agenda

1. *H1 2018 highlights and business overview*
 2. Financial review
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H1 2018 highlights

- Continued to deliver strong double digit organic growth in line with market expectations
 - Revenue up 18.2% to £18.6m (H1 2017: £15.7m)
 - NightHawk +21.0%
 - Cross-Sectional +19.6%
 - Plain Film +10.8%
- Adjusted operating profit¹ up 15.4%
- Gross profit margin consistent at 48.9% in H1 2018 (H1 2017: 48.6%)
- Strong radiologist recruitment
 - 33 net additions during H1
 - 339 contracted as at 30 June (December 2017: 306)
 - As of today 346
- Strong cash generation in period reducing net debt to £2.5m (H1 2017: £8.5m)
- Increasing investment (people, training and technology) to support future double digit growth and margin protection
- Interim dividend proposed of 0.75p per share

¹ Adjusted operating profit is a non-IFRS measure and is calculated as profit before tax before exceptional items (including certain exceptional costs relating to refinancing), share based payments and amortisation in respect of assets acquired on acquisition.

Business overview: Good progress since IPO

| Metric | At IPO year end (31/12/2016) ¹ | At 30 June 2018 (Last 12 months) ² | Trend | Comments |
|--------------------------------|---|---|-------|---|
| Revenue | £28.5m | £36.6m | ↑ | Organic growth of 18% in 2017 and H1 2018 |
| Revenue from clients > 3 years | 77% | 88% | ↑ | Increased penetration of existing customers |
| EBITDA margin | 32.4% | 30.9% | ↓ | PLC costs reduced margin by 1.5% as expected Maintaining target of 30% |
| Net debt | £10m | £2.5m | ↑ | Strong cash generation Expect to be zero at end of 2018 |
| Number of radiologists | 248 | 339 | ↑ | 37% increase; strong recruitment to date and good pipeline |
| Market share | ~50% | ~50% | ↔ | Maintained market leading position and share of the market (based on market intelligence) |
| Pricing | GP 49.8% | GP 48.9% | ↓ | NightHawk and Cross Section average price fall as expected. Continued pressure expected; impact mitigated due to volume, efficiency and cost controls |

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

(2) LTM to June 2018 (unaudited)

Business overview: Market drivers increasing demand



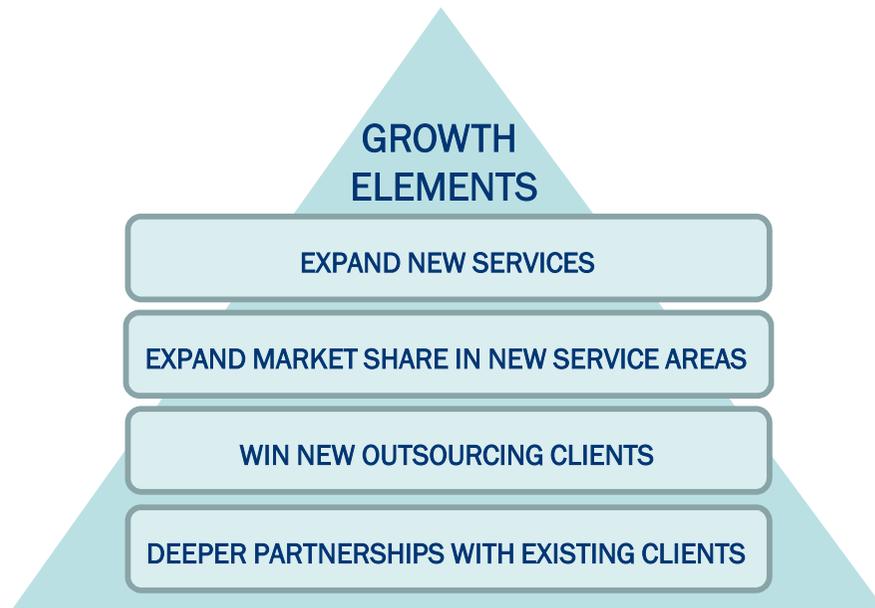
Market growth

- *An ageing demographic*
- More conditions are suitable for diagnostic reporting
- *More images being produced per scan*
- Drive for early diagnosis
- Increasing expectations for quicker diagnostic response
- 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



Key focus on:

- **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

Medica contracted radiologists



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Income statement

| | H1 2018 | H1 2017 | % change |
|-------------------------------------|---------|---------|----------|
| Revenue | 18,592 | 15,723 | 18.2% |
| Gross profit | 9,091 | 7,644 | 18.9% |
| Gross profit margin | 48.9% | 48.6% | 0.6% |
| EBITDA ⁽¹⁾ | 5,610 | 4,873 | 15.1% |
| EBITDA margin | 30.2% | 31.0% | -2.6% |
| Adjusted EPS (pence) ⁽²⁾ | 3.64 | 3.14 | 16.0% |

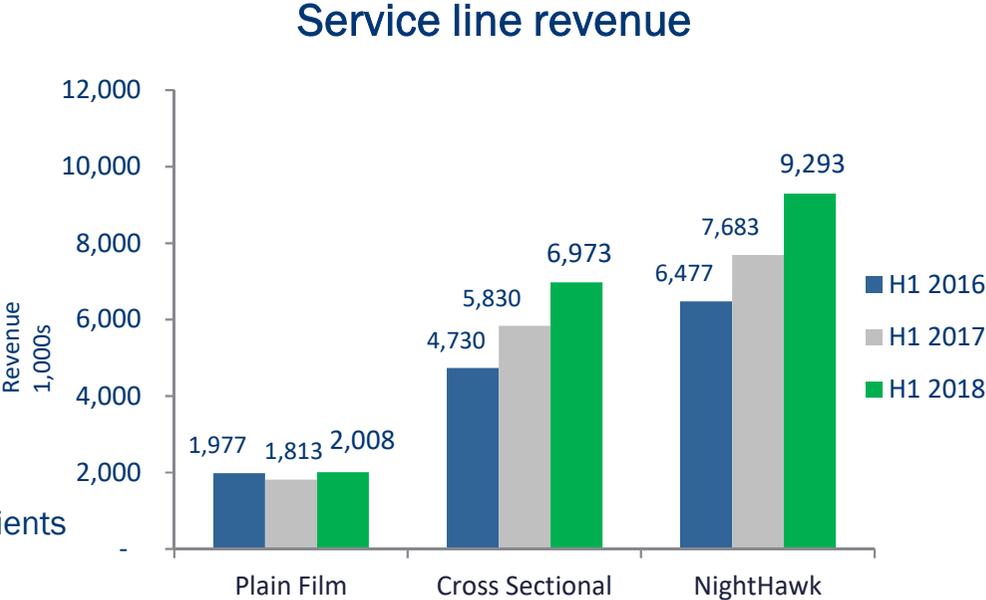
- Double digit revenue growth driven by existing customers
- Gross margin maintained but expected to reduce over the next 18 months
- Modest price decreases in the period offset by increased complexity of exams and cost savings
- Administration costs increased 21% on comparative period reflecting increase 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 the 30% target

(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

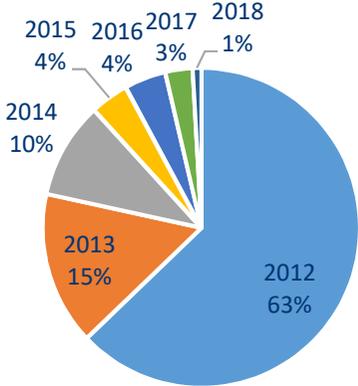
| | Revenue growth | Volume growth | Gross profit H1 2018 | Gross profit H1 2017 |
|-----------------|----------------|---------------|----------------------|----------------------|
| NightHawk | 21.0% | 24.4% | 50.4% | 50.3% |
| Cross Sectional | 19.6% | 21.8% | 51.8% | 51.9% |
| Plain Film | 10.8% | 12.0% | 49.2% | 49.3% |



- Growth from existing clients**
 - 81% of the growth in H1 2018 from H1 2017 from existing clients
 - Average client revenue increased 20% from H1 2017
 - Increased routine penetration as partnerships grow
 - Growth in Nighthawk demand

- Stable client base**
 - 63% of H1 revenue is from clients with Medica in 2012 or earlier, 88% before 2015
 - Two first time outsourcers added in H1 2018

H1 2018 revenue by joining year



Cashflow

| £000s | 6 months to 30 June 2018 | 6 months to 30 June 2017 | 12 months to 31 December 2017 |
|---|--------------------------------|--------------------------------|-------------------------------------|
| Operating activities | | | |
| Profit before tax | 4,354 | 1,290 | 5,662 |
| Depreciation and amortisation | 1,055 | 983 | 1,992 |
| Share based payments | 65 | 37 | 74 |
| Net finance costs | 136 | 1,060 | 1,193 |
| Movement in debtors and creditors | 488 | (1,896) | (2,503) |
| Tax paid | (1,100) | (604) | (904) |
| Net cash inflow from operating activities | 4,998 | 870 | 5,514 |
| Investing activities | | | |
| Investing activities | (1,161) | (1,048) | (1,420) |
| Equity and borrowing movement | | | |
| Equity and borrowing movement | - | (473) | (473) |
| Interest paid and loan fees | (156) | (672) | (816) |
| Dividends paid to ordinary shareholders | (1,222) | - | (611) |
| Net cash inflow/(outflow) from financing activities | (1,378) | (1,145) | (1,900) |
| Net change in cash and cash equivalents | 2,459 | (1,323) | 2,194 |
| Movement in net cash | | | |
| Cash and cash equivalents, beginning of period | 6,907 | 4,713 | 4,713 |
| Increase in cash and cash equivalents | 2,459 | (1,323) | 2,194 |
| Cash and cash equivalents, end of period | 9,366 | 3,390 | 6,907 |

- Highly cash generative with strong cash conversion
- 65% of CAPEX on expansionary radiologist and client equipment
- Dividend of 1.1p/share paid in June
- Net debt reduced to £2.5m and falling

Source:

1 Audited group accounts under IFRS full year 2017, unaudited half year figures

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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:



Delivering a high quality clinical service

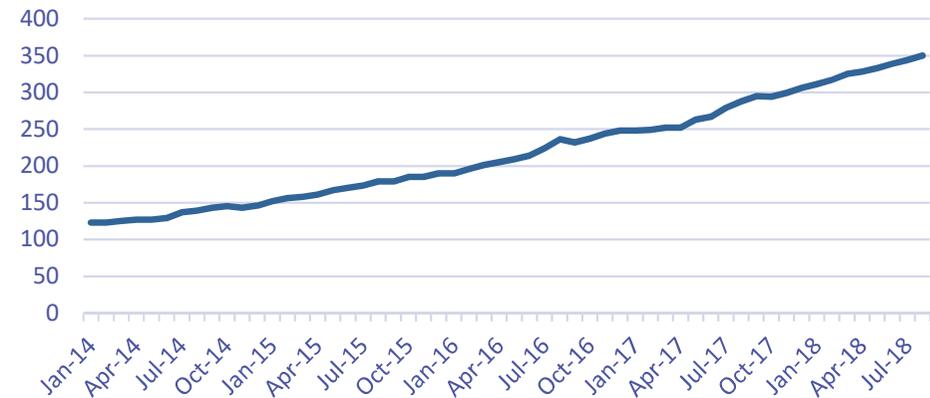
Radiologist selection

- 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 radiologists



Clinical protocol

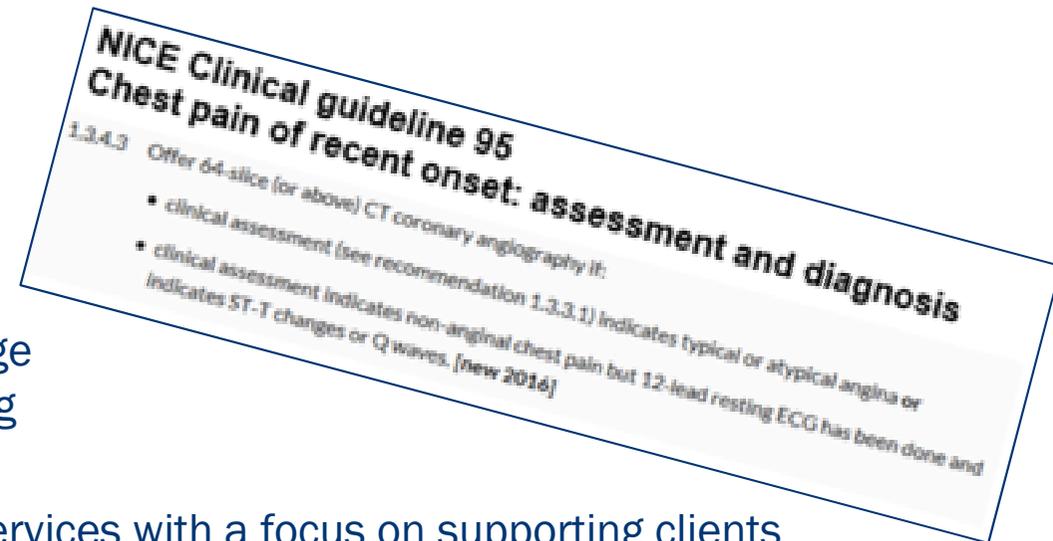
- Clinical operating policies and procedures based upon UK national 'best practice' and national experience
- Advice through specialist clinical advisory group

Learning organisation

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

Development of specialist reporting services

- Increasing confidence in our clinical delivery has opened up the opportunity for us to deliver more specialist reporting to clients
- Changes in technology, Government policy and NICE recommendations create a delivery challenge for clients, usually for both scanning and reporting
- We are developing multiple specialist reporting services with a focus on supporting clients to deliver in areas of current or expect future reporting capacity shortfall. Examples include:
 - CT coronary angiography
 - MR multi parametric prostate
 - Low dose CT lung cancer screening / surveillance
- There is often a lag in the adoption of best practice in the NHS whilst referral pathways and scanning capacity are created, but we are well positioned to service reporting demand as it is generated.



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 Q4 2018/ Q1 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 | <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 | <p>Roll out across new and existing customers</p> | | | |

Artificial intelligence (AI) in radiology: Identifying opportunities

Current status:

- Two broad sectors in radiology - workflow and image analysis
- Innovator and early adopter phase
- Global, but with significant UK activity
- Image analysis products typically target one system or disease e.g. CT brain for stroke, CT lung for nodule assessment
- First successful products likely to be radiologist “assistant”, flagging features for consideration
- Indemnity/malpractice unclear in the future. May need legislation in the UK, but currently defaults to lie with the radiologist where they sign off the report

Medica position:

- Active following of AI developments within the radiology domain
- Medium- to long-term we expect to use products with integrated AI in our service

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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 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



Business strategy: Leveraging our strong core growth



Summary and outlook

- Strong double digit organic growth in line with market expectations
- Strong cash generation reducing net debt to £2.5m
- Good radiologist recruitment with strong pipeline
- Positive progress on future growth initiatives – new services, international network, technology
- H2 2018 continued focus on execution – in line with market expectations
- Longer term focused on maintaining double digit growth from core organic business

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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



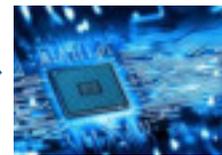
1. Patient admitted to hospital

- 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)

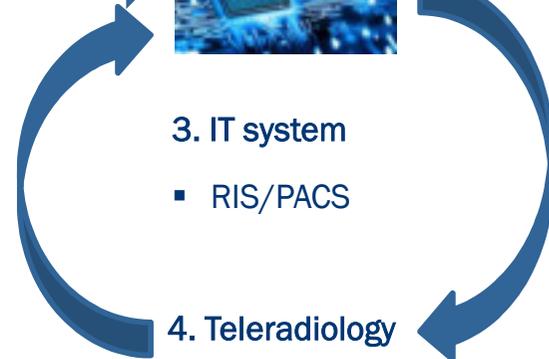


3. IT system

- RIS/PACS



4. Hospital based radiologist



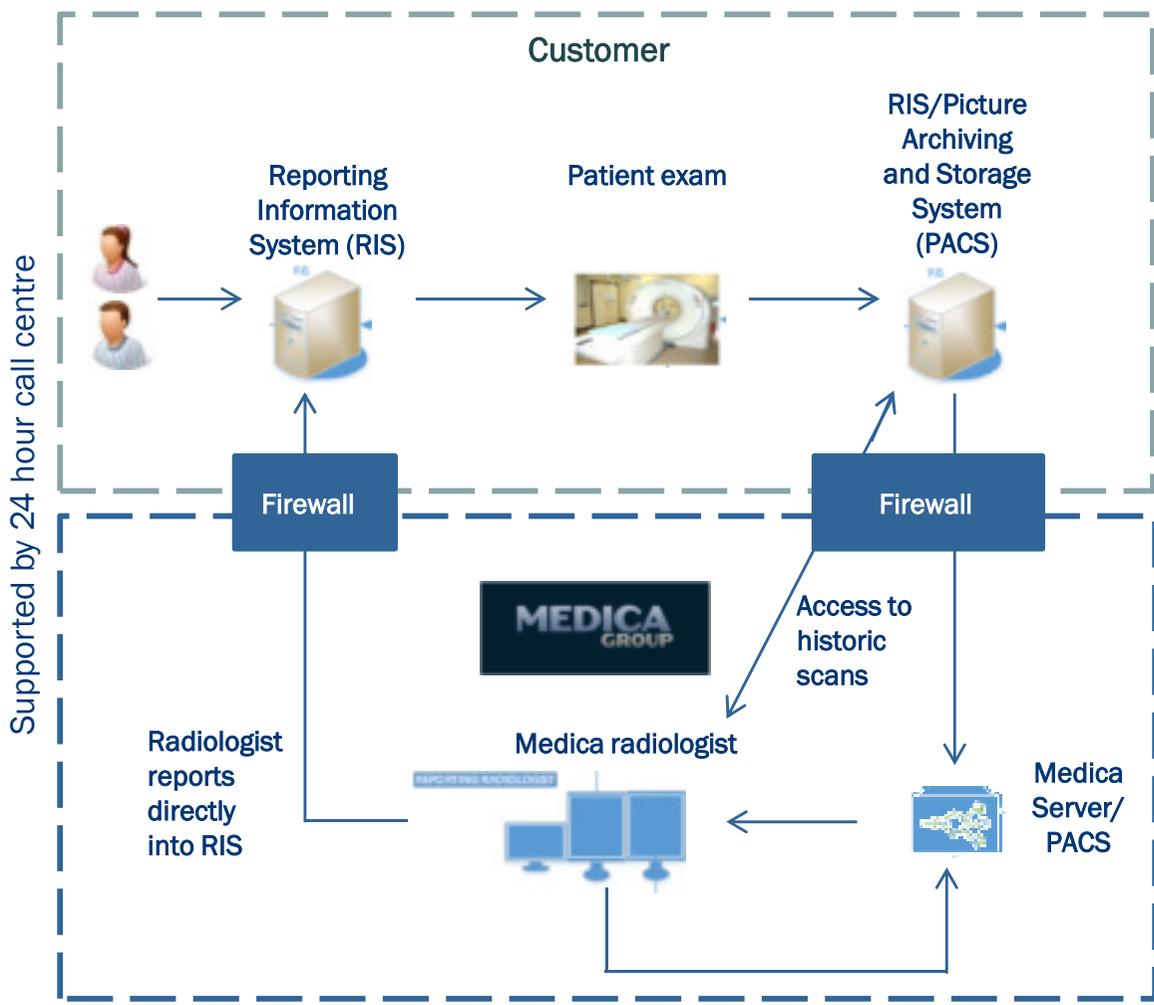
4. Teleradiology

MEDICA GROUP

- Network of c.350 radiologists – 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 c.350 radiologists 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

Income statement

| £000s | 6 months to 30 June 2018 | 6 months to 30 June 2018 | 12 months to 31 December 2017 |
|---|-----------------------------|-----------------------------|----------------------------------|
| Revenue | 18,592 | 15,723 | 33,715 |
| Cost of sales | (9,501) | (8,079) | (17,282) |
| Gross profit | 9,091 | 7,644 | 16,433 |
| Administrative expenses | (4,601) | (3,791) | (7,917) |
| Operating profit | 4,490 | 3,853 | 8,516 |
| Exceptional items | - | (1,503) | (1,661) |
| Operating profit after exceptional items | 4,490 | 2,350 | 6,855 |
| Finance income | 18 | 5 | 50 |
| Finance costs | (154) | (483) | (661) |
| Exceptional items finance costs | - | (582) | (582) |
| Net finance costs | (136) | (1,060) | (1,193) |
| Profit before tax | 4,354 | 1,290 | 5,662 |
| Analysed as | | | |
| EBITDA | 5,610 | 4,873 | 10,582 |
| Share based payments | (65) | (37) | (74) |
| Exceptional items | - | (1,503) | (1,661) |
| Exceptional finance costs | - | (582) | (582) |
| Finance costs | (154) | (483) | (661) |
| Finance income | 18 | 5 | 50 |
| Depreciation | (420) | (387) | (775) |
| Amortisation | (635) | (596) | (1,217) |
| Profit before tax | 4,354 | 1,290 | 5,662 |
| Income tax charge | (807) | (510) | (1,331) |
| Profit and total comprehensive income attributable to the equity holders of the parent | 3,547 | 780 | 4,331 |
| Profit per share (basic and diluted) | | | |
| Basic profit per ordinary share | 3.19 | 0.73 | 3.99 |
| Diluted profit per ordinary share | 3.18 | 0.73 | 3.96 |

Source:

1 Audited group accounts under IFRS full year 2017, unaudited half year figures

Balance sheet

| £000 | 6 months to 30 June 2018 | 6 months to 30 June 2017 | 12 months to 31 December 2017 |
|--|-----------------------------|-----------------------------|----------------------------------|
| ASSETS | | | |
| Non-current | | | |
| Goodwill | 15,948 | 15,948 | 15,948 |
| Other intangible assets | 8,780 | 9,664 | 9,218 |
| Property, plant and equipment | 2,022 | 2,064 | 1,880 |
| Non-current assets | 26,750 | 27,676 | 27,046 |
| Current | | | |
| Trade and other receivables | 8,177 | 7,440 | 8,210 |
| Cash and cash equivalents | 9,366 | 3,390 | 6,907 |
| Current assets | 17,543 | 10,830 | 15,117 |
| LIABILITIES | | | |
| Current | | | |
| Trade and other payables | (3,839) | (3,188) | (3,932) |
| Derivative financial instruments | - | (29) | (14) |
| Current liabilities | (3,839) | (3,217) | (3,946) |
| Non-current Liabilities | | | |
| Borrowings and other financial liabilities | (11,900) | (11,876) | (11,888) |
| Deferred tax | (1,264) | (1,490) | (1,429) |
| Non-current liabilities | (13,164) | (13,366) | (13,317) |
| Net Assets | 27,290 | 21,923 | 24,900 |
| Equity | | | |
| Share capital | 222 | 222 | 222 |
| Share premium | 14,721 | 14,721 | 14,721 |
| Retained earnings | 12,347 | 6,980 | 9,957 |
| Total equity | 27,290 | 21,923 | 24,900 |

Source:

1 Audited group accounts under IFRS full year 2017, unaudited half year figures

Cashflow

| £000s | 6 months to 30 June 2018 | 6 months to 30 June 2017 | 12 months to 31 December 2017 |
|---|-----------------------------|-----------------------------|----------------------------------|
| Operating activities | | | |
| Profit before tax | 4,354 | 1,290 | 5,662 |
| Adjustments: | | | |
| Depreciation of property plant and equipment | 420 | 387 | 775 |
| Amortisation of intangible fixed assets | 635 | 596 | 1,217 |
| Share based payments | 65 | 37 | 74 |
| Finance income | (18) | (5) | (12) |
| Exceptional finance costs | | | 582 |
| Finance costs | 168 | 1,088 | 661 |
| Changes in: | | | |
| Decrease / (Increase) in trade & other receivables | 34 | (1,367) | (2,138) |
| increase in trade and other payables | 454 | (529) | (365) |
| Movement in financial instruments | (14) | (23) | (38) |
| Tax (paid)/received | (1,100) | (604) | (904) |
| Net cash inflow from operating activities | <u>4,998</u> | <u>870</u> | <u>5,514</u> |
| Investing activities | | | |
| Purchase of property plant and equipment | (571) | (616) | (820) |
| Purchase of software intangible assets | (608) | (437) | (612) |
| Interest received | 18 | 5 | 12 |
| Cash outflow from investing activities | <u>(1,161)</u> | <u>(1,048)</u> | <u>(1,420)</u> |
| Cash flows from financing activities | | | |
| Net Equity funds raised | - | 14,797 | 14,797 |
| Repayment of borrowings | - | (15,270) | (15,270) |
| Interest paid and loan fees | (156) | (672) | (816) |
| Dividends paid to ordinary shareholders | (1,222) | - | (611) |
| Net cash inflow/(outflow) from financing activities | <u>(1,378)</u> | <u>(1,145)</u> | <u>(1,900)</u> |
| Net change in cash and cash equivalents | <u>2,459</u> | <u>(1,323)</u> | <u>2,194</u> |
| Movement in net cash | | | |
| Cash and cash equivalents, beginning of period | 6,907 | 4,713 | 4,713 |
| Increase in cash and cash equivalents | 2,459 | (1,323) | 2,194 |
| Cash and cash equivalents, end of period | <u>9,366</u> | <u>3,390</u> | <u>6,907</u> |

Source:

1 Audited group accounts under IFRS full year 2017, 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 |