



medica:

Leading the way

Interim results

Period ending 30 June 2020

Stuart Quin (CEO) Richard Jones (CFO) and
Marc O'Brien (CIO)

14 September 2020

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Today's agenda

1. Highlights
2. Financial review
3. Business strategy recap and update
4. FutureTech and AI update
5. Summary and outlook
6. Q&A

H1 2020 highlights

Financial

- Results reflect SARS-Cov-2 (Covid-19) impact from March. Positive trend since June led by NightHawk
- Resilient business model and cash position remains strong
- Interim dividend of 0.85p/share in line with 2019. Reflects confidence in future performance

Operating

- Strong customer retention – focus on support to process waiting lists
- Successful drive to increase reporting capacity
- Focus on operational excellence and quality improvements

Strategy

- Progress on growth and diversification strategy
- Positive FutureTech and AI progress
- Changing culture with increased engagement with staff and radiologists backed up by re-branding launch



Delivering on our values



Patient-first and truly collaborative

Adaptive and pioneering

Excellence in our DNA

Responsible and accountable

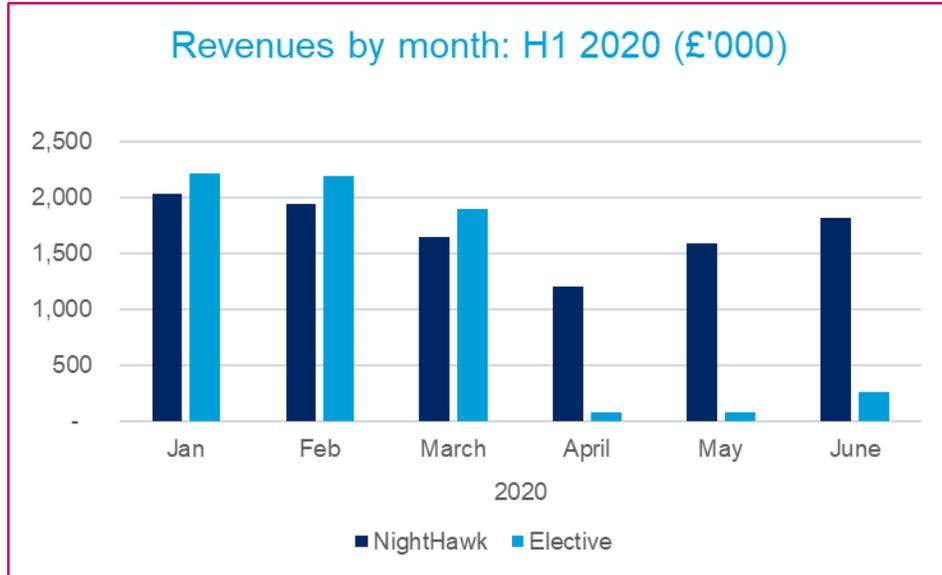
<p>Fast to respond to pandemic by enabling “pass through” service to allow our clients’ radiologists to report >15,000 studies from home</p>	<p>Adapting our service to provide a Covid-19 chest X-ray service and safely and quickly migrating all of our team to home working whilst maintaining service levels</p>	<p>Used the period during lockdown to focus on operational excellence, rolling out our new NightHawk clinical protocols & leadership training</p>	<p>Working closely with our NHS partners to ensure that we have sufficient reporting capacity to process backlog of Elective cases</p>
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Financial review

Richard Jones, CFO

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Covid-19 H1 financial impact

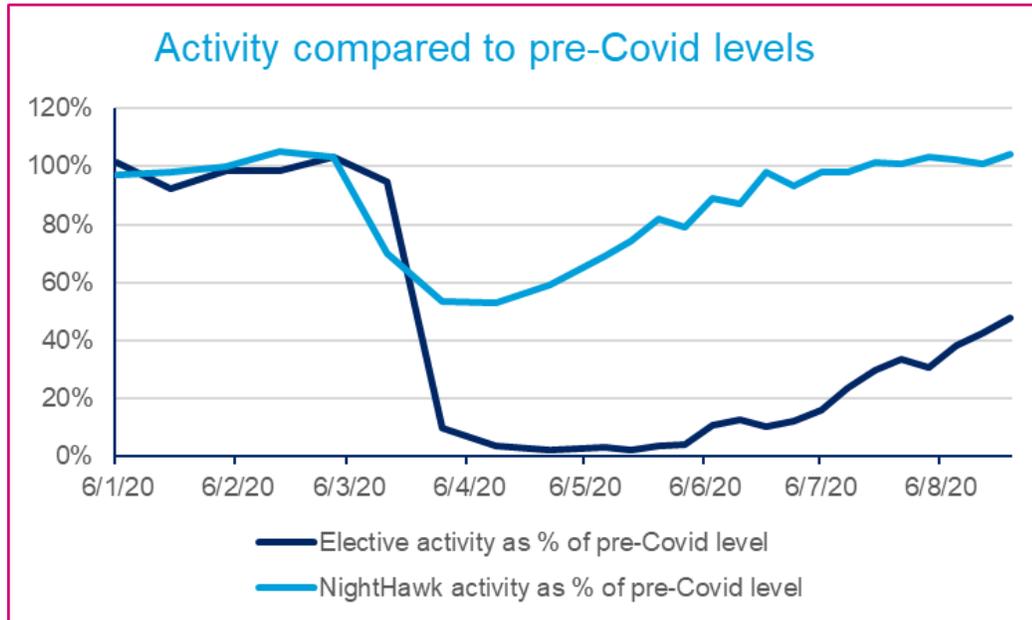


Key points

- Strong start to H1 2020 in January and February
- Revenues started to decline in March with the biggest impact in April, recovery since June.
- NightHawk revenue in H1 2020 consistent with H1 2019 and has rapidly recovered:
 - Back to 95% of the pre-Covid levels by June
- Elective H1 2020 revenue 42% below H1 2019 with recovery started by end of H1 2020:
 - Back to 10% of pre-Covid levels by June

Total revenues	H1 2020	H1 2019	FY 2019
NightHawk	10.3	10.4	22.1
Elective	6.7	11.6	24.5
Total	17.0	22.0	46.6

Positive current trends



Key points

- Recovery well underway:
 - NightHawk volumes now trading above pre-Covid levels
 - Elective on an improving trend month-to-month
 - Current volumes > 45% of pre-Covid levels
 - Partnership approach to plan the recovery with clients (Elective work)

- Improving market backdrop:
 - NHS England directive: In September, Trusts must deliver at least 80% of last year’s activity for both overnight electives and for outpatient/day-case procedures, rising to 90% in October.

H1 2020 P&L highlights

	H1 2020	H1 2019	YE 2019
	£'000	£'000	£'000
Revenue	16,981	21,978	46,542
Gross Profit	8,000	10,463	22,250
<i>Gross Margin</i>	47.1%	47.6%	47.8%
Adj Op Profit	2,028	5,339	11,297
<i>Adj Op Profit Margin</i>	11.9%	24.3%	24.3%
Adjusted PBT	1,901	5,204	10,961
Adj EPS	1.30p	3.98p	8.13p

- Resilience of business model
 - Low fixed cost base
 - Flexible reporter structure
- Strong rebound in NightHawk service during the period
- Careful and prudent cost management
- No staff furlough or other support sought

H1 2020 cashflow highlights

	H1 2020	H1 2019	YE 2019
	£'000	£'000	£'000
Operating cashflow	2,874	6,123	12,668
Working capital	2,097	(3,051)	(2,961)
Capex (tangible and intangible)	(1,437)	(2,355)	(2,827)
Dividend paid	-	(1,667)	(2,612)
Other cashflows	(106)	(119)	(280)
Opening cash balance	16,576	12,588	12,588
Closing cash balance	20,004	11,519	16,576

- Working capital unwind following reduction in revenue generated £2m positive cashflow in the period (compared to £3m negative working capital in the prior period)
- Capex investment in H1 2020 focused on equipment for new radiologists with some capex deferred until H2 2020 when the FutureTech capex programme is due to commence
- £20m gross cash at the end of H1 2020, £8m net cash after taking account of the existing bank loan

Operational KPI's



Increase in available rostered reporting hours



Adherence to SLA for NightHawk reporting

- Very encouraging increase in available rostered reporting hours despite the volume downturn during the period. Reflects continuing focus on recruitment
- Significant latent capacity and continuing focus on recruitment provides the ability to support enhanced Elective growth rates when required by clients.

Business strategy recap and update

Stuart Quin, CEO

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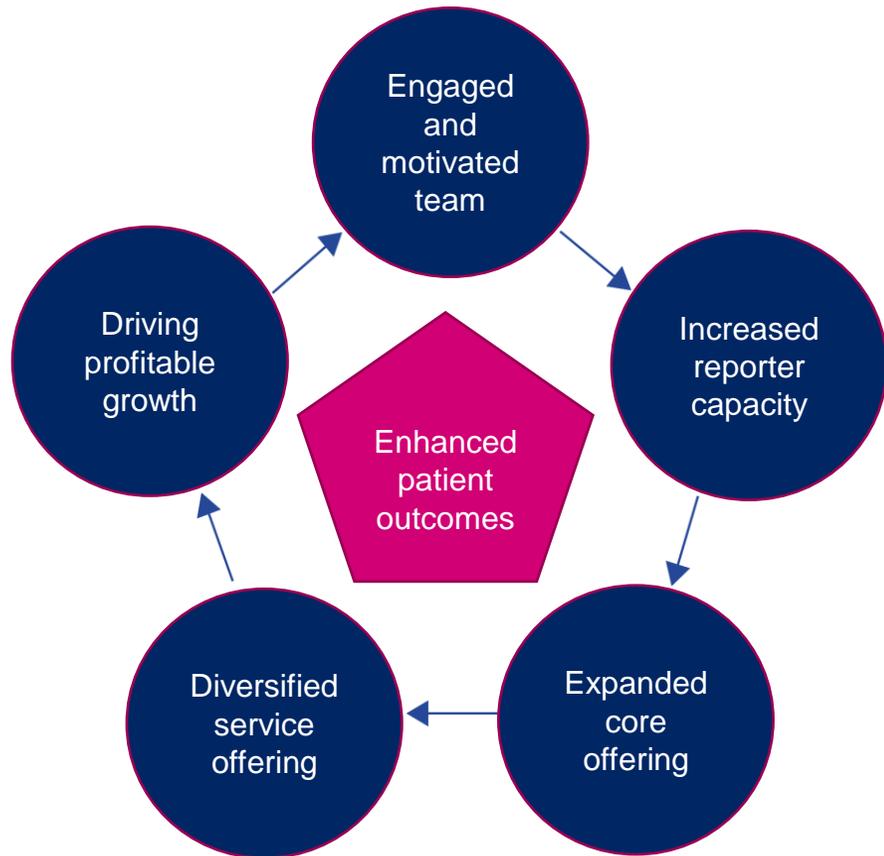
Unlocking Medica’s additional potential

Opportunity	Benefit
People	<ul style="list-style-type: none"> • Leadership training • Alignment around incentives and transparency of performance • Improve the relationship with our expert reporting network
Processes	<ul style="list-style-type: none"> • Automating manual processes such as allocation and prioritisation of workflow • Improving management of reporter expectations
Systems	<ul style="list-style-type: none"> • Capacity to underpin future growth • Enhanced workflow and through-put: “Right first time reporting environment” • Quality improvements • Flexible interface to clients • Flexible AI deployment • Enhanced reporter experience • Improved business intelligence tools



Unlock 10-15% latent routine reporting capacity

Progress against strategy



Highlights

- CFO & Clinical Director appointment
- Reporter liaison and recruitment strategy
 - Focus on rostered reporting hours
 - Focus on overseas recruitment for NightHawk
- AI pilot
- FutureTech programme
- Corporate rebranding

Work in progress

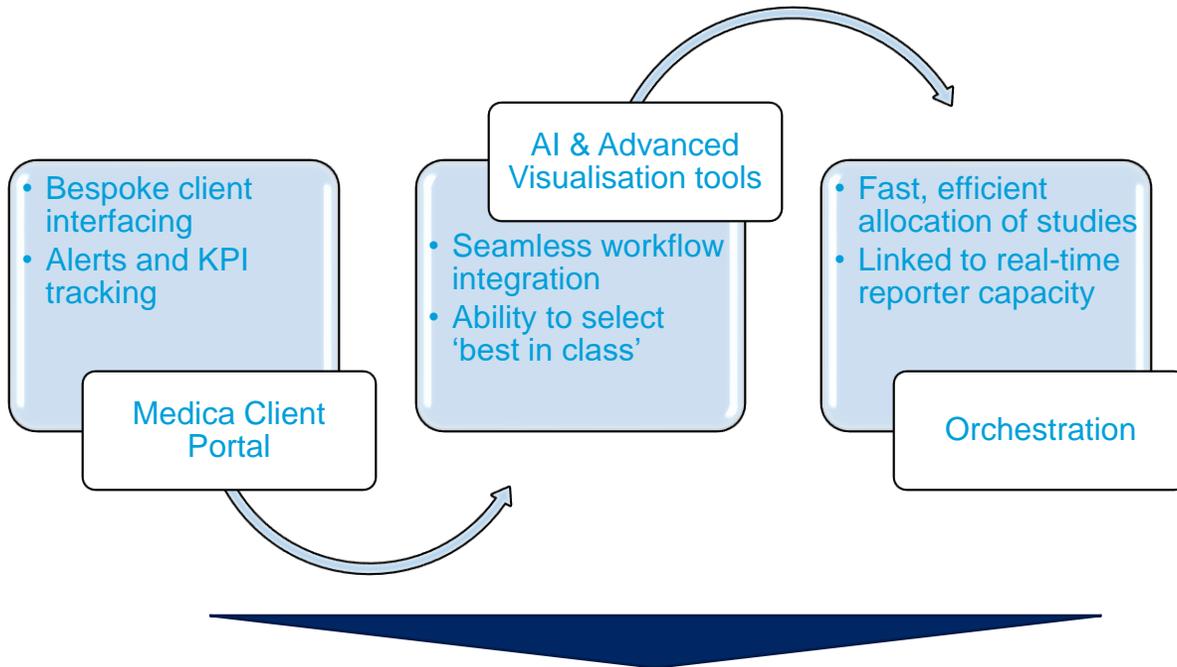
-  • *Strategic partnerships*
-  • *Diversification of telemedicine services*
-  • *Geographic expansion*
-  • *Selective acquisition opportunities*

FutureTech update

Marc O'Brien, CIO

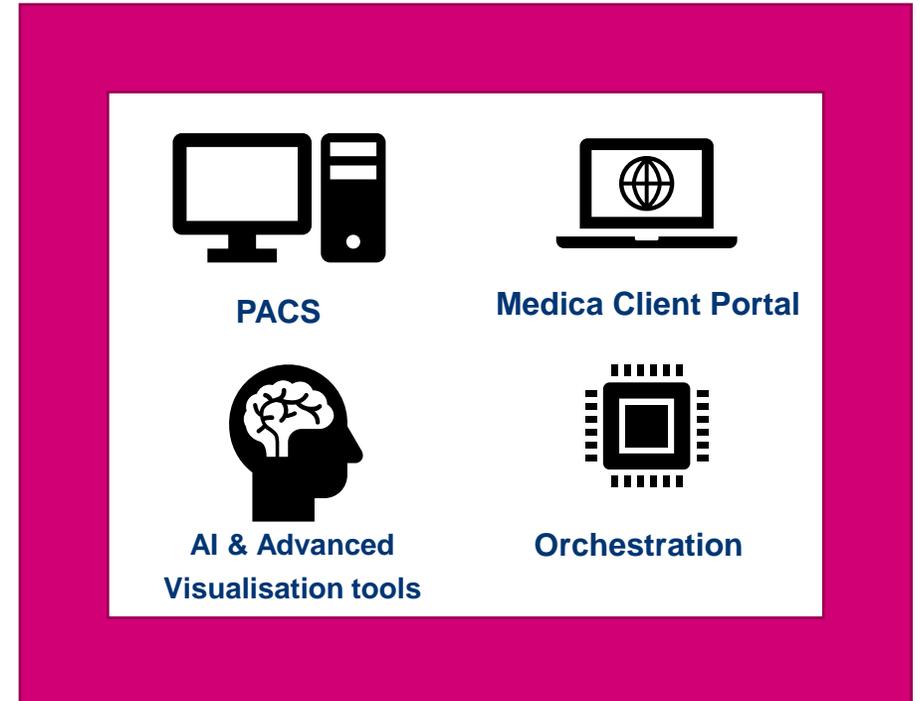
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FutureTech overview



Patient, client and reporter benefits

- Right first-time: reduction in manual processes
- Enhanced speed of image allocation & tracking
- Flexible deployment AI tools to aid diagnosis
- Improved reporter experience & productivity



FutureTech update

Progress since March

- FutureTech strategy defined to deliver state-of-the-art system for the future that will deliver quality and productivity improvements as well as unlock reporting capacity
- Preferred partner for new PACS selected
- Implementation plan finalised and programme team being mobilised
- Development of our own IP underway

Implementation

Timeline and cost for implementation

- Contract being finalised with preferred partner
- Up to £6m Capex being invested over 5 years for new PACS, Orchestration and Medica Client Portal – limited H2 2020 impact

Commercial and Operational benefits

- Expecting significant operating leverage and efficiency benefits once the initial phase is completed
- Significant new commercial opportunities from enhanced capabilities post-implementation

Augmented Intelligence progress

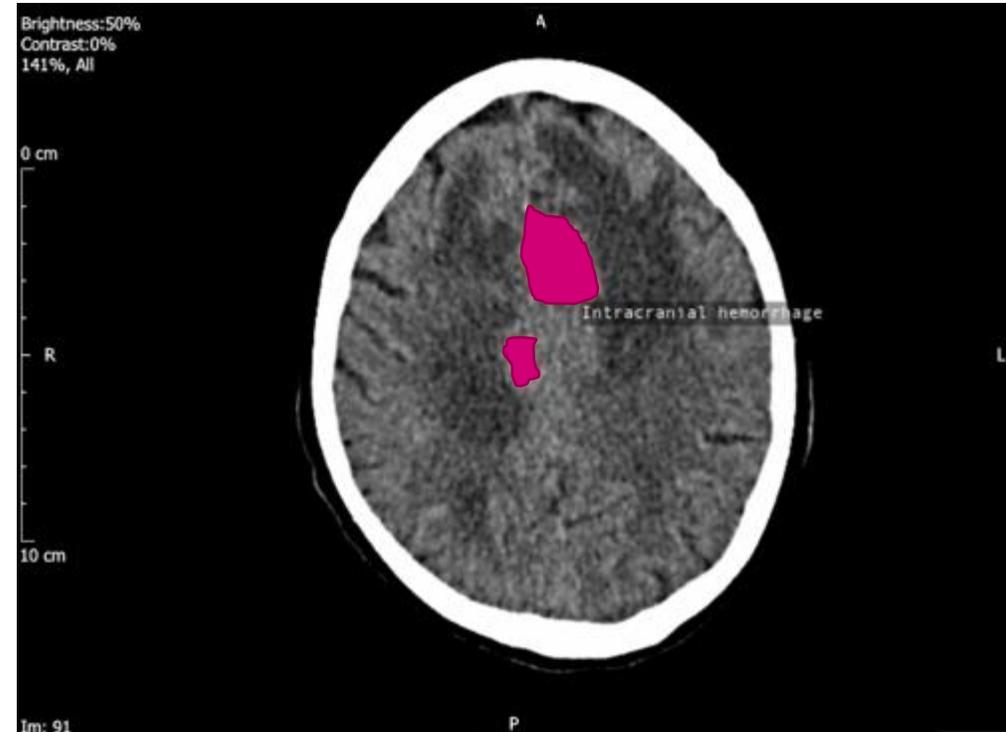
Infrastructure, programme control and subject matter expertise implemented to support our first AI projects

qER - Intracranial Haemorrhage Identifier for prioritisation

- Phases one and two of first AI pilot are now complete
 - Good level of 'buy-in' and feedback from our reporters
 - **Very high sensitivity:** providing confidence that if qER has processed an exam and did not identify an intracranial haemorrhage, it is highly unlikely one is present.
- Day-to-day adoption of qER planned for Q4 2020

qFlag - Body Part Identifier

- Collaborating with Qure.AI to develop a bespoke solution
- Refining existing algorithms to identify the part of body imaged



qure.ai

Intracranial haemorrhage identified by qER from Qure.ai



Summary and Outlook

Stuart Quin

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Summary and outlook

Summary

- Resilient H1 performance with continued improvement into H2
- Improving market backdrop
- **Exciting** progress on AI pilot with Qure.AI
- **Ambitious FutureTech programme commenced** with new PACS provider selected; a first step for our enhanced, integrated platform

Outlook

- **Executing strategy** to deliver longer-term benefits and diversification
- **Geared up for growth** both as a team and in terms of capacity to support our clients