



# Providing Advanced Medical Technology

Inspiration Healthcare Group plc

Full Year Results Presentation – year ended 31 January 2019

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- A Medical Technology Company, founded in 2003, 4 founders are still with the business
- Grown profitability for 15 years, cash generative
- 2018 Revenue - £15.5m and EBITDA<sup>1</sup> of £1.65m
- Transitioned from UK distributor to global provider of neonatal and patient warming products
- Products sold to every NHS Neonatal Intensive Care Unit (NICU) approx. 200
- Actively selling products in over 50 countries through over 75 distributors
- Strong management knowledge of the market
- Synergistic product ranges add value to customers

<sup>1</sup> Earnings Before Interest, Tax, Depreciation, Amortisation and share based payments



# Our Products – the first 6 hours of life



**AlphaCore5 Controller**  
Used in Operating Theatre / Delivery Room and NICU. Low power usage, low cost of ownership, flexible configuration of pads  
**Launched: Mid 2018**

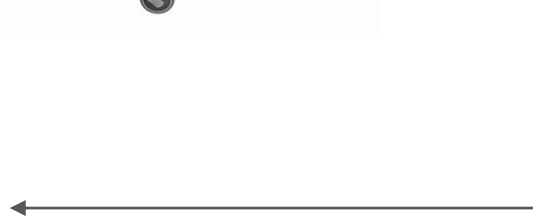


**LifeStart**  
Used in the Delivery Room. Novel device allows assessment of the newborn before the umbilical cord is clamped and facilitates bedside stabilisation and resuscitation  
**Launched: Late 2017**



**Techotherm Neo**  
Used in NICU. Small but powerful features, it has been used to show benefits of cooling to reduce brain injury  
**Launched: Mid 2012**

**Inspire rPAP System**  
Used in the Delivery Room or NICU. Highly efficient delivery of stabilisation and resuscitation breaths to premature and sick babies  
**Launched: Late 2017**



**Unique+ CFM**  
Used in NICU to assess the newborn brain. Small lightweight and software can be used on laptops for portability  
**Launched: Early 2018**



**Inspire nCPAP**  
Used primarily in the NICU. Established therapy for longer term non-invasive respiratory support for premature and sick babies  
**Launched: Early 2010**



# Highlights – year ended 31 January 2019



Launched the new Patient Warming System



Largest ever order for Patient Warming Systems



Sales of new products generated revenues of £1.4m



Signed licence agreement for Project Wave



Received MDSAP certification for 4 countries plus ISO13485:2016



Appointed a new distributor in USA

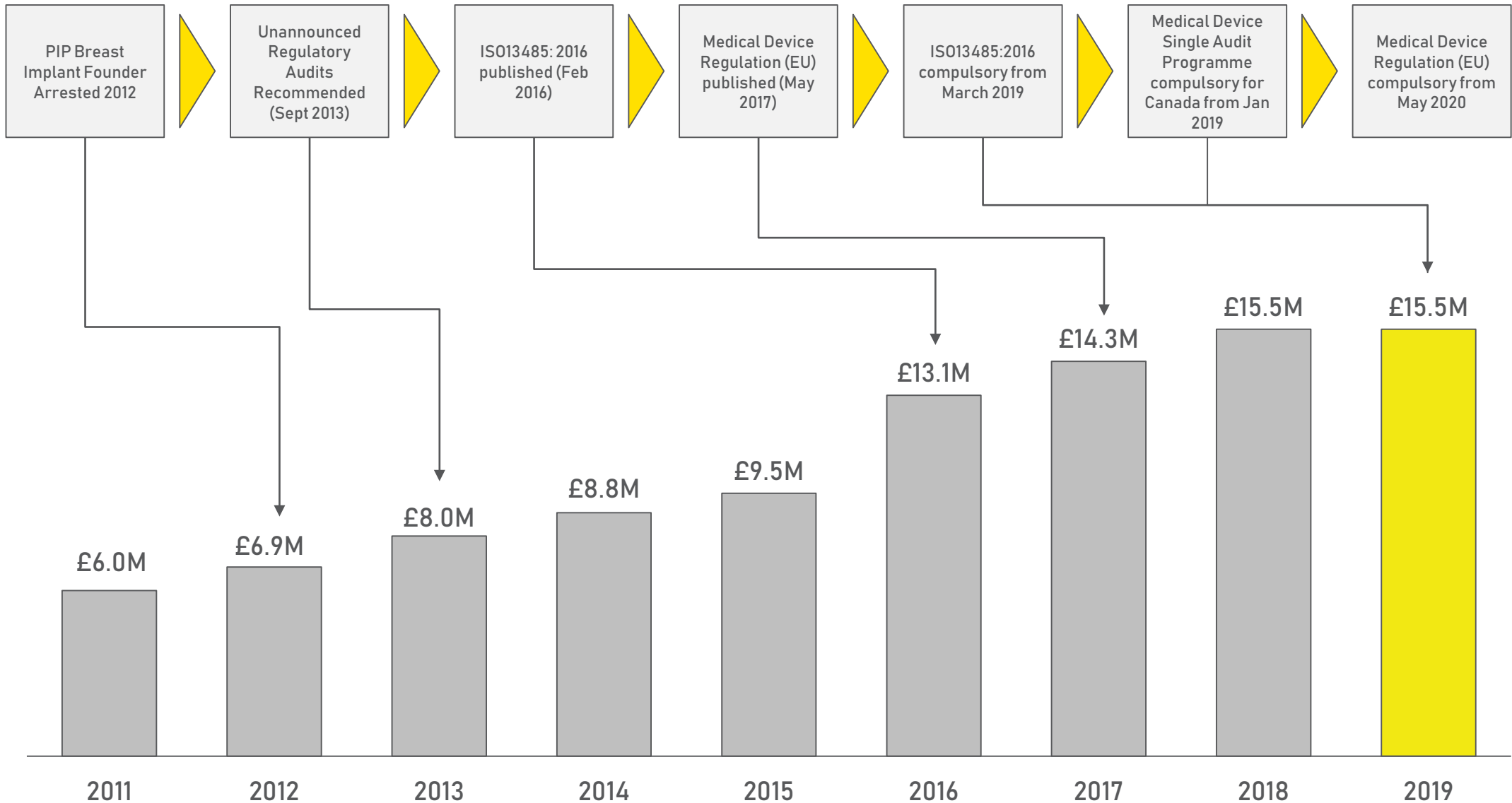


Winners of the 2019 Queen's Award for Enterprise (International Trade)



Strengthened management structure with new Head of Operations

# Growth & Increased Regulation



## Highlights

- Revenue stable at £15.5m – impact of regulatory environment
- Record international revenue at £5.4m, strong growth in US
- 9% of total revenue came from new products
- EBITDA<sup>1</sup> growth of 13% to £1.65m
- Operating profit in line with expectations at £1.2m
- Strong cash position at £2.5m (no debt)

## KPIs

- Group revenues :
  - Inspiration Branded Revenue: £7.2m, increased from 44.8% to 46.4% of revenue
  - International Sales Growth: 12% to £5.4m, now 35% of total revenue (2018: 31%)
- Gross margin: 45.5% (2018: 43.9%) from improved product mix
- EBITDA<sup>1</sup> margin: 10.7% up from 9.4%, due to improved GP and tight control of cash-based overheads
- Underlying EPS<sup>2</sup> decreased 1.7% to 3.40 pence (2018: 3.46 pence), due to slightly higher tax charge
- Investment in R&D 4.1% of revenue (2018: 6.2%), target is c.6%

<sup>1</sup> Earnings before interest, tax, depreciation, amortisation and share based payments

<sup>2</sup> Adjusted to exclude significant prior year tax amendments

# Consolidated Income Statement



	<i>FY2018</i> <i>£'000</i>	<i>FY2019</i> <i>£'000</i>	<i>Comments</i>
Revenue	15,495	15,487	<ul style="list-style-type: none"> <li>▪ Solid result given continued regulatory headwinds</li> <li>▪ Increased 4% despite level sales</li> <li>▪ Growth of 13%</li> <li>▪ In line with expectations</li> <li>▪ Effective tax rate 13.5% (FY2018: 13.5%); lower prior year recovery</li> <li>▪ Small decline due to higher tax charge</li> </ul>
Gross Profit	6,786	7,042	
<i>gross profit margin</i>	43.8%	45.5%	
EBITDA	1,454	1,648	
<i>EBITDA margin</i>	9.4%	10.6%	
Operating profit	1,204	1,213	
Profit before tax	1,202	1,219	
Taxation	21	-116	
Profit after tax	1,223	1,103	
Basic EPS	3.99p	3.60p	

Extracted from the audited financial statements for the year ended 31 January 2019



# Consolidated Cash Flow



	<i>FY2018</i>	<i>FY2019</i>	<i>Comments</i>
	<i>£'000</i>	<i>£'000</i>	
Cash generated from operations	919	995	
Interest paid	-2	-	
Taxation paid	-126	-147	← Higher charge due to lower R&D tax credits
Taxation received	161	-	← Prior year recovery
<b>Net cash generated from operating activities</b>	<b>952</b>	<b>848</b>	
<b>Cash flows from investing activities:</b>			
Interest received	-	6	
Capex – capitalised development costs	-688	-276	← Held back by delayed CE mark certificates and prolonged negotiation for Project Wave
Capex – PP&E and other intangibles	-322	-125	← Prior year included new head office spend
Other	-21	-	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-79</b>	<b>453</b>	
<b>Cash and cash equivalents at the year end</b>	<b>2,086</b>	<b>2,539</b>	

Extracted from the audited financial statements for the year ended 31 January 2019

# Consolidated Balance Sheet



	<i>31 January</i>	<i>31 January</i>	<i>Comments</i>
	<i>2018</i>	<i>2019</i>	
	<i>£'000</i>	<i>£'000</i>	
Intangible assets	1,209	1,293	← £1.2m capitalised development NBV
PPE	461	408	
Investments	111	111	← Neuroprotexon Ltd
<b>Total non-current assets</b>	<b>1,781</b>	<b>1,812</b>	← Spend largely offset by depreciation
Cash	2,086	2,539	← Strong cash position, no debt
Other Current Assets	3,626	3,825	
<b>Total Liabilities</b>	<b>-3,128</b>	<b>-2,643</b>	
<b>Net Assets</b>	<b>4,365</b>	<b>5,533</b>	

Extracted from the audited financial statements for the year ended 31 January 2019



## Critical Care

Capital  
Consumables  
Tech Support

Own Brand  
Distributed

Domestic  
International



## Operating Theatre

Capital  
Consumables  
Tech Support

Own Brand  
Distributed

Domestic  
International



## Home Healthcare

Capital  
Consumables  
Tech Support

Distributed

Domestic

# Revenue Breakdown – Sector and Ownership

## Market Sector

### Critical Care



**69%**  
£10.7m

### Operating Theatre



**11%**  
£1.7m

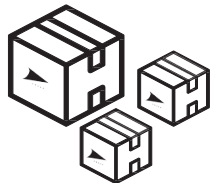
### Home Healthcare



**20%**  
£3.1m

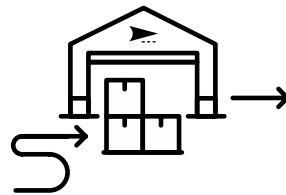
## Product Ownership

### Branded Products



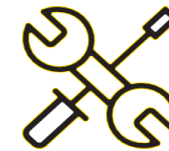
**46%**  
£7.2m

### Distributed Products



**41%**  
£6.3m

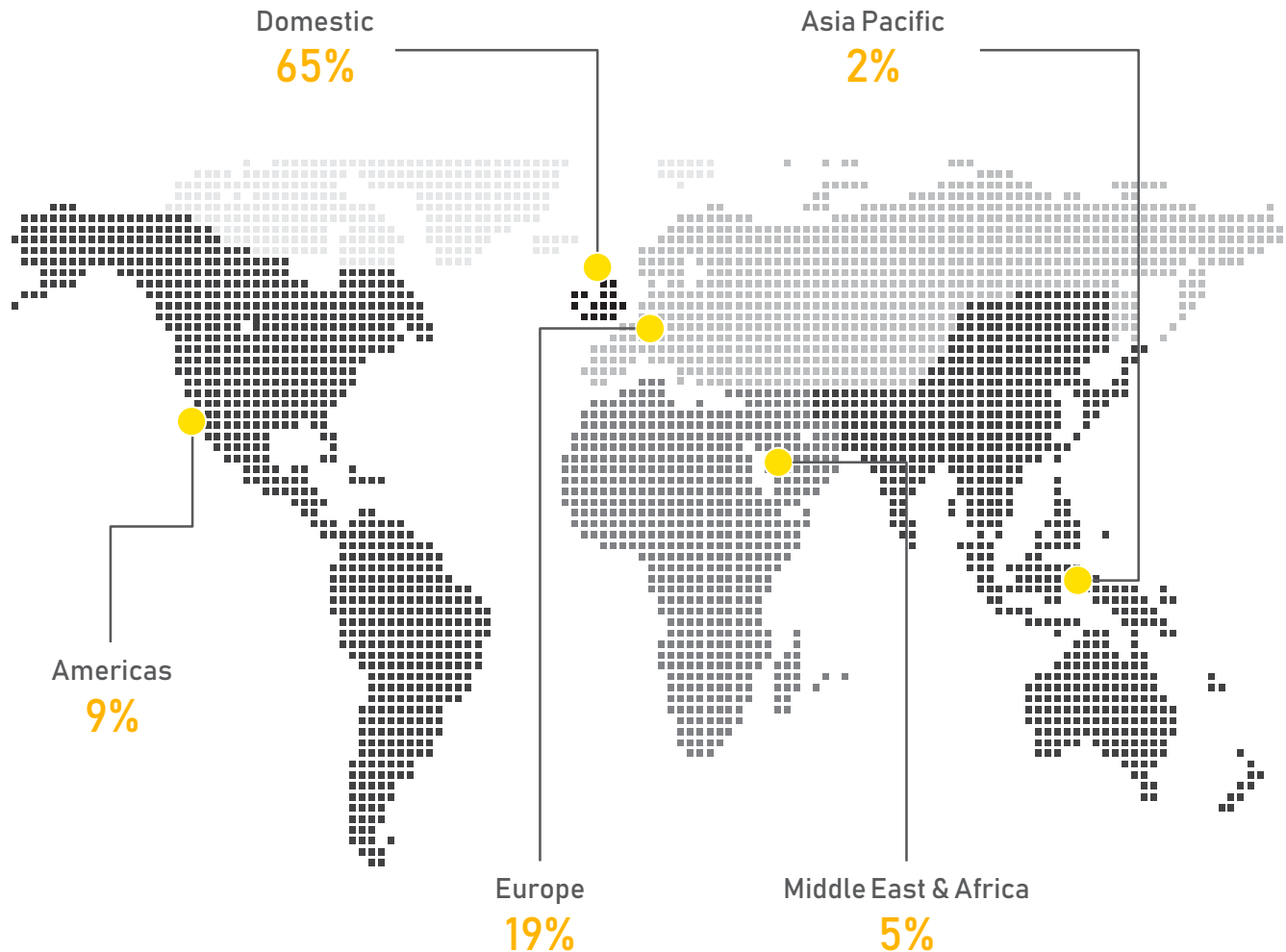
### Technical Support



**11%**  
£1.7m

Excludes freight revenue 2%, £0.3m

# Revenue Breakdown - Geography



## Distribution Partners

- Direct sales in UK and Ireland (“Domestic”)
  - NHS Trusts
  - Private healthcare providers
- Distribution network covering over 50 countries
- Strong growth in US in FY2019
- 14 distributors > £100k accounting for 61% of international revenue
- Top 50 distributors account for 88% of international revenue
- No one distributor accounts for more than 6% of total revenue

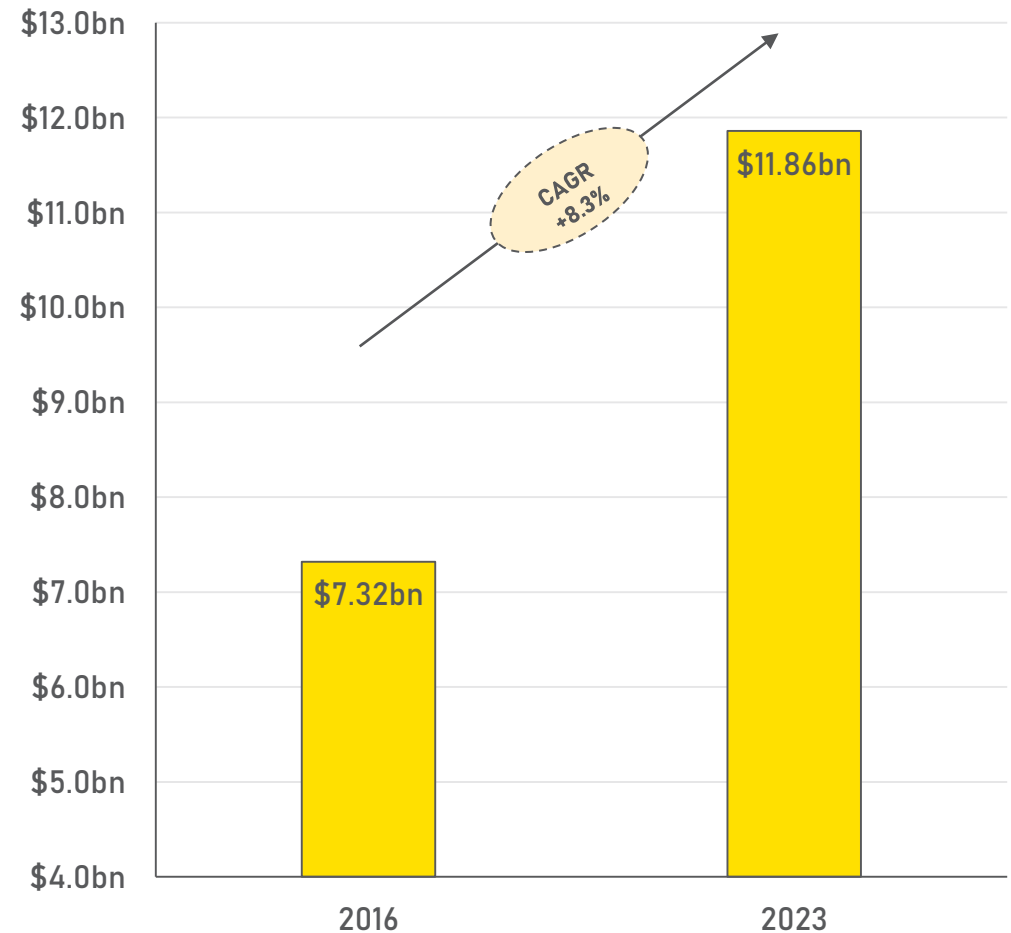
# Our Market Opportunity - Neonatal

## Key Stats

- Every year, an estimated 15 million babies are born preterm<sup>1</sup> and this number is rising<sup>3</sup>
- Preterm birth complications are responsible for approximately 1m deaths in 2015 – the largest cause of mortality in infants under 5 (18%)<sup>3</sup>
- Across 184 countries, the rate of preterm birth ranges from 5% to 18% of babies born, of which 10% require resuscitation at birth<sup>3</sup>
- Typical preterm babies cost approximately £1,500 per day in NICU in developed world
- 4.2% of preterm babies are born in Europe and 3.3% born in North America<sup>4</sup>
- Global Market for Neonatal Medical Equipment: \$11.86bn by 2023<sup>2</sup>

Sources: (1) Before 37 completed weeks of gestation  
(2) Statistics MRC – March 2017  
(3) Global, regional, and national causes of under-5 mortality in 2000-15 – Liu L et al 2016  
(4) Global, Regional & National estimates of levels of preterm birth 2014 – Chawanpaiboon et al 2019

## Global Fetal & Neonatal Care Equipment Market<sup>2</sup>



1 Regulatory compliance becoming more burdensome and a barrier to entrants

2 Economies of scale becoming important to reduce increased regulatory costs

3 Demand for lower cost of ownership

























































4 Demand for outcome improvements

5 Environmental targets will affect healthcare

6 Procurement changing to reduce wastage and improve value



# Neonatal- competitive landscape

								
Thermoregulatory / Phototherapy								
Feeding tubes / bottles								
Respiratory Support Capital								
General Disposables								
Resuscitation / Resp Disposables								
Monitoring & Diagnostics								



= currently sell all / part



= currently not in range



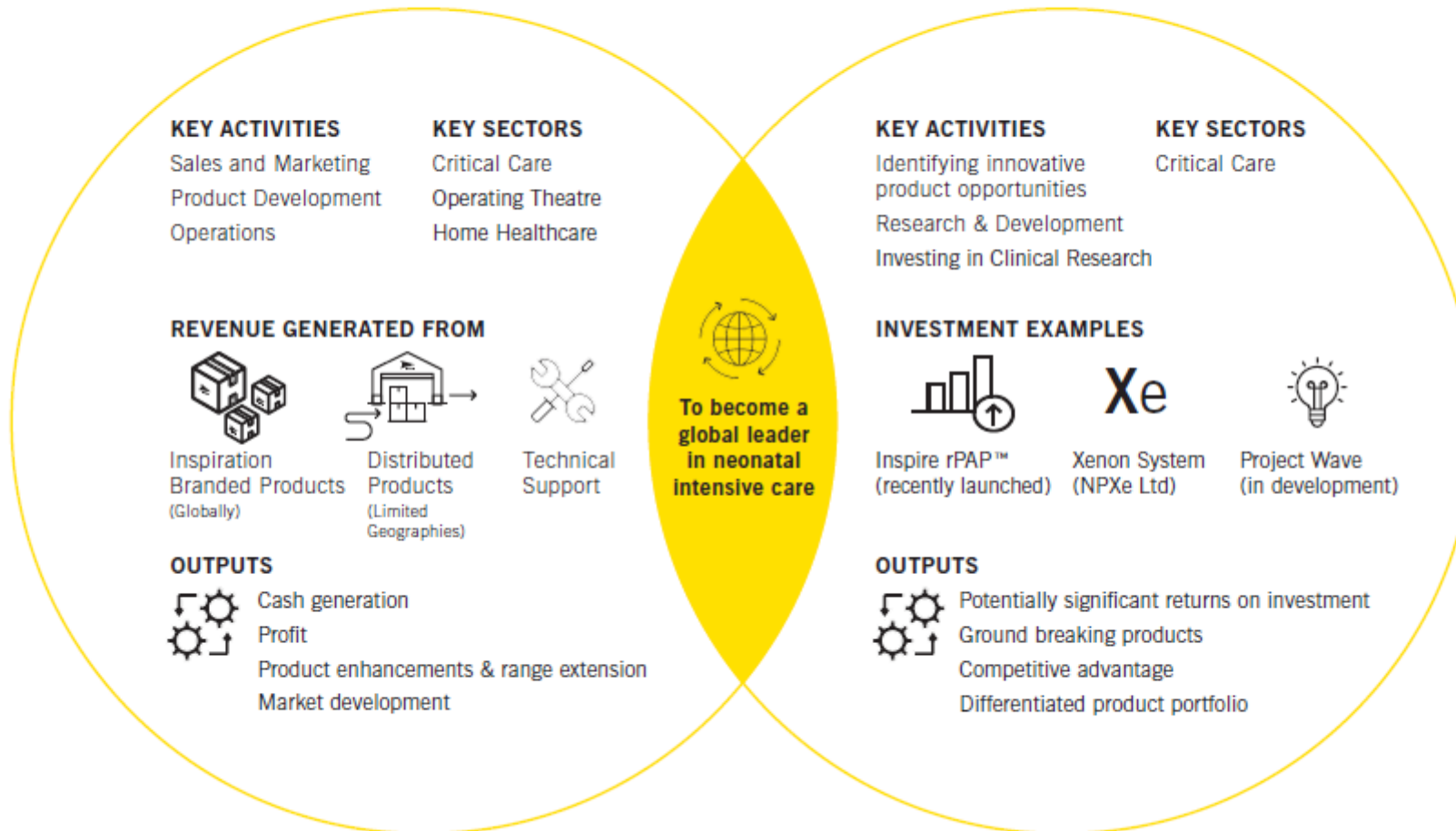
= aspire to acquire / develop

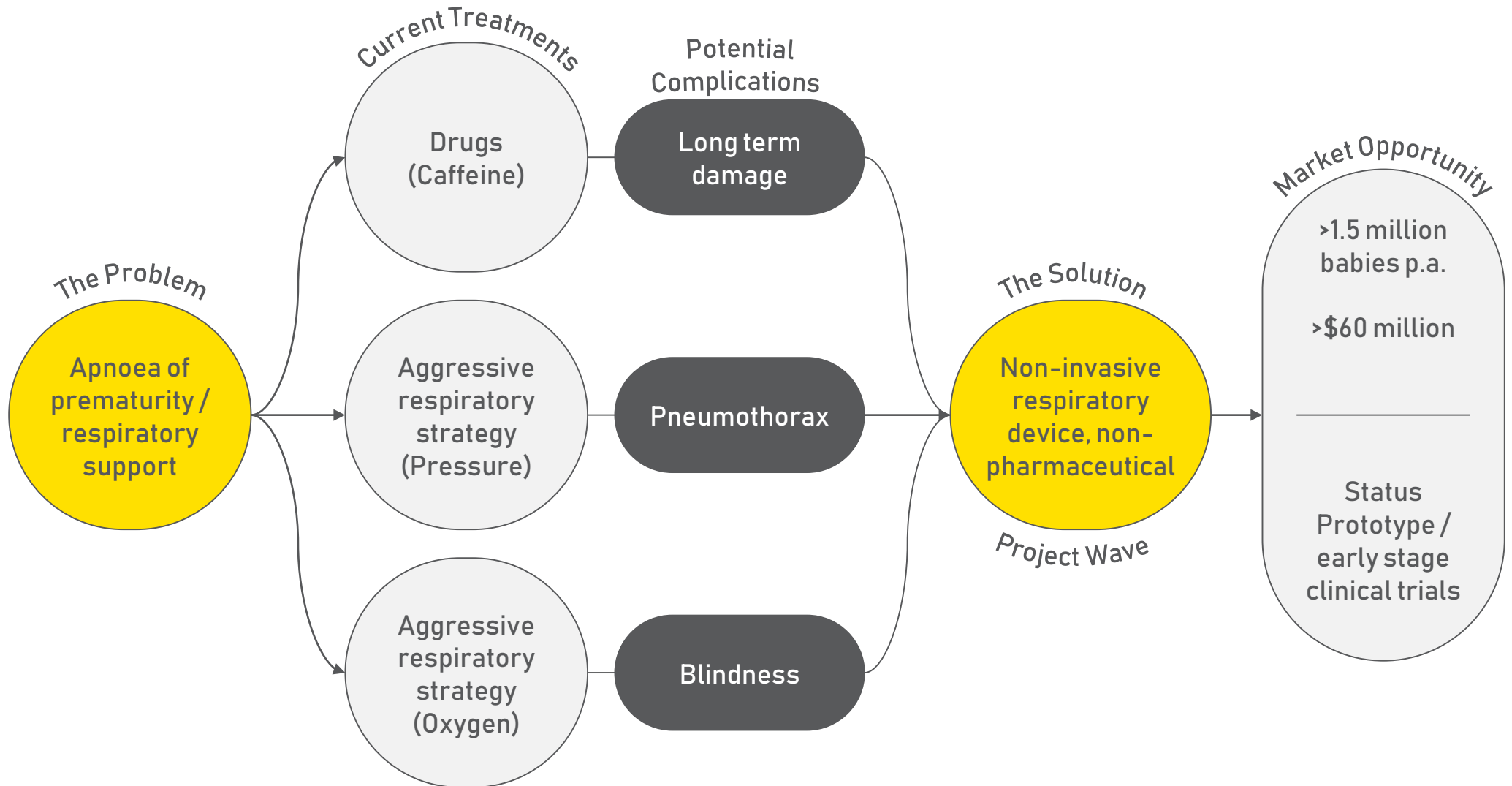


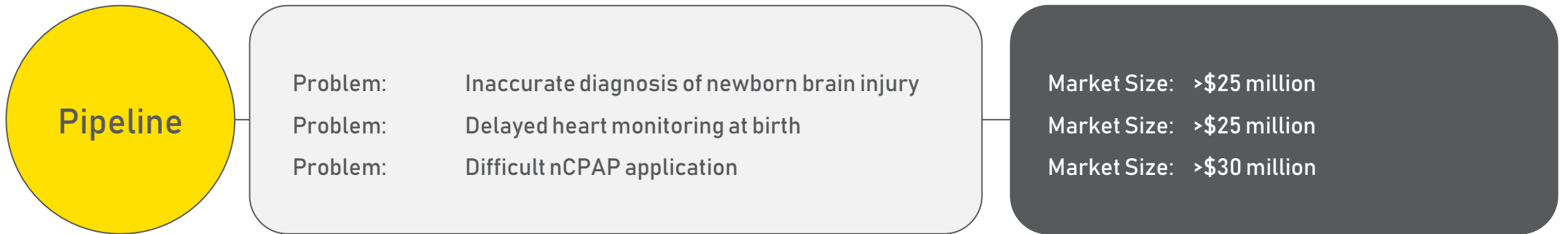
# Our Business Model – for sustainable growth

## Revenue Generating Core Business

## Pre-revenue Disruptive Technology







## Ideal Target – Number identified

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### Transformational

- Greater than £10m revenue
  - Established Technology / Brand
  - Neonatal
- 

### Synergistic Products

- Additive to range
  - Add to value proposition
- 

### Route to Market

- Broadens distribution network
  - Direct Sales team
- 

### Other benefits

- Add core competency (i.e. manufacturing)
- Increase expertise

## Considered & Opportunistic

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### Incremental – cash / debt

- Typically less than £5m
  - Novel Technology / Distribution
  - Neonatal / Operating Theatre
- 

### Synergistic Products

- Need development / investment
- 

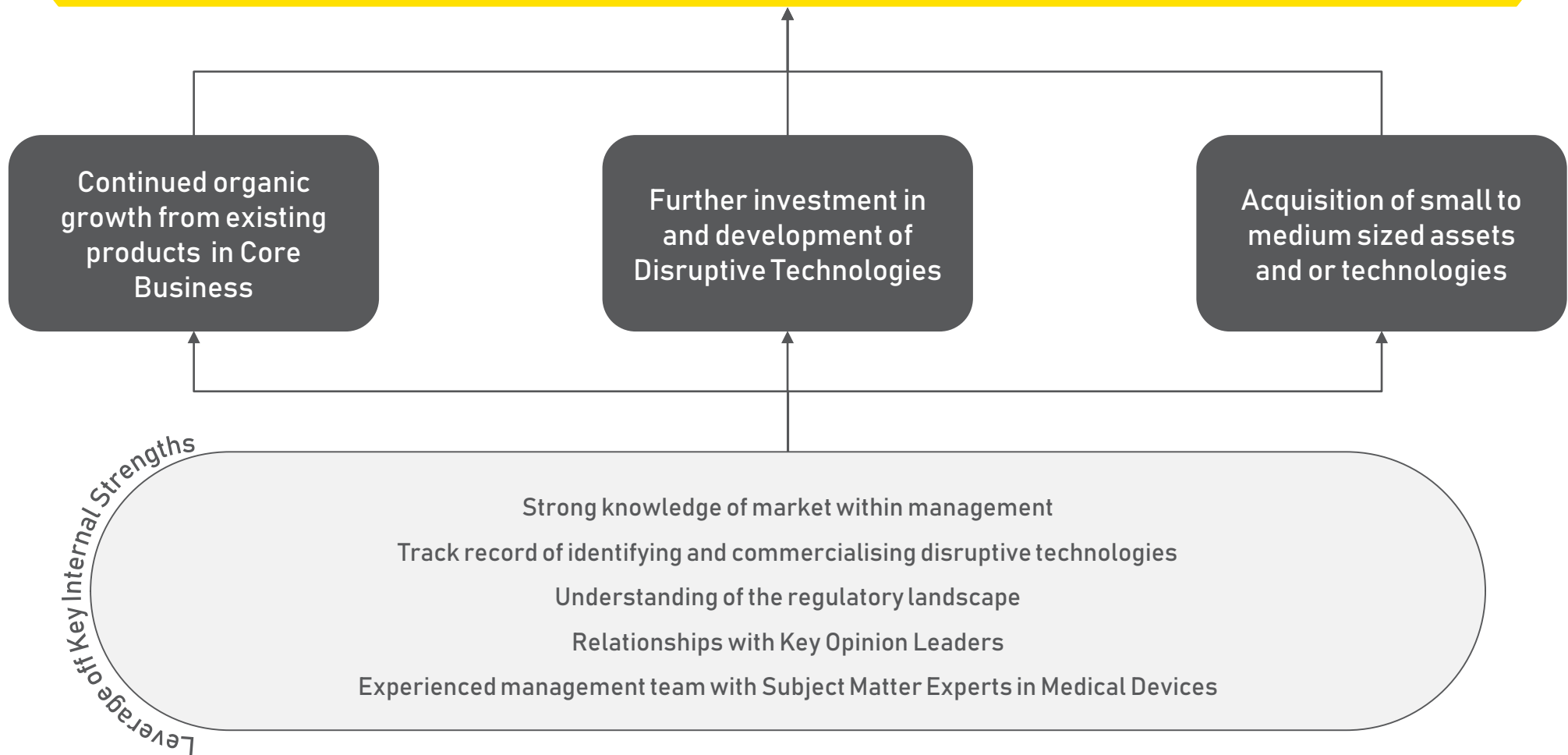
### Route to Market

- Direct Sales team in key market
  - Use existing channels
- 

### Other benefits

- Securing IP

*Become a global leader in neonatal intensive care equipment*



# Outlook - Transformational Growth



Activity	Comment
Product Development	6 Own-Brand product lines – range extension ongoing
Disruptive Technology	Pipeline: Project Wave plus 3 identified
Market Development	50+ distributors, USA priority for product registration
Compliance	Ensures barriers to entry are overcome
Acquire Synergistic Companies	Key targets identified, track record of integration
Further Develop Key Opinion Leader Network	Generates ideas globally

Underpinned by core business: growing, cash generating, profitable, strong balance sheet

*“With momentum going into the new year with our large order from Poland, we look forward to double digit revenue growth.”*  
*Neil Campbell, Chief Executive Officer*