Spire Healthcare Group

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Spire blames NHS for "disappointing" first-half profits slump and weak outlook

A "disappointing" set of first-half results and downbeat outlook sent Spire Healthcare Group PLC (LON:SPI) shares tumbling on Tuesday morning.

Adjusted pre-tax profits more than halved to £16.4mln (H1 17: £34.7mln) in the six months ended June 30, with Britain's second-largest healthcare firm blaming a "prolonged decline" in NHS volumes which has eroded margins.

READ: Spire dives on profit warning
Revenues dipped 1.1% to £475.6mln (H1 17: £481.0mln) in the period.

The poor performance is unlikely to come as a surprise to many following last month's profit warning.

To offset the hit from fewer NHS referrals, the FTSE 250 group has been cutting costs by reducing its capital spending and focusing on self-pay patients and its own general practitioners.

Shares fell 7% in early deals to 157.5p.

Analysts said the fall was mainly down to the outlook, with Spire now guiding for full-year underlying earnings to be in the range of £120-125mln, well below the £150mln it reported in 2017.

"Spire released its H1 2018 results this morning but following its profit warning last month there are no surprises for the first half," said Liberum's Graham Doyle.

"However, management provided a more granular guidance today than it did a month ago, now expecting FY2018 EBITDA of £120-125m. We believe that this will disappoint versus consensus at c.£135m implying a downgrade of 9% at the mid-point."

The company added that eReferral and local contract work will be "significantly lower" than last year, too.

New COO appointed
"The unprecedented decline (both in scale and speed) in NHS admissions has led to Spire having to announce disappointing H1 2018 results and a revised outlook for the financial year as a whole," said chief executive Justin Ash.

"More broadly, the headwinds that Spire is facing, as the largest company in the sector by revenues and EBITDA, appear to be translating into significant business challenges for many sector participants, which in turn may lead to opportunities for Spire," he added.

In a separate statement, Spire named John Forrest, former chief operating officer of pub group Greene King PLC's (LON:GNK) retail operations, as its new COO.
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