fulfilling lives

Q2 2017 Results Presentation

24 May 2017

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Contents

All figures and percentages included in this report are presented on a continuing operations basis unless stated otherwise. Discontinued operations comprise the Amicus ITS business disposed of in February 2016. All prior periods have been represented accordingly.

Overview

- **Encouraging Q2 results, significantly ahead of prior year**
  - Continued growth in both Residential Care and Health Care
  - Revenue growth converting to strong EBITDA progression

- **Residential Care**
  - Strong progress through new build strategy and performance of established homes
  - Three new homes opened this year with up to 18 further homes expected over next 3 years
  - Increased agency usage dampening otherwise strong EBITDA growth
  - National Living Wage remains a challenge but mainly offset by increased rates
  - Improved quality performance – 74% of homes rated Good or Outstanding by CQC
  - CMA investigation progressing

Overview

- **Health Care**
  - Encouraging but cautious momentum in elective activity levels following recent investment in new theatres and efficiency programme
  - New 2016 prison healthcare contracts tracking in line with expectations with further contracts won in FY17
  - Urgent care contract economics continue to be difficult but very recent price indications more positive
  - Overhead cost reduction programme largely complete with procurement programme exceeding expectations
  - Good progress on new primary care products and services - medium/long-term investments

- **Brexit**
  - Minimal impact expected in Health Care with medically qualified staff expected to be protected
  - Potential impact for Residential Care care workers (12.5% of carers from EU)

Q2 2017 Financial Performance

- **Continuing operations performance**
  - Revenue of £163m (+15.0%) with growth in Residential Care, Health Care electives and new prison contracts
  - Adjusted EBITDA of £11.1m, £3.9m higher than Q2 2016, with growth in both Residential and Health Care
  - Pro-forma EBITDA of £12.2m (£1.1m of start up losses in quarter), up over 50% versus prior year
- **Finance costs**
  - Net financing expenses of £3.9m, £0.6m lower than prior year due to non cash elements
- **Net debt and leverage**
  - Net debt lower than budget at £263m (broadly unchanged over the past year)
  - Reported leverage better than expected at 6.7x (6.1x Pro-forma)
- **Non-recurring items**
  - Includes £0.5m procurement programme costs, offset by £0.2m non-recurring income

Q2 2017 Financial Performance

	Q2			Q1	
£m	2017	2016	Movement	2017	Movement
Revenue					
Residential Care	**73.0**	66.0	7.0	73.0	-
Health Care	**89.7**	75.5	14.2	87.1	*2.6*
Continuing Operations	**162.7**	**141.5**	**21.2**	**160.1**	**2.6**
Discontinued Operations [1]	-	*1.0*	*(1.0)*	-	-
Group Consolidated	*162.7*	*142.5*	*20.2*	*160.1*	*2.6*
Adjusted EBITDA					
Residential Care	**7.3**	5.6	1.7	7.8	*(0.5)*
Health Care	**5.1**	2.7	2.4	0.2	*4.9*
Other	**(1.3)**	(1.1)	(0.2)	(1.3)	-
Reported Continuing Operations	**11.1**	**7.2**	**3.9**	**6.7**	**4.4**
Start-up Losses	1.1	0.7	0.4	0.9	0.2
Pro-forma Continuing Operations	**12.2**	**7.9**	**4.3**	**7.6**	**4.6**
Discontinued Operations [1]	-	-	-	-	-
Reported Group Consolidated	*11.1*	*7.2*	*3.9*	*6.7*	*4.4*

- RCS: revenue up 11%, Adjusted and Pro-forma EBITDA both up c30%
- HC: revenue up 19%, Adjusted EBITDA up 89%

1) Discontinued operations relates to Amicus ITS Ltd which was sold in February 2016.

Cash Flow

£m	Q2 2017	Q2 2016	Movement
Adjusted operating profit	4.9	1.5	3.4
Depreciation and other non-cash movements	6.1	5.4	0.7
Change in working capital and non-recurring items	4.0	5.0	(1.0)
Cash flow from operations	**15.0**	**11.9**	**3.1**
Business disposals, net of disposal proceeds	0.2	0.1	0.1
Cash flows resulting from financing activities and taxation	(4.1)	(5.2)	1.1
Capital expenditure net of disposal proceeds	(9.3)	(4.8)	(4.5)
Loans to related party undertakings & joint ventures	(0.2)	(2.0)	1.8
Movement in net debt arising from cash flows	**1.6**	**-**	**1.6**
Other non-cash movements in net debt	(0.3)	(0.3)	-
Total movement in net debt	**1.3**	**(0.3)**	**1.6**

- Continued strong working capital performance – some unwind expected in second half of year
- Higher capital expenditure driven by new home funding and electives theatre capacity (Plymouth)
- Recent Silver Sea freehold sales generated surplus cash - sufficient to limit future ‘bond group’ loans and partially repay existing loans

Funding and Leverage

Financial Leverage £m	Continuing Operations Q3 2016	Q4 2016	Q1 2017	Q2 2017
LTM Adjusted EBITDA	34.4	34.6	35.1	39.0
LTM Pro-forma Adjusted EBITDA [1]	38.1	38.2	38.5	42.8
Total Net Debt / EBITDA	7.63x	7.55x	7.53x	6.74x
Total Net Debt / Pro-forma EBITDA	6.88x	6.84x	6.86x	6.14x

Net Debt £m	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Senior Secured 1st Lien Notes	230.0	230.0	230.0	230.0
Senior Secured 2nd Lien Notes [2]	37.6	37.6	37.6	37.6
RCF (excluding PB's)	23.0	10.0	14.0	12.0
Performance Bonds [3]	9.4	9.4	4.0	4.0
Available undrawn RCF	32.6	45.6	47.0	49.0
Total Debt	**290.6**	**277.6**	**281.6**	**279.6**
Cash	(24.4)	(12.8)	(14.1)	(13.7)
Deferred financing costs	(3.9)	(3.5)	(3.2)	(2.9)
Net Debt	**262.3**	**261.3**	**264.3**	**263.0**
Liquidity (RCF Availability + cash)	57.0	58.4	61.1	62.7

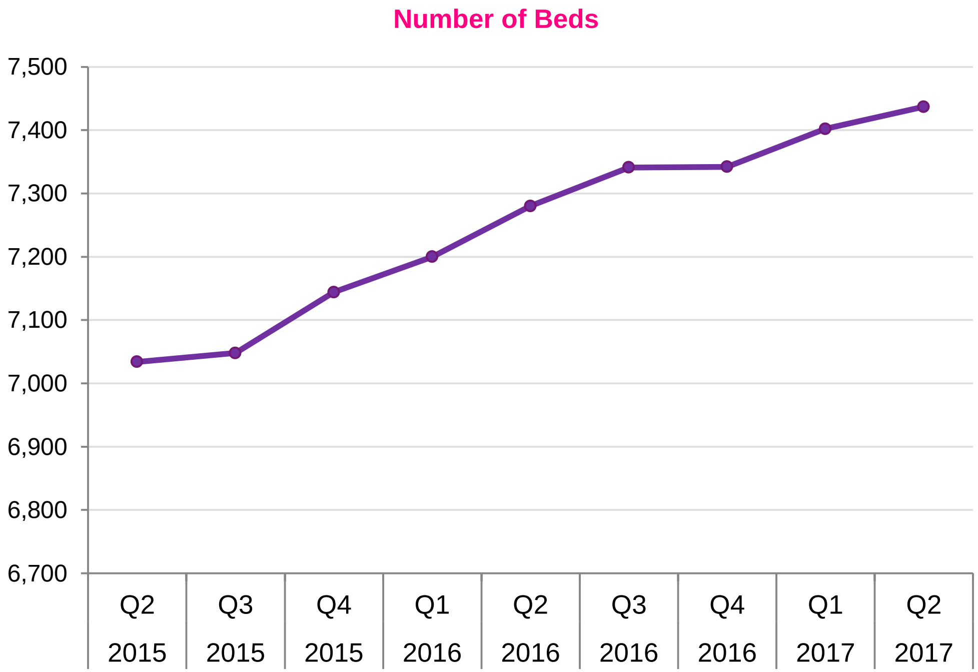
1) Pro-forma Adjusted EBITDA, excluding new home start-up losses of the RCS division
2) Excludes £5m held in Treasury by Care UK's parent Care UK Health and Social Care Finance Ltd
3) £4m performance bond due to expire in Q3 2017

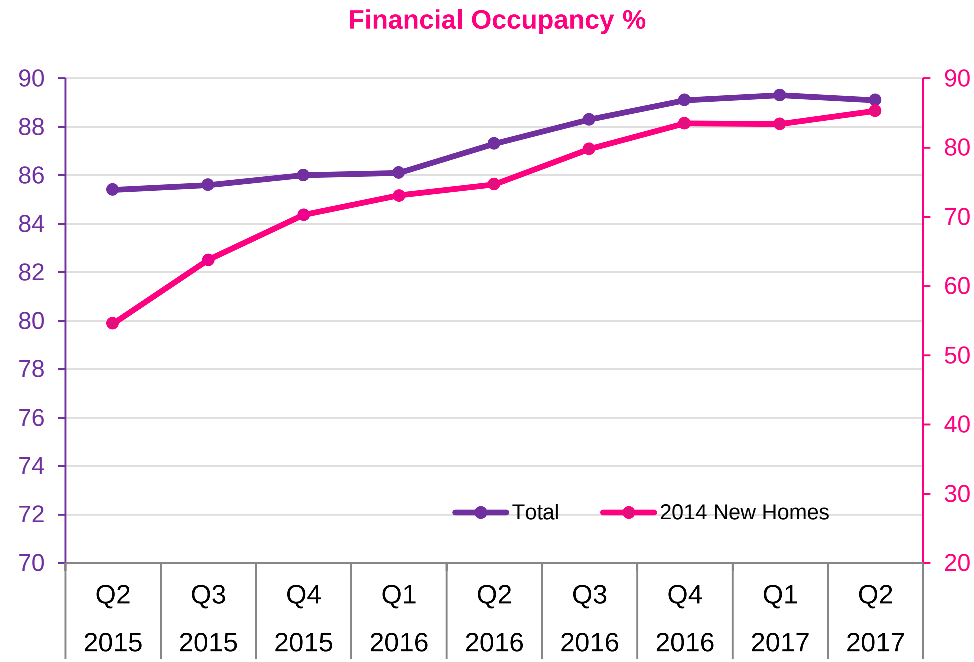
Residential Care Services

	Q2 2017	Q2 2016	Movement	Q1 2017	Movement
Revenue (£m)	**73.0**	**66.0**	**7.0**	**73.0**	**-**
Adjusted EBITDA (£m)	**7.3**	**5.6**	**1.7**	**7.8**	**(0.5)**
EBITDA Margin (%)	*10.0%*	*8.5%*	*1.5ppts*	*10.7%*	*(0.7)ppts*
Start-up losses	1.1	0.7	0.4	0.9	0.2
Pro-forma Adjusted EBITDA	**8.4**	**6.3**	**2.1**	**8.7**	**(0.3)**
Total beds	7,437	7,280	157	7,402	35
Total financial occupancy (%)	89.0%	87.3%	1.7ppts	89.3%	(0.3)ppts
Average weekly fee (£)	£822	£763	£59	£809	£13
Labour to sales ratio (%)	58.4%	59.3%	(0.9)ppts	58.4%	0.0ppts

- Strong year on year performance driven by increased occupancy and AWF
- 1.7% year on year occupancy increase – across both the mature and new estate
- 7.7% AWF increase reflects both improved self-pay mix, increased rates to cover National Living Wage and increased Funded Nursing Care payments
- Stable labour to sales ratio despite higher than expected agency usage due to increased occupancy
- Increased start up losses due to profile of home openings

Residential Care Services
Key Performance Indicators

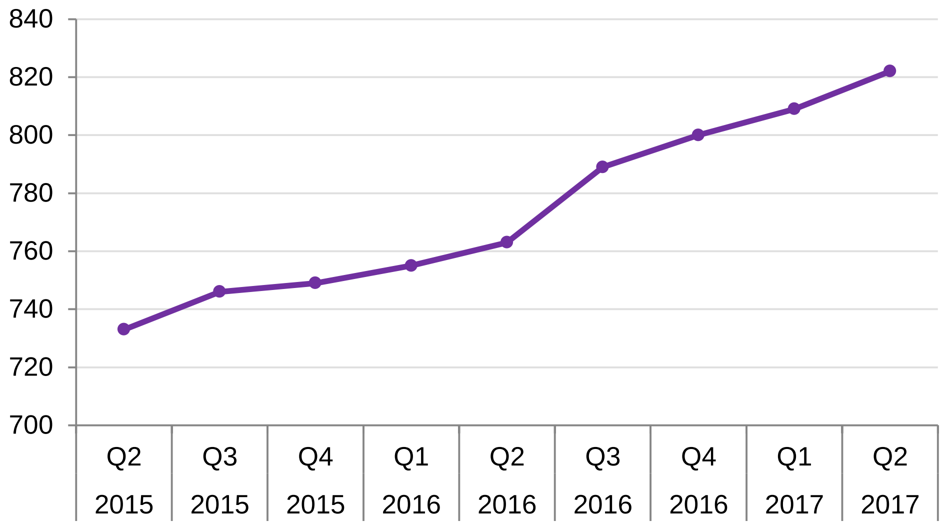




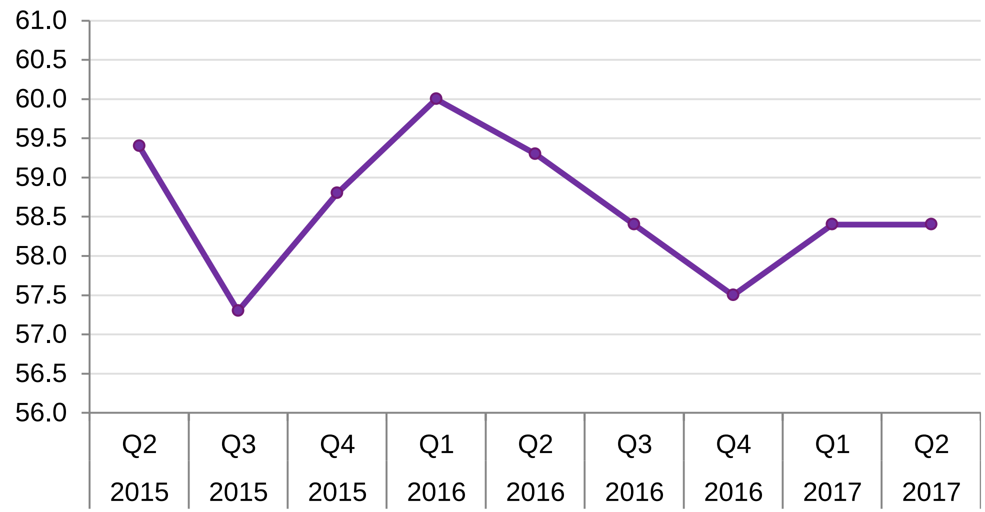
- New homes opened recently include Horsham, Ferndown and Sevenoaks (April)
- Key FY14 estate (nine homes) since increased to 87% occupancy – original EBITDA expectation achieved with opportunity to over perform

Residential Care Services
Key Performance Indicators (Continued)

Average Weekly Fee (£)



Direct Labour as a % of Revenue



- Self-pay strategy continues to drive AWF growth (albeit partly offset by National Living Wage)
- Consistent labour to sales ratio with increased occupancy offsetting higher than expected agency expenditure

Health Care

	Q2 2017	Q2 2016	Movement	Q1 2017	Movement
Revenue (£m)	**89.7**	**75.5**	**14.2**	**87.1**	**2.6**
Adjusted EBITDA (£m)	**5.1**	**2.7**	**2.4**	**0.2**	**4.9**
EBITDA Margin (%)	5.7%	3.6%	2.1ppts	0.2%	(5.5)ppts
Secondary care volumes	21,805	19,499	2,306	19,014	2,791

- 89% increase in EBITDA against prior year due to growth in electives and new prison contracts
- Prior year comparison distorted by Easter timing and the cessation of the Greater Manchester CATS contract (EBITDA effect broadly neutral)
- Increase in elective volumes partly driven by Easter timing with strong underlying growth
- Overhead reduction programme expected to generate £4.5m of annualised savings by September 2017, albeit partly replaced by investment in new services and new contract wins
- Procurement programme exceeding expectations, expected to generate £4m of annualised savings

Medium Term Outlook - potential impact of known changes

	EBITDA	Starts in run-rate	Fully in run-rate	Mature LTM
LTM at 30 September 2016	**34.6**			
ISTC contract transition	(4.0)	Q1 FY16	Q3 FY16	Q3 FY17
Prison health care wins	4.0	Q3 FY16	Q3 FY17	Q3 FY18
Suffolk homes	5.0	Q1 FY16	Q1 FY18	Q1 FY19
FY14 new homes	5.0	Q1FY15	Q3FY17	Q3FY18
Other new homes	4.0	Q1FY17	Q1FY19	Q1FY20
National Living Wage	(5.0)	Q3 FY16	Q3 FY20	Q3 FY21
Health Care overhead reduction	6.0	Q1 FY17	Q3 FY17	Q3 FY18
Mature business	**49.6**			

- Medium term outlook as presented at 30 September 2016
- Figures represent best estimates of current projects – estimates will change as projects progress
- Includes open care homes but not those in the course of construction
- Subject to operational performance, general market factors and unknown contract wins and losses

Appendix – Revenue/EBITDA Bridges

		Revenue		EBITDA	
	£m	Q2/16 to Q2/17	Q1/17 to Q2/17	Q2/16 to Q2/17	Q1/17 to Q2/17
	Base period	**141.5**	**160.1**	**7.2**	**6.7**
HC	Electives	3.5	3.5	1.3	2.9
HC	CATS and Diagnostics	(4.8)	(2.2)	(1.2)	-
HC	Prison healthcare	16.1	0.2	1.1	0.5
HC	GP and WIC's	(0.7)	(0.4)	(0.2)	(0.3)
HC	NHS 111	3.0	1.3	1.0	0.5
HC	OOH/UCC	(3.2)	-	0.3	0.8
HC	Other Healthcare	0.3	0.2	0.2	0.2
HC	Overheads	-	-	(0.1)	0.3
HC	**Total HC**	**14.2**	**2.6**	**2.4**	**4.9**
RCS	RCS mature	3.2	(0.4)	1.2	(0.1)
RCS	RCS new (FY14-FY17)	2.7	0.5	(0.2)	(0.4)
RCS	Suffolk	1.1	(0.1)	0.8	(0.2)
RCS	Overheads	-	-	(0.1)	0.2
RCS	**Total RCS**	**7.0**	**-**	**1.7**	**(0.5)**
	Other (net) [1]	-	-	(0.2)	-
	Reported	**162.7**	**162.7**	**11.1**	**11.1**

1) Includes group functions and other immaterial movements in service lines

care UK

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