fulfilling lives

Q3 2017 Results Presentation

24 August 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

- **Results ahead of prior year**
  - Continued EBITDA growth in both Residential Care and Health Care
  - Stable net debt and leverage in line with expectations

- **Residential Care**
  - Continued revenue growth due to new homes maturing - both self-funding orientated and the Suffolk homes
  - Key operational metrics continue to trend in line with management expectations
  - Strong pipeline of new homes with up to 17 expected over next 2 to 3 years
  - Improved quality performance – 76% of homes rated Good or Outstanding by CQC
  - Significant bed shortage expected over next 5 to 10 years
    - Beneficial to self-funded strategy
    - Increasing number of partnership approaches from local authorities
  - CMA published update paper in June 2017 with final report expected by December 2017

Overview

- **Health Care**
  - Prison in healthcare continues to make good progress
  - Softening elective surgery referrals activity levels as NHS waiting lists continue to increase
  - Urgent Care market remains challenging though good progress being made in developing innovative primary care solutions
  - Overhead reduction programme complete with ongoing procurement programme yielding greater than expected cost savings
  - Exploring potential partnership structures with NHS Acute Trusts

- **Brexit (unchanged view)**
  - 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)

Q3 2017 Financial Performance

- **Continuing operations performance**
  - Revenue of £167m (+7.9%) with growth in both Residential Care and Health Care
  - Adjusted EBITDA of £10.7m, £0.6m higher than Q3 2016
  - Pro-forma EBITDA of £12.0m (£1.3m of start up losses in quarter) up over 9% versus prior year

- **Finance costs**
  - Net financing expenses of £3.8m, £0.7m lower than prior year

- **Net debt and leverage**
  - Net debt in line with expectations at £265.7m (broadly unchanged over the past year)
  - Reported leverage in line with previous quarter at 6.7x (6.1x Pro-forma)

- **Non-recurring items**
  - Includes £0.7m procurement programme costs in Health Care

Q3 2017 Financial Performance

£m	Q3 2017	Q3 2016	Q3 Movement	Q2 2017	Q2 Movement
Revenue					
Residential Care	**76.2**	69.0	*7.2*	73.0	*3.2*
Health Care	**91.1**	86.0	5.1	89.7	*1.4*
Continuing Operations	**167.3**	**155.0**	**12.3**	**162.7**	**4.6**
Group Consolidated	*167.3*	*155.0*	*12.3*	*162.7*	*4.6*
Adjusted EBITDA					
Residential Care	**8.5**	7.7	*0.8*	7.3	*1.2*
Health Care	**3.6**	3.3	*0.3*	5.1	*(1.5)*
Other	**(1.4)**	(0.9)	*(0.5)*	(1.3)	*(0.1)*
Reported Continuing Operations	**10.7**	**10.1**	**0.6**	**11.1**	**(0.4)**
Start-up Losses	1.3	0.9	0.4	1.1	0.2
Pro-forma Continuing Operations	**12.0**	**11.0**	**1.0**	**12.2**	**(0.2)**
Reported Group Consolidated	*10.7*	*10.1*	*0.6*	*11.1*	*(0.4)*

- RCS: revenue up 10%, Adjusted EBITDA up 10%
- HC: revenue up 6%, Adjusted EBITDA up 9%
- Other costs increase on prior year mainly attributable to new service research and CMA industry review

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

Cash Flow

£m	Q3 2017	Q3 2016	Movement
Adjusted operating profit	4.4	4.8	(0.4)
Depreciation and other non-cash movements	6.2	4.7	1.5
Change in working capital and non-recurring items	(8.3)	3.5	(11.8)
Cash flow from operations	**2.3**	**13.0**	**(10.7)**
Cash flows resulting from financing activities and taxation	(4.1)	(4.5)	0.4
Capital expenditure net of disposal proceeds	(5.6)	(5.9)	0.3
Loans from/(to) related party undertakings	5.0	-	5.0
Movement in net debt arising from cash flows	**(2.4)**	**2.6**	**(5.0)**
Other non-cash movements in net debt	(0.3)	(0.2)	(0.1)
Total movement in net debt	**(2.7)**	**2.4**	**(5.1)**

- Some unwind of working capital position in line with expectations
- £5m repayment of cash from Silver Seas in the quarter (follows two recent freehold sales by Silver Sea)
- Capital expenditure
  - Health Care £1.5m (£0.4m expansion, £1.1m maintenance)
  - Residential £4.1m (£0.9m expansion, £3.2m maintenance)

Funding and Leverage

	Continuing Operations			
Financial Leverage £m	**Q4 2016**	**Q1 2017**	**Q2 2017**	**Q3 2017**
LTM Adjusted EBITDA	34.6	35.1	39.0	39.6
LTM Pro-forma Adjusted EBITDA [1]	38.2	38.5	42.8	43.8
Total Net Debt / EBITDA	7.55x	7.53x	6.74x	6.71x
Total Net Debt / Pro-forma EBITDA	6.84x	6.86x	6.14x	6.07x

Net Debt £m	**Q4 2016**	**Q1 2017**	**Q2 2017**	**Q3 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)	10.0	14.0	12.0	11.0
Performance Bonds	9.4	4.0	4.0	-
Available undrawn RCF	45.6	47.0	49.0	54.0
Total Debt	**277.6**	**281.6**	**279.6**	**278.6**
Cash	(12.8)	(14.1)	(13.7)	(10.3)
Deferred financing costs	(3.5)	(3.2)	(2.9)	(2.6)
Net Debt	**261.3**	**264.3**	**263.0**	**265.7**
Liquidity (RCF Availability + cash)	58.4	61.1	62.7	64.3

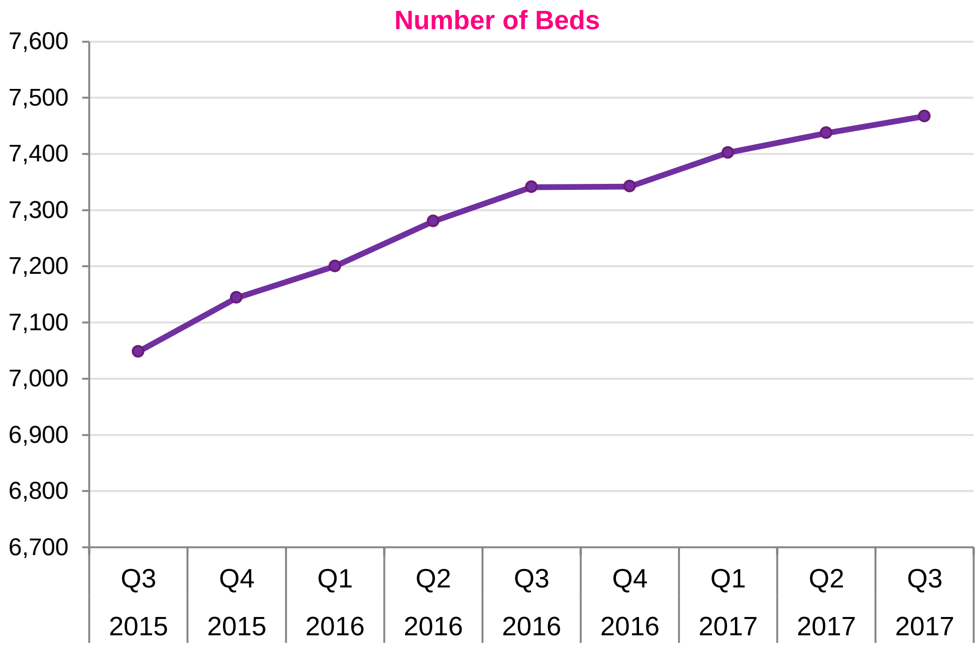
1) Pro-forma Adjusted EBITDA, excluding new home start-up losses of the RCS division
2) Excludes £5m held in Treasury by Care UK's parent Care UK Health and Social Care Finance Ltd

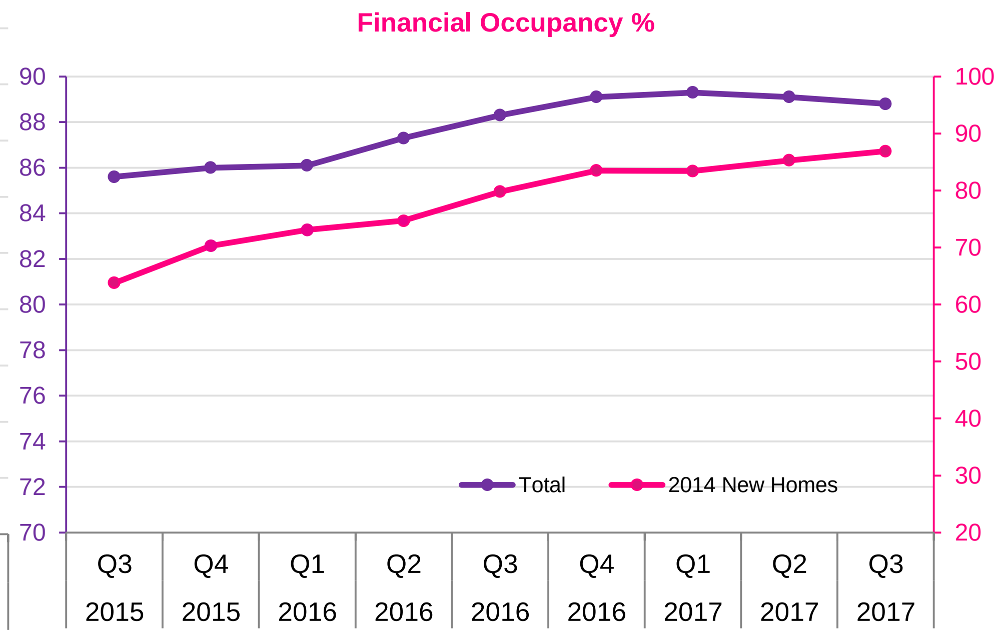
Residential Care Services

	Q3 2017	Q3 2016	Movement	Q2 2017	Movement
Revenue (£m)	**76.2**	**69.0**	**7.2**	**73.0**	**3.2**
Adjusted EBITDA (£m)	**8.5**	**7.7**	**0.8**	**7.3**	**1.2**
EBITDA Margin (%)	*11.1%*	*11.1%*	*0.0ppts*	*10.0%*	*1.1ppts*
Start-up losses	1.3	0.9	0.4	1.1	0.2
Pro-forma Adjusted EBITDA	**9.8**	**8.6**	**1.2**	**8.4**	**1.4**
Total beds	7,467	7,341	126	7,437	30
Total financial occupancy (%)	88.8%	88.3%	0.5ppts	89.0%	(0.2)ppts
Average weekly fee (£)	£849	£789	£60	£822	£27
Labour to sales ratio (%)	59.4%	58.4%	1.0ppts	58.4%	1.0ppts

- Strong revenue growth driven by new build strategy and increase in AWF
- Increased start up losses due to recent home openings (Sevenoaks, Horsham)
- Financial occupancy at 88.8% - increase of 0.5% on prior year
- 7.6% AWF increase reflects improved self-funded mix, increased rates to cover National Living Wage and increased Funded Nursing Care payments
- Increase in labour to sales ratio driven by higher agency usage and Easter timing (Q3 in FY17 versus Q2 in FY16)

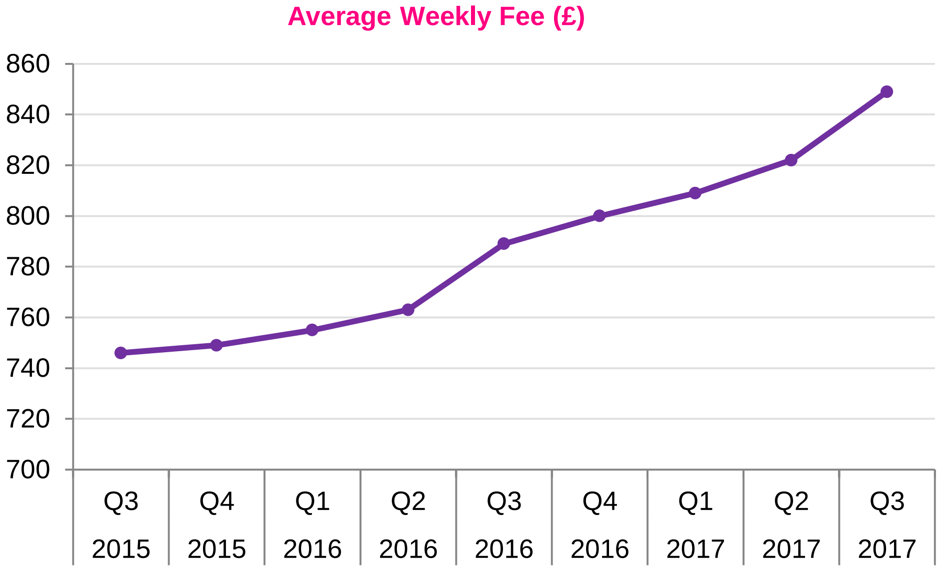
Residential Care Services
Key Performance Indicators

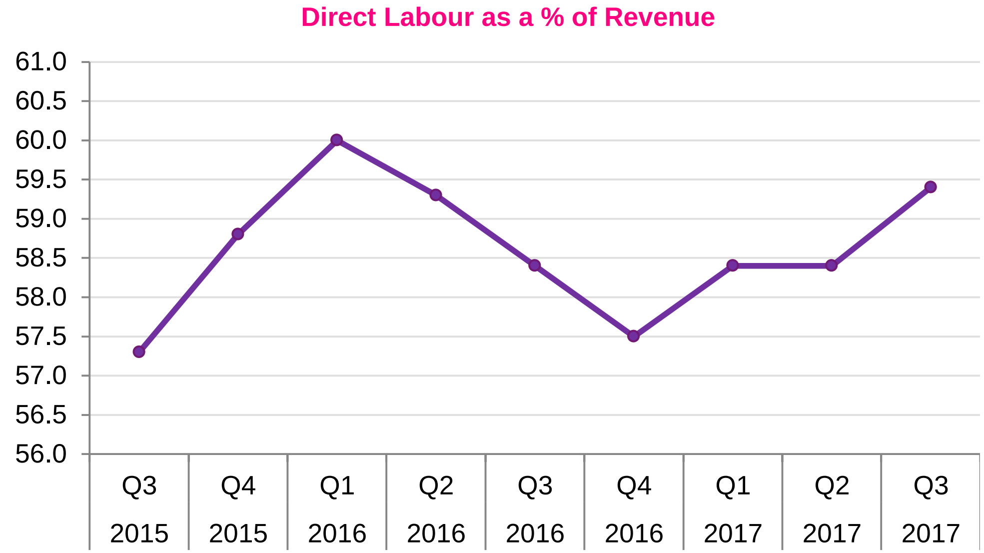




- Three new homes opened in FY17 adding c 230 beds to portfolio
- Average financial occupancy at 88.8% - increase on prior year but slight reduction on prior quarter due to new homes opening
- Key FY14 estate (nine homes) operating at 87% occupancy in the quarter (88% as at Q3 reporting date)

Residential Care Services
Key Performance Indicators (Continued)





- AWF increase driven by FNC funding and increase in levels of self-funded residents – annual increases are effective 1 April each year
- Increase in labour to sales ratio due to higher than expected agency expenditure offsetting impact of revenue growth – National Living Wage increases also effective 1 April

Health Care

	Q3 2017	Q3 2016	Movement	Q2 2017	Movement
Revenue (£m)	**91.1**	**86.0**	**5.1**	**89.7**	**1.4**
Adjusted EBITDA (£m)	**3.6**	**3.3**	**0.3**	**5.1**	**(1.5)**
EBITDA Margin (%)	4.0%	3.8%	0.2ppts	5.7%	(1.7)ppts
Secondary care volumes	21,420	19,521	1,899	21,805	(385)

- Revenue increase driven by prison health care contract wins in April 2016
- 9% increase in EBITDA against prior year due to the prison contracts and the cessation of the loss-making Greater Manchester CATS contract in Q2 FY17
- Softer elective volumes versus Q2 partly driven by increasing lead time on NHS referrals and Easter timing
- Urgent care (111 and Out of Hours) remain financially challenging
- Good progress on new primary care solutions
- Overhead reduction programme complete
- Ongoing procurement programme yielding greater than expected cost savings

Appendix – Revenue/EBITDA Bridges

	£m	Revenue		Adjusted EBITDA	
		Q3/16 to Q3/17	Q2/17 to Q3/17	Q3/16 to Q3/17	Q2/17 to Q3/17
	Base period	**155.0**	**162.7**	**10.1**	**11.1**
HC	Electives	2.1	(1.9)	0.1	(1.1)
HC	CATS and Diagnostics	(2.0)	-	0.8	(0.1)
HC	Prison healthcare	5.0	3.4	1.1	0.4
HC	GP and WIC's	-	0.2	(0.1)	0.1
HC	NHS 111	2.5	-	(0.7)	(0.1)
HC	OOH/UCC	(2.7)	(0.3)	(1.3)	(0.8)
HC	Other Healthcare	0.2	-	0.1	-
HC	Overheads	-	-	0.3	0.1
HC	**Total HC**	**5.1**	**1.4**	**0.3**	**(1.5)**
RCS	RCS mature	3.1	1.5	(0.3)	0.2
RCS	RCS new (FY14-FY17)	3.0	1.3	0.1	0.3
RCS	Suffolk	1.1	0.4	0.5	0.3
RCS	Overheads	-	-	0.5	0.4
RCS	**Total RCS**	**7.2**	**3.2**	**0.8**	**1.2**
	Other (net) [1]	-	-	(0.5)	(0.1)
	Reported	**167.3**	**167.3**	**10.7**	**10.7**

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

care UK

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