fulfilling lives

care UK

Q1 2015 Results Presentation

27 February 2015

Disclaimer

THIS PRESENTATION IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES IN THE UNITED STATES OF AMERICA OR IN ANY OTHER JURISDICTION. IT IS PROVIDED AS INFORMATION ONLY.

This presentation is furnished only for the use of the intended recipient, and may not be relied upon for the purposes of entering any transaction. By attending the bond call presentation, you are agreeing to be bound by these restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Certain information herein (including market data and statistical information) has been obtained from various sources. We do not represent that it is complete or accurate. All projections, valuations and statistical analyses are provided to assist the recipient in the evaluation of the matters described herein. They may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results and to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance.

This presentation does not constitute an offer or an agreement, or a solicitation of an offer or an agreement, to enter any transaction (including for the provision of any services) and does not constitute an offer or invitation to subscribe for, or purchase any securities, and nothing contained herein shall form the basis of any contract or commitment whatsoever.

The information contained herein does not constitute investment, legal, accounting, regulatory, taxations or other advice and the Information does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusion on such matters and the market and for making your own independent assessment of the information herein. You are solely responsible for seeking independent professional advice in relation to the information and any action taken on the basis of the information. Investors and prospective investors in the securities of any issuer mentioned herein are required to make their own independent investigation and appraisal of the business and financial condition of such issuer and the nature of the securities.

This presentation includes certain financial data that are "non-IFRS financial measures". These non-IFRS financial measures do not have a standardised meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS. Although we believe these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, you are cautioned not to place undue reliance on any non-IFRS financial measures included in this presentation. This presentation contains certain data and forward looking statement regarding the U.K. economy, the markets in which we operate and its position in the industry that were obtained from publicly available information, independent industry publications and other third party data. We have not independently verified such data and forward looking statements and cannot guarantee their accuracy or completeness.

Contents

Overview and Market Context

- **Performance in line with expectations**
  - EBITDA and net debt/financial leverage in line with guidance

- **Continues to be a challenging market**
  - Financial constraints on local authority funding continues to restrict access to publicly funded care with a corresponding increase in self funding
  - Health Care market remains impacted by pre election politics with limited new business opportunities and tariff deflation
  - Market for Health Care professionals increasingly competitive, particularly GP's and nurses. Recruitment and retention of quality staff is difficult due a finite supply and NHS trusts increasing nursing staffing levels in response to concerns over quality and safety of clinical services
  - CQC has utilised its material increase in funding to substantially raise inspection standards and rigour

- **Group**
  - Organisational restructure on target to deliver £5.0m in year savings, £10.0m per annum on a full year basis
  - Sale of three Silver Sea freehold care homes completed on 30 January. Surplus proceeds in Q2 of approx. £20m to benefit financial leverage, either reducing RCF usage or bond repurchase
  - Commenced strategic review of the Mental Health, Learning Disability and Care at Home service streams. Rothschild appointed to consider options including potential sale of these service lines

Overview and Market Context (continued)

- **Residential Care Services**
  - Principal focus on care quality and labour cost management
  - *Greenfield programme:*
    - 60 bed home in Stansted, Essex opened in October 2014
    - Strong pipeline - five homes in construction, two opening in Q3/Q4 2015. Additional three with planning consent. Target of four opening in FY 2016
  - *Suffolk contract*:
    - Q1 2015 two opened and three existing homes closed
    - Build programme 50% complete at 31 December 2014 . 6th new home opened in February
    - CQC compliance: 12 of 14 homes inspected, 11 fully compliant
    - Mildenhall Lodge making good progress and admissions resumed
  - Strong regulatory compliance - residential care homes recently ranked in the top 3 providers. No homes currently under CQC embargo

- **Health Care**
  - Good operational performance across key winter period
  - Wave 2 ISTC contract renewal process in progress

- **Community Services**
  - Promising progress in Learning Disability services
  - Continuing sector challenges in Care at Home with price increases lagging wage pressure

Q1 2015 Financial Performance

- **Performance in line with expectations**
  - Q1 2015 Adjusted EBITDA £11.6m (Q1 2014 £11.9m)
  - Revenue increase 2.1% (+£3.9m) to £186.9m
  - Pro-forma[1] adjusted EBITDA LTM £56.2m. Pro-forma financial leverage 7.01x (reported leverage 7.50x)
  - Net debt of £393.9m in line with expectations, with benefit from Silver Sea proceeds in Q2 2015

- **Divisional performance summary**
  - Residential Care: Revenue increase 10.2% (+£5.6m) to £60.5m. Q1 2015 Adjusted EBITDA £6.1m (Q1 2014 £5.6m)
  - Health Care: Consistent year-on-year performance. Revenue and EBITDA increase £0.5m and £0.1m respectively to £94.5m and £6.0m
  - Community Services: Revenue £29.7m, down £1.1m on prior year with EBITDA down £0.5m to £1.8m

- **Non-recurring items**
  - Q1 2015 £5.0m consisting of:
    - Organisational changes £2.7m
    - Suffolk contract £0.7m
    - Onerous lease £1.6m care home with subsidence

1) Pro-forma adjusted EBITDA excludes new home start-up losses in the Residential Care Services division

Q1 2015 Financial Performance (continued)

£m	Q1 2015	Q1 2014	Movement	Q4 2014	Movement
Revenue					
Residential Care	60.5	54.9	5.6	58.7	1.8
Community Services	29.7	30.8	(1.1)	30.2	(0.5)
Health Care	94.5	94.0	0.5	91.0	3.5
Other	2.2	3.3	(1.1)	2.6	(0.4)
Group Consolidated	**186.9**	**183.0**	**3.9**	**182.5**	**4.4**
Adjusted EBITDA[1]					
Residential Care	6.1	5.6	0.5	7.7	(1.6)
Community Services	1.8	2.3	(0.5)	1.8	-
Health Care	6.0	5.9	0.1	9.0	(3.0)
Other	(2.3)	(1.9)	(0.4)	(4.0)	1.7
Group Consolidated	**11.6**	**11.9**	**(0.3)**	**14.5**	**(2.9)**

- Q1 2015 v Q1 2014 analysis on divisional slides
- Q1 2015 of £11.6m, £2.9m below Q4 2014:
  - October 2014 pay increases -£2.5m
  - Quarterly seasonality, and one off additional 111 income in Q4 -£1.3m
  - FY 2014 year end adjustments -£1.0m
  - Cost reduction programme +£1.9m

1) The devolvement of group functions and the reshaping of divisional overheads impacts the reporting of group and divisional overheads. Once complete the segmental reporting will be restated on a like-for-like basis

Cash flow

£m	Q1 2015	Q1 2014
Adjusted operating profit	3.8	4.6
Depreciation and other non-cash movements	7.5	7.3
Change in working capital and non-recurring items	(11.9)	(6.7)
Cash flow from operations	**(0.6)**	**5.2**
Cash flows resulting from financing activities and taxation	(6.5)	(1.2)
Capital expenditure	(5.9)	(8.3)
Loans to related party undertakings & joint ventures	(1.8)	(1.5)
Other	0.2	0.2
Movement in net debt arising from cash flows	**(14.6)**	**(5.6)**
Other non-cash movements in net debt	(0.4)	(0.8)
Total movement in net debt	**(15.0)**	**(6.4)**

- Q1 2015 operating cash outflow £0.6m. Includes non-recurring of c.£5m
- Working capital timing resulted in a cash outflow in Q1 following reversal of a strong year end closing position and typical of the seasonality profile for the first quarter
- Financing activity cash outflow £6.5m. Reflecting quarterly interest payment cycle of 2014 Notes (previous bonds bi-annual)
- Capital expenditure £5.9m:
  - Maintenance capex £3.4m (2014: £0.5m)
  - Expansionary capex £2.5m (2014: £7.8m)
- Loans to Silver Sea, £1.8m invested in Q1 2015

Funding and Leverage

Financial Leverage £m	Q2 2014	Q3 2014	Q4 2014	Q1 2015
LTM Adjusted EBITDA	62.2	58.1	52.8	52.5
LTM Pro-forma Adjusted EBITDA [1]	64.1	61.1	56.4	56.2
Total Net Debt / EBITDA	5.44x	5.87x	7.18x	7.50x
Total Net Debt / PF EBITDA	5.28x	5.58x	6.72x	7.01x

Net Debt £m	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Senior Secured 1st Lien FRN [2]	325.0	325.0	325.0	325.0
Senior Secured 2nd Lien FRN	-	-	75.0	75.0
RCF (excluding PB's)	60.5	52.0	4.0	32.0
Performance Bonds	*10.6*	*10.6*	*10.1*	*10.1*
Available undrawn RCF	*43.9*	*52.4*	*50.9*	*22.9*
Other	5.1	4.8	4.4	4.0
Total Debt	**390.6**	**381.8**	**408.4**	**436.0**
Cash	(43.6)	(32.8)	(20.9)	(33.9)
Deferred financing costs	(8.8)	(8.0)	(8.6)	(8.2)
Net Debt	**338.2**	**341.0**	**378.9**	**393.9**
Liquidity (RCF Availability + cash)	87.5	85.2	71.8	56.8

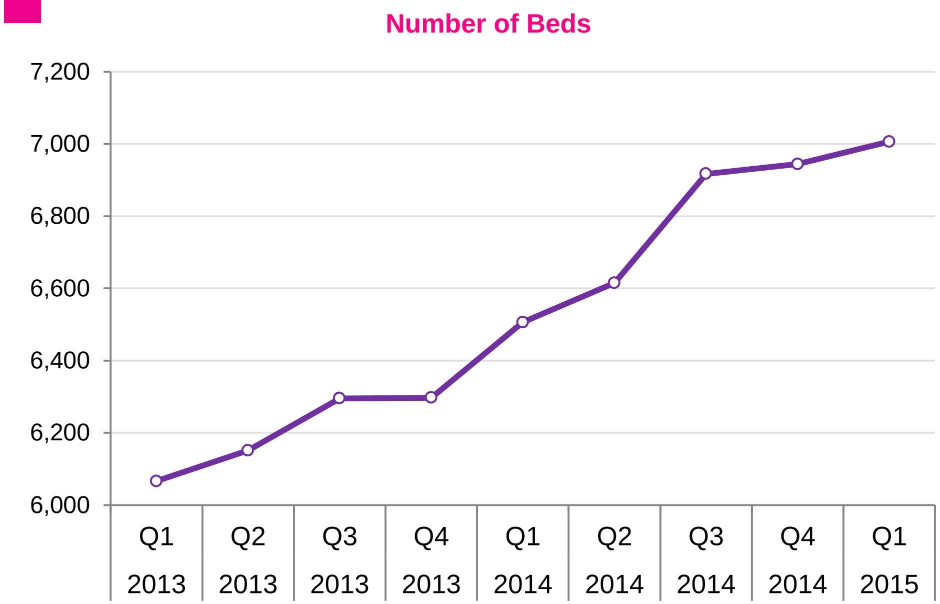
1) Pro-forma Adjusted EBITDA, excluding new home start-up losses in the RCS division
2) Q2 2014 & Q3 2014 excludes premium on issue of £3.7m

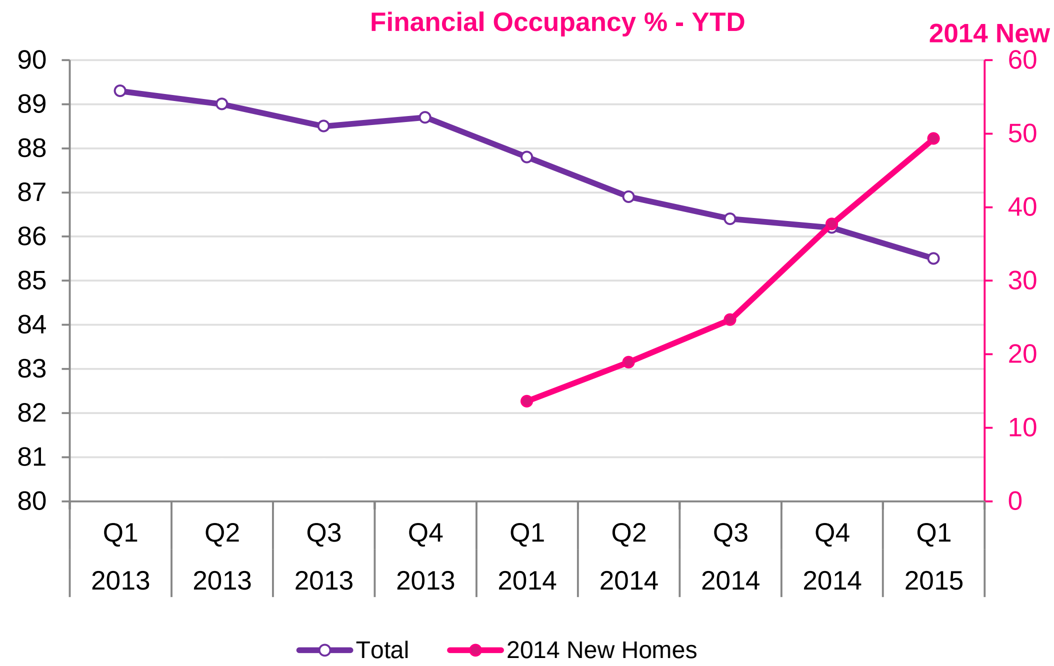
Residential Care Services (RCS)

	Q1 2015	Q1 2014	Movement
Revenue (£m)	**60.5**	**54.9**	**5.6**
Adjusted EBITDA (£m)	**6.1**	**5.6**	**0.5**
EBITDA Margin (%)	10.1	10.2	(0.1)
Total Beds	7,006	6,506	500
Total Financial occupancy (%)	85.5	87.8	(2.3)
Average weekly fee (£)	728	697	31

- 10% revenue increase as new homes mature
- Q1 2015 Adjusted EBITDA £6.1m +8.9% on prior year, after £1.0m of start up losses.
  - Higher Adjusted EBITDA contribution from new homes (+ 500 beds year-on-year) offset by expected decline from Suffolk homes
  - New homes and Suffolk will add up to £14-15m per annum (£3.5m per quarter) Adjusted EBITDA upside when fully mature
- Mature portfolio delivered improved profitability from modest revenue growth and focused labour cost management
- Greenfield and Suffolk programmes on track to deliver growth:
  - five greenfield homes in construction, three more with planning, and several more at feasibility stages
  - Suffolk contract at half-way stage at 31 December 2014
  - c.7,850 beds when complete from both programmes
- Good quality progress:
  - 80% CQC compliance. Top 3 provider in the sector according to Laing and Buisson January 2015
  - Suffolk implementation challenges largely overcome. Mildenhall Lodge making good progress and admitting residents
  - No current CQC embargos

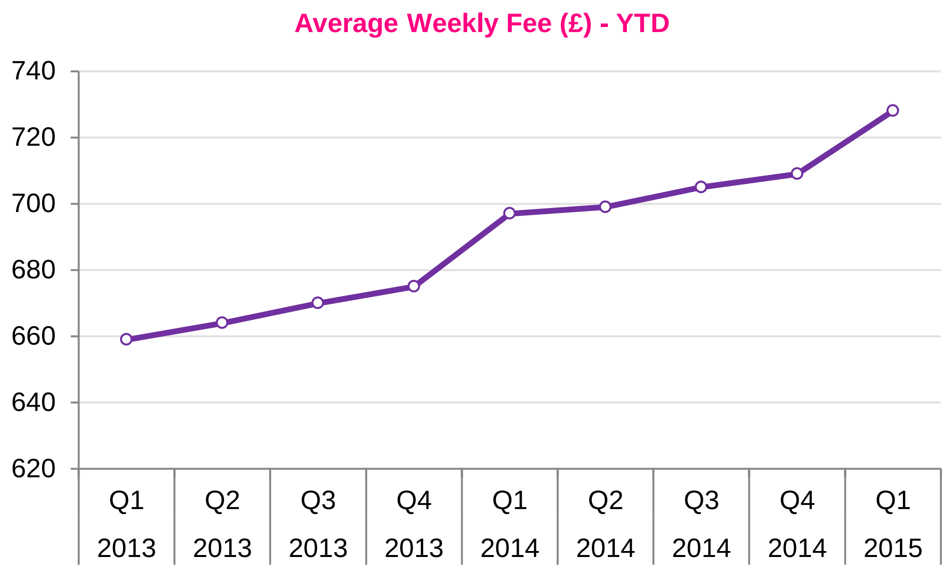
RCS – Key Performance Indicators

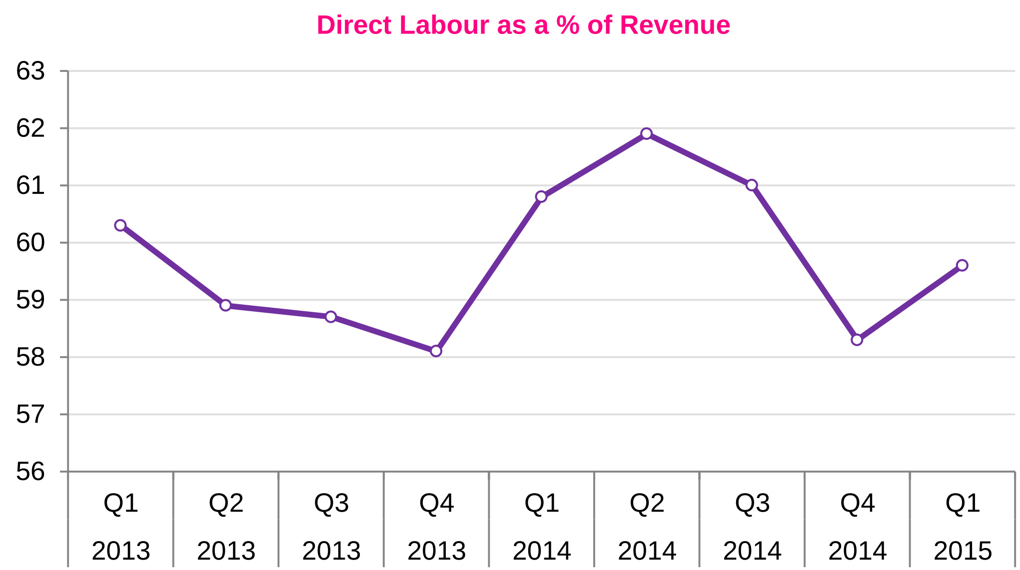




- Bed numbers increase as greenfield opening programme progresses taking total beds to just over the 7,000 milestone at Q1 2015; an increase of 26% since the take on of Suffolk in Q1 FY13 (15.5% over the last two years)
- Financial occupancy has declined from 89.3% to 85.5% as new homes have opened as well as the take on of the former Southern Cross homes
- New homes opened in 2014 building positive occupancy and following typical maturity profile, approaching 50% at quarter end
- 31 bed net increase from Suffolk contract at 31 December from five new home openings and eight closures

RCS – Key Performance Indicators (Continued)





- Q1 2015 fee rate increase of 4.4% on prior year:
  - approx two thirds from new homes and the impact of private pay offering
  - approx one third from higher acuity needs and contract indexation
- As expected labour costs impacted by seasonality and the holiday period from 58.3% in Q4 2014 to 59.6% Q1 2015 however consistent with Q4 2014 continuing trend of labour costs below prior year
- Ongoing management focus to manage overall labour cost and in particular to minimise agency use

Health Care (HC)

	Q1 2015	Q1 2014	Movement
Revenue (£m)	**94.5**	**94.0**	**0.5**
Adjusted EBITDA (£m)	**6.0**	**5.9**	**0.1**
EBITDA Margin (%)	6.3	6.3	-
Secondary care volumes – ISTC Procedures	20,919	18,574	2,345

- Financial performance in line with prior year and management expectation
- Revenue up by £0.5m:
  - Secondary Care up £1.4m predominantly through a c.12% increase in elective surgery volumes
  - Offender Health growth of £2.5m following Dovegate and Pentonville contract wins
  - Out of Hours (OoH) and GP and Walk in Centre revenue down by £3.0m as a result of contract losses and impact of 111
- EBITDA broadly unchanged at £6.0m:
  - Secondary care profit growth constrained by labour cost pressures and consultant shortages
  - Urgent Care reduction from 2014 contract exit and challenging renewal financials
  - Overhead savings delivered in Q1 2015, consistent with expectations
- 111 service stable with good operational performance over the key winter period – financial performance still challenging
- Wave II contract renewals - Southampton treatment centre (October 2015), AGW (November 2015) and Manchester CATS (February 2016)
- CQC compliance rates remain high at 97%. Treatment centre waiting times significantly better than NHS, an important measure for patients deciding where to receive treatment

Community Services (CS)

	Q1 2015	Q1 2014	Movement
Revenue (£m)	**29.7**	**30.8**	**(1.1)**
Adjusted EBITDA (£m)	**1.8**	**2.3**	**(0.5)**
EBITDA Margin (%)	6.1	7.5	(1.4)
Average hours delivered per week	147,306	156,771	(9,465)
Average fee rates per hour (£)	13.74	13.53	(0.21)
Learning disabilities beds	133	133	-
Average occupancy (%)	96.0	94.5	1.5
Average weekly fee (£)	1,828	1,775	53

- £0.5m revenue growth in Learning Disability (LD) services offset by £1.6m reduction in Care At Home (CAH)
  - LD increase reflects higher residential occupancy and higher acuity fee rates
  - CAH reduction a result of continuing local authority market contraction and contract losses
- EBITDA reduction £0.5m on prior year:
  - supported by cost savings
  - LD slightly ahead year on year
  - offset by margin decline in CAH
- CQC compliance remains high: CAH at 92% and 100% for LD

Other Segment (Central costs & Amicus)

	Q1 2015	Q1 2014	Movement
Amicus Revenue (£m)	**2.2**	**3.3**	**(1.1)**
Amicus EBITDA (£m)	0.2	0.2	-
Central costs (£m)	(2.5)	(2.1)	(0.4)
Adjusted EBITDA (£m)	**(2.3)**	**(1.9)**	**(0.4)**

- Amicus IT business delivering consistent EBITDA of £0.2m with revenue drop reflecting high volume/low margin contract in 2014
- Reported central costs increase £0.4m on prior year, skewed by £0.8m one off provision benefit in Q1 2014
- Delivered £0.6m of underlying cost savings in the quarter as the Group reorganisation progresses (£2.9m on a full year basis with further actions in place)

Appendix – Revenue/EBITDA Bridge

	£m	Revenue: Q1/14 to Q1/15	Revenue: Q4/14 to Q1/15	EBITDA: Q1/14 to Q1/15	EBITDA: Q4/14 to Q1/15
	Base period	**183.0**	**182.5**	**11.9**	**14.5**
HC	Electives	2.0	0.7	(0.2)	-
HC	CATS and Diagnostics	(0.4)	(0.4)	0.2	(0.6)
HC	Offender Health	2.5	1.2	0.2	0.2
HC	GP and WIC's	(0.6)	0.2	(0.2)	(0.2)
HC	NHS 111	0.5	(0.1)	-	(0.6)
HC	OOH/UCC	(2.4)	1.8	(1.4)	0.5
RCS	RCS mature[1]	0.4	-	0.7	(0.5)
RCS	RCS new (FY13-FY15)	5.3	1.6	0.4	(0.1)
RCS	Suffolk	(0.1)	0.2	(0.4)	(0.4)
CS	CS – Care at Home	(1.6)	(0.7)	(1.0)	(0.3)
CS	CS – Learning Disabilities	0.5	0.2	0.1	(0.1)
	Other (net) [2]	(2.2)	(0.3)	(0.3)	(0.1)
	Group Overheads [3]	-	-	1.6	(0.7)
	Reported	**186.9**	**186.9**	**11.6**	**11.6**

1) Mature includes former Southern Cross and new homes opened in FY11 and FY12

2) Includes Amicus and other immaterial movements in service lines

3) The devolvement of group functions and the reshaping of divisional overheads impacts the reporting of group and divisional overheads and therefore need to consider overheads as a total across the Group. Consequently the above table does not reconcile to the segmental reporting on slide 6. Once the reorganisation is complete the segmental reporting will be restated on a like-for-like basis

Q&A