

fulfilling lives



Q1 2016 Results Presentation

25 February 2016

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 statements 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
- Financial Performance
- Cash Flow
- Funding and Leverage
- Residential Care Services
- Health Care
- Guidance – potential impact of known changes
- Appendix - Revenue/EBITDA Bridges

- **Performance in line with expectations**

- Revenue and EBITDA as guided following Wave 2 re-pricing and previously reported contract exits in FY15

- **Market conditions remain challenging – no significant updates since year end guidance**

- Clearer picture of the financial impact of the National Living Wage once April 2016 fee increases concluded
- Labour market pressures and in particular shortage of clinical staff
- Imbalance between NHS demand and financial constraints driving imperative to seek cost effective solutions

- **Continue to make progress towards strategic objectives**

RCS: Suffolk programme fully complete. Self funded occupancy now at 36%. New care home pipeline strong, with 10 homes planned to open in FY17

HC: Market leading position in prison health care - contract wins of £50m annualised revenue (subject to contract)

Group: Small, non core Amicus IT business sold to Amicus management team - £1.9m initial consideration with potential for further deferred consideration. Remains a strategic partner in delivering NHS 111 and OOH services

Q1 2016 Financial Performance

■ Continuing operations performance in line with expectations

- Revenue of £141.5m down £7.9m on prior year from the expected Wave 2 pricing reductions and FY15 contract losses in Health Care, partially offset by Residential Care revenue increases from new homes and the core estate
- Adjusted EBITDA of £6.3m, down £1.3m on prior year driven by the Wave 2 contracts. Pro-forma EBITDA (after start up losses) of £7.5m, down £1.5m on prior year
- New home start-up losses in the quarter £1.2m (Q1 FY15: £1.4m), including the now expensed commissioning costs
- Net debt of £264.4m and reported leverage of 6.7x (6.0x Pro-forma) in line with expectations

■ Finance costs

- £2.6m below prior year due to impact of bond repurchases in FY15

■ Non-recurring items of £1.7m (PY: £5.0m)

- Secondary Care theatre capacity efficiency programme £1.5m
- Suffolk contract £0.2m

■ New management incentive plan implemented

Q1 2016 Financial Performance (continued)

£m	Q1 2016	Q1 2015	Movement	Q4 2015	Movement
Revenue					
Residential Care	64.7	60.5	4.2	63.4	1.3
Health Care	76.8	88.9	(12.1)	79.8	(3.0)
Continuing Operations	141.5	149.4	(7.9)	143.2	(1.7)
<i>Discontinued Operations</i>	2.0	37.5	(35.5)	2.1	(0.1)
<i>Group Consolidated</i>	143.5	186.9	(43.4)	145.3	(1.8)
Adjusted EBITDA					
Residential Care ¹	5.1	5.2	(0.1)	6.6	(1.5)
Health Care	2.5	4.1	(1.6)	6.5	(4.0)
Other	(1.3)	(1.7)	0.4	(2.3)	1.0
Reported Continuing Operations	6.3	7.6	(1.3)	10.8	(4.5)
Add back: Start-up Losses ²	1.2	1.4	(0.2)	1.0	0.2
Pro-forma Continuing Operations	7.5	9.0	(1.5)	11.8	(4.3)
<i>Discontinued Operations</i>	0.1	3.7	(3.6)	0.1	-
<i>Reported Group Consolidated</i>	6.4	11.3	(4.9)	10.9	(4.5)

Continuing operations

- RCS: In line with prior year. Occupancy progression in new homes and improvement in core estate delivering revenue growth offsetting the expected reduction from Suffolk. Labour cost control remains challenging
- HC: Steady performance in a challenging market with expected reduction from Wave II pricing reduction and FY15 contract losses
- Central overheads reflecting devolution of services and savings

¹⁾ Prior year quarterly financial information has been presented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs.
²⁾ New residential care home pre-opening and trading losses

Cash Flow

Continuing and discontinued operations (£m)	Q1 2016	Q1 2015 ¹
Adjusted operating profit	0.2	3.5
Depreciation and other non-cash movements	5.9	7.5
Change in working capital and non-recurring items	(4.9)	(11.9)
Cash flow from operations	1.2	(0.9)
Cash flows resulting from financing activities and taxation	(4.4)	(6.3)
Capital expenditure net of disposal proceeds	(5.7)	(5.6)
Loans (to)/from related party undertakings & joint ventures	(2.2)	(1.8)
Movement in net debt arising from cash flows	(11.1)	(14.6)
Other non-cash movements in net debt	(0.3)	(0.4)
Total movement in net debt	(11.4)	(15.0)

- Working capital in line with expectations and typical of Q1 seasonality
- Non recurring cash items in Q1 2016 c. £2.5m predominantly relating to Secondary Care ISTC efficiency programme and Suffolk homes transition (Q1 2015 c. £5.0m largely Suffolk homes and restructuring programme)
- Financing costs £1.9m lower as result of reduced bond interest from repurchases in FY15
- Capital expenditure net of disposal proceeds £5.7m in line with prior year:
 - Maintenance capex £4.1m (2015: £3.4m)
 - Expansionary capex £1.9m, including ongoing Barlborough theatre extension (2015: £2.2m)
 - Disposal proceeds £0.3m in the quarter
- Loans to Silver Sea £2.2m in the quarter to fund new build land purchases

¹⁾ Prior year quarterly financial information has been presented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs.

Funding and Leverage

Financial Leverage £m	Continuing and discontinued	Continuing Operations		
	Q2 2015 ²	Q3 2015 ²	Q4 2015	Q1 2016
LTM Adjusted EBITDA	51.4	41.2	40.8	39.5
LTM Pro-forma Adjusted EBITDA ¹	55.8	46.0	45.8	44.3
Total Net Debt / EBITDA	7.45x	6.06x	6.20x	6.69x
Total Net Debt / Pro-forma EBITDA	6.86x	5.43x	5.52x	5.97x
Net Debt £m				
Senior Secured 1 st Lien Notes	325.0	325.0	230.0	230.0
Senior Secured 2 nd Lien Notes	75.0	42.6	37.6 ³	37.6 ³
RCF (excluding PB's)	17.0	-	10.0	26.0
<i>Performance Bonds</i>	<i>10.1</i>	<i>9.4</i>	<i>9.4</i>	<i>9.4</i>
<i>Available undrawn RCF</i>	<i>37.9</i>	<i>55.6</i>	<i>45.6</i>	<i>29.6</i>
Other	3.7	0.1	0.1	-
Total Debt	420.7	367.7	277.7	293.6
Cash	(30.2)	(111.2)	(19.9)	(24.7)
Deferred financing costs	(7.8)	(6.7)	(4.8)	(4.5)
Net Debt	382.7	249.8	253.0³	264.4³
Liquidity (RCF Availability + cash)	68.1	166.8	65.5	54.3

¹⁾ Pro-forma Adjusted EBITDA, excluding new home start-up losses of the RCS division.

²⁾ Quarterly financial information has been presented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs.

³⁾ Excludes £5m held in Treasury by Care UK's parent Health and Social Care Finance Ltd.

Residential Care Services

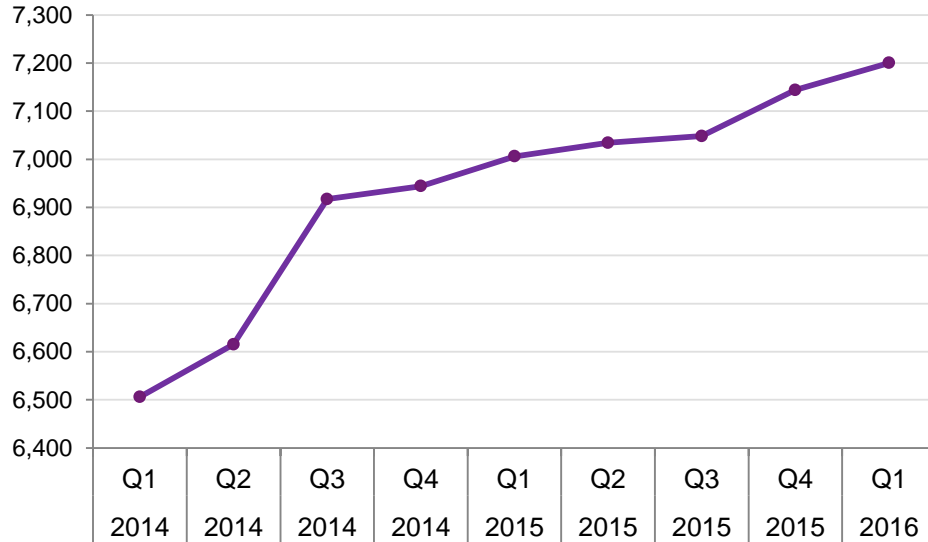
	Q1 2016	Q1 2015 ¹	Movement
Revenue (£m)	64.7	60.5	4.2
Adjusted EBITDA (£m)¹	5.1	5.2	(0.1)
<i>EBITDA Margin (%)</i>	7.9%	8.6%	(0.7)pp
Start-up Losses	1.2	1.4	(0.2)
Pro-forma Adjusted EBITDA	6.3	6.6	(0.3)
Total Beds	7,200	7,006	194
Total Financial occupancy (%)	86.1%	85.5%	0.6pp
Average weekly fee (£)	£755	£728	£27

- Adjusted EBITDA of £5.1m, in line with prior year - expected reduction from Suffolk offset by EBITDA increase in new homes (+ £1m)
- Strategy to materially increase private to public customer mix continues on track – Q1 FY16 over 36% (Q4 FY15: 35%)
 - Final Suffolk home opened in the quarter – operational focus on building self-funded occupancy
 - One new build home in construction planned to open in summer FY16, with a strong pipeline of 10 homes scheduled to open in FY17
 - Once mature, Suffolk and existing new homes expected to add £18m EBITDA p.a. (£13m on Pro-forma basis)
 - Labour cost management remains challenging

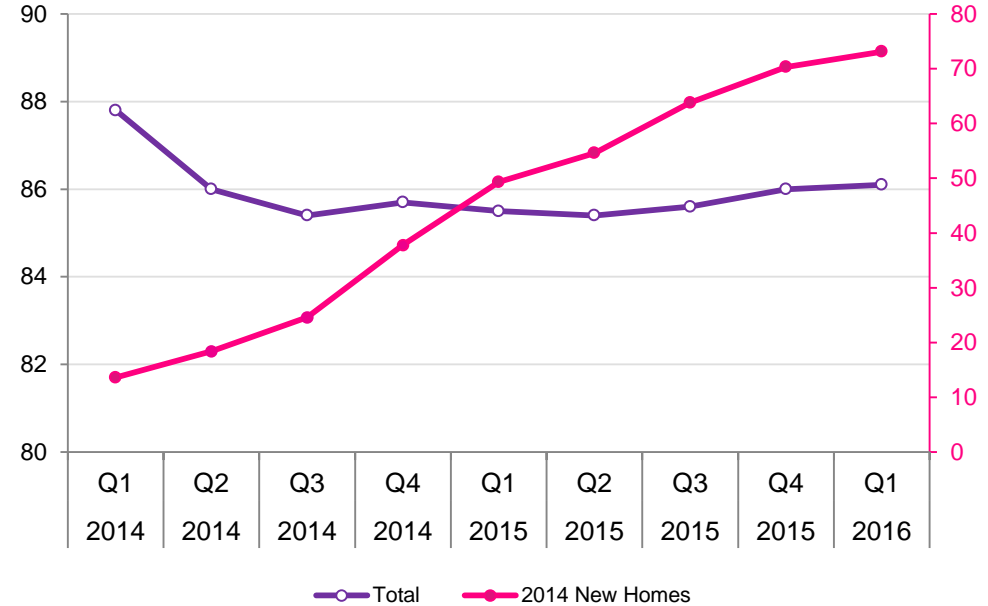
¹⁾ Prior year quarterly financial information has been presented after taking into effect a change in accounting estimate with respect to expensing residential care home commissioning costs..

Residential Care Services Key Performance Indicators

Number of Beds



Financial Occupancy %

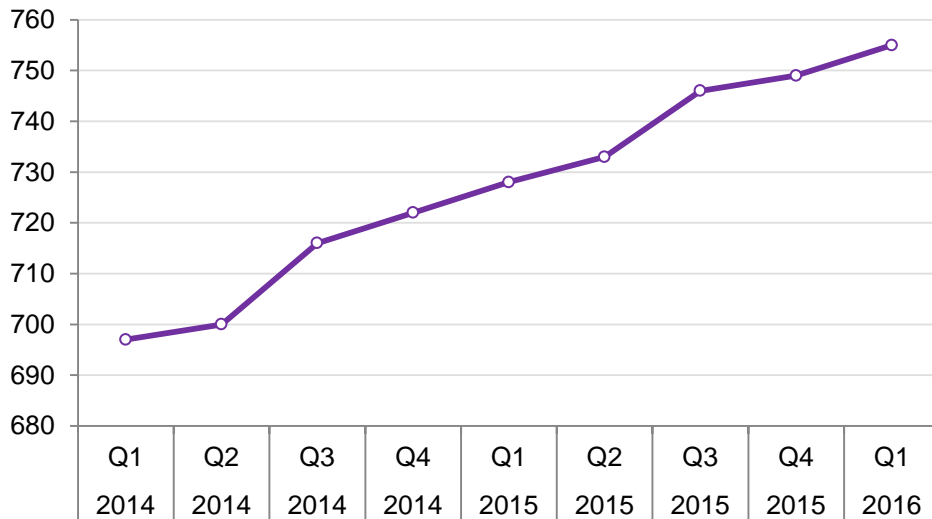


- Suffolk contract complete. 160 net bed increase from 16 old homes closed and 10 new homes
- Occupancy stable; broadly 86% for past 8 quarters in challenging market conditions
- New home occupancy steadily increasing albeit slower than anticipated due to higher discharge rates as residents reach average length of stay. FY14 homes now at 75% occupancy

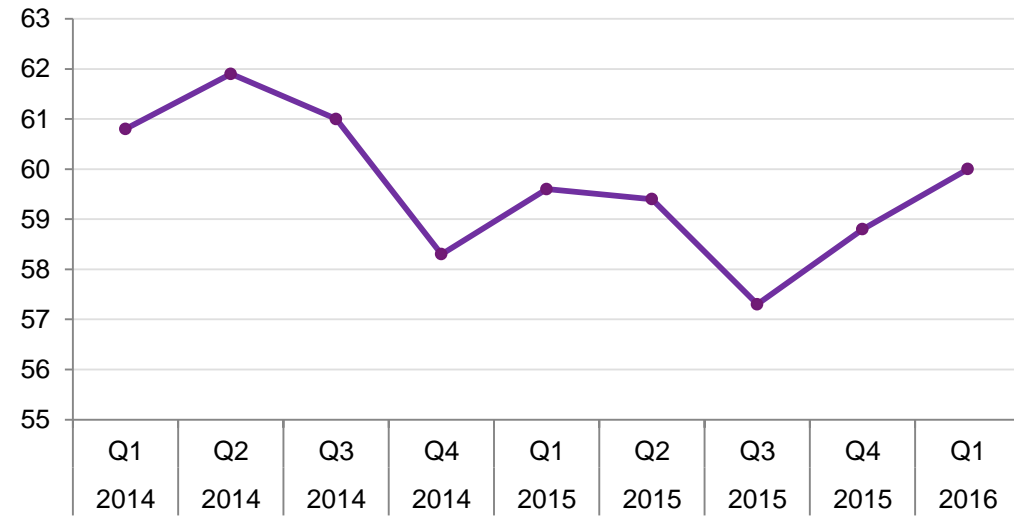
Residential Care Services

Key Performance Indicators (Continued)

Average Weekly Fee (£)



Direct Labour as a % of Revenue



- Self-funded at 36% of total revenue (Q1 PY: 32%) – target of 50% by 2020
- AWF maintaining steady quarterly increase
- As indicated managing labour cost continues to be challenging with Q1 at 60.0% of revenue

	Q1 2016	Q1 2015	Movement
Revenue (£m)	76.8	88.9	(12.1)
Adjusted EBITDA (£m)	2.5	4.1	(1.6)
EBITDA Margin (%)	3.3%	4.6%	(1.3)pp
Secondary care volumes	19,499	20,919	(1,420)

- Year on year comparison impacted by FY15 contract losses and Wave 2 tariff step down
- Revenue decreased £12.1m to £76.8m
 - Health care in prisons down £7.1m (Belmarsh & N.E. Prison exits in FY15). However with recent contract wins clear market leading position that will add over £50m of annual revenue
 - Electives down £2.9m (Wave 2 contract re-pricing)
 - Out-of-hours down £2.3m (HDOCs loss making contract terminated in FY15)
 - NHS 111 revenue increase £0.5m from re-priced contracts and extensions
- EBITDA decreased £1.6m to £2.5m
 - Principally due to the impact of the Wave 2 contact price reduction
 - Efficiency programme to optimise operating theatre usage on track to deliver expected benefits (proportion contingent on volume increases)
 - Volumes distorted by mix as revenue down less than 1% (excluding the impact of Wave 2). Short-term reduction in referrals is consistent with the sector; expected to return as waiting lists continue to increase

Potential impact of known changes

	EBITDA	Starts in run-rate	Fully in run-rate	Mature LTM
LTM at 30 September 2015	41.0			
ISTC contract transition	(14.0)	Q1 FY16	Q3 FY16	Q2 FY17
Prison health care wins	5.0	Q3 FY16	Q4 FY16	Q3 FY17
Secondary Care Efficiency Programme	5.0	Q1 FY16	Q4 FY16	Q3 FY17
Primary Care contract losses	(2.0)	Q3 FY15	Q3 FY15	Q2 FY16
New homes (Suffolk, FY14 & FY15)	18.0	Q2 FY16	Q2 FY18	Q1 FY19
National Living Wage	(6.0)	Q3 FY16	Q2 FY19	Q1 FY20
FYE of overhead reduction	3.5	Q1 FY15	Q4 FY15	Q3 FY16
Mature business	50.5			

- These represent best estimates of current projects – estimates will change as projects progress
- The mature business represents the maturity of current visible projects, including open care homes but not those in course of construction
- Subject to operational performance, general market factors and unknown contract wins and losses

Appendix – Revenue/EBITDA Bridge

		Revenue		EBITDA	
£m		Q1/15 to Q1/16	Q4/15 to Q1/16	Q1/15 to Q1/16	Q4/15 to Q1/16
Base period		149.4	143.2	7.6	10.8
HC	Electives	(2.9)	(2.5)	(1.8)	(2.9)
	CATS and Diagnostics	0.3	(0.5)	0.5	(0.4)
	Prison Health Care	(7.1)	(0.1)	(0.5)	(0.2)
	GP and WIC's	(0.6)	(0.1)	-	0.3
	NHS 111	0.5	(0.3)	0.1	(1.1)
	OOH/UCC	(2.3)	0.5	0.4	-
	Other	-	-	(0.1)	(0.1)
	Overheads	-	-	(0.2)	0.4
	Total HC	(12.1)	(3.0)	(1.6)	(4.0)
RCS	RCS mature	1.1	0.4	(0.3)	(1.2)
	RCS new (FY13-FY15)	3.2	0.8	1.0	0.3
	Suffolk	(0.1)	0.1	(0.8)	(0.7)
	Overheads	-	-	-	0.1
	Total RCS	4.2	1.3	(0.1)	(1.5)
Central costs	-	-	0.4	1.0	
Reported	141.5	141.5	6.3	6.3	



fulfilling lives