

fulfilling lives



FY 2017 Results Presentation

6 December 2017

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
- FY17 Financial Performance
- Cash Flow
- Funding and Leverage
- Residential Care Services
- Health Care
- Outlook
- Appendix - Revenue/Adjusted EBITDA Bridges

- **Overall performance exceeded management expectations**

- Strong performance in Residential Care
- Health Care performed well overall, albeit stronger first half than second
- Net debt and leverage benefitting from progressive EBITDA improvement and strong working capital

- **Residential Care**

- Strong revenue growth due to maturing occupancy in new build homes
- Five new build self-funded homes opened in FY17 with strong development pipeline
- Best quality performance amongst large operators – 78% of homes rated good or outstanding by CQC
- Key operational metrics driving continued financial improvement
- Self-funded care home strategy now demonstrating strong and predictable financial returns from mature homes
- Significant bed shortage expected over next 5 to 10 years
 - Beneficial to self-funded strategy
 - Increasing number of partnership approaches from local authorities
- CMA have announced outcome of their review – we are evaluating impact

- **Health Care**

- Revenue growth mainly driven by new prison healthcare contracts
- Urgent care market remains financially challenging though good progress being made in developing innovative primary care solutions
- Strong first half of the year with second half impacted by weaker elective surgery referrals as NHS financial pressures increase
- Secondary care (mainly elective surgery) showing year on year growth in revenue and profitability despite volume challenges
- Exploring potential partnership structures with NHS Acute Trusts alongside developing a self-funding offering

- **Strategic focus**

- Started to identify and evaluate strategic options for the future of both businesses - will look at the full range of potential scenarios which enable continued growth and further innovation

- **Brexit**

- Minimal impact expected in Health Care with medically qualified staff expected to be protected
- Potential impact for Residential Care care workers (13.5% of staff from EU)

FY 2017 Financial Performance

- **Continuing operations performance**

- Revenue of £658m (+10.3%) with growth in both Residential Care and Health Care
- Adjusted EBITDA of £38.7m, £4.1m higher than FY 2016 and ahead of management expectations
- FY16 included c£3m ISTC Wave 2 pricing and guaranteed volume benefit – like for like EBITDA increase of c£7.1m (22%)
- Pro forma EBITDA (before new home start-up losses) of £43.6m up over 14% versus prior year

- **Finance costs**

- Net financing expenses of £16.3m, £2.5m lower than prior year due to one off items in FY16, lower RCF drawdowns and reduction in LIBOR

- **Net debt and leverage**

- Net debt better than expectations at £257m due to strong working capital and EBITDA progression
- Reported leverage reduced from 7.6x in FY16 to 6.7x in FY17 (5.9x Pro forma basis)
- Silver Sea repayment of £5m during the year

- **Non-recurring items**

- Total charge of £5.3m includes £1.5m of overhead reduction programme costs, £1.6m of procurement programme costs and £1.7m due to increased stock capitalisation threshold

FY 2017 Financial Performance

£m	Full Year			Q4		
	2017	2016	Movement	2017	2016	Movement
Revenue						
Residential Care	300.7	272.0	28.7	78.4	72.3	6.1
Health Care	357.0	324.2	32.8	89.1	85.9	3.2
Continuing Operations	657.7	596.2	61.5	167.5	158.2	9.3
Adjusted EBITDA						
Residential Care	32.9	26.8	6.1	9.3	8.4	0.9
Health Care	12.2	12.3	(0.1)	3.3	3.8	(0.5)
Other	(6.4)	(4.5)	(1.9)	(2.4)	(1.1)	(1.3)
Reported Continuing Operations	38.7	34.6	4.1	10.2	11.1	(0.9)
Start-up Losses	4.9	3.6	1.3	1.6	0.9	0.7
Pro forma Continuing Operations	43.6	38.2	5.4	11.8	12.0	(0.2)

- RCS: revenue up 11%, Adjusted EBITDA up 23%
- HC: revenue up 10%, Adjusted EBITDA broadly flat year on year but up c£3m on an underlying basis (Wave 2 impact)
- Other costs increase on prior year mainly due to staff incentive payments and project costs

1) Discontinued operations in FY16 related to Amicus ITS Ltd which was sold in February 2016 - excluded from financial performance above

Cash Flow

£m	FY 2017	FY 2016	Q4 2017	Q4 2016
Adjusted operating profit	13.9	12.0	3.4	5.5
Depreciation and other non-cash movements	25.0	21.6	7.4	5.6
Change in working capital and non-recurring items	7.5	5.5	7.0	1.8
Cash flow from operations	46.4	39.1	17.8	12.9
Cash flows resulting from financing activities and taxation	(15.9)	(18.4)	(3.3)	(4.4)
Capital expenditure net of disposal proceeds	(27.7)	(23.7)	(5.7)	(7.3)
Loans from/(to) related party undertakings	2.5	(4.2)	-	-
Decrease/(increase) in net debt arising from cash flows	5.3	(7.2)	8.8	1.2
Other non-cash movements in net debt	(1.4)	(1.1)	(0.5)	(0.2)
Total movement in net debt	3.9	(8.3)	8.3	1.0

- Continued strong working capital management
- Net loan benefit as a result of £5m cash repayment of cash by Silver Sea following two freehold sales
- Capital expenditure totalling £28.4m before proceeds of £0.7m
 - Health Care: £10.1m (£4.8m expansionary, £5.3m maintenance)
 - Residential Care: £18.3m (£6.2m expansionary, £12.1m maintenance, including H&S review)

Funding and Leverage

Continuing Operations				
Financial Leverage £m	Q1 2017	Q2 2017	Q3 2017	Q4 2017
LTM Adjusted EBITDA	35.1	39.0	39.6	38.7
LTM Pro forma Adjusted EBITDA ¹	38.5	42.8	43.8	43.6
Total Net Debt / Adjusted EBITDA	7.53x	6.74x	6.71x	6.65x
Total Net Debt / Pro forma Adjusted EBITDA	6.86x	6.14x	6.07x	5.90x
Net Debt £m	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Senior Secured 1 st Lien Notes	230.0	230.0	230.0	230.0
Senior Secured 2 nd Lien Notes ²	37.6	37.6	37.6	37.6
RCF (excluding PB's)	14.0	12.0	11.0	4.0
Performance Bonds	4.0	4.0	-	-
Undrawn RCF	47.0	49.0	54.0	61.0
Total Debt	281.6	279.6	278.6	271.6
Cash	(14.1)	(13.7)	(10.3)	(12.0)
Deferred financing costs	(3.2)	(2.9)	(2.6)	(2.2)
Net Debt	264.3	263.0	265.7	257.4
Liquidity (Undrawn RCF + cash)	61.1	62.7	64.3	73.0

1) Pro forma Adjusted EBITDA, excludes 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

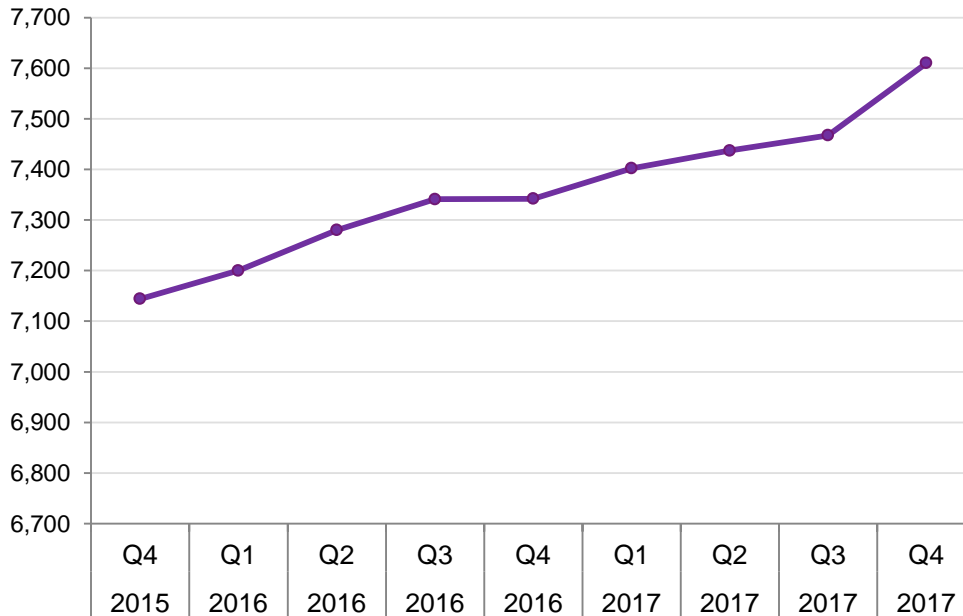
Residential Care Services

	FY 2017	FY 2016	Movement	Q4 2017	Q4 2016	Movement
Revenue (£m)	300.7	272.0	28.7	78.4	72.3	6.1
Adjusted EBITDA (£m) ¹	32.9	26.8	6.1	9.3	8.4	0.9
EBITDA Margin (%)	10.9%	9.9%	1.0pps	11.9%	11.6%	0.3pps
Start-up Losses	4.9	3.6	1.3	1.6	0.9	0.7
Pro forma Adjusted EBITDA	37.8	30.4	7.4	10.9	9.3	1.6
Total Beds	7,610	7,342	268	7,610	7,342	268
Total Financial occupancy (%)	88.6%	87.7%	0.9pps	88.2%	89.1%	(0.9)pps
Average weekly fee (£)	£835	£777	£58	£859	£800	£59
Labour to revenue ratio	58.6%	58.8%	(0.2)pps	58.2%	57.5%	0.7pps

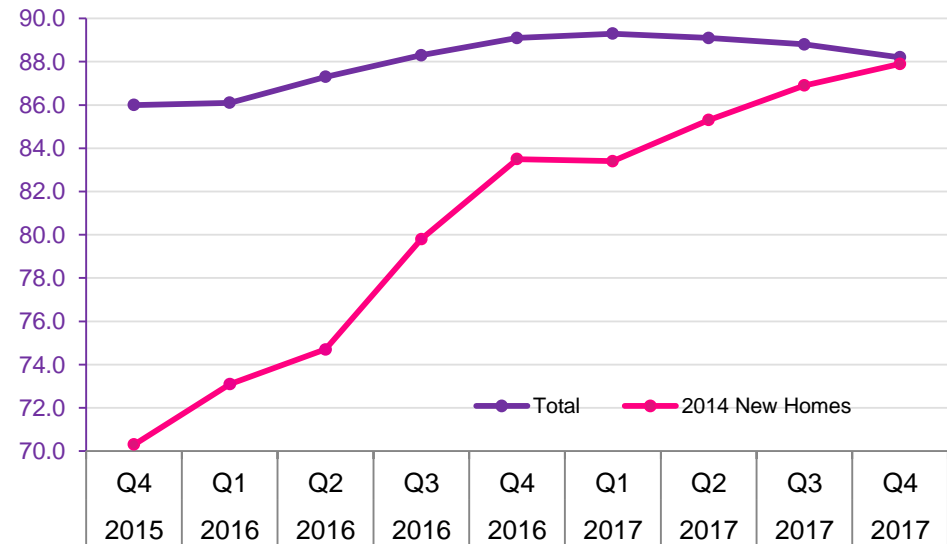
- Strong revenue growth driven by maturing occupancy and increase in average weekly fees
- Increased start-up losses due to five new home openings in year - will increase going forward
- Financial occupancy during 2017 at 88.6% - increase of 0.9% on prior year
- 7.5% increase in average weekly fee rates (partly mix driven)
- Labour to revenue ratio at 58.6% broadly in line with prior year - when seasonally adjusted stable across the year
- Continued improvement in CQC ratings during 2017 with 78% ranked at least “Good”
- Strong future growth visibility given proven new home strategy - nine new homes in construction and a further seven with approved planning

Residential Care Services Key Performance Indicators

Number of Beds



Financial Occupancy %

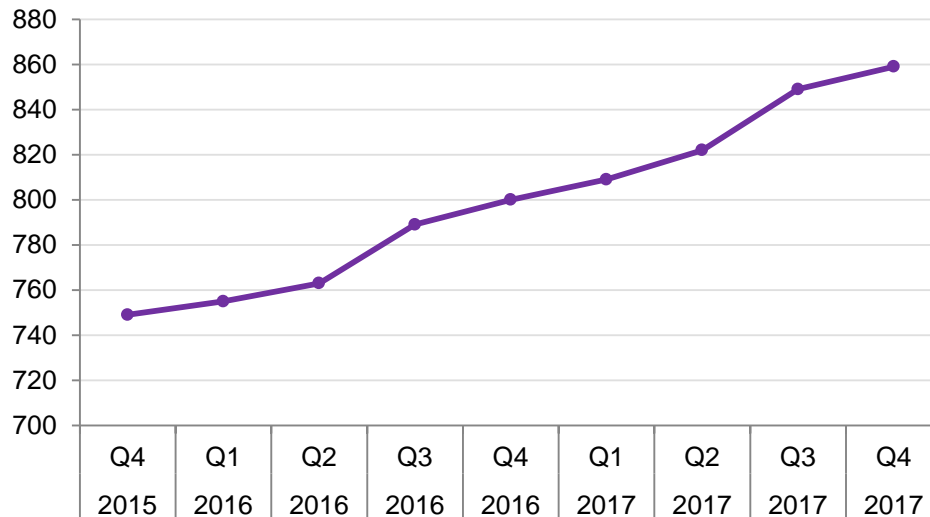


- Five new homes opened in FY17 adding c380 beds to portfolio
- Average financial occupancy at 88.6% - increase on prior year but slight tail off in year due to dilutive effect of new homes opening. Financial occupancy of core (mature) homes stable at c92%
- Continued growth in key FY14 estate (nine homes), now operating at 88% occupancy - original expected profitability now achieved with further upside potential as occupancy continues to grow
- Self-funded revenue reached 43.7% in Q4 FY17, up from 40.5% FY16

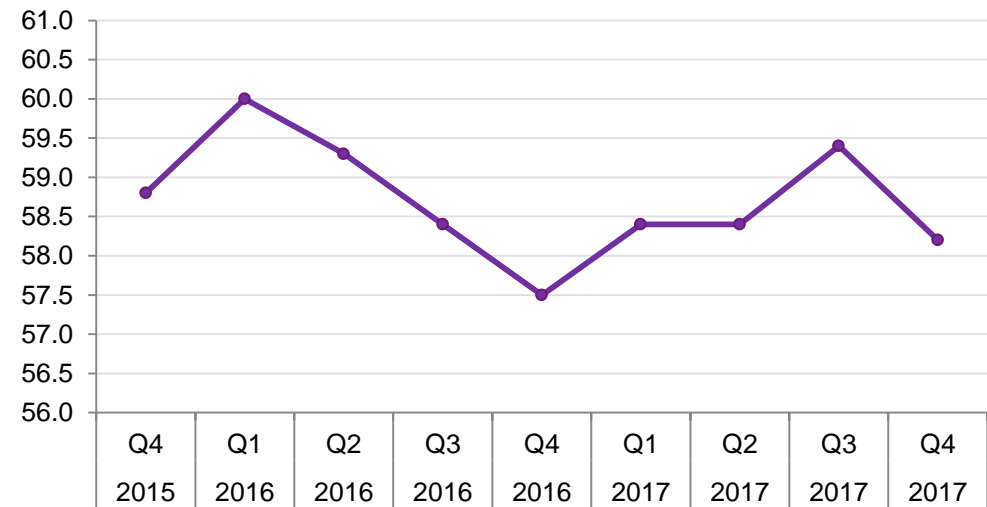
Residential Care Services

Key Performance Indicators (Continued)

Average Weekly Fee (£)



Direct Labour as a % of Revenue



- 7.5% increase in AWF increase reflects combination of annual fee increases and changing public/private pay mix
- Annual labour to sales ratio broadly unchanged - availability of nurses and carers remains a challenge across the sector with agency usage higher than expected

	FY 2017	FY 2016	Movement	Q4 2017	Q4 2016	Movement
Revenue (£m)	357.0	324.2	32.8	89.1	85.9	3.2
Adjusted EBITDA (£m)	12.2	12.3	(0.1)	3.3	3.8	(0.5)
EBITDA Margin (%)	3.4%	3.8%	(0.4)pps	3.7%	4.4%	(0.7)pps
Secondary care volumes	81,434	76,939	4,495	19,595	18,488	1,107

- Revenue increase driven by new prison healthcare contracts – successfully mobilised with EBITDA expected to increase as new operating procedures embedded
- EBITDA in line with prior year, but c£3m better when FY16 results adjusted for Wave 2 benefit
- Secondary care orthopaedic volumes impacted by NHS deferring elective surgery procedures particularly in second half of year – market share maintained
- Self pay trial and strategic partnership opportunities
- Clinical call centre capability leveraged to provide innovative primary care solutions
- Urgent care remains financially challenging though some recent signs of improved 111 funding in certain geographical areas
- Outstanding CQC ratings awarded to both our Shepton Mallet and Plymouth treatment centres during the year
- Successful procurement programme to deliver c£5m of annualised ongoing benefit

■ Residential Care

- New self pay orientated and Suffolk homes continue to mature
- Strong pipeline of new self-funded orientated care homes (increasing start-up losses)

■ Health Care

- Improvement in profitability on newly mobilised prison healthcare and West Midlands Integrated OOH/111 service
- New NHS Trust partnership opportunities for elective surgery
- Continued cost reduction – but not to the extent of not being able to service a recovery in NHS elective volumes
- NHS tariff pricing – small improvement expected in April 2018
- Increased investment in new services

■ Cash management and leverage

- Continued strong working capital management
- Strong new home pipeline will increase RCS expansionary capex
- Ample liquidity with focus on reduction in leverage by end of FY18

Appendix – Revenue/Adjusted EBITDA Bridge

£m	Revenue			EBITDA		
	Q4/16 to Q4/17	Q3/17 to Q4/17	FY16 to FY17	Q4/16 to Q4/17	Q3/17 to Q4/17	FY16 to FY17
Base period	158.2	167.3	596.2	11.1	10.7	34.6
HC						
Electives	0.2	(2.3)	4.8	0.7	(0.9)	0.6
CATS and Diagnostics	(2.2)	-	(13.4)	(0.7)	-	(3.1)
Prison healthcare	4.9	0.6	42.2	1.1	0.3	4.5
GP and WIC's	(0.5)	(0.4)	(0.9)	0.1	0.4	-
NHS 111	2.1	(0.2)	9.5	(0.6)	0.3	-
OOH/UCC	(1.5)	0.3	(10.2)	(0.3)	0.9	(1.7)
Other Health Care	0.2	-	0.8	(0.8)	(1.3)	(0.4)
Total HC	3.2	(2.0)	32.8	(0.5)	(0.3)	(0.1)
RCS						
RCS mature	1.9	0.7	12.2	(0.5)	0.4	1.3
RCS new (FY14-FY17)	2.9	0.7	11.5	(0.3)	-	0.2
Suffolk	1.3	0.8	5.0	1.1	0.9	3.3
Overheads	-	-	-	0.6	(0.5)	1.3
Total RCS	6.1	2.2	28.7	0.9	0.8	6.1
Other (net) ¹				(1.3)	(1.0)	(1.9)
Reported 2017	167.5	167.5	657.7	10.2	10.2	38.7

¹⁾ Includes group functions and movements in immaterial service lines



fulfilling lives