

fulfilling lives



Q1 2017 Results Presentation

28 February 2017

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- **Results in line with expectations and on track for full year**
 - Continued growth in Residential Care
 - Steady start to year for Health Care
 - Q1 results historically a low quarter, impacted by seasonality – not reflective of full year outlook
- **Residential Care**
 - Strong progress through new build strategy and performance of established homes
 - Further increase in levels of self-funding customers (41.3% at Q1 2017)
 - Up to 18 new homes expected over next 3 years
 - Agency usage remains a challenge for sector
- **Health Care**
 - Encouraging momentum in activity levels in some treatment centres
 - Prison healthcare contracts tracking in line with expectations
 - West Midlands integrated NHS 111/ OOH contract successfully mobilised
 - Urgent care market conditions and contract economics continue to be difficult
 - Overhead cost reduction underway and programme on track

Q1 2017 Financial Performance

- **Continuing operations performance**
 - Revenue of £160m (+13.1%) with growth in RCS and new prison contracts more than offsetting reduction from re-pricing Wave 2 contracts
 - Adjusted EBITDA of £6.7m, £0.4m higher than Q1 2016, driven by RCS
 - Pro Forma EBITDA of £7.6m (£0.9m of start up losses in quarter)
- **Finance costs**
 - Net financing expenses of £4.0m, £0.6m lower than prior year due to non cash elements
- **Net debt and leverage**
 - Net debt in line with expectations at £264m
 - Reported leverage in line with expectations at 7.5x (6.9x Pro forma)
- **Non-recurring items and post balance sheet events**
 - £1.3m Health Care overhead reduction programme
 - £1.0m costs relating to former Manchester CATS contract, sold in January
 - Two Silver Sea freeholds sold in February 2017

Financial Performance

£m	Q1			Q4	
	2017	2016	Movement	2016	Movement
Revenue					
Residential Care	73.0	64.7	8.3	72.3	0.7
Health Care	87.1	76.8	10.3	85.9	1.2
Continuing Operations	160.1	141.5	18.6	158.2	1.9
<i>Discontinued Operations</i> ¹	-	2.0	(2.0)	-	-
<i>Group Consolidated</i>	160.1	143.5	16.6	158.2	1.9
Adjusted EBITDA					
Residential Care	7.8	5.1	2.7	8.4	(0.6)
Health Care	0.2	2.5	(2.3)	3.8	(3.6)
Other	(1.3)	(1.3)	-	(1.1)	(0.2)
Reported Continuing Operations	6.7	6.3	0.4	11.1	(4.4)
Start-up Losses	0.9	1.2	(0.3)	0.9	-
Pro-forma Continuing Operations	7.6	7.5	0.1	12.0	(4.4)
<i>Discontinued Operations</i> ¹	-	0.1	(0.1)	-	-
<i>Reported Group Consolidated</i>	6.7	6.4	0.3	11.1	(4.4)

Continuing operations

- Seasonal impact on Q1 results - EBITDA not reflective of expected full year outcome
- RCS: Strong progress in key operational metrics
- HC: Results in line with expectations

¹⁾ Discontinued operations relates to Amicus ITS Ltd which was sold in February 2016. The prior period has been represented accordingly.

Cash Flow

£m	Q1 2017	Q1 2016	Movement
Adjusted operating profit	1.2	0.2	1.0
Depreciation and other non-cash movements	5.4	5.9	(0.5)
Change in working capital and non-recurring items	4.7	(4.9)	9.6
Cash flow from operations	11.3	1.2	10.1
Cash flows resulting from financing activities and taxation	(4.4)	(4.4)	-
Capital expenditure net of disposal proceeds	(7.3)	(5.7)	(1.6)
Loans to related party undertakings & joint ventures	(2.3)	(2.2)	(0.1)
Movement in net debt arising from cash flows	(2.7)	(11.1)	8.4
Other non-cash movements in net debt	(0.3)	(0.3)	-
Total movement in net debt	(3.0)	(11.4)	8.4

- Increase in cash flow from operations driven by working capital
- Financing costs in line with prior year
- Capital expenditure net of disposal proceeds £7.3m:
 - Maintenance capex £4.2m (2016: £4.1m)
 - Expansionary capex £3.1m (2016: £1.9m) – RCS new homes and HC theatre expansion at Peninsula

Funding and Leverage

Continuing Operations				
Financial Leverage £m	Q2 2016	Q3 2016	Q4 2016	Q1 2017
LTM Adjusted EBITDA	36.8	34.4	34.6	35.1
LTM Pro-forma Adjusted EBITDA ¹	40.7	38.1	38.2	38.5
Total Net Debt / EBITDA	7.19x	7.63x	7.55x	7.53x
Total Net Debt / Pro-forma EBITDA	6.50x	6.88x	6.84x	6.86x
Net Debt £m	Q2 2016	Q3 2016	Q4 2016	Q1 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)	29.0	23.0	10.0	14.0
Performance Bonds ³	9.4	9.4	9.4	4.0
Available undrawn RCF	26.6	32.6	45.6	47.0
Total Debt	296.6	290.6	277.6	281.6
Cash	(27.8)	(24.4)	(12.8)	(14.1)
Deferred financing costs	(4.1)	(3.9)	(3.5)	(3.2)
Net Debt	264.7	262.3	261.3	264.3
Liquidity (RCF Availability + cash)	54.4	57.0	58.4	61.1

- 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 Health and Social Care Finance Ltd.
 3) £4m performance bond due to expire in Q3 2017

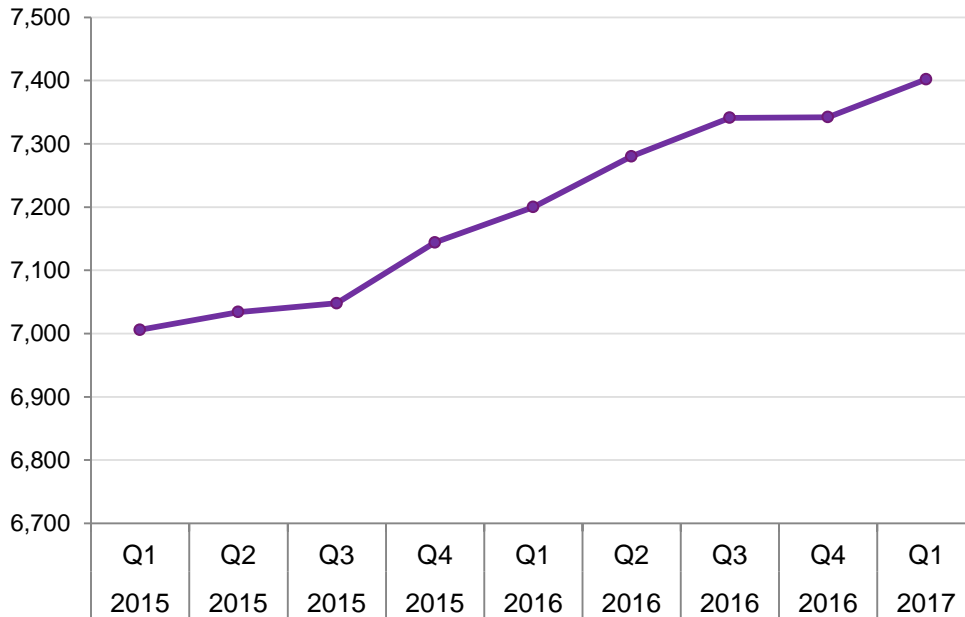
Residential Care Services

	Q1 2017	Q1 2016	Movement	Q4 2016	Movement
Revenue (£m)	73.0	64.7	8.3	72.3	0.7
Adjusted EBITDA (£m)	7.8	5.1	2.7	8.4	(0.6)
<i>EBITDA Margin (%)</i>	<i>10.7%</i>	<i>7.9%</i>	<i>2.8ppts</i>	<i>11.6%</i>	<i>(0.9)ppts</i>
Start-up Losses	0.9	1.2	(0.3)	0.9	-
Pro-forma Adjusted EBITDA	8.7	6.3	2.4	9.3	(0.6)
Total Beds	7,402	7,200	202	7,342	60
Total Financial occupancy (%)	89.3%	86.1%	3.2ppts	89.1%	0.2ppts
Average weekly fee (£)	£809	£755	£54	£800	£9
Labour to sales ratio (%)	58.4%	60.0%	(1.6)ppts	57.5%	0.9ppts

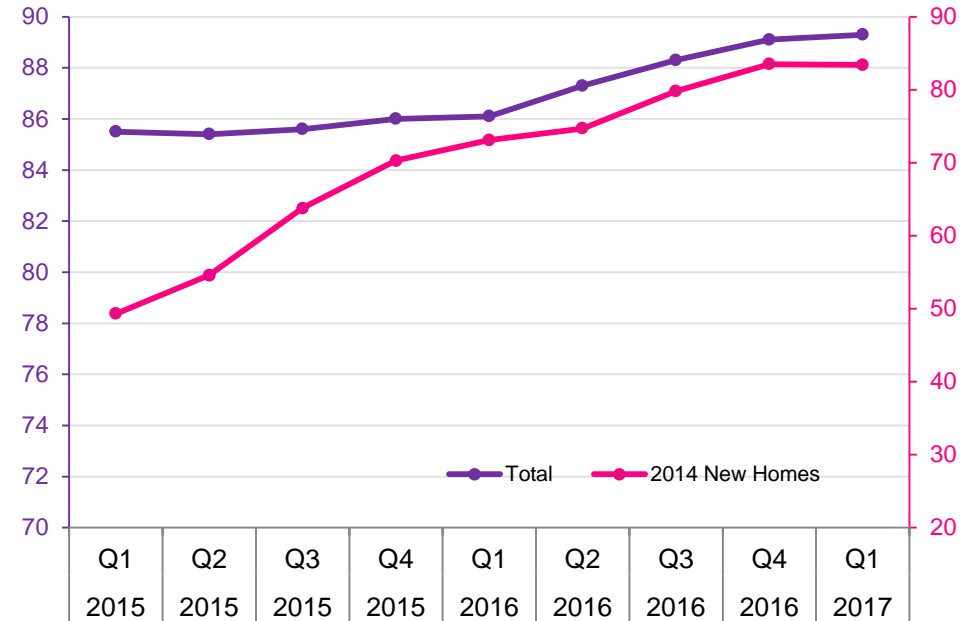
- Continued growth in key metrics - results in line with expectations
- Adjusted EBITDA of £7.8m, £2.7m increase on prior year
 - Average weekly fee increase mainly due to rising proportion of self-funded residents
 - Increase in occupancy from 86% to 89% vs PY
- £0.6m reduction in Adjusted EBITDA against prior quarter
 - Driven by seasonality related cost increases (October pay rise and utilities)
 - Labour to sales ratio increase due to Christmas period

Residential Care Services Key Performance Indicators

Number of Beds



Financial Occupancy %

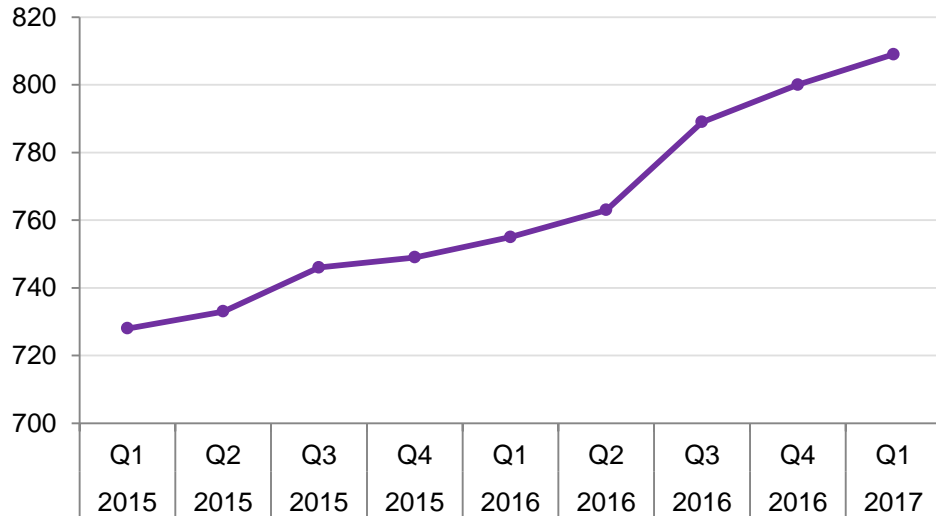


- Increase in bed numbers due to the opening of an 82 bed home in Q1 2017
- Financial occupancy at 89% for Q1 2017, in line with Q4 2016
- New 2014 homes occupancy maintained over winter period

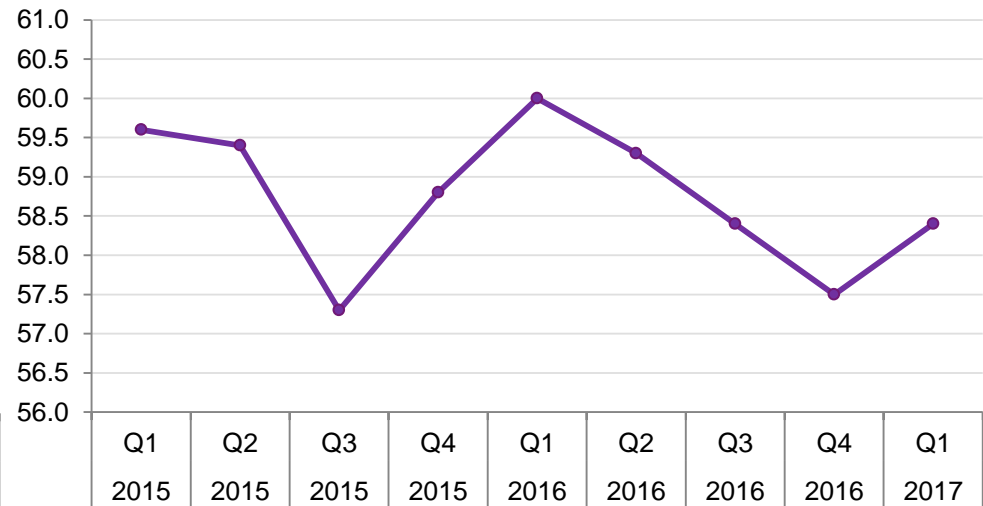
Residential Care Services

Key Performance Indicators (Continued)

Average Weekly Fee (£)



Direct Labour as a % of Revenue



- Increase in fee rates overall driven by continued increase in self-pay (Q1: 41.3%) – on target for 50% by 2020
- Labour to sales ratio 58.4% - increase on FY16 Q4 driven by Christmas holiday cover
- Agency usage a continuing challenge for sector

	Q1 2017	Q1 2016	Movement	Q4 2016	Movement
Revenue (£m)	87.1	76.8	10.3	85.9	1.2
Adjusted EBITDA (£m)	0.2	2.5	(2.3)	3.8	(3.6)
EBITDA Margin (%)	0.0%	3.3%	(3.3)ppts	4.4 %	(4.4)ppts
Secondary care volumes	19,014	19,499	(485)	18,488	526

- Overall performance in line with expectations - Q1 results not reflective of expected full year outturn
- Q1 historically low quarter with seasonality
 - Increased urgent care/OOH winter demand; and
 - Minimal elective activity over Christmas period
- Revenue increased £10.3m, with EBITDA decreasing by £2.3m against prior year due to the net impact of the prison healthcare contracts and Wave 2 pricing impact
- EBITDA is £3.6m lower than prior quarter - £2.4m as a result of seasonality in urgent care and 111 and £1.2m reflecting one-off contract benefits in Q4 FY16
- Secondary care volumes increase since Q4 in spite of seasonality. Reduction against prior year driven by Wave 2 contract transition

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 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 Bridge

		Revenue		EBITDA	
£m		Q1/16 to Q1/17	Q4/16 to Q1/17	Q1/16 to Q1/17	Q4/16 to Q1/17
Base period		141.5	158.2	6.3	11.1
HC	Electives	(1.1)	0.9	(1.6)	-
	CATS and Diagnostics	(3.8)	(0.1)	(1.8)	(0.8)
	Prison healthcare	16.2	0.7	1.2	-
	GP and WIC's	-	0.2	0.3	-
	NHS 111	2.0	1.1	0.2	(1.3)
	OOH/UCC	(3.0)	(1.6)	(0.4)	(1.1)
	Overheads	-	-	(0.2)	(0.4)
	Total HC	10.3	1.2	(2.3)	(3.6)
RCS	RCS mature	3.9	0.1	1.1	(1.1)
	RCS new (FY14-FY17)	3.0	0.4	0.8	(0.4)
	Suffolk	1.4	0.2	0.8	0.2
	Overheads	-	-	-	0.7
	Total RCS	8.3	0.7	2.7	(0.6)
Other (net) ¹		-	-	-	(0.2)
Pro-forma Reported		160.1	160.1	6.7	6.7

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



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