Investor Presentation
Annual Report 2018

voyagecare

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Disclaimer

Forward Looking Statements

Various statements contained in this document constitute “forward-looking statements”. Words like “believe,” “anticipate,” “should,” “intend,” “plan, ”will,” “expects,” “estimates,” “projects,” “positioned,” “think,” “strategy,” and similar expressions identify these forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward-looking statements. These forward-looking statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including, without limitation, regulatory matters affecting our businesses and changes in law. These forward-looking statements speak only as of the date of this presentation, and we assume no obligation to update our forward-looking statements to reflect actual results, changes in assumptions or changes in factors affecting these statements.

Additional Information

This presentation includes the audited consolidated financial information of Voyage BidCo Limited and its subsidiaries for the 12 month period ended 31 March 2018 (“FYE 2018”). All comparisons of financial and operating statistics are for the 12 month period ended 31 March 2017 (“FYE 2017”), unless otherwise stated. Movements and percentages have been calculated using the underlying number to one decimal place of the number presented in this document.

Agenda

- Executive Summary
- Sleep-ins
- Financial Highlights
- Recent Developments & Outlook
- Q&A

Executive Summary

FYE 2018 Highlights

- CQC quality scores remain very high, with 93% of services achieving a rating of Good or Outstanding. The market average is 83%
- Revenue at £229m, up 7.5%, 4.7% like for like growth
- Fee increases for FY18 were 2.0%
- Sleep-ins paid at higher rate per shift from July 2017 – Net incremental cost of £2.7m
- No contingent liability for historic sleep-ins following Royal Mencap appeal
- EBITDA before non-underlying items at £36.7m, down 5.2%
- Successful acquisition of Focused Healthcare – £2m EBITDA exceeded expectations (7 months from August)
- Cash conversion at 77.6%, (FYE 2017: 79.4%)
- Net debt at March 31st 2018 was £249.3m, RCF drawn down by £15m
- Improved LTM EBITDA leverage was 6.68x on a pro-forma basis

All comparators are against FYE 2017 unless stated otherwise

Sleep-Ins

Potential Historic Liability

- We identified a contingent liability in respect of a possible liability to pay arrears to employees for sleep-in shifts in our FY17 accounts
- We subsequently estimated that the range of the contingent liability may be between £4m and £8m
- We have reviewed the position in light of the Court of Appeal judgement in Royal Mencap Society v Tomlinson Blake which was handed down on Friday 13th July and which found in favour of Royal Mencap
- The Court of Appeal took the view that a worker who is on a sleep-in shift is entitled to remuneration at the rate of NMW only when they are awake for the purposes of working.
- This is reinforces the view we have held and communicated throughout and our historic practice is entirely consistent with this approach.
- The Court of Appeal refused permission to appeal the judgement
- We have taken legal advice and based on this clear and decisive judgement we believe that there is no longer a contingent liability as the likelihood of any potential liability is remote.

Sleep-Ins

Ongoing Sleep-in Impact

- We substantially increased the rate we pay for a sleep-in shift from July 2017 in line with government guidance at the time on NMW/NLW compliance
- Cost impact in FY18 was £2.7m net of £0.8m (20%) fee recoveries
- Costs have been fully recognised in our numbers since 1st July 2017 (Q2, Q3, Q4 of FY 18)
- Fee negotiations continue with our customers however increases gained can no longer be attributed specifically to sleep-ins
- In light of the Royal Mencap appeal judgement there is the possibility that government and HMRC guidance may change and we will keep our future approach under review.

Financial Highlights

FYE 2017 vs. FYE 2018

£m	YTD FYE 2017	FYE 2018	Growth
Revenue	**213.0**	**229.0**	**7.5%**
Staff Costs	(125.4)	(138.8)	(10.6%)
Contribution	**80.1**	**82.3**	**2.7%**
Contribution %	*37.6%*	*35.9%*	*(1.7%)*
Unit EBITDA	**56.3**	**56.1**	**(0.3%)**
Unit EBITDA %	*26.4%*	*24.5%*	*(1.9%)*
EBITDA	**38.7**	**36.7**	**(5.1%)**
EBITDA %	*18.1%*	*16.0%*	*(2.1%)*

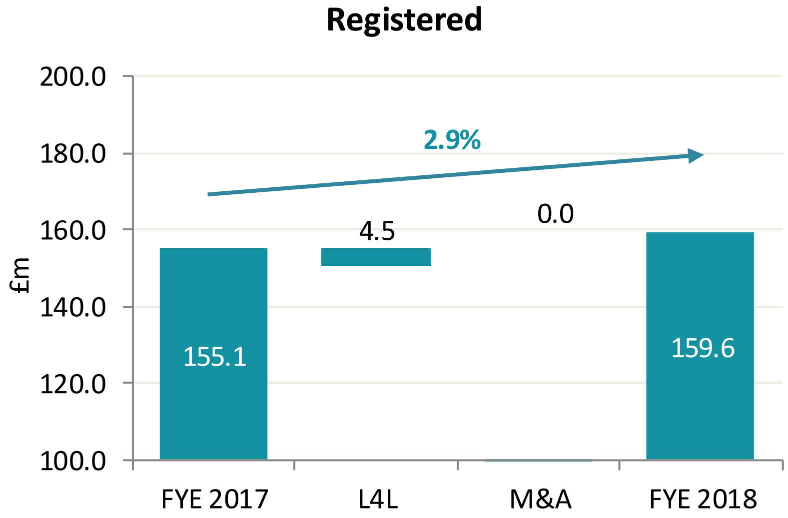
Comments

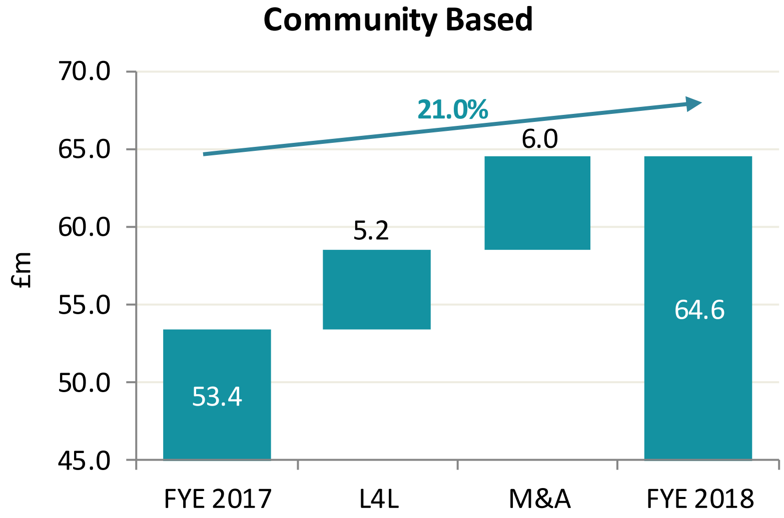
- Revenue increased by £16.0m, like for like revenue grew 4.7%, out of the total growth of 7.5%
  - Fee increases £4.1m, 2% increase
  - Activity growth £5.6m, 2.7% increase
  - Focused Healthcare Acquisition £6m, 2.8% increase
- Staff cost increase due to Focused Healthcare, organic growth, NLW, NMW, and Sleep-ins which results in reduced Unit EBITDA margin of 24.5%
- Overhead investment in recruitment capability and strengthening our back office processes
- Focused Healthcare delivered £2.0m EBITDA for the period August 2017 to March 2018 which was ahead of expectations
- Group EBITDA reduced by £2.0m to £36.7m

Note: The difference between contribution and Unit EBITDA consists of costs incurred in running and maintaining services, business rates, council tax, repairs, utilities, training, professional fees and any lease/rental costs for property and vehicles

Financial Highlights

Key Business Streams - Revenue





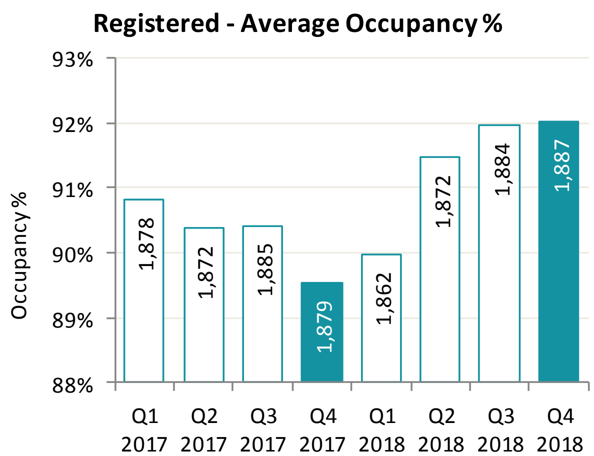
Comments

- Revenue across our Registered care homes was up by 2.9%, reflecting fee increases, occupancy increases, new business wins and positive churn, partially offset by de-registrations from Registered to Community Based Care (no loss of occupancy)
- Revenue across Community Based care was up by 21.0% (£11.2m), benefitting from the acquisition of Focused Healthcare along with tender wins, framework call-offs and de-registrations from Registered to Community Based Care.

Note: L4L movements stated above include the impact of services de-registering

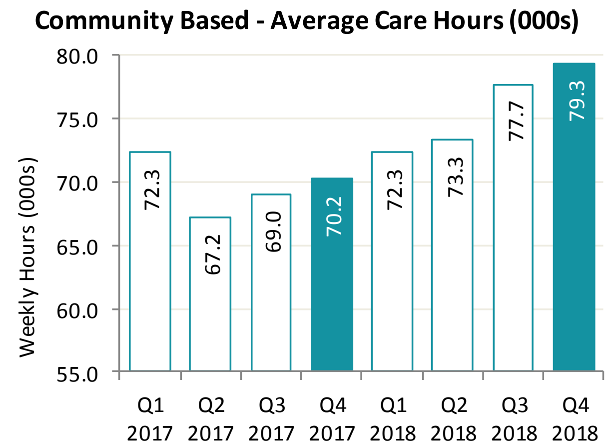
Financial Highlights

Key Operating Metrics



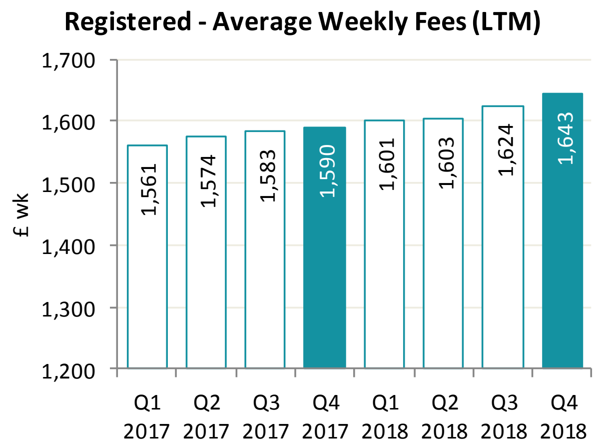
Closing occupancy for the year was 92.4% with 1,887 people we support in our residential services.

Net capacity has reduced by 30 places due to de-registrations.

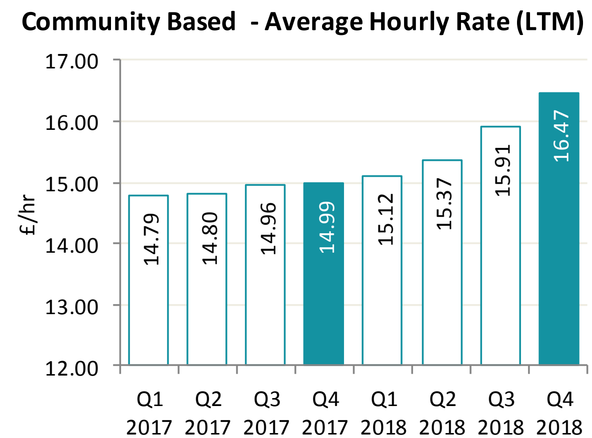


Average weekly hours have increased by 8,800 hours

Growth attributable to tender wins, framework call-offs, de-registration of certain Registered care homes and acquisition of Focused Healthcare



Registered Average Weekly Fees benefiting from fee increases, churn and new business won at a higher rate

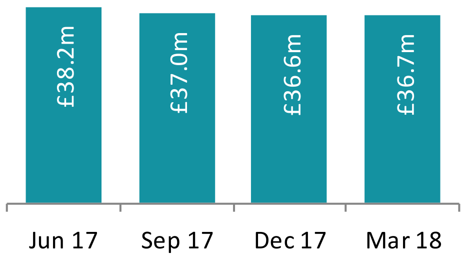


Average hourly rate increased due to fee increases and impact of Focused Healthcare acquistion

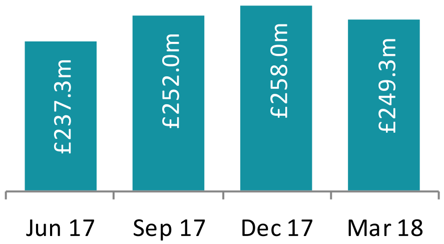
Financial Highlights

LTM Performance

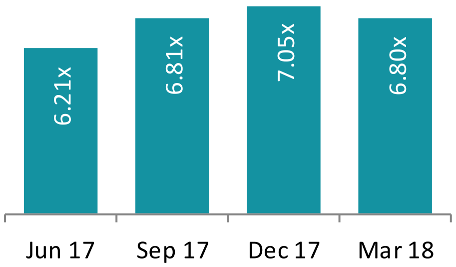
LTM EBITDA before non-underlying items (before pro-forma adjustments)



Net Debt



Leverage (Net) (before pro-forma adjustments)



Senior Notes	215.0	215.0	215.0	215.0
Junior Notes	35.0	35.0	35.0	35.0
Revolving Credit Facility	0.0	17.0	22.5	15.0
Gross Debt	**250.0**	**267.0**	**272.5**	**265.0**
Cash (adjusted for restricted cash)	(12.7)	(15.0)	(14.5)	(15.7)
Net Debt	**237.3**	**252.0**	**258.0**	**249.3**

- March 18 leverage on a pro-forma basis was 6.68x after adjusting for M&A

Comments

- LTM EBITDA (before non-underlying items) increased by £0.1m to £36.7m in March 2018
- March 2018 Net Debt of £249.3m is calculated as £265.0m Gross Debt, less £15.7m adjusted cash (£16.9m cash balance adjusted for £1.2m restricted balances)

Financial Highlights

Cash Flow

£m	FYE 2017	FYE 2018
EBITDA before non-underlying items	38.7	36.7
Capital expenditure (Maintenance)	(8.0)	(8.2)
Operating cash flow	**30.7**	**28.4**
Cash conversion %	*79.4%*	*77.6%*
Non-underlying items	(0.2)	0.1
Working capital	(2.7)	(1.8)
Capital expenditure (Development)	(2.3)	(6.0)
Interest	(21.0)	(14.5)
Taxation	(0.1)	(0.5)
FCF before acquisitions and financing	**4.4**	**5.8**
Acquisitions	(0.2)	(18.1)
FCF before financing	**4.1**	**(12.3)**
Net cash flow used in financing activities	(0.8)	8.2
Movement in cash for the period	**3.3**	**(4.1)**
Opening cash and cash equivalents	17.7	21.0
Closing cash and cash equivalents	**21.0**	**16.9**

Comments

- Maintenance capex excluding IT spend was £8.2m and 2.7% of revenue for FYE 2018, (FYE 2017: £8.0m and 3.3% respectively)
- Non-underlying items excluded £0.7m of Acquisition integration costs (reported within 'Acquisitions')
- Change in working capital movement was primarily due to decreases in deferred revenue and accruals (£3.0m) offset by increases in trade payables (£2.1m)
- Development expenditure increased by £3.7m mainly due to the Barnard Road and Lorenzo Drive developments
- Interest has reduced due to the refinancing in May 2017 and changed timing of payments
- Acquisition was the purchase of Focused Healthcare in August 2017
- Net cash flow used in financing activities was £8.2m due to an increase in the RCF drawing of £15.0m, offset by debt reduction at the point of refinancing

Financial Highlights

Financial Summary

- FYE 2018 Revenue growth of 7.5% to £229.0m
    - Registered growth was 2.9%
    - Community Based Care growth was 21.0%

- FYE 2018 EBITDA Margin impacted by 2.1% mainly due to NLW, NMW increases and on going sleep-in impact which is now fully in the numbers

- Operating Cash Flow at £28.4m with cash flow conversion of 77.6%

- Leverage has improved from 7.05x in Q3 to 6.8x in Q4, which is 6.68x on a pro-forma basis

Recent Developments and Outlook

- Our Sanderling House residential service recently achieved **outstanding** in its recent CQC inspection. This is now our **fifth** outstanding service.
- As a Group we now have 263 services rated good or outstanding more than any other care provider in any segment
- Organic growth through framework agreements and referrals is continuing
- Early responses to FY19 fee increase requests have been positive however too soon to report a trend
- Lobbying efforts continue through Learning Disability Voices (LDV)

Q & A

Further questions can be addressed to: investorrelations@voyagecare.com

Also please visit our investor relations website: investors.voyagecare.com