Investor Presentation
Annual Report 2020

15 July 2020

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 2020 (“FYE 2020”). All comparisons of financial and operating statistics are for the 12 month period ended 31 March 2019 (“FYE 2019”), 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
- Financial Highlights
- Property Summary
- Covid 19 Update
- Recent Developments and Outlook
- Q&A

Executive Summary

FYE 2020 Highlights

- Quality ratings maintained at a market leading level, with 96% of services in England achieving a CQC rating of Good or Outstanding, and 100% of services compliant with Care Inspectorate requirements in Scotland and Wales

- The Group continued to trade well, with revenue up 6.9% at £267.0m

- Fee increases for FY20 were 2.3% (FY19: 2.1%)

- EBITDA was £45.1m, up 9.3%

- Leverage was 4.78x (FY 2019: 6.20x) on a reported basis
  - Pro-forma leverage 5.30x (FY 2019: 6.76x) incorporating IFRS16 lease liabilities

- We await the judgement of the Mencap Sleep Ins Supreme Court Case and have retained the £16m contingent liability previously disclosed in our FYE 2019 accounts

Note: All comparators are against FYE 2019 unless stated otherwise

Financial Highlights

FYE 2019 vs. FYE 2020

£m	FYE 2019	FYE 2020	Growth
Revenue	**249.8**	**267.0**	**6.9%**
Staff Costs	(155.4)	(167.8)	(8.0%)
Agency Costs	(8.2)	(7.4)	9.3%
Contribution	**86.2**	**91.8**	**6.5%**
Contribution %	*34.5%*	*34.4%*	*(0.1%)*
Direct Overheads (1)	(24.3)	(24.2)	0.1%
Unit EBITDA	**61.9**	**67.5**	**9.1%**
Unit EBITDA %	*24.8%*	*25.3%*	*0.5%*
Overheads	(20.7)	(22.5)	(8.5%)
EBITDA (2)	**41.2**	**45.1**	**9.3%**
EBITDA %	*16.5%*	*16.9%*	*0.4%*

Comments

- Revenue increased by £17.2m, 6.9%
  - Driven by growth in Community hours, fee increases and fee rotation
  - Fee increases offered at 2.3%, compared with 2.1% in prior year
- Staff costs (excluding overheads) increased by £12.4m, 8.0%
  - Organic growth c.£8.9m
  - NMW/NLW and other pay rises c.£6.0m
  - Sleep-in cost reduction (c.£2.5m)
- Direct agency costs reduced by £0.8m overall and represented 2.8% of care hours
- Direct Overheads were in line with last year due to cost management and purchasing savings
- Group overheads increased due mainly to investment in IT
- EBITDA increased by £3.9m to £45.1m, 9.3%
- EBITDA margin increased to 16.9%

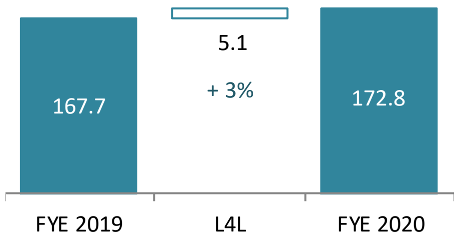
Note:

1. Direct Overheads consist of costs incurred in running and maintaining services including direct expenses and consumables, property, vehicle and other lease rentals (outside the scope of IFRS16), business rates, council tax, repairs, utilities, training and professional fees

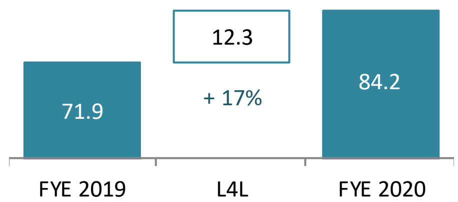
Financial Highlights

Segments

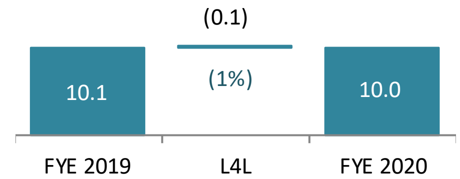
Registered Revenue (£m)



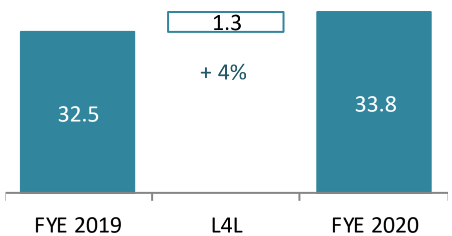
Community Revenue (£m)



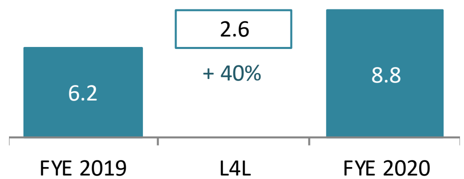
Focused Healthcare Revenue (£m)



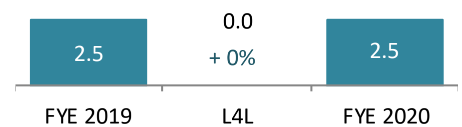
Registered EBITDA (£m)



Community EBITDA (£m)



Focused Healthcare EBITDA (£m)



Registered

- Revenue increase driven by fee increases partially offset by a small reduction in capacity due to both de-registrations and proactive service closures
- Increase in EBITDA of 4% to £33.8m due to the increase in revenue, reduction in agency usage and lower sleep-in costs, but partially offset by increased staff costs

Community (excluding Focused Healthcare)

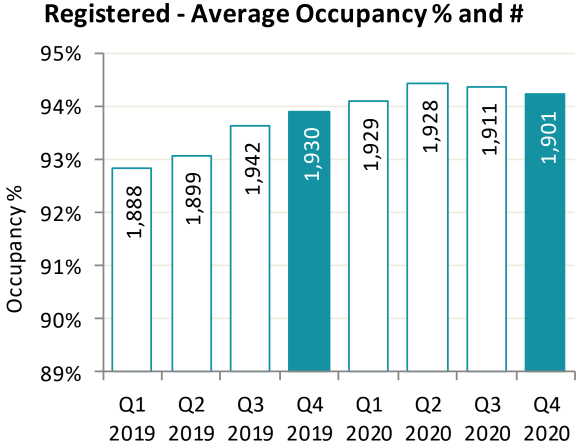
- Revenue increase driven primarily by organic growth in community hours (tender wins and framework call-offs)
- EBITDA increase due to increase in revenue and benefits of scale, along with lower sleep-in costs

Focused Healthcare

- Traded broadly in line with expectations and prior year (Note: Focused Healthcare will be reported as part of Community from Q1 2021)

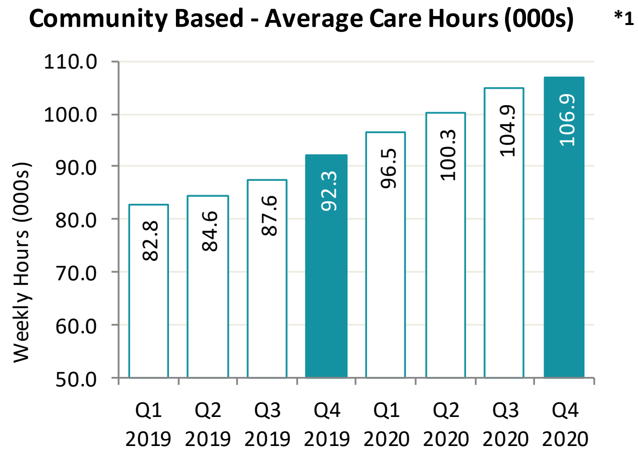
Financial Highlights

Key Operating Metrics



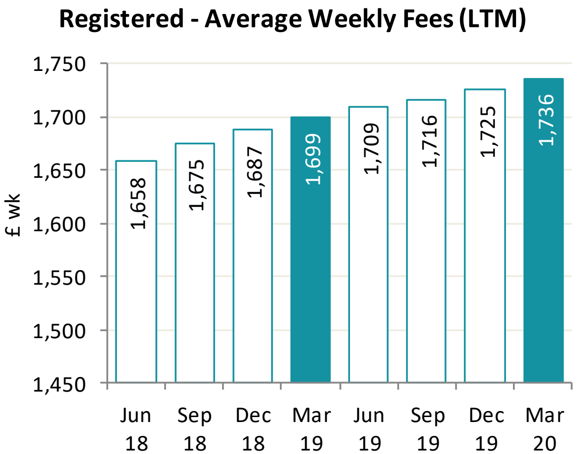
Closing occupancy for the period was 94.2%

Proactive service closures and planned deregistration of services to Community has reduced absolute capacity where we maximise occupancy

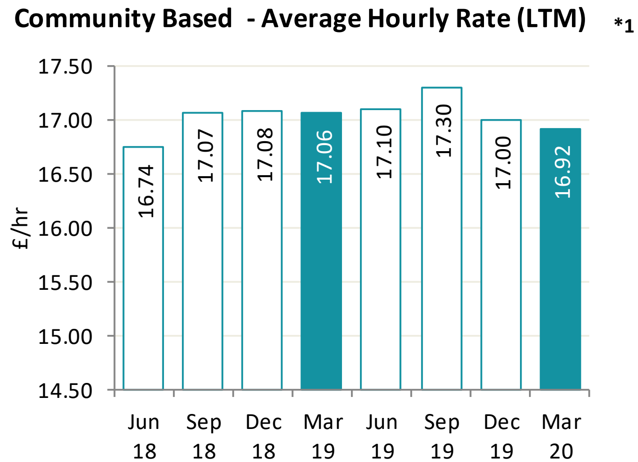


Average weekly hours (inc. Focused) have increased by 14,600 hours since Q4 2019

Growth attributable to tender wins and framework call-offs, in addition to investment in staff teams



Registered Average Weekly Fees benefited from a combination of fee increases and new placements won at a higher rate, which has driven the 2.2% growth since Mar 2019



Fee increases of 2.3% have been offset by investment in staff teams to support planned investment in our proven Community model, as well as changes in mix.

As a result, the average hourly rate has decreased marginally since Mar 2019

*1 Includes Focused Healthcare. Prior Periods have been restated to reflect improved MI delivered by our maturing Community systems infrastructure

Financial Highlights

Cash Flow

£m	FYE 2019	2020
EBITDA	41.2	45.1
Maintenance Capital expenditure	(8.5)	(9.5)
Operating Cash flow	**32.7**	**35.6**
Cash conversion %	*79.4%*	*79.0%*
Non-underlying items	(1.3)	(1.6)
Working capital	(1.1)	5.7
Interest	(17.2)	(16.9)
Taxation	(1.0)	(0.8)
FCF before Development Capex, Acquisitions and Financing	**12.1**	**21.9**
Development Capital expenditure	(14.5)	(3.0)
Acquisitions	(2.3)	(3.2)
Sale proceeds	2.4	27.6
FCF before Financing	**(2.2)**	**43.2**
Property and vehicle lease payments (IFRS16)	(4.0)	(3.8)
Net cash flow used in financing activities	8.0	22.0
Movement in cash for the period	**1.8**	**61.5**
Opening cash and cash equivalents	16.9	18.7
Closing cash and cash equivalents	**18.7**	**80.1**

Comments

Free cash flow before Development Capex, Acquisitions and Financing of £21.9m was £9.8m higher than Full Year 2019.

Free cash flow before financing increased by £45.4m to £43.2m

- Operating cash flow was £2.9m higher than FY 19
- Working capital inflow of £5.7m was £6.8m higher than FY 2019 primarily due to improvements in cash collection resulting in lower trade debtors
- Development Capex was £11.5m lower as there were no major one-off items in the year
- Included within sale proceeds of £27.6m in the year is the sale of a portfolio of 40 Supported Living Freehold properties in Q2 2020

The committed RCF of £45m was fully drawn at the end of the March 2020

Financial Highlights

Net Debt and Leverage

£m	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20
Reported					
Net Debt	255.7	262.1	236.5	228.2	**215.2**
LTM EBITDA	41.2	42.4	43.1	44.0	**45.1**
Leverage (Per 'Offering Memorandum')	6.20x	6.19x	5.48x	5.18x	4.78x

Pro-Forma Leverage					
Net Debt (inc. IFRS 16 Lease Liability)	278.7	283.0	257.2	251.8	**238.9**
LTM EBITDA	41.2	42.4	43.1	44.0	**45.1**
Pro-Forma Leverage (inc. IFRS 16 Lease Liability)	6.76x	6.68x	5.96x	5.72x	5.30x

Comments

- LTM EBITDA increased to £45.1m in March 2020
- Reported leverage was 4.78x in March 2020, a decrease on December 2019 as a result of a reduction of net debt and an increase in LTM EBITDA primarily due to growth in community hours in addition to reduced lease rental costs.
- Pro-forma leverage (inc. IFRS16 lease liability) was 5.30x

Note: Calculation of 'Leverage (Per 'Offering Memorandum') is per the 'Consolidated Senior Secured Leverage Ratio' as defined in the Offering Memorandum dated 21st April 2017.

Property Summary

Properties as at 31 March 2020

	Registered		Community		Daycare	DCA	31 Mar 20 Total		30 Dec 19 Total	
	#	Capacity	#	Capacity	#	#	#	Capacity	#	Capacity
Freehold	228	1,776	20	70	4	5	257	1,846	260	1,871
Leasehold/Rental [1]	35	238	3	10	9	32	79	248	80	263
3rd Party Owned [2]	0	0	292	1,134	1	4	297	1,134	285	1,084
Totals	**263**	**2,014**	**315**	**1,214**	**14**	**41**	**633**	**3,228**	**625**	**3,218**
Freehold NBV (£m) [3]	**305.7**		**6.7**		**2.0**		**314.4**		**314.4**	

Comments

- At 31 March 2020, number of freehold properties held was 257, a reduction of 3 since December 2019
- Net book value of freehold properties totaled £314.4m
- Community Based Care - properties increased by 10 and capacity by 16 since December 2019
- 88.2% of registered capacity in freehold properties, whereas 5.8% of Community Based Care capacity in freehold properties, in line with our strategy to utilise 3rd party capital to drive organic growth in Supported Living

(1) Leasehold/Rental includes properties which are on a long term lease and properties on short term rental which have been obtained to support immediate commissioner requirements.
(2) 3rd Party owned Supported Living properties are leased to a Registered Provider such as a Housing Association and then rented to the people we support. Rent and maintenance are usually covered by Housing Benefit claimed by the people we support.
(3) Freehold Net Book Value is not separately shown under 'DCA' as the Freehold 'DCA' offices operate from Freehold 'Community' Properties. Freehold NBV excludes assets held for sale and leasehold, encumbered and third party properties.

Covid 19 Update

The Group had prepared well to deal with the pandemic and implemented business continuity plans during February and March which included purchasing stocks of Personal Protective Equipment (PPE) and proactively assessing the potential risks of the pandemic

- Occupancy has remained robust and revenue unimpacted in our Registered services and Supported Living revenue also remains stable
- Our operational teams are managing well. Recruitment is up, retention is up and agency use is significantly lower than normal.
- Local authority payment performance has improved since the onset of the pandemic, although it is possible that certain growth opportunities may be delayed during the lockdown period.
- We have experienced significant increases in PPE usage and in cleaning costs, of which we are in the process of recovering from our customers in line with Government, LGA and ADASS guidance.
- Central government has now allocated and distributed £3.8Bn to local authorities specifically to fund the adult social care response to the pandemic.
- We fully drew our £45m RCF in March as a precaution to maximise our liquidity

Recent Developments and Outlook

- We recently received another 2 Outstanding CQC reports bringing our total to a sector leading 16
- Supreme Court hearing on Royal Mencap and Sleep-ins took place on 12th - 13th February 2020. Judgement has not been delivered yet however nothing has come to our attention that would change our view that an adverse judgement is unlikely and we continue to disclose a contingent liability of £16m
- Trading in Q1 continued to be robust despite the impact of the Covid- 19 pandemic
- As the lockdown eases, we are now seeing early signs of increased commissioning activity amongst local authority and CCG customers

Q & A

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

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