Investor Presentation
Quarterly Report – Q2 2019

27 November 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 unaudited consolidated financial information of Voyage BidCo Limited and its subsidiaries for the three and six month periods ended 30 September 2018 (“Q2 2019”). All comparisons of financial and operating statistics are for the three and six month periods ended 30 September 2017 (“Q2 2018”), 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

Q2 2019 Highlights

- CQC quality scores remain very high, with 95% of services achieving a rating of Good or Outstanding
- Revenue at £62.2m, up 10.6%, 7.8% like for like growth
- EBITDA before non-underlying items at £9.4m, up 5.6%
- LTM EBITDA increased to £36.5m at Q2 2019 from £35.9m as at Q1 2019
- LTM EBITDA leverage was 7.00x at 30th September 2018, reduced from 7.19x at 30th June 2018
- On 4th September we acquired 3 residential services (Project Regal) with CQC “good” rating for £2.25m at a multiple of 5.8x

All comparators are against Q2 2018 unless stated otherwise

Sleep-Ins Update

- Court of Appeal ruled in favour of Royal Mencap on 13th July 2018. Supreme Court is considering whether to give permission to appeal
- HMRC and BEIS have updated their guidelines on paying for sleep-ins which is in line with the Court of Appeal judgement
- Legal advice indicates that the likelihood of the Court of Appeal judgement being overturned is very low
- Commissioners have started to indicate that they wish to reduce fees paid for sleep-ins and competitors have started to reduce staff sleep-in payments
- In light of the situation and in order to remain competitive, we have decided to reduce the payments we make for sleep in shifts
- This change will be effective from Feb 2019
- Staff are being notified about this change commencing this week
- We estimate the net annual impact of this action will be £2.5m to £3.0m after taking account of associated fee reductions and localised salary adjustments. There may of course be other factors which impact our cost base and performance in the future, for example NMW in April

Financial Highlights

Q2 2018 vs.Q2 2019

£m	Quarter Q2 2018	Q2 2019	Growth
Revenue	**56.2**	**62.2**	**10.6%**
Staff Costs	(33.9)	(38.5)	(13.5%)
Agency Costs	(2.2)	(2.3)	(2.5%)
Contribution	**20.1**	**21.5**	**6.9%**
Contribution %	*35.7%*	*34.5%*	*(1.2%)*
Direct Overheads	(6.7)	(6.8)	(0.8%)
Unit EBITDA	**13.3**	**14.7**	**10.0%**
Unit EBITDA %	*23.7%*	*23.6%*	*(0.1%)*
Overheads	(4.5)	(5.2)	(17.0%)
EBITDA	**8.9**	**9.4**	**5.6%**
EBITDA %	*15.8%*	*15.2%*	*(0.6%)*

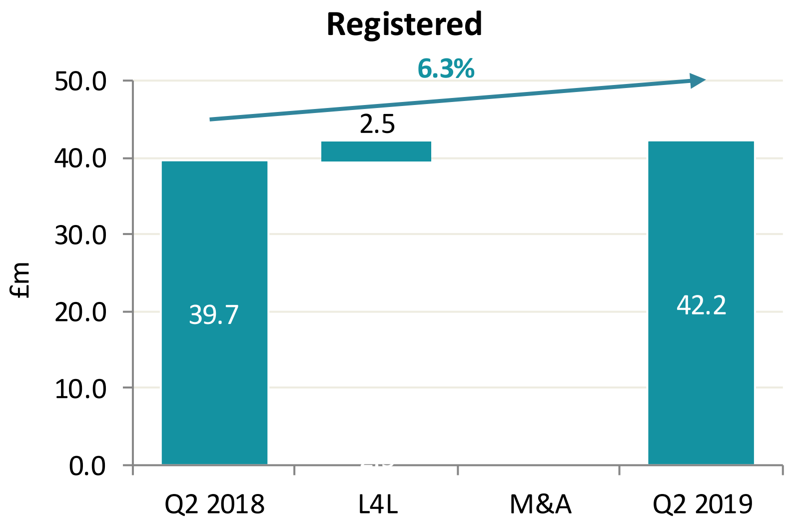
Comments

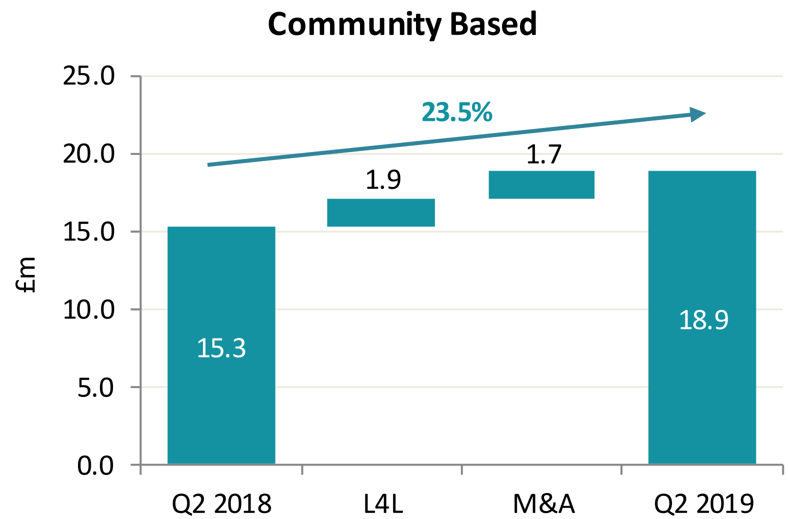
- Revenue increased by £6.0m. Like for like revenue grew 7.8%, out of the total growth of 10.6%
  - Fee increases £1.4m (2.5% of growth)
  - Other organic growth £2.9m (5.3% of growth)
  - Focused Healthcare Acquisition £1.7m (2.8% of growth)
- Staff cost increased by £4.6m, 13.5%
  - NMW £1.4m (4.2% of growth)
  - Other organic growth £2.1m (6.3% of growth)
  - Focused Healthcare Acquisition £1.0m (3.0% of growth)
- Overhead investment in Focused Healthcare, recruitment capability and strengthening our back office processes
- EBITDA increased by £0.5m to £9.4m

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

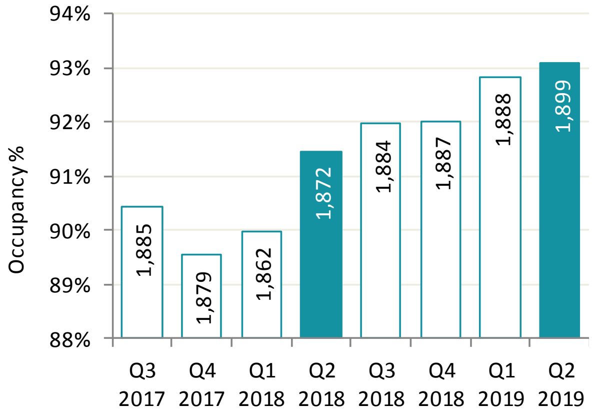
- Revenue across our Registered care homes was up by 6.3%, reflecting fee increases and occupancy increases, partially offset by de-registrations from Registered to Community Based Care (no loss of occupancy)
- Revenue across Community Based care was up by 23.5% (£3.6m), benefitting from the acquisition of Focused Healthcare (£1.7m) along with tender wins, framework call-offs and de-registrations from Registered to Community Based Care
- The Focused Healthcare acquisition took place in August 2017 and is fully in our numbers from Q3 onwards

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

Financial Highlights

Key Operating Metrics

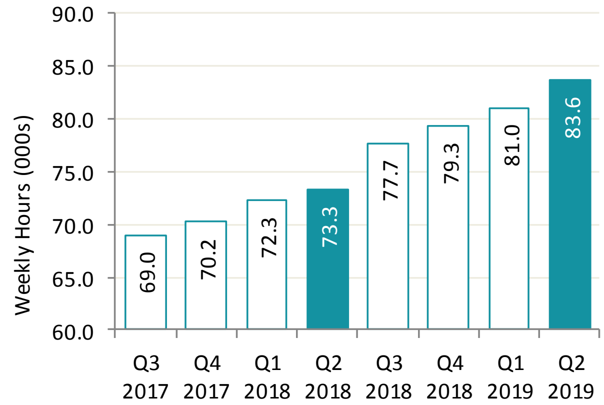
Registered - Average Occupancy # and %



Closing occupancy for the period was 93.2%.

Net capacity has reduced by 7 places due to the acquisition of three services (46) and the opening of a new service (12) offset by de-registrations (28) and service consolidation (37)

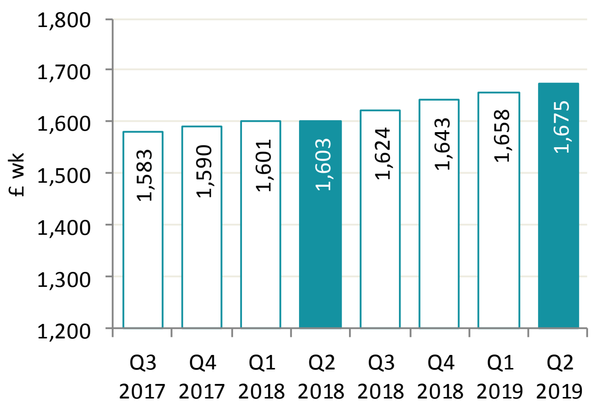
Community Based - Average Care Hours (000s)



Average weekly hours have increased by 10,300 hours since Q2 2018

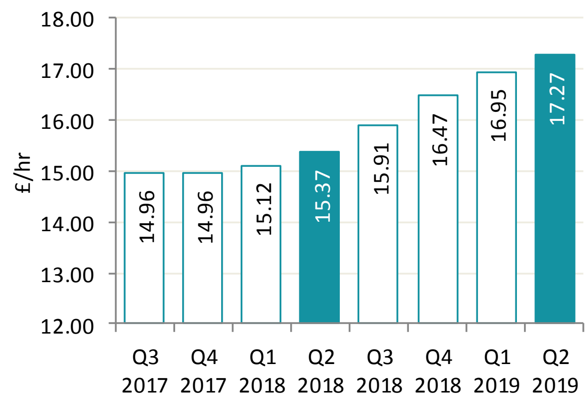
Growth attributable to tender wins, framework call-offs, de-registration of certain Registered care homes and acquisition of Focused Healthcare

Registered - Average Weekly Fees (LTM)



Registered Average Weekly Fees benefiting from fee increases and new business won at a higher rate means AWF have increased by 4.5%

Community Based - Average Hourly Rate (LTM)

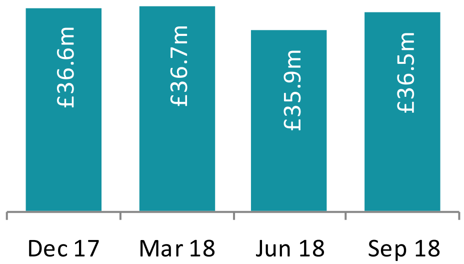


Average hourly rate increased due to fee increases and impact of Focused Healthcare acquisition, an increase of 12.4%

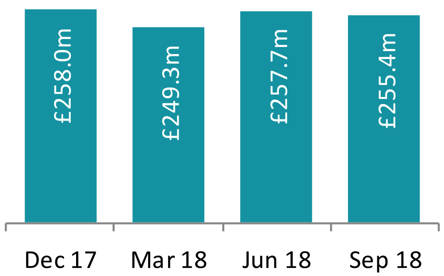
Financial Highlights

LTM Performance

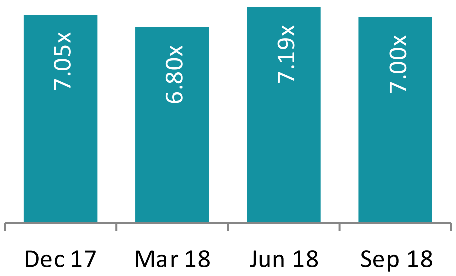
LTM EBITDA before non-underlying items



Net Debt



Leverage (Net)



Senior Notes	215.0	215.0	215.0	215.0
Junior Notes	35.0	35.0	35.0	35.0
Revolving Credit Facility	22.5	15.0	19.0	11.2
Gross Debt	**272.5**	**265.0**	**269.0**	**261.2**
Cash (adjusted for restricted cash)	(14.5)	(15.7)	(11.3)	(5.8)
Net Debt	**258.0**	**249.3**	**257.7**	**255.4**

Comments

- LTM EBITDA (before non-underlying items) increased to £36.5m in September 2018
- Leverage has reduced from 7.19x at the end of June to 7.00x at the end of September due to the increase in LTM EBITDA and positive free cash flow
- RCF drawing reduced from £19.0m to £11.2m out of total committed facility of £45.0m

Financial Highlights

Cash Flow

£m	Q2 2018	Q2 2019
EBITDA before non-underlying items	8.9	9.4
Capital expenditure (Maintenance)	(2.0)	(1.9)
Operating cash flow	**6.9**	**7.5**
Cash conversion %	*77.9%*	*79.5%*
Non-underlying items	0.5	0.1
Working capital	(2.0)	(0.4)
Capital expenditure (Development)	(1.4)	(2.2)
Interest	(0.2)	(0.2)
Taxation	0.5	0.0
FCF before acquisitions and financing	**4.2**	**4.9**
Acquisitions	(18.4)	(2.5)
FCF before financing	**(14.2)**	**2.4**
Net cash flow used in financing activities	16.5	(7.8)
Movement in cash for the period	**2.4**	**(5.4)**
Opening cash and cash equivalents	14.0	12.4
Closing cash and cash equivalents	**16.4**	**7.0**

Comments

- Maintenance capex excluding IT spend was £1.9m and 3.1% of revenue for Q2 2019, (Q2 2018: £2.0m and 3.6% respectively)
- The working capital outflow of £0.4m was reduced by £1.6m compared to Q2 2018
- Development capital expenditure increased due to the completion of two new-build Supported Living/Registered services (26 x Supported Living Places, 12 x Registered Places)
- Acquisitions is primarily relating to Project Regal
- Free cash flow was positive in the period at £2.4m
- £7.8m of RCF repaid

Recent Developments and Outlook

- We obtained a further Outstanding rating from CQC for our Westwood House service
- We are responding to localised recruitment and agency usage challenges by investing in recruitment and retention initiatives and selected salary adjustments
- Responses to FY19 fee increase requests continue to be positive
- Organic growth through framework agreements and referrals is continuing, particularly in Community Based Care Supported Living
- As part of our active portfolio management we acquire the freehold of our Hindhead site on 30th November 2018 for £8.65m in line with expert valuation. This gives us control so that we can develop or dispose of this property as appropriate
- Supported Living developments are continuing in conjunction with 3rd Party property investors and Registered Social Landlords

Q & A

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

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