

Investor Presentation Quarterly Report – Q2 2020

25 November 2019



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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 3 month period ended 30 September 2019 (“Q2 2020”). All comparisons of financial and operating statistics are for the 3 month period ended 30 September 2018 (“Q2 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
- Recent Developments & Outlook
- Q&A

Executive Summary

Q2 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
- Revenue at £67.0m, up 7.7%
- Fee increases for Q2 2020 were 1.8% (Q2 2019: 1.8%)
- EBITDA was £11.2m, up 7.7%
- Pro-forma EBITDA (after adjusting prior periods for the Supported Living Freehold sale) was £10.9m, up 9.5%
- Sale of portfolio of 40 properties to Triple Point Social Housing REIT plc (9 Sept 2019) for a consideration of £27.4m
- Leverage was 5.48x (Q1 2020: 6.19x) on a reported basis
 - Pro-forma leverage 5.96x (Q1 2020: 6.68x) incorporating IFRS16 lease liabilities

Note: All comparators are against Q2 2019 unless stated otherwise

Financial Highlights

Q2 2019 vs. Q2 2020



£m	Quarter		
	Q2 2019	Q2 2020	Growth
Revenue	62.2	67.0	7.7%
Staff Costs	(38.5)	(42.2)	(9.6%)
Agency Costs	(2.3)	(2.0)	11.8%
Contribution	21.5	22.9	6.7%
<i>Contribution %</i>	<i>34.5%</i>	<i>34.1%</i>	<i>(0.4%)</i>
Direct Overheads (1)	(5.9)	(6.2)	(4.5%)
Unit EBITDA	15.5	16.7	7.5%
<i>Unit EBITDA %</i>	<i>25.0%</i>	<i>24.9%</i>	<i>(0.1%)</i>
Overheads	(5.1)	(5.5)	(7.8%)
EBITDA (2)	10.4	11.2	7.7%
<i>EBITDA %</i>	<i>16.8%</i>	<i>16.7%</i>	<i>(0.1%)</i>

Comments

- Revenue increased by £4.8m, 7.7%
 - Driven by growth in Registered occupancy, Community hours, fee rotation and fee increases
 - Fee increases offered at 1.8%, in line with 1.8% in prior year
- Staff costs (excluding overheads) increased by £3.7m, 9.6%
 - Organic growth £3.1m
 - NMW/NLW and other pay rises £1.3m
 - Sleep-in cost savings (£0.7m)
- Agency costs reduced by £0.3m overall and represented 3.1% of care hours
- Direct Overheads increased £0.3m, 4.5%, a lower growth rate than revenue due to cost management
- EBITDA increased by £0.8m to £11.2m

Note:

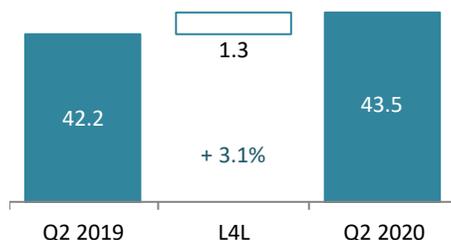
1. Direct Overheads consist of costs incurred in running and maintaining services including direct expenses and consumables, property, vehicle and other lease rentals (outside the scope of IFRS16), business rates, council tax, repairs, utilities, training and professional fees
2. Q2 2019 was reported at £9.4m EBITDA prior to the Group deciding to early adopt IFRS16. The adoption of the standard increases Q2 2019 reported EBITDA to £10.4m

Financial Highlights

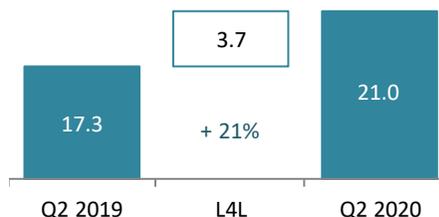
Segments



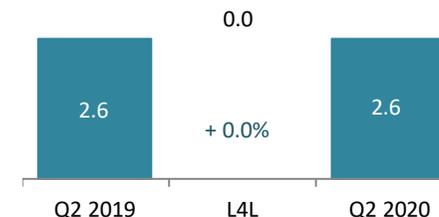
Registered Revenue (£m)



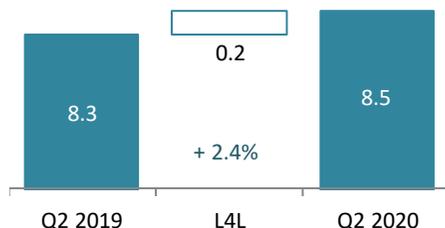
Community Revenue (£m)



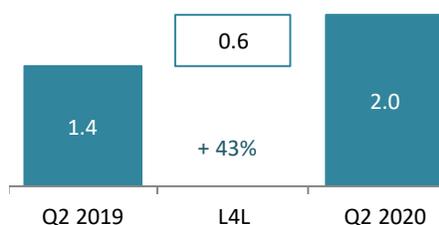
Focused Healthcare Revenue (£m)



Registered EBITDA (£m)



Community EBITDA (£m)



Focused Healthcare EBITDA (£m)



Registered

- Revenue increase driven by both occupancy and fee increases
- EBITDA movement due to the increase in revenue, reduction in agency usage and lower sleep-in costs, 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. Progress continues on building commissioner relationships

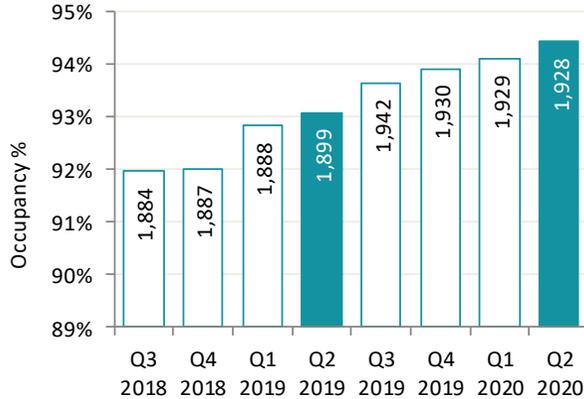
Note: Q2 2019 EBITDA for Registered and Community has been adjusted in line with the Group's decision to early adopt IFRS16

Financial Highlights

Key Operating Metrics



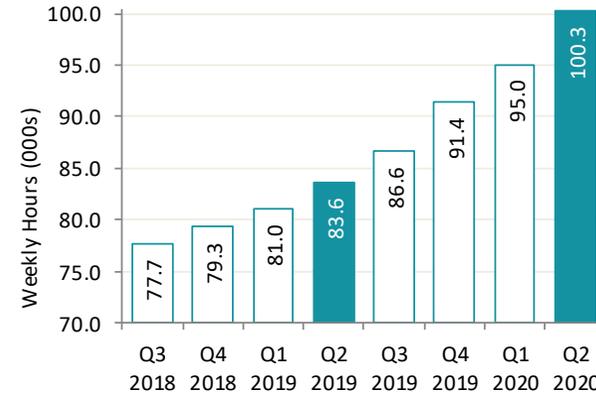
Registered - Average Occupancy % and #



Closing occupancy for the period was 94.6%

Occupancy is 29 places higher the Q2 2019

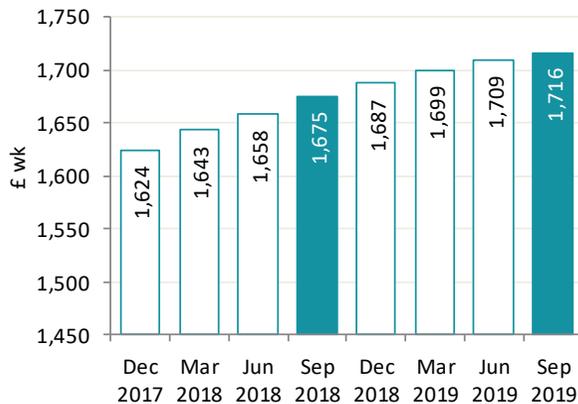
Community Based - Average Care Hours (000s) *1



Average weekly hours (inc. Focused) have increased by 16,700 hours since Q2 2019

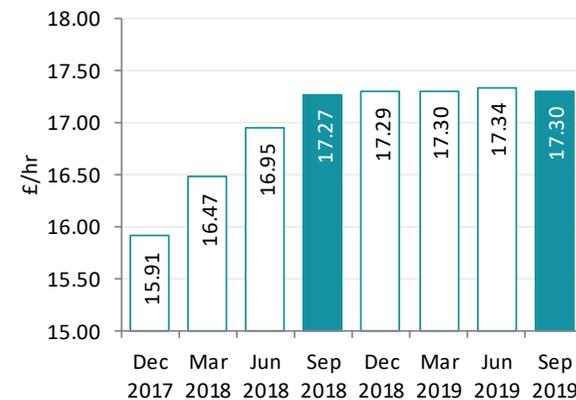
Growth attributable to tender wins and framework call-offs, driven by supported living

Registered - Average Weekly Fees (LTM)



Registered Average Weekly Fees benefiting from a combination of fee increases and new placements won at a higher rate, which drives the 2.4% growth since Q2 2019

Community Based - Average Hourly Rate (LTM) *1



Average hourly rate has increased 0.2% since Q2 2019

Fee increases of 1.4% being partially offset by a change in mix as we see growth in Community (exc. Focused)

*1 Includes Focused Healthcare

Financial Highlights

Cash Flow



£m	Q2	
	2019	2020
EBITDA	10.4	11.2
Maintenance Capital expenditure	(1.9)	(2.5)
Operating Cash flow	8.5	8.7
<i>Cash conversion %</i>	<i>81.3%</i>	<i>78.1%</i>
Non-underlying items	(0.0)	(0.0)
Working capital	(0.2)	(0.2)
Interest	(0.2)	(0.3)
Taxation	0.0	0.0
FCF before Development Capex, Acquisitions and Financing	8.1	8.2
Development Capital expenditure	(2.7)	(0.2)
Acquisitions	(2.3)	(1.8)
Sale proceeds	0.5	20.2
FCF before Financing	3.6	26.3
Property and vehicle lease payments (IFRS16)	(1.2)	(0.9)
Net cash flow used in financing activities	(7.8)	(22.7)
Movement in cash for the period	(5.4)	2.8
Opening cash and cash equivalents	12.4	12.5
Closing cash and cash equivalents	7.0	15.3

Comments

Free cash flow before financing of £26.3m was £22.7m higher than Q2 2019

- Working capital investment of £0.2m was in line with Q2 2019
- FCF before Development Capex, Acquisitions and Financing was broadly in line with prior year
- Development capex in prior year related to the completion of two new build Supported Living services
- Acquisitions of £1.8m relates to the purchase of Fox Elms Care Limited on 2nd July 2019
- The sale of Supported Living Freehold properties resulted in initial sale proceeds of £18.2m in the period
- RCF reduced by £22.7m in the period, leaving £45.0m currently undrawn

Supported Living Freehold Sale



- Sale of portfolio of 40 properties to Triple Point Social Housing REIT plc for a total consideration of £27.4m including deferred consideration
- Portfolio Net Book Value of £28.9m
- £18.2m net proceeds received in September 2019 in respect of 36 properties
- Disposal is in line with the Group's strategy of encouraging and supporting third-party ownership of Supported Living properties, further reinforcing the existing separation of housing and support arrangements for the tenants in these properties.
- Following the sale, the Group ceases to receive rent on the properties. This is estimated to result in a reduction of EBITDA by approximately £1.7m on an annualised basis
- The sale of 36 properties was completed on 9th September 2019, with the sale of the remaining 4 properties expected to complete during Q3 and Q4 2020

Community (# units)	Q1 2020	SL Freehold Sale	Other	Q2 2020
Freehold	56	(36)	1	21
Leasehold/Rental	12		(9)	3
3rd Party Owned	213	36	28	277
Totals	281	0	20	301
Freehold NBV (£m)	32.0	(23.6)		12.1

Property Summary



Position at 30 September 2019:

	Registered		Community		Daycare	DCA	30 Sep 19 Total		30 Jun 19 Total	
	#	Capacity	#	Capacity	#	#	#	Capacity	#	Capacity
Freehold	229	1,785	21	88	4	5	259	1,873	297	2,072
Leasehold/Rental ⁽¹⁾	37	255	3	20	9	32	81	275	83	337
3rd Party Owned ⁽²⁾	0	0	277	1,054	2	4	283	1,054	222	739
Totals	266	2,040	301	1,162	15	41	623	3,202	602	3,148
Freehold NBV (£m) ⁽³⁾	306.5		12.1		2.0		320.6		340.3	

Comments

- At 30 September 2019, number of freehold properties held was 259, a net decrease of 38 since 30 June 2019 primarily due to the sale of 36 Supported Living freehold properties
- Net book value of freehold properties totalled £320.6m
- Community Based Care - properties increased by 20 and capacity by 68 since 30 June 2019, including the acquisition of Fox Elms
- 88.0% of registered capacity in freehold properties, whereas 7.6% 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.

Recent Developments and Outlook



- Cloverdale, a 4 bed registered service in Hampshire has become our 9th Outstanding service
- Organic growth is continuing on the recent trend
- Focus on specialisms including Brain Injury Rehabilitation and Specialist Behavioural Support is delivering enhanced growth
- Responses to FY20 fee increase requests continue to be positive and in line with last year
- Supreme Court hearing on sleep-in costs scheduled for 12th - 13th February 2020, with judgement anticipated June 2020 at the earliest. No change in our view that an adverse judgement is unlikely
- Brexit contingency planning advanced, no major risks anticipated

Q & A



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

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