

Investor Presentation Quarterly Report – Q2 2021

23 November 2020



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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 3 month period ended 30 September 2020 (“Q2 2021”). All comparisons of financial and operating statistics are for the 3 month period ended 30 September 2019 (“Q2 2020”), 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
- Covid-19 Update
- Financial Highlights (Including Covid-19 Financial update)
- Property Summary
- Recent Developments and Outlook
- Q&A

Executive Summary

Q2 2021 Highlights



- Quality ratings maintained at a market leading level, with 96% of services achieving a CQC rating of Good, Outstanding or equivalent
- The Group continued to grow, with revenue up 1.5% at £68.0m
- Fee increases offered for Q2 2021 were 2.3% (Q2 2020: 1.8%, FYE 2020 2.3%)
- EBITDA was £11.1m, in line with prior year on a like for like basis
- Temporary impact on Community hours and Registered occupancy due to the effect of Covid-19 continuing
- Leverage was 4.76x on a reported basis, a reduction compared to prior quarter (Q1 2021: 4.81x)
 - Pro-forma leverage 5.25x (Q1 2021: 5.32x) incorporating IFRS16 lease liabilities
 - Liquidity remains strong with cash balances of £39.3m and our £45m RCF facility is fully repaid
- We continue to 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 Q2 2020 unless stated otherwise
EBITDA is stated before non-underlying items

Covid-19 Update



The Group continues to deal well with the pandemic and is maintaining adequate stocks of Personal Protective Equipment (PPE) and proactively assessing the potential risks

- Revenue has increased despite Covid-19 related delays in transitions causing reduced occupancy and cancelled shifts impacting community hours
- Our operational teams are managing well. Staff retention is up and agency use is significantly lower than normal.
- We have continued to respond well to continuously changing central and local Government guidance, updating our policies, procedures, approach and training as required.
- We have been reimbursed for much of our cost associated with dealing with the pandemic including PPE costs.
- PPE is now generally available to us free issue from Government.
- Government has now allocated and distributed £4.2Bn to local authorities specifically to fund the adult social care response to the pandemic, including the second tranche of the Infection Control Fund (£0.55Bn)
- Local authorities have started progressing tenders delayed due to the pandemic

Financial Highlights

Q2 2020 vs. Q2 2021



£m	Quarter		
	Q2 2020	Q2 2021	Growth
Revenue	67.0	68.0	1.5%
Staff Costs	(42.2)	(45.7)	(8.4%)
Agency Costs	(2.0)	(0.5)	73.4%
Contribution	22.9	21.8	(4.8%)
<i>Contribution %</i>	<i>34.1%</i>	<i>32.0%</i>	<i>(2.1%)</i>
Direct Overheads (1)	(6.2)	(5.6)	10.2%
Unit EBITDA	16.7	16.2	(2.7%)
<i>Unit EBITDA %</i>	<i>24.9%</i>	<i>23.9%</i>	<i>(1.0%)</i>
Overheads	(5.5)	(5.2)	6.1%
EBITDA	11.2	11.1	(1.1%)
<i>EBITDA %</i>	<i>16.7%</i>	<i>16.3%</i>	<i>(0.4%)</i>

Comments

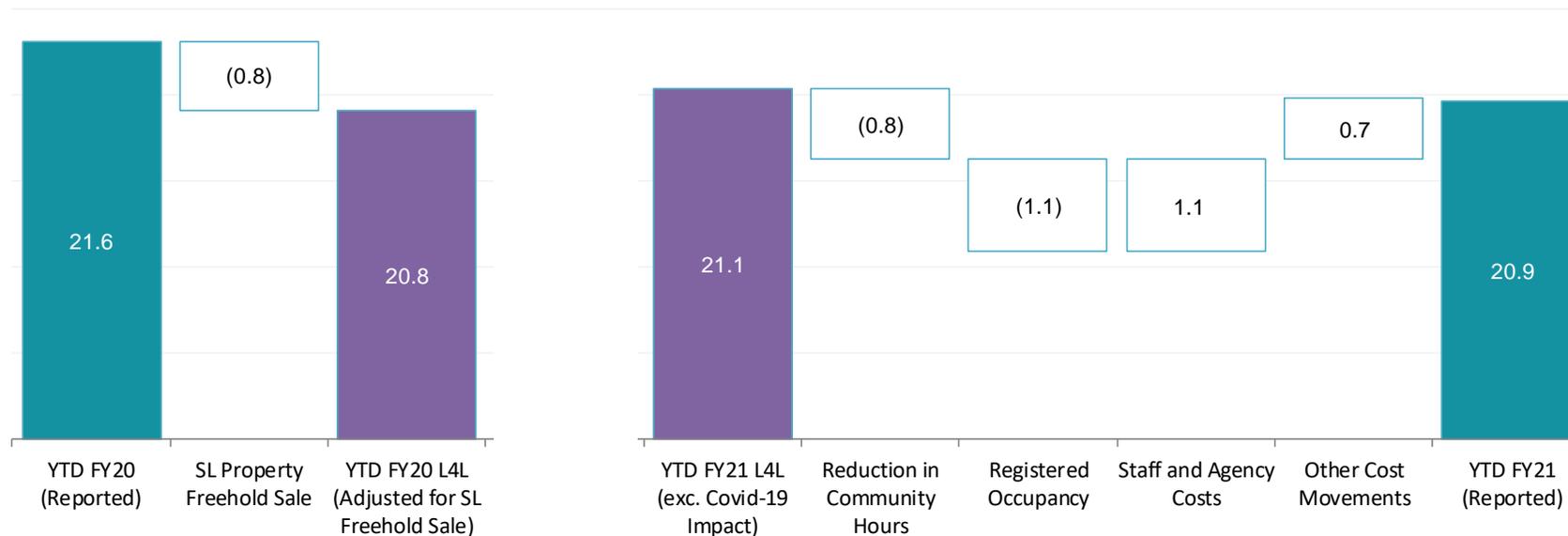
- Revenue increased by £1.0m, 1.5%
 - Fee increases offered at 2.3%, compared with 1.8% in prior year
 - Impacted by revenue reduction from
 - Supported Living freehold property sale (September 19)
 - Covid-19 impact of temporarily reduced Registered occupancy and Community hours (cancelled shifts; daycare closures)
- Staff costs (excluding Overheads) increased by £3.5m, 8.4%
 - NMW/NLW and other pay rises c.£2.2m
 - Organic growth c.£2.1m
 - Partially offset by Covid 19 impact c.£0.7m
- Direct agency costs reduced by £1.5m overall and represented 0.8% of direct care hours
- Direct Overheads reduced by £0.6m compared to last year due to cost management and purchasing savings
- Group Overheads reduced by £0.3m compared to last year
- EBITDA reduced by £0.1m to £11.1m (£0.3m of the reduction due to Supported Living Freehold property sale), is 1.8% ahead of Q2 2020 on a L4L basis.

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

Covid-19 Financial Update

L4L Underlying EBITDA Comparison YTD



- We sold 40 SL Properties (Sept 2019) which on a pro forma basis would reduce YTD FY 20 EBITDA to £20.8m
- YTD FY21 L4L (Before impact of Covid) is circa £21.1m, which is £0.3m, 1.2% higher than last year
- Covid 19 adversely impacted registered occupancy by delaying our ability to transition new joiners
- Estimated Covid 19 impacts taken to the **underlying** P&L include:
 - Community shift cancellations due to people we support isolating and some Daycare closures,
 - Registered occupancy reductions due to delays in transitioning new joiners.
 - Reductions in staff costs, agency and other costs.
- No P&L impact of shielded staff as costs covered by Coronavirus Job Retention Scheme

Covid-19 Financial Update

Non-Underlying Items due to Covid-19



£m	YTD 2021
Non-Underlying items Covid-19	(0.3)
Non Covid-19 related	(0.9)
Total Non-Underlying	(1.2)
Consisting of:	
Staff Costs	(0.8)
Agency Costs	(0.3)
PPE/Infection Control	(3.5)
Total Covid-19 Costs	(4.5)
Reimbursement	4.2
Non-Underlying items Covid-19	(0.3)

- Staff costs includes Statutory Sick Pay for self isolating staff, mainly April and May
- Localised agency costs were incurred where self isolating staff members needed to be replaced, mainly April and May
- Total YTD Reimbursement of £4.2m of costs. Q2 reimbursement was £2.3m which included some costs related to Q1
- After reimbursement from local authorities YTD Covid-19 non-underlying items are £0.3m which is not material
- We now benefit from free issue PPE from government as well as the infection control fund for staff costs relating to self-isolation, testing and covering absences.

Note:

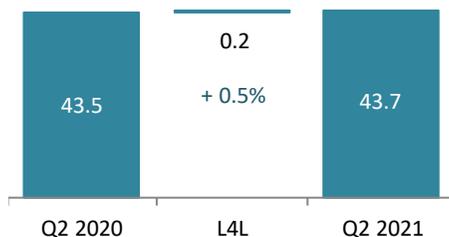
Non-Underlying items Covid-19 do not include the impact of loss of revenue and the other Covid-19 costs within underlying costs as indicated on Page 7

Financial Highlights

Segments



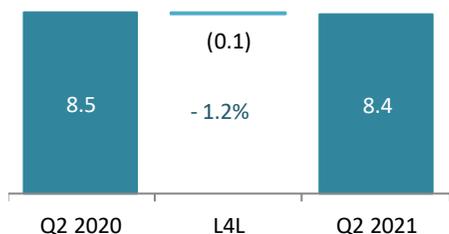
Registered Revenue (£m)



Community Revenue (£m)



Registered EBITDA (£m)



Community EBITDA (£m)



Registered

- Revenue increase driven by fee increases partially offset by reduced occupancy
- We have seen a reduction in occupancy levels during Q2 as a result of COVID, which is delaying our ability to fill vacancies
- Reduction in EBITDA of 1.2% to £8.4m due to the National Living Wage increase and reduced occupancy offsetting fee increases and reduced agency usage.

Community

- After adjusting for the Supported Living Freehold Sale in September 2019, L4L Revenue increased by £1.1m
- Primarily organic growth in community hours due to the annualised impact of tender wins and framework call-offs partially offset by cancelled shifts and Daycare closures due to COVID
- Increase in L4L EBITDA due to an increase in hours of care provided of c. 1,000 hours and a reduction in agency usage

Note:

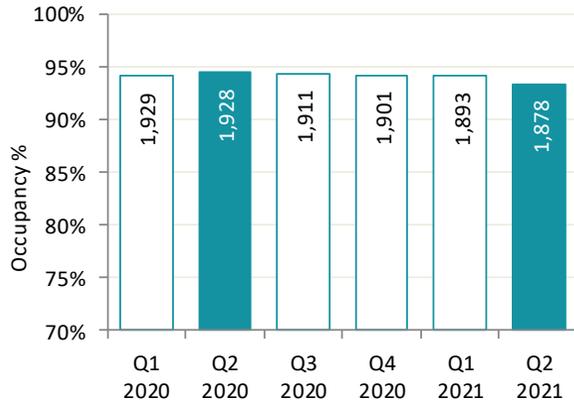
SLFH Sale – Supported Living Freehold Sale

Financial Highlights

Key Operating Metrics



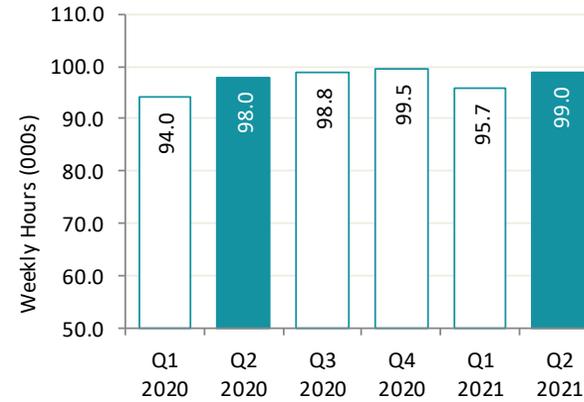
Registered - Average Occupancy % and #



Closing occupancy for the period was 93.1%

Reduced levels of admissions during Q2 due to Covid-19 delaying transitions

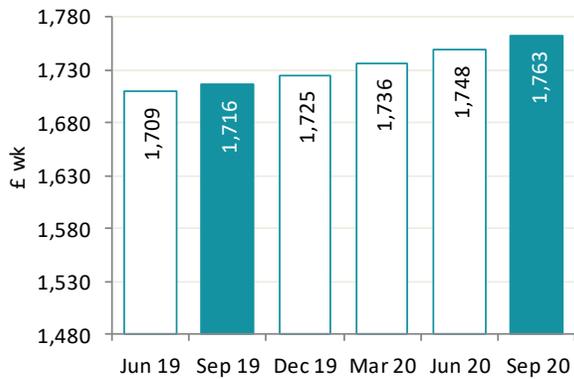
Community - Average Direct Care Hours (000s)



Average direct weekly hours have increased by 1,000 hours compared to Q2 2020

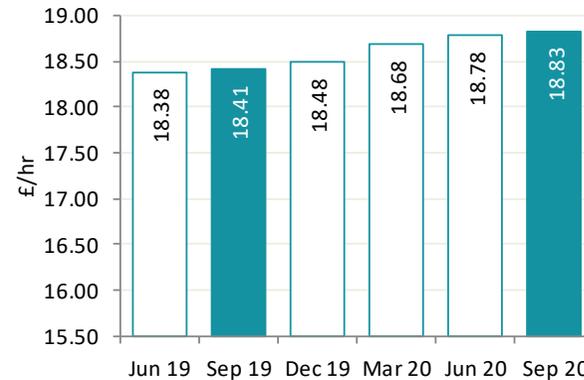
Growth since Q2 2020 attributable to annualised impact of tender wins and framework call-offs partially offset by a one-off, temporary reduction in hours due to the Covid-19 pandemic

Registered - Average Weekly Fees (LTM)



Registered Average Weekly Fees benefited from a combination of fee increases and new placements won at a higher rate, which has driven the 2.7% growth since September 2019

Community - Direct Care Revenue Per Hour (LTM)



Direct average hourly rate has increased by 2.3% since Q2 2019

Financial Highlights

Cash Flow



£m	Q2	
	2020	2021
EBITDA	11.2	11.1
Maintenance Capital expenditure	(2.5)	(2.8)
Operating Cash flow	8.7	8.2
<i>Cash conversion %</i>	<i>78.0%</i>	<i>74.5%</i>
Non-underlying items	(0.0)	0.3
Working capital	(0.2)	0.9
Interest	(0.3)	(0.9)
Taxation	0.0	(1.1)
FCF before Development Capex, Acquisitions and Financing	8.2	7.4
Development Capital expenditure	(0.2)	(5.3)
Acquisitions	(1.8)	(0.0)
Sale proceeds	20.2	1.8
FCF before Financing	26.3	3.9
Property and vehicle lease payments (IFRS16)	(0.9)	(1.3)
Movement in cash for the period before financing activities	25.5	2.7
Memo		
Closing Cash and Cash Equivalents	15.3	39.3
Available RCF	45.0	45.0
Total Cash plus available RCF	60.3	84.3

Comments

Robust cash flow generation continued

Operating cash flow of £8.2m was lower than Q2 2020 due mainly to timing of maintenance capex

Free cash flow before financing reduced by £22.4m to £3.9m due to the Supported Living Freehold sale in Q2 2020

Development Capex expenditure includes £3.7m for the purchase of a Brain Injury Rehabilitation service (24 Bed)

The committed RCF of £45m was settled at the end of September 2020 and remains undrawn

Financial Highlights

Net Debt and Leverage



£m Sep 19 Dec 19 Mar 20 Jun 20 Sep 20

Reported

Net Debt	236.5	228.2	215.2	213.9	211.3
LTM EBITDA	43.1	44.0	45.1	44.5	44.4
Leverage (Per 'Offering Memorandum')	5.48x	5.18x	4.78x	4.81x	4.76x

Pro-Forma Leverage

Net Debt (inc. IFRS 16 Lease Liability)	257.2	251.8	238.9	236.7	233.1
LTM EBITDA	43.1	44.0	45.1	44.5	44.4

Pro-Forma Leverage (inc. IFRS 16 Lease Liability)

5.96x	5.72x	5.30x	5.32x	5.25x
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Comments

- LTM EBITDA at £44.4m in September 2020
- Reported leverage was 4.76x in September 2020, improved slightly compared to June 2020
- Pro-forma leverage (inc. IFRS16 lease liability) was 5.25x
- Liquidity is strong with cash balances of £39.3m and the £45m committed and undrawn RCF

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 30 September 2020

	Registered		Community		Daycare	DCA	30 Sep 20 Total		30 Jun 20 Total	
	#	Capacity	#	Capacity	#	#	#	Capacity	#	Capacity
Freehold	231	1,802	21	74	5	6	263	1,876	258	1,843
Leasehold/Rental ⁽¹⁾	31	209	3	10	8	31	73	219	78	248
3rd Party Owned ⁽²⁾	0	0	303	1,173	1	4	308	1,173	302	1,150
Totals	262	2,011	327	1,257	14	41	644	3,268	638	3,241
Freehold NBV (£m) ⁽³⁾	306.0		6.2		2.0		314.2		314.1	

Comments

- At 30 September 2020, number of freehold properties held was 263, an increase of 5 since June 2020
- We have added 27 net new places in the quarter
- Net book value of freehold properties totaled £314.2m
- 89.6% of registered capacity in freehold properties, whereas 5.9% 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



- Supreme Court hearing on Royal Mencap and Sleep-ins took place on 12th - 13th February 2020. We still await the Judgement, 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
- We are pleased to see increased commissioning activity amongst local authority and CCG customers
- We expect to recover the Community hours and Registered occupancy temporarily lost due to the impact of Covid-19
- We continue to seek further growth opportunities in Registered and Support Living including investing in new sites and roll-up acquisitions
- In September we acquired property for a 24 bed Brain Injury Rehabilitation service which is due to open Q4 FYE 2021

Q & A



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

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