

# Investor Presentation

## Quarterly Report – Q3 2019

26 February 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 three and nine month periods ended 31 December 2018 (“Q3 2019”). All comparisons of financial and operating statistics are for the three and nine month periods ended 31 December 2017 (“Q3 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

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

# Executive Summary

## Q3 2019 Highlights



- CQC quality ratings remain very high, with 95% of services achieving a rating of Good or Outstanding
- Revenue at £63.4m, up 7.4%
- EBITDA at £9.8m, up 6.5%
- LTM EBITDA increased to £37.1m at Q3 2019 from £36.5m as at Q2 2019
- LTM EBITDA leverage was 7.17x at 31<sup>st</sup> December 2018, an increase from 7.00x at 30<sup>th</sup> September 2018 due to the acquisition of the Hindhead freehold

All comparators are against Q3 2018 unless stated otherwise

# Financial Highlights

Q3 2018 vs. Q3 2019



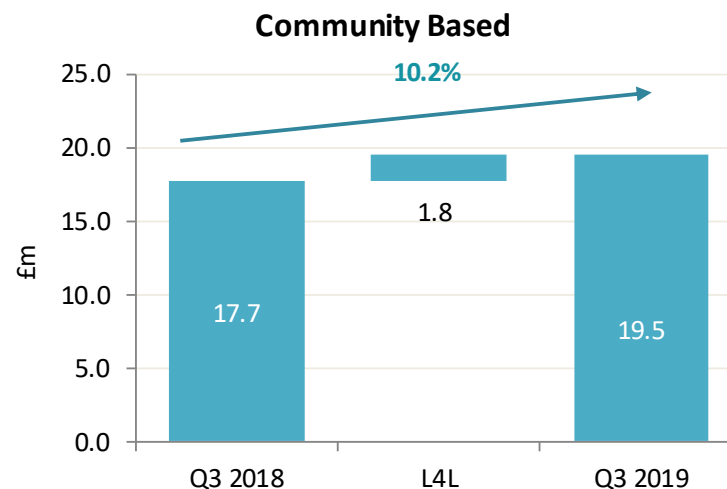
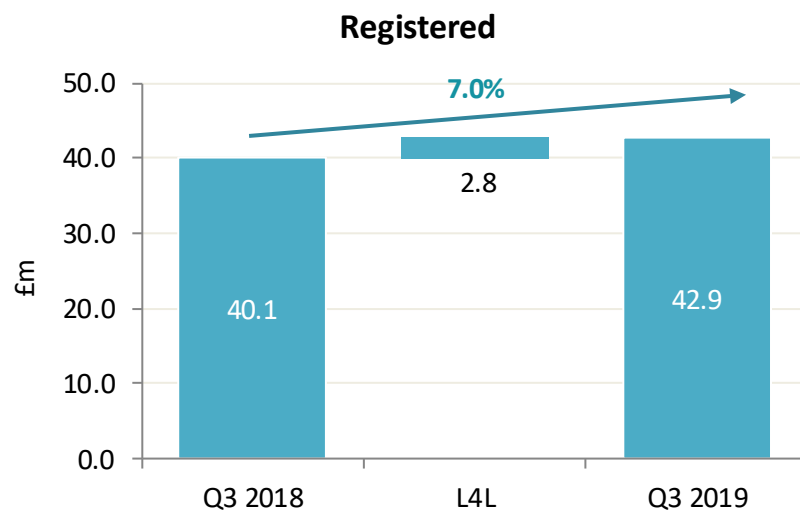
£m	Quarter		
	Q3 2018	Q3 2019	Growth
<b>Revenue</b>	<b>59.0</b>	<b>63.4</b>	<b>7.4%</b>
Staff Costs	(35.5)	(39.3)	(10.7%)
Agency Costs	(2.2)	(2.1)	4.5%
<b>Contribution</b>	<b>21.2</b>	<b>21.9</b>	<b>3.4%</b>
<i>Contribution %</i>	<i>36.0%</i>	<i>34.6%</i>	<i>(1.4%)</i>
Direct Overheads	(6.8)	(6.9)	(1.2%)
<b>Unit EBITDA</b>	<b>14.4</b>	<b>15.0</b>	<b>4.5%</b>
<i>Unit EBITDA %</i>	<i>24.4%</i>	<i>23.8%</i>	<i>(0.5%)</i>
Overheads	(5.2)	(5.3)	(2.0%)
<b>EBITDA</b>	<b>9.2</b>	<b>9.8</b>	<b>6.5%</b>
<i>EBITDA %</i>	<i>15.6%</i>	<i>15.5%</i>	<i>(0.2%)</i>

- Revenue increased by £4.4m, growth of 7.4%
  - Fee increases £1.1m (1.9% of growth)
  - YTD fee increase is 1.93% compared to prior year YTD fee increase of 1.73%
  - Other organic growth £3.3m (5.5% of growth)
- Staff costs increased by £3.8m, 10.7%
  - NMW/NLW £1.4m (3.9% of growth)
  - Other organic growth £2.4m (6.8% of growth)
- Agency costs reduced by £0.1m, 4.5% and represented 2.9% of care hours
- EBITDA increased by £0.6m to £9.8m
- Focused Healthcare is now in our results for this period and Q3 FY2108

Note: Direct Overheads consist of Direct expenses & consumables, Property lease rentals, Other lease rentals and Other external charges (Which consist 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



- Revenue across our Registered care homes was up by 7.0% (£2.8m), 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 10.2% (£1.8m), benefitting from tender wins, framework call-offs and de-registrations from Registered to Community Based Care
- The Focused Healthcare acquisition is now fully in our results

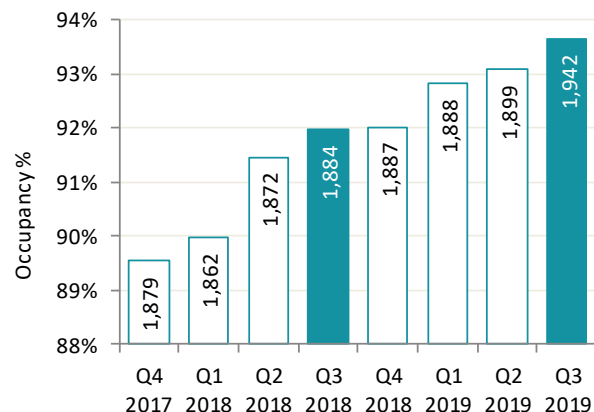
Note: L4L movements stated above include the impact of services de-registering

# Financial Highlights

## Key Operating Metrics



**Registered - Average Occupancy# and %**



Closing occupancy for the period was 94.1%.

Net capacity has increased by 26 places

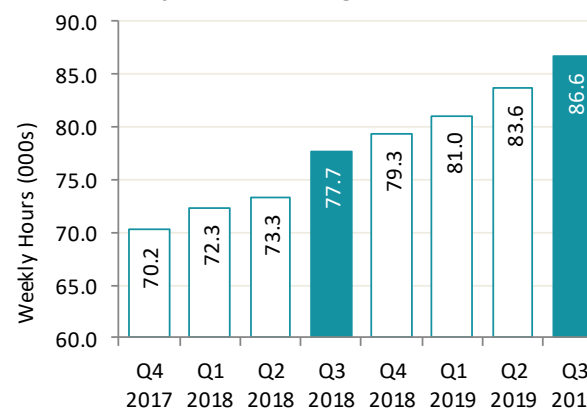
- Plus 45 due to the acquisition of three services

- Plus 12 opening of a new service

- Less 8 de-registrations

- Less 25 service consolidation

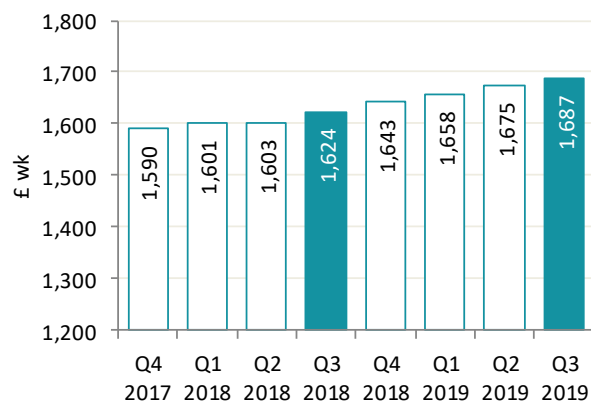
**Community Based - Average Care Hours (000s)**



Average weekly hours have increased by 8,900 hours since Q3 2018

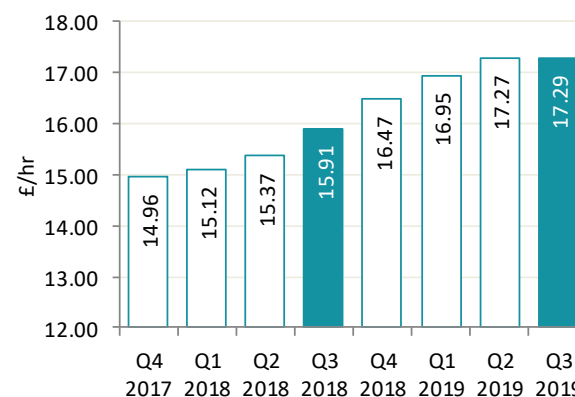
Growth attributable to tender wins, framework call-offs and de-registration of certain Registered care homes

**Registered - Average Weekly Fees (LTM)**



Registered Average Weekly Fees benefiting from fee increases and new business won at a higher rate means average weekly fees have increased by 3.9%

**Community Based - Average Hourly Rate (LTM)**



Average hourly rate increased since Q3 2018 primarily due to the higher rates at Focused Healthcare (which is now in our results for a full 12 months)

# Financial Highlights

## Cash Flow



£m	Q3	
	2018	2019
EBITDA	9.2	9.8
Capital expenditure (Maintenance)	(2.0)	(2.0)
<b>Operating cash flow</b>	<b>7.2</b>	<b>7.8</b>
<i>Cash conversion %</i>	<i>78.1%</i>	<i>79.3%</i>
Non-underlying items	(0.1)	(0.4)
Working capital	(2.3)	(1.1)
Capital expenditure (Development)	(2.5)	(8.1)
Interest	(7.9)	(8.4)
Taxation	(0.4)	(0.4)
<b>FCF before acquisitions and financing</b>	<b>(6.1)</b>	<b>(10.6)</b>
Acquisitions	(0.0)	0.3
<b>FCF before financing</b>	<b>(6.1)</b>	<b>(10.3)</b>
Net cash flow used in financing activities	5.5	13.3
<b>Movement in cash for the period</b>	<b>(0.6)</b>	<b>3.0</b>
Opening cash and cash equivalents	16.4	7.0
<b>Closing cash and cash equivalents</b>	<b>15.7</b>	<b>10.0</b>

## Comments

- Maintenance capex excluding IT spend was £2.0m and 3.2% of revenue for Q3 2019, (Q3 2018: £2.0m and 3.4% respectively)
- The working capital outflow of £1.1m reduced by £1.2m compared to Q3 2018
- Development capital expenditure increased due to the completion of the freehold purchase of the Hindhead site for £8.7m
- Free cash flow before acquisitions was negative in the period at £10.6m
- £13.3m increase to RCF drawdown

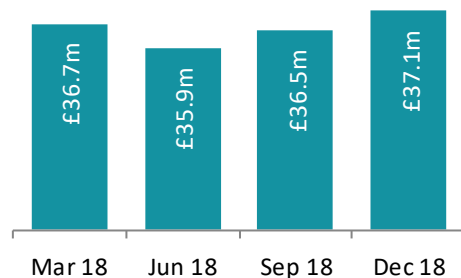


# Financial Highlights

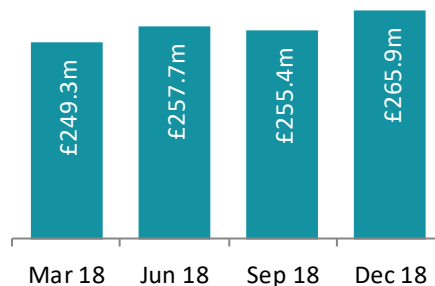
LTM Performance



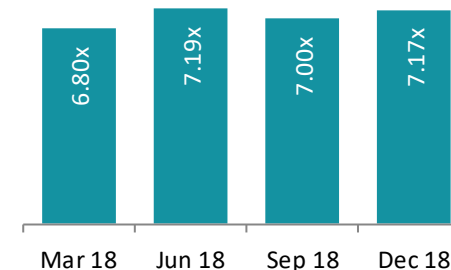
LTM EBITDA



Net Debt



Leverage (Net)



Senior Notes

Junior Notes

Revolving Credit Facility

**Gross Debt**

Cash (adjusted for restricted cash)

**Net Debt**

215.0	215.0	215.0	215.0
35.0	35.0	35.0	35.0
15.0	19.0	11.2	24.5
<b>265.0</b>	<b>269.0</b>	<b>261.2</b>	<b>274.5</b>
(15.7)	(11.3)	(5.8)	(8.6)
<b>249.3</b>	<b>257.7</b>	<b>255.4</b>	<b>265.9</b>

## Comments

- LTM EBITDA increased to £37.1m in December 2018
- Leverage has increased from 7.00x at the end of September 2018 to 7.17x at the end of December 2018 due to the increase in net debt of £10.4m
- RCF drawing at £24.5m out of a total committed facility of £45.0m, an increase of £13.3m compared to September 2018 mainly due to the acquisition of Hindhead freehold for £8.7m

# Property Summary



## Properties as at 31 December 2018

	Registered		Community		Daycare	DCA	Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold	230	1,805	55	274	4	8	297	2,079
Leasehold/Rental <sup>(1)</sup>	40	267	10	64	11	22	83	331
3rd Party Owned <sup>(2)</sup>	0	0	201	670	2	7	210	670
<b>Total</b>	<b>270</b>	<b>2,072</b>	<b>266</b>	<b>1,008</b>	<b>17</b>	<b>37</b>	<b>590</b>	<b>3,080</b>
<b>Freehold Net Book Value at Dec 2018 (£m) <sup>(3)</sup></b>	<b>301.0</b>		<b>32.2</b>		<b>0.7</b>		<b>333.9</b>	

## Comments

- As at the end of December 2018 the number of freehold properties held was 297, an increase of 1 property as at September 2018. The net book value of the freehold properties totaled £334m
- Community - The number of properties has increased by 11 and capacity increased by 59 since September 2018
- 87.1% of registered capacity is in freehold properties, whereas 27.2% of Community capacity is in freehold properties which is in line with our strategy to utilise 3<sup>rd</sup> party capital to drive Community Based Care growth

(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 shown under DCA, due to the DCA offices being part of other Freehold Properties.

# Recent Developments and Outlook

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- We obtained a further Outstanding rating from CQC for our Redbank service
- FY19 fee increases continue. FY20 increase requests have now been communicated to customers
- Sleep-in payment reduction implemented on 1<sup>st</sup> February as planned. Estimated net annual impact of £2.5m to £3.0m
- Specific wage increases introduced 1<sup>st</sup> February in challenging recruitment markets to improve staff attraction and retention and reduce agency usage
- Court of Appeal ruled in favour of Royal Mencap on 13th July 2018. Supreme Court on 13<sup>th</sup> February permitted an appeal against last year's court ruling
- Our Legal advice regarding the Court of Appeal ruling being overturned by the Supreme Court is that it is unlikely. Nonetheless, given inter alia that the Appeal is now going to be heard, the Board has decided that it is appropriate at this stage to make a contingent liability disclosure
- Organic growth through framework agreements and referrals is continuing, particularly in Community Based Care Supported Living and supported by 3<sup>rd</sup> Party property investors and registered social landlords

# Q & A

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Further questions can be addressed to: [investorrelations@voyagecare.com](mailto:investorrelations@voyagecare.com)

Also please visit our investor relations website: [investors.voyagecare.com](http://investors.voyagecare.com)