

# Investor Presentation Quarterly Report – Q1 2021

19 August 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 June 2020 (“Q1 2021”). All comparisons of financial and operating statistics are for the 3 month period ended 30 June 2019 (“Q1 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

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- Executive Summary
- Covid-19 Update
- Financial Highlights (Including Covid-19 Financial update)
- Property Summary
- Recent Developments and Outlook
- Q&A

# Executive Summary

## Q1 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 £66.0m
- Net financial impact of Covid-19 not material in the Quarter
- Fee increases offered for Q1 2021 were 1.8% (Q1 2020: 1.3%)
- National Living Wage increased 6.2% to £8.72 from 1<sup>st</sup> April 2020
- EBITDA was £9.8m, in line with prior year on a like for like basis
- Leverage was 4.81x on a reported basis, in line with prior quarter (FYE 2020: 4.78x)
  - Pro-forma leverage 5.32x (FYE 2020: 5.30x) incorporating IFRS16 lease liabilities
  - Liquidity remains strong with cash balances of £81.6m
- 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 Q1 2020 unless stated otherwise

# 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

- Occupancy has remained robust and revenue unimpacted in our Registered services although Supported Living has seen a slight reduction in revenue and hours relative to last quarter
- Our operational teams are managing well. Staff 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
- Net financial impact of Covid 19 not material in the Quarter

# Financial Highlights

Q1 2020 vs. Q1 2021



£m	Quarter		
	Q1 2020	Q1 2021	Growth
<b>Revenue</b>	<b>65.1</b>	<b>66.0</b>	<b>1.5%</b>
Staff Costs	(41.3)	(44.4)	(7.7%)
Agency Costs	(1.6)	(0.7)	59.6%
<b>Contribution</b>	<b>22.1</b>	<b>20.9</b>	<b>(5.5%)</b>
<i>Contribution %</i>	<i>34.0%</i>	<i>31.7%</i>	<i>(2.4%)</i>
Direct Overheads (1)	(6.3)	(5.7)	9.7%
<b>Unit EBITDA</b>	<b>15.9</b>	<b>15.2</b>	<b>(3.9%)</b>
<i>Unit EBITDA %</i>	<i>24.4%</i>	<i>23.1%</i>	<i>(1.3%)</i>
Overheads	(5.4)	(5.4)	0.2%
<b>EBITDA</b>	<b>10.4</b>	<b>9.8</b>	<b>(5.8%)</b>
<i>EBITDA %</i>	<i>16.0%</i>	<i>14.9%</i>	<i>(1.1%)</i>

## Comments

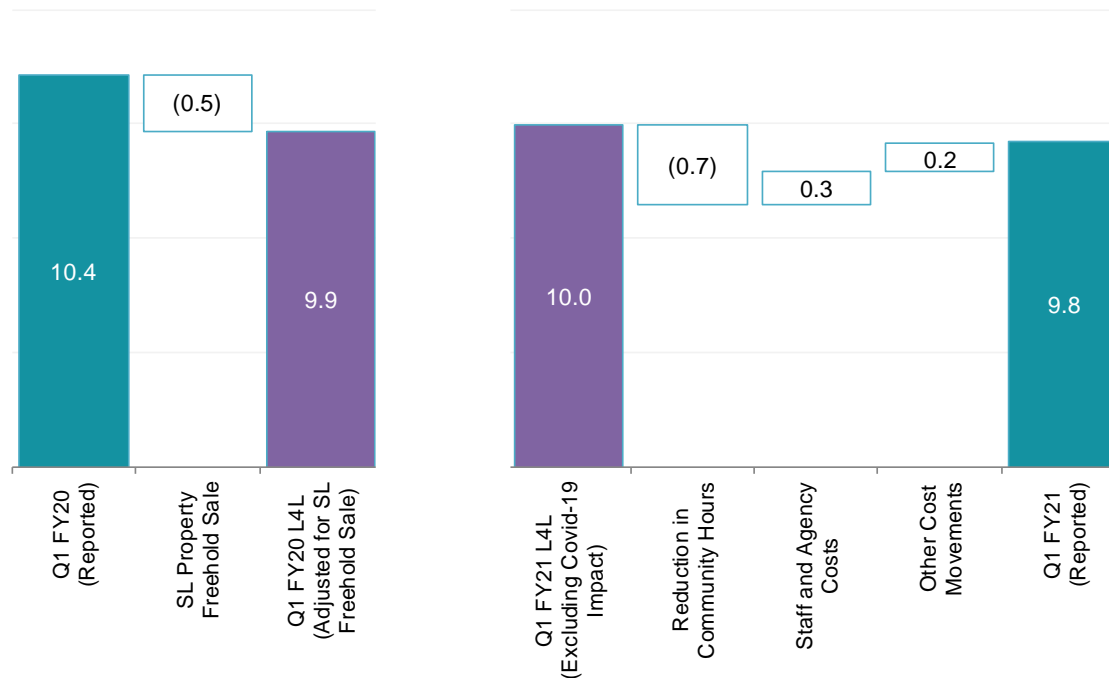
- Revenue increased by £0.9m, 1.5%
  - Driven by growth in Community hours, fee increases and fee rotation
  - Fee increases offered at 1.8%, compared with 1.3% in prior year
  - Offset by a reduction in income due to the Supported Living freehold property sale (September 19) and Covid Pandemic
- Staff costs (excluding Overheads) increased by £3.1m, 7.7%
  - Organic growth c.£1.6m
  - NMW/NLW and other pay rises c.£2.2m
  - Offset by Covid 19 impact c.£0.7m
- Direct agency costs reduced by £0.9m overall and represented 1.0% of direct care hours
- Direct Overheads reduced by £0.6m compared to last year due to cost management and purchasing savings
- Group Overheads remained the same compared to last year
- EBITDA reduced by £0.6m to £9.8m, 5.6% (£0.5m of the reduction due to Supported Living Freehold property sale)

### 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



- We sold 40 SL Properties (Sept 2019) which on a pro forma basis would reduce Q1 FY 20 EBITDA to £9.9m
- Q1 FY21 L4L (Before impact of Covid) is circa £10.0m, 1% growth year on year.
- Estimated Covid 19 impacts taken to the **underlying** P&L include: Reduced EBITDA due to Community hours cancellations and Daycare closures, offset by reductions in staff costs, agency and other costs.
- No P&L impact of shielded staff as costs covered by Job Retention scheme (£1.2m in Q1 FY 21)

# Covid-19 Financial Update

## Non-Underlying Items due to Covid-19



£m

Q1 2021

Total Non-Underlying

1.5

Non Covid-19 related

0.3

**Non-Underlying items Covid-19**

**1.3**

Consisting of:

Staff Costs

0.5

Agency Costs

0.2

PPE/Infection Control

2.5

**Total Covid-19 Costs**

**3.2**

Reimbursement

(1.9)

**Non-Underlying items Covid-19**

**1.3**

Reimbursement relating to Q1 agreed and received post Quarter End

(0.8)

**ProForma Non-Underlying items Covid-19**

**0.5**

- Staff costs primarily relate to Statutory Sick Pay for self isolating staff, predominantly in April and May
- Includes specific localised agency costs where self isolating staff members needed to be replaced, predominantly in April and May
- PPE/Infection control costs incremental to normal run-rate of £0.2m per month (only incremental element classed as Non-Underlying)
- Reimbursement of £1.9m of costs
  - 60% of costs reimbursed from 35% of customers
  - Ongoing discussions taking place with remaining customers.
- A further £0.8m related to Q1 has been agreed and reimbursed by customers since June 30th
- Net Non-Underlying items Covid-19 pro-forma run rate less than £0.2m per month

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

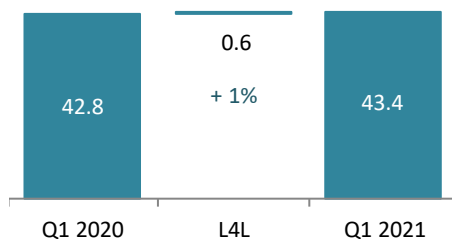


# Financial Highlights

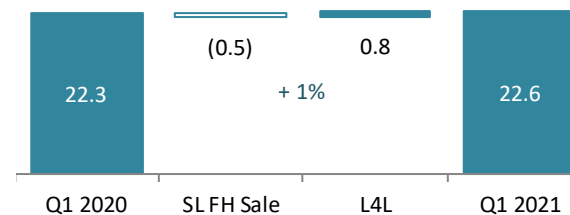
## Segments



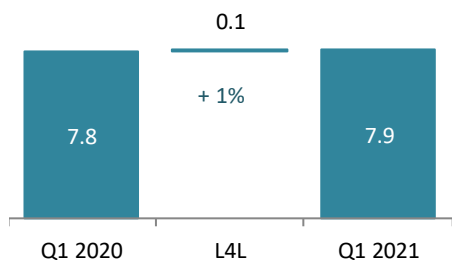
Registered Revenue (£m)



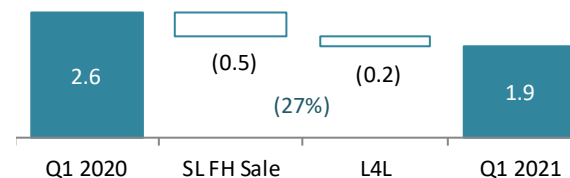
Community Revenue (£m)



Registered EBITDA (£m)



Community EBITDA (£m)



### Registered

- Revenue increase driven by fee increases partially offset by a small reduction in capacity due to both de-registrations and proactive service closures
- Increase in EBITDA of 1% to £7.9m due to the increase in revenue and reduction in agency usage, but partially offset by increased staff costs

### Community

- L4L Revenue increase of £0.8m primarily organic growth in community hours (tender wins and framework call-offs) partially offset by cancelled shifts and Daycare closures due to Covid-19
- Minor L4L EBITDA reduction due to timing differences on wage increases compared to fee inflation increases, the impact of Covid-19, along with investment in staff teams to support growth

**Note:**

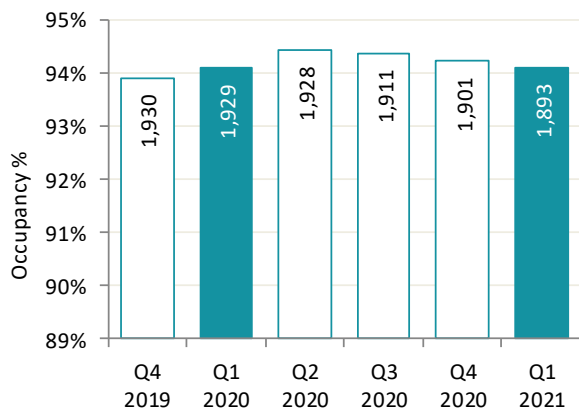
SLFH Sale – Supported Living Freehold Sale  
Community now includes Focused Healthcare

# Financial Highlights

## Key Operating Metrics



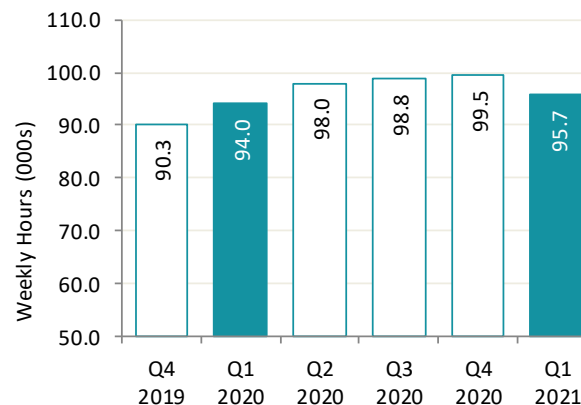
**Registered - Average Occupancy % and #**



Closing occupancy for the period was 94.1%

Proactive service closures and planned deregistration of services to Community have reduced absolute capacity but maximized occupancy and improved efficiency.

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

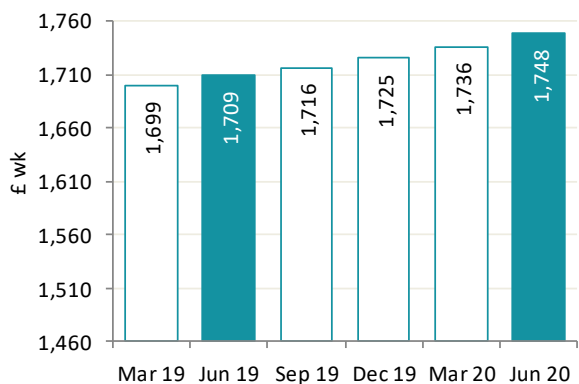


\*1

Average direct weekly hours have increased by 1,700 hours since Q1 2020

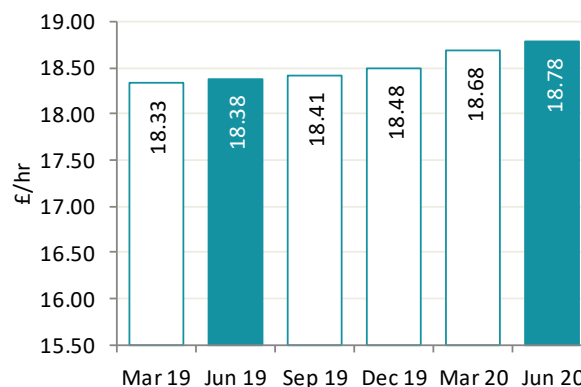
Growth since Q1 2020 attributable to tender wins and framework call-offs partially offset by a one-off, temporary reduction c.4,000 hours due to Covid-19 pandemic

**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 2.2% growth since Jun 2019

**Community - Direct Care Revenue Per Hour (LTM)**



\*1

Direct average hourly rate has increased by 2.2% since Q1 2019

\*1 Prior periods have been restated to show only the direct care element of staffing (i.e. face to face contact with the people we support), excluding the admin hours spent in support of direct care hours

# Financial Highlights

## Cash Flow



£m	Q1	
	2020	2021
EBITDA	10.4	9.8
Maintenance Capital expenditure	(1.8)	(2.8)
<b>Operating Cash flow</b>	<b>8.6</b>	<b>7.0</b>
<i>Cash conversion %</i>	<i>82.7%</i>	<i>71.2%</i>
Non-underlying items	(0.4)	(1.5)
Working capital	(0.8)	5.9
Interest	(8.4)	(8.2)
Taxation	(0.6)	(0.7)
<b>FCF before Development Capex, Acquisitions and Financing</b>	<b>(1.5)</b>	<b>2.5</b>
Development Capital expenditure	(2.4)	(0.3)
Acquisitions	(1.0)	(0.0)
Sale proceeds	0.1	0.3
<b>FCF before Financing</b>	<b>(4.8)</b>	<b>2.6</b>
Property and vehicle lease payments (IFRS16)	(1.1)	(1.1)
Net cash flow used in financing activities	(0.3)	0.0
<b>Movement in cash for the period</b>	<b>(6.2)</b>	<b>1.4</b>
Opening cash and cash equivalents	18.7	80.1
<b>Closing cash and cash equivalents</b>	<b>12.5</b>	<b>81.6</b>

### Comments

Free cash flow before Development Capex, Acquisitions and Financing of £2.5m was £4.0m higher than Q1 2020.

Free cash flow before financing increased by £7.4m to £2.6m

- Operating cash flow was £1.6m lower than Q1 2020 driven primarily by investment in IT
- Working capital inflow of £5.9m was £6.7m higher than Q1 2020 primarily due to lower trade debtors

The committed RCF of £45m remained fully drawn at the end of the June 2020

# Financial Highlights

## Net Debt and Leverage



£m Jun 19 Sep 19 Dec 19 Mar 20 Jun 20

### Reported

Net Debt	262.1	236.5	228.2	215.2	<b>213.9</b>
LTM EBITDA	42.4	43.1	44.0	45.1	<b>44.5</b>
<b>Leverage (Per 'Offering Memorandum')</b>	<b>6.19x</b>	<b>5.48x</b>	<b>5.18x</b>	<b>4.78x</b>	<b>4.81x</b>

### Pro-Forma Leverage

Net Debt (inc. IFRS 16 Lease Liability)	283.0	257.2	251.8	238.9	<b>236.7</b>
LTM EBITDA	42.4	43.1	44.0	45.1	<b>44.5</b>

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

<b>6.68x</b>	<b>5.96x</b>	<b>5.72x</b>	<b>5.30x</b>	<b>5.32x</b>
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### Comments

- LTM EBITDA reduced to £44.5m in June 2020 primarily due to NMW/NLW increases
- Reported leverage was 4.81x in June 2020, broadly in line with March 2020
- Pro-forma leverage (inc. IFRS16 lease liability) was 5.32x
- Liquidity remains strong with cash balances of £81.6m

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

# Property Summary



## Properties as at 30 June 2020

	Registered		Community		Daycare	DCA	30 Jun 20 Total		31 Mar 20 Total	
	#	Capacity	#	Capacity	#	#	#	Capacity	#	Capacity
Freehold	228	1,773	21	70	4	5	258	1,843	257	1,846
Leasehold/Rental <sup>(1)</sup>	34	238	3	10	9	32	78	248	79	248
3rd Party Owned <sup>(2)</sup>	0	0	297	1,150	1	4	302	1,150	297	1,134
<b>Totals</b>	<b>262</b>	<b>2,011</b>	<b>321</b>	<b>1,230</b>	<b>14</b>	<b>41</b>	<b>638</b>	<b>3,241</b>	<b>633</b>	<b>3,228</b>
<b>Freehold NBV (£m) <sup>(3)</sup></b>	<b>305.7</b>		<b>6.4</b>		<b>2.0</b>		<b>314.1</b>		<b>314.4</b>	

## Comments

- At 30 June 2020, number of freehold properties held was 258, an increase of 1 since March 2020
- Net book value of freehold properties totaled £314.1m
- Community Based Care - properties increased by 6 and capacity by 16 since March 2020
- 88.2% of registered capacity in freehold properties, whereas 5.7% of Community Based Care capacity in freehold properties, in line with our strategy to utilise 3<sup>rd</sup> 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

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- Supreme Court hearing on Royal Mencap and Sleep-ins took place on 12<sup>th</sup> - 13<sup>th</sup> February 2020. Whilst we anticipated the Judgement to have been delivered before summer recess, this has yet to happen, 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
- As the lockdown eases, we see some signs of increased commissioning activity amongst local authority and CCG customers
- We continue to seek further growth opportunities in Registered and Support Living including investing in new sites and roll-up acquisitions

# 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)