

Investor Presentation Quarterly Report – Q3 2020

26 February 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 unaudited consolidated financial information of Voyage BidCo Limited and its subsidiaries for the 3 month period ended 31 December 2019 (“Q3 2020”). All comparisons of financial and operating statistics are for the 3 month period ended 31 December 2018 (“Q3 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 and Outlook
- Q&A

Executive Summary

Q3 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
- The Group continues to trade well, with revenue at £67.5m, up 6.5%
- Fee increases for Q3 2020 were 2.2% (Q3 2019: 2.1%)
- EBITDA was £11.6m, up 8.4%
- Leverage was 5.18x (Q2 2020: 5.48x) on a reported basis
 - Pro-forma leverage 5.72x (Q2 2020: 5.96x) incorporating IFRS16 lease liabilities

Note: All comparators are against Q3 2019 unless stated otherwise

Financial Highlights

Q3 2019 vs. Q3 2020



£m	Quarter		
	Q3 2019	Q3 2020	Growth
Revenue	63.4	67.5	6.5%
Staff Costs	(39.3)	(42.1)	(7.2%)
Agency Costs	(2.0)	(1.9)	4.4%
Contribution	22.0	23.4	6.3%
<i>Contribution %</i>	<i>34.8%</i>	<i>34.7%</i>	<i>(0.1%)</i>
Direct Overheads (1)	(6.1)	(6.1)	0.6%
Unit EBITDA	15.9	17.3	8.9%
<i>Unit EBITDA %</i>	<i>25.1%</i>	<i>25.7%</i>	<i>0.6%</i>
Overheads	(5.2)	(5.7)	(9.8%)
EBITDA (2)	10.7	11.6	8.4%
<i>EBITDA %</i>	<i>16.9%</i>	<i>17.2%</i>	<i>0.3%</i>

Comments

- Revenue increased by £4.1m, 6.5%
 - Driven by growth in Community hours, fee increases and fee rotation
 - Fee increases offered at 2.2%, compared with 2.1% in prior year
- Staff costs (excluding overheads) increased by £2.8m, 7.2%
 - Organic growth £2.3m
 - NMW/NLW and other pay rises £1.3m
 - Sleep-in cost savings (£0.8m)
- Agency costs reduced by £0.1m overall and represented 2.8% of care hours
- Direct Overheads were only 0.6% higher than last year, a lower growth rate than revenue due to cost management
- Group overheads increased due to investment in IT
- EBITDA increased by £0.9m to £11.6m, 8.4%

Note:

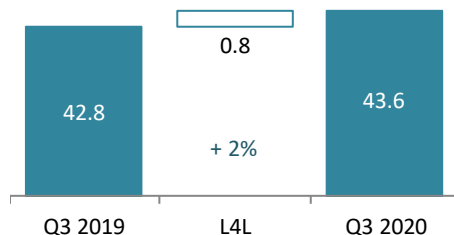
1. Direct Overheads consist of costs incurred in running and maintaining services including direct expenses and consumables, property, vehicle and other lease rentals (outside the scope of IFRS16), business rates, council tax, repairs, utilities, training and professional fees
2. Q3 2019 was reported at £9.2m EBITDA prior to the Group deciding to early adopt IFRS16. The adoption of the standard increases Q3 2019 reported EBITDA to £10.7m

Financial Highlights

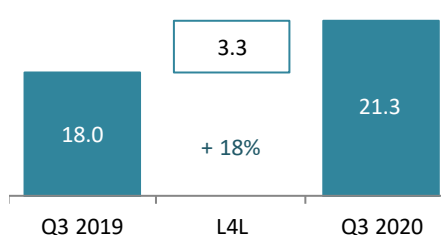
Segments



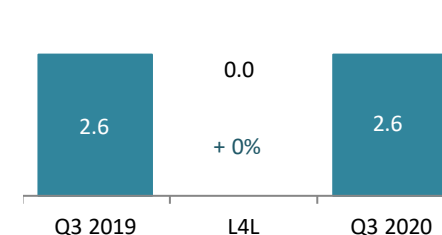
Registered Revenue (£m)



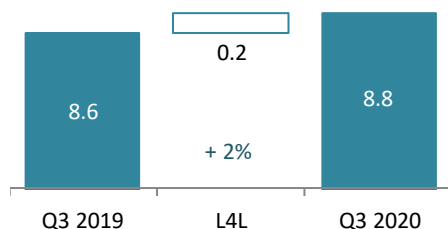
Community Revenue (£m)



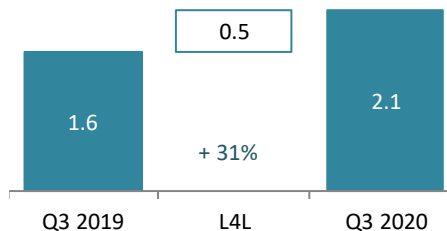
Focused Healthcare Revenue (£m)



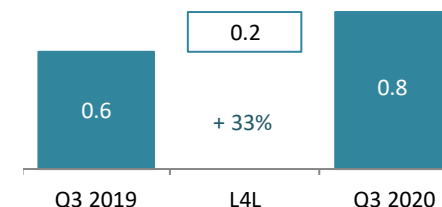
Registered EBITDA (£m)



Community EBITDA (£m)



Focused Healthcare EBITDA (£m)



Registered

- Revenue increase driven by fee increases partially offset by a reduction in occupancy
- EBITDA marginal increase 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 with EBITDA up on prior year due to mix of care packages and timing

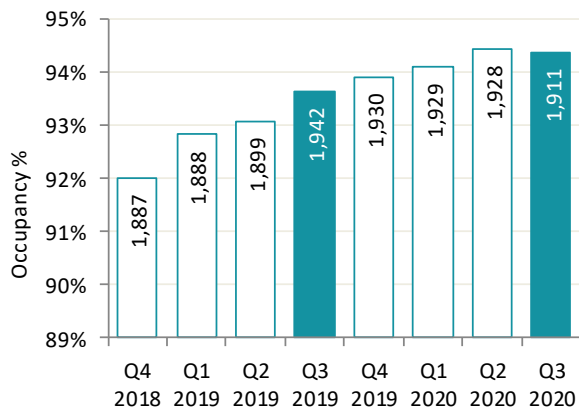
Note: Q3 2019 EBITDA for Registered and Community has been adjusted in line with the Group's decision to early adopt IFRS16

Financial Highlights

Key Operating Metrics



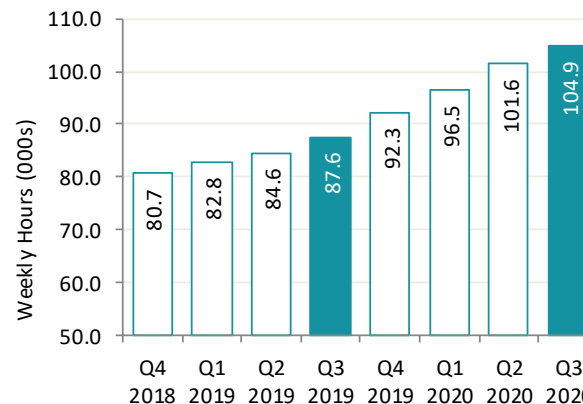
Registered - Average Occupancy % and #



Closing occupancy for the period was 94.2%

Proactive service closures and planned deregistration of services to Supported Living has reduced absolute capacity where we maximise occupancy

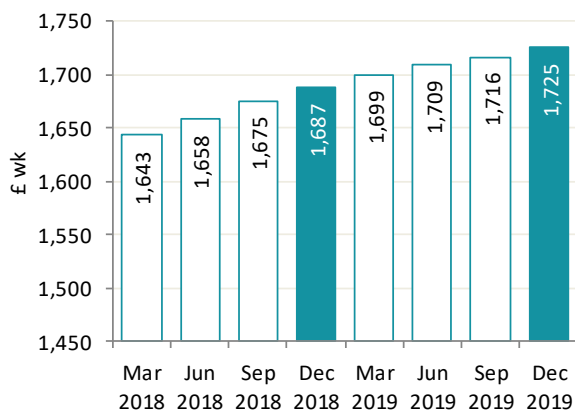
Community Based - Average Care Hours (000s) *1



Average weekly hours (inc. Focused) have increased by 17,300 hours since Q3 2019

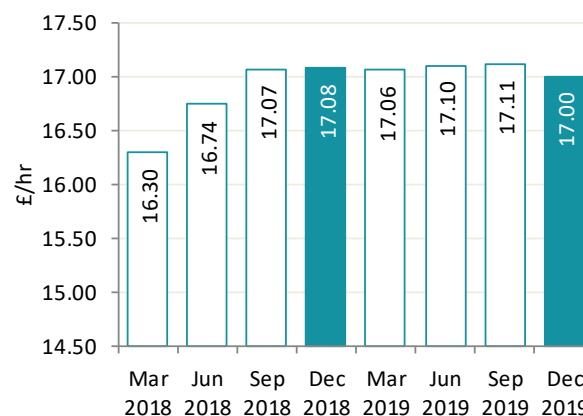
Growth attributable to tender wins and framework call-offs, in addition to investment in staff teams

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 2.3% growth since Q3 2019

Community Based - Average Hourly Rate (LTM) *1



Average hourly rate has decreased marginally since Q3 2019

Fee increases of 1.8% have been offset by investment in staff teams to support planned investment in our proven Community model, as well as changes in mix.

*1 Includes Focused Healthcare. Prior Periods have been restated to reflect improved MI delivered by our maturing Community systems infrastructure

Financial Highlights

Cash Flow



£m	Q3	
	2019	2020
EBITDA	10.7	11.6
Maintenance Capital expenditure	(2.0)	(2.6)
Operating Cash flow	8.7	9.1
<i>Cash conversion %</i>	<i>80.9%</i>	<i>78.1%</i>
Non-underlying items	(0.4)	(0.2)
Working capital	(1.1)	2.0
Interest	(8.4)	(8.2)
Taxation	(0.4)	(0.1)
FCF before Development Capex, Acquisitions and Financing	(1.6)	2.7
Development Capital expenditure	(9.6)	(0.2)
Acquisitions	0.3	0.0
Sale proceeds	1.5	5.3
FCF before Financing	(9.4)	7.8
Property and vehicle lease payments (IFRS16)	(0.9)	(0.9)
Net cash flow used in financing activities	13.3	0.0
Movement in cash for the period	3.0	6.9
Opening cash and cash equivalents	7.0	15.3
Closing cash and cash equivalents	10.0	22.2

Comments

Free cash flow before Development Capex, Acquisitions and Financing of £2.7m was £4.3m higher than Q3 2019

- Working capital inflow of £2.0m was £3.1m higher than Q3 2019 primarily due to lower trade debtors
- Development capex in prior year related to the completion of the Freehold purchase of the Hindhead site
- Included within sale proceeds of £5.3m in the period is the partial receipt of deferred consideration in relation to the sale of Supported Living Freehold properties in Q2 2020
- The committed RCF of £45m remained undrawn during the period

Financial Highlights

Net Debt and Leverage



£m Dec 18 Mar 19 Jun 19 Sep 19 Dec 19

Reported

Net Debt	266.0	255.7	262.1	236.5	228.2
LTM EBITDA	40.0	41.2	42.4	43.1	44.0
Leverage (Per 'Offering Memorandum')	6.65x	6.20x	6.19x	5.48x	5.18x

Pro-Forma Leverage

Net Debt (inc. IFRS 16 Lease Liability)	288.5	278.7	283.0	257.2	251.8
LTM EBITDA	40.0	41.2	42.4	43.1	44.0
Pro-Forma Leverage (inc. IFRS 16 Lease Liability)	7.21x	6.76x	6.68x	5.96x	5.72x

Comments

- LTM EBITDA increased to £44.0m in December 2019
- Reported leverage was 5.18x in December 2019, a reduction on September 2019 as a result of the further proceeds from the Supported Living Freehold sale
- Pro-forma leverage (inc. IFRS16 lease liability) was 5.72x

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 31 December 2019

	Registered		Community		Daycare	DCA	31 Dec 19 Total		30 Sep 19 Total	
	#	Capacity	#	Capacity	#	#	#	Capacity	#	Capacity
Freehold	228	1,777	23	94	4	5	260	1,871	259	1,873
Leasehold/Rental ⁽¹⁾	36	243	3	20	9	32	80	263	81	275
3rd Party Owned ⁽²⁾	0	0	279	1,084	2	4	285	1,084	283	1,054
Totals	264	2,020	305	1,198	15	41	625	3,218	623	3,202
Freehold NBV (£m) ⁽³⁾	305.7		6.7		2.0		314.4		320.6	

Comments

- At 31 December 2019, number of freehold properties held was 260, a net increase of 1 since 30 September 2019
- Net book value of freehold properties totaled £314.4m
- Community Based Care - properties increased by 4 and capacity by 36 since 30 September 2019
- 88.0% of registered capacity in freehold properties, whereas 7.8% 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



- We recently received another 5 Outstanding CQC reports bringing our total to 14.
- Supreme Court hearing on Royal Mencap and Sleep-ins took place on 12th - 13th February 2020. Judgement may be delivered by Summer 2020, and 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.
- Contingency plans are in place for Coronavirus in line with Government guidance
- Organic growth is continuing on recent trends
- Focus on specialisms including Brain Injury Rehabilitation and Specialist Behavioural Support is delivering enhanced growth

Q & A



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

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