Investor Presentation
Quarterly Report – Q2 2023

24 November 2022

voyagecare

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

Unless otherwise stated, this presentation includes the unaudited consolidated financial information of Voyage BidCo Limited for the 3 and 6 month period ended 30 September 2022 (“Q1 2023” and “YTD 2023” respectively). All comparisons of financial and operating statistics are for the 3 and 6 month period ended 30 September 2021 (“Q2 2022” and “YTD 2022” respectively), unless otherwise stated. Movements and percentages have been calculated using the underlying number to one decimal place of the number presented in this document. FYE 2022 is the 12 month period to 31st March 2022.

Adjustments

Certain numerical information and other amounts and percentages presented in this report have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

The abbreviation ‘nm’ is used in this report in certain instances when a percentage variance produces an erroneous or non-meaningful result.

Agenda

- Performance Summary
- Financial Highlights
- Property Summary
- Recent Developments and Outlook
- Q&A

Performance Summary

Q2 2023

- Market leading quality, with 93.6% of services achieving a CQC rating of Good, Outstanding or equivalent
- Continuing sector-wide staffing challenges, unprecedented inflationary environment, and fee recovery shortfalls have adversely impacted EBITDA performance
- Revenue for Q2 2023 grew by 7.9% to £78.7m and YTD Group grew revenue by 7.2% to £155.3m
- Fee increases offered by the end of Q2 2023 were 5.1% vs. 2.7% for the full year of FY22
- Agency use elevated at 5.8% of care hours due to challenging employment markets
- Underlying adjusted EBITDA for Q2 2023 reduced to £10.7m from £12.9m in prior year due to timing between NLW increases and fee recovery, and higher agency usage
- YTD EBITDA reduced to £20.0m from £23.6m
- Pro forma Leverage at 30th September 2022 was 5.6x (including IFRS16 lease liability)
- Liquidity strong with pro forma cash balance of £18.3m at 30th September 2022 and £45m RCF undrawn

Note: All comparators are against Q2 2022 unless stated otherwise.
Adjusted EBITDA is stated before non-underlying items

Financial Highlights

Q2 2022 vs. Q2 2023

£m	Quarter Q2 2022	Q2 2023	Growth
Revenue	**73.0**	**78.7**	**7.9%**
Unit Level Staff Costs	(45.8)	(50.2)	(9.5%)
Agency Costs	(2.1)	(4.6)	nm
Contribution	**25.0**	**24.0**	**(4.1%)**
Contribution %	*34.3%*	*30.5%*	*(3.8%)*
Direct Overheads (1)	(6.1)	(7.7)	(27.7%)
Unit EBITDA	**18.9**	**16.2**	**(14.3%)**
Unit EBITDA %	*26.0%*	*20.6%*	*(5.3%)*
Central Overheads	(6.0)	(5.6)	7.6%
Underlying adjusted EBITDA	**12.9**	**10.7**	**(17.4%)**
Underlying adjusted EBITDA %	*17.7%*	*13.5%*	*(4.1%)*

- Revenue increased by £5.7m, 7.9%
  - Key drivers were fee increases, fee rotation occupancy
  - Fee increases offered at 5.1% - higher than last year but lagging cost increases (FYE 2022 2.7%)
- Unit level Staff costs increased by £4.4m, 9.5%
  - Increases in NLW (6.6%) and Employers NI
  - Other hot spot pay awards to aid with retention and recruitment
- Agency costs increased by £2.4m corresponding to 5.8% of direct care hours due to staffing pressures and ongoing Covid-19 isolation
- Direct Overheads increased by £1.7m, of which higher gas prices was £1.0m
- Central Overheads decreased by £0.4m
- Underlying adjusted EBITDA decreased by £2.2m and margin compressed to 13.5%

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

Financial Highlights

YTD 2022 vs. YTD 2023

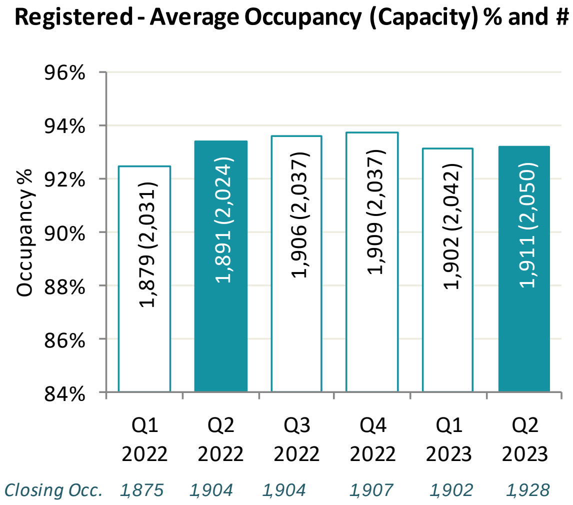
£m	YTD 2022	YTD 2023	YTD Growth
Revenue	**144.8**	**155.3**	**7.2%**
Unit Level Staff Costs	(93.6)	(99.7)	(6.6%)
Agency Costs	(3.4)	(8.4)	nm
Contribution	**47.9**	**47.2**	**(1.4%)**
Contribution %	*33.0%*	*30.4%*	*(2.7%)*
Direct Overheads (1)	(12.3)	(15.4)	(25.2%)
Unit EBITDA	**35.5**	**31.8**	**(10.7%)**
Unit EBITDA %	*24.5%*	*20.5%*	*(4.1%)*
Central Overheads	(11.9)	(11.7)	1.6%
Underlying adjusted EBITDA	**23.6**	**20.0**	**(15.2%)**
Underlying adjusted EBITDA %	*16.3%*	*12.9%*	*(3.4%)*

- Revenue increased by £10.4m, 7.2%
  - Key drivers were fee increases, fee rotation and occupancy
- Unit level Staff costs increased by £6.2m, 6.6%
  - Increases in NLW (6.6%), other pay rises and Employers NI
  - Partially offset by lower staff hours, replaced by agency
- Agency costs increased by £5.0m and averaged 5.4% of direct care hours due to staffing pressures
- Direct Overheads increased by £3.1m, of which higher gas prices was £1.9m
- Central Overheads stable
- Underlying adjusted EBITDA decreased by £3.6m
  - £2.4m timing between cost increase and fee increases
  - £1.2m Covid-19 costs now carried within the P&L and not reimbursed by central government e.g. SSP, testing time and agency costs

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

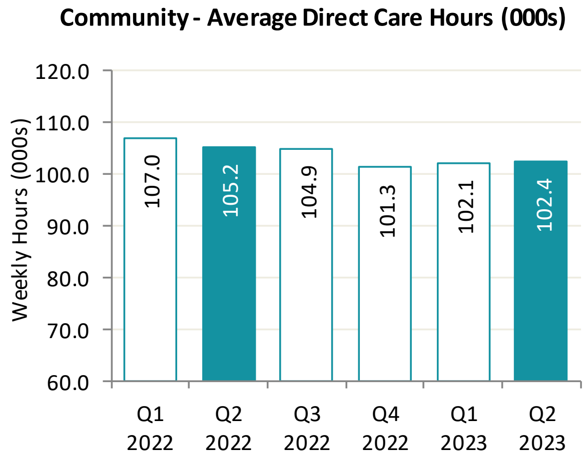
Financial Highlights

Key Operating Metrics

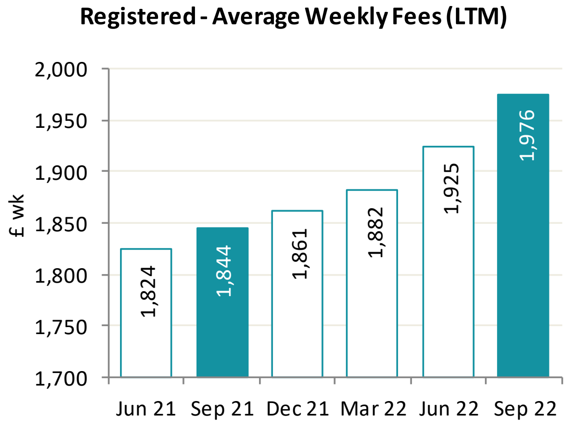


Closing occupancy for the period was 93.5% and 1,911 people we support, which was 20 higher than prior year primarily due to the recent acquisition

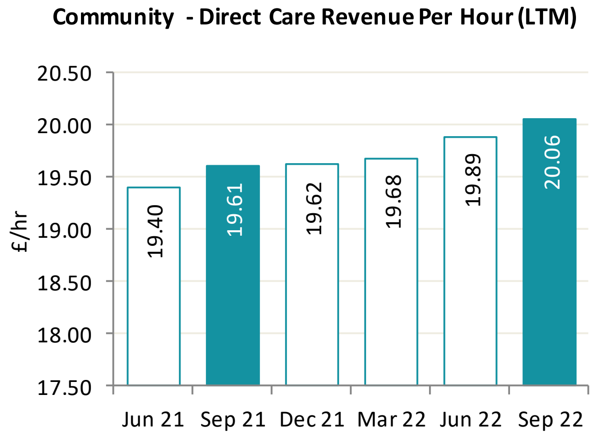
Referral pipeline continues to be strong however conversion impacted by recruitment challenges



Average direct weekly care hours reduced compared to Q2 2022, however broadly in line with the last two quarters due to ongoing staffing challenges.



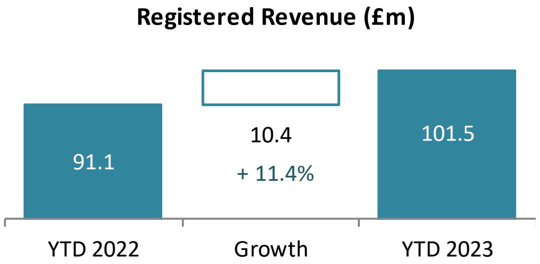
Registered Average Weekly Fees benefited from a combination of fee increases and new placements won at a higher rate, which has driven 7.2% year on year growth compared to September 2021

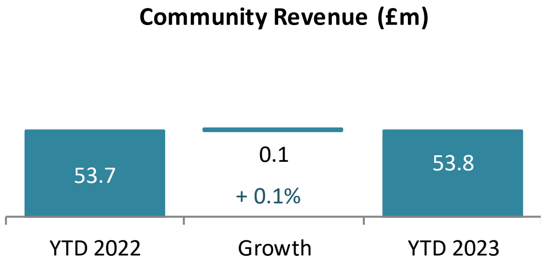


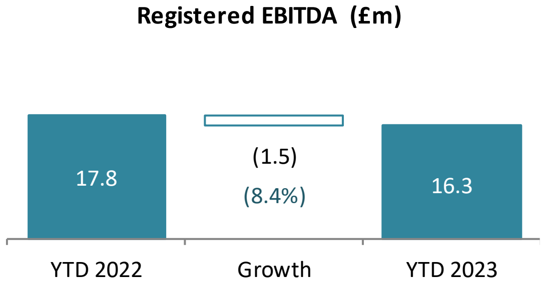
Direct care revenue per hour has increased by 2.3% since Q2 2022 due to fee increases and mix

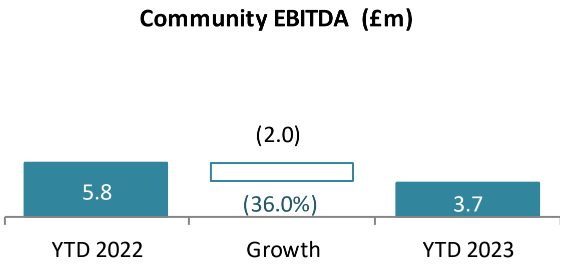
Financial Highlights

Segments









Registered

- Growth in revenue due to growth in number of people we support and fee increases
- EBITDA reduction due to higher agency usage and timing between NLW and inflationary cost increases and fee recovery

Community

- Revenue stable as fee increases offset by lower care hours due to staffing challenges
- EBITDA reduction due to higher agency usage and timing between NLW and inflationary cost increases and fee recovery

Financial Highlights

Cash Flow

£ million	Q2 2022	Q2 2023	% Change
Underlying adjusted EBITDA	12.9	10.7	(17.1%)
Maintenance capex	(3.5)	(3.6)	2.9%
IT capex	(0.6)	(0.8)	33.3%
Adjusted free cash flow	**8.8**	**6.3**	**(28.4%)**
Cash conversion %	*68.1%*	*58.8%*	*(9.3%)*
Non-underlying items	(1.0)	(0.2)	(80.0%)
Working capital	(0.4)	0.6	nm
Interest	(0.1)	(7.8)	nm
Taxation	(0.9)	0.3	nm
FCF before dev. capex, acquisitions and financing	**6.4**	**(0.7)**	**nm**
Development capex	(0.5)	(1.5)	nm
Acquisition capex	(3.6)	(4.2)	16.7%
Proceeds from sale	0.1	0.1	0.0%
FCF before financing	**2.4**	**(6.4)**	**nm**
Property and vehicle lease payments (IFRS16)	(1.1)	(1.4)	27.3%
Net cash flow used in financing activities	0.0	5.0	nm
Movement in cash for the period	**1.3**	**(2.7)**	**nm**
Opening cash and cash equivalents	39.0	21.0	(46.2%)
Closing cash and cash equivalents	**40.3**	**18.3**	**(54.6%)**
Undrawn RCF at Closing	45.0	45.0	0.0%
Total liquidity	**85.3**	**63.3**	**(25.8%)**

- Adjusted free cash flow £2.5m lower than Q2 2022 due to lower EBITDA
- FCF before Development Capex, Acquisitions and Financing £7.1m lower due to interest payment timing differences resulting from February 2022 refinancing
- Investment in development continues
  - £1.5m developing new services
  - £4.2m acquisition of 16 services from The Disabilities Trust in September
- £45m of £50m RCF available, with £5m drawn down due to the acquisition

Financial Highlights

Net Debt and Leverage

Ratio of pro forma net debt to pro forma Underlying Adjusted EBITDA

£m	**Sep-21**	**Dec-21**	**Mar-22**	**Jun-22**	**Sep-22**
Gross Debt	250.0	250.0	250.0	250.0	255.0
Pro forma Cash	(20.8)	(18.2)	(20.7)	(18.5)	(15.9)
Pro forma secured net debt	229.2	231.8	229.3	231.5	239.1
IFRS16 Lease Liability	17.5	17.4	17.6	16.8	16.3
Pro forma net debt including IFRS 16 lease liability	**246.8**	**249.2**	**246.8**	**248.3**	**255.5**
Underlying Adjusted EBITDA	47.5	48.4	48.7	47.3	45.1
Pro forma EBITDA adjustments	1.2	0.9	0.6	0.4	0.2
Pro forma underlying adjusted EBITDA	**48.7**	**49.3**	**49.4**	**47.8**	**45.3**
Ratio of pro forma net debt to pro forma Underlying Adjusted EBITDA	**5.1x**	**5.1x**	**5.0x**	**5.2x**	**5.6x**

- Pro forma Underlying Adjusted EBITDA reflects the full year impact of pro-forma adjustments as if they had been fully implemented at 30th September 2021 and 30th September 2022 respectively
- Pro forma LTM EBITDA at £45.3m, decreased by £3.4m compared to September 2022
- Net debt higher than last September by £8.7m due to £5.0m drawn on RCF and timing of interest payment under new loan notes
- Pro forma Leverage was 5.6x in September 2022 increasing from 5.2x since June 2022

Note:
September 21 as per offering memorandum

Property Summary

Open properties as at 30/09/2022

	Registered		Community		Daycare	30/09/2022 Total		30/06/2022 Total		DCA[4]
	#	Capacity	#	Capacity	#	#	Capacity	#	Capacity	#
Freehold	238	1,831	27	98	1	266	1,929	260	1,910	6
Leasehold/Rental [1]	31	220	3	10	7	41	230	41	234	32
3rd Party Owned [2]	3	9	300	1,228	0	303	1,237	289	1,158	3
Totals	**272**	**2,060**	**330**	**1,336**	**8**	**610**	**3,396**	**590**	**3,302**	**41**
Freehold NBV (£m) [3]	**312.6**		**6.8**		**2.0**	**321.3**		**318.1**		

Comments

- At 30th September 2022, number of freehold properties held was 266, an increase of 6 from 30th June 2022.
- We increased by 16 properties as part of the acquisition from the Disabilities Trust (6 Freehold, 10 3rd Party Owned)
- Net book value of freehold properties totaled £321.3m[5]
- 88.9% of registered capacity in freehold properties, whereas 7.3% 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.
(4) Total Freehold capacity excludes DCAs which are already counted in community
(5) 3rd Party property valuation as at June 2021 was £436.0m

Recent Developments and Outlook

- CQC has shifted to a risk-based approach, focusing inspections on services with potential issues and not inspecting services which have improved, resulting in a degradation of quality scores across the sector.

- Current UK macroeconomic situation and operating environment poses challenges to most sectors, including specialist care

- Very tight UK employment market means that recruitment and retention continues to be the key area of focus - staff availability is negatively impacting our ability to grow and increasing agency usage

- We continue to invest in our frontline colleagues to improve retention, drive recruitment, reduce agency usage and unlock growth potential. Benefits expected to come through over the next 6 to 12 months

- Fee increase discussions for FYE 2023 continue, however funding environment is increasingly challenging

- Sector experiencing increasing level of closures due to staffing and financial pressures. We continue to review our portfolio and will hand back services where we are no longer able to safely and economically deliver our usual high standard of care

- Covid-19 pandemic continues to have some negative impact, for example isolation for staff with symptoms

- Growth opportunities available as we resolve staffing challenges

- Strong financial position from continued cost and margin focus, resilient operational performance - we continue to deliver high quality care

Q & A

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

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