Four Seasons Health Care

FY 2021 Trading and Restructuring Update and Additional Information Release
Draft, unaudited results for the year ended 31 December 2021

23 March 2022

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FY 2021 Trading Overview[1]

FY 2021 financial results

- FY 2021 Group[5] EBITDA[2] of £23.2m is £8.6m lower than FY 2020 (£5.0m lower when adjusting for the impact of THG disposal).
- The FY 2021 EBITDA[2] in respect of the CHD[4] was £22.4m and included Covid-19 support income of £23.7m (FY 2020: £27.4m and Covid-19 support income of £17.6m).

Income[4]

- FY 2021 turnover was £9.5m higher than FY 2020, after adjusting for revenue from homes closed, sold or migrated.
- Along with the rest of the sector, occupancy remains significantly impacted following the decline that was suffered as a result of the first wave of Covid-19 during Q2 2020.
- Whilst the FY 2021 closing occupancy of 81.0% represented a 1.8 percentage point increase on the year opening occupancy, the FY 2021 average occupancy percentage of 79.7% was c10 percentage points below pre-pandemic levels. Occupancy growth during 2021 was assisted by a death rate that was consistently below historical levels since the start of June 2020.
- Admissions, which were impacted during 2020 and Q1 2021, had returned to pre Covid-19 levels by Q2 2021. Whilst referrals and enquiries have remained strong, admission levels during December 2021 and into January and February 2022 have been substantially impacted as a result of the current legislation restricting homes taking new admissions for prolonged periods following an outbreak of Covid-19.
- The average weekly fee in FY 2021 increased by £44, or 5.3%, year on year. The Care Home Division (CHD) income in FY 2021 includes c£24m of financial support from Local Authorities and CCGs in respect of exceptional Covid-19 costs incurred (FY 2020: c£18m). However, reimbursement of these costs does not fully compensate for the occupancy decline.

Payroll, care and facility costs[4]

- The staffing environment continued to be challenging during the year as a result of underlying difficulties faced by the sector which have been exacerbated by Covid-19, specifically staff isolation rules which resulted in acute workforce pressures developing during Q4 which have continued post year-end (see slide 3, 14 and 15).
- As a result, payroll as a percentage of income at 69.5% during the year was 2.8 percentage points higher than in FY 2020 (4.7 percentage points higher when adjusted for Covid-19 support). Agency usage, which had been well controlled during Q1 and Q2 2021 and FY 2020 remained and was significantly below levels prior to the organisational restructure and wider sector averages, increased by 5.5 percentage points to 18.1% in Q4 2021.
- Care and facility overheads were well controlled during the year at 14.1% of turnover (a 0.7 percentage point decrease on the prior year).

EBITDARM[4]

- As a result, FY 2021 EBITDARM[3], excluding the impact of homes closed, sold or migrated, of £53.1m was £7.4m lower than FY 2020.

Notes:
1. The Group's results for the year ended 31 December 2019, the year ended 31 December 2020, and the year ended 31 December 2021 are draft and unaudited
2. EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
3. Before closed and closing home costs
4. In respect of the Care Home Division, comprising FSHC and brighterkind (CHD)
5. Group = Elli Investments Limited (in administration) and its direct or indirect subsidiary undertakings. Includes the results of 10 freehold/long leasehold, and 1 leasehold, THG sites up to the date of sale completion (5 March 2021), 13 Northern Ireland disposal sites up to the date of completion (26 July 2021), and the results of any leaseholds up to the date of migration/administration

Operational Update (1/2)

The overall trading conditions remain extremely challenging with Covid-19 and the consequences of Covid-19 still presenting real issues. The key challenges facing the business are summarised below;

Occupancy

- Steady improvements had been made in occupancy during 2021, with an increase of 1.8 percentage points during the year. With a death rate consistently below historical levels since the start of June 2020, Covid accounting for a very low proportion of all deaths, and admissions having recovered to pre Covid levels by Q2 2021 the business was in a strong place to continue occupancy recovery.
- However, infection numbers rose sharply in both residents and team members from December 2021 and into January and February 2022 mirroring the wave of Omicron infections that has swept through the country. Whilst these infections have not led (in the vast majority of cases) to serious illness or death, positive cases are adversely impacting the Group (and indeed wider sector occupancy) predominantly as a result of three factors (i) current Public Health England legislation resulting in a large number of homes being delayed in or prevented entirely from accepting new admissions for multiple weeks following a positive Covid-19 case (ii) higher rates of staff isolation than previously seen have led to workforce shortages which is resulting in us having to decline admissions where we cannot be sure of having adequate team available to provide safe and effective care, and (iii) the perceived risk of the virus is making people understandably nervous about putting loved ones into care homes, not because of the direct health risk but because of the concern of future lockdowns and enforced isolation.
- Inquiries and referrals have remained strong throughout, and whilst the past six weeks have seen a return to c90% of normalised admission levels, the legislation has meant we have been unable to fully take advantage of this pent up demand.

Workforce

- The lack of people across the sector has been a long standing issue and was made more difficult during 2021 by the mandating of the Covid-19 vaccine as a condition of deployment for those working in social care and the opening up of the wider economy which together conspired to create an even more acute workforce shortage.
- As previously reported, pay rates are rising rapidly and agency costs are also increasing. Further to these structural workforce pressures, the increase in infection numbers and isolation requirements have, since December and during 2022 so far, resulted in a material shift in agency usage. As a percentage of total payroll agency costs have increased from a low point of 6% in mid 2020 to an average of c18% in Q4 2021. The current level of between 22 and 23% is the highest figure that we have seen. This trend of significantly increased agency is consistent across the sector and is anticipated to remain a challenge, at least in the short term.
- The working environment remains extremely challenging (PPE, testing, infection control protocols etc) and, whilst homes have to a degree learned to "live with the virus", staff are continuing to work at unsustainable levels of pressure that Covid-19 has placed on the social care sector during the past two years

Operational Update (2/2)

Other operational factors

- The problems outlined above are material and inevitably place constraints on us operationally and financially, but we are confident we have the tools and team in the team in place to manage these issues in the short term as the sector starts to return to normality.
- The immediate term focus of the business is in three areas; to drive occupancy, reduce agency and to maintain care quality. We are continuing to work hard to change the culture of the Group and feedback from third parties such as Indeed, Glassdoor and carehome.co.uk all indicate that we are continuing to move in the right direction.
- Whilst financial performance is driven by occupancy and agency, maintaining care quality is essential in ensuring a stable platform. During the year care quality outcomes have improved, driven by a continued strong operational focus and supported by systems introduced over the past 12 months. Regulatory activity is reducing and our inspection outcomes in England since the start of 2021 have been in line with the sector average.

Restructuring Update (1/3)

Overview

- The Joint Administrators and the Group continue to focus on restructuring the Group.

- This has been focused to date on the restructuring of the Group's leasehold estate, the unification of the two care home businesses, the rationalisation of the CHD and shared service central functions and the progression of sale processes in relation to certain parts of the Group notably the THG business and the Northern Ireland portfolio.

- On 31 December 2021, Joe O'Connor (a Managing Director of AlixPartners UK LLP, and an experienced restructuring professional who has worked extensively in the social care sector) was appointed as Mericourt Limited's Implementation Officer in accordance with the Super Senior Term Loan, as amended and restated on 15 November 2021. Mr O'Connor has also been appointed as a director of Mericourt Limited.

- The Joint Administrators, Mr O'Connor and the Group remain focused on maintaining operational stability and continuity of care, whilst maximising returns to lenders from the assets and operations of the Group, in particular its core portfolio of 102 freehold homes and a small number of remaining leasehold homes.

Liquidity and financing

- As previously announced, on 15 November 2021, EFUK and other companies in the Group amended and restated the Group's Super Senior Term Loan facility ("SSTL") to extend the maturity date of the SSTL amongst various other amendments made to the SSTL. The key terms are (i) extension of the maturity of the SSTL to 31 December 2022 and a waiver of all material existing defaults and events of default under the SSTL; (ii) cash pay interest at a rate of SONIA plus 8 per cent. per annum from the effective date of the agreement, 15 November 2021; (iii) the Group's treasury company, Four Seasons Health Care Group Treasury Limited, granting security to the lenders over the bank account which holds the majority of the Group's cash; and (iv) inclusion of additional covenants relating to the operational stability of the Group. By curing the existing defaults under the SSTL, extending the maturity, and the aforementioned appointment of an Implementation Officer, this agreement helps to provide the Group with a stable runway to progress the next stage of its restructuring (see following slide).

- As previously disclosed, the Group remains in default in relation to its senior secured and its senior unsecured notes.

- The Group has been reassessing its cashflow forecast based on the information available to it, in particular, in respect of Covid-19 (and the on-going impact on occupancy and agency as outlined on slide 3, 14 and 15) and other factors. The Group's cashflow remains somewhat lower than in the pre-Covid-19 period, and the Group continues to carefully manage its working capital, overall liquidity and expenditure.

- At the end of December 2021, the Group had a cash balance of £33.1m and as of 20 March 2022 this had decreased to £33.0m

Restructuring Update (2/3)

Disposals

- Following the sale of fourteen homes in Northern Ireland in July 2021, the Group has received interest in the remainder of the Northern Ireland portfolio and on 22 March 2022 the Group announced that a conditional sale and purchase agreement was entered into with Beaumont Care Homes Limited and Beaumont Care Homes Property Limited (together, the "Buyers") on 21 March 2022 relating to the sale of the business and assets of the remaining 29 operating sites in the Group's NI Portfolio for an aggregate value of £36,000,000 in cash (the "Transaction"). Completion of the Transaction is subject to customary closing conditions including regulatory approvals, with completion anticipated to take place in Q2 of 2022. Costs relating to the Transaction are estimated to be in the region of £5.4m, including costs in relation to the unwind of negative working capital of £4.7m, broker fees of approximately £0.5m and certain legal costs of £0.3m with the remaining proceeds returned to lenders. The Group will work closely with the Buyers and other counterparties as well as all relevant regulators to ensure that the transition of the sites and staff to the Buyers is seamless.

- The sale process in relation to the Value Portfolio is ongoing, with sales completed on 2 closed sites on 7 March 2022 and contracts exchanged on 4 operational homes during December 2021 and January 2022. Further updates will be provided in due course.

Leasehold estate restructuring

- The Group previously reported that between December 2019 and 30 June 2021, 127 operational care homes and other facilities (including the portfolios of the four largest landlords where it was not possible to renegotiate rental levels in respect of those portfolios) had transitioned away from the Group.

- The leaseholds that have migrated since December 2019 contributed a net EBITDAM of c£4m during 2019. However, after capex and costs for closed homes, these care homes and specialist units resulted in a c£5.0m cash outflow for the Group.

- Progression of the leasehold estate restructuring was impacted from Q2 2020 onwards by Covid-19. The Group continues to consider all options in relation to the other care homes in its leasehold estate (c15 operational homes). It remains in discussions with the landlords of those homes. Following discussions, the Group has recommenced the payment of rents on certain homes.

- The Group is engaging with a number of landlords around the retention of certain leasehold homes in the core portfolio. In addition the Group is working with other landlords in respect of the migration of a number of care homes to new operators.

Restructuring Update (3/3)

Chief Executive Officer

- As announced on 19 January 2022 Jeremy Richardson, the Group CEO, decided to step down from his role with the Group and has now left the business. Mr. Richardson successfully led the Group through an operational turnaround that has seen improved care quality ratings and profitability, and provided steady and successful stewardship across the COVID period.
- As a result of the resignation of Mr Richardson, Mr O'Connor has been gradually assuming further responsibilities and has now taken over a number of CEO responsibilities in order to provide leadership for the Group, working closely with the existing talented senior management team and the Joint Administrators.
- Under the governance of the board of directors, and with the assistance of Mr. O'Connor, the Group is undertaking an internal process to seek to expand existing senior management roles to continue to provide the right operational leadership for the Group.

Future developments

- Following the extension of the maturity of the SSTL and the other restructuring activity to date, the Group is well placed to progress its strategy for maximisation of value in relation to its residual assets, in particular, its core portfolio of 102 freehold homes and a small number of remaining leasehold homes (including, but not limited to, sale, merger and/or other strategic transactions). Work continues in this regard between the Joint Administrators, the Group and its advisors.

Summary

- The Joint Administrators continue to consider all possible options for the Group's organisational and capital structure. This includes potential sales of all or parts of the Group, internal reorganisations, refinancing, restructuring of the financial debt (which may or may not include a debt for equity swap) and/or a combination of any of the aforementioned.
- At this stage, nothing is decided in respect of the options or the timing, and the Joint Administrators and the Group will decide on the most appropriate option in due course, focusing on the interests of the Group and its relevant stakeholders, and on maintaining continuity of care. Further announcements will be made in due course.

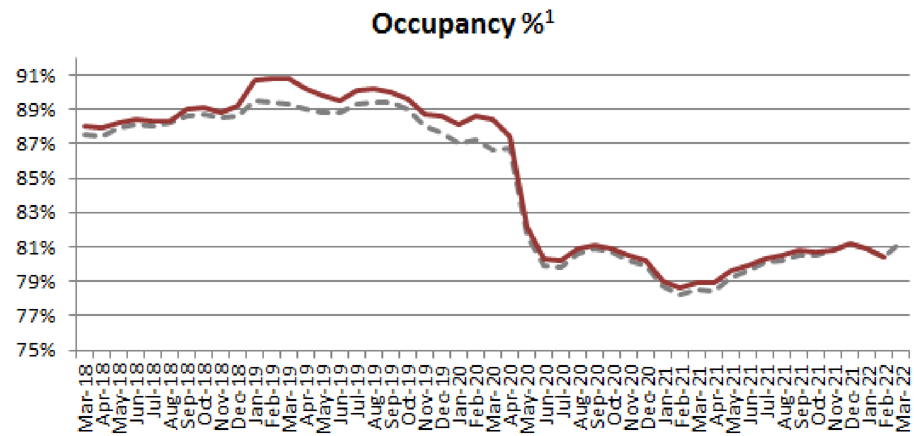
Results – KPIs (CHD[1])

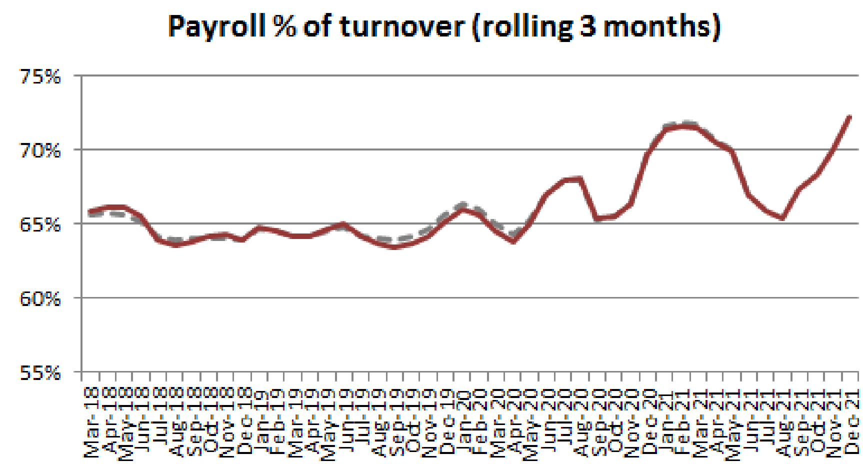
	2019					2020					2021				
	Q1	Q2	Q3	Q4	Year [2]	Q1	Q2	Q3	Q4	Year [2]	Q1	Q2	Q3	Q4	Year [2]
Turnover (£m)	135.5	138.0	138.9	132.7	545.2	111.7	93.9	92.5	92.2	390.4	88.6	94.6	89.2	86.7	359.1
EBITDAR (£m)[4][5]	19.1	19.1	23.0	17.0	78.3	12.8	9.7	11.7	6.1	40.3	4.5	11.1	10.5	3.3	29.3
EBITDA (£m) [5][6][7]	7.4	7.4	11.2	6.4	32.4	6.4	7.3	9.7	4.1	27.4	2.6	9.3	8.7	1.8	22.4
Effective beds	15,165	15,073	15,057	14,567	14,965	12,445	9,932	9,813	9,782	10,493	9,653	9,613	9,193	8,762	9,305
Occupancy %	89.4%	88.9%	89.4%	88.2%	89.0%	87.0%	82.8%	80.4%	80.3%	82.6%	78.5%	79.1%	80.2%	80.8%	79.7%
Average weekly fee (£)	767	791	792	792	786	792	845	831	839	827	852	874	875	882	871
Payroll (% of turnover)[2]	64.1%	64.8%	63.9%	65.6%	64.6%	65.0%	66.9%	65.4%	69.7%	66.8%	71.7%	67.0%	67.2%	72.3%	69.5%
EBITDARM (% of turnover)[4]	20.8%	21.1%	22.6%	18.9%	20.8%	19.7%	18.3%	20.4%	15.0%	18.4%	13.2%	19.6%	19.5%	12.5%	16.3%
Agency (% of payroll)[2]	9.5%	9.8%	11.1%	10.1%	10.1%	8.8%	8.6%	7.0%	9.0%	8.4%	8.5%	8.1%	12.6%	18.1%	11.8%
Expenses (% of turnover)	15.1%	14.1%	13.5%	15.5%	14.5%	15.3%	14.8%	14.2%	14.9%	14.8%	15.0%	13.3%	13.3%	14.7%	14.1%
Central costs (% of turnover)	6.2%	6.5%	5.5%	5.7%	6.0%	8.1%	7.7%	7.6%	8.2%	7.9%	8.0%	7.8%	8.2%	8.9%	8.2%
KPIs excluding migrated leaseholds [10]															
Turnover (£m)	84.4	86.4	86.9	85.6	343.4	85.2	87.9	87.7	87.6	348.3	85.8	91.8	86.2	85.1	348.8
Effective beds	9,254	9,254	9,254	9,254	9,254	9,240	9,240	9,240	9,240	9,240	9,271	9,248	8,828	8,572	8,980
Occupancy %	90.8%	89.8%	90.1%	89.0%	89.9%	88.4%	83.3%	80.8%	80.5%	83.2%	78.8%	79.5%	80.5%	80.9%	79.9%
Average weekly fee (£)	773	799	801	800	793	801	845	833	838	830	853	876	877	883	872
Payroll (% of turnover)[2]	64.1%	65.0%	63.5%	65.1%	64.4%	64.5%	67.0%	65.4%	69.6%	66.6%	71.5%	67.0%	67.3%	72.3%	69.5%
EBITDARM (% of turnover)[4]	20.7%	20.7%	22.8%	19.3%	20.9%	20.4%	18.3%	20.3%	15.2%	18.5%	13.4%	19.7%	19.3%	12.5%	16.2%
Agency (% of payroll)[2]	9.1%	9.8%	10.6%	9.3%	9.7%	8.2%	8.7%	7.0%	8.9%	8.2%	8.4%	8.2%	12.6%	18.1%	11.8%
Expenses (% of turnover)	14.6%	13.7%	13.2%	14.9%	14.1%	14.5%	14.2%	13.6%	14.5%	14.2%	14.4%	13.3%	13.3%	15.0%	14.0%
Memo: THG EBITDA (£m) [9]	(0.5)	(0.3)	(0.0)	0.2	(0.6)	0.2	1.0	2.1	1.2	4.5	0.9				

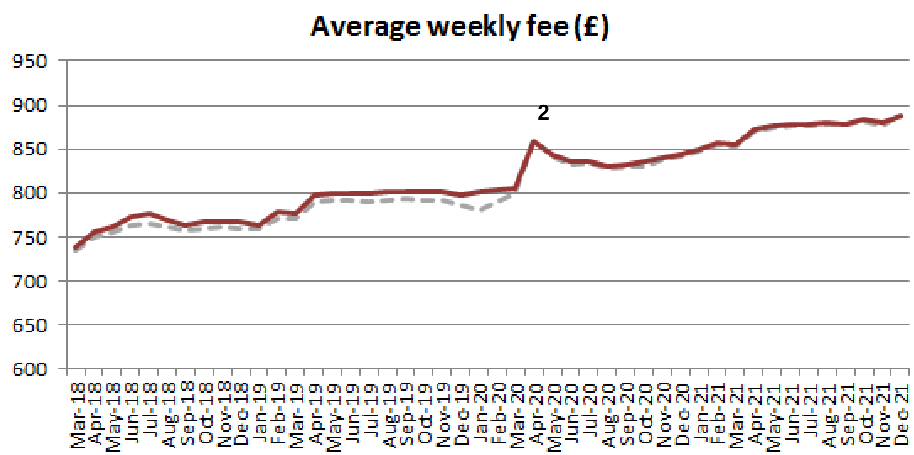
Notes

1. KPIs presented for the combined CHD (FSHC and brighterkind) only following disposal of THG division on 5 March 2021
2. Payroll excludes central payroll
3. Full year numbers may include minor rounding differences compared to the four quarter aggregate
4. EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs) and before closed and closing home costs
5. Due to their on-going nature, certain costs relating to closed and closing homes are included within EBITDA(R)
6. EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
7. Rent on migrated leaseholds is accrued up to the date of the migration
8. The Group's results for the periods presented above are draft and unaudited
9. Includes the results of 10 freehold/long leasehold, and 1 leasehold, THG sites for which a sale process completed on 5 March 2021
10. KPIs excluding all leasehold care homes which have been migrated to alternative operators in Q4 2019 (45 operating and 13 closed care homes), Q1 2020 (66 care homes and 11 closed care homes), and Q2, Q3 and Q4 2020 (5 operational care homes and 7 closed sites), 2 care homes in Q1 2021, and 6 care homes in Q4 2021

Results – Care homes







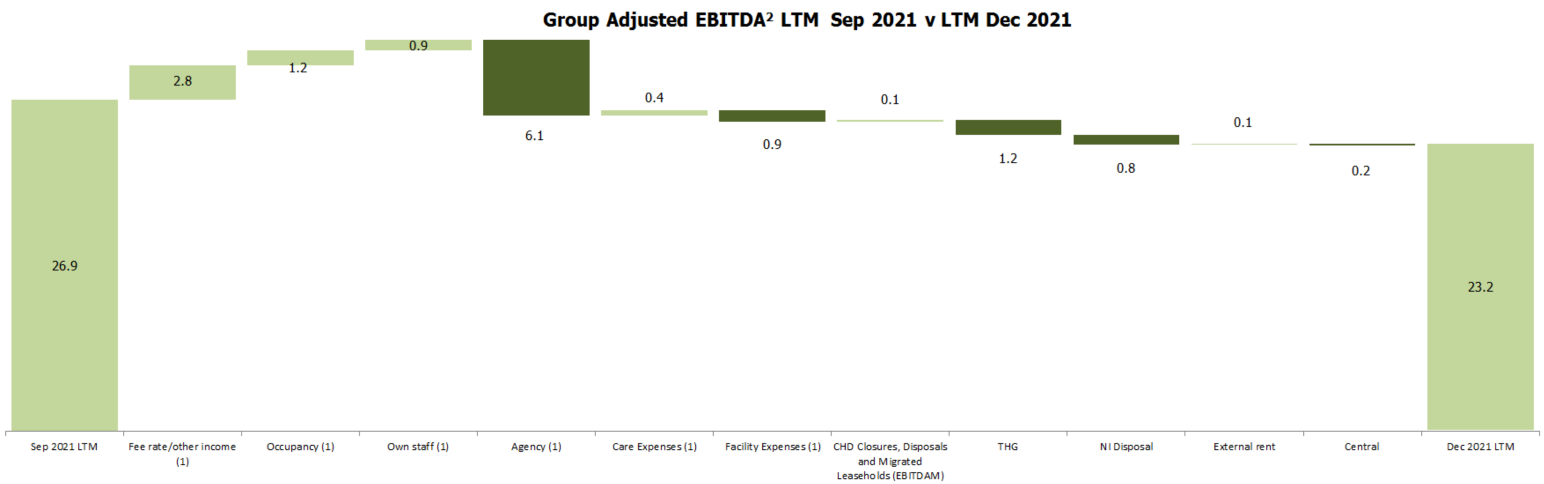
- - - Full historical CHD estate —— Excluding Migrated Leaseholds

Note 1 – Mar-22 occupancy % represents 22 March 2022 spot occupancy % (at 81.3%)

Note 2 - In April 2020 a c£15 (9%) increase to the Funded Nursing Care ("FNC") average weekly fee was announced. The increase is effective from 1 April 2019. Due to the timing of this announcement, the additional fee income has been reflected in Q2 2020 results and KPIs. The estimated EBITDARM impact is c£0.4m per quarter

- Average Q4 2021 occupancy in the care home business of 80.8% was 0.6 percentage points higher than the previous quarter and the year-end closing position of 81.0% represents a 1.8% increase from the start of the year.
- The death rate continues to be significantly below the last four year average and since March 2021 Covid-19 has accounted for a very low level of all deaths and is generally not resulting in serious illness.
- However, an increased level of infections coupled with the current guidance around deemed outbreaks and staff isolation has restricted the ability of a large proportion of homes in the estate being able to take full advantage of demand around new admissions since December 2021 and during January and February 2022.
- As a result, the current (22 March 2022) spot occupancy of 81.3% represents a 0.5 percentage point decrease since the start of the year.
- Staff isolation rules are also having an impact on payroll costs which were already challenging due to sector wide labour shortages.
- Agency, which, at an average of 8.9% of total payroll during 2020 and up to Q3 2021 had been well controlled, increased to an average of 18.1% of total payroll during Q4 2021. Agency levels during 2022 have increased further and are currently at between 22 and 23% of total payroll.
- As a result of this increased agency usage, total payroll as a percentage of turnover in Q4 2021 increased by 5.1 percentage points over the previous quarter.
- AWF averaged £871 during FY 2021 represented a £44, or 5.3%, increase on the prior year

Results – LTM Adjusted EBITDA Sep 2021 v LTM Dec 2021



- The LTM movement, excluding closures, disposals (including THG and NI disposals) and migrations, was largely a result of the following drivers:
  - Income was £4.0m higher in December 2021 LTM than September 2021 LTM:
    - Group fee rates were higher leading to an overall favourable fee rate variance of £3.9m
    - Income of £5.5m (2020 Q4: £6.6m) was received from LAs and CCGs in respect of an element of the exceptional Covid-19 costs
    - Slightly higher occupancy in Q4 2021 compared to Q4 2020 resulted in an favourable occupancy variance of £1.2m
  - Own staff payroll costs decreased by £0.9m despite a further quarter of the National Living Wage from April 2021 and the on-going pressures of Covid-19
  - However, agency resulted in a £6.1m decrease to LTM EBITDA due to the on-going recruitment crisis and the Covid-19 isolation rules
  - A £0.5m decrease in LTM EBITDA was incurred in care and facility expenses due to inflationary pressures and additional infection control costs

- The EBITDAM impact of CHD closures, disposals and migrations was a £0.1m increase during the period, whilst the EBITDA of THG and NI disposals resulted in a £1.2m and £0.8m decrease respectively

- There was no material impact as a result of external rent and central costs during the period

Notes
1. Excludes closures/disposals of care homes and migrations
2. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
3. Rent on migrated leaseholds is accrued up to the date of the migration

FY 2019, FY 2020 and FY 2021 EBITDA and cash flow analysis

	2019					2020					2021				
£m	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
EBITDARM	31.5	32.8	35.0	28.8	128.1	25.5	21.3	23.7	17.3	87.7	14.1	18.6	17.4	10.8	60.9
Closed home costs	(1.3)	(1.5)	(0.9)	(0.8)	(4.5)	(0.4)	(0.5)	(0.3)	(0.3)	(1.6)	(0.3)	(0.3)	0.3	-	(0.3)
Rent(1)(2)(3)	(13.1)	(13.2)	(13.3)	(12.1)	(51.7)	(7.7)	(3.5)	(3.1)	(2.8)	(17.2)	(2.0)	(1.8)	(1.6)	(1.5)	(6.9)
Central costs	(10.2)	(11.0)	(9.6)	(9.4)	(40.2)	(10.7)	(8.9)	(8.5)	(8.9)	(37.0)	(8.2)	(7.4)	(7.3)	(7.7)	(30.6)
Adjusted EBITDA(3)	**6.9**	**7.0**	**11.2**	**6.6**	**31.7**	**6.6**	**8.3**	**11.8**	**5.3**	**32.0**	**3.5**	**9.2**	**8.8**	**1.7**	**23.1**
Maintenance Capex	(3.2)	(5.7)	(6.0)	(7.1)	(21.9)	(2.7)	(2.4)	(1.9)	(5.4)	(12.4)	(2.2)	(3.0)	(2.9)	(3.5)	(11.6)
Central Capex	(0.3)	(0.1)	(0.3)	(0.2)	(0.8)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
Capex	**(3.4)**	**(5.8)**	**(6.2)**	**(7.2)**	**(22.6)**	**(2.7)**	**(2.4)**	**(1.9)**	**(5.5)**	**(12.6)**	**(2.2)**	**(3.1)**	**(2.9)**	**(3.5)**	**(11.7)**
Exceptionals - restructuring	(5.5)	(8.9)	(9.4)	(10.4)	(34.2)	(14.0)	(6.4)	(4.4)	(8.8)	(33.6)	(5.0)	(3.5)	(3.6)	(7.6)	(19.7)
Exceptionals - other	0.2	0.0	(0.0)	1.4	1.6	0.3	-	-	-	0.3	-	-	-	(0.1)	(0.1)
Exceptionals	**(5.3)**	**(8.9)**	**(9.5)**	**(9.0)**	**(32.7)**	**(13.7)**	**(6.4)**	**(4.4)**	**(8.8)**	**(33.3)**	**(5.0)**	**(3.5)**	**(3.6)**	**(7.7)**	**(19.8)**
Debt drawdown/(repayment)	30.0	-	-	-	30.0	-	-	-	-	-	(31.6)	-	(13.3)	-	(44.9)
Taxation	(0.2)	0.4	(0.2)	-	0.1	(0.2)	-	(0.2)	-	(0.4)	-	-	-	-	-
Interest	(0.8)	0.0	0.0	0.0	(0.6)	-	-	-	-	-	-	-	-	(0.3)	(0.3)
Disposal proceeds	0.4	-	-	-	0.4	-	-	-	-	-	35.0	-	16.1	0.2	51.3
Working capital movement	(15.2)	(1.0)	0.8	12.9	(2.5)	11.0	11.5	(0.8)	4.7	26.4	(5.4)	3.8	(11.0)	1.7	(10.9)
Net cash flow	**12.4**	**(8.2)**	**(3.8)**	**3.3**	**3.7**	**1.0**	**11.0**	**4.4**	**(4.3)**	**12.1**	**(5.7)**	**6.4**	**(5.9)**	**(8.0)**	**(13.2)**
Opening cash balance	30.5	42.9	34.7	30.9		34.2	35.2	46.2	50.6		46.3	40.7	47.0	41.1	
Closing cash balance	42.9	34.7	30.9	34.2		35.2	46.2	50.6	46.3		40.7	47.0	41.1	33.1	

Notes
1. Rent on migrated leaseholds is accrued up to the date of the migration
2. Notwithstanding the level of rent accrued, rent paid in cash in Q4 2019, FY 2020 and FY 2021 was £1.7m, £5.9m and £4.1m respectively
3. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
4. THG central costs include a recharge of CHD/Group costs (£0.9m in FY 2020 and £0.1m in Q1 2021)

- In FY 2019 the Group generated £9.1m of operating cash before exceptional costs of £32.7m, a working capital outflow of £2.5m and £30m of additional drawings under the Group's term loan facility.
- In FY 2020 the Group generated £19.4m of operating cash before exceptional costs of £33.3m and a working capital inflow of £26.4m.
- In FY 2021 the group generated £11.4m of operating cash before exceptional costs of £19.8m and a working capital outflow of £10.9m.
- Two disposals were successfully completed during FY 2021 (i) on 5 March 2021 the disposal of THG business for an aggregate value of £35.0m, following which net proceeds of £31.6m have been returned to lenders, and (ii) on 26 July 2021 the disposal of 13 operating and one closed site in Northern Ireland completed for an aggregate value of £16.1m, following which net proceeds of £13.3m have been returned to lenders.
- As a result of the above, the Group's cash balance decreased by £13.2m during FY 2021 and cash flow remains somewhat lower than in the pre-Covid-19 period
- The review of the CHD and shared service central functions and related cost base was completed by the end of April 2020, resulting in cost savings of c£5.9m in Q2-Q4 2020 and H1 2021 compared to comparative periods, although an element of the reduction is due to imposed restrictions on the level of activity arising from Covid-19.
- Central costs in FY 2020 include £6.2m attributable to THG (£1.3m in Q4 2020)[4]. Central costs in Q1 2021 include £1.2m attributable to THG.

Regulatory action as at 10 March 2022

The table below sets out a summary of the regulatory action within each business, as at 10 March 2022:

Summary of current regulatory action as of 10 March 2022				
	Embargoes	Other restrictions	Enforcement actions	Total number of open homes
FSHC	-	2	10	133
brighterkind	-	1	2	25
Total	-	3	12	158

- All care homes are subject to regular inspection by the relevant national regulator.
- Each inspection results in a published regulatory rating which differs by regulator based on a compliance approach or relating to the outcome of those supported by the service. Each regulator categorises the services using a different system, but covering care related domains including safety, caring, leadership, effectiveness, responsiveness and environment.
- Current regulatory status indicates where a service demonstrates a good or excellent performance against the standards with positive outcomes for residents and patients. Across the Group a proportion of services are rated as being non-compliant or requiring improvement in standards or outcomes.
- All regulators have a range of enforcement powers which are utilised in the circumstances of significant breaches in regulatory compliance or risk to those receiving services. This includes the power to restrict admissions (embargo), require information to demonstrate quality recovery or in extreme circumstances impose conditions on, or revoke, the registration of a service.
- There are two services which are under enforcement action where, following a more positive regulatory inspection, the Group is applying for the enforcement action to be removed.
- Other stakeholders who commission services from the Group can also restrict admissions but these are limited to the services they commission. These are classed as other restrictions.

Condensed, Unaudited Consolidated Balance Sheet

£m	Q4 2021	Q4 2020
Fixed assets		
Investments	-	-
Tangible assets [2]	358.0	409.9
	358.0	**409.9**
Current assets		
Debtors	19.2	28.7
Cash at bank and in hand	33.1	46.3
	52.3	**75.0**
Creditors: amounts falling due within one year	(82.7)	(93.9)
Financing	(1,709.9)	(1,578.5)
Net current liabilities	**(1,740.3)**	**(1,597.4)**
Total assets less current liabilities	**(1,382.3)**	**(1,187.5)**
Creditors: amounts falling after more than one year	-	-
Provisions [5]	(11.2)	(11.2)
Net liabilities	**(1,393.5)**	**(1,198.7)**
Share capital	174.4	174.4
Reserves	(1,567.9)	(1,373.1)
Shareholder's equity	**(1,393.5)**	**(1,198.7)**

Debtors	Q4 2021	Q4 2020
Trade receivables	15.6	23.0
Prepayments, other debtors and net accrued income	3.6	5.6
Taxation	-	0.1
	19.2	**28.7**

Payables and other creditors	Q4 2021	Q4 2020
Trade payables	(10.5)	(12.9)
Accruals and other creditors	(72.2)	(81.1)
Taxation	-	-
	(82.7)	**(93.9)**

Financing	Q4 2021	Q4 2020
Term loan [3]	(71.3)	(100.0)
High yield bonds	(525.0)	(525.0)
Accrued interest	(284.4)	(229.1)
Amounts owed to connected entities [4]	(829.2)	(724.4)
	(1,709.9)	**(1,578.5)**

Notes

1. Condensed, unaudited consolidated balance sheet for Elli Investments Limited (in administration) (EIL) and its direct or indirect subsidiary undertakings on a management accounts basis
2. Tangible assets guided by recent valuations carried out by an independent valuer in accordance with RICS standards, as well as recent disposal programmes
3. The term loan was amended and restated on 15 November 2021 (see slide 5)
4. Amounts owed to connected entities are not expected to be cash settled
5. Provisions principally relate to costs associated with leases which included fixed rate increases across the lease. The cost of these leases have been straight lined, with the additional charge included in provisions, and the provision will unwind over the period of the relevant leases should the lease remain with the Group
6. Other than the financing balances held by EIL and its indirect subsidiary, Elli Finance (UK) Plc, there are no material differences between the balances of EIL Consolidated Balance Sheet presented above and the aggregate balance sheets of the two sub-groups headed by Mericourt Limited and Rhyme (Jersey) Limited

Quarterly Occupancy and Agency Forecasts: 2022F and 2023F (1/2)

Basis of Preparation

- Occupancy (%) is defined as Occupied Beds as a % of Effective Beds. Agency (%) is defined as Agency Payroll as a % of Total Home Level Payroll i.e. excluding Central Payroll.
- Homes included in the forecast are those which form the Group's "Core" segment as of January 2022; 102 freehold homes located in England, Scotland and Jersey ("ESJ") and 7 core leasehold properties in England. The analysis excludes a small number of remaining non-core leasehold and freehold homes and the Northern Ireland homes, which report their performance separately.
- Financial data presented reflects forecast data in respect of Q1 2022 to Q4 2023. Analysis has been prepared on a like-for-like basis with any potential future sales/transfers ignored i.e. all Core homes are assumed to be part of the Group for the entire 2022 and 2023 forecast period.
- A 2022 Budget ("2022B") was developed over the three-month period from September 2021 to November 2021 on a detailed, bottom-up, home-by-home basis with significant input and review from many people across the business including senior management, finance and operational teams. The 2022 re-forecast ("2022F") was developed by senior management on a top-down basis in the context of current market and regulatory conditions but leveraging the 2022B. The Group had not developed robust financial forecasts beyond 2022, and as such the forecast for 2023 ("2023F") is a new forecast, prepared on a high-level basis only.
- Workshops were held between Senior Management, AlixPartners and Alvarez & Marsal throughout late-January and February to test and challenge the assumptions and iterate the forecast accordingly. The forecast was finalised on 18 February 2022 and reflects assumptions on that date.

Quarterly Occupancy and Agency Forecasts: 2022F and 2023F (1/2)

Basis of Preparation and Key Assumptions - Occupancy

- Quarterly averages were calculated for Deaths & Discharges p/week and Admissions p/week, based on historical data normalised to exclude periods severely impacted by Covid-19. This analysis was used as the basis for occupancy (%) in 2022F. Senior Management applied the following qualitative assumptions to adjust and finalise 2022F:
    - Q1 2022F was adjusted down to reflect the impact of regulation restricting admissions in homes as a result of recent Covid-19 outbreaks in January and February 2022. Initial recovery is forecast from March 2022 as recent actual data indicates the number of homes closed to new admissions appears to be decreasing.
    - Senior Management reshaped Q2-Q4 2022F to reflect higher occupancy growth vs. historical averages. Q2 is expected to be positively impacted by the high number of existing open enquiries and the removal of staff movement restrictions to aid staffing and recruitment recovery. Q3 reflects a 'summer build' and an assumption the Business Development team will accelerate occupancy in homes identified as having the most opportunity as soon as restrictions are lifted, with momentum continuing into Q4 2022F.
- Senior Management are aiming to maintain momentum in occupancy growth in Q1 2023F and plan to focus on a 'summer build' over the summer months in a similar manner to 2022F. It is forecast that Occupancy (%) recovers to pre-pandemic levels of 89.4% by Q4 2023F, which is broadly in line with industry expectations.

Basis of Preparation and Key Assumptions - Agency

- Agency (%) at the beginning of 2022F has been rebased (vs. 2022B) to reflect present market conditions and FSHC's current use of agency staff, resulting in a Q1 2022 agency forecast of 22.2%.
- Agency (%) is forecast to remain broadly flat until April 2022, when all remaining Covid-19 restrictions are assumed to be lifted. Management estimate this will almost immediately release c.25% of current agency hours as staff are no longer required to isolate.
- From Q2 onwards, the use of agency staff is assumed to taper down as own staff are permitted to move freely between different places of work. However, given the significant number of employee vacancies within the Group and the ongoing nursing recruitment challenge in the sector, the forecast does not assume a return to its best practice Agency % rates until Q4 2023F at the earliest.

	Occupancy: 2022F to 2023F (Core)				
	Q1	Q2	Q3	Q4	Annual Average
2022F	80.2%	80.1%	82.1%	84.0%	**81.6%**
2023F	84.9%	86.1%	87.9%	89.4%	**87.1%**

	Agency as a % of Payroll: 2022F to 2023F (Core)				
	Q1	Q2	Q3	Q4	Annual Average
2022F	22.2%	19.2%	16.5%	14.9%	**18.2%**
2023F	14.3%	11.8%	9.9%	8.8%	**11.2%**

Real Estate Valuation Expert Valuation Metrics Sampling Exercise (1/2)

- To support the Group's restructuring strategy, the Group instructed a Real Estate Valuation Expert during January 2022 to undertake a limited, sample-based indicative valuation metrics exercise in respect of five freehold homes.

	Real Estate Valuation Expert indicative bucketing parameters in respect of the sampling exercise			
	Description	Indicative range in EBITDARM per bed £ (a)	Range in Multiple Based on Current Actual Trade (b) (c)	Range in Price per Bed £
Bucket 1	- Good quality asset - Purpose built, 60+ beds and high proportion of en suites - Affluent location	10k to 20k	9.0 to 11.5+	100k to 200k
Bucket 2	- Core home - Recovery in occupancy / profitability underway - With a reasonable degree of confidence of a return to pre pandemic trading levels - Circa 55 beds - Reasonably affluent area	10k to 15k	7.0 to 9.0	70k to 100k
Bucket 3	- Core home - Recovery in occupancy / profitability underway - With a reasonable degree of confidence of a return to pre-pandemic trading levels - Circa 55 beds - Slightly less affluent area in the North of England	7k to 12k	6.0 to 7.5	40k to 70k
Bucket 4	- Core home - Slow recovery in occupancy / profitability - Less confidence of returning to pre-pandemic trading levels - Circa 50 beds - Situated in an area which is challenging from an operational perspective – Midland location	Up to 7.5k	4.5 to 6.5	25k to 40k
Bucket 5	- Loss making home with an uncertain future	N/A (e.g sample home is loss-making)	N/A (e.g sample home is loss-making)	15k to 50k

(a) The EBITDARM per bed illustrated represents the 11 months actual trade to 30 November 2021, annualised.

(b) The Multiple has also been expressed based upon the annualised EBITDARM.

(c) The Real Estate Valuation Expert have adopted a fair maintainable trade (FMT) for each home, which in some instances differs from actual trade. For example, FMT disregards governmental Covid support payments.

Real Estate Valuation Expert Valuation Metrics Sampling Exercise (2/2)

	Real Estate Valuation Expert indicative bucketing parameters in respect of the sampling exercise Worked Examples						
	Number of Beds	Adopted (i.e. achievable) Occupancy	Average Weekly Fee £	FMT Annual Turnover £	FMT EBITDARM (per bed) £ (a)	Multiple Adopted (b) (c)	Price per bed (after adjustment for impact of assumed time it will take to build up from current to Adopted Occupancy) £ (d)
Bucket 1 Home A	76	86% (e)	1,165	3,959,509	1,306,638 (17,193)	9.00	154,736
Bucket 2 Home B	88	90%	834	3,434,746	927,381 (10,538)	9.00	88,318
Bucket 3 Home C	50	95%	710	1,753,700	491,036 (9,821)	6.50	49,200
Bucket 4 Home D	47	94%	777	1,785,049	303,458 (6,457)	6.00	32,340
Bucket 5 Home E	42	N/a (f)	N/a (f)	N/a (f)	N/a (f)	N/a (f)	19,047

(a) The EBITDARM per bed illustrated represents the 11 months actual trade to 30 November 2021, annualised.

(b) The Multiple has also been expressed based upon the annualised EBITDARM.

(c) The Real Estate Valuation Expert adopted a fair maintainable trade (FMT) for each home, which in some instances differs from actual trade. For example, FMT disregards governmental Covid support payments.

(d) To explain on "Adopted Occupancy", by way of example occupancy (at the time that the Real Estate Valuation Expert conducted this exercise) for the Bucket 2 sample home was 70%, although it has historically been as high as 95%. For the purposes of arriving at the valuation metrics, the Real Estate Valuation Expert adopted 90% as being achievable for that home, and worked that through the profit and loss. However, there will be a time period required to achieve the improved occupancy (and therefore EBITDARM), and to reflect this the Real Estate Valuation Expert has deducted one year's EBITDARM for build up for that home. The deduction is not uniform across the sampled homes, but some form of deduction has been applied to each of the sampled homes for Buckets 2, 3 and 4. In respect of the sampled homes for Buckets 3 and 4, a deduction has also been made for time taken to allow for high agency usage costs to stabilise.

(e) No end adjustment was required for Bucket 1 as this reflects the current trading position and the level of occupancy viewed as sustainable whilst maintaining the very strong fee position.

(f) Loss making home with an uncertain future assumed to be valued/priced on a non-trading basis.

Contacts

- An investor relations page is available on the FSHC website: www.fshc.co.uk