



Four Seasons
Health Care

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2013 Q2 Investor presentation

9 September 2013

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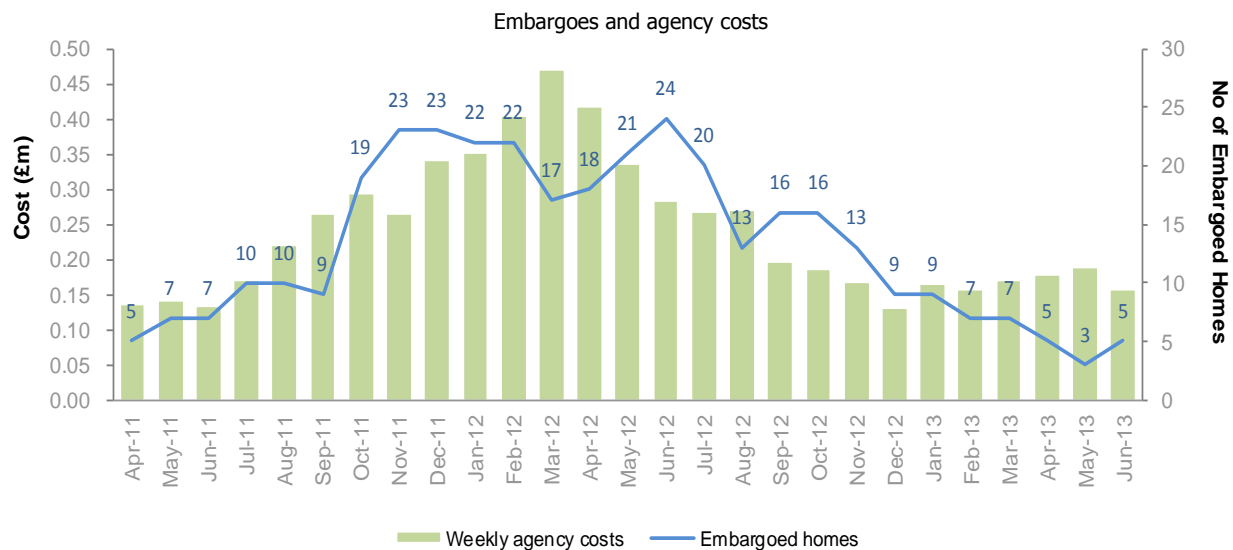


Group financial highlights

- Elli Investments Limited acquired FSHC (Jersey) Holdings Limited on 12 July 2012
 - Q2 2013 turnover for Elli Investments Limited is £2.9m (1.7%) higher than Q2 2012
 - Like-for-like turnover is higher by £2.6m at £125.2m for the same period
 - Q2 2013 occupancy in the Care Home Division ("CHD") was 87.2%, down from 87.9% in the prior year
 - The Huntercombe Group ("THG") occupancy, at 75.5% in Q2 2013, is 5.7 percentage points above the 2012 comparative
 - In Q2 2013 payroll as a percentage of turnover in both CHD and THG has improved since the comparative period in 2012, driven by a 1.7 percentage point reduction in agency costs as a percentage of total payroll
 - Q2 2013 EBITDA of £25.4m is up by £1.9m compared to the comparative period in 2012
 - June 2013 LTM EBITDA of £99.0m, is £1.9m higher than the £97.1m for the year to 31 March 2013
 - £19.1m net cash inflow from operating activities during Q2 2013
 - Closing Q2 2013 cash balance of £28.7m; net debt of £510.0m at June 2013 (excluding amounts owed to related undertakings and debt issue costs)
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- In June we presented the group's results for Q1 2013. The key underlying drivers from Q1 2013 continued into Q2 2013, including:
 - Local authority funding pressures, although we have seen higher fee settlements than in recent years
 - Despite high regulatory scrutiny, embargo levels remained at historical lows during the quarter
 - Regulatory staffing expectations reducing the upside of tight agency control
 - On-going partnering with Terra Firma to develop and implement further operational initiatives and workstreams. These workstreams now form part of the new strategic focus



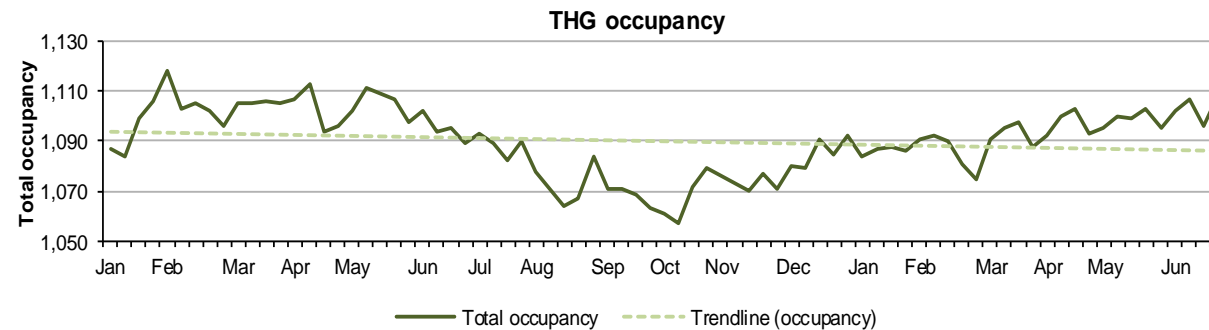
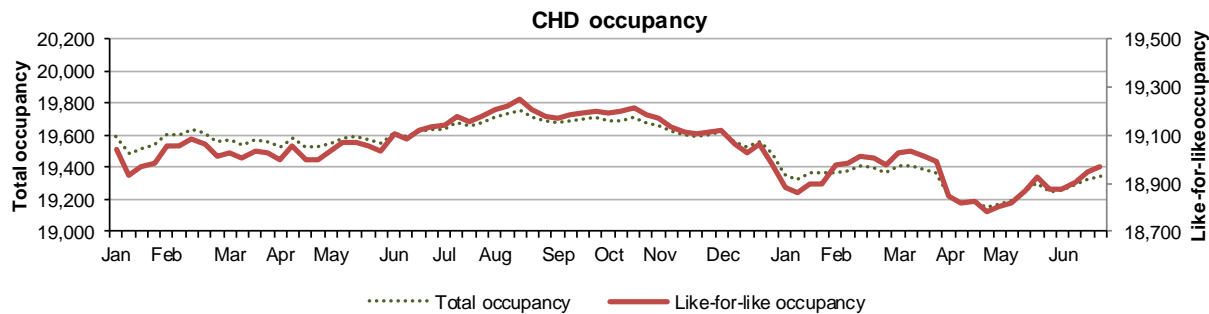
Results - Regulation



- In a tough regulatory environment the significant progress on embargo reduction continued during Q2 2013
- The group ended the quarter with 5 embargoes, with an historical low of 3 achieved in May 2013
- Low embargo levels contributed to well controlled agency costs during the quarter



Results - occupancy



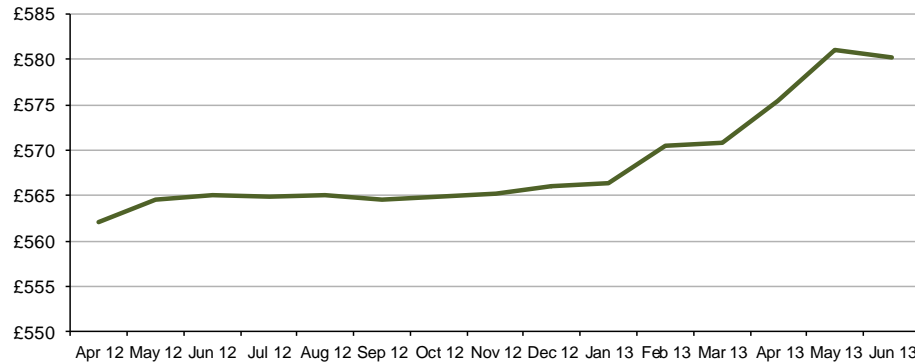
- In general, CHD occupancy shows slight seasonality with decreases in the winter months followed by a Q3 peak (see solid red line which excludes new units and closures)
- Occupancy at the start of Q2 suffered from an extended flu season and diarrhoea and vomiting viruses
- CHD occupancy was 87.2% in Q2 2013 (including homes operated under management agreements)
- THG occupancy averaged 75.5% in Q2 2013, the division's best percentage achieved in the last 3 years
- CAMHS and neurodisability units maintained strong occupancy levels in Q2 2013

THG highlights

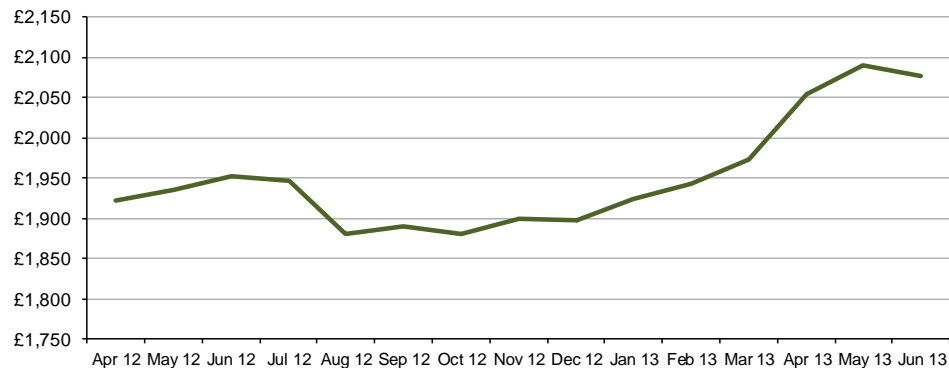
- Child and Adolescent Mental Health: average occupancy levels in Q2 2013 increased from 83% by the end of the Q1 to an average of 87% for Q2; occupancy is currently consistent at this level in Q3, a quarter that has historically seen reduced activity across the market
- Adult Mental Health: secure and community hospitals – occupancy was in line with Q1 2013, but 5% lower than Q2 2012, with a trend towards locked units being observed in the sector
- Acquired Brain Injury: stable occupancy levels into Q2 2013, with hospitals in England operating waiting lists at periods during the quarter
- Linden and Rowan: 2013 continues to benefit from the 2012 reconfiguration of service offerings and staffing profiles



CHD Average weekly fee in Q1 2013



THG Average weekly fee in Q1 2013



CHD fee rate settlements

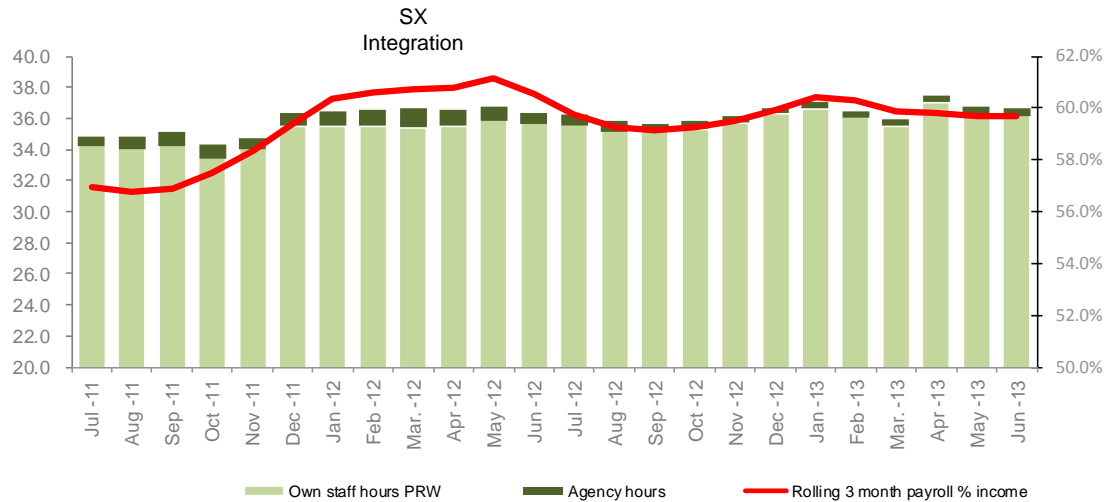
	2011	2012	2013
Local Authority			
England	(0.18%)	0.70%	c.1.5% ¹
Northern Ireland	0.00%	2.50%	3.00%
Scotland	0.00%	2.75%	2.50%

1) Estimate based on initial settlements

- Although the overall fee rate environment remains tough settlements received to date are generally above those in recent years
- Fee rates in England have to be agreed with a large number of local authorities compared to blanket settlements in Scotland and Northern Ireland. YTD and on-going settlements indicate that the average increase will be above the 2012/2013 figure at c1.5%
- Northern Ireland and Scotland increases for 2013/2014 were 3.0% and 2.5% respectively, compared to 2.5% and 2.75% for 2012/2013
- Private settlements averaged 4%-5% in 2013
- The CHD total average weekly fee, blended across all regions, has risen by c2.5% from January to June 2013
- THG fee rates have strengthened during 2013, in part reflecting the strong mix of patients across the division's units

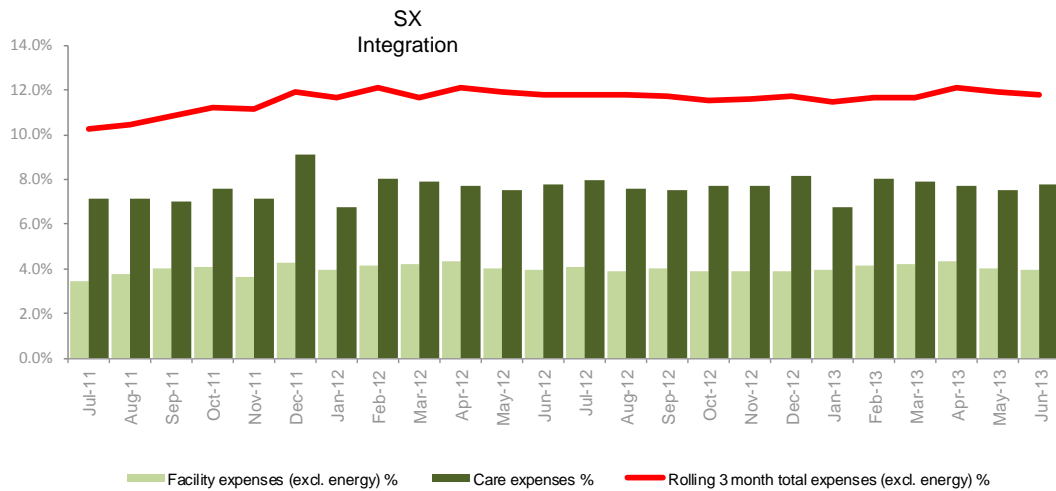


Results – CHD payroll and expenses



CHD payroll progression

- CHD payroll as a percentage of turnover has reduced to 59.7% in Q2 2013 following a peak of 60.7% in Q1 2012
- The reduction in payroll costs has followed the reduction in embargoes
- Agency as a % of total payroll costs decreased significantly during 2012 in CHD – in Q2 2013 it was 2.8%, compared to 5.1% in Q2 2012
- Cost benefit resulting from lower agency usage has been reduced by increased regulatory staffing requirements

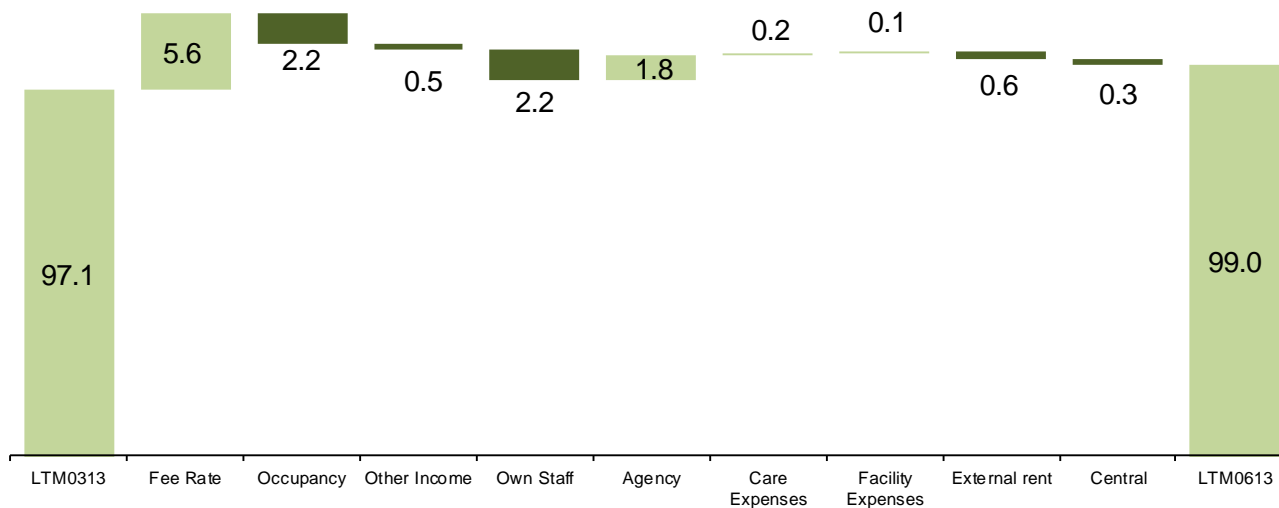


CHD expenses progression

- Total expenses down to 14.1% of turnover, from 14.5% in Q2 2012
- Annualised savings from procurement initiatives continue to increase
- Expenses % in the ex-Southern Cross units is now in line with the rest of the CHD



Results – LTM March 2013 v LTM June 2013



- The LTM Q2 2013 EBITDA is £99.0m, up from £97.1m in the March 2013 result
- The LTM increase is primarily a result of the following drivers:
 - Income was c£2.9m higher in Q2 2013 than Q2 2012:
 - Occupancy was lower by a total of c180 residents resulting in an adverse occupancy variance of c£2.2m
 - Higher AWF leading to an overall favourable fee rate variance of £5.6m
 - Other income was £0.5m lower as a result of lower Specialising income in THG
 - Own staff payroll costs increased by c£2.2m reflecting the reduced agency cost and continuing regulatory staffing expectations
 - A c£1.8m reduction in agency spend
 - Care and Facility expenses £0.3m lower in Q2 2013 compared to Q2 2012, largely due to the higher Southern Cross related operating expenses in the prior period comparative
 - External rent increases reflecting certain flexing rent agreements and annual increments in line with lease terms



Results – cash flow and net debt

External Debt

£m	Debt Principal	Coupon/Interest Rate	Maturity
<i>High yield bonds</i>			
Senior secured notes	350.0	8.75%	June-19
Senior notes	175.0	12.25%	June-20
Total HYB	525.0		
<i>Revolving credit facility</i>			
	13.6	Libor + 4% margin	July-18
<small>RCF commitment fee is 16% of the undrawn amount</small>			
Total amount outstanding on external debt	538.6		
Cash at June 2013	28.7		
Net debt (before capitalised finance costs)	510.0		

Cash flow

£m	Period ended June 2012	Period ended June 2013
Net cash inflow from Operating activities	13.9	19.1
Returns on investment and servicing of finance	0.1	(26.3)
Capital expenditure and financial investment	(8.3)	(8.2)
Taxation	4.0	(0.1)
Acquisitions and disposals	0.0	0.8
Net cash (outflow)/inflow before financing	9.7	(14.7)
Debt issue costs	0.0	0.0
Financing	0.0	13.6
(Decrease)/increase in cash in the period	9.7	(1.1)
Opening cash balance	58.4	29.8
Closing cash balance	68.1	28.7

- At Q2 2013 the group's cash balance was £28.7m, resulting in a net debt balance of £510.0m
- £13.6m of the group's RCF was drawn down in June 2013
 - £8.6m was drawn down to fund the acquisition of five Northern Irish care homes which the group had previously leased from Emlick and Mitchell. The acquisition completed on 1 July
 - £5m was drawn to top up the group's cash buffer at the end of June when working capital requirements peak – repaid in July
- Primarily high yield bond interest of £26.0m paid June
- The acquisition of the five homes from Emlick and Mitchell completed on 1 July and will be reflected in the Q3 cash flow



Results – KPIs

Group	2012					2013	2013
	Q1	Q2	Q3	Q4 ²	Year	Q1	Q2
Turnover (£m)	174.1	175.3	174.8	187.5	711.7	174.7	178.2
CHD Turnover (£m)	143.5	144.7	146.4	157.2	591.9	145.2	147.1
THG Turnover (£m)	29.6	29.6	27.4	29.3	115.9	28.5	30.2
EBITDAR (£m)	33.8	35.2	37.7	38.3	144.9	35.2	38.4
EBITDA (£m)	22.3	23.5	25.3	25.5	96.6	22.8	25.4
Effective beds – group	24,050	23,978	24,151	24,109	24,072	23,772	23,844
Occupied beds – group	20,803	20,782	20,927	20,892	20,851	20,676	20,611
CHD occupancy %	87.7%	87.9%	87.9%	87.9%	87.8%	87.8%	87.2%
THG occupancy %	70.4%	69.8%	68.7%	68.7%	69.4%	74.6%	75.5%
CHD average weekly fee (£)	559	565	566	565	564	569	579
THG average weekly fee (£)	1,947	1,937	1,905	1,893	1,920	1,944	2,076
CHD payroll (% of turnover) ¹	60.7%	60.6%	59.2%	59.9%	60.1%	59.9%	59.7%
THG payroll (% of turnover) ¹	68.6%	67.5%	71.1%	70.8%	69.5%	68.4%	66.9%
CHD EBITDARM (% of turnover)	23.8%	24.9%	27.0%	25.2%	25.2%	25.2%	26.2%
THG EBITDARM (% of turnover)	19.2%	20.5%	17.0%	16.7%	18.4%	19.1%	21.6%
Agency to total payroll (%) ¹	6.5%	5.4%	4.1%	3.1%	4.7%	3.3%	3.7%
Expenses (% of turnover)	14.9%	14.1%	13.5%	14.5%	14.3%	14.5%	13.6%
Central costs (% of turnover)	3.9%	4.5%	4.3%	3.8%	4.1%	4.2%	4.0%
Maintenance Capex (£m) ⁴	5.8	6.2	6.2	6.9	25.1	4.1	5.9

Notes:

1. Payroll % excludes central payroll and investment property income from turnover
2. Q4 2012 / FY 2012 includes an extra week of trading in line with the group's reporting timetable
3. Like-for-like is on a management accounts basis
4. CHD and THG operational capex

Like-for-like ³	2012					2013	2013
	Q1	Q2	Q3	Q4 ²	FY12	Q1	Q2
Turnover (£m)	121.5	122.6	122.5	131.9	498.5	123.3	125.2
EBITDARM (£m)	30.4	32.2	33.5	33.5	129.6	31.8	33.8
Effective beds – group	17,006	17,000	17,000	17,000	17,002	16,917	16,928
Occupied beds – group	15,005	14,993	15,076	15,070	15,036	14,955	14,810
CHD occupancy %	88.8%	88.7%	89.3%	89.3%	89.0%	88.9%	87.8%
THG occupancy %	77.1%	78.2%	76.5%	76.9%	77.2%	78.8%	80.7%
CHD average weekly fee (£)	563	569	571	570	568	574	583
THG average weekly fee (£)	1,807	1,841	1,768	1,770	1,796	1,846	1,974
Payroll (% of turnover) ¹	61.1%	60.2%	59.7%	60.4%	60.3%	60.2%	59.8%
Agency to total payroll (%) ¹	6.1%	5.0%	4.1%	2.8%	4.5%	3.0%	3.6%
Expenses (% of turnover)	14.0%	13.5%	13.0%	14.2%	13.7%	14.1%	13.2%



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