Four Seasons
Health Care

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2012 Investor presentation

2 May 2013

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2012 Overview

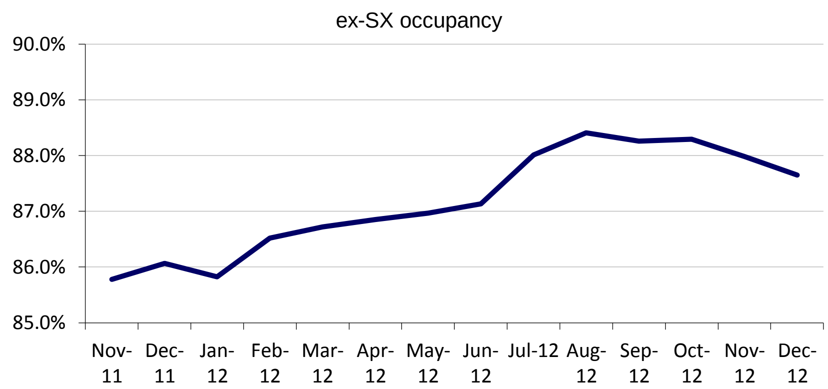
Group highlights

- Q4 2012 turnover for Elli Investments Limited is £14.1m (8.1%) higher than Q4 2011 due to the inclusion of an extra week in 2012 (in line with the group's reporting timetable)
- Full year 2012 turnover is c£158m higher than 2011, of which c£143m is due to the full year effect of the ex-Southern Cross care homes and 16 ex-Care Principles specialised units, and is c£13m due to the additional week
- Week adjusted, like-for-like turnover at £503.6m is in line with 2011
- Q4 2012 occupancy in the Care Home Division is at 87.9% (including the ex-Southern Cross care homes)
- The Huntercombe Group occupancy at 68.7% in Q4 2012 is 1.4 percentage points above the2011 comparative, and consistent with Q3 2012
- December 2012 LTM (extra week) EBITDA of £96.6m is up from £95.8m at September 2012
- £79.0m net cash inflow from operating activities in 2012 (proforma)
- Closing 2012 cash balance of £26.7m; net debt of £498.3m at December 2012

- In December 2012 we presented the group's results for Q3 2012, together with an overview of the year to date - the key drivers were:
  - Southern Cross – successful operational and back office integration of the 139 ex-Southern Cross care homes and specialised units acquired in Q4 2011
  - Sector regulation – significant step-up in the level of sector-wide regulation
  - Operational efficiency – working with Terra Firma to initiate and implement a number of operational initiatives and workstreams
- These drivers continued throughout Q4 and are summarised in the following slides

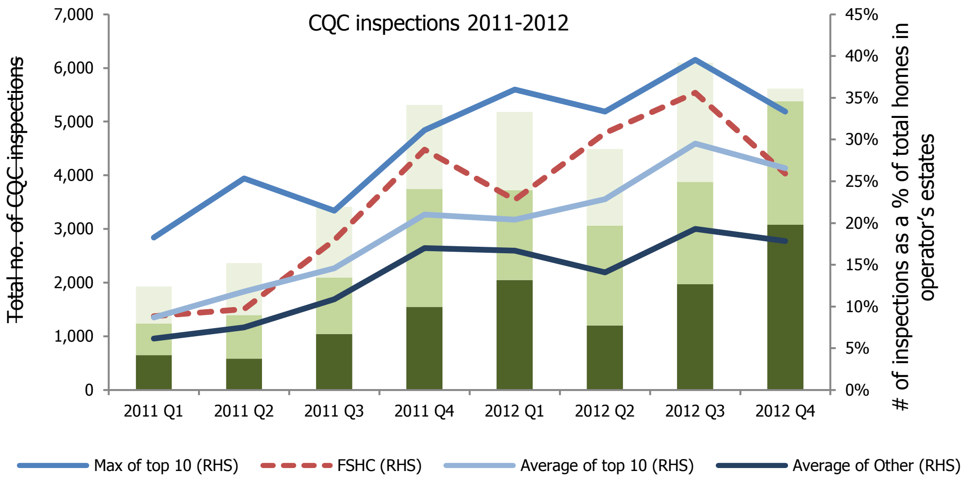
2012 Overview - ex-Southern Cross

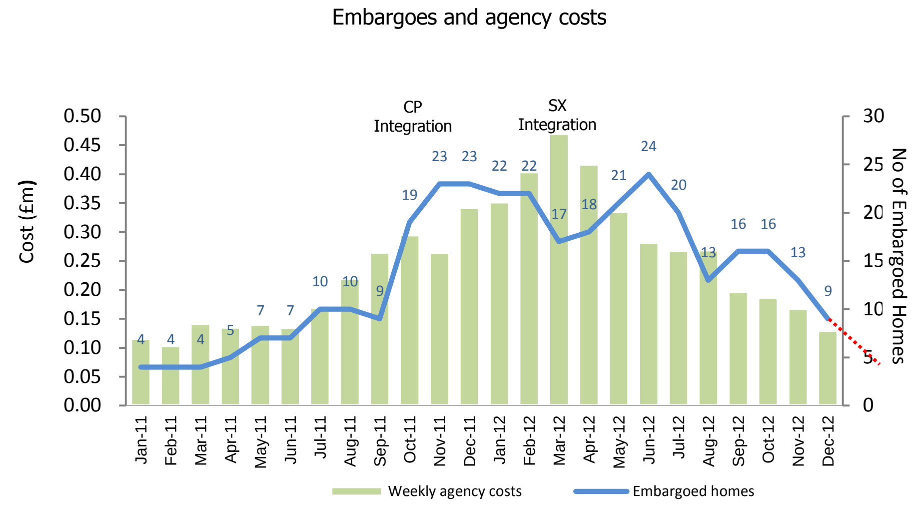
- The impact of the ex-Southern Cross care homes on the wider group was significant in 2012 and the resources required to integrate and turn them around was above the levels anticipated. The key statistics were as follows:
  - 139 care homes and specialised units joined the Four Seasons Health Care group in October and November 2011 (84 new leaseholds, 44 in-housed investment properties and 11 homes operated as management agreements)
  - £7 million catch-up capex and significant operational expenditure and management resources deployed to turn around the underperforming sites
  - Significant staff churn to drive the quality and operational improvements
  - 85.8% occupancy at acquisition increased to 88.0% in Q4 2012, an increase in excess of 100 residents
  - 9 of the management agreement homes closed, assigned or in the process of leaving the group
  - Back office integration from day 1; full operational integration by the end of Q1 2012
  - Continued KPI improvement during the year (see below) – improvements in payroll, agency and expense percentages since acquisition contributed to a c3% improvement in operating percentage by Q4 2012



	On acquisition	Q1	Q2	Q3	Q4
Ex -Southern Cross CHD					
Occupancy%	85.8%	86.3%	86.2%	88.3%	88.0%
Ave. Weekly Fee	546	547	555	554	553
Payroll%	62.3%	60.0%	60.9%	59.0%	59.9%
Agency%	2.9%	4.0%	3.4%	2.2%	1.9%
Expenses%	16.2%	17.7%	15.3%	14.4%	15.2%
Operating Profit%	21.5%	22.3%	23.8%	26.6%	24.8%

2012 Overview - Regulation





- SX integration coincided with a significant increase in the level of regulatory scrutiny across the entire sector
- The total number of CQC inspections increased significantly from the beginning of 2011:
  - FSHC's inspections were above the average of the top 10 inspected groups in every quarter for the last two years, except in Q2 2011 and Q4 2012
  - Q4 2011 (when FSHC acquired 139 ex-Southern Cross homes) saw the largest increase in the number of inspections
- The increase in the number and rigour of inspections during the first half of 2012 resulted in an increase in the number of regulator actions against the group and admissions were halted in a number of care homes, impacting both revenue and staff costs
- Embargos across the group peaked at 24 in June. Significant management time and resource brought this figure back to 9 in December 2012 – currently at 4, an historical low
- The resources deployed to address the embargoes resulted in significant agency spend. By December, this too had been addressed with spend in line with the group's target

2012 Overview – Operational efficiency

Terra Firma's acquisition, and the refinancing of the group's debt in July, has enabled us to refocus our efforts to address the operational challenges. This has resulted in a number of priority work streams to optimise internal efficiency and performance:

- Workforce strategy:
  - New Director of Corporate Services has joined the group
  - To improve the selection, recruitment and retention of a well-trained, motivated, flexible workforce with the opportunities for career development in a well-invested environment
  - To work with three unions, GMB, Unison and RCN, in optimising our employer-employee relations, working together on training and career-development initiatives
- Procurement and facilities management:
  - Partnering with a 3rd party (Proxima) to review how we procure over 100 different areas of non-staff spend such as food, response maintenance, beds, printing/stationery
  - Reducing spend without impacting the quality of what we buy
  - Changing the model of delivery (catering, facilities/estate management)
- PEARL roll-out:
  - The accelerated roll-out of PEARL is already well underway
  - A further 70 new care homes are on the accreditation programme – this significant investment is supported by the analysis of data from a recent study which confirmed PEARL's benefits

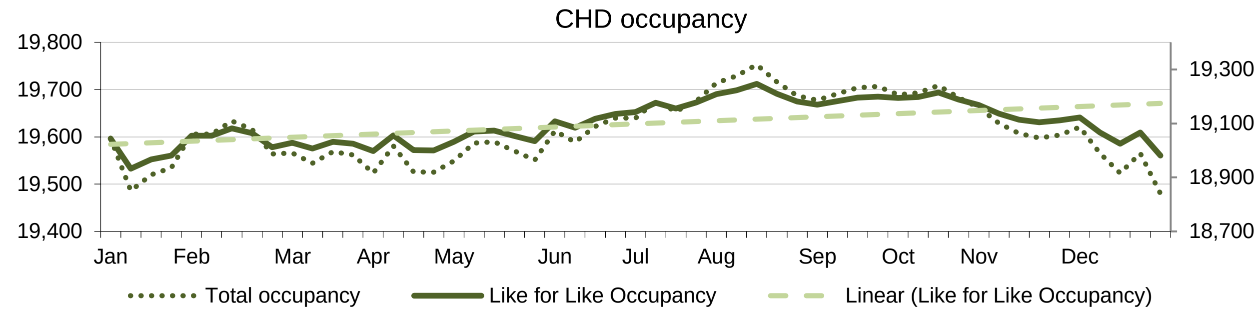
Results – KPIs

	2011					2012				
	Q1	Q2	Q3	Q4	FY11	Q1	Q2	Q3	Q4	FY12
Turnover (£m)	126.5	126.9	127.3	173.4	554.1	174.1	175.3	174.8	187.5	711.7
EBITDAR (£m)	30.9	34.1	34.5	34.2	133.8	33.8	35.2	37.7	38.3	144.9
EBITDA (£m)	23.7	26.8	27.0	24.2	101.7	22.3	23.5	25.3	25.5	96.6
Effective beds – group	17,401	17,579	18,015	23,278	19,068	24,050	23,978	24,151	24,109	24,072
Occupied beds – group	15,121	15,300	15,622	19,866	16,477	20,803	20,782	20,927	20,892	20,851
CHD occupancy %	87.5%	87.8%	88.4%	86.6%	87.6%	87.7%	87.9%	87.9%	87.9%	87.8%
THG occupancy %	75.1%	72.7%	65.5%	67.3%	70.2%	70.4%	69.8%	68.7%	68.7%	69.4%
CHD average weekly fee (£)	566	563	562	550	560	559	565	566	565	564
THG average weekly fee (£)	1,741	1,738	2,015	1,957	1,891	1,947	1,937	1,905	1,893	1,920
CHD payroll (% of turnover)	58.4%	57.2%	56.9%	59.4%	58.1%	60.7%	60.6%	59.2%	59.9%	60.1%
THG payroll (% of turnover)	69.2%	68.9%	72.3%	70.0%	70.3%	68.6%	67.5%	71.1%	70.8%	69.5%
Agency to total payroll (%)	3.8%	4.0%	6.1%	5.5%	4.9%	6.5%	5.4%	4.1%	3.1%	4.7%
Expenses (% of turnover)	13.2%	12.1%	12.7%	14.3%	13.2%	14.9%	14.1%	13.5%	14.5%	14.3%
Central costs (% of turnover)	4.6%	4.3%	4.1%	4.1%	4.3%	3.9%	4.5%	4.3%	3.8%	4.1%
Maintenance Capex (£m)[2]	2.9	3.8	3.3	6.1	16.1	5.8	6.2	6.2	6.9	25.1

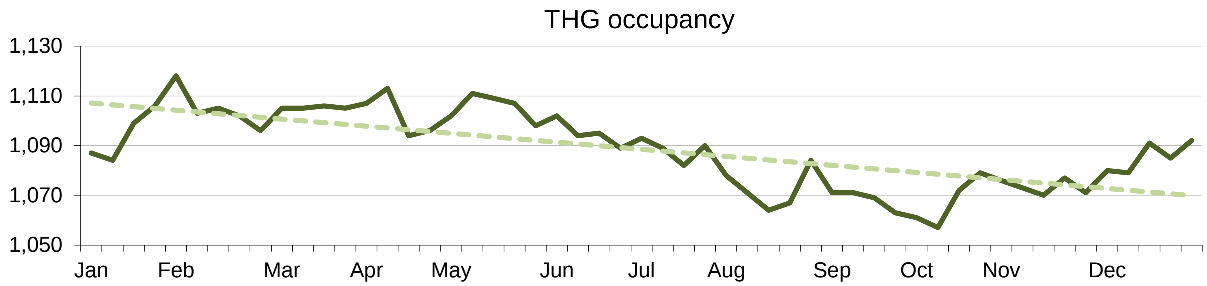
	2011					2012				
Like-for-like	Q1	Q2	Q3	Q4	FY11	Q1	Q2	Q3	Q4	FY12
Turnover (£m)	123.0	123.4	123.7	123.1	493.1	123.0	124.0	123.6	132.9	503.6
EBITDARM (£m)	33.6	35.8	36.1	31.8	137.2	30.4	32.2	33.4	33.5	129.5
Effective beds – group	17,401	17,579	17,579	17,551	17,527	17,320	17,286	17,286	17,286	17,295
Occupied beds – group	15,121	15,300	15,381	15,278	15,270	15,212	15,175	15,233	15,206	15,206
CHD occupancy %	87.5%	87.8%	88.4%	87.6%	87.8%	88.4%	88.3%	88.7%	88.5%	88.5%
THG occupancy %	75.1%	72.7%	74.0%	76.0%	74.5%	77.1%	78.2%	76.5%	76.9%	77.2%
CHD average weekly fee (£)	566	563	562	562	563	563	569	571	570	568
THG average weekly fee (£)	1,741	1,738	1,702	1,760	1,735	1,807	1,841	1,768	1,770	1,796
Payroll (% of turnover)	59.8%	58.7%	58.4%	60.2%	59.3%	61.3%	60.5%	59.9%	60.6%	60.6%
Agency to total payroll (%)	3.8%	4.0%	5.3%	5.7%	4.7%	6.2%	5.2%	4.1%	2.8%	4.6%
Expenses (% of turnover)	13.2%	12.1%	12.5%	13.9%	12.8%	14.0%	13.5%	13.1%	14.2%	13.7%

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

Results - occupancy



- In general, CHD occupancy shows slight seasonality with decreases in the winter months followed by a Q3 peak (see solid green line which excludes new units and closures)
- Despite the integration of the ex-SX homes, CHD occupancy was 87.9% in Q4 2012 (including homes operated under management agreements)

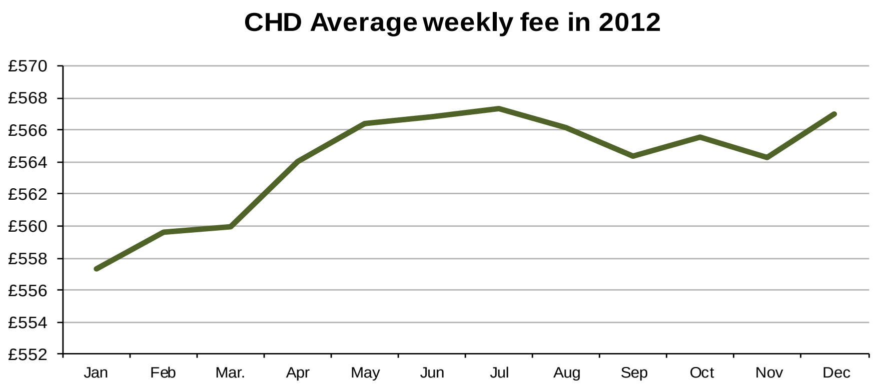


- THG occupancy reached 70.4% in Q1 2012, an increase of 3.1 percentage points on Q4 2011. However occupancy fell back slightly to 68.7% in Q4 2012, with the decrease weighted towards ex-Care Principles units
- CAMHS and neurodisability units demonstrated improved occupancy in Q4 2012, a trend that has continued into 2013

THG highlights

- Child and Adolescent Mental Health: average occupancy levels in Q4 2012 were in line with 2011, having peaked in Q2 2012 at 80%; occupancy continues to increase into 2013
- Adult Mental Health: secure and community hospitals – occupancy was down by 6.2% compared to Q4 2011
- Acquired Brain Injury: stable occupancy levels in 2012 (waiting list at Frenchay in Bristol following the closure of the local NHS competitor, with plans to increase capacity)
- Restructuring completed in Q4 2012 at Linden and Rowan: including the reconfiguration of service offerings and staffing profiles

Results - AWF

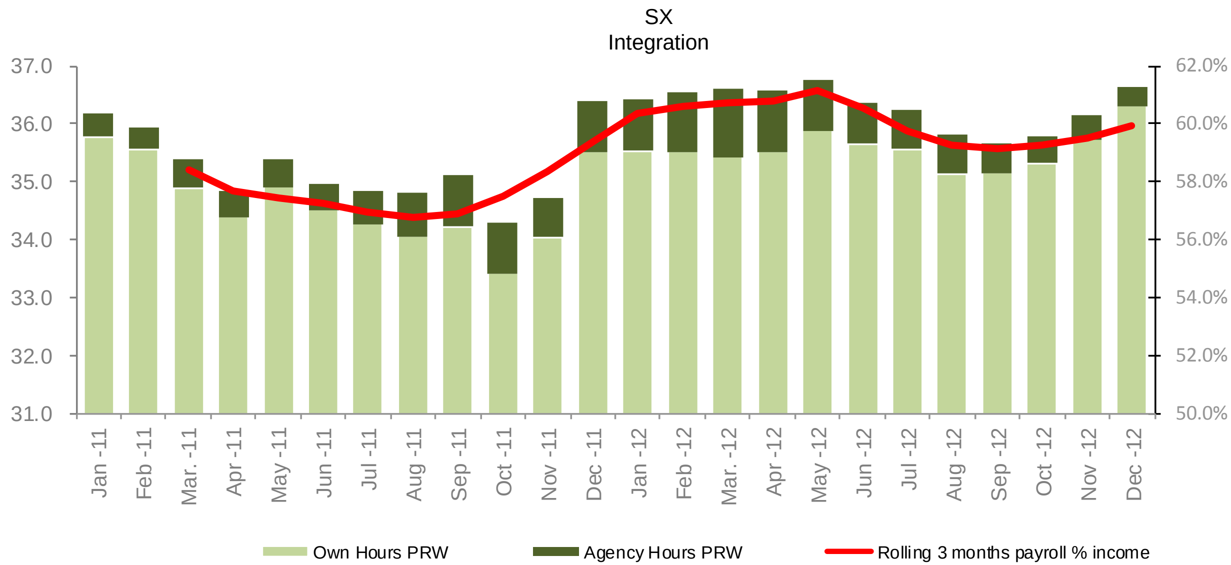


CHD fee rate settlements	2011	2012
Local Authority [1]		
England	(0.18%)	0.70%
Northern Ireland	0.00%	2.50%
Scotland	0.00%	2.75%

1) Includes settlements with primary care trusts relating to continuing care residents

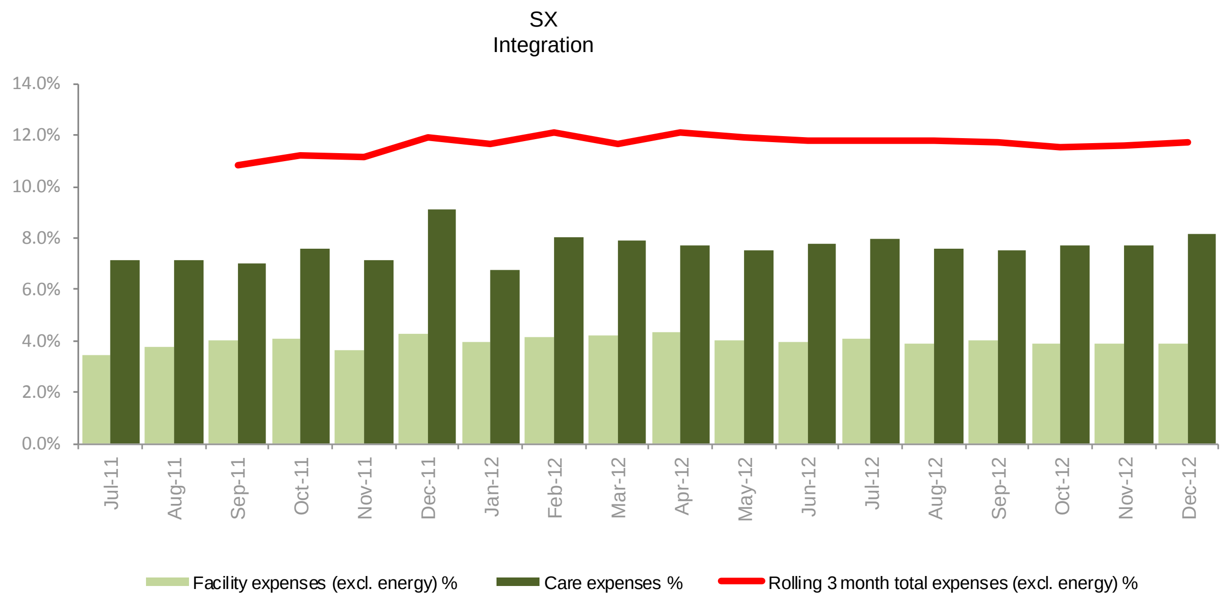
- Fee rates in England have to be agreed with a large number of local authorities compared to blanket settlements in Scotland and Northern Ireland
- Northern Ireland and Scotland increases for 2012/2013 were 2.5 and 2.75 percentage points higher, respectively, than 2011/12
- Private settlements averaged 3%-4% in 2012
- The fee rate environment remains tough, with funding constraints continuing at local authorities and settlements expected to remain below cost inflation in 2013

Results - payroll



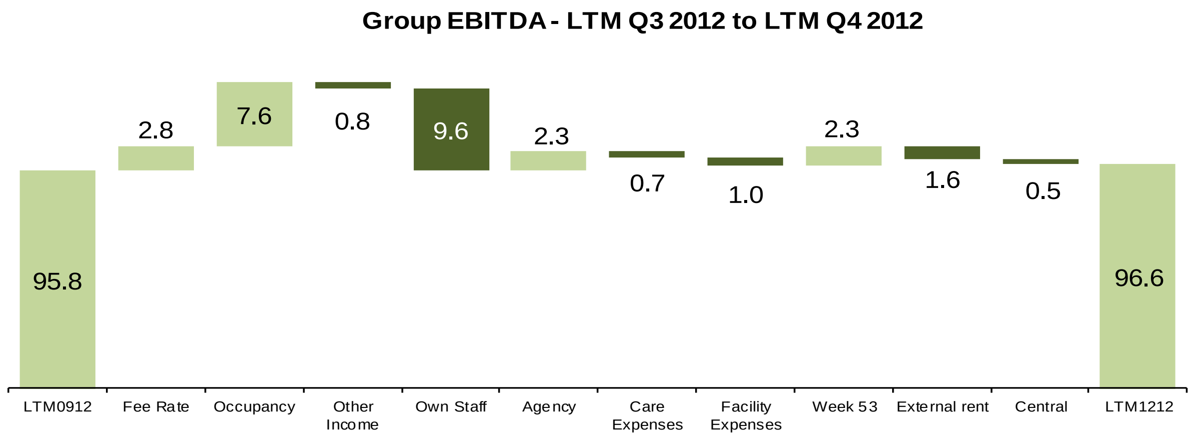
- Increased regulatory scrutiny and ex-SX home operational issues, together with enforced staff turnover, resulted in increased agency and own staff hours from Q4 2011
- CHD payroll as a percentage of turnover peaked in Q1 2012 at 60.7%. By Q4 2012 this had reduced to 59.9% (including December which is c1.0% higher due to additional payroll costs for the bank holiday)
- The reduction in payroll costs has followed the reduction in embargoes, but remains above historical levels due to the regulatory environment
- At 59.9% in Q4 2012, the CHD payroll percentage is 0.5 percentage points above the corresponding period in 2011
- Agency as a % of total payroll costs decreased significantly during 2012 in CHD and ended the year at 1.9% in December
- Regulatory pressures are expected to continue into 2013 resulting in staffing levels above the historical levels

Results - expenses



- Inflationary pressure has impacted a number of the categories of expenditure including food and utilities
- In addition, levels of operational expenditure required to turnaround and integrate the ex-SX homes was higher than anticipated
- Expenses as a percentage of turnover (excluding energy which is seasonal) have increased by c1% since Q3 2011
- Some upside remains in the ex-Southern Cross units with the like-for-like expense percentage 0.3 percentage points lower in Q4

Results – LTM September 2012 v LTM December2012



- The full year 2012 EBITDA is £96.6m, up from £95.8m for the September 2012 LTM
- On a 52 weeks basis 2012 EBITDARM increased by over £1m
- On an LTM basis, the c£2.3m EBITDAM benefit from an additional week in Q4 2012 was offset by additional rent and central costs in the quarter compared to Q4 2011
- The LTM increase is a result of the following drivers:
  - Income was c£9.6m higher in Q4 2012 than Q3 2011:
    - Occupancy was higher by a total of 1,045 residents mainly as a result of the ex-SX units being acquired part way through Q4 2011 (and therefore not being in situ for the full quarter) resulting in a favourable occupancy variance of c£7.6m.
    - Group fee rates were higher leading to an overall favourable fee rate variance of £2.8m
    - Other income was £0.8m lower, mainly as a result of lower Specialing income in THG
  - Own staff payroll costs increased by c£9.6m due to the additional occupancy, national minimum wage increases, and additional staffing levels However this was offset by a c£2.3m reduction in agency spend
  - Expenses were c£1.7m higher, primarily due to annual cost inflation and higher occupancy

Results – cash flow and net debt

External Debt £m	Debt Principal	Coupon/Interest Rate	Maturity
High yield bonds			
Senior secured notes	350.0	8.75%	June-19
Senior notes	175.0	12.25%	June-20
Total HYB	**525.0**		
Revolving credit facility - undrawn	40.0	Libor + 4% margin	July-18
RCF commitment fee is 1.6% of the undrawn amount			
Total amount outstanding on external debt	**525.0**		
Cash at December 2012	26.7		
Net debt (before capitalised finance costs)	**498.3**		

- At December 2012 the group's cash balance was £26.7m, resulting in a net debt balance of £498.3m
- The group's RCF remained undrawn at December 2012

Cash flow £m	Year ended December 2011	(Proforma) Year ended December 2012
Net cash inflow from Operating activities	**87.0**	**79.0**
Returns on investment and servicing of finance	(32.7)	(85.2)
Capital expenditure and financial investment	(27.7)	(34.7)
Taxation	(3.7)	(0.5)
Acquisitions and disposals	(2.3)	(29.6)
Net cash inflow /(outflow) before financing	**20.6**	**(71.0)**
Debt issue costs	0.0	0.0
Financing	0.0	23.9
Increase/(decrease) in cash in the period	**20.6**	**(47.1)**
Opening cash balance	53.3	73.8
Closing cash balance	**73.8**	**26.7**

- The increase in capex, which includes central capex, relates predominantly to the £7m catch-up capex invested across the ex-SX estate and the additional size of the estate in 2012
- Interest paid in the proforma 2012 cash flow represents c£18m of finance costs under Four Seasons' previous debt structure, £42.8m of debt issue costs and c£24m of interest paid on the HYB in Q4 2012
- The £29.6m of acquisition and disposal spend in 2012 includes £5.5m for the acquisition of Westbury Court

Acquisitions, developments and disposals

- The 2012 refinancing and Terra Firma's support and financial backing has enable us to extend and churn the estate
- 2012 acquisitions:
  - Pennine Lodge in Carlisle is a leasehold property that opened in April 2012, offering nursing, specialist dementia and respite care in 70 en-suite bedrooms. Occupancy as at December 2012 was 72% (now 91.4%), ahead of expectation
  - Westbury Court in Wiltshire was purchased for £5.5m. It opened in May 2012 offering residential and specialised dementia care in 60 bedrooms. At December 2012 it remained "in-fill" with an occupancy of 43% (now 63.3%), again ahead of expectation
- 2013 freehold developments, with a combined development cost of approximately £10m:
  - St Margaret's in Edinburgh opened in February, following the development of a site purchased in 2012, and to date has filled at 7 residents per month
  - York Court in Wandsworth, formerly Longhedge, is due to open in the summer
- Mimosa:
  - The group acquired the trade and freeholds of four homes in Bristol from Mimosa (242 beds) and its landlord on 25 March 2013
  - Current occupancy is 68%, but the group has very good relationships with commissioners in the area with occupancy in the group's exiting care homes in the area at almost 95% in Q1 2013
  - This transaction represented an opportunity to add to the number of beds that the group provides in the Bristol area and is consistent with one of the group's development objectives to increase capacity in areas where it is possible to add value by improving the quality of the service provided
- Avery:
  - The group acquired 17 homes (11 freehold) comprising c1,200 additional beds from Avery on 11 April
  - The acquisition was funded by external debt, unrelated to the HYB, and new Terra Firma equity
  - The Avery homes are operated as a separate business
  - Current occupancy is 92% with a private resident percentage of 54%
  - The group intends to use the learning and skill set from Avery to further improve the occupancy, private percentage and average weekly fees of equivalent homes within the FSHC estate
- Disposals:
  - The group has taken the opportunity to dispose of, or close, certain care homes which are uneconomic or do not fit with the group's portfolio
  - In January 2013 four care homes in Dundee, of which 2 were freehold, were sold

Q&A

- Further questions can be addressed to:
  - Email: investorinfo@fshc.co.uk
  - Telephone: Ben Taberner +44 1625 417800
- An investor relations page is available on the FSHC website: www.fshc.co.uk