

Four Seasons Health Care

Q2 2020 Trading and Restructuring Update
Draft, unaudited results for the quarter ended 30 June 2020

11 August 2020

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Q2 2020 Trading Overview¹

Q2 2020 financial results

 Q2 2020 Adjusted EBITDA² of £8.3m is £1.3m, or 19%, higher than Q2 2019, despite a c£5m net impact as a result of Covid-19 during the quarter in the Care Home Division (CHD)

Income

- Q2 2020 turnover for the Group⁴ was £3.3m, or 2.9%, higher than Q2 2019, after adjusting for revenue from homes closed, sold or migrated
- Average Group occupancy percentage in Q2 2020 decreased by 4.1 percentage points compared to Q1 2020 (CHD: 4.2 percentage point decrease; The Huntercombe Group (THG): 1.8 percentage point decrease). Along with the rest of the sector, occupancy within the care home business has been significantly impacted by the negative effect of Covid-19 on death rates and admissions
- Average weekly fee in Q2 2020 in the CHD increased by 6.8% year on year and 6.6% compared to the previous quarter which benefited from the announcement that Funding Nursing Care (FNC) was to be increased by 9%, backdated to April 2019. Due to the timing of this announcement, the additional fee income has been reflected in Q2 2020 results and KPIs with an EBITDARM benefit of c£0.4m per quarter. The equivalent movements for THG were increases of 22.2% and 13.6% respectively
- Income in the quarter includes c£3.5m support from Local Authorities and CCGs in respect of exceptional Covid-19 costs incurred. However, reimbursement of these costs does not fully compensate for the occupancy decline

Payroll costs

- Payroll KPIs remain well controlled, particularly in light of the underlying staffing challenges faced by the sector which have been exacerbated by Covid-19 pressures
- In the group's care homes, payroll as a percentage of income of 66.9% was 1.9 percentage points higher than the prior quarter, predominantly due to a further increase to the National Living Wage from April 2020. Agency as a percentage of payroll, at 8.6%, was 1.2 percentage points lower than Q2 2019 and 1.5 percentage points lower than the FY 2019 average. Further improvements to agency use have been achieved with the figure in July reducing to 5.9%. Agency usage is now significantly below levels prior to the organisational restructure and wider sector averages
- Within THG, payroll as a percentage of turnover in Q2 2020 improved by 1.4 percentage points compared to Q2 2019. Agency as a percentage of payroll, at 18.2%, remained in line with the prior and comparative periods

EBITDARM

As a result, Q2 2020 EBITDARM³, excluding the impact of migrated leaseholds (see below), of £21.2m was consistent with the Q2 2019 figure of £22.2m, despite the negative impact of Covid-19 during the guarter

- The Group's results for the year ended 31 December 2019, the quarter ended 31 March 2020 and the quarter ended 30 June 2020 are draft and unaudited
- 2. Adjusted EBITDA is 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. Group = Elli Investments Limited (in administration) and its direct or indirect subsidiary undertakings



Restructuring Update (1/2)

Overview

- The Joint Administrators and the Group continue to focus on restructuring the Group
- This has focused primarily 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 preparation for the disposal of certain parts of the Group
- Continuity of care for residents and patients has continued to be a key guiding principle and remains the priority throughout the restructuring process

Leasehold estate restructuring

- Per the last update, the Group reported that between December 2019 and 31 March 2020, 113 operational care homes and other facilities (including
 the portfolios of the four largest landlords where it has not been possible to renegotiate rental levels in respect of those portfolios) transitioned away
 from the Group
- During Q2 2020 a further 2 operational care homes, as well as 2 closed sites, migrated from the Group. One additional care home and one additional closed site left the group in July
- The leaseholds that have migrated since December 2019 contributed a net EBITDAM of c£1.7m during 2019. However, after capex and costs for closed homes, these care homes and specialist units resulted in a c£7m cash outflow for the Group
- Progression of the leasehold estate restructuring was impacted during Q2 2020 by Covid-19. The Group continues to consider all options in relation to the other care homes in its leasehold estate (c35 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 anticipates that further migrations of care homes to new operators may be agreed in due course, or other arrangements may be agreed with landlords such that some leases that might be continued are done so on long-term sustainable market terms

Intermediate holding companies

• On 4 August, the directors of an intermediate holding company in the Group, Four Seasons Health Care Group Limited, appointed administrators to the company to manage its affairs, business and property. Also on 4 August, the directors of a second intermediate holding company in the Group, Four Seasons Health Care Limited ("FSHCL"), filed a notice of intention to appoint administrators to the company to manage its affairs, business and property. The directors of FSHCL expect that its administration will take effect once the five business days' statutory notice period has lapsed



Restructuring Update (2/2)

• The two companies do not operate any care homes, specialist care centres or hospitals. No operating companies will be adversely affected, save that the administrations will involve an intra-group reorganisation of certain subsidiaries of the Companies. The two companies have provided guarantees in respect of a significant number of leases entered into by operating companies in the Group

Disposals

- While the sale process for the Huntercombe Group was paused as result of the impact of Covid-19, the process resumed towards the end of June
- The Administrators and the Group continue to consider options in relation to the care homes business including the strategy around potential disposals

Liquidity

- The Group has reported previously that it has been in discussions with the lenders under the Administration Funding Agreement ("AFA") albeit the Group has not drawn under the AFA at this stage and nor has this been required. This remains the situation. The Group has entered into a Time To Pay arrangement with HMRC to extend the Group's deferral of c£18m of PAYE and national insurance liabilities in respect of March, April and May 2020 with that deferral agreed to late 2020 and early 2021
- Following the initial wave of Covid-19, the Group is reassessing its cashflow forecast for the duration of the restructuring based on the information available to it, in particular, in respect of Covid-19 and other factors. The Group's cashflow remains tight and the Group continues to carefully manage its liquidity and expenditure. While the work around assessing its cashflow forecast for the remainder of the restructuring is ongoing, the Group is currently forecasting that it will have sufficient liquidity to progress the various strands of the restructuring over the course of the next six months. This remains subject to sensitivities including the impact of potential further Covid-19 waves. Any future funding requirements will need to be considered in light of the ongoing work on assessing the cash flow

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, refinancings, restructuring of the financial debt (which may or may not include a debt for equity swap) and/or a combination of any of the aforegoing
- 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



Operational Update

- As was reported during the last update in May, the Group completed an organisational restructure of its care home division at the end of April the two operating divisions, Four Seasons and brighterkind were brought together under a single leadership team and operational structure.
- The decision to combine the two businesses was made on the bases of efficiency and effectiveness
- Since the last update the following progress is worthy of note:
 - Improved operational grip has already been established; agency payroll in July was 5.9%, the lowest level that the CHD has seen since 2014
 - Notice has been served on a number of major Group contracts including the food & dining outsourcing arrangement with Elior, the facilities management agreement with City FM and the Care Quality audit provider, Meridian, that was used in the former Four Seasons business. New systems have been chosen and rolled out or are in the process of being rolled out. Food & dining and facilities management are both being brought back in house to improve operational control, improve quality and reduce cost
 - All support functions have been realigned to support the Operations team. Processes have been streamlined, focus improved and decision making sped up. If it does not 'make the boat go faster' it's no longer being done
 - Since the last update in May, in year savings resulting from the restructure have increased from £9m to £10m and the business remains on track to deliver an annualised (rolling 12 months) improvement of c£15m by the year end
- Much of the new way of working is underpinned by a cultural change programme and a step change in expectation levels around what good looks like. In the normal course of events, an intensive series of face to face meetings would have started in early May, but Covid-19 and the lockdown has prevented this from happening. We have done the best that we can in the circumstances:
 - Zoom meetings have been held with all Home Managers, the Regional support structure and the Central support functions
 - Daily messages have been sent from the COO, backed up by video pod casts from the CEO
 - Engagement at all levels has been increased wherever possible
- Despite the work that has been done, we have to accept that the first half of the year has been like no other and that we have not yet had the opportunity to properly 'eyeball' managers, set expectations and start to visit care homes. We will start this at the earliest opportunity, and only then will we really start to see the impact of change on underlying operations
- Whilst substantial progress has been made, we remain very much in the foothills of the transformation process



Covid-19

- Along with the rest of the sector, the care home business has been significantly affected by the impact of Covid-19, primarily in three areas:
 - Occupancy decline:
 - Reduced occupancy levels, with Q2 2020 closing spot occupancy of 79.8% representing a c8.5% decrease from the opening occupancy of 88.3%. The decline is consistent with that seen by other operators
 - The death rate has stabilised and during the past 10 weeks has reverted back to levels at or below the seasonal average. 'Excess' deaths which were 635 in April & May have reduced to 473 YTD
 - Admissions, which dropped to c70% below pre Covid-19 levels, have started to show signs of recovery. In the past two weeks they have risen to c70% of what would normally be expected at this time of year
 - Increase in care costs:
 - Increase in care costs is predominantly linked to the purchase of personal protective equipment ('PPE') and enhanced infection control
 procedures
 - From March to the end of July 2020, the care home business has spent c£3.8m on PPE. This compares to c£950k in a 'normal year'
 - Payroll costs:
 - Shielding and self isolation pushed staff absenteeism up to just under 11%, although this has now fallen back. Agency usage has been well controlled throughout the period and is currently lower than pre Covid-19 levels
- LA and CCG funding
 - The Group has received support from the majority of Local Authorities and CCGs, in respect of exceptional Covid-19 costs incurred
 - The offers are varied in scale and nature and the Group is currently assessing them all
 - Whilst a significant proportion of Covid-19 exceptional costs may ultimately be covered in one form or another, reimbursement of these costs will
 not compensate entirely for the occupancy decline
- The Group's estimate of the financial impact of Covid-19 in 2020 is £10m-£15m. However, the full impact of the virus is unknown, and in particular there is significant uncertainty around the rate of occupancy recovery or whether a second spike in the virus will be seen



Results - KPIs

Turnover - Group (£m)
- FSHC and brighterkind (£m)
- THG (£m) ⁽⁴⁾
EBITDAR (£m) ⁽⁵⁾⁽⁶⁾
Adjusted EBITDA (£m) ⁽⁶⁾⁽⁷⁾⁽⁸⁾
Effective beds - Group
- FSHC and brighterkind
- THG
Occupied beds - Group
Occupancy % - FSHC and brighterkind
Occupancy % - THG
Average weekly fee $(£)^{(9)}$ - FSHC and brighterkind
Average weekly fee (£) - THG
Payroll (% of turnover) $^{(1)}$ - FSHC and brighterkind
Payroll (% of turnover) ⁽¹⁾ - THG
EBITDARM (% of turnover) ⁽⁵⁾ - FSHC and brighterkind
EBITDARM (% of turnover) ⁽⁴⁾⁽⁵⁾ - THG
Agency (% of payroll) $^{(1)}$ - FSHC and brighterkind
Agency (% of payroll) ⁽¹⁾ - THG
Expenses (% of turnover)
Central costs (% of turnover)
Maintenance capex (£m) ⁽³⁾

		2018		
Q1	Q2	Q3	Q4	Year ⁽²⁾
155.6	159.4	159.8	159.7	634.5
130.6	133.7	134.8	134.9	534.1
24.9	25.7	25.0	24.8	100.4
16.7	20.2	22.1	17.5	76.4
3.8	7.5	9.3	4.6	25.2
16,259	16,137	16,092	16,062	16,138
15,569	15,452	15,406	15,376	15,451
690	685	686	686	687
14,264	14,144	14,170	14,189	14,192
88.0%	87.8%	88.3%	88.6%	88.2%
82.3%	84.0%	83.2%	82.6%	83.0%
732	756	762	760	752
3,144	3,154	3,120	3,093	3,128
65.6%	65.2%	64.0%	63.9%	64.7%
74.9%	73.6%	78.0%	79.2%	76.4%
19.0%	20.6%	22.2%	20.6%	20.6%
14.2%	15.4%	11.9%	7.9%	12.3%
9.3%	9.5%	10.7%	9.7%	9.8%
16.2%	17.0%	19.6%	18.1%	17.7%
14.8%	13.8%	13.3%	15.0%	14.2%
6.7%	6.5%	5.9%	6.9%	6.6%
3.2	6.3	5.6	9.1	24.2

		2019		
Q1	Q2	Q3	Q4	Year ⁽²⁾
160.1	163.6	165.0	158.8	647.6
135.5	138.0	138.9	132.7	545.2
24.6	25.6	26.0	26.2	102.4
20.1	20.3	24.5	18.7	83.5
6.9	7.0	11.2	6.6	31.7
15,840	15,731	15,716	15,233	15,630
15,165	15,073	15,057	14,567	14,965
675	658	659	666	665
14,128	13,968	14,027	13,412	13,884
89.4%	88.9%	89.4%	88.2%	89.0%
84.7%	87.2%	86.4%	83.7%	85.5%
767	791	792	792	786
3,063	3,206	3,273	3,333	3,219
64.1%	64.8%	63.9%	65.6%	64.6%
75.2%	75.0%	75.7%	74.1%	75.0%
20.8%	21.1%	22.6%	18.9%	20.8%
13.6%	14.3%	13.8%	14.4%	14.0%
9.5%	9.8%	11.1%	10.1%	10.1%
15.3%	17.5%	18.9%	19.8%	17.9%
14.6%	13.6%	13.1%	14.9%	14.1%
6.4%	6.7%	5.8%	5.9%	6.2%
3.2	5.6	6.2	7.1	22.0

2020				
Q1	Q2			
137.4	119.9			
111.7	93.9			
25.7	26.0			
14.3	11.9			
6.6	8.3			
13,077	10,495			
12,445	9,932			
632	563			
11,354	8,683			
87.0%	82.8%			
83.9%	82.1%			
792	845			
3,451	3,920			
65.0%	66.9%			
75.7%	73.6%			
19.7%	18.3%			
13.2%	16.0%			
8.8%	8.6%			
18.1%	18.2%			
14.6%	14.0%			
7.8%	7.4%			
2.7	2.3			

- 1. Payroll excludes central payroll
- 2. Full year numbers may include minor rounding differences compared to the four quarter aggregate
- 3. Four Seasons Health Care, brighterkind and THG operational capex
- 4. Includes £0.2m rental income per quarter
- 5. EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs) and before closed and closing home costs
- 6. Due to their on-going nature, certain costs relating to closed and closing homes are included within EBITDA(R)
- 7. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
- 8. Rent on migrated leaseholds is accrued up to the date of the migration
- 9. 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
- 10. The Group's results for the year ended 31 December 2019, the quarter ended 31 March 2020 and the quarter ended 30 June 2020 are draft and unaudited



Results – KPIs (excluding migrated leaseholds)

- The table below and the charts on page 7 re-present the results and KPIs without the migrated care homes and specialist units (see note 5 below and page 3). In total, 113 operational care homes and specialist units (and 24 closed sites) were migrated during Q4 2019 and Q1 2020
- During Q2 2020 a further 2 operational care homes, as well as 2 closed sites, left the group. One additional care home and one additional closed site
 left the group in July
- In recent years the migrated leaseholds had, overall, been cash negative due to legacy rent levels on operational care homes and specialist units, as well as the rent burden and other ongoing costs on the 27 closed sites which did not contribute to EBITDARM
- Approximately 35 leasehold care homes and specialist units remain in the Group with discussions on-going in relation to many of these sites

	2018				
	Q1	Q2	Q3	Q4	Year ⁽²⁾
Turnover - Group (£m)	109.4	113.1	112.8	112.7	448.1
- FSHC and brighterkind (£m)	85.5	88.4	89.0	89.1	351.9
- THG (£m) ⁽⁴⁾	24.0	24.7	23.8	23.6	96.2
Effective beds - Group	10,763	10,747	10,710	10,680	10,725
- FSHC and brighterkind	10,157	10,146	10,108	10,078	10,122
- THG	606	601	602	602	603
Occupied beds - Group	9,443	9,431	9,435	9,446	9,439
Occupancy % - FSHC and brighterkind	88.0%	87.9%	88.4%	88.8%	88.3%
Occupancy % - THG	83.0%	84.7%	83.3%	82.3%	83.3%
Average weekly fee $(£)^{(6)}$ - FSHC and brighterkind	735	761	766	765	757
Average weekly fee (£) ⁽⁶⁾ - THG	3,399	3,406	3,365	3,348	3,380
Payroll (% of turnover) ⁽¹⁾ - FSHC and brighterkind	66.1%	65.6%	64.0%	64.0%	64.9%
Payroll (% of turnover) ⁽¹⁾ - THG	74.6%	73.5%	78.7%	79.9%	76.6%
EBITDARM (% of turnover) ⁽⁴⁾ - FSHC and brighterkind	18.3%	20.1%	22.0%	20.2%	20.2%
EBITDARM (% of turnover) ⁽³⁾⁽⁴⁾ - THG	13.9%	15.0%	10.6%	7.8%	11.8%
Agency (% of payroll) ⁽¹⁾ - FSHC and brighterkind	9.0%	9.3%	10.5%	9.6%	9.6%
Agency (% of payroll) ⁽¹⁾ - THG	16.3%	17.3%	19.7%	18.2%	17.9%
Expenses (% of turnover)	14.6%	13.6%	13.2%	15.0%	14.1%

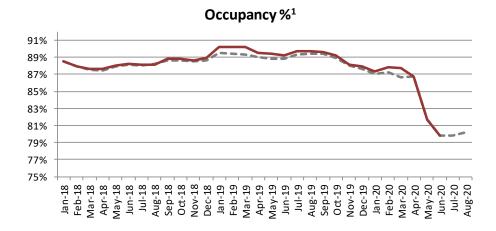
		2019		
Q1	Q2	Q3	Q4	Year ⁽²⁾
113.1	115.7	116.7	115.4	460.8
89.7	91.4	91.9	90.5	363.5
23.4	24.3	24.8	24.9	97.3
10,512	10,460	10,445	10,452	10,467
9,918	9,886	9,870	9,870	9,886
594	574	575	582	581
9,445	9,335	9,344	9,211	9,334
90.2%	89.4%	89.7%	88.4%	89.4%
83.7%	86.6%	85.8%	83.0%	84.8%
771	795	797	797	790
3,320	3,488	3,570	3,633	3,503
64.3%	65.1%	63.7%	65.2%	64.6%
75.6%	75.5%	75.8%	74.6%	75.4%
20.5%	20.6%	22.6%	19.2%	20.7%
12.5%	13.1%	13.2%	13.5%	13.1%
9.5%	9.9%	10.7%	9.3%	9.9%
15.3%	17.6%	19.3%	20.5%	18.2%
14.5%	13.6%	13.1%	14.8%	14.0%

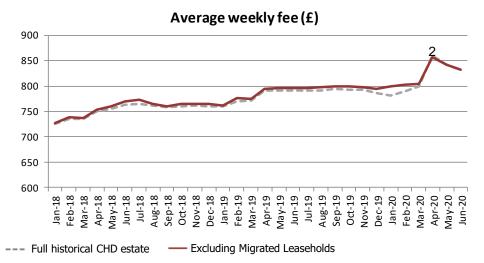
τ	es				
	2020				
	Q1	Q2			
	114.6	118.9			
	89.9	92.9			
	24.7	26.0			
	10,423	10,419			
	9,856	9,856			
	567	563			
	9,110	8,618			
	87.6%	82.7%			
	83.7%	82.1%			
	799	843			
	3,693	3,920			
	64.6%	66.9%			
	76.0%	73.6%			
	20.2%	18.3%			
	12.3%	16.0%			
	8.2%	8.5%			
	18.7%	18.2%			
	14.4%	14.0%			

- Payroll excludes central payroll
- 2. Full year numbers may include minor rounding differences compared to the four quarter aggregate
- Includes £0.2m rental income per quarter
- 4. EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs) and before closed and closing home costs
- 5. KPIs exclude all leasehold homes and specialist units which have been migrated to alternative operators in Q4 2019 (45 operating and 13 closed care homes) and Q1 2020 (66 care homes and two specialist units plus 11 closed sites) and a further 3 operational homes in Q2 2020 and July 2020. The impact of changes to the estate separate to the LER have not been excluded in the analysis above
- 6. 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 not been reflected in the FY 2019 and Q1 2020 results and KPIs. The estimated EBITDARM impact is c£0.4m per quarter



Results – Care homes

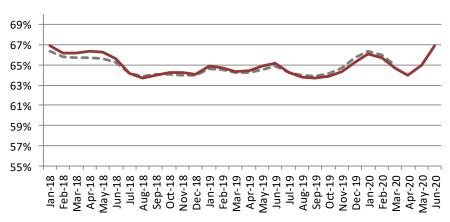




Note 1 – Aug-20 occupancy % represents 02 Aug 2020 spot occupancy %

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

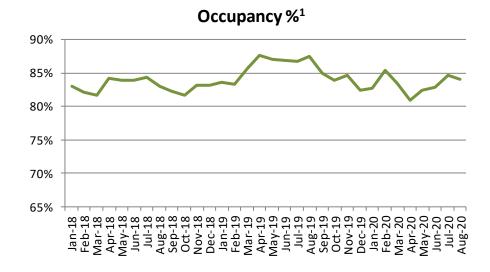
Payroll % of turnover (rolling 3 months)



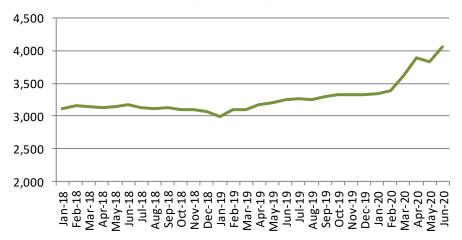
- Q2 2020 occupancy in the care home business of 82.8% was 4.2 percentage points lower than the prior quarter and the current (2 August 2020) spot occupancy of 80.2% represents a further decrease of 2.6 percentage points on the Q2 2020 average
- The occupancy decrease is predominantly a result of the negative impact of Covid-19 on death and admission levels, and is consistent with that felt across the sector
- AWF of £845 in Q2 2020 was 6.8% higher than Q2 2019⁽²⁾
- Payroll as a percentage of turnover in Q2 2020 was 2.1 percentage points higher than Q2 2019, reflecting inflationary pressures, the occupancy reduction, and costs of staff shielding and self-isolation
- Agency as a percentage of total payroll of 8.6% for the quarter was an improvement of 1.2 percentage points compared to the comparative quarter in 2019



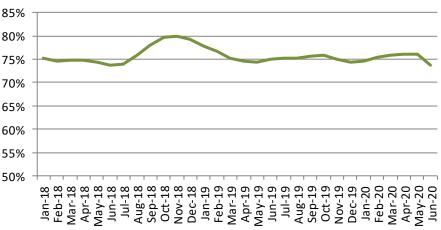
Results – THG



Average weekly fee (£)



Payroll % of turnover (rolling 3 months)



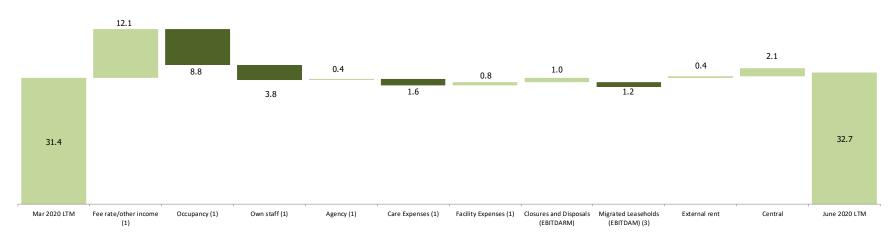
- THG's occupancy percentage of 82.1% in Q2 2020 was 1.8 percentage points lower than the prior quarter, and 5.1 percentage points lower than Q2 2019
- Average weekly fee in Q2 2020 was 22.2% higher than in Q2 2019 and 13.6% higher than the prior quarter
- Payroll as a % of turnover showed an improvement of 1.4 percentage points in the quarter compared to Q2 2019, and improved by 2.1 percentage points compared to Q1 2020
- Agency as a % of total payroll at 18.2% in Q2 2020 represented only a marginal increase of 0.7 and 0.1 percentage points compared to Q1 2019 and Q2 2020 respectively
- The overall impact of these KPIs was an improvement of 1.7 percentage points in EBITDARM margin to 16.0% in Q2 2020 compared to Q2 2019

Note 1 – Aug-20 occupancy % represents 02 Aug 2020 spot occupancy %



Results – LTM Adjusted EBITDA March 2020 v LTM June 2020

Group Adjusted EBITDA² LTM Mar 2020 v LTM Jun 2020



- The LTM movement, excluding closures, disposals and migrations, was largely a result of the following drivers:
 - Income was £3.3m higher in Jun 2020 LTM than March 2020 LTM:
 - Group fee rates, including the impact of the backdated rate change to the Funded Nursing Care rate, were higher leading to an overall favourable fee rate variance of £8.6m
 - Income of c£3.5m was received from LAs and CCGs in respect of an element of the exceptional Covid-19 costs
 - Lower occupancy in Q2 2020 within the CHD and THG compared to Q2 2019 resulted in an adverse occupancy variance of £8.8m, predominantly as a consequence of the negative impact of Covid-19 upon death and admission levels within care homes
 - Own staff payroll costs increased by £3.8m, in part driven by an increased National Living Wage in Q2 2020
 - Agency spend decreased by £0.4m in comparison to Q2 2019, but remains a challenge
 - Care and facility expenses were broadly consistent with the comparative quarter despite inflationary pressures and additional PPE costs
- There was a £2.1m decrease in central costs predominantly as a result of the organisational restructure
- The EBITDARM impact of closures and disposals was £1.0m favourable, whilst the EBITDAM of the migrated leaseholds was £1.2m lower

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



FY 2019 and H1 2020 EBITDA and cash flow analysis

			2019		
£m	Q1	Q2	Q3	Q4 ⁽³⁾	Year
EBITDARM	31.5	32.8	35.0	28.8	128.1
Closed home costs	(1.3)	(1.5)	(0.9)	(0.8)	(4.5)
Rent ⁽¹⁾⁽³⁾	(13.1)	(13.2)	(13.3)	(12.1)	(51.7)
Central costs	(10.2)	(11.0)	(9.6)	(9.4)	(40.2)
Adjusted EBITDA ⁽²⁾	6.9	7.0	11.2	6.6	31.7
Maintenance Capex	(3.2)	(5.7)	(6.0)	(7.1)	(21.9)
Central Capex	(0.3)	(0.1)	(0.3)	(0.2)	(8.0)
Сарех	(3.4)	(5.8)	(6.2)	(7.2)	(22.6)
Exceptionals - restructuring	(5.5)	(8.9)	(9.4)	(10.4)	(34.2)
Exceptionals - other	0.2	0.0	(0.0)	1.4	1.6
Exceptionals	(5.3)	(8.9)	(9.5)	(9.0)	(32.7)
Term loan drawdown	30.0	-	-	-	30.0
Taxation	(0.2)	0.4	(0.2)	-	0.1
Interest	(0.8)	0.0	0.0	0.0	(0.6)
Disposal proceeds	0.4	-	-	-	0.4
Working capital movement	(15.2)	(1.0)	0.8	12.9	(2.5)
Net cash flow	12.4	(8.2)	(3.8)	3.3	3.7
Opening cash balance	30.5	42.9	34.7	30.9	
Closing cash balance	42.9	34.7	30.9	34.2	

2020 Q1 (3) Q2 (3) 25.5 21.3 (0.4) (0.5) (7.7) (3.5) (10.7) (8.9) 6.6 8.3 (2.7) (2.4) (0.0) (0.0) (2.7) (2.4)
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1.0 11.0
34.2 35.2
35.2 46.2

- 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 Q4 2019, the rent paid in cash was c£1.7m compared to the quarterly charge of £12.1m. The corresponding figures in Q1 2020 were c£1.4m and £7.7m respectively, and in Q2 2020 were c£2.0m and £3.5m respectively
- In Q1 2020, the equivalent cash generated from operating activities was £3.9m and in Q2 2020 was £5.9m
- The Q4 2019 and Q1 2020 working capital movement was predominantly a result of rents which fell due and were accrued in respect of these quarters but which have not been paid. In addition the Group deferred PAYE and national insurance liabilities of c£5.9m in Q1 2020
- The working capital inflow in Q2 2020 was predominantly a result of a further c£12m of PAYE and national insurance liabilities being deferred
- 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£2m compared to the comparative and prior quarter

- 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, Q1 2020 and Q2 2020 was c£1.7m, c£1.4m and £2.0m respectively
- 8. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs



Material regulatory action as at 28 July 2020

The table below sets out a summary of the material regulatory action within each business, as at 28 July 2020:

Summary of current material regulatory action as of 28 July 2020							
	Embargoes	Other restrictions	Enforcement actions	Total number of open homes			
FSHC	5	4	8	158			
brighterkind	-	-	-	27			
THG	-	-	-	20			
Total	5	4	8	205			

- All care homes and hospitals 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



Contacts

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

