



Interim Results for the six months ended 31 March 2020

18 June 2020

Today's presentation team

- **Farouq Sheikh** **Group Executive Chairman**
- **Christopher Dickinson** **Group Chief Financial Officer**
- **John Ivers** **Group Chief Operating Officer**

Agenda

- **Overview**
- **Financial review**
- **Operational review**
- **Outlook**

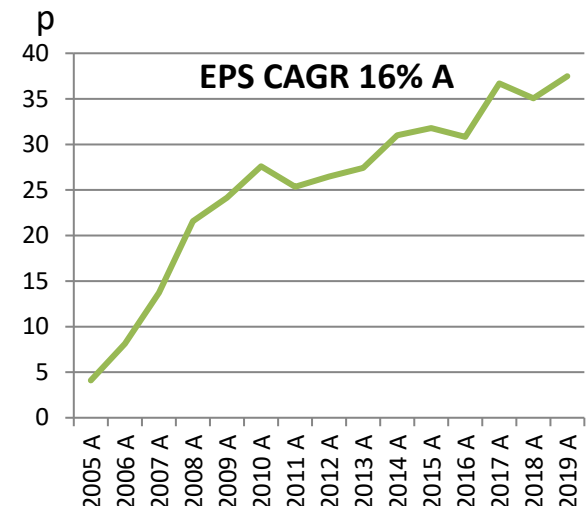
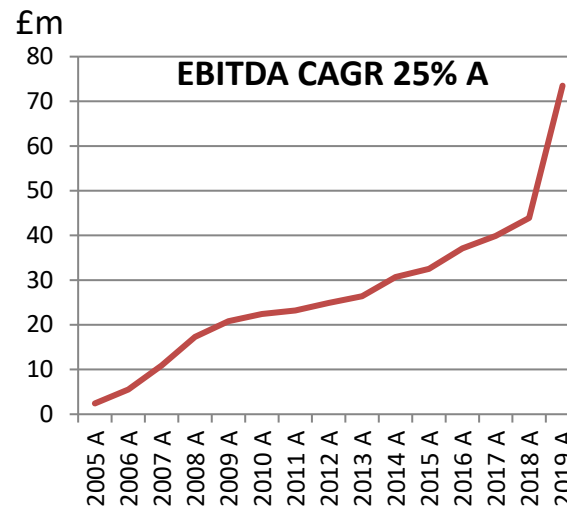
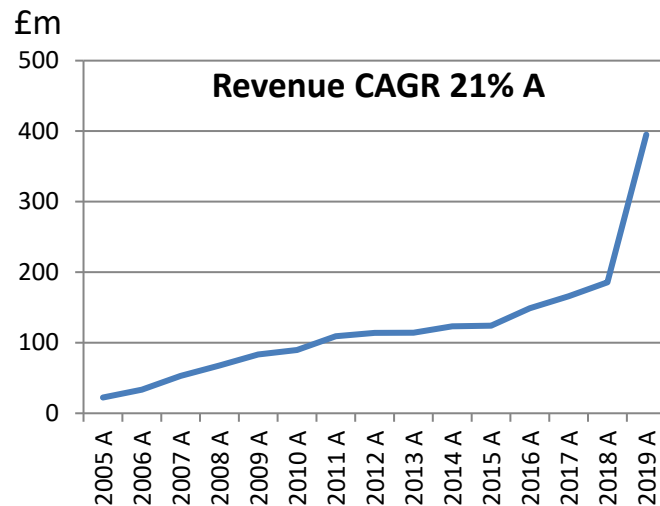
Introduction

Proven track record

- Resilient business model
- Positive growth demographics which remain unchanged
- Growing and cash backed dividend

COVID-19

- Majority of our service users are children or adults that are not NHS high risk categories
- Services remain fully operational and funded
- Additional funding available to recognise cost pressures e.g. PPE



Unique access to the social care market

- CareTech offers access to a c£15bn p.a. UK social care sector with favourable demographics and increased outsourcing of care
- CareTech is a profitable, highly cash generative and asset backed business with visibility of revenue
 - H1 2020 revenue increased by 8% to £208.5m
 - H1 2020 EBITDA of £38m, margin of 18.2% with potential to grow
- Growing dividend stream: Interim dividend increased by 7% to 4.0p
- Resilient business model demonstrated during COVID-19 pandemic
 - Confident on delivering market expectations for full year 2020
- Strong emphasis on staff well being and incentivisation: our people are key to our success
 - Introduction of Covid-19 Fund alongside share schemes
- Growth opportunities through organic development and consolidation
- Donation of shares to CareTech Foundation to support wider Social Care
- International expansion: investment into the largest provider of private outpatient mental health services in the UAE

Financial Results for the six months ended 31 March 2020

Christopher Dickinson, Group Chief Financial Officer

Financial Highlights

	31-Mar 2020 unaudited	31-Mar 2019 unaudited	Change	31-Mar 2020 unaudited
	(pre IFRS 16)			(post IFRS 16)
Revenue	£208.5m	£192.5m	+8%	£208.5m
Underlying EBITDA	£38.0m	£33.3m	+14%	£41.5m
Underlying profit before tax	£25.9m	£20.7m	+25%	£25.5m
Underlying EPS	18.44p	15.82p	+17%	18.11p
Interim dividend	4.0p	3.75p	+7%	4.0p
Net debt	£287.4m	£293.0m	-2%	£287.4m

- Strong financial position with net debt reduced to £287.4m (3.7x Net debt/EBITDA). Medium term target under 3.0x
- Strong operating cash conversion c.92%
- Integration of Cambian continues with actions taken to deliver £5m of synergies in line with acquisition plan
- Interim dividend increased by 7% to 4.0p

Operating Segments

Six months to 31 March 2020

	Six months ended 31 March 2020 unaudited £000	Six months ended 31 March 2019 unaudited £000	Change
Adults Services			
Revenue	66,043	62,123	6.3%
EBITDA before unallocated costs	15,874	14,971	6.0%
EBITDA margin	24.0%	24.1%	
Children's Services			
Revenue	121,479	110,804	9.6%
EBITDA before unallocated costs	29,030	26,480	9.6%
EBITDA margin	23.9%	23.9%	
Foster Care			
Revenue	21,004	19,583	7.3%
EBITDA before unallocated costs	3,748	3,622	3.5%
EBITDA margin	17.8%	18.5%	
Total			
Revenue	208,526	192,510	8.3%
EBITDA before unallocated costs	48,652	45,073	7.9%
EBITDA margin	23.3%	23.4%	

(i) Results are presented for H1 2020 on a non statutory illustrative basis excluding the impact of IFRS 16 "Leases" to enable comparison with 2019 performance

Cambian integration update

- Ofsted ratings have increased to 82% Good or Outstanding and best practice being shared across the Group*
- Margin improvement plan being delivered and we are in a strong position to achieve our medium term Cambian EBITDA margin target of 16% pre synergies
 - Improvement to c.14.0% (pre synergies) from 10.9% (June 2018)
- On track and already taken action to deliver pre-tax profit synergies of £5m for FY2020
 - Further synergies identified such as Procurement and Estates
 - Cambian now on CareTech's accounting platform
 - All employees relocated to CareTech HQ
 - IT costs have been streamlined and a new IT strategy put in place

* Routine inspections have been suspended due to COVID-19 which will delay the reporting of improved progress

Cash flow and balance sheet KPIs as at 31 March 2020

Cash Flow	£m
EBITDA	41.4
Movement in working capital	(3.3)
Operating Cash flow	38.1
Capital expenditure	(12.6)
Acquisition of 51% interest AS Group (net of cash, SH loan)	(3.5)
Non underlying and acquisition costs	(3.3)
Tax, interest, dividends, fx	<u>(15.0)</u>
Movement in net debt	3.7
Opening net debt	(291.1)
Closing net debt	(287.4)

Balance Sheet and KPIs	£m
Property Valuation September 2018	774.1
Tangible fixed assets - net book value	685.8
Net debt	(287.4)
Net assets	352.6
Operating cash conversion	92%
Covenants	
EBITDA: Interest	7.2:1
Net debt: EBITDA	3.7:1
Loan: Value	42%

Non underlying items

	31-Mar 2020 unaudited £000	31-Mar 2019 unaudited £000
Acquisition expenses	231	10,318
Integration and restructuring costs	2,178	2,354
Profit arising from the ground rent transaction	-	(4,565)
Charitable donations	308	390
Termination of onerous leases	130	-
Other	(56)	-
Amortisation of intangible assets	4,537	4,922
Non underlying items	7,328	13,419
Fair value movements relating to derivative financial instruments	131	(153)
Charges relating to derivative financial instruments	181	86
IAS 17 lease imputed interest	230	112
Finance fees extinguished	-	396
Included in finance expenses	542	441
Tax effect:		
Current tax	(608)	101
Deferred tax	2,342	(3,363)
Included in taxation	1,734	(3,262)
Total non underlying items	9,604	10,598

IFRS 16 impact on underlying results

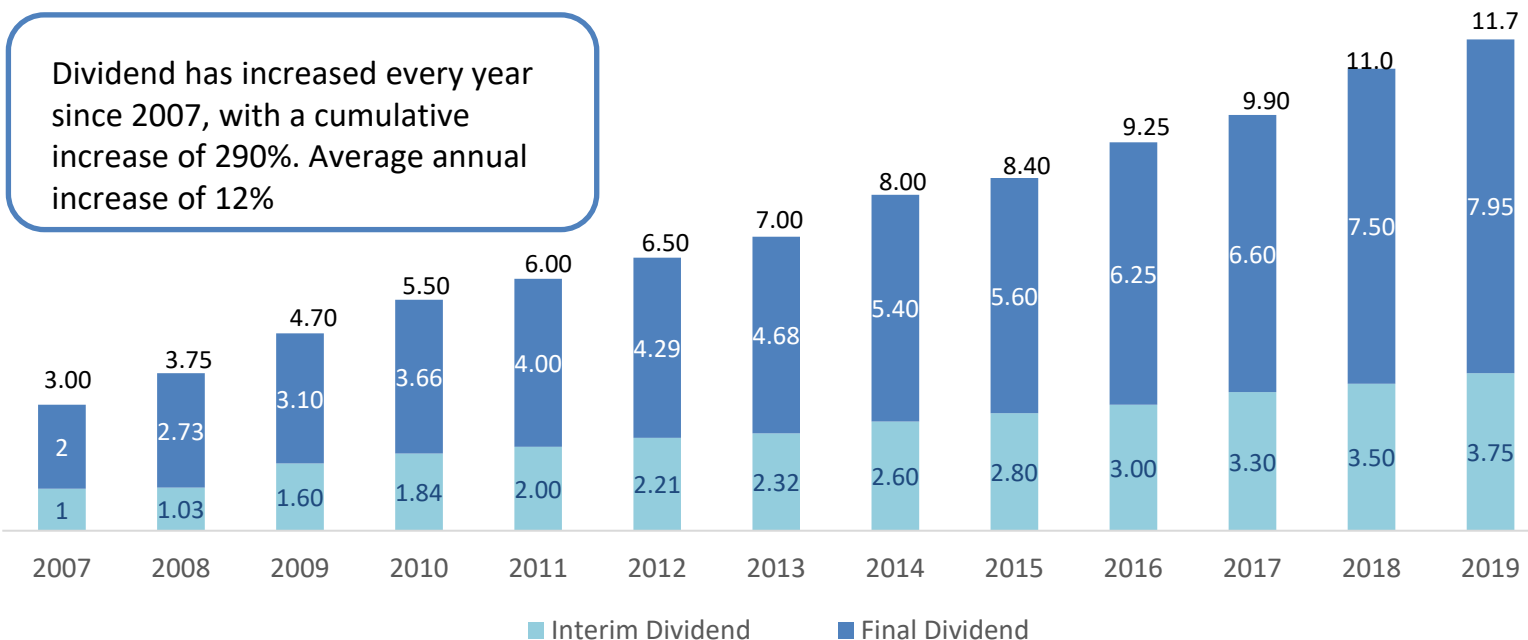
	Six months ended 31-Mar-20 Unaudited (pre IFRS16)	Impact of IFRS 16	Six months ended 31-Mar-20 Unaudited (post IFRS16)
	£000s	£000s	£000s
Underlying EBITDA	38,042	3,410	41,452
Depreciation	(5,931)	(2,565)	(8,496)
Share-based payment charge	(150)	0	(150)
Underlying operating profit	31,961	845	32,806
Underlying net finance costs	(6,054)	(1,214)	(7,268)
Underlying profit before tax	25,907	(369)	25,538
Right-of-use assets	-	70,913	70,913
Other assets	890,733	-	890,733
Lease Liabilities	(18,541)	(70,793)	(89,334)
Other Liabilities	(519,241)	(489)	(519,730)
Net assets	352,951	(369)	352,582

- Policy applied using the modified retrospective approach
- Bank covenants are calculated on a 'frozen' GAAP basis
- Will report both pre and post IFRS 16 headline financial metrics at the year end

Dividend

- Consistent with our progressive policy, we are declaring a 2020 interim dividend of 4.0p (2019: 3.75p)
- To be paid on 23 November to shareholders on register at close of 22 October

Dividend History (pence per share)



International growth

Capital light strategy using a local partner



Macani Medical Center



- Founded in 2015 as a Joint Venture with South London and Maudsley NHS Foundation Trust
- Existing operations constitute an out-patient facility in Abu Dhabi catering for:
 - Child and adolescent MH services
 - Adult psychiatry and psychology services
 - Training for education and health staff
- Operational management contract of Al Amal Psychiatric Hospital in Dubai
 - Government owned facility dedicated to psychiatric and addiction health

American Center for Psychiatry and Neurology



- Founded in 2008 with the vision to become the prominent Neuroscience and Mental Health provider in the Middle East
- Key services include:
 - Psychiatry
 - Psychology
 - Occupational Therapy
 - Rehabilitation services
- Majority of patients are UAE nationals and services covered by Thiqa/ Daman insurance
- Pricing regulated by Dept. of Health Abu Dhabi and Dubai Health Authority

Operational review

John Ivers, Group Chief Operating Officer

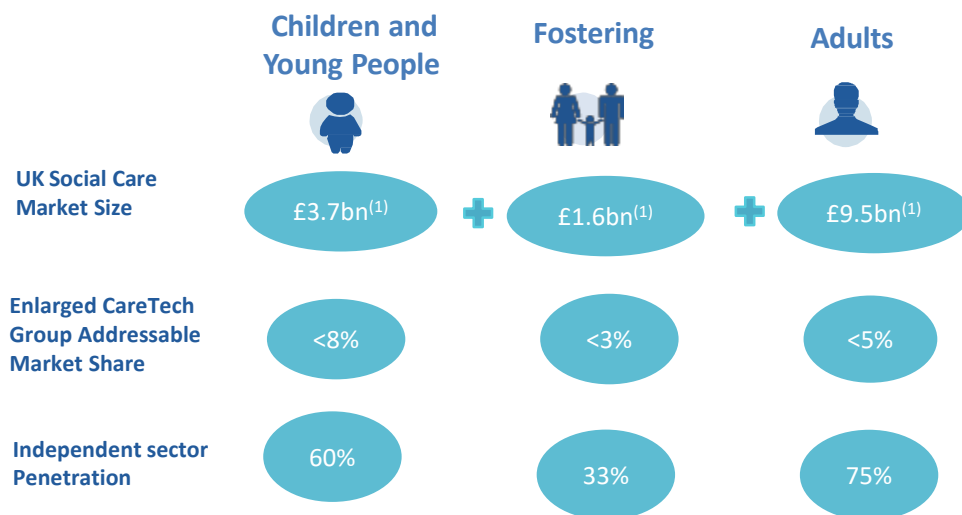
CareTech is a reliable and trusted partner

- We create value for authorities in a range of care services, from residential care to supported living, therapy and education
- Person-centered planning, putting the service user first to deliver positive outcomes



Favourable demographics and growth in outsourcing continues in our markets

Social Care Sector in the UK



Local authorities are our primary clients

- 250 local councils responsible for adult care and childrens' services
- Budgets are separated and dedicated
- CareTech best in class in response to commissioner needs
- Additional funding and support for Social Care

Key Drivers

Long established model of Social Care with independent sector share increasing

Demand Increasing
Increasing numbers of Looked After Children and Adults

Increasing diagnosis of learning disabilities, mental health and special education needs

Social Care critical to NHS system
Focus on early intervention and preventing bed blocking.
Community based service approach.

Fragmented sector with room for consolidation

Focus on young people and adults with disability or challenging behaviours.

COVID-19

- Implemented company-wide pandemic governance framework
 - Ensuring business continuity
 - Service User and Staff safety and well being
- Task force guiding and co-ordinating all daily activity with weekly Senior Executive briefing
- Dedicated data system (DRA) launched at early onset to capture and report key related pandemic data for every site
- Regular and clear communications with all stakeholders throughout
 - Daily briefings
 - Weekly operational sessions
 - Microsite for policy and guidance
 - Hotline/email for real time engagement
- PPE dedicated team focused on managing procurement and distribution with regional drop site hubs and data tracked via DRA
- Additional funding announced by LGA to support additional cost pressure on social care providers

COVID-19

Successfully navigating through COVID-19 with our exceptional teams

- ✓ Services remained operational through pandemic
- ✓ Exceptional Staff Commitment to Care and Quality
- ✓ Offices utilising remote/flexible working arrangements
- ✓ Funders supportive
- ✓ Focus on 'new normal' during and post COVID-19
- ✓ Lessons learnt for Business Continuity and Business Opportunity

Amazing staff doing an incredible job – recognition and support programmes ongoing

CareTech Group today – ‘The Care Pathway’

Children’s Services

Foster Care

Adult Services



Capacity

1,948

1,129

1,967



Sites

245 residential sites
47 educational facilities

11 locations

208 sites

Regulator Ratings

82% good/outstanding Ofsted rated

100% good Ofsted rated

91% good/outstanding CQC rated

Areas of specialism

- Learning disability
- Mental Health Issues
- Autism Spectrum Conditions
- Complex social, emotional and behavioural difficulties
- Young people in crisis
- Education and Therapeutic support

- Therapeutic Foster Placements for Young People with challenging and complex behaviours
- Family placements for young people with disabilities

- Learning disabilities
- Mental Health
- Autism and Asperger’s
- Physical disabilities
- Multi Diagnosis
- Brain Injury Rehabilitation

Spark of Genius



Park Foster Care

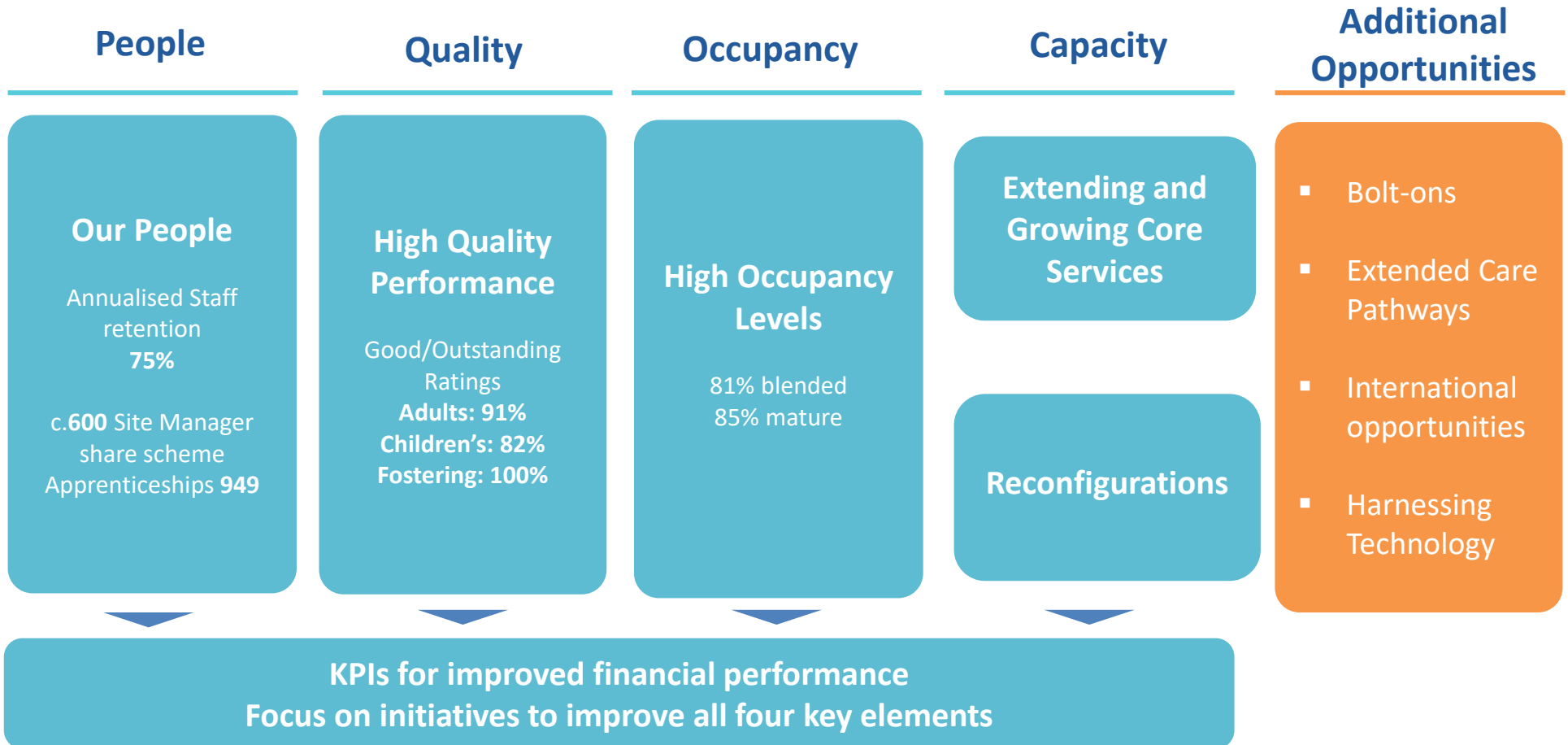


Proximity to decision makers through local brands

Operational alignment and progress

- **Aligned CareTech and Cambian Operational teams**
 - Local focus on service delivery with retained brands
- **Shared best practice approach**
- **Sustained progress on key metrics**
 - People, Quality and Occupancy across enlarged Group
- **Embedded operational monitoring and performance review process**
 - Business Review/Devolved Budget/Approvals Process/KPI Reporting
- **Integrated shared services**
 - Finance/Back Office/Support Services
 - Estates Management
 - Operational Quality Monitoring
- **Joint collaboration across Care Pathways**
 - Repositioning of CAMHs Service and Specialist School
 - Extension of service offering and shared referrals
 - New range of reconfigurations and bolt on's across Cambian portfolio

Growing our business across the enlarged CareTech Group



Our people – Key to our success

- c.10,000 staff
- Strong recruitment pipeline and on boarding not impact by COVID-19
- Annualised retention at 75%, favourable to industry average
- Approved Share Option Plan: c.600 employees covering Home and Service Managers
- New SAYE Share Scheme launches in Summer 2020
- 949 staff on dedicated CareTech apprenticeship programmes
- Support programmes available to staff – Health and Wellbeing
- Charitable Foundation – Staff Empathy and match funding for fund raising
- National Care Awards

Examples of Adults Services projects 2019/20



Foxlands Drive, located in Penn, Wolverhampton is a supported living project comprising of 5 large bedrooms. Opened in April 2020



Beecroft, located in Cannock, Staffordshire is a supported living project consisting of 10 self contained apartments, 2 two bedroom and 8 one bedroom apartments. Opened end of 2019



Willows, Wisbech opened in March 2020 and is a 14 bedded specialist mental health hospital providing mental health rehabilitation for Adult service users with complex or challenging behaviour. Repositioned Cambian children's service.



Longacres, Hunsbury 3 beds situated in Northampton for men with complex neurological conditions and brain injury. Opened February 2020.

Examples of Children's Services projects 2019/20



South Parade, located in Runcorn

Was opened as a Solo Home in October 2019 for complex needs



Nannybrook Heights, OakencloUGH a 5 bedded service opened January 2020. The home supports Children and Young People with Social, Emotional and Mental Health needs.



Llanwern House near Newport is a 5 bedded service, opened in December 2019. The home supports younger Children who have experienced early years trauma resulting in complex emotional, social and mental health needs.



Kimberley House, Located in Halifax for young children requiring complex support with hearing impairments. Opened in January 2020.

The Opportunity and Outlook

Farouq Sheikh, Group Executive Chairman

The CareTech value creation opportunity



Market trends

- Regulatory burden increasing
- Shortage of specialist beds
- Increase in demand due to demographics



Development/ Bolt-on M&A

- Organic development
- Consolidation in the sector



Technology

- Use to assist with care provision (Tele care)
- Validating & tracking outcomes using technology
- Diagnostic tools
- Monitoring and support



International

- Partnership established in UAE
- Provision of Specialist Education into Gulf region

Summary

- Resilient and proven growth business model
- CareTech is a profitable, cash generative and asset backed business with an attractive yield
- Trading in line with market expectations
- Our staff teams and operational leadership have managed our services exceptionally well through COVID-19
- To date, the operational and financial impact to date of COVID-19 on the Group has been minimal
- Experienced and strengthened management team whose interests are aligned with shareholders
- Scalable business model and well positioned for growth

Q&A

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