



CareTech Holdings PLC
("CareTech" or "the Group")

Full Year Trading Update

CareTech Holdings PLC (AIM:CTH), a pioneering provider of specialist social care services in the UK, is pleased to announce its post close trading update ahead of its results for the year ended 30 September 2015.

The Board confirms that trading for the year is in line with market expectations. This performance has been underpinned by the strategic initiatives undertaken over recent years which have delivered a stronger year on year performance on all the key financial metrics.

CareTech's care pathways continue to be a key foundation for delivering positive outcomes for our service users. By helping our service users to live more independently, we are working in partnership with local authorities by providing them with greater value for money.

During the year, 45 additional beds in reconfigured services and new services have been brought into capacity. These beds have a higher contribution than the beds pre-configuration and are part of an ongoing strategy to enhance fees and margins. The Group also acquired Spark of Genius Limited in July 2015 which had a children's residential capacity of 48 beds. The Group's net capacity at the year end was 2,116 places (2014: 2,074 places).

There was a net increase in capacity of 42 places with 51 places being removed. These include 27 places in services that have been withdrawn for reconfiguration into new care models and 5 places that were removed in supported living. Once the services have been reconfigured, we expect them to contribute a higher fee income and profit margin than previously. The removal of places from supported living is consistent with our care pathway model where individual circumstances mean that service users can now live more independently. During the same period, there was a reduction of 19 in capacity within Fostering, with 18 of these occurring in the first half year, reflecting changes in the number on our register that were able to foster children during the year.

Occupancy levels in the mature estate have been improved to 93% (2014: 92%) and the blended occupancy remains approximately 86%.

Annual fee rate negotiations with local authorities have again led to a positive outcome. The key to improving fee rates remains our work on reconfiguring the services that we own, to reposition them for the needs of more complex service users in line with commissioner demand. The new service users coming into our services are doing so at better fee rates. It is this combination of growth in fee rates which helps to increase earnings and puts the Group in a strong position going forward.

For a number of years the National Minimum Wage has been applied and from 1 October 2015 the adult rate is £6.70 an hour. This small increase in cost has normally been recovered from local authorities. In April 2016 there will be a National Living Wage which has been set at £7.20 an hour for all staff aged 25 and over. This new benchmark is welcome as we expect it will improve retention of the experienced staff that we are training and providing with care apprenticeships. We are looking to recover the increase in cost which will arise from changes to the minority of our staff, from the appropriate local authorities and this work is under way.

In the first half year the Group raised gross funds of £21.0m through a placing of 10,000,000 shares at a price of 210 pence per share. Existing shareholders and new shareholders, plus the management team, subscribed to the placing. The plan was that the placing proceeds would be deployed within approximately twelve months of the issue.

At the end of July the Group acquired Spark of Genius, a Scotland based provider of residential care and education services for young people with complex needs. The total consideration is up to £9.23m, comprising an initial payment of £7.48m in cash and an earn out of up to £1.75m. Spark of Genius had a residential capacity of 48 beds and an education capacity for over 100 children and young people.

Spark of Genius has progressed well in the first months within the Group and is trading in line with the Board's expectations. It is also progressing in line with its development programme for the next year to increase capacity by 20 beds and continue to grow the business in Scotland.

Shortly afterwards, the Group also acquired Dawn Hodge Associates Limited for an aggregate consideration of £1.1m. Dawn Hodge Associates is an Ofsted Grade 1 care sector apprenticeship training provider based in the North West.

In the first half of the year EQL Solutions launched the new CareTech Aspire Programme, which takes CareTech's care staff from the foundations of mandatory and statutory training to offer the opportunity to complete a Level 2 or Level 3 apprenticeship. At the year end, this programme had 460 CareTech apprentices undertaking the apprenticeship.

The services of EQL and Dawn Hodge Associates complement each other and provide the foundations for a strong learning division within the Group.

Just over half of the share placement monies were used on the first two acquisitions. The Group has a strong pipeline of projects which will use the remaining monies. We have transactions nearing closure and will be announcing these shortly.

In April, John Ivers joined the Senior Executive Team at CareTech as Chief Operating Officer and he has made good progress in his first 6 months. John has also acquired almost £100,000 of CareTech shares on 13 October 2015, when he purchased 41,376 shares at £2.40 a share. This is a clear demonstration of his commitment to the future of CareTech. He now holds a total of 41,376 shares in CareTech, equivalent to 0.07% of the Company's issued share capital.

In July, CareTech also agreed improvements to its banking facilities with its existing banking syndicate. The previous facility was due to expire in January 2017 and has now been extended to January 2019. The cost of borrowing has been reduced (through a reduction to the interest rate) and four loan repayments, which were due between 2015 and October 2016 and amount to £21.6m, have been deferred. In addition, there is a new uncommitted accordion facility of up to £30m

which, together with the deferral of four loan repayments, gives further support to the Group's acquisition strategy after the share placement monies have been spent in the coming months.

The Group has also increased its leasing and finance lease facilities to enable the fleet programme and other infrastructure projects to continue.

Bank debt at the period end was £151.0m (30 September 2014: £162.3m) with the reduction mainly due to some of the share placement monies remaining unspent at the year end. Finance leases at the period end were £7.5m (30 September: 2014 £3.8m) with the increase due principally to the investment in 240 new home vehicles during the year. Net debt in total at the period end was £158.5m (30 September 2014: £166.1m).

CareTech will announce its preliminary results in early December 2015.

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About CareTech

CareTech Holdings plc is a leading provider of specialist social care services, supporting adults and children with a wide range of complex needs in more than 250 specialist services around the UK.

Committed to the highest standards of care and care governance, CareTech provides its innovative care pathways through five divisions covering adult learning disabilities, mental health, young people residential services, foster care and learning services.

CareTech, which was founded in 1993, began trading on the AIM market of the London Stock Exchange in October 2005 under the ticker symbol CTH. Its freehold portfolio comprises more than 170 properties.

For further information please visit: www.caretech-uk.com