



Four Seasons
Health Care

Four Seasons Health Care – HYB conference

Elli Finance (UK) Plc & Elli Investments Limited
£350 million Senior Secured Notes and £175 million Senior Notes

September 2012

Strictly confidential

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1. Introduction



1. Introduction - Presenting management team



Dr. Peter Calveley
CEO

- Dr. Calveley was appointed CEO in April 2008, having held the position of acting CEO since November 2007
- Initially joined the Company in November 2005 as Primary Care Medical Director, whilst continuing his role as a GP and PCT Executive Committee Chairman in Lincolnshire
- Dr. Calveley has 20 years of experience in the health & social care sector



Ben Taberner
Chief Financial Officer

- Ben was appointed Chief Financial Officer of the Company in March 2010
- Ben joined the Company in 2003 as Group Financial Accountant, with responsibility for the group consolidation, statutory and investor reporting and management of the Group's debt-related responsibilities
- Ben has 9 years of experience in the health & social care sector



Dominic Kay
Commercial Director

- Dominic joined in June 2005 as Company Secretary, responsible for statutory compliance, insurance and day to day legal matters
- Prior to joining FSHC, he sat on the main board as HR and Legal Services director at Yates Group
- Dominic has 7 years of experience in the health and social care sector and is responsible for legal affairs and Group developments



1. Introduction

Transaction summary

- On 12 July 2012, terra firma completed the acquisition of Four Seasons Health Care ("FSHC") for c.£825 million
- The acquisition financing included £350 million of senior secured notes and £175 million of senior unsecured notes
- Pro forma for the transaction, total net leverage was 5.0x, of which 3.3x was senior secured. This is based on a Pro Forma Adjusted EBITDA for the LTM to March 2012 of £102 million
- A super senior RCF of £40 million is also available to FSHC

Presentation

- Our presentation covers the following areas:
 - i. Company and Industry Overview
 - ii. Key Strengths
 - iii. Operational Update
 - iv. HYB Reporting



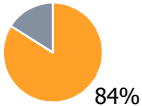
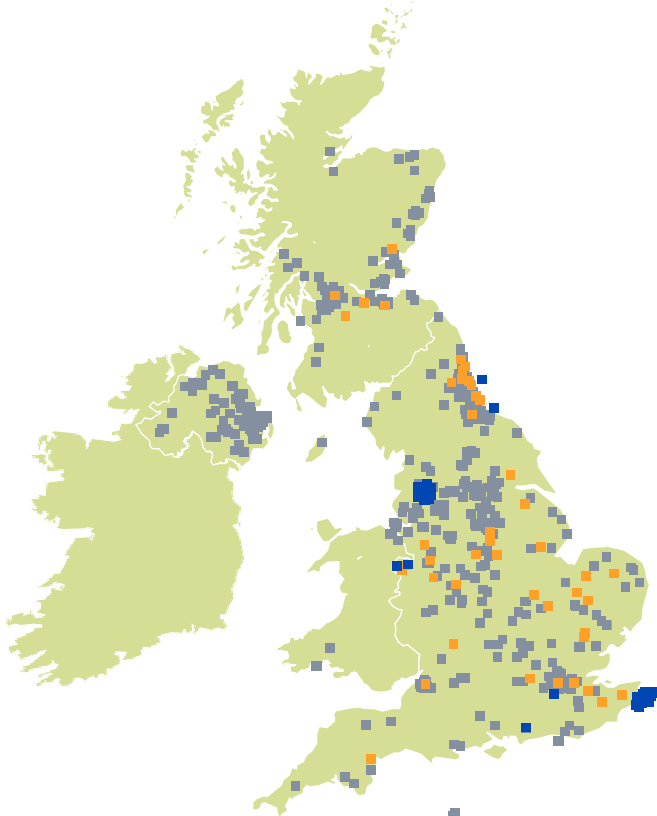
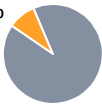



2. Company and Industry Overview



2. Company and Industry Overview

Business Overview

	Overview	Key Divisional Information (FYE 2011)	Nationwide Footprint						
1	<p>Care Home Division ("CHD")</p> <ul style="list-style-type: none"> ▪ Largest elderly care operator in the UK ▪ Provides care for physically/mentally infirm elderly and adults with long term physical/learning disabilities ▪ Industry wide average length of stay for patients under elderly care in 19.7 months¹ ▪ 436 units with c.22,000 beds 	<table> <tr> <td>Fee Income</td> <td>£457m</td> </tr> <tr> <td>EBITDARM</td> <td>£132m</td> </tr> <tr> <td>% Margin</td> <td>28.8%</td> </tr> </table> <p>% of Group EBITDARM</p> 	Fee Income	£457m	EBITDARM	£132m	% Margin	28.8%	 <p> ■ CHD ■ THG ■ Investment properties </p>
Fee Income	£457m								
EBITDARM	£132m								
% Margin	28.8%								
2	<p>The Huntercombe Group ("THG")</p> <ul style="list-style-type: none"> ▪ A leading independent specialist provider offering an extensive range of mental health and specialist care services ▪ Industry wide average length of stay for patients varies depending on nature of specialist care service (e.g. 3 weeks for acute general psychiatry, 7 months for learning disabilities, 2 years for medium secure etc.)¹ ▪ 58 units² with c.1,600 beds 	<table> <tr> <td>Fee Income</td> <td>£76m</td> </tr> <tr> <td>EBITDARM</td> <td>£15m</td> </tr> <tr> <td>% Margin</td> <td>19.0%</td> </tr> </table> <p>% of Group EBITDARM</p> 	Fee Income	£76m	EBITDARM	£15m	% Margin	19.0%	
Fee Income	£76m								
EBITDARM	£15m								
% Margin	19.0%								
3	<p>Investment Properties ("IP")</p> <ul style="list-style-type: none"> ▪ 30 properties owned but not operated by the Group ▪ Provide rental income to the group ▪ Acquired as part of historic acquisitions ▪ Tenants are operators who either provide residential care for older people or specialist care for individuals with learning disabilities 	<table> <tr> <td>Fee Income</td> <td>NA</td> </tr> <tr> <td>EBITDARM</td> <td>£12m</td> </tr> <tr> <td>% Margin</td> <td>NA</td> </tr> </table> <p>% of Group EBITDARM</p> 	Fee Income	NA	EBITDARM	£12m	% Margin	NA	
Fee Income	NA								
EBITDARM	£12m								
% Margin	NA								

¹ Laing & Buisson

² Of which 10 provide both services

Source: Company



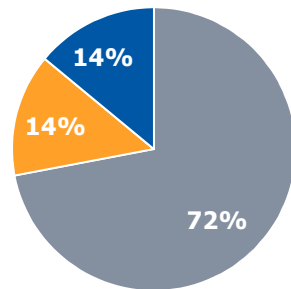
2. Company and Industry Overview

Business Overview (Continued)

Care Home Division ("CHD")

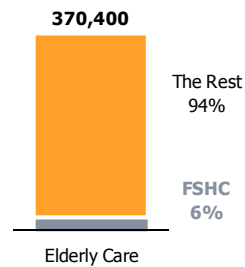
2011 Market Size (£14.5bn)

Value

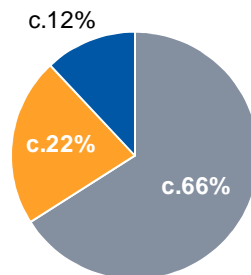


■ Independent ■ Voluntary ■ Public

Beds (Independent Sector)



CHD Funding Sources (FY 2011A)

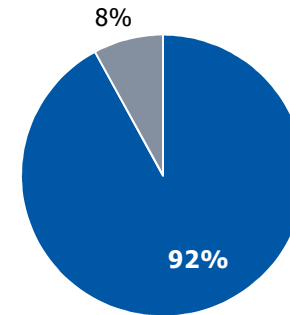


■ Local Authorities ■ Private ■ NHS

The Huntercombe Group ("THG")

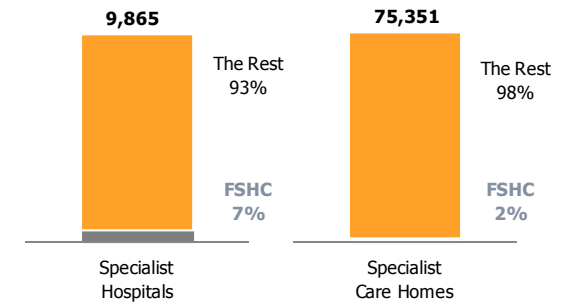
2011 Market Size (£14.35bn)

Value

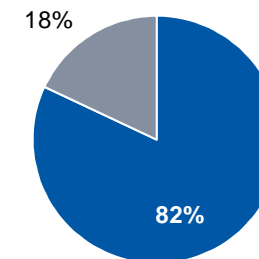


■ Independent ■ Voluntary ■ Public

Beds (Independent Sector)



THG Funding Sources (FY 2011A)



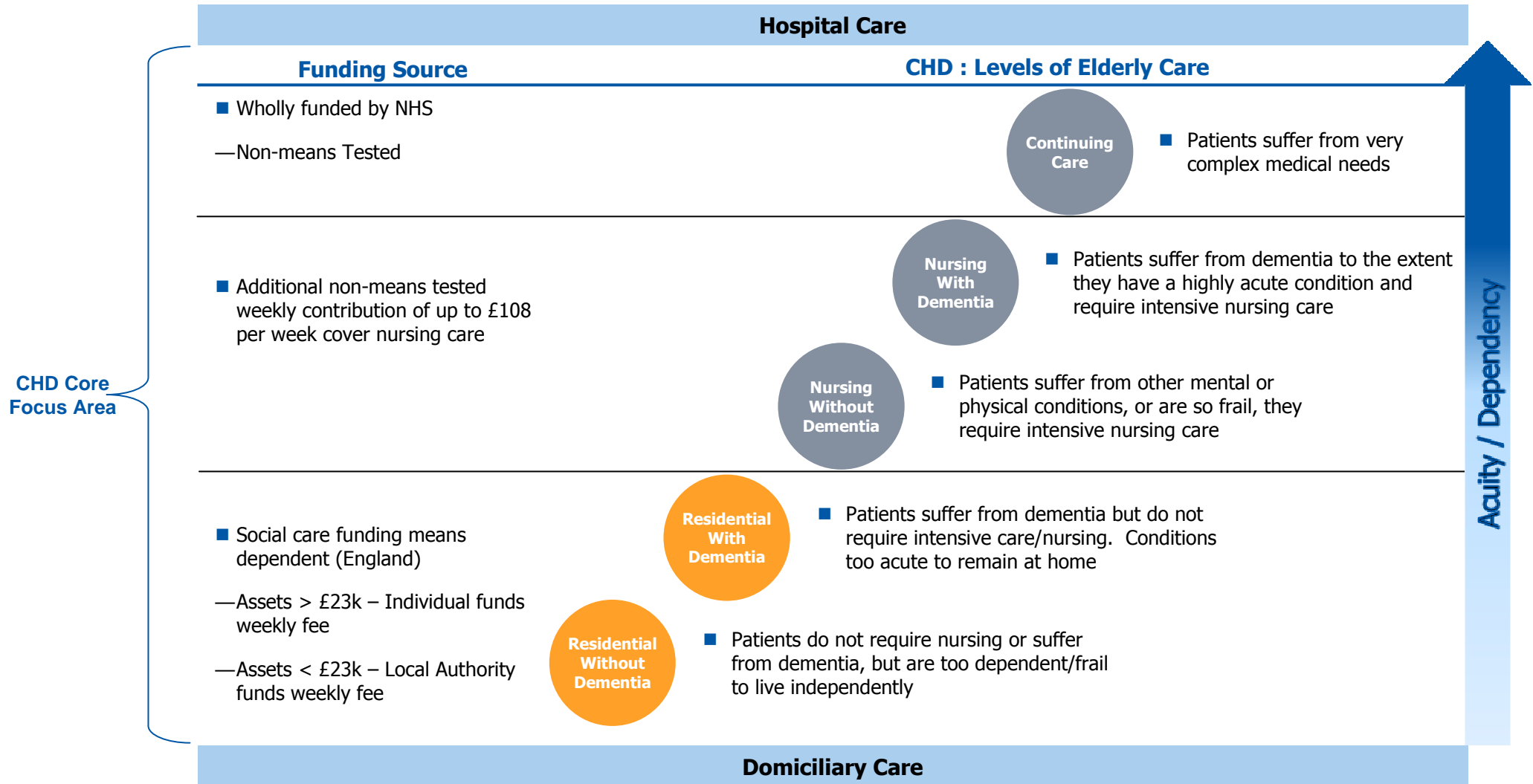
Source: Laing & Buisson / Company

Note: Number of beds shown are registered and are for-profit sector only as at November 2011



2. Company and Industry Overview

CHD Market Positioning



Source: Company, Laing & Buisson



2. Sector Update

Cabinet reshuffle 4th September 2012

- Jeremy Hunt replaces Andrew Lansley as Secretary of State for Health
- Norman Lamb replaces Paul Burstow as Minister for Care Services

Social Care White Paper published July 2012

- Government support for principle of a cap on personal contributions to care but no commitment to the level of the cap, source of funding or date of implementation
- Consultation on the economic oversight of social care due to commence in October

Quality Surveillance Groups

- Report from National Quality Board : ' Maintaining and Improving Quality from 2013'
- The Groups' membership will be local regulators, commissioners, Monitor and the local Healthwatch group
- Responsibility for quality assurance and surveillance of providers and managing local 'provider failure regimes'

Funding Environment

- No change in trend of improvement on settlements in 2011 with Scottish and N Ireland settlements above 2% and England settlements agreed to date averaging between 0.5 and 1%. 40% of English Local Authorities have yet to finalise their proposals for 2012/13





3. Key Strengths



3. Four Seasons – Key Strengths

1

Strong Underlying Market Demand

2

Market Leading Position

3

Focus on Higher Acuity Services

4

High Quality Service Recognised by Regulator

5

High Quality of Real Estate is a Positive Differentiator

6

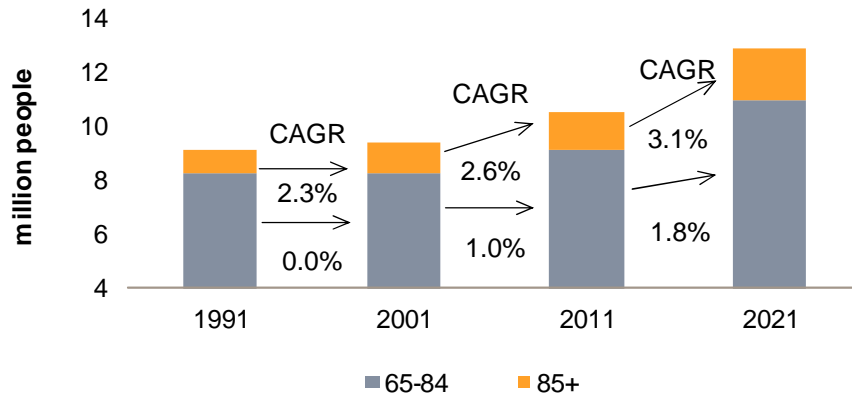
Strong Financial Performance with High Cash Conversion



3. Key Strengths

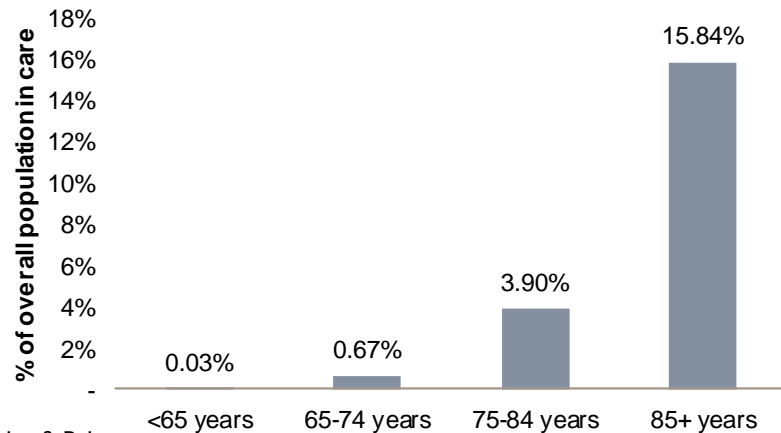
1 Strong underlying market demand

UK elderly population projections (age)



Source: Laing & Buisson

Proportion of elderly UK population in care 2011



Source: Laing & Buisson

Comments

- Ageing population and higher prevalence of dependency among older population
 - The size of the 85+ age group is projected to be almost 2.5 times larger in 2035 than in 2010, reaching 3.5 million and accounting for 5% of the total population
 - c.15.8% of the 85+ age group are in care homes or hospital settings compared to only 0.7% in the 65-74 year old population
 - High expected growth rate in the dementia population from current level
- Due to the rapid escalation of dependency and disability with increasing old age, the trend for an ageing population is expected to have a large impact on the demand for care services
 - The 85+ age group is significantly more dependent on nursing care and more prone to moderate to severe dementia requiring specialist residential treatment

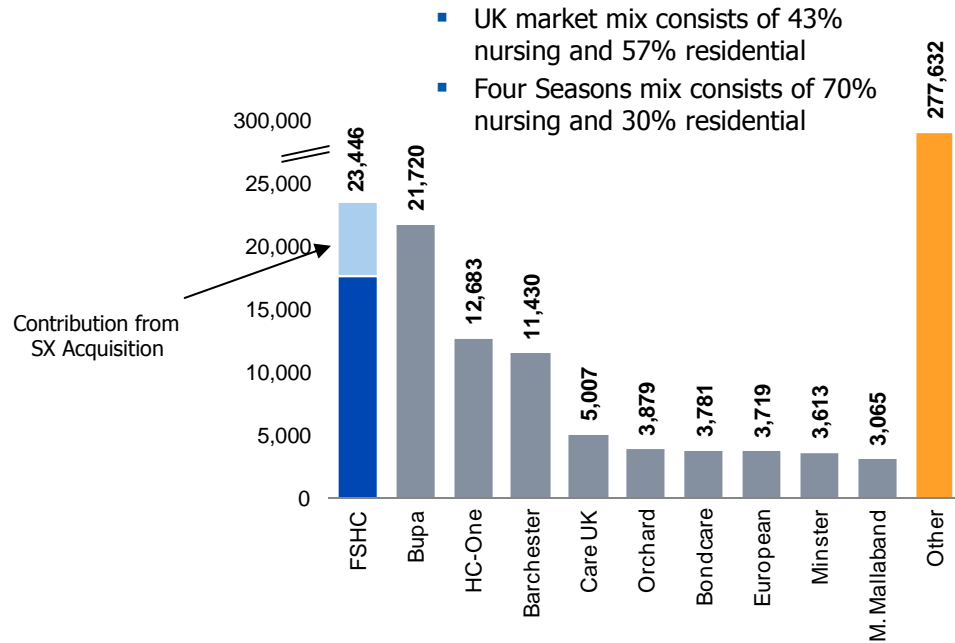
Source: Laing & Buisson



3. Key Strengths

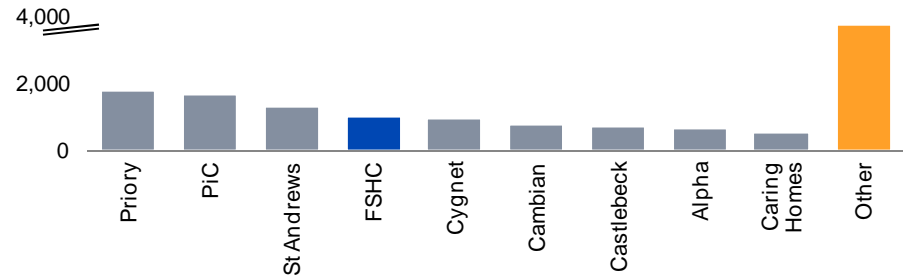
2 Market leading position

UK market (by registered beds)¹

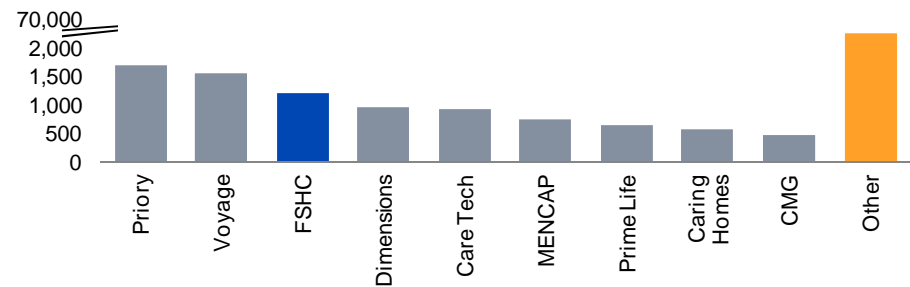


- Largest independent sector provider allowing benefits of scale
 - Procurement savings
 - Ability to attract qualified staff (nurses, doctors, etc.)
 - Ability to roll out industry leading programs (PEARL)
 - Sharing of best practices across large number of facilities
 - Access to larger financial resources

Competitive landscape (by registered beds) – specialist hospitals²



Competitive landscape (by registered beds) – specialist care homes³



- Competitive market position in a fragmented market
- Structural demand growth
- Competition to attract residents based on
 - Reputation arising from quality of service
 - Breadth of clinical skills demonstrated by robust outcomes

Source: Laing & Buisson

¹ For profit operators as at November 2011

² Includes both acute psychiatry and secure hospitals

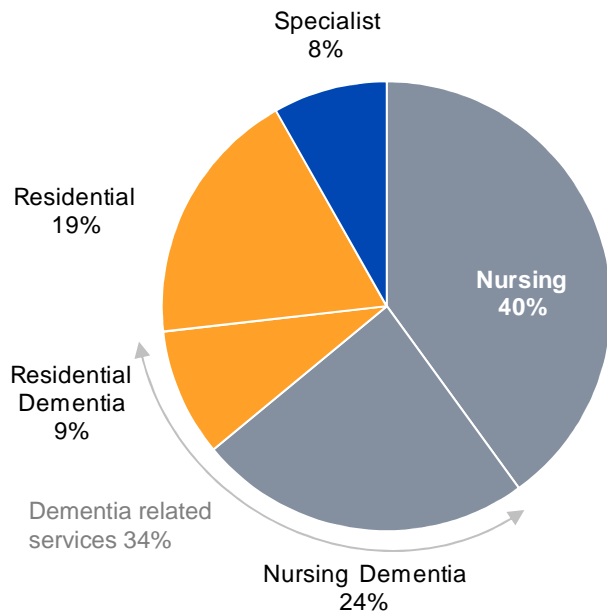
³ Includes both Mental Health and Learning Disability care homes



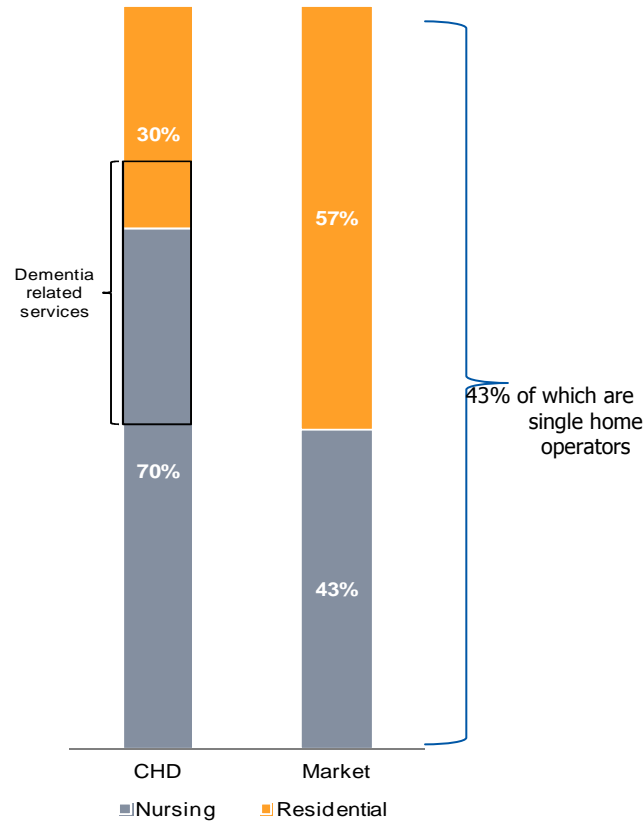
3. Key Strengths

3 Focus on higher acuity services

FSHC by Number of Occupied Beds (FY-2011A)



CHD vs. Market Services



CHD: focus on high dependency service provision

- Higher nursing mix than the overall market
- Focus on higher acuity services leading to more defensive occupancy levels
- Market leading and award winning dementia specific service (PEARL) being rolled out across the portfolio
 - Portfolio flexibility enables the Group to reposition units into higher dependency services such as dementia
 - The dementia numbers of bed increased from 31% in 2009 to 34% in 2011
- Nursing services have higher AWF compared to residential services

THG: high acuity services

- Focus on high acuity services comprising both shorter-term acute and longer term rehabilitation services

UK Market Average Weekly Fee	
Market Average Nursing Weekly Fee	£722
Market Average Residential Weekly Fee	£524

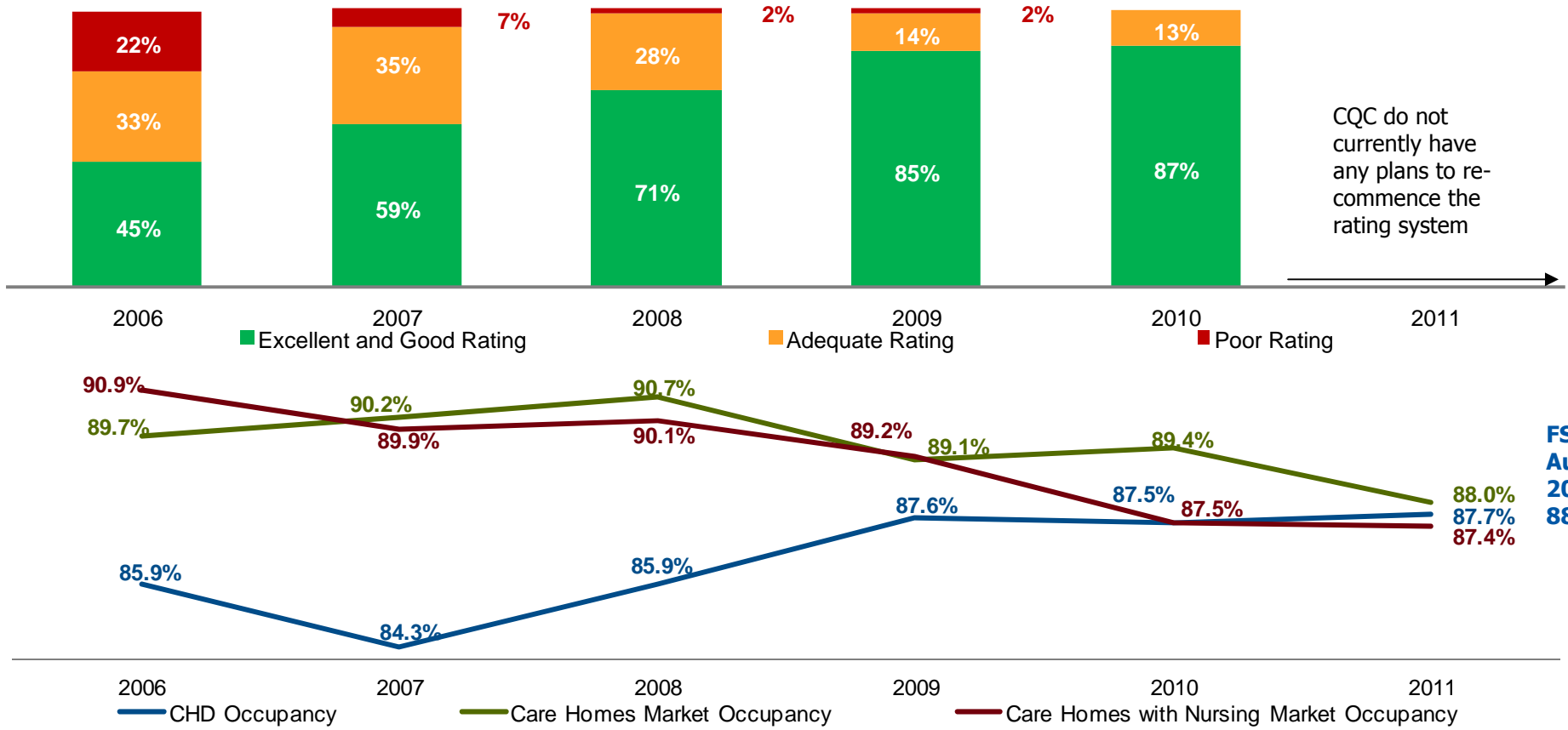
Source: Company / Laing & Buisson



3. Key Strengths

4 High CHD quality service recognised by regulator

Evolution of Our CHD CQC Ratings



Source: Company, Laing & Buisson

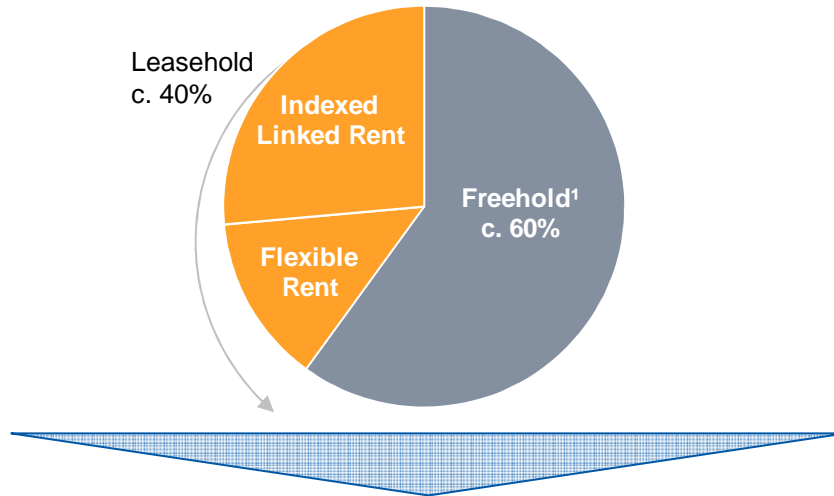
Note: CQC suspended ratings nationally in June 2010 following the implementation of the new standards under the Health and Social Care Act 2008; Market occupancy for care homes and care homes with nursing is only for private sector and dated as of March year-end; For 2011, occupancy for Core CHD excluding impact of SX integration is 87.7% while occupancy including SX is 87.5%. In August 2012 occupancy for core CHD is 88.6% and including SX is 88.4%.



3. Key Strengths

5 High quality of real estate is a positive differentiator

Portfolio Overview by Type



- Approximately 60% of FSHC's units are owned on a freehold basis
- Market value of FSHC's freehold/leasehold property portfolio valued in Oct-11 by a third party at £941m, substantially confirmed in Apr-12
- Short leasehold value represents less than 2% of total value
- 34% of FSHC's leaseholds are subject to flexible rent terms (profit sharing mechanism)

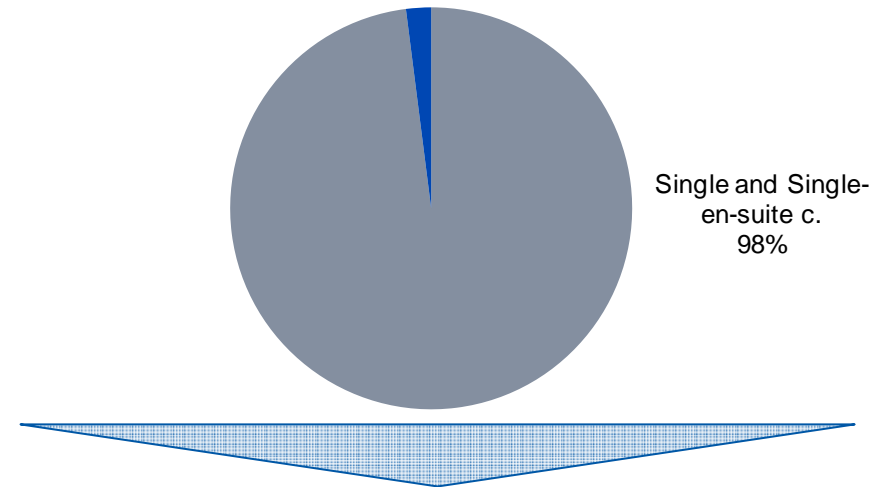
Source: Company

¹ Includes Investment Properties

² Prior to SX Integration

Portfolio Overview by Room Type²

Double and Double-en-suite c. 2%



- FSHC's properties are well-configured units maintained to high standards, with 98% of the portfolio consisting of single rooms and single en-suites
 - Maintenance capex of c.£900 per bed in 2011
- The Company has built a leading reputation for quality by consistently investing in the estate

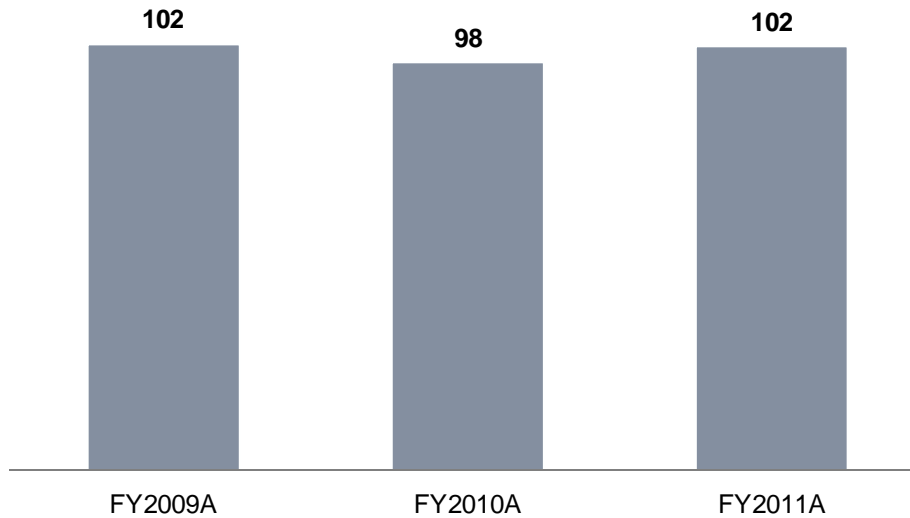


3. Key Strengths

6 Strong financial performance with high cash conversion

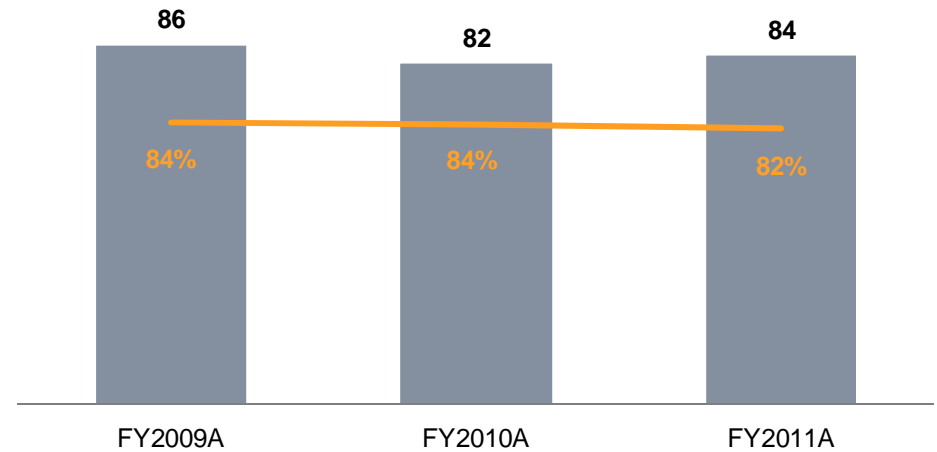
- Stable EBITDA and strong cash flows in challenging market conditions
- Cash conversion for EBITDA – Maintenance Capex consistently above 80% of EBITDA

EBITDA (£m)



EBITDA – Maintenance Capex (£m)

— % of EBITDA



Source: Company





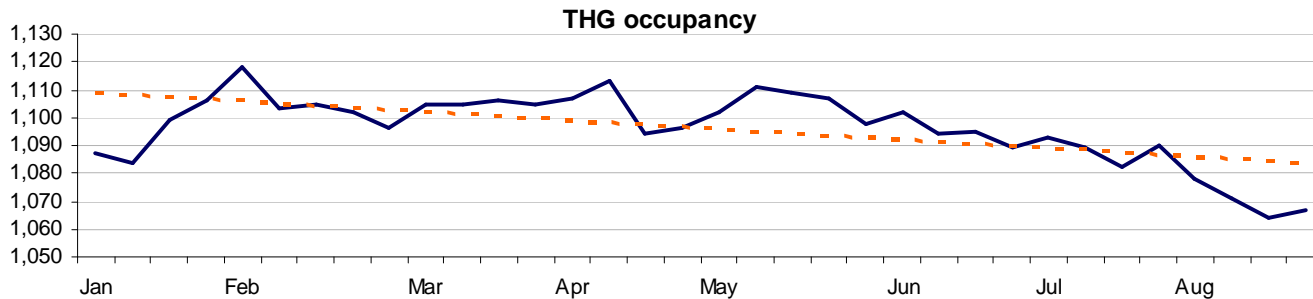
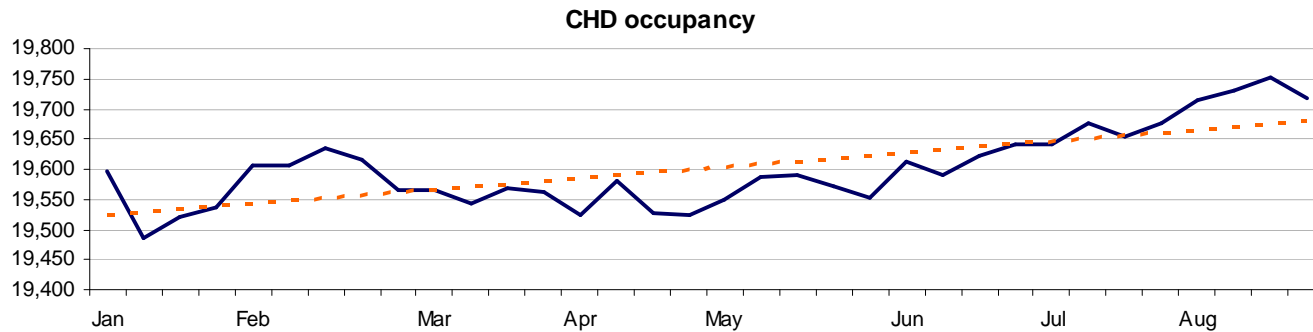
4. Operational Update



4. Operational Update

2012 Occupancy

CHD and THG occupancy progression in 2012



- In general, intra-annual CHD occupancy shows seasonality with decreases in the winter months followed by an autumn peak
- Despite the recent integration of former SX units, CHD occupancy is currently close to an all time high at 88.4%
- THG offers a broad range of services with occupancy in each being subject to different drivers
- Although occupancy has fallen slightly during 2012, in the hospitals (the most profitable segment) it is up by 11% in the week to 26 August 2012 compared to the same week in 2011

From the beginning of 2012 CHD occupancy has increased by 119 residents and THG has decreased by 20 residents

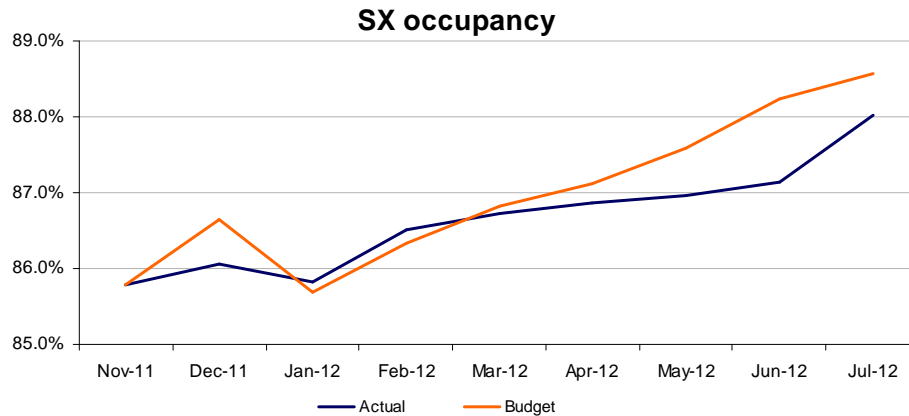
Source: Company



4. Operational Update

Ex-SX Occupancy progression and CHD Fee Rate Settlements

Ex-Southern Cross homes occupancy progression



- Occupancy in units previously operated by Southern Cross (excluding homes operated under management agreements) is currently at 88.0%, compared to 88.6% in the core CHD units

Occupancy has increased in homes previously operated by Southern Cross but is currently slightly below budget

Source: Company

CHD fee rate settlements in 2011 and 2012 forecast

	2011	2012
Local Authority ¹		
England	(0.18%)	0.60%
Northern Ireland	0.00%	2.50%
Scotland	0.00%	2.75%

- Settlements in England are across a large number of local authorities compared to blanket settlements in Scotland and Northern Ireland
- 2012 fee rate settlement for any authorities in England with whom a fee rate has not been agreed is included at the current offer
- Northern Ireland and Scotland increases have been confirmed at 2.5% and 2.75% respectively compared to no increase in 2011
- Private settlements are at the discretion of the company and have averaged between 3% and 4% in each year

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

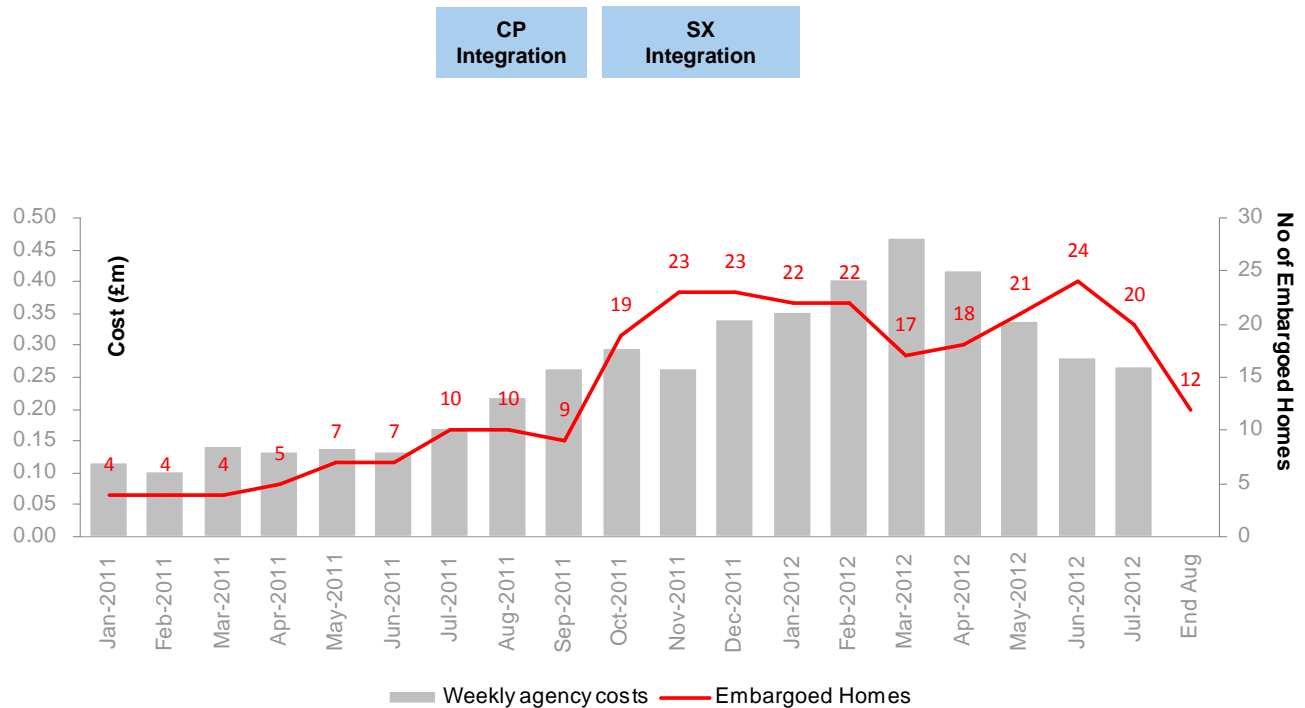
Local authority fee rate settlements have shown tentative signs of recovery in 2012



4. Operational Update

Agency costs and Embargoes

No. of embargoed homes vs. Agency cost



- Increased CQC scrutiny on the whole sector from Q4 2011 led to an increase in embargoes in both existing and SX homes
- Additional and re-allocated resource resulted in increased agency usage – these costs are being reined back

Agency spend has reduced steadily since Q1 2012, whilst embargos remain under control

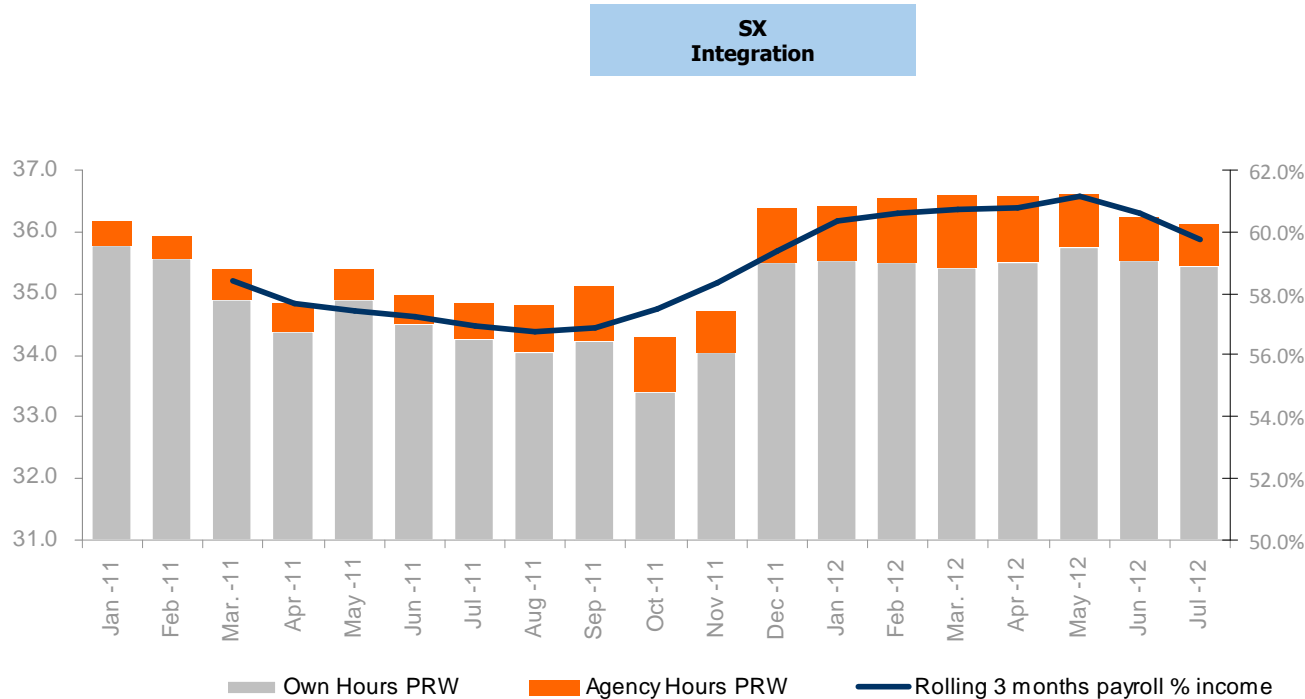
Source: Company



4. Operational Update

Payroll usage – Own Staff and Agency

Own staff and agency hours worked per resident per week



- Increased CQC scrutiny and ex-SX home operational issues, together with enforced staff turnover, resulted in increased agency and own staff hours in Q4 2011
- Overall staffing hours recently peaked at over 4% of income higher than the 2011 low
- The last three months to July have shown an improvement in excess of 1% as a result of lower agency and own staff usage

Current payroll % of income is c.3% higher than immediately before the acquisition of SX units

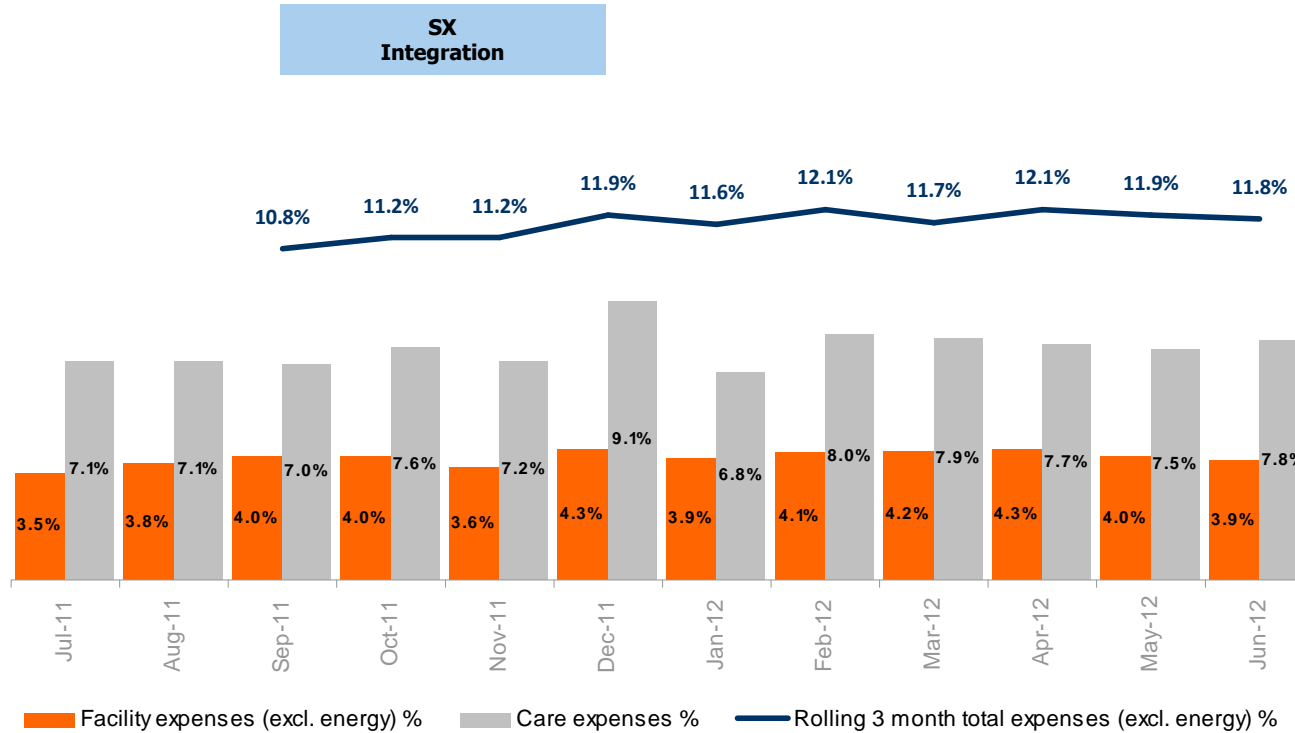
Source: Company



4. Operational Update

CHD Care and Facility expenses

Care and Facility expenses



- Inflationary pressure has impacted a number of the largest categories of expenditure including food and utilities
- Levels of opex required in the ex-SX homes was unexpected given limited access to the homes pre-acquisition
- The expenses % of income (excluding energy which is seasonal) has increased by c1% since Q3 2011 predominantly as a result of this usage spike
- Spend levels are expected to slowly revert to pre-acquisition levels

Total expenses have increased by c.1% of income following the integration of SX units

Source: Company



4. Operational Update

Recent acquisitions and developments

Southern Cross and Care Principles

- Care Principles was acquired during July 2011 and the units formerly operated by Southern Cross between September and November 2011
- Around this time, the Care Quality Commission increased the vigour and frequency of its inspections and imposed a greater number of embargoes
- Significant resources in both staffing and expenses have been deployed to address the issues
- The resolution of ex-SX home issues impacted on the existing group with the transfer of experienced staff to resolve issues
- The incremental resources and expenses that were deployed to resolve these issues are now being reined back
- Occupancy has increased in the ex-SX homes and is approaching budgeted levels
- Management's strategy is to generate further EBITDA growth from the integration of the ex-SX homes by:
 - Further addressing the operational issues inherited with these homes
 - Continuing to increase the occupancy rate from the 2011 acquired average of 84.5%
 - Driving an increase in EBITDARM % to pre-integration FSHC levels
- CP occupancy remains lower than expected, but costs have been controlled

The integration of units previously operated by Care Principles and Southern Cross is now complete

Source: Company



4. Operational Update

Recent acquisitions and developments (Continued)

Current and future developments

- The two main developments scheduled for H1 in 2012 were *Pennine Lodge* in Carlisle and *Westbury Court* in Wiltshire
- Both of these homes have filled quicker than projected
- Pennine Lodge is leased from GJP Carlisle and Westbury was built at a cost of £5.5m in line with projections

	Current occupancy (w.e. 26 Aug 2012)	Opening date	Actual monthly fill rate	Forecast monthly fill rate
Pennine Lodge	28	Apr-12	6	5
Westbury	16	May-12	4	3

- Two further developments at Longhedge and St Margaret's are on schedule to complete early in 2013
- The Group's primary focus remains to develop the existing business and to continue the turnaround of units acquired from Care Principles and Southern Cross
- However management will consider the acquisition of any groups or homes if appropriate

Cost of developments has progressed in line with projections, with fill rates ahead of forecast

Source: Company





5. HYB



5. High yield bond

The funds raised from the high yield bonds were funded into escrow on 28 June 2012 and were then used to repay FSHC's existing debt upon completion of the acquisition by terra firma on 12 July

Key terms

Information on the listing

- Elli Finance (UK) Plc issued £350 million of 2019 Senior Secured Notes with a coupon of 8.75%
- Elli Investments Limited issued £175 million of 2020 Senior Notes with a coupon of 12.25%
- The bonds were listed on the Irish Stock Exchange on 13 August 2012
- The coupon will be payable semi annually on 15 December and 15 June
- Post completion requirements have been completed in line with requirements

Financial Reporting

Investor information

- Our website (<http://www.fshc.co.uk>) will be the best source of information for investors and will include:
 - Recent annual and interim reports available for downloading
 - Important press releases relating to the Company
 - Results presentations
 - Timing of upcoming results releases (annual and interim) and investor conference calls
 - Contact details for Investor Relations at the Company (investorinfo@fshc.co.uk)
- Q3 reporting will be available by the end of November
- Conference call within 10 business days after the delivery of quarterly reporting
- Continue to be publicly rated by Moody's, S&P and Fitch

