



Four Seasons
Health Care

Four Seasons Health Care – HYB

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

September 2013

Strictly confidential

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1. Company and Industry Overview



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Company Overview

Overview

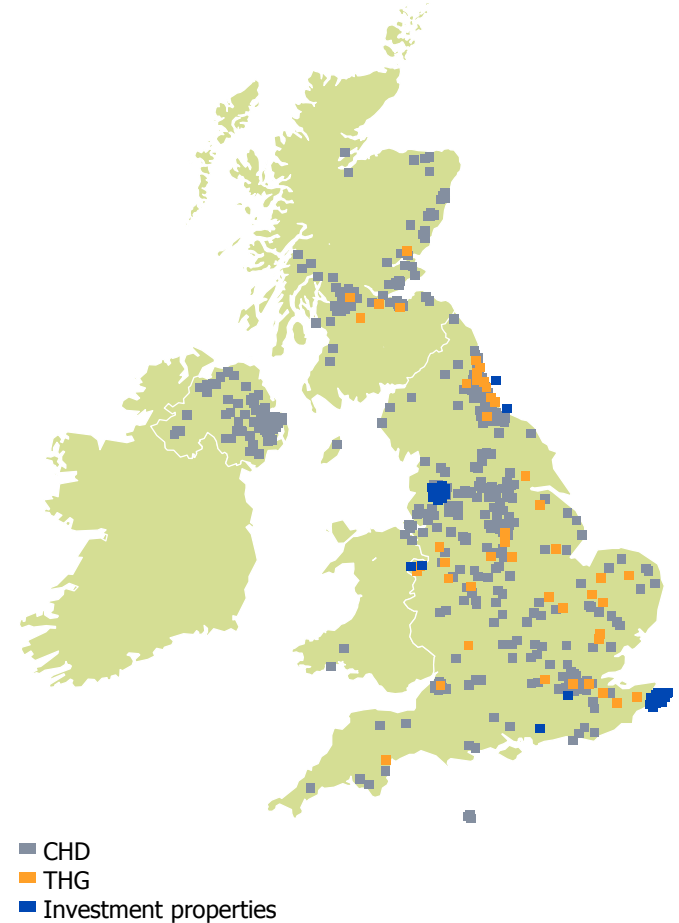
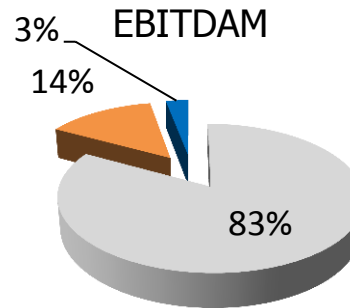
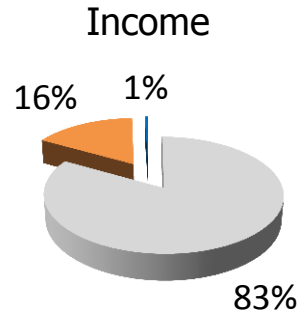
Key divisional information (FY 2012)

Nationwide footprint

- 1 Care Home Division ("CHD")**
- 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 residents under elderly care is c.20 months
 - 437 units with c.22,000 beds

- 2 The Huntercombe Group ("THG")**
- 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.)
 - 56 units¹ with c.1,500 beds

- 3 Investment Properties ("IP")**
- 30 properties owned but not operated by the Group
 - Provide rental income to the group
 - Acquired as part of historical acquisitions
 - Tenants are operators who either provide residential care for older people or specialist care for individuals with learning disabilities



¹ Of which 10 provide both services



1. Company and Industry Overview (cont.)

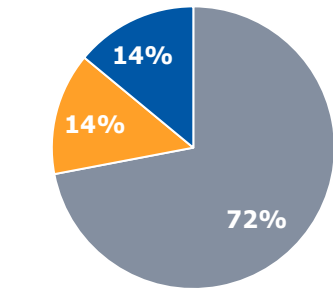
Market Overview and Funding Sources

Care Home Division ("CHD")

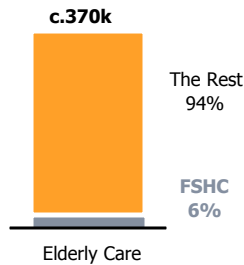
Market Size (c.£15bn)

Value

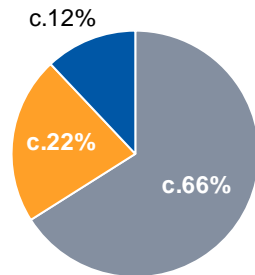
Beds (Independent Sector)



■ Independent ■ Voluntary ■ Public



CHD Funding Sources



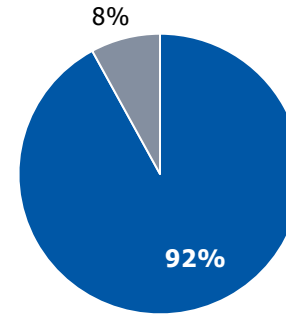
■ Local Authorities / RNCC ■ Private ■ NHS

The Huntercombe Group ("THG")

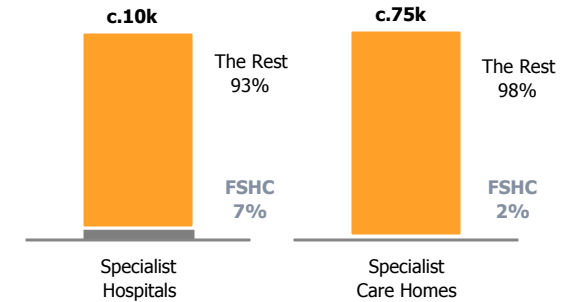
Market Size (c.£15bn)

Value

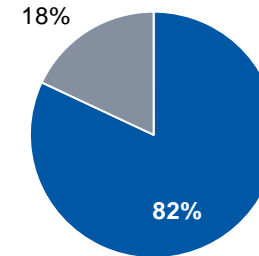
Beds (Independent Sector)



■ Independent ■ Voluntary ■ Public

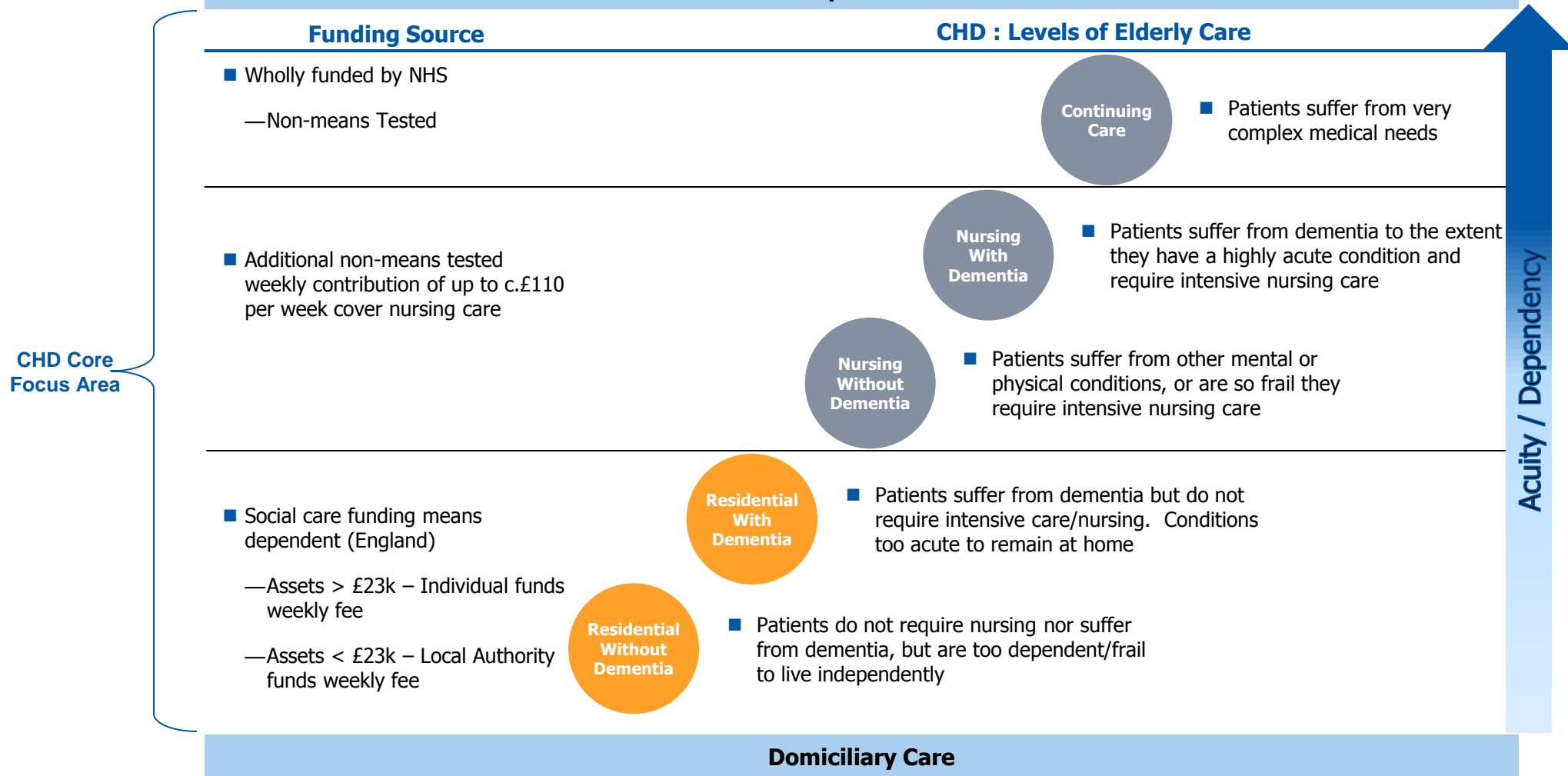


THG Funding Sources



1. Company and Industry Overview (cont.)

CHD resident funding



1. Company and Industry Overview - recent sector developments

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'

Transparency/Scrutiny of Social Care

- Transparency from, and scrutiny of, providers in their relationship with DoH
- BDO appointed by DoH to conduct reviews
- Quarterly meetings with DoH + BDO + providers to review findings

Health and Social Care Act 2012

- The Health and Social Care Act 2012 puts clinicians at the centre of commissioning, frees up providers to innovate, empowers patients and gives a new focus to public health
 - Supported by the NHS Commissioning Board, new clinical commissioning groups will now directly commission services for their populations
 - Patients to be able to choose services which best meet their needs

Mid-Staffordshire Public Enquiry published 6th February 2013

- To cause death or serious harm to a patient by non-compliance without reasonable excuse with the fundamental standards should be a criminal offence
- Being truthful to patients where harm has or may have been caused should be a statutory duty
- Staff should be legally obliged to make employers aware of incidents where harm is caused to a patient
- The deliberate deception of patients, public and regulators should be a criminal offence
- Entrants to the nursing profession should be assessed for aptitude to deliver and lead proper care, and the ability to commit to the welfare of patients

National Commissioning Board

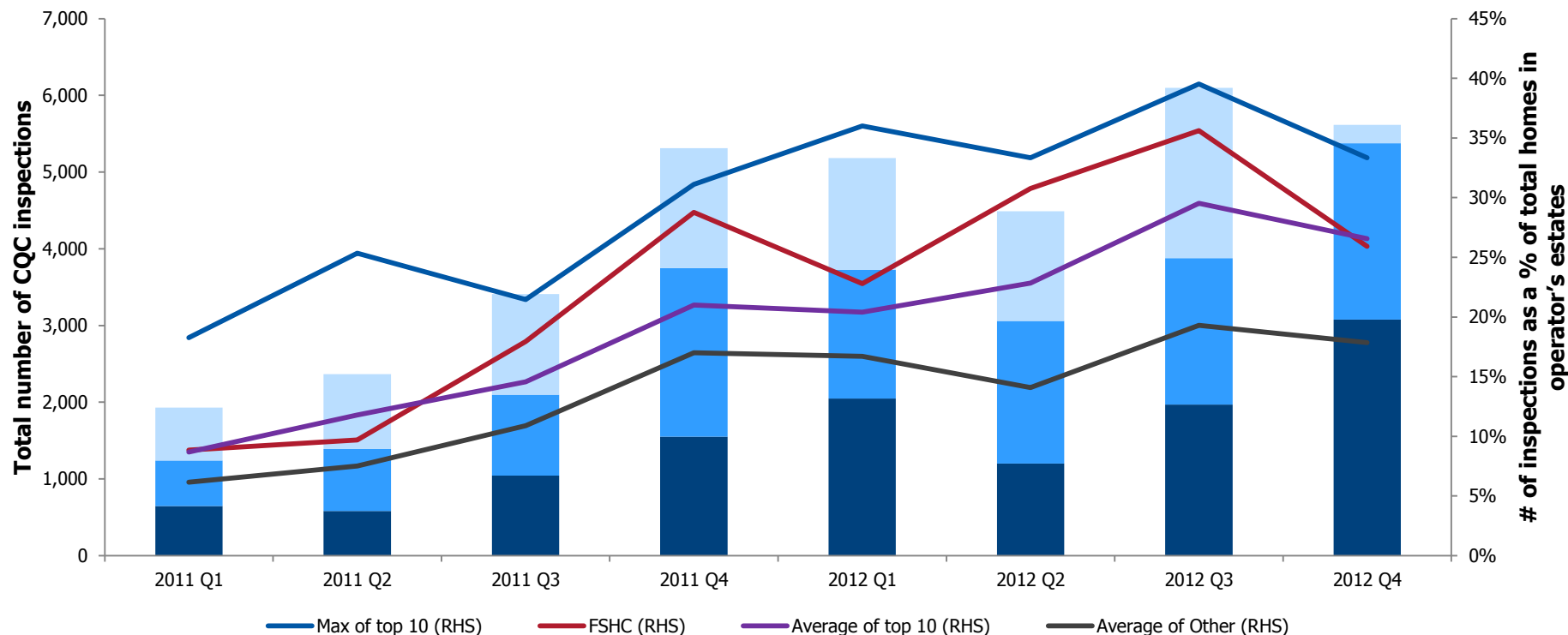
- Responsible for commissioning of specialised services
- Newly formed Clinical Commissioning Groups in place from 1 April 2013



2. Operational Update



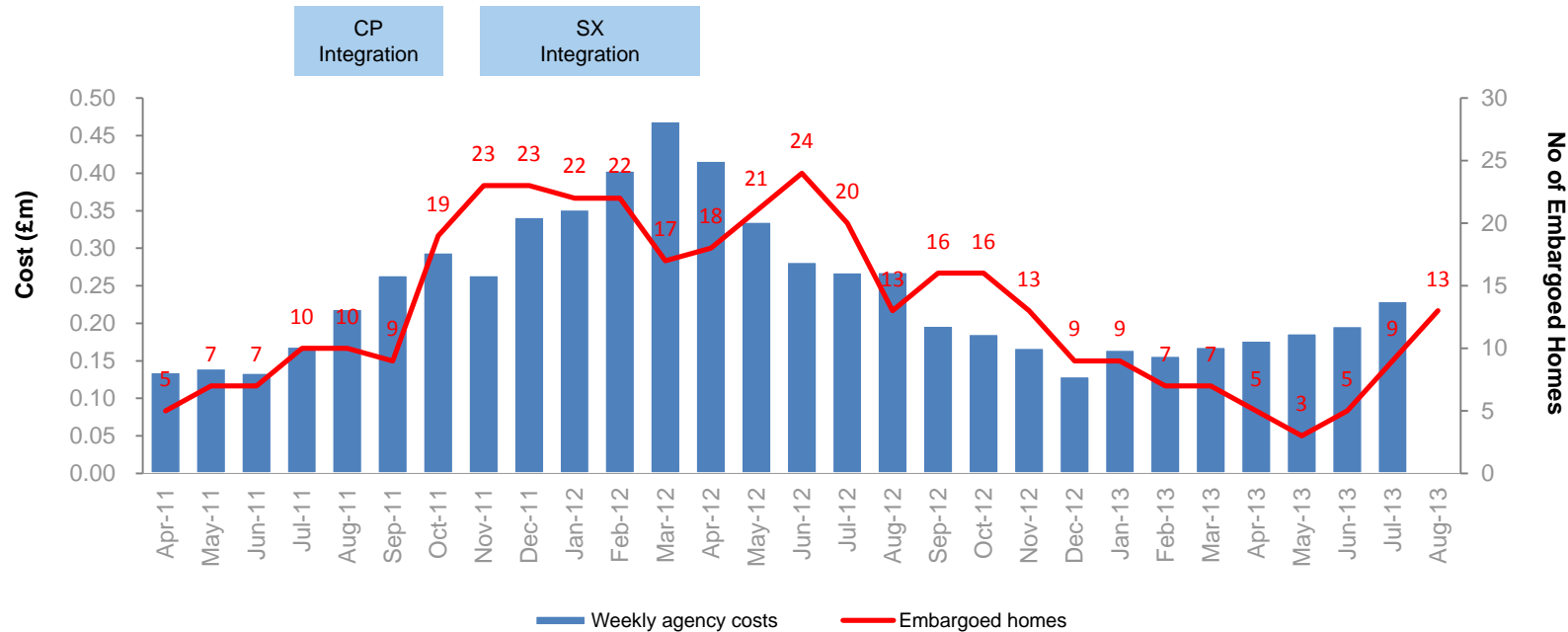
2. Operational Update – CQC Inspections 2011-2012



- The total number of CQC inspections increased significantly during 2011
- Whilst not the most inspected in any quarter, FSHC's inspections have been 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 over the two years
- After tailing off slightly at the end of 2012, inspection levels have stepped up again in H2 2013



2. Operational Update – Embargoes and Agency Costs



- Increased CQC scrutiny on the whole sector from Q4 2011 led to an increase in embargoes
- Additional and re-allocated resource following the acquisition of 139 ex-Southern Cross care homes resulted in increased agency usage
- Rapid decline in embargo numbers to an historical low of 3 in May 2013
- The increase in Q3 2013 reflects the further step up in inspection rigour



2. Operational Update – Strategic Segmentation

- Following a strategic review we announced in July 2013 that the business is going to be focussed in three strategic areas going forward

Current segments

- Care Home Division
- The Huntercombe Group

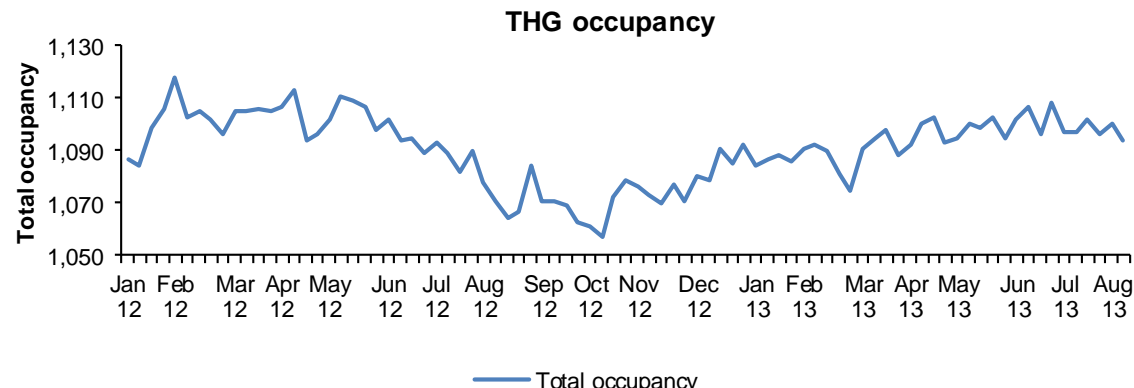
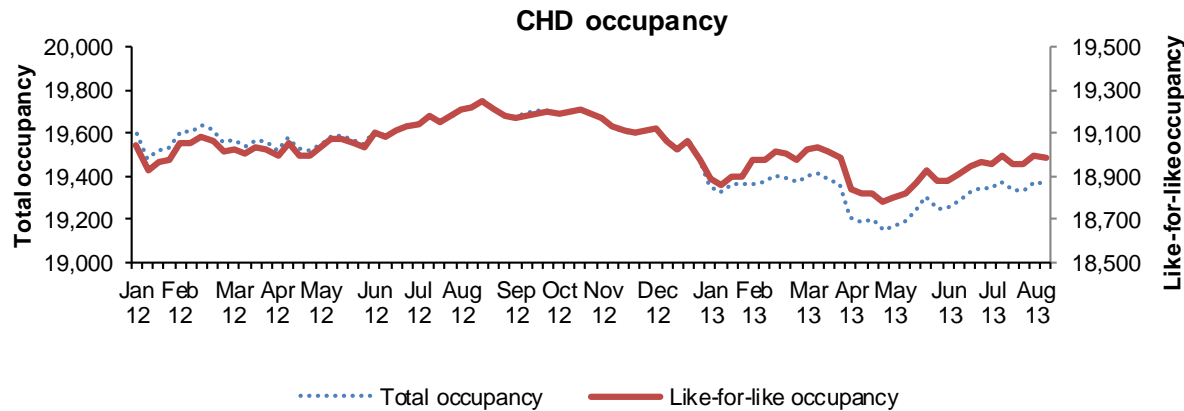
New segments

- **Dementia and nursing care** – a national network of care homes offering specialist dementia care and nursing care capabilities
- **Private residential and nursing** – a chain of private focussed care homes offering high quality elderly care with hotel standard services and activity programmes
- **The Huntercombe Group** – will continue to provide care, treatment and rehabilitation services in mental health and acquired brain injury that are complementary to, and in partnership with, the NHS

- Each business will have its own leadership and management team which will continue to share corporate services
- Terra Firma are committed to supporting the strategy with investment in staff training and upgrading the existing estate
- The new segments will enable the company to provide distinct product offerings and have unique selling propositions compared to the competition
- At the same time as restructuring the business we will address the small element of our freehold estate that does not clearly fit into the new structure



2. Operational Update – Occupancy

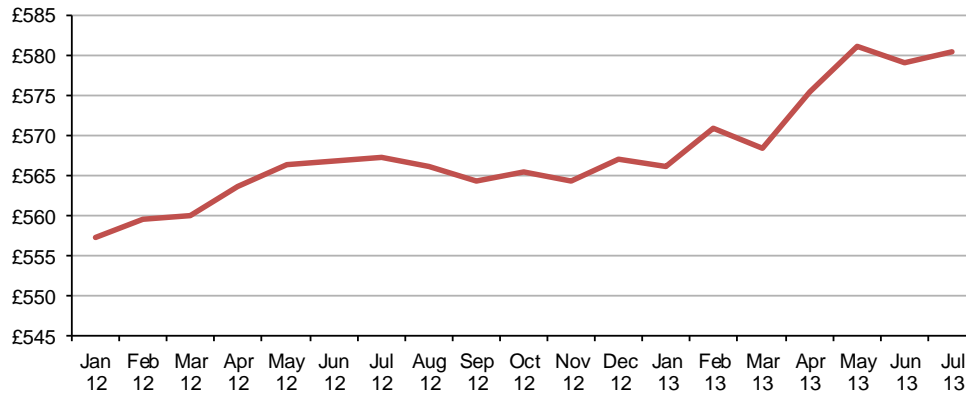


- In general, intra-annual CHD occupancy shows slight seasonality with decreases in the winter months followed by a Q3 peak
 - Occupancy at the start of Q2 2013 suffered from an extended flu season and diarrhoea and vomiting viruses
 - Currently 250 more residents than the low point in April 2013
 - Current CHD occupancy is 88.1%
-
- THG offers a broad range of services with occupancy in each being subject to different drivers
 - Occupancy has trended steadily upwards from October 2012, and this has continued during 2013
 - Q2 2013 occupancy was the highest for any quarter since Q1 2011
 - Current THG occupancy is 74.9%



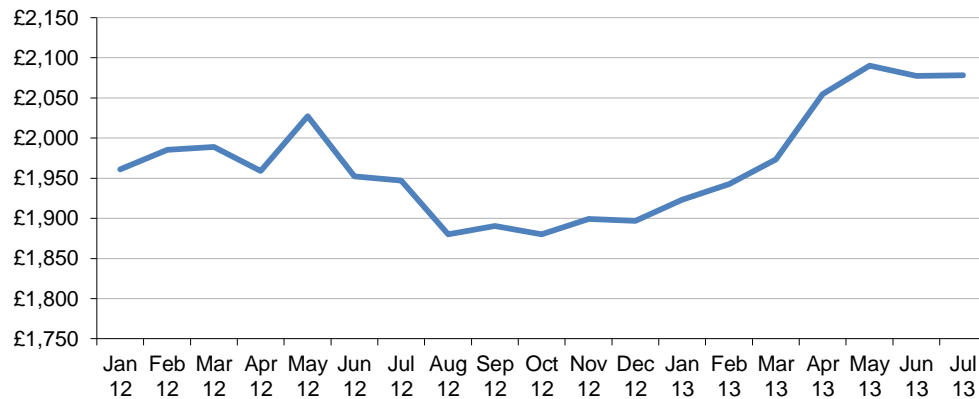
2. Operational Update – AWF

CHD AWF



- 3% increase in NI and 2.5% in Scotland from April 2013
- English LA rates increases currently blending to 1-2% with approximately 4% for private fees
- Resulting in a blended 2.5% increase in AWF between Q2 2013 and Q2 2012
- AWF increases contributed c£3.5m additional income in Q2 2013 compared to the comparative period

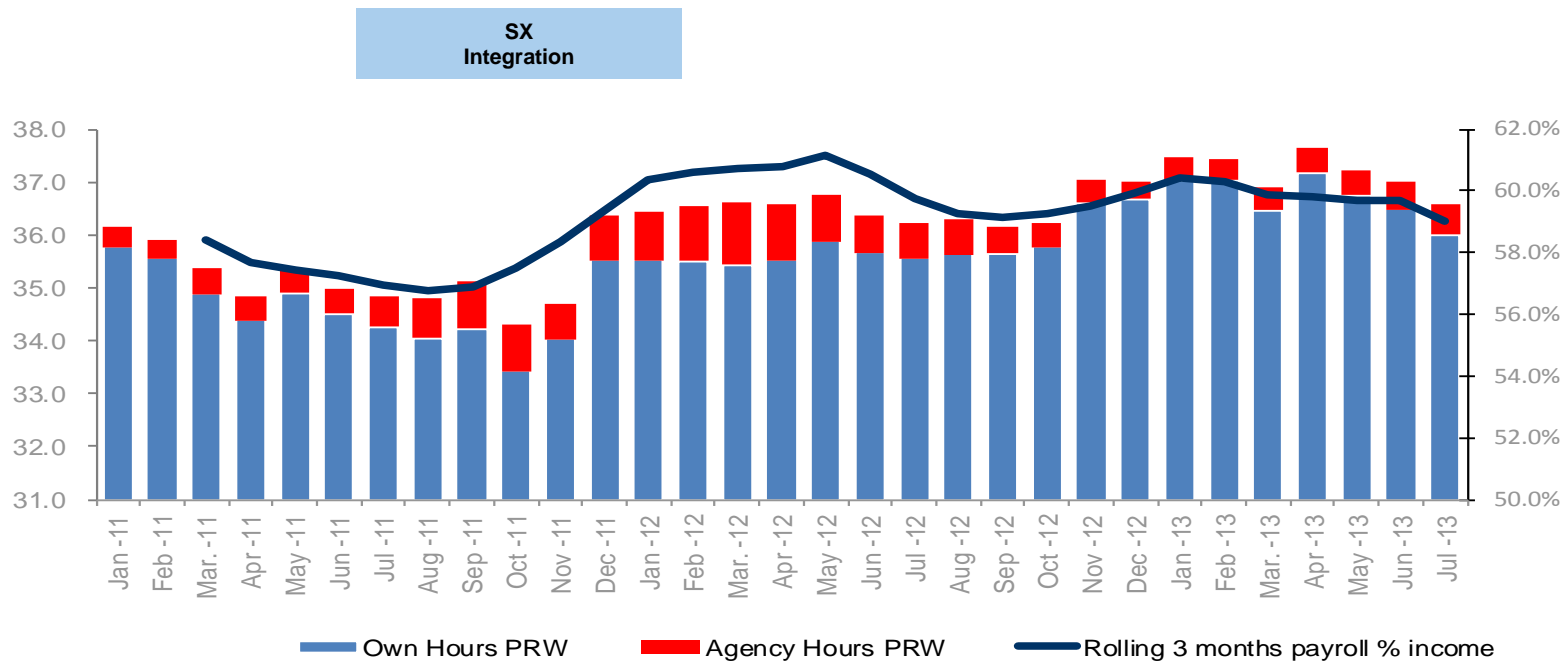
THG AWF



- THG Q2 2013 AWF was c7% higher than Q2 2012
- Driven by strong occupancy mix



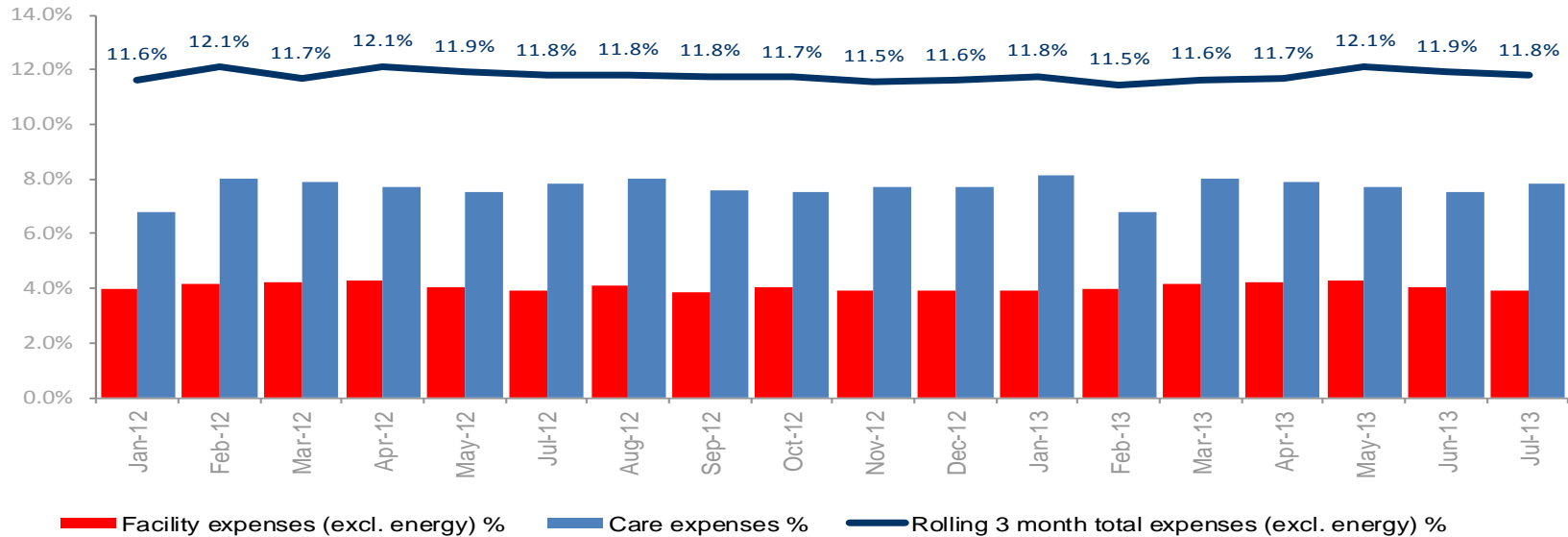
2. Operational Update – Payroll



- CHD payroll as a percentage of turnover reduced to 59.7% in Q2 2013, down from a peak of 61.1% in May 2012
- Reduction in payroll costs has followed the reduction in embargoes
- Agency as a percentage of total payroll costs was 2.8% in Q2 2013 compared to 5.1% in the comparative period in 2012
- Cost benefit of lower agency usage reduced by increased regulatory staffing requirements



2. Operational Update – CHD Care and Facility Expenses



- Total expenses down to 13.6% of turnover, from 14.1% in Q2 2012
- On-going procurement efficiency and effectiveness review – annualised cash savings in excess of £5m



2. Operational Update – Acquisitions and Developments

Acquisitions

- March 2013: the acquisition of four homes from Mimosa (freehold and leasehold)
- April 2013: the acquisition of Avery - 17 homes with a focus on high private pay occupancy and hotel service offering (external to HYB structure)
- July 2013: the acquisition of the freehold of 5 homes already leased from Emlick and Mitchell

Developments

- Pennine Lodge in Cumbria: opened at the end of May 2012 and filled ahead of schedule taking just over one year to reach 98% occupancy
- Westbury Court in Wiltshire: opened around the same time as Pennine Lodge with c68% occupancy after the first 12 months
- St Margaret's in Edinburgh: opened at the end of February 2013 in an affluent area with a high level of privately funded clients. Half full after 5 full months of trading
- York Court: new build (58 beds) on an existing FSHC site
- Silversprings in Jersey: 26 bed extension has been approved and building will commence in the next few weeks

Disposals

- Since the bond was raised there have been a series of disposals of the weakest assets, being a mixture of freeholds, leaseholds and the management homes taken from Southern Cross on a temporary basis
- Further disposals are anticipated with the sales proceeds being recycled into selected acquisitions and new builds such as the Mimosa and Emlick and Mitchell acquisitions and the extension at Silver Springs



3. HYB



3. High yield bond

Key terms

Information on the listing

- Elli Finance (UK) Limited 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 is payable semi annually on 15 December and 15 June

Financial Reporting

Investor information

- Our website (<http://www.fshc.co.uk>) is the best source of information for investors which includes:
 - 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)
- Conference call within 10 business days after the delivery of quarterly reporting
- Continue to be publicly rated by Moody's, S&P and Fitch

