

17 October 2017

Four Seasons Health Care High Yield Bond Group (FSHC) announces its intention to launch financial creditor and leasehold estate restructuring

For the past 18 months, FSHC has publicly stated that its capital structure is not appropriate for the long term stability and requirements of the business. Throughout that period, the holding company of FSHC has been engaged in discussions with Terra Firma and other stakeholders to bring about a consensual solution to the capital structure of FSHC.

Today's announcement outlines the proposed restructuring of the business and invites stakeholders to feed back on the proposals, ahead of the anticipated launch of schemes of arrangement in November 2017. Both FSHC and Terra Firma believe the proposed restructuring will provide the right debt and capital structure to ensure the stability of the business for the long-term.

The key elements of the intended proposal are:

- Terra Firma will inject equity value by way of 24 homes outside of FSHC that they valued at £136m as at 31 December 2016. These homes contribute an EBITDA increase of £18.9m and a cash flow increase of £17.1m (each being last 12 months to June 2017)
- Proposed refinancing of the debt:
 - Existing Senior Secured Notes (SSNs) of £350m will be exchanged for £350m of New SSNs. The interest will comprise a cash element and an element that accrues and is paid at maturity of the New SSNs. In addition, they will benefit from an extensive guarantee and first ranking security package granted by the restructured group
 - The existing Senior Notes (SNs) of £175m will be exchanged for £60m of New SNs and 20% of the equity in the restructured group. In addition, there will be no payment of the existing Senior Notes £10.7m December interest
- A proposed rebasing of certain of the leasehold rents to market, as many homes are currently paying over market levels of rent

In addition, as of 16 October 2017, FSHC has separately refinanced the term loan facility with a new £40m term loan.

The restructuring will significantly improve the leverage of the business. The priority of the restructuring is to ensure a long-term sustainable outcome for the FSHC homes and hospitals, residents and their families and colleagues. To this end, the Care Quality Commission has been kept fully informed and is aware of the key terms of the proposed restructuring.

Today's announcement and the subsequent launch of the proposed restructuring will not impact the day to day running of FSHC homes and hospitals.

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Robbie Barr, Four Seasons Health Care Chairman said:

“Today FSHC is announcing its intention to launch a restructuring in November.

“For the past 18 months we have been very clear that a capital restructuring is needed to ensure the long-term stability of the business and allow it to continue to build on its strong operational turnaround. The proposal being put forward to creditors by FSHC and its shareholders will, we strongly believe, provide certainty and continuity for our residents, patients, and the thousands of colleagues who deliver care across the business, whilst also protecting creditors' value.

“There will be no impact on our operations, including our residents and colleagues, as a result of this announcement.”

Justin King, Vice Chairman of Terra Firma said:

“We firmly support the Board of Four Seasons Health Care in their proposal. As part of these proposals, our intention to inject significant equity through the contribution of additional homes is further evidence of our long term commitment to the business.

“We bought FSHC in 2012 with a clear plan that by reducing the debt and injecting £350m of equity it would become a viable business. Since then, all the action we have taken in support of the company demonstrates how seriously we take our role as a responsible investor. The operational turnaround has made good progress and despite the challenging external environment, we still believe this business has a great deal of potential. We are now offering to inject a further £136m of value which, together with the proposals on debt, if agreed, will give the business the secure financial footing it needs to continue the good progress made by management in the last two years. This ultimately will provide stability for all stakeholders including, most importantly, residents and their families.”

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About Four Seasons Health Care Group

The Four Seasons Health Care Group is a leading UK independent health and social care provider with more than 335 care homes and 25 hospitals and specialist care centres. Its 25,000 employees care for around 17,000 people, providing elderly care services including residential, nursing and specialist dementia care together with specialist services in mental health, brain injury rehabilitation and neurological care.

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