Four Seasons
HEALTH CARE GROUP

Q2 2024 Trading and Restructuring Update

Draft, unaudited results for the quarter ended 30 June 2024

9 September 2024

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Q1 2024 Trading Overview

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Q2 2024 financial results

- Q2 2024 EBITDA of £6.7m was £2.4m higher than Q2 2023 which is attributed in large part to the operational turnaround of the Group.

Income

- Q2 2024 turnover was £3.1m higher than Q2 2023, after adjusting for homes sold, closed or migrated by the quarter end.
- Along with the rest of the UK social care sector, occupancy remains impacted by behaviours following the Covid-19 pandemic and the ongoing trend of commissioning residents into residential and nursing care later than previously and therefore, with on average, higher acuity of needs and often closer to end of life, reducing our average length of stay KPI.
- Recovery of the top line continues to be an area of significant management focus. Average weekly fee (AWF) outcomes across both privately funded and local authority funded residents are the strongest the Group has ever achieved, and the Group continues to pursue additional commercial opportunities to further drive the top line.
- The Group has deliberately focussed on profitable occupancy growth. As a result of this focus, Q2 occupancy of 90.3% and AWF of £1,209 were 6.6 percentage points and £175 (17%) ahead of Q2 2023, respectively. At the time of writing this Q2 update, current occupancy of 91.9% demonstrates further improvement since the quarter end.
- The Group has now achieved consistent recovery and growth in its top line performance, with fifteen consecutive quarters of income growth from Q4 2020 onwards, in respect of those homes which the Group was still operating at the Q2 2024 quarter end.

Payroll, care and facility costs

- The staffing environment continues to be challenging as a result of wider UK labour market challenges, a 9.8% increase in the UK's National Living Wage from April 2024 and the underlying difficulties faced by the social care sector including an ongoing shortage of skilled workers.
- Significant management action and focus has been required to address these workforce pressures, initially to arrest the increase and then bring down agency usage significantly as well as improved management of all workforce KPIs, including team member retention. As a result of these actions significant improvements have been achieved, with payroll as a percentage of income for Q2 2024 being 62.9%, a 7.4 percentage point improvement on Q2 2023. Similarly, agency of a percentage of total payroll reduced from 11.4% to 7.7%, a reduction of 3.7 percentage points.
- Despite substantial inflationary pressures, care and facility expenses were well controlled during Q2 2024 at 13.8% of turnover, reduced from 15.0% in Q2 2023, a reduction of 1.2 percentage points.

EBITDARM

- As a result of the operational turnaround across our KPIs, many of which are back to pre-Covid performance levels or better, Q2 2024 EBITDARM, excluding the impact of homes which have been sold, closed or migrated by the quarter end was £9.0m, £1.1m higher than Q2 2023.

Operational Update (1/2)

The focus of the business continues to be to build profitable occupancy, ensure appropriate workforce management (particularly in relation to the dependencies of our residents) to ensure appropriate and safe staffing whilst achieving agency reduction, to maintain, and seek to improve, care quality and manage operating costs effectively. The Group is also particularly pleased to report that external care quality ratings have improved significantly in recent months, particularly in the Group's care homes in Scotland where regulatory inspections are carried out more regularly and are more comprehensive in nature than the current inspection approach in England.

Income

- Efforts to drive the Group's top line performance (both through driving profitable occupancy and ensuring a fair fee is received for the care services we provide) have been essential at a time of increasing cost pressures and the difficulties of operating in the sector and wider economy, particularly during the last few years.
- Consistent improvements have been made with occupancy recovery, with Q2 2024 occupancy of 90.3% representing a c.11 percentage point improvement on the low point of 79% in Summer 2020. Further recovery has been achieved since the Q2 2024 quarter end, with current occupancy of 91.9% being c.7% ahead of the Q3 2023 average.
- Through the continued efforts of both home level and central teams, enquiries, referrals and conversion levels have remained strong into 2024.
- Work continues to ensure that the Group takes full advantage of available demand, in particular, ensuring that our service offering continues to be the best fit possible to take advantage of commissioning activity, respite placements and maximise admissions through reduction in the time taken from enquiry to move in date.
- In addition to these occupancy initiatives, strong AWF outcomes across both private pay and local authority funded residents continues to be achieved, with an increase in Q2 2024 AWF of £175 (c.17%) on the comparative quarter and our AWF has now been in excess of £1,000 per resident per week since the end of Q1 2023 and is at £1,209 for Q2 2024. The increase builds upon the increases previously reported for 2022 and are the highest outcomes the Group has seen. Whilst there is always more to do, there have been real improvements in obtaining appropriate fee levels for our existing residents and new admissions, requiring a change in 'mind-set' of both the Group and commissioners and this has been necessary to build upon a good top line performance and ensure profitable occupancy growth. This has included rejection of certain placements at unsustainable fee rates (which has occasionally impacted occupancy in the short term). The review of the appropriateness of existing fee rates for our current resident base is supported by an improved clinical dependency tool. The Group continues to pursue commercial opportunities to drive top line performance wherever possible including a refreshed focus for teams on obtaining top-ups and ancillary fees where appropriate.
- Following successful finalisation of the 2024 fee review in respect of our private funded resident base work then commenced in respect of Local Authority funded residents' uplifts for 2024/25. Uplifts in respect of our Local Authority residents are generally applied from April of each year and are recognised in Q2 2024 results onwards. Discussions with Local Authorities have been more challenging this year due to the widely publicised financial pressures that the Local Authorities are facing. Host Local Authority negotiations are now substantially complete and we are continuing to focus to ensure the best fee outcomes possible are achieved for new admissions.

Operational Update (2/2)

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Workforce

- The lack of people across the sector has been a longstanding issue and was made more difficult by the challenges that Covid-19 posed to the working environment and wider economic and immigration policy related issues.
- This backdrop, exacerbated by the general inflationary environment, 'cost of living' pressures and material increases to statutory pay rates caused own team pay rates and agency costs to rise rapidly throughout 2022 and 2023. This situation is being felt sector wide and has continued into 2024.
- However, management actions to reduce reliance on agency staff and optimise the skills mix within the homes have been successfully embedded within the business and include the implementation of new recruitment and retention strategies, improved governance around use of agency staff, forward looking rostering and leveraging our software and systems to drive transparency and accountability for appropriate staffing at all levels. The conclusion of a review of our operating model and staffing model optimisation was largely completed during 2022, supported by the successful roll out of a new clinical dependency tool and we have seen the benefits of this throughout 2023 and into 2024. The delivery of quality care and safe and effective staffing levels is central to all of these initiatives.
- The impact upon our workforce KPIs as a result of this work has been significant. Agency costs, which were at 21-22% throughout the first half of 2022, were controlled and brought down significantly during the latter half of 2022, with a decrease of 5 percentage points being achieved in Q4 2022 compared to the prior quarter and firm evidence of the positive impact of these initiatives on wider care quality and home performance. Agency usage decreased further still during 2023 and 2024 with a reduction to 7.7% of total payroll during Q2 2024, 3.7 percentage points lower than Q2 2023. Further reductions have been achieved since the quarter end.
- The intense management focus on all workforce KPIs continues with ongoing actions including regular full reviews of care and support team hours requirements, systems and processes to ensure available shifts are filled with our own teams wherever possible, appropriate management of annual leave and ensuring that agency (where required) is procured in the most cost-effective manner.
- Ensuring our teams are fairly compensated for their role in delivering the critical care to our residents remains a key priority for the Group and planning for our pay rates, not directly linked to National Living Wage, together with dialogue with the three Trade Unions recognised by the Group, continues to be collaborative and constructive and has been successfully concluded for the 2024/25 cycle, effective from 1 April 2024, with support being received from all three Trade Unions for our pay offer. The agreement improved pay and enhanced benefits to better recognise the hard work, commitment and loyalty of our teams across the Group.
- Management are working hard to ensure an attractive offering for our team members and ensure we have high colleague retention rates, demonstrated by recent evidence from Glassdoor that 79% of our team members would recommend our Group as a place to work for their friends and relatives, a strong measure of advocacy. This was confirmed in a recent team survey of over 2,700 team members with 80% of the team saying that they are proud to work in our care homes.

Other operational factors

- Other operating costs have been well controlled with Group-wide focus on cost control and efficient systems and processes. The risks posed by the wider economy, particularly around food inflation and energy costs have been successfully mitigated to date as far as possible.
- An exercise to 'right size' our central support costs (completed in conjunction with a holistic review of how our teams and processes work to make sure every function is fit for purpose) is now materially complete and has resulted in further cost savings in 2024, ensuring our cost base is commensurate with the reduction in the Group's estate size.
- Whilst financial performance is driven by occupancy, fees and agency usage, maintaining and improving care quality is essential in ensuring strong performance and is fundamental to our strategy as a care business. Our ongoing strategic initiative to deliver excellent care quality has seen the Group's external care quality ratings improve during 2023 and 2024, with 19 out of the 22 homes assessed by external regulators since January 2023 either seeing a full care quality rating upgrade or maintaining their Good (or equivalent) rating, and the Group's care quality ratings are now ahead of national averages and most of our major competitors (for the first time in many years), further there are no regulatory issues in our estate as set out on page 12.

Restructuring Update (1/2)

Overview

- The Joint Administrators and the Group continue to focus on restructuring the Group. Over the last two and a half years, this has been focussed on finalising the restructuring of the Group’s remaining leasehold estate, the successful disposal of the remainder of the Northern Ireland portfolio and the Value portfolios, extensive operational restructuring to improve the financial performance of the Group and on the wider sales process (see below).
- Led by Joe O’Connor (Chief Executive Officer, Director and Implementation Officer of Mericourt Limited), the Group, and its Joint Administrators, remain focused on maintaining operational stability and continuity of care, whilst maximising returns to creditors from the assets and operations of the Group.

Project Oak sales process

- In light of strong investor interest in the UK social care sector and the ongoing recovery of the Group following the Covid-19 pandemic, on 28 June 2022 the Joint Administrators announced the launch of a sales process for the Group’s core property portfolio and the care home businesses associated with those properties (“Project Oak”). The Group engaged Christie & Co, a leading advisory firm in the health and social care sector, to act as sales advisor. The core portfolio sales process when initially launched comprised 111 core freehold care homes in England, Scotland and Jersey and certain ancillary assets.
- As part of the core portfolio sales process, as at Q2 2024, we have completed sales for 61 operational homes and 3 closed sites. In addition, we have exchanged contracts on a further operational care home and expect this care home sale to complete later in 2024 as it is still subject to final legal processes and regulatory approval by the relevant care quality regulator. The completion date will depend on the timing of this regulatory approval and is currently expected in Q4 2024. There is also one final closed home under offer, which has not yet exchanged.
- The above transactions mean that the Project Oak sales process is now largely completed.

Project Alder sales process

- On 20 June 2024, a sales process was launched for the Group’s remaining 46 high-performing freehold care homes located in areas of strong demand for residential and nursing care provision across England, Scotland and Jersey. The Group has engaged CBRE, a leading advisory firm in the operating real estate and healthcare sectors, to act as sales broker. Subject to the Group’s objective of maximising value for its creditors, and the attractiveness of offers received, the sales process is expected to complete in the first quarter of 2025. As with prior transactions undertaken by the Group, any sales will be subject to appropriate legal and regulatory considerations. Certain key performance indicators of this sub-portfolio are included in the graphs on slide 8.
- Throughout the sales process our priority remains the continuity of care for all residents, and the Group will work closely with CBRE, potential buyers and other counterparties, as well as all relevant regulators, to ensure that the sales process and any transition to new ownership is seamless.

Restructuring Update (2/2)

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Leasehold estate restructuring

- The Group continues to hold discussions with landlords of the remaining three operational homes (as well as one closed site) in its leasehold estate.

Liquidity and financing

- As announced on 31 May 2024, the Group's Super Senior Term Loan facility was amended and restated to amend certain of the Operational Stability Covenants in order to better reflect the evolution in the size of the Group.
- As previously reported, the Group has undertaken a detailed review of its cash flow forecasts to forecast the income and costs associated with the Group's operations, professional and exceptional costs and costs to complete the orderly winding down of the Group's activities, in case this is required at a future date.
- The Group's estimate of the net cash usage for the period to the realisation of the Group's assets, which was initially reported at between £36m and £41m in our July 2022 bondholder update, has been materially improved over the course of the last two years and has reduced to just less than £20m as a result of the continued improvements in our operational turnaround and focus on cost control.
- The Group continues to carefully manage its working capital, overall liquidity and expenditures, including identifying further operational improvement and cost saving initiatives, including those referred to in the Income and Workforce section above, as well as the 'right sizing' of central costs in line with the reduced Group estate.
- At the end of June 2024, the Group had a cash balance of £16.1m (including £0.2m of sales deposits) and as of 2 September 2024 this was £18.1m (including £0.2m of sales deposits).

Results – KPIs (CHD)

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	2021					2022					2023					2024	
Full Historical CHD Estate	Q1	Q2	Q3	Q4	Year [3]	Q1	Q2	Q3	Q4 [12]	Year [3, 10]	Q1	Q2	Q3	Q4	Year [3]	Q1	Q2
Turnover (£m)	88.6	94.6	89.2	86.7	359.1	85.3	88.8	72.9	74.2	321.0	70.2	71.9	71.1	64.2	277.2	51.0	44.2
EBITDAR (£m)[5][6]	4.5	11.1	10.5	3.3	29.3	(0.4)	4.5	3.3	3.0	10.5	3.7	4.9	7.6	6.0	22.4	7.0	7.2
EBITDA (£m) [6][7][8]	2.6	9.3	8.7	1.8	22.4	(1.5)	3.4	2.4	2.3	6.5	3.1	4.2	7.1	5.5	20.1	6.5	6.7
Effective beds	9,653	9,613	9,193	8,762	9,305	8,468	8,323	7,027	6,508	7,582	6,483	6,365	6,141	5,314	6,076	3,921	3,105
Occupancy %	78.5%	79.1%	80.2%	80.8%	79.7%	80.9%	81.7%	82.6%	83.1%	82.1%	83.8%	83.7%	84.9%	86.8%	84.8%	87.9%	90.3%
Average weekly fee (£)	852	874	875	882	871	902	950	948	968	942	991	1,034	1,050	1,068	1,036	1,135	1,209
Payroll (% of turnover)[2]	71.7%	67.0%	67.2%	72.3%	69.5%	76.1%	73.0%	73.5%	71.3%	73.5%	69.0%	70.3%	67.1%	67.0%	68.3%	63.8%	62.9%
EBITDARM (% of turnover)[4]	13.2%	19.6%	19.5%	12.5%	16.3%	7.8%	12.0%	12.2%	11.5%	10.8%	13.6%	14.7%	18.3%	17.7%	16.1%	20.7%	23.3%
Agency (% of payroll)[2]	8.5%	8.1%	12.6%	18.1%	11.8%	21.7%	21.3%	21.6%	16.6%	20.3%	14.1%	11.4%	12.8%	10.7%	12.1%	8.9%	7.7%
Expenses (% of turnover)	14.4%	13.4%	13.3%	14.8%	14.0%	16.1%	15.0%	14.3%	17.1%	15.7%	17.3%	15.0%	14.7%	15.4%	15.6%	15.5%	13.8%
Central costs (% of turnover)	8.0%	7.8%	8.2%	8.9%	8.2%	8.2%	6.9%	7.7%	7.6%	7.6%	8.3%	8.0%	7.6%	8.4%	8.1%	7.0%	7.2%
Retain Homes Sub Portfolio [11]																	
Effective beds	2,534	2,534	2,534	2,534	2,534	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,532	2,529	2,529
Occupancy %	82.5%	83.9%	85.2%	86.3%	84.5%	86.0%	86.9%	88.2%	89.0%	87.5%	89.5%	89.8%	90.6%	90.7%	90.1%	90.4%	91.0%
Average weekly fee (£)	952	974	973	977	969	1,000	1,050	1,040	1,053	1,036	1,080	1,132	1,137	1,150	1,125	1,187	1,221
Payroll (% of turnover)[2]	64.7%	62.0%	60.0%	64.1%	62.7%	67.3%	64.7%	64.7%	63.9%	65.1%	62.0%	63.3%	61.7%	62.8%	62.5%	60.9%	62.0%
EBITDARM (% of turnover)[4]	22.4%	25.6%	28.7%	22.5%	24.8%	19.1%	22.7%	22.7%	20.8%	21.3%	22.2%	23.3%	24.9%	22.2%	23.2%	24.4%	24.5%
Agency (% of payroll)[2]	5.9%	6.1%	8.2%	12.6%	8.3%	17.7%	17.0%	15.0%	12.0%	15.4%	10.3%	8.1%	10.2%	8.5%	9.3%	7.2%	6.8%
Expenses (% of turnover)	12.9%	12.3%	11.3%	13.4%	12.5%	13.6%	12.7%	12.6%	15.3%	13.6%	15.8%	13.4%	13.3%	15.0%	14.4%	14.7%	13.5%

- The KPIs in the upper table reflect those for all operational care homes on a historical basis. The KPIs in the lower table are restated over the timescales shown to reflect only those care homes that are included within the current ongoing sales process.

Notes
1. KPIs presented for the combined CHD (FSHC and brighterkind) only following disposal of THG division on 5 March 2021
2. Payroll excludes central payroll
3. Full year numbers may include minor rounding differences compared to the four quarter aggregate and where appropriate are averages for the year
4. EBITDAR(M) = Pre-exceptional Earnings Before Interest, Tax, Depreciation, Amortisation, Rent (and Central costs) and before closed and closing home costs
5. Due to their on-going nature, certain costs relating to closed and closing homes are included within EBITDA(R)
6. EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
7. Rent on migrated leaseholds is accrued up to the date of the migration
8. The Group's results for the periods presented above are draft and unaudited
9. On 11 May 2022 the Department of Health and Social Care announced an uplift to the NHS funded nursing care (FNC) rate in recognition of the additional time and work provided by nurses during the Covid-19 pandemic. This uplift has been backdated to April 2021. The uplift covering April 2021 to year-ended 31 December 2021 has been quantified at £1.5m and the uplift in respect of Q1 2022 has been quantified at £0.5m. Due to the timing of the announcement the backdated increase has been included in the Q2 2022 results and KPIs throughout this presentation
10. FY 2022 is a 53 week period (with Q4 2022 being a 14 week period)

Results – Group and core sub-portfolio analysis

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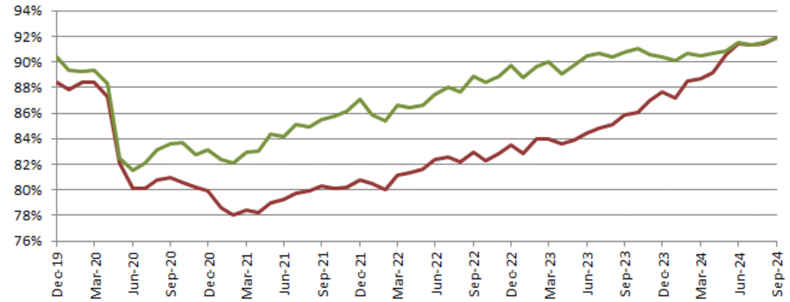
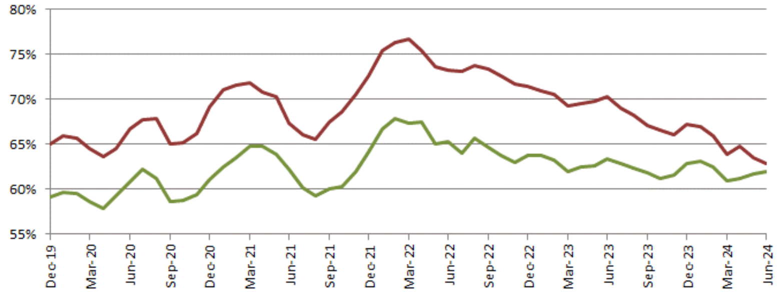
Occupancy %[1]



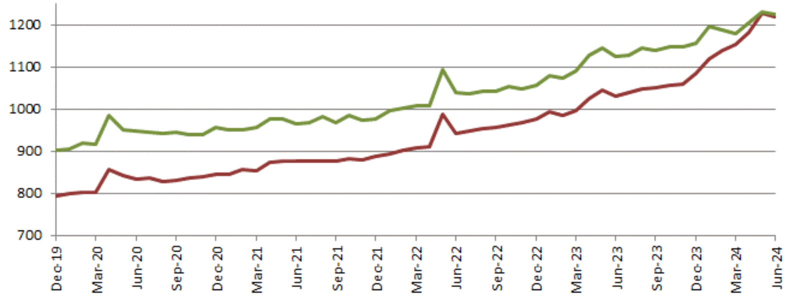
Payroll % of turnover (rolling 3 months)



Key

- All trading homes
- Core portfolio of 46 freehold homes

Average weekly fee (£)[2]

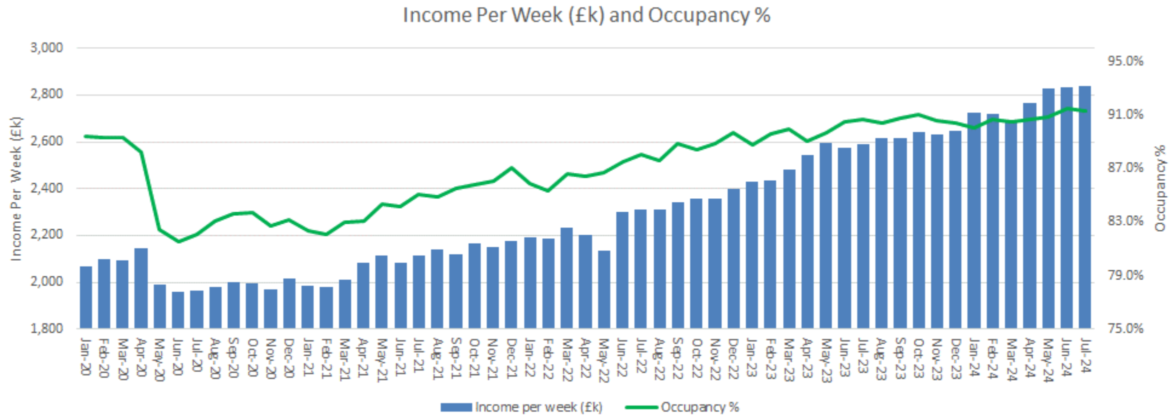


- Average Q2 2024 occupancy of 90.3% was 6.6 percentage points higher than the comparative quarter in the prior year and 2.4 percentage points higher than the prior quarter.
- The latest spot occupancy for the current estate (of 91.9%) represents further growth on Q2 2024 occupancy.
- AWF which averaged £1,209 during Q2 2024 was 17% higher than Q2 2023. Significant improvements in AWF during 2022 and 2023 have strengthened our top line performance and is a continued focus into 2024 to ensure we are receiving the appropriate fee for the care we are providing.
- As per previous reports the sector wide staffing environment remains challenging however management focus during FY 2023 and into FY 2024 has resulted in pleasing improvements. Agency costs decreased to 7.7% of payroll for Q2 2024, a decrease of 3.7 percentage points on Q2 2023.
- Agency focus combined with overall hours management resulted in total payroll as a percentage of income improving by 7.4 percentage points for Q2 2024 on Q2 2023 to 62.9%.
- KPIs for the sub-portfolio of 46 homes that the Group will continue to operate in the near-term are shown in the green lines. KPIs for this sub-portfolio have also benefitted from the operational turnaround and are ahead of both the wider Group and many competitors in the sector.

Note 1 – Sept 24 occupancy % represents 5 Sept spot occupancy % (at 91.9%) for the current estate
Note 2 - On 11 May 2022, the Department of Health and Social Care announced an uplift to the NHS funded nursing care (FNC) rate in recognition of the additional time and work provided by nurses during the Covid-19 pandemic. This uplift was backdated to April 2021. The uplift covering April 2021 to year-ended 31 December 2021 has been quantified at £1.4m and the uplift in respect of Q1 2022 has been quantified at £0.5m. Due to the timing of the announcement the backdated increase has been recognised in the Q2 2022 results and KPIs.

Results - Income

	2020					2021					2022					2023					2024	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4 [(1)]	Year [(1)]	Q1	Q2	Q3	Q4	Year [(1)]	Q1	Q2
Turnover (£m)	27.1	26.3	25.8	25.9	105.1	25.9	27.2	27.6	28.1	108.8	28.6	28.7	30.2	30.8	118.3	31.8	33.4	33.9	34.3	133.5	35.3	36.5

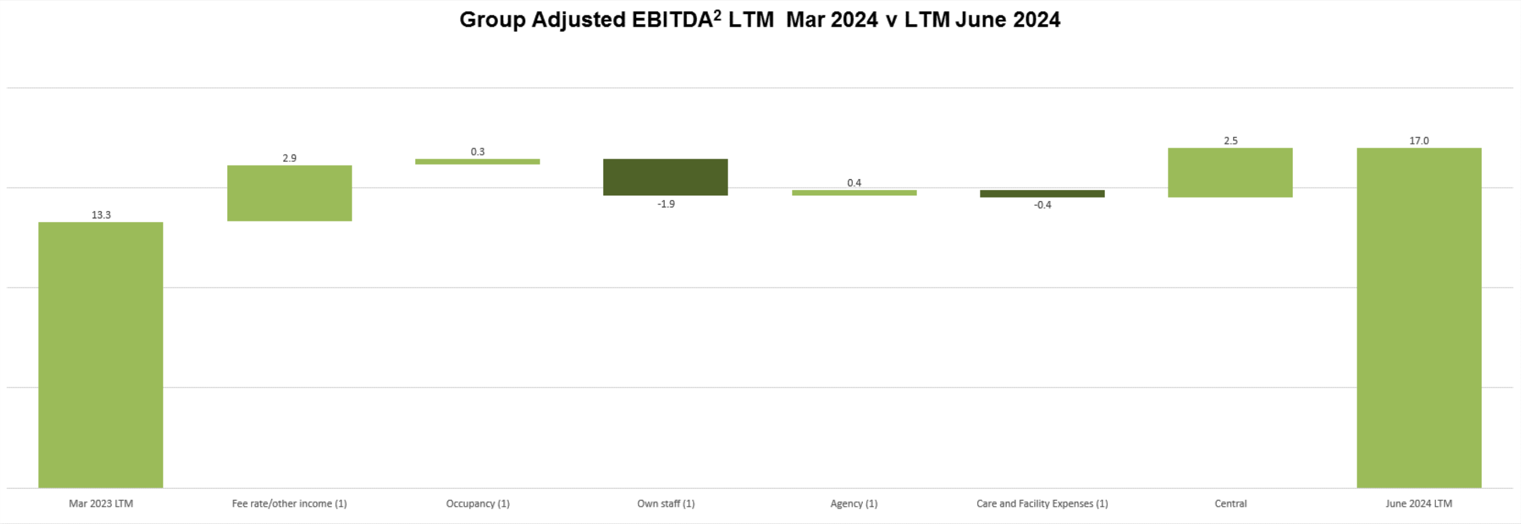


- The graph above shows income per week (blue/left axis) in comparison to occupancy % (green/right axis) and the table shows quarterly income. Both exclude (i) the benefit of any Covid-19 support income, and (ii) the income of any disposals and migrations to the extent that they had been completed by the quarter end. The data here only includes the freehold care homes in the Group at the end of Q2 2024 so differs to the same format slide in prior bondholder quarterly calls, but is prepared on a consistent basis.
- Occupancy has consistently recovered from the impact of Covid-19 in 2020 and 2021, with strong recovery from Q3 2022. Q2 2024 occupancy of 91.0 % represents a c.8.5% recovery from the low point of 82.5% in Q1 2021.
- Additionally, the AWF of £1,221 in Q2 2024 was 7.9% higher than Q2 2023. This growth in AWF continues to be critical as cost pressures continue to increase and with the difficulties of operating in the sector it is essential that occupancy is driven only at ‘profitable’ levels and where a fair price for the care provided is received.
- As a result, the Group has achieved consistent recovery and growth in income. This is shown in the table with fifteen consecutive quarters of income growth.

Notes

1. As FY 2022 was a 53-week period (and Q4 2022 was a 14-week period), Q4 2022 turnover is adjusted above to present a like for like view. Turnover for the 14-weeks was £33.2m.

Results – LTM Adjusted EBITDA Dec 23 v LTM Mar 24



The LTM movement, restated to be like for like, excluding closures, disposals (to the extent they had completed by the quarter end) and migrations, was largely a result of the following drivers:

- Income was £3.2m higher in June 2024 LTM than March 2024 LTM.
    - Group fee rates were higher leading to an overall favourable variance of £2.9m.
    - Higher occupancy in Q2 2024 resulted in a favourable occupancy variance of £0.3m.
- Own team payroll costs increased by £1.9m in light of inflationary, cost of living and statutory pay rate increases (applied from April 2024).
- Agency reduction resulted in a £0.4m increase to LTM EBITDA, a significant improvement as a result of robust agency and hours management.
- A £0.4m decrease in LTM EBITDA from increased costs on care and facility expenses, and a £2.5m increase in LTM EBITDA from a reduction in central costs.

Notes

1. *Excludes closures/disposals of care homes that had completed by the quarter end and is presented like for like*
2. *Adjusted EBITDA is EBITDA before the non-cash onerous lease credit and after closed and closing home costs*
3. *Rent on migrated leaseholds is accrued up to the date of the migration*

FY21, FY22, FY23 and Q1 24 EBITDA and cash flow analysis

Four Seasons HEALTH CARE GROUP

£m	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 Year	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 Year	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2023 Year	2024 Q1	2024 Q2
EBITDARM	14.1	18.6	17.4	10.8	60.9	6.6	10.7	8.9	8.6	34.8	9.6	10.6	13.0	11.4	44.6	10.6	10.3
Closed home costs	(0.3)	(0.3)	0.3	-	(0.3)	-	-	-	-	-	-	-	-	-	-	-	-
Rent[(1)(2)(3)]	(2.0)	(1.8)	(1.6)	(1.5)	(6.9)	(1.1)	(1.1)	(0.9)	(0.7)	(3.9)	(0.7)	(0.6)	(0.5)	(0.5)	(2.3)	(0.5)	(0.5)
Central costs	(8.2)	(7.4)	(7.3)	(7.7)	(30.6)	(7.0)	(6.1)	(5.6)	(5.6)	(24.3)	(5.8)	(5.7)	(5.4)	(5.4)	(22.3)	(3.6)	(3.2)
Adjusted EBITDA[(3)]	**3.5**	**9.2**	**8.8**	**1.7**	**23.1**	**(1.5)**	**3.4**	**2.4**	**2.3**	**6.5**	**3.1**	**4.2**	**7.1**	**5.5**	**20.0**	**6.5**	**6.6**
Maintenance Capex	(2.2)	(3.0)	(2.9)	(3.5)	(11.6)	(2.5)	(2.3)	(2.3)	(2.2)	(9.2)	(1.9)	(1.6)	(1.7)	(1.5)	(6.7)	(1.4)	(1.3)
Central Capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.1)	(0.3)	(0.0)	(0.0)	(0.4)	(0.1)	(0.0)	(0.0)	(0.0)	(0.2)	(0.3)	(0.1)
Capex	**(2.2)**	**(3.1)**	**(2.9)**	**(3.5)**	**(11.7)**	**(2.6)**	**(2.6)**	**(2.3)**	**(2.2)**	**(9.7)**	**(2.0)**	**(1.6)**	**(1.7)**	**(1.6)**	**(6.9)**	**(1.7)**	**(1.4)**
Exceptionals - restructuring	(5.0)	(3.5)	(3.6)	(7.6)	(19.7)	(2.7)	(3.4)	(4.4)	(3.7)	(14.2)	(2.4)	(3.3)	(2.3)	(4.5)	(12.5)	(3.4)	(1.5)
Exceptionals - other	-	-	-	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-	-	
Exceptionals	**(5.0)**	**(3.5)**	**(3.6)**	**(7.7)**	**(19.8)**	**(2.7)**	**(3.4)**	**(4.4)**	**(3.7)**	**(14.2)**	**(2.4)**	**(3.3)**	**(2.3)**	**(4.5)**	**(12.5)**	**(3.4)**	**(1.5)**
Debt drawdown/(repayment)	(31.6)	-	(13.3)	-	(44.9)	(1.4)	(11.0)	(34.9)	-	(47.3)	-	-	(13.0)	(36.8)	(49.8)	(29.2)	(15.5)
Taxation	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-
Interest	-	-	-	(0.3)	(0.3)	(1.5)	(0.4)	(0.2)	(0.6)	(2.7)	(0.8)	(0.8)	(1.0)	(17.5)	(20.1)	(21.7)	(12.2)
Disposal proceeds	35.0	-	16.1	0.2	51.3	1.5	12.8	41.5	-	55.8	-	-	13.6	58.2	71.8	49.5	29.7
Working capital/other movement	(5.4)	3.8	(11.0)	1.7	(10.9)	5.6	(3.5)	(10.0)	(1.2)	(9.1)	2.4	(1.3)	3.4	(3.2)	1.3	(2.1)	(3.7)
Net cash flow	**(5.7)**	**6.4**	**(5.9)**	**(8.0)**	**(13.2)**	**(2.6)**	**(4.7)**	**(8.0)**	**(5.5)**	**(20.7)**	**0.3**	**(2.8)**	**6.1**	**0.1**	**3.8**	**(2.1)**	**2.0**
Opening cash balance	46.3	40.6	47.0	41.1		33.1	30.5	25.9	17.9		12.4	12.7	9.9	16.1		16.2	14.1
Closing cash balance	40.6	47.0	41.1	33.1		30.5	25.9	17.9	12.4		12.7	9.9	16.1	16.2		14.1	16.1

- In Q2 2024 the Group generated £5.2m (an increase from £4.8m in Q1 2024) of operating cash (EBITDA less Capex), before exceptional costs of £1.4m and a working capital outflow of £3.7m.
- Operating cash has been positive each quarter from Q2 2022, driven by the result of the continued operational turnaround of the Group, generating EBITDA of £6.5m less capex of £1.7m, resulting in operating cash of £4.8m for Q2 2024.
- The Group completed the sale of 14 operating sites in Q2 2024 (7 on 29 April 2024, 2 on 17 May 2024 and 5 on 3 June 2024). Completion of these sales generated gross proceeds of £29.7m and, after cost and other deductions relating to these agreements, the Group made partial payments of £27.7m to holders of the Senior Secured Notes.
- The Group's cash balance increased by £2.0m on Q1 2024, driven by operating cash generation remaining positive and partially offset by exceptional restructuring costs.

Notes
1. Rent on migrated leaseholds is accrued up to the date of the migration
2. Notwithstanding the level of rent accrued, rent paid in cash in FY 2021, FY 2022, FY 2023 was £4.1m, £3.0m and £2.2m respectively
3. Adjusted EBITDA is EBITDA before the non-cash onerous and operating lease credit and after closed and closing home costs
4. THG central costs include a recharge of CHD/Group costs (£0.1m in Q1 2021)

Regulatory action as at 2 September 2024

Four Seasons
HEALTH CARE GROUP

- The table below sets out a summary of the regulatory action within each business, as at 2 September 2024:

Summary of current regulatory action as of 2 September 2024				
	Embargoes	Other restrictions	Enforcement actions	Total number of open homes
FSHC	-	-	-	36
brighterkind	-	-	-	14
Total	-	-	-	50

- All care homes are subject to regular inspection by the relevant national regulator.
- Each inspection results in a published regulatory rating which differs by regulator based on a compliance approach or relating to the outcomes for those supported by the service. Each regulator categorises the services using a different system, but covering care related domains including safety, caring, leadership, effectiveness, responsiveness and environment. Current regulatory status indicates where a service demonstrates a good or excellent performance against the standards with positive outcomes for residents. Across the Group a proportion of services are rated as being non-compliant or requiring improvement in standards or outcomes.
- All regulators have a range of enforcement powers which are utilised in the circumstances of significant breaches in regulatory compliance or risk to those receiving services. This includes the power to restrict admissions (embargo), require information to demonstrate quality recovery or in extreme circumstances impose conditions on, or revoke, the registration of a service.
- Other stakeholders who commission services from the Group can also restrict admissions, but these are limited to the services they commission. These are classed as other restrictions.
- As at 2 September 2024, there were no care homes subject to regulatory action or other restrictions.

Condensed, Unaudited Consolidated Balance Sheet

Four Seasons HEALTH CARE GROUP

£m	Jun-24	Dec-23
Fixed assets		
Investments	-	-
Tangible assets [2]	180.9	235.2
	180.9	**235.2**
Current assets		
Debtors	13.9	21.7
Cash at bank and in hand	16.1	16.1
	30.0	**35.7**
Creditors: amounts falling due within one year	(48.8)	(67.0)
Financing	(2,415.0)	(2,318.6)
Net current liabilities	**(2,433.8)**	**(2,349.9)**
Total assets less current liabilities	**(2,252.9)**	**(2,114.7)**
Creditors: amounts falling after more than one year	-	-
Provisions [5]	(2.5)	(2.5)
Net liabilities	**(2,255.4)**	**(2,117.1)**
Share capital	174.4	174.4
Reserves	(2,429.8)	(2,291.5)
Shareholder's equity	**(2,255.4)**	**(2,117.1)**

Debtors	Jun-24	Dec-23
Trade receivables	7.1	12.9
Prepayments, other debtors and net accrued income	6.8	8.8
Taxation	-	-
	13.9	**21.7**

Payables and other creditors	Jun-24	Dec-23
Trade payables	(6.6)	(8.8)
Accruals and other creditors	(42.3)	(58.2)
Taxation	-	-
	(48.8)	**(67.0)**

Financing	Jun-24	Dec-23
Term loan [3]	(1.0)	(1.0)
High yield bonds	(457.6)	(500.4)
Accrued interest	(436.2)	(427.4)
Amounts owed to connected entities [4]	(1,520.2)	(1,389.7)
	(2,415.0)	**(2,318.6)**

Notes

1. Condensed, unaudited consolidated balance sheet for Elli Investments Limited (in administration) (EIL) and its direct or indirect subsidiary undertakings on a management accounts basis
2. Tangible assets guided by recent valuations carried out by an independent valuer in accordance with RICS standards, as well as recent disposal programmes, and include adjustments for appropriate accounting treatment where relevant
3. The term loan was amended and restated on 15 November 2021, 21 December 2022 and 25 September 2023. As announced on 25 September 2023, the maturity date was extended to 30 September 2024
4. Amounts owed to connected entities are not expected to be cash settled
5. Provisions principally relate to costs associated with leases which include fixed rate increases across the lease. The cost of these leases has been straight lined, with the additional charge included in provisions, and the provision will unwind over the period of the relevant leases should the lease remain with the Group
6. Other than the financing balances held by EIL and its indirect subsidiary, Elli Finance (UK) Plc, there are no material differences between the balances of the EIL Consolidated Balance Sheet presented above and the balance sheet of the sub-group headed by Mericourt Limited.

Contacts

- An investor relations page is available on the Four Seasons Health Care Group’s website: www.fshcgroup.com

Thank You

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