Eclipse
Corporate Finance

M&A in the specialist care market

Key financial themes within specialist care

The specialist care market continues to see significant levels of M&A

Investor interest

- Continued investment into the sector from financial investors, with many of the larger groups and active acquirers backed by private equity houses or infrastructure/real estate funds
- The market is seen as generating strong margins and remains fragmented (with the top ten providers accounting for only 15% of overall revenue), offering opportunities for consolidation

Resilience to COVID-19

- Specialist care has been less affected by the COVID-19 pandemic than elderly care, due to smaller homes and the age profile of residents
- This resilience has fuelled interest from new entrants

Registration difficulties for larger homes

- Regulators' preference for smaller homes rather than large "institutional" settings has created a challenging environment for material growth through new property acquisitions
- This has the knock on impact of forcing larger players to look to company acquisitions for growth

Acquisitions highly competitive

- Given the number of private equity backed companies seeking growth through acquisitions, processes are often highly competitive, driving up prices
- As a result, valuations for specialist care businesses of scale are often in excess of 10x EBITDA

Active acquirers in the specialist care sector

Choice Care
PRIORY
SALUTEM
Potens supporting YOUR choice
Elysium Healthcare
Achieve together
CareTech Community Services
Swanton Every Moment Matters
Exemplar Health Care
Select Healthcare Group
Cygnet Health Care
Orbis education & care
National Care Group
SENAD group Specialist education and care.
accomplish. make every day amazing
Aurora
voyagecare

Valuation drivers

Valuation within the specialist care market is driven by a handful of key factors

Quality

- CQC ratings are the key identifier of quality for acquirers of specialist care facilities
- "Good" and "Outstanding" ratings will attract premium multiples, whilst "Requires Improvement" or "Inadequate" ratings will materially hamper valuations

Fee levels

- Higher fee levels will drive greater multiples
- Complexity of care is relevant. Higher acuity services generally command the best fees and are therefore particularly attractive to acquirers
- Proven ability to charge additional hourly rates for 1:1/2:1 care is also desirable

Occupancy

- High occupancy levels are a sign that a specialist care facility is operating effectively
- Consistently high occupancy levels will therefore drive greater earnings multiples

Staffing

- Adequately staffed facilities will drive higher margins
- Labour/fee ratios are therefore a key metric for acquirers
- Excessive use of agency staff is often seen as an area of concern

Property

- Clearly freehold property ownership will attract higher multiples than leasehold
- Well invested properties will be favoured, with acquirers reducing prices for any perceived "catch up capex" required
- Basic issues such as property access and utilities should be considered

Scale

- The scale of a business (whether nationally or within a particular region) will also impact the valuation – generally larger businesses generate higher multiples
- This applies to both the number of registered beds and the number of sites that a business operates

Why Eclipse?

Specialist advisors to the UK Health & Social Care sector

Our Experience

Advisor to Young Foundations on the acquisition of a North East based residential children's home and SEN school

Strategic advice and financial consultancy services to Mental Health Care UK, a provider of specialist care services

Overseas Investor

Retained advisor to an overseas investor on UK acquisitions of residential learning disability homes (confidential)

Management buy-in of Cornerstone Healthcare, a provider of specialist residential homes, backed by Ignite Growth*

Sale of Raphael Healthcare, a provider of low secure mental health services, to Elysium Healthcare*

*Deal completed in previous role prior to Eclipse

Eclipse Corporate Finance

High quality, hands-on advice

Company Sales

Acquisitions

Management Buy-outs

Debt Raises

www.eclipsecf.com