

MARKET

SUMMARY

HEALTHCARE MARKET
OUTLOOK 2017

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OUR SUCCESS IN THE HEALTHCARE SECTOR

2016 was a fantastic year for Redwoods Dowling Kerr within the Healthcare Sector; although certain segments within the industry have seen various challenges. The UK Healthcare investment market is still displaying a strong correlation with previous years in terms of the high level of transactions being completed, not only by established corporate buyers but by first-time entrants to the market. A statistical overview from the Office for National Statistics covering the last three years shows an increasing number of care businesses being acquired by first-time investors, which is particularly encouraging for the market as a whole and illustrates the sector's ability to adapt.

From RDK's perspective, in defiance of all industry challenges (i.e. Brexit), UK investors are likely to retain their positive view on UK healthcare investment, having operated in this dynamic and ever-changing market for decades through times of growth and recession. The sector possesses a strong underlying sense of stability and growth, setting the foundation for a busy and productive 2017.

Demand for our Corporate Sales Process continues to increase, with many business owners wanting to ensure that they get the very best marketing packages and ultimately get the best possible deal. Our highly experienced Healthcare team are industry specialists and the quantity and the quality of sales achieved in

2016 was a testament to this. The positive feedback and testimonials we receive from business owners and buyers is also evidence of Redwoods Dowling Kerr's commitment to offering a dedicated service and achieving a satisfying conclusion for all parties.

Andrew K Steen, Sales & Marketing Director at Redwoods Dowling Kerr comments: "It has been pleasing to see so much activity in the healthcare market and we expect 2017 to be a very busy year for Redwoods Dowling Kerr in this sector."

Paul Miller, CEO of Redwoods Dowling Kerr, comments: "Our future pipelines in this sector are very positive, and we anticipate announcing many healthcare deals in the coming months."

MARKET OVERVIEW

In 2016, RDK braced itself for the introduction of the new National Living Wage, with many care assistants and domestic staff remunerated at the former National Minimum Wage level, there was significant concern that care operators would need to absorb this increase in cost unless local authorities provided compensatory fee rate rises. With the uncertainty in the health care market it was great to learn that Acadia Healthcare acquired mental health giant Priory Group from Advent International for £1.3 bn and 5.363 million shares of Acadia common stock. Priory Group is the largest mental health provider in the UK with over 300 facilities and around 7,200 beds. Its services include healthcare, children’s care, education and elderly care.

In addition to the above, the Office for National Statistics suggests that the nation is now at its oldest ever, with those aged 65+ now making up for an estimated 18% of the UK’s population (11.4 million people) and this number is predicted to rise 25% by 2044, causing a direct impact on the ever-rising cost of occupied beds in hospitals adding a significant strain on the National Health Service.

An estimated 61% of these beds are lost because people are waiting for space in a care or residential home – “outlining the demand to invest more in care businesses and relieve the pressure on the NHS” (British Property Federation 2016).

With over £4.5bn worth of deals in 2014 and £4.7bn within the first quarter of 2016 the care home sector is demonstrating itself as a sustainable property asset class. According to the IPD’s Healthcare Index, healthcare

properties now outperform almost all other UK commercial property assets, with total returns increasing year-on-year. Consistently producing robust returns on investment since the index’s launch in 2007, the industry demonstrates a high level of market stability and an increasingly appealing risk-reward ratio.

From our own observations, the demand for new care homes in 2016 was as strong as ever with landlords and investors embracing the high importance of modern care facilities offering affordable living in modern well-equipped surroundings.

Redwoods Dowling Kerr has embraced 2017 with open arms. Utilising our market research, we are currently experiencing a high demand for Adult and Social Care and with the recent statement by Teresa May supporting Adult and Social Care, we forecast a strong growth in this sector in 2017.

Over the next twelve months we expect to see increasing staff costs and increasing weekly fees. Occupancy levels are also likely to rise driven by the insatiable demand from an ageing population. To further compound bed supply, the National Living Wage is forcing closure of unviable care homes that, generally, have fewer than 25 beds.

Care homes in affluent areas of the country will benefit most, particularly for personal care, and we may see EBITDARM per resident for personal care outstrip that of nursing care for the UK. The defensive characteristics of the care home sector are highly likely to attract increasing investor appetite over the next 12 months.



ADVANTAGES OF USING A BUSINESS BROKER

We believe that using a business broker is certainly the best course of action to take for anyone who wants to sell their business effectively. Although there are opportunities to sell direct, selling a business is not always a straightforward process and going it alone may offer various disadvantages including; negotiation experience, time management, lack of evaluation and legality expertise etc. We strongly believe that business owners who decide to sell should place confidence in working alongside an experienced and well-knowledged broker to offer support and advice in making all important decisions for these essential reasons;

Advertising & Marketing

When selling a business, the way the business is perceived by potential buyers is crucial. Experienced brokers know exactly where to advertise your business to maximise interest and more significantly how to market your business so that it gets noticed by serious, potential investors.

Negotiation Expertise

Business brokers are skilled negotiators who are driven to maximise your sale price. The role of a business broker is to bring “serious” buyers and sellers together.

Qualified Buyers

Business brokers qualify all prospective buyers at the primary stage of the sales process. When a broker qualifies a buyer, they will ensure that the buyer is serious about purchasing the business and will also identify if the potential buyer has the realistic financial capacity to complete the transaction.

Time Management

By using a business broker, you can concentrate on running your business instead of answering enquiries about the business sale. You ensure the business is still running optimally, and let the broker take care of the rest.

Confidentiality & Discretion

When selling a business, you may not want your competitors, employees or customers knowing that you are selling your business.

A broker will keep all details of a sale completely confidential. All potential buyers will sign a legal confidentiality agreement and then be ‘qualified’ as a serious buyer. It is only then, that the potential buyer will be presented with details of a business for sale.

Business Appraisals

Experienced business brokers possess the knowledge, skills and on-hand information directly related to your business, industry and location. This gives the broker the ability to accurately appraise your business.

Risk

Achieving the best possible deal, out of the transaction is the most essential aspect of the process. The knowledgeable broker will work to their greatest ability to ensure that you get the most realistic sale possible, taking the risk out of you receiving a below market value sale for your business.

Legalities

If you are considering a sale within the near future, then it is crucial that you consider your exit strategy. Tax planning and legal advice are a must and will ensure that the path to the exit is smoother and less costly than leaving everything to the last minute. It is essential that you have a strong professional team who are all working on your behalf.

Here at Redwoods Dowling Kerr, we believe that each healthcare business is unique, and that individual owners have different needs, requirements and aspirations – that is why we offer a free, no obligation business appraisal, to show you what we can do for the sale of your business.

RECENT SALES IN HEALTHCARE

Sunnyfield Support Services, Morecambe

Redwoods Dowling Kerr are delighted to announce the sale of Sunnyfield Support Services, Morecambe, Lancashire, a well performing domiciliary care agency.

Having been established by the present owners in 1989, Sunnyfield Support Services has earned a truly enviable reputation offering a wide range of care to people with learning disabilities. Currently the business offers regular care to approximately 75 service users and provides approximately 1900 hours of care on a weekly basis.

Following a substantial number of offers the business was sold in excess of £1m to a high wealth individual who is currently looking to expand the business and is seeking to acquire additional businesses to build their portfolio.

The immediate plans are to continue to evolve the business and maintain the ethos of the previous owners.

The vendor Mr P Cottingham expressed his gratitude in the service received by Josh Higham and commented “The service provided was secondary to none, I felt confident the sale was being managed professionally with regular updates on the sale of my business. The sale has now allowed my retirement plans to commence, fully in the knowledge that my business is in good hands”.



The new owner, Faisal Lalani of National Care Group Ltd said “The personal contact by Josh and the sales team at Redwoods Dowling Kerr was first class and we are currently in negotiation to acquire a second business through them”.

Josh Higham, Senior Sales Negotiator said “It was my pleasure to manage the sale of Sunnyfield Support Services. We achieved our clients aspirations on pricing and to have built a relationship with our purchaser, who is active in the healthcare market”.

RECENT SALES IN HEALTHCARE

Allan-Ross Nursing and Healthcare Limited

Redwoods Dowling Kerr are delighted to announce the sale of a renowned domiciliary care agency 'Allan-Ross Nursing and Homecare Ltd', located in the Scottish Borders.

The vendors, Ms Allan and Mrs Bostock, decided to sell the business through Redwoods Dowling Kerr's Corporate Sales Process, due to their wish to retire.

Founded in 1998 by the vendors, the agency provides a range of nursing, care at home and support services in East Lothian and Midlothian. During this time, more than 1,000 clients have been cared for. Currently, the business has 89 registered patients. The company was set up to provide high quality, holistic care services primarily for the elderly, but also for adults with disabilities.

The care at home support services provided, allow their clients to continue living safely, comfortably and as independently as possible in their own homes, while maintaining their dignity and independence.

The agency has developed an excellent reputation within the communities in which it operates, evident by achieving 'Very Good' and 'Excellent' Care Inspectorate ratings in the past.

Operating from a leasehold premises; the business provided excellent scope for further growth and development, through introducing a wider range of



care services, and targeting a wider geographical area, as examples.

The business was acquired by a private first time buyer within the care sector. The size and location of the business were key factors in the buyer's decision to purchase.

Josh Higham, Senior Care Negotiator commented "I'm very pleased that the sale of the agency was completed quickly, and I wish both our clients and the buyers every success in the future"

RECENT SALES IN HEALTHCARE

Positive Care (Scotland) Limited

Redwoods Dowling Kerr are delighted to announce the sale of Positive Care (Scotland) Ltd, a well-established domiciliary care agency to a large care operator. Constance Care Ltd acquired the business on a leasehold basis following high levels of interest.

The well-established and successful business had been run by the vendor, Mr Andrew Sharpe, since 2003, before deciding to sell to pursue other business interests. Caring for 110 clients, the business developed a fantastic reputation for providing excellent standards of care within Glasgow.

The business offers support and care for the elderly and those in need of living assistance. The company is based in rented premises, however the nature of the business means that it could be located anywhere within Central West Scotland.

Rosalind Carr at Constance Care Ltd said, “We recently purchased a Care at Home Company in East Renfrewshire with the help of the team at Redwoods Dowling Kerr. From our initial enquiry to the final details, we found that they were very receptive to our calls and enquiries and were most timeous in their responses. It’s never easy to sell or buy a business and there can be many hurdles along the way. Within Care at Home, there is a sensitivity and confidentiality required as we are dealing with people’s lives, whether it be our clients living at home with the help of the Agency, or the staff who would obviously worry about a



bigger company coming on the scene. Sometimes you think that it’s just not working out and then with the help of those involved in the ‘deal’, you get to see everything more clearly and move forward. Scott was extremely helpful and had a good listening ear. He was very attentive to helping the deal go through. “From our experience, I could highly recommend them.”

Josh Higham, Senior Care Negotiator at Redwoods Dowling Kerr comments: “I am very pleased that we have come to the end of yet another successful completion. The business provided an attractive proposition and as such, generated excellent levels of interest. I wish Mr Sharpe all the best in his new ventures and I look forward to working with Constance Care Ltd again on future acquisitions.”

RECENT SALES IN HEALTHCARE

Alyson House, Essex

Redwoods Dowling Kerr are delighted to announce the sale of Alyson House, a Learning Disability Care Home in Westcliff-on-Sea, Essex.

Registered for 9 residents, this superb facility provides quality care for adults with learning disabilities in a comfortable and pleasant environment. Set in a superb location, the spacious and inviting accommodation is presented to a high standard throughout creating a pleasant and welcoming home from home feel. The home has developed a strong reputation locally for its high standards of care.

The owners, Mr and Mrs Tang, had owned this exceptional business since 1999 and wanted to sell due to their wish to retire.

Following a substantial number of offers, the business was sold to Mr Nirajkumar Sedani, a first time buyer attracted to this business because to its realistic pricing and the demand for quality care that exists in the healthcare sector. Mr Sedani forecasts a potential to increase the bed numbers and turnover, but his immediate plans are to continue to evolve the business in the footsteps of the owner.

One of the owners, Mr Tang, commented: “May I take this opportunity to say that the service you provided was simply outstanding. The scale and complexity of Alyson House was something that I haven’t experienced before. During some hurdles and problems you were able to advice all parties involved”. “I am grateful to you personally and to Redwoods for the professional handling of the marketing process and for allowing the dream of selling our business to come true.”



The new owner, Mr Sedani added: “The services provided by the team at Redwoods Dowling Kerr were superb. I will definitely use them again and recommend them to other people”

Anthony Rae, Healthcare Sales Director at Redwoods Dowling Kerr, said: “We are delighted to announce our involvement in the sale of Alyson House Care Home.

“Alyson House Care Home was purchased by our client in 1999 and they established the care home in the same year and is only being offered for sale due to retirement. The business has earned an unrivalled reputation providing a quality domiciliary care service to local authorities.

“Following a short confidential sale process, multiple offers were received from a variety of eager potential purchasers, which culminated in a sale to their confidential purchaser because of their shared cultural values and commitment to delivering exceptional services to the local community.”

RECENT SALES IN HEALTHCARE

Care Horizons, Kent

Redwoods Dowling Kerr are delighted to announce the sale of Care Horizons Limited, a well performing domiciliary care business operating in Kent.

Established in 2000, Care Horizons provides essential home-based care for approximately 40 people and possesses a genuine potential to expand its geographical reach.

The business has fostered an extremely good reputation over the past 16 years within the area, for the level of care it provides and for the quality of its staff. It was placed on the market due to the owner's decision to retire.

Following a substantial number of offers, the business was sold to first time buyers Mr and Mrs Travis Hiscock, who have experience within the healthcare sector.

Mr Hiscock said: "The service received from Redwoods Dowling Kerr and in particular Josh Higham was excellent throughout the process. Josh was always able to answer any of our queries and drive forwards the sale wherever possible in a professional, attentive manner. We're very happy to now begin this new stage in our lives."

The vendor, Mr Brian Hookings, said: "When it comes to selling your business after starting by yourself and nurturing it over the years as it grows, it can seem daunting. We approached Redwoods Dowling Kerr. The service and approach



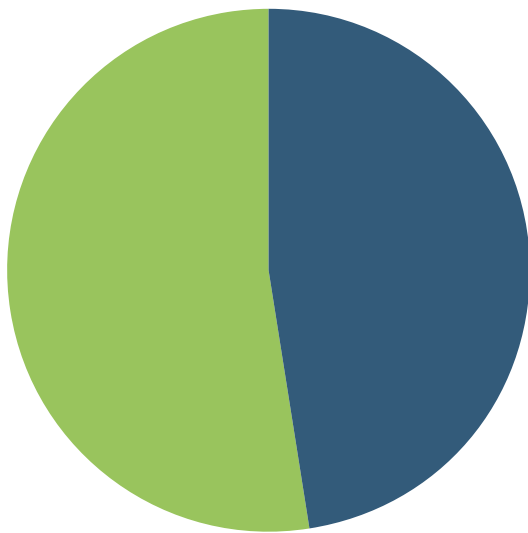
provided by Josh Higham, taking us through every stage of the process, and his accessibility, help and advice enabled us to sell the business. We look forward to our retirement"

Josh Higham from Redwoods Dowling Kerr said: "It's great to have seen through the sale of Care Horizons Limited to first time buyers Mr and Mrs Hiscock. They are very excited to proceed with this new chapter in their lives. Both buyer and vendor were very happy with the outcome of the sale. Mr and Mrs Hookings can now look forward to retirement having successfully achieved their desired sell on price for their business."

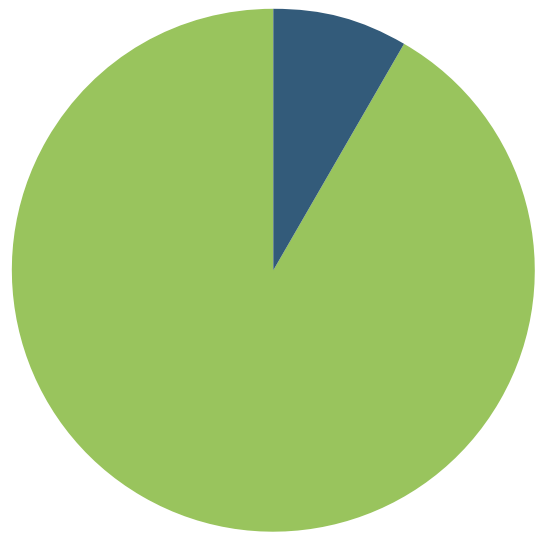
MARKET STATISTICS

TYPE OF SALES

FREEHOLD



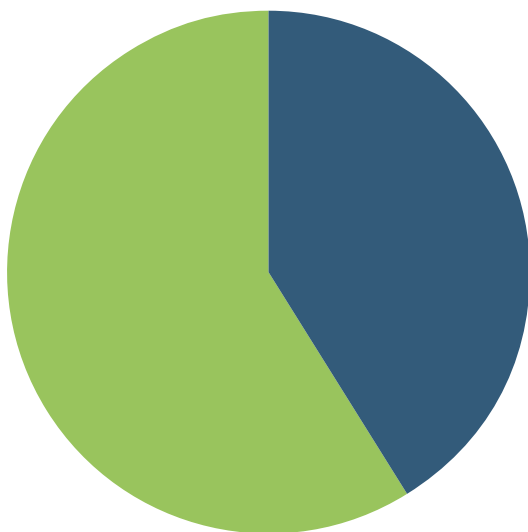
LEASEHOLD



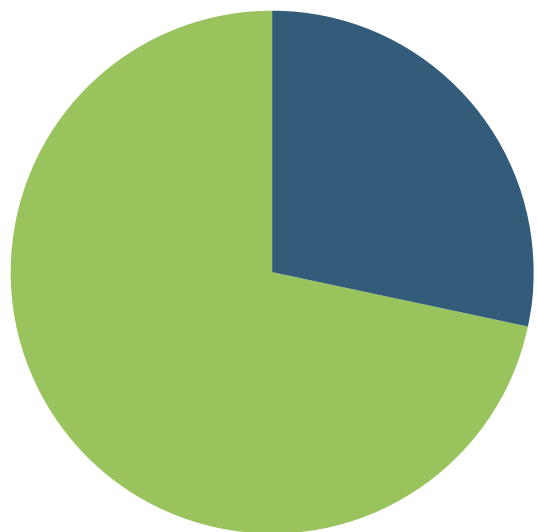
■ 2015 ■ 2016

VALUE OF TRANSACTIONS - RDK

FREEHOLD



LEASEHOLD



■ 2015 ■ 2016

MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
January	Mr Hookings	Mr and Mrs Hiscock	Sale of Care Horizons Ltd, a well performing domiciliary care business in Kent
January	Advent	Acadia	US mental health provider Acadia acquired Priory Group which runs 300 plus facilities in the UK
January	Mr Tang	Mr Sedani	Alyson House, a Learning Disability Care Home in Essex, registered for 9
January	Private Vendor	Care Home Operative	Sale of Linden House, a former confidential care home situated in Bridlington, East Yorkshire. 9 bedrooms
January	Mrs Gittins and Mrs Bailey	Private Care Operative	Norton Lodge, a highly regarded residential care home, operating from a substantial detached property in Cheshire
January	Mr and Mrs Johnson	Parkside Residential Homes Limited	Hawthorn House, a renowned freehold care home in Hull, East Yorkshire
February	Mrs Kalan	Mrs Sohal	Equicare Services, a well established domiciliary care business. Leasehold sale.
March	Mr Sharpe	Constance Care Ltd	Sale of Positive Care (Scotland) Limited, a well established domiciliary care agency, to a large care operator. Caters for 110 clients
April	Positive Care	Constance Care	Constance Care is a leading provider of care services based in Scotland

MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
May	Mr and Mrs Hossenbux	Mr Nunkoo	Sale of Aldingbourne Cottage, a highly renowned care home registered for 8 residents, to an experienced care home operator
May	Private Vendor	Mr Lewis	Frederick Residential Home, a residential and EMI care home registered for 12, in South Wales
June	Ms Allan and Mrs Bostock	Private First Time Buyer	Project Sigma - Allan-Ross Nursing and Homecare Limited in the Scottish Borders. Domiciliary care agency with 89 registered patients
July	Private	Agilitas Private Equity	Exemplar Healthcare, a provider of high-quality care services with 25 custom-built nursing homes
July	Private Vendor	Private Buyer	Greenfields Residential Care Home, charming residential care home in Bedfordshire, registered for 31
August	LBC	The Carlyle Group	Akari Care have a growing portfolio now comprising of 38 care homes
August	MHC Care Homes	Runwood	Runwood have now acquired 3 care properties based in Northern Ireland let to Countrywide Care
September	Mrs Mills	Private Buyer	Well-established Domiciliary Care Agency in Kent, cares for approx 40 persons

MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
October	Aviva Investors; Quintain	Loan Star	75 elderly and specialist care homes, which formed the remainder of Quercus Healthcare fund
October	Primetower	BUPA	The British United Provident Association Limited acquired The Links and Lindsay House in Poole for an undisclosed price
October	New Bridges	Transrace	Transrace acquired 4 brain injury clinics in South Wales
October	Mrs Howard	Private Buyer	Woodland Care Home, detached residential care home, registered for 18 in Greater Manchester
November	Acadia Investors; Quintain	Loan Star	75 elderly and specialist care homes, which formed the remainder of Quercus Healthcare fun
November	Mr Esparon	Private Buyer	Middle West Care Home, impressive care home registered for 4 in Surrey
November	Mrs Tiso	The YOU Trust	Dorset Blue Care Ltd, domiciliary care business in Dorset
November	Mr Cottingham	Private Buyer	Sunnyfield Support Services. Lucrative and highly respected care support agency in Lancashire
December	Private Vendor	Homecare4U	Stokeleigh Lodge, stunningly presented retirement home in Bristol

#FINANCES

@GdnHealthcare

NHS Crisis: more money must be linked to reform

@HBViv

Choosing a care home for an elderly relative? Make sure it's not going to go bust

@carehome_co_uk

Investors find care home sector 'challenging but attractive'

@UKCareGuide

Home care costs have recently risen. Use our online calculator to estimate what it costs in your area

@bbcnews

Theresa May plans to invest more funds in beating mental health #mentalhealth

#NHS

@HBViv

NHS should shift focus to home-based care, says chief nursing office

@NuffieldTrust

We explore #brexit implications for British tourists and migrants seeking health care in Europe. #NHS

@OctopusHealth

The #NHS has recognised the urgent need to #digitise its systems in order to help cut costs

@DailyMirror

Bed-blocking costs the NHS £820million a year

@housingex

More care homes would ease pressure on NHS and housing supply

#CARE

@UKCareGuide

Live in Care is increasingly a popular home care option

@UKCareHomes

We must recapture the spirit of the hospice revolution to provide end-of-life care to all who need it

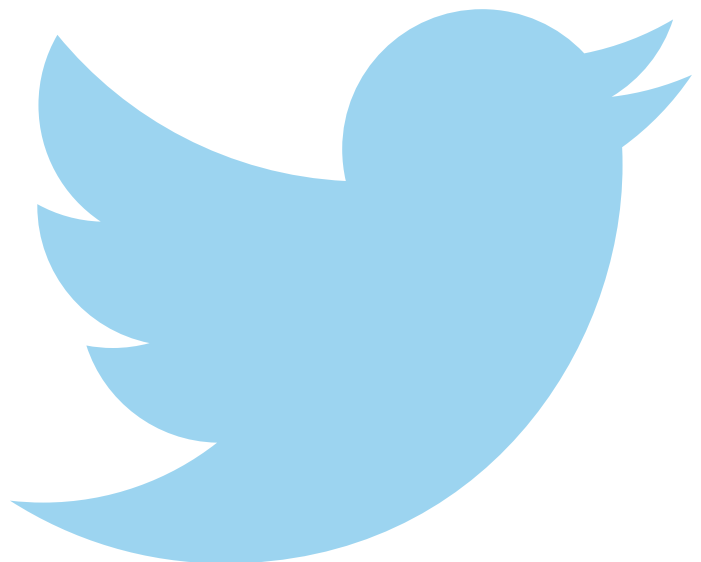
@iCareHealthUK

Care home rooms now cost more than £30,000 a year #carehomes #uk

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