

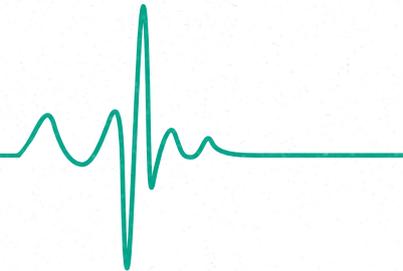


Grant Thornton

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Healthcare Insights

Issue 3 – Summer 2015



2015 is continuing to be an active year for healthcare M&A, with a number of high profile transactions being completed. Despite political uncertainty surrounding the forthcoming general election, investors appear to be taking a longer term view and the sector continues to be attractive to both consolidators within the sector, and a new wave of domestic and international investors.

As we get closer to the general election, healthcare is taking an increasingly central role in the press. Politicians and journalists are becoming more vocal in their views over the NHS, and the challenges that the sector faces.

One particularly topical issue is that of 'bed blocking' and the lack of council funded care home beds. Below we consider two solutions which promote better integration of the healthcare and social care systems as a solution to this problem; integrated care and devolution of control of the NHS budget in Greater Manchester.

Integrated care

Figures released recently indicate that 'bed blocking' has reached record levels; with doctors unable to discharge circa 1,000 patients every day.

Whilst the crisis has been exacerbated in recent months due to 'winter pressures,' an ever increasing number of people with complex long-term conditions means that this problem is unlikely to go away without intervention. Budget constraints, increasingly sophisticated (and expensive) treatments and rising expectations of health and care services are all likely to make the situation worse.

The integrated care model developed by The King's Fund focuses on the widespread adoption of integrated care to meet the needs of frail older people and others with complex health and social care needs.

Integrated care offers a framework where links between the NHS and social care services are enhanced, and hospitals and GPs are no longer dealing with a large number of providers.

Whilst adoption of the integrated care model will require strong leadership, professional commitment and good management, it will reduce the 'blocked beds' issue. It will also reduce unnecessary admissions and readmissions to hospitals and/or specialist centres.

Grant Thornton is excited by the integrated care model and is looking forward to seeing the model being implemented in practice.

Budget devolution in Greater Manchester

In what appears to be a highly controversial move, the Government has announced that from April 2016, the region's ten councils and health groups will take over the £6 billion allocated for health and social care.

Whilst the mechanics of devolution are still in their infancy, this is seen by many observers as a positive step forward by policy makers to address the root causes of Britain's health-care crisis and bring together hospitals, GPs, community services and care homes.

Devolution should enable decisions to be taken much closer to the population being served, with councillors having a bigger influence on future decisions. If successfully implemented, the health care system in Greater Manchester would be similar to that of the Nordic countries where regional and local politicians have a more significant role in the running of health and social care, than their national counterparts.

Wales and Scotland are also considering similar methods to pool their health and social care budgets. We await further details of these changes in due course.

Healthcare M&A

2014 was a strong year for M&A, with deal volumes returning to pre-financial crisis levels. New buyers and wider sources of funding, alongside the on-going consolidation of markets supported this high level of M&A.

Deal activity in 2015 has remained buoyant as corporate players have strong balance sheets and private equity is well funded. At Grant Thornton, we have been supporting companies within the Healthcare sector, and have advised on a number of deals in recent months.

In the medium term, whilst the NHS is likely to take centre-stage in the election debate, we expect deal volumes to continue and for 2015 to conclude as a strong year for M&A.

We anticipate that companies demonstrating an operating model in harmony with NHS integration of care are likely to command higher multiples and attract significant interest when taken to market.



"Grant Thornton's Corporate Finance team did a brilliant job for us on this transaction. Their hard work and commitment was crucial in supporting us to secure the right deal for the shareholders and the business. It was a pleasure to work with the team and I would have no hesitation in recommending them as advisors in the future."

Alan Firth, Executive Chairman, Meridian Healthcare

Below are a few examples of recent transactions completed by Grant Thornton's Healthcare team:

- We supported one of the UK's leading independent operators of care homes, **Meridian Healthcare**, on its sale to investors HC-One, the third largest care home provider in the UK. The collaboration will see Meridian Healthcare further strengthen its growth potential as part of HC-One's plans to acquire further homes and diversify the care provided to include retirement villages, residential, nursing and home care
- Grant Thornton advised on the successful disposal of **Nurse Plus**, a provider of high acuity and complex homecare to individuals, local authorities and healthcare staffing solutions to care and nursing homes. Working closely with the management team, we generated significant interest in the business, and produced a fantastic result for the shareholders and Nurse Plus' institutional investors, Key Capital Partners, who exited two and a half years after their original investment in July 2012
- We assisted the founder and significant shareholder of **Integrated Pharmaceutical Services** in raising finance to undertake a buy out of the majority shareholder. In the short timeframe, Grant Thornton assisted with all aspects of the transaction, initially leading discussions with the majority shareholder to agree and structure the deal, and then introduce funders and execute the transaction
- Grant Thornton worked closely with the management team and **Octopus Healthcare** to build a business plan and strategy for private hospital investment and development. We then assisted in the raising of development finance, and structuring of a transaction to enable the vision to be fulfilled
- Established in 1971, **The Dental Directory** has grown to become one of the largest suppliers of dental products, and services in the UK. Grant Thornton advised the shareholders in the disposal of their supply business to Integrated Dental Holdings

"We were hugely impressed by the commitment and competence of the Grant Thornton team during the whole transaction process. The team worked tirelessly throughout and as a result of their knowledge of the sector and deal tenacity, they delivered a fantastic result for all the shareholders. Their level of service exceeded our expectations and the shareholders are grateful for all their efforts."

Heath Blake,
Chief Executive Officer,
Nurse Plus UK

Grant Thornton's Healthcare specialists

Grant Thornton has considerable experience of working with the private care sector with a range of advisory services that include fundraising, mergers and acquisitions, exit planning, restructuring and recovery.

Over the last three years, our Corporate Finance healthcare specialists have been particularly active completing over 50 deals in the sector whilst the Restructuring team has completed over 20 private care assignments with complex operating issues. Our restructuring services are designed to help providers save money, reduce risk and restructure their businesses by taking advantage of current market opportunities, whilst the Corporate Finance team have a strong track record of delivering value to shareholders and raising funds for growing businesses.

Please contact our experienced healthcare advisory team to find out how we can help your business:

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