Leading the way

A review of healthcare deals in 2017-18
Summary statistics

- **41** Sector deals in 2017-18
- **£24m** Average deal value
- **£964m** Cumulative value
- **22** Deals involving Private Equity
- **5** Cross-border deals
- **8** Deals involving public listed businesses
We continue to see a great deal of investor interest in the UK Healthcare market as a number of wider economic issues are more than offset by the continual increase in demand for healthcare assets, and the growing profile of social care funding.

This has led to health and social care assets appealing to low return, longer term investors such as property REITS and infrastructure funds. However, pockets of the market are still challenged: continued pressure on government funded social care contracts, increased CQC regulation, recruitment and retention of staff, and of course uncertainties such as Brexit remain.

In response to the challenging environment, specialist care is a segment which is seeing a high level of investment activity as demonstrated by the sale of Inmind Healthcare Group to property company Fairhome plc, and Elysium Healthcare to private equity backed Orbis Care and Education. Similarly, BC Partners’ investment in the specialist care assets of The Priory has gone from strength to strength via a buy and build strategy. These investors see opportunities in the industry’s innovative care pathways, highly skilled staff and consistent customer base.

Private Equity has realised a number of highly successful investments this year, including Livingbridge exiting Witherslack to Charm Capital Partners, and Five Arrows exiting Kisimul to Antin Infrastructure Partners.

Emerging trends include increased interest in private pay; for example, Sodexo’s acquisition of Prestige Nursing + Care and the acquisition of Porthaven care homes by Fremont Realty. Conversely, other investors are again seeing opportunity in acquiring Local Authority funded or state sponsored care businesses, such as Apposite Capital’s acquisition of MIHomecare.

Elsewhere in the market, retail healthcare continues to be an area of focus for investors; particularly dental and veterinary. In the veterinary sector Linnaeus Group was acquired by Mars Petcare’s veterinary health division, making private equity owner Sovereign a very healthy return on investment having itself embarked on a massive buy and build drive with Linnaeus. In dental, CBPE acquired the 71 surgery business Rodericks Dental, and BUPA Dental continued its consolidation drive by acquiring Metrodental and Avsan Holdings.

Doubtless the sector will continue to see consolidation drivers, such as higher regulatory requirements, staff retention challenges and the fact that there is substantial capital available to facilitate mid-sized players buying up competitors. This could leave smaller operators struggling to keep pace with more active investors. Similarly, the days of the mega care home groups appears to be over; for example, BUPA is selling off care homes and it was recently announced that Care UK is being sold by Rothschild. This may indicate a market resistance to achieving the scale of Southern Cross and Four Seasons given the disastrous outcomes for both. Maintaining quality is key for care homes going forward.

In summary, despite the ongoing challenges and evolution the healthcare sector faces, it remains attractive to investors, both domestic and international, financial and corporate who are increasingly developing new and innovative ways to participate in a dynamic and ever-changing market.
**Leading the way – a review of healthcare deals in 2017-18**

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| **Healthcare Communications UK Limited** | **Inmind Healthcare Group** |
| Sale to Immobile plc | Sale of the Inmind healthcare property assets to Fairhome Plc |
| Unified communications provider to healthcare sector | Specialist care provider |
| £15 million December 2017 | Provided corporate finance advisory services |
| | |

| **Linnaeus Group** | **The Prospects Group** |
| Multiple acquisitions of UK veterinary businesses | Acquisition of G4S’s children’s homes division |
| | Education / children’s homes |
| | £11.4 million June 2017 |
| | Provided due diligence services |

| **Medical Solutions UK Limited** | **Sodexo Limited** | **Medica Group plc** | **Linnaeus Group** | **Legal & General Capital Investments Limited** |
| Sale of Medical Solutions UK Limited to Marcol Health | Acquisition of Prestige Nursing + Care | Admission to the main market of the London Stock Exchange plc | Multiple acquisitions of UK retirement village property developments | Acquisition of retirement village property developments |
| Healthcare services provider | Domiciliary care provider | Provision of teleradiology services | Multiple acquisitions of retirement village property developments | Multiple acquisitions of retirement village property developments |
| Provided corporate finance advisory services | Provided corporate finance advisory services | Acted as reporting accountant | Provided financial and tax due diligence services | Provided financial and tax due diligence and SPA advisory services |

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*Leading the way – a review of healthcare deals in 2017-18*
Case study

Sale of Inmind Healthcare Group property assets to Fairhorne Plc

**Client name:**
Inmind Healthcare Group

**Sector:**
Specialist care provider

**Transaction type:**
Sale

**Services provided:**
Corporate finance advisory services

Inmind Healthcare Group (“The Group”) is an independent mental health and adolescent care provider to over 200 people in Birmingham, Croydon, Leeds, Leicester, Lincolnshire and London. In 2016 the business employed more than 300 employees, and its turnover exceeded £21 million.

**Background to deal**

The Group has been a trusted partner of the NHS since 2002 and provides services to people who require low secure, locked rehabilitation, open rehabilitation, residential step down and community support services across nine sites. Since 2005 Inmind Healthcare Group has grown organically, through acquisition and through the construction of new hospitals and homes across the UK.

We were engaged to identify new investment partners to support the continued growth of the business and to restructure the existing group.

**Solution**

The team provided project management, financial analysis, deal structuring and negotiation of the key commercial terms of the transaction and were able to engineer and execute an innovative and complex transaction structure.

Following a targeted process we identified a property fund as the best investment partner. As a result, The Group retained control of the operating business, alongside a property partner that will reignite the growth of the business.

“I want to thank Grant Thornton for doing an excellent job. They demonstrated excellent sector knowledge and understanding to identify the key requirements for a suitable investment partner. They then also showed real tenacity and technical capability to ensure that what became a complex deal structure was successfully implemented. I wouldn’t hesitate to recommend them.”

Assad Sheikh
CEO, Inmind Healthcare Group
We are happy to have had Grant Thornton successfully advise us on this transaction and were impressed with the level of sector knowledge and expertise they displayed. We look forward to working with them on future transactions.”

Kevin Beerling, Group Financial Director, The Prospects Group

“The Grant Thornton team played a pivotal role throughout the transaction and their knowledge and expertise in the sector resulted in us finding the right buyer. They demonstrated resilience and tenacity during the process and provided excellent advice at all times and ultimately delivered a fantastic result.”

Mike Cunningham, Managing Director, Healthcare Communications UK Limited

“Grant Thornton did an excellent job in leading us through from start to finish in what turned out to be a complex transaction. The team was instrumental in delivering an exceptional outcome for the shareholders. They really went the extra mile for us, and impressed us with their insight, judgement, hard work and dedication in delivering this fantastic result. I would certainly recommend them as a high quality Corporate Finance adviser.”

David Mason, CEO, Medical Innovations Group
Sale of Bangeston Autism Care Services to Orbis Education and Care Limited

**Client name:**
Bangeston Autism Care Services

**Sector:**
Residential care

**Transaction type:**
Sale

**Services provided:**
Corporate finance advisory services

Bangeston Autism Care Services (“the Company”) was established in 2003 and is one of Wales’ leading providers of residential care to adults recognised as being on the autistic spectrum.

Located in Pembrokeshire, the Company was acquired in 2003 by Steve and Anne Jones and Steve Lawrance, with Director of Care, Sheila Jack, joining in 2008. Since then, Bangeston Autism Care Services has transformed into one of the most well-respected care providers in Wales with an outstanding reputation for quality of care to over 30 service users across four sites.

The shareholders engaged with Grant Thornton to act as lead advisors on the sale of the Company with the shareholders seeking a full exit and retirement from the business. The shareholders sought a new owner to take the Company forward on this exciting journey whilst maintaining its legacy and securing the future of its staff and service users.

**Solution**

The Grant Thornton team ran a competitive sale process, with much interest coming from trade buyers and residential care consolidators throughout the UK and overseas. Cardiff-based Orbis Education and Care Limited, backed by August Equity LLP, was chosen as the preferred bidder due to similarities between the quality of care and culture of the two businesses.

“The Grant Thornton Corporate Finance team were outstanding from the outset and clearly understood the importance to the shareholders of leaving a strong legacy for Bangeston Autism Services. We are delighted with the outcome of this deal and we owe that to Grant Thornton.”

**Steve Jones**
**Managing Director, Bangeston Autism Care Services**
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