



HEALTHCARE

Market Report

AUTUMN 2023
UK EDITION

Looking Back on the Year So Far



by PAUL J. MILLER
Chief Executive Officer

WELCOME TO OUR LATEST HEALTHCARE MARKET REPORT. WE HOPE YOUR BUSINESS IS PROSPERING AND YOU HAVE ENJOYED A SUCCESSFUL YEAR SO FAR. IN THIS EDITION OF OUR REPORT WE HOPE TO PROVIDE YOU WITH INSIGHTS FOR THE UPCOMING AUTUMN / WINTER PERIOD, AS THE UK'S HEALTHCARE SECTOR CONTINUES TO TRADE THROUGH TURBULENT TIMES.

With markets recovered from the post-Covid slump, 2023 opened with its own plethora of economic challenges. High energy costs and increased costs of living backed by price pressures have contributed to stubbornly high inflation. Increases in interest rates pose a further challenge for the UK's M&A sector as

funding costs for acquisitions increase. Despite these circumstances, Redwoods Dowling Kerr have seen a steady number of transactions across the healthcare sector so far this year.

As we predicted, throughout 2023 the sector has demonstrated its resilience by overcoming these economic challenges. UK Transaction levels remain steady, with operators seeking to build scale with regional acquisitions, demand for high-quality care homes is high, and new entrants are seeking opportunities across the healthcare sector.

Since the start of the year, Redwoods Dowling Kerr has facilitated 30 healthcare transactions. Some of our most recent completions include Diamond Lives, a well-established domiciliary care agency

in Lincolnshire sold to major corporate healthcare provider Amber Adult Social Care, Elderflower Home Care in Yorkshire which sold to a new entrant to the sector and Be Well Care Limited in Oxfordshire which was picked up by a major corporate buyer.

As things stand, the UK's healthcare sector faces significant challenges brought on by rising costs for business owners to provide their service. The skill shortage created by Brexit, the pandemic and increasing demand for social care persists but has started to ease due to changes in visa rules and reduced dependency on agency staff. The majority of councils have done their best to support service providers by increasing their fees, however, the sector is in need of further support by way of fee increases. The increase in the UK's

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HEALTHCARE OPPORTUNITIES For Sale On Average

elderly population and the resulting rise in people suffering from dementia has led to a dire need for healthcare facilities, with many opting to choose homes that offer tailored care for dementia. The demand for beds in the coming years far outstrips the planned supply.

Whilst some commentators have voiced the concern that transaction volumes will reduce over the next few years, with a growing elderly population fueling demand for services, Redwoods Dowling Kerr believes the market will continue to support M&A activity. With rising worries over taxation and a general election on the horizon, RDK has maintained a consistent stream of transactions. Our deal pipelines remain strong as we look ahead to a busy Autumn period for M&A activity in the sector. RDK will continue to make

every deal count and exceed our clients' expectations, reducing timescales and creating wealth for our clients.

2023 also marked the launch of our first-ever business insights survey. The survey encompasses all of Altius Group's brands, including RDK, and will offer useful and invaluable insights for both buyers and sellers thanks to their input. We have been reaching out to the healthcare sector and the UK SME community to seek the opinions of business owners. RDK plans to share the results in our next report and use the brand's marketing power to share the views of the sector bought to us by you, our clients.



Healthcare & Healthcare Tech

The Most Resilient Markets in UK?



by KARRI VUORI
Managing Partner & Head of IMAP UK
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Healthcare across its many subsectors has historically always been an attractive market for investors. Total healthcare expenditure in the UK market alone was c.£283 billion in 2022 employing c.1.8m people across health and social care meaning the underlying market is vast and for the most part resistant to consumer trends and the underlying economy.

So, whilst the economic headlines may be less than rosy, M&A in the sector has been remarkably resilient. We saw a total of 4,233 healthcare M&A deals in the UK in 2022. This is down c.16% on 2021 but then 2021 was a record year for both transactions and valuations. This resilience is particularly evident as we look at Private Equity firms who have been far more cautious lately with new

investments in other sectors dropping dramatically despite record amounts of committed capital, commonly referred to as “dry powder”. However, Private Equity recorded a total of 860 M&A investments in healthcare companies globally in 2022, second only to the all-time high set in 2021. So what are the key drivers?

The common theme across the board is technology. There is huge pressure on the market to deliver efficiency and productivity to achieve better outcomes on a limited budget. For the same reasons there is a huge focus on diverting resources toward preventive healthcare as the same pound spent achieves a vastly higher return from a health standpoint in primary healthcare than in the acute sector. Consequently, there has been a huge focus on data in order to find the

efficiencies. This includes real time data from wearables, health apps and remote monitoring devices etc. as well as data analytics.

Earlier this year I advised on the sale of MBI Healthcare Technologies, an AI-backed provider of data quality services, to global quality assurance and risk management provider DNV. The interest in the business was staggering and the outcome for the shareholders exceptional due to their solution being so topical and relevant to the biggest challenges the UK healthcare sector currently faces.

Similarly, we've seen Cera pull off one of the largest and most successful fundraises (£263m from Kairos) in the UK healthcare market. Cera is primarily a domiciliary care business but with a super

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charismatic founder and a sprinkling of clever technology it has demonstrated to the market that it can dramatically increase efficiency in a largely manual and relatively low margin sector.

Another important emerging theme has been mental health and wellness. NHS England estimates the total economic and social cost to the UK of poor mental health to be c.£105 billion p.a. In keeping with the preventative care theme, companies focused on mental health services have been in high demand. Coupling that with technology gives you a very hot sub-sector. As an example, at IMAP we recently advised on the sale of Frankie Health to Unmind.

However, it is not all milk and honey in the world of healthcare and healthcare

technology. The one sub-sector that has had a really tough time after a slew of exceptionally highly valued transactions is direct-to-consumer health tech, Babylon being the most high-profile fall from grace. After a £450m fundraise and subsequent New York IPO valuing Babylon in the billions, virtually all shareholder value has very rapidly been wiped out.

So, demand for healthcare transactions remains robust but what about valuations? These ultimately depend on the individual company and its sub-sector – a care home is unlikely to fetch the 7x Sales and 22x EBITDA of EMIS for example. Valuations across the board have ticked down somewhat from the high-water mark of 2021 primarily due to the increase in interest rates, however they have not deviated materially from

historical averages. With the prospect of potential changes to Capital Gains Tax and Entrepreneurs Relief looming and with still significant demand for healthcare assets, we expect to see the high volumes of healthcare M&A to continue.

Karri Vuori is Managing Partner of IMAP UK and a highly experienced adviser to healthcare companies having advised, among others System C, Cymbio, Proximagen and MBI Healthcare Technologies on their sales. IMAP is a leading international M&A advisor to family and founder-owned businesses.

Healthcare Business

A Window Of Opportunity?



by ANDREW K. STEEN
Sales & Marketing Director

In the wake of several years of unprecedented levels of disruptions and challenges for businesses, the UK's healthcare market stands before a window of opportunity. Even through sustained turbulence, care home operators have continued to provide first-class healthcare, whilst navigating market challenges and economic hurdles affecting the day-to-day operations of their businesses. Many have taken advantage of the market conditions to grow, increasing M&A activity to bolster their operations, expanding their regional and national reach, and benefiting from economies of scale.

Our sales pipelines remain strong and buyer registrations are currently exceeding last year's by 14% as entrepreneurs and operators seek to put in place their plans before a potential change in Government which is likely to

take place during 2024.

A TIME OF UNCERTAINTY

As with any election period, there will be political and economic upheaval. The UK's markets, including the healthcare sector, will face a variety of new policies to deal with. A concern for many business owners is that a shift in government policy may bring about a rise in Capital Gains Tax as well as the potential abolition of Entrepreneur's Tax Relief. It is difficult for business owners to plan when no change in policy has been announced but some rumours suggest CGT may be aligned with Income Tax thresholds which would represent a substantial change in tax costs for business owners. If these rumours became reality, then CGT may increase from 20% to 40%, possibly even 45%. If ETR was abolished, then business owners

would lose their ability to claim 10% taxation for their first £1,000,000 of sale value.

A GOOD TIME TO SELL?

The feedback that we are currently receiving is that many business owners are considering their personal position and are looking to bring forwards their exit timeline to ensure they have sold prior to the election period in 2024. Owners are attracted by the certainty of understanding what their taxation position will be and that they are still able to benefit fully from ETR.

The M&A market is resilient and remains strong for the sale of quality healthcare businesses, with several buyers looking to utilise their cash to deliver their 2023 acquisition strategies. Increasing



“Based on historic averages, healthcare businesses are still selling for above-average multiples and transactions are being completed in shorter periods than the norm.”

borrowing costs do represent an issue for acquirers who are looking to moderate the price which they will pay for target companies. Based on historic averages, healthcare businesses are still selling for above-average multiples and transactions are being completed in shorter time periods than the norm.

Over the last six months, RDK has completed acquisitions across the UK, with substantial activity happening in the North West of England, followed closely by the South East and the Midlands. Our healthcare team has also been providing expert knowledge of the market and the specific requirements of businesses operating in the sector to successfully facilitate the sale of several home care agencies. Our team is well-versed in delivering high-value sales and is committed to ensuring the sales process

runs smoothly for our clients, guiding them through the process and helping them overcome the hurdles to completion.

In summary, with M&A activity currently ramping up in the early lead-up to next year's election, buyers and sellers within the healthcare sector have much to gain from current market conditions. Despite ominous predictions, the market remains positive, having proven resilient against the increasing burden of economic turmoil. While these conditions may change in the future and the balance of downside risk may be higher (especially with a possible switch in the UK's political leadership), Redwoods Dowling Kerr expects M&A activity to continue to remain positive throughout 2023 and through to early 2024.

Supporting Local Charities

Making Every Goal Count



by PAUL J. MILLER
Chief Executive Officer

OVER THE LAST SIX MONTHS, WE HAVE MADE A CONSCIOUS EFFORT TO WORK WITH MORE CHARITIES AND SUPPORT OUR COMMUNITIES.

As part of Altius Group, Redwoods Dowling Kerr already support Ecologi and donate to charities such as our local foodbank, Luv Preston.

As a Newcastle native and a lifelong fan of Newcastle United, I have decided to use my love of football and my home team to give to local charities. I feel truly passionate about my team and I'm currently relishing the new atmosphere driven by the managers and the team. Last season was hugely enjoyable for me and I expect this season to be even better.

With this in mind, Altius Group will **donate £100 for every goal** Newcastle United scores in each of their Premier League, Carabao Cup, FA Cup and European matches during the 2023/24 season.

All money raised this way will be evenly distributed between two noted charities: The Newcastle Foodbank and Brian House Children's Hospice located in Blackpool, a charity which delivers support and care to local children with complex needs and life-limiting conditions.

I certainly have my hopes up for a great season during which we will be able to give support to these worthy causes.

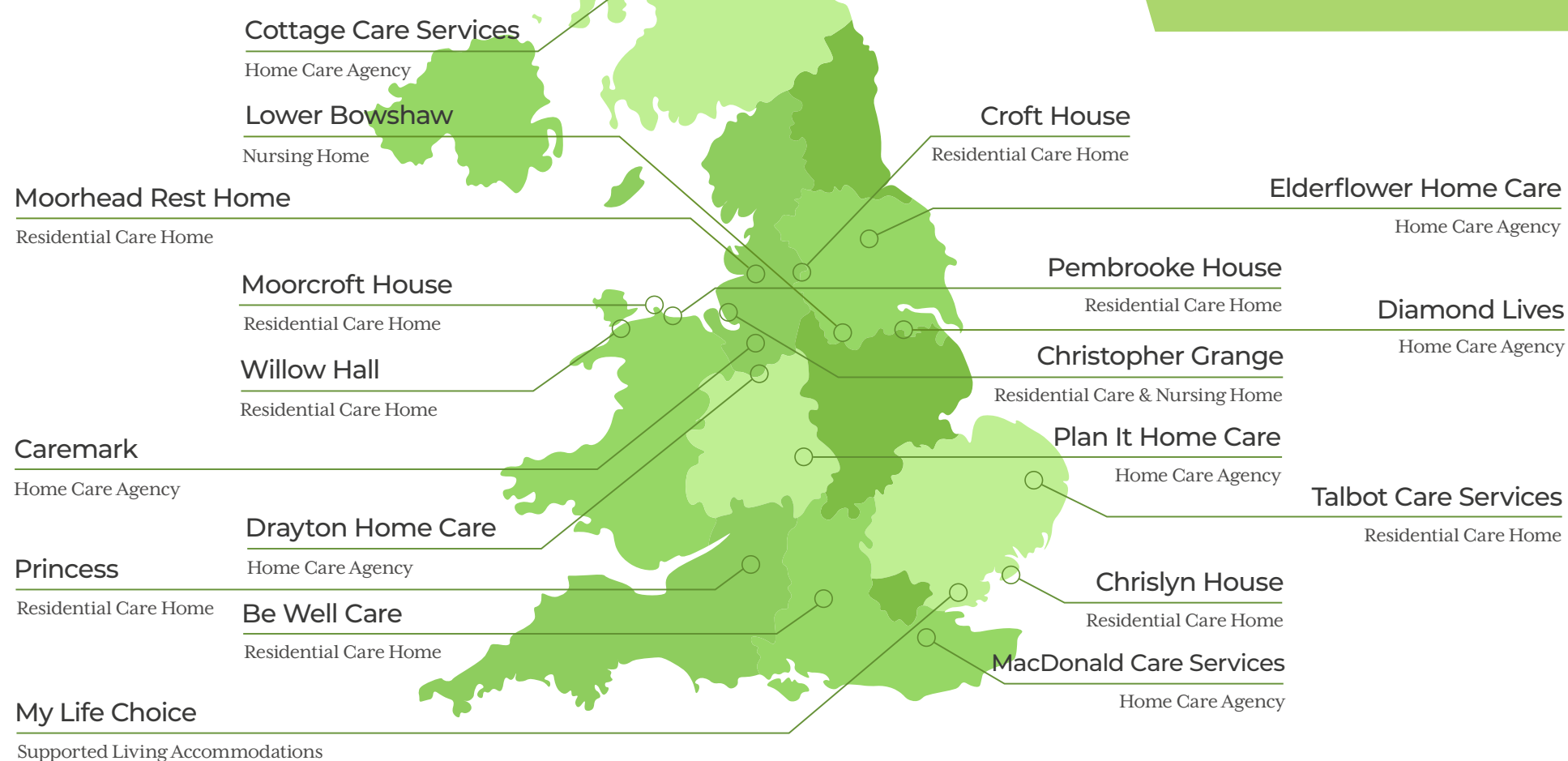


Newcastle Foodbank

Brian House
Children's Hospice

A Selection of RDK SALES IN 2023

Over 30
BUSINESSES
Sold in 2023



A Selection Of Sold Healthcare Businesses in 2023



MOORHEAD REST HOME

Moorhead Rest Home is a delightful residential care home for the elderly in the quiet town of Accrington, Lancashire. The care home sits in an accessible position on a main road close to Accrington Victoria hospital and the town centre.

The Buyer commented:

"Our experience of acquiring a business with RDK has been positive. I came into contact with a senior sales negotiator who was extremely knowledgeable and professional in his job. He had been proactive in finding us a suitable business which fits in well with our requirements and was very supportive throughout the sale."



PEMBROKE HOUSE

Pembroke House has been owned and run by the vendors for over 30 years. Both homes have earned truly enviable reputations for providing the highest levels of care, support and dignity within a warm and secure environment.

Our Client commented:

"We had the good fortune to have Senior Healthcare broker, Asif Musa, allocated to our sale. He was brilliant. He kept us informed all along the way and let us know exactly what was going on, explaining each stage. We couldn't recommend Redwoods any more highly and especially Asif. The company are streets ahead of competitors."



MOORCROFT HOME

Moorcroft Residential is an exquisite detached residential care home for the elderly. It is located in the charming seaside town of Llandudno, Conwy. The care home sits at the heart of a residential area close to the town centre and local shops. Local public transport and major commuter routes are also within easy reach.

The Negotiator commented:

"I was extremely happy with the service and support received from RDK during the purchase of one home and the sale of another. The support received from Asif and Mo was excellent and I would have no worry about recommending RDK."



WILLOW HALL

Willow Hall is a charming residential care home in the historic town of . It operates out of a detached property and sits fronting the main commuter route into town. It is only a short distance from various shops and local amenities. The care home provides 24 single ensuite bedrooms located across both floors of the property.

The Buyer commented:

"Asif who dealt with this transaction is very knowledgeable, and professional and has been extremely helpful. I would certainly work with Asif and RDK again and have confidence in their ability."



CHRISLYN HOUSE

A specialist care home for learning disabilities and mental health conditions. The care home operates out of a spacious corner property in Clacton-On-Sea, Essex. The setting has a total of 19 service users but currently caters to 16. Was well run and managed by its previous owner, along with a good CQC rating, both major factors for the buyer.

The Negotiator commented:

"I am pleased to have sold this care home to a new entrant to the healthcare industry. It has been an excellent result for all parties to the sale. I wish my client all the best with her retirement."



PLAN IT HOME CARE

Plan It Homecare is a highly-respected domiciliary care agency in Coventry. The original owner first established the business in 2011. Since then, it has earned a truly enviable reputation for offering a wide range of quality, professional care services. It delivers up to 2,300 hours of care per week to around 120 service users.

Our Client commented:

"I have been extremely pleased with the service that I received from RDK throughout the sale of my business. They checked the credentials of all interested parties and ultimately found the right buyer for my business."



CHRISTOPHER GRANGE CARE

Christopher Grange Residential Care is an impressive purpose-built care and nursing home with capacity for up to 106 residents. It occupies a convenient and accessible location in Liverpool. In the last five decades, the setting has earned a truly enviable reputation for providing excellent standards of care, support and dignity within a warm and friendly environment.

The Buyer commented:

"I am pleased to have purchased a purpose-built residential care home from RDK and would certainly work with them again in acquiring future acquisitions."



ELM HOUSE RESIDENTIAL

Elm House is a residential care home for residents with learning disabilities, located in Bolsover, Chesterfield. The care home enjoys an enviable reputation for providing excellent standards of care, support and development. It has a 'good' rating across all areas by CQC in its last inspection.

The Negotiator commented:

"There was a good level of interest expressed in this care home. The sale of this home demonstrates the strong level of activity within the care market in this region. It has been an excellent result for all parties to the sale. I wish my client all the best with their retirement."

Our Environment



18 months
of climate impact



550 tonne
of carbon reduction



7,400
trees planted

Initiatives for a Better Future

RDK + ECOLOGI

In 2023, the global community continues to address the ongoing challenges of climate change with increased awareness and collaborative efforts.



In 2022 we entered into a strategic partnership with Ecologi to actively contribute to the advancement of a sustainable future for generations to come. The role of scientific research and innovative solutions in addressing environmental impact cannot be

understated. Through our collaboration with Ecologi, we are instrumental in financing such globally-reaching solutions. A recent focal point of our initiatives is the Macaúbas Landfill Gas Project in Brazil. This project is designed to curtail methane emissions from the "Central de Tratamento de Resíduos Macaúbas" landfill site, achieved through the implementation of active landfill gas extraction, flaring, and electricity generation systems.

Our support extends to the Ouarzazate solar power station in Morocco. Renowned

as one of the largest concentrated solar projects globally, this initiative employs an array of concave mirrors to harness solar energy, producing an impressive 582 MW of power. Notably, the project boasts up to 7 hours of solar energy storage, enabling continued power supply post-sunset.

These endeavours, in addition to our commitment to substantial tree planting, afford us the assurance that we are actively and practically bolstering climate-conscious efforts.

Your feedback is important to us and will enable us to share with you sector specific research which will offer you an insight into the thoughts and opinions of your fellow business owners.



Redwoods Dowling Kerr

Business Insights Survey

All responses will of course be treated in the strictest confidence.

FILL IN THE SURVEY



Redwoods Dowling Kerr
Specialist Business Broker
Rated 5/5 on
Trust Pilot

5 Star Service

JANE

I would like to say that I am very happy with the service that I received from Redwoods Dowling Kerr in selling our care home. I would especially like to thank Asif Musa, Senior Healthcare Broker, who did a great job in finding us a suitable buyer and handled the sale of our business very efficiently from start to finish. Asif kept in contact with us at all times, giving us guidance and support throughout the sale process, while working with our appointed solicitor. Going through a sale is never easy, but it's great to work with professionals who have the knowledge and expertise to support you throughout the transaction. We would certainly recommend Redwoods Dowling Kerr to anyone who is looking to sell their care home.

Streets Ahead of Competitors

SHIRLEY

We had the good fortune to have a Senior Healthcare Broker allocated to our sale. He was brilliant. He kept us informed all along the way, chased people when they didn't get back to us, and let us know exactly what was going on, explaining each stage. We couldn't recommend Redwoods any more. The company is streets ahead of competitors.

Great Service & Very Helpful

JULIE

Great service and very helpful. When Mohammed took over the sale of my business, it really did get the ball rolling. He was very supportive during this very stressful time and gave me the confidence to go through with the sale. He was always there for queries, and I believe he went above and beyond his job. Hopefully, I won't have to do this again as I have now retired.

Will Work with RDK in the Future

IMBER

I am very happy to have purchased a care home from Redwoods Dowling Kerr, and I would certainly work with them again for future acquisitions. The Negotiator who dealt with this transaction, was extremely helpful in keeping the deal on track. Whenever a problem occurred during the sale, he quickly jumped in to resolve it. We would not have completed the deal without his expertise and knowledge in the sector. I would certainly work with RDK again and have confidence in their ability.

Best Team to Deal With

SWAPNA

I am extremely happy with the service I am receiving from this company. My previous contact with James Doyle was fantastic. He always answers the phone, is upbeat, and makes you smile all the time. He is always willing to lend a hand. He went above and beyond to assist me.

CONTACT US TO FIND OUT MORE ABOUT
OUR COMPLETE HEALTHCARE BUSINESS
BROKERING SERVICE.

TO BUY CALL

on 01772 418 547

or e-mail healthreport@redwoodsdk.com

TO SELL CALL

on 01772 418 546

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