



HEALTHCARE

Market Report

WINTER 2023
UK EDITION

UK Healthcare 2022 - A Year in Review

594

TOTAL
Appraisals
IN 2022



by **PAUL J. MILLER**
Chief Executive Officer

HAPPY NEW YEAR TO YOU AND YOUR FAMILIES, AND WELCOME TO 2023 WHICH IS A YEAR WE HOPE WILL BUILD ON THE FOUNDATIONS LAID IN 2022 AS THE SECTOR CONTINUED ITS RECOVERY FROM THE IMPACTS OF THE PANDEMIC ON OWNERS, THEIR HEALTHCARE BUSINESSES AND THE STAFF AND RESIDENTS.

I hope you enjoy our latest Redwoods Dowling Kerr healthcare report and wish each of you every success for 2023.

Looking back to 2022 the market showed strong signs of recovery. Over the course of the year we were instructed by well over 100 healthcare and homecare business owners to market their businesses for sale.

By the close of the year, we had completed 68 healthcare transactions and carried forward a further 30 deals into the New Year which we anticipate will complete during the first quarter of 2023.

We are proud of our success during 2022 which came against the backdrop of a rollercoaster and challenging year for the UK economy. Severe energy and cost of living pressures caused by worldwide events drove high levels of inflation leading to increased interest rates which was unnecessarily compounded by the political uncertainty and changes which caused a nervousness in the market which we believe could and should have been avoided. We are reassured by the recent stability offered by the new PM and Chancellor of the Exchequer, and we note that a level of normality has returned to the market.

During the second half of the year, we engaged in multiple conversations

regarding funding for healthcare businesses. Aside from the usual acquisition funding enquiries, we noticed an increase in clients seeking our advice in relation to financial restructuring. In response, Redwoods Dowling Kerr has launched a new funding partnership with MAF, part of Begbies Traynor Group. Our partnership will enable us to refer our clients seeking specialist funding advice to finance experts at MAF who facilitated the arrangement of over £330mn of lending during 2022. I would like to thank Mike Gascoigne at MAF Finance for providing an interesting and insightful article which is contained within this market update.

2022 was another strong year for care home sales for Redwoods Dowling Kerr and just some of our highlights included Cedar Care home located in West Yorkshire, Rose cottage located in Kettering and Carseld Residential home in Brigg. In addition, we brokered the



100+

HEALTHCARE OPPORTUNITIES For Sale On Average

deals was the sale of Safe Hands Support Services located in Manchester which was acquired by Optimo Care Group. Other notable deals included the sale of Drayton Homecare Services, Cavell Healthcare, Chestnut Homecare and Compassion Care Limited which completed in recent weeks.

We have many more examples of sales in the healthcare and homecare sectors which our team can discuss should anyone be interested in further details.

Overall from a Redwoods Dowling Kerr perspective was a strong year for M&A activity and we have a healthy pipeline of deals as we enter the New Year. As we look forward to 2023, we predict the following will take place in the M&A market:

- Demand for high quality care homes with above average weekly fees will increase.
- New entrants will emerge to acquire supported living businesses.

- Transaction levels will remain high in the homecare sector with further consolidation in the market as operators seek to build scale with regional acquisitions.

We look forward to 2023 and anticipate that the sector will continue to show its resilience by overcoming the economic challenges which are affecting all UK business owners. We fully understand the value of time for our clients and the significant efforts they have made to create and develop successful healthcare business. We enjoy working with our clients to facilitate the sale of their businesses which helps them realise the benefits of their hard work and endeavour. If you are considering the sale of your healthcare business or expanding your operations during 2023 and would like to learn more about either our confidential sale process or how we can complement your buy and build strategy then we would be delighted to hear from you.

double sale of Delaheys Nursing home, Lytham, and Lindisfarne Care home in Haworth to Newmore Capital. These are a snapshot of the many deals we completed during the year.

The homecare sector was buoyant in 2022 with a record number of completions brokered by Redwoods Dowling Kerr across the UK. One of the standout

The Legal Side of Selling your Healthcare Business



by **ANDREW K. STEEN**
Sales & Marketing Director

Selling your business can be a daunting prospect and if not handled correctly can seem overwhelming. Marketing Director Andrew Steen was able to chat with experienced Healthcare solicitors Matthew Scott and Jo Dawson about some of the biggest questions business owners have when it comes to the legal side of selling their businesses as they enter the deal process.

Andrew: What actions can a business owner take ahead of receiving an offer for their business?

Matthew: Preparation really is the key. A review of the business structure helps owners decide whether their sale will be asset or share based. A review of the business procedures, processes and key documentation reassures buyers that a

business is well run and everything is in order.

Jo: Selling a business is one of the biggest decision that an owner will ever make and a lot of thought goes into it. Ahead of time, owners can review whether agreements and planning consents are up-to-date and compliant and whether there are any informal arrangements buyers might want to formalise.

Andrew: Once an offer is accepted, what happens next?

Matthew: At this point, the key elements of the sale are discussed. An overview is provided of the different steps to be taken, costs are confirmed and any third parties who might need to be involved are identified. A Memorandum of sale will be produced which advises all parties of the deal structure and price.

Andrew: What do I need to do within the first few weeks of accepting an offer?

Jo: Sellers will have to prepare answers to a questionnaire sent by the buyer's solicitor. Ideally, this should be completed as soon as possible as any delay will potentially lengthen the completion timescale.

Andrew: Is there anything else sellers need to provide?

Matthew: They will need to provide updated documentation as evidence, where needed. CPSE Property enquiries also need to be addressed and we assist business owners with them.

Andrew: How will my legal advisor protect my interests?

Jo: A legal advisor acts in a seller's best interest and clarifies what is asked of them and what benefits they receive, so they can decide how or whether to proceed. The advisor is there to help clear up any questions that might arise and make the sales process as clear and simple as possible.



JOANNA DAWSON

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MATTHEW SCOTT

Corporate Solicitor at Coupe-Bradbury
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Andrew: **Matthew?**

Matthew: A confidentiality agreement is signed to protect any information and restrict buyers to not act outside of the transaction. Advisors also tailor transaction documentation so that sellers don't give buyers too many or unnecessary indemnities and warranties.

Andrew: **What are indemnities and are they needed?**

Jo: Indemnities are given statements which offer a pound for pound reimbursement when breached, normally in matters where there is a real risk of financial loss for the buyer, for example in case of employee tribunal claims or resident complaints.

Matthew: They are contained in the

agreement and inserted by the buyer's solicitor as additional protection for the buyer to cover known potential issues.

Andrew: **When should I tell my staff?**

Matthew: I'd say the best time to inform staff is immediately before the completion of a share sale or immediately before a formal TUPE notification for an asset transfer. Ideally, a seller would want to avoid informing staff too soon and causing unrest or questions a seller can't answer yet. It also provides protection should the deal fall through for some unexpected reason.

Andrew: **Jo, what's your take?**

Jo: It's tricky, but it's best a seller is certain the sale is going to happen before telling staff. This avoids people panicking and staff turnover from increasing.

Andrew: **What actions do I need to take with CQC?**

Matthew: It depends. With a share-based sale, the seller will need to resign as the

nominated person and the buyer, or their appointed representative will need to replace them. In case of an asset-based sale, the buyer will need to make a new CQC registration.

Andrew: **What can a seller do to make the legal process as quick as possible?**

Matthew: Prepare thoroughly and as required, return any necessary information as quickly as possible and be patient.

Andrew: **Anything you can add Jo?**

Jo: Remain proactive and concise, and inform advisors of any upcoming holidays, so they know when you are available.

Please feel free to contact our Healthcare team should you require more information on the selling or buying legal process and if you would like us to introduce you to one of our panel of experienced solicitors who have a track record of successfully completing healthcare transactions.

MAF Financing

Healthcare Funding Market



by **MIKE GASCOIGNE**
Director & Head of Healthcare
at MAF Finance

STRENGTH AND RESILIENCE ARE AMONG THE KEY REASONS WHY THE HEALTHCARE SECTOR CONTINUES TO ATTRACT INVESTMENT, AS THE MARKETS LOOK TO THE RELATIVE SAFETY OF A HOME THAT IS UNDERPINNED BY A REAL ESTATE ASSET CLASS, STRONG DEMOGRAPHICS AND WHAT IS NOW REGARDED AS AN ESSENTIAL NATIONAL SERVICE.

There is now also a swell of new and available finance available to suit different stages of a business's lifecycle, as the financial market in healthcare has changed beyond all recognition over the last decade.

Traditionally, most of the funding was provided by the high street banks, but the opportunities within the sector have resulted in a proliferation of new entrants, with MAF currently working with over 40 funders, as well as several REIT investors and private equity firms.

These niche funders offer numerous alternatives to the more traditional financing options by providing a range of different investment options, from the more traditional M&A and development funding to various types of management and operational lease arrangements.

As the funding market has expanded, it has become increasingly difficult for care operators to keep track of, or even understand, all the potential sources of finance that are available to help them with their future growth plans - whether that is through acquisitions or the developments of new purpose-built homes.

We see this as a crucial role that finance experts like MAF can play to ensure that operators can concentrate on delivering high quality care whilst developing the growth strategy for their group.

Over the last 12 months, we have had facilities of £156m agreed and drawn and are currently working on proposals totalling more than £165m for a variety of purposes, ranging from brand new acquisitions and refinancing to restructuring existing facilities for development and recapitalisation.

There was an extraordinary volume of deals in 2021, but that record activity has now slowed back to a more 'normal' level. There are several reasons for the slowdown, including the rush to complete before anticipated tax law changes and disruption in the sector due to the Omicron surge.



Mike's view of the sector:

However, despite there being a 34% decline in the number of healthcare M&A transactions in the first quarter of 2022 according to the latest KPMG data, the principal drivers of the deals remain in place. Operators will continue to look for opportunities to scale and add new services, while investment in the sector will continue to develop.

This is a trend we have observed in our work across the UK within the care, dental, pharma and other healthcare sectors. We have also seen that M&A activity within the sector has only been exacerbated by company owners looking to exit and retire early after the health crisis has changed their outlook on life.

With these ingredients, the recipe for M&A suits the tastebuds of both sides of the deal. There is cash available to purchase, a willingness to expand and

"Funders remain hugely positive about the healthcare sector going forward and remain keen to support operators, as continued investment contributes significantly to further improvements in care standards, job creation and the stimulation of local businesses..."

parties actively looking to exit, meaning that M&A activity is unlikely to stop in the short term. The question for those able to invest is whether now is the time to take the leap before opportunities get snapped up by competitors.

Funders remain hugely positive about the healthcare sector going forward and remain keen to support operators, as continued investment contributes significantly to further improvements in care standards, job creation and the stimulation of local businesses, which in turn will benefit the wider economy.

While there is no doubt that there will be further challenges moving forward – not just from economic factors, but the more traditional issues, such as the 'who' and 'how' care should be funded, fee levels and regulation – the future remains positive for both social care and the wider

healthcare sector.

This has created the foundation that is attractive to outside investment and is why the wider funding market is ready to further increase its support of the sector.

The key aim for us is to build close relationships with our clients so that we can provide all the support needed to help with the growth of their business by delivering access to the full spectrum of funding solutions across the entire marketplace.

maf.
finance group

A Selection Of Sold Healthcare Businesses in 2022



COMPASSION CARE

Impressive highly respected domiciliary care agency, with an excellent reputation built over ten years. The business offers a range of both long term and short term personal and domestic care for the elderly.

The Negotiator commented:

"It is great to have helped our vendors to achieve a sale of their business and I wish them all the best for the future. I wish the purchaser all the best in developing the business and taking it forward."



ACS CARE AT HOME

The home is situated in the Scottish town of Lochore, Lochgelly. It offers a wide range of quality care to service users and has forged strong relationships with local authorities, the NHS and local residents offering up to 1100 hours of weekly care.

The Negotiator commented:

"It is great to have helped our vendor to achieve a timely sale of his business. I am glad that this will now allow him to focus on his other business as he wishes to. I wish the purchaser all the best in developing the business and expanding his service."



MAYFIELD LODGE

Beautifully presented and perfectly placed this children's residential care home, is located in a coastal town on a private plot of land, within a short walking distance of a nice park and local beaches.

Our Client commented:

"I had read a lot about Redwoods before I decided to use them. In the past I had used other agents through business dealings, but I found Redwoods to be effective right from the start. It took them less than 2 weeks of the property being marketed to secure a buyer for my care home. I found they delivered a very good service for a reasonable price."



MARLAND COURT

Part of a group of two residential care homes for the elderly registered for 54 residents in total. Both residential care homes are well known and highly respected and are within easy reach of local shops and amenities.

Our Client commented:

"The experience with Asif Musa from Redwoods was efficient, informative, and really helpful. I felt I was guided through the whole procedure of the sale very well. I would not hesitate to recommend the company to anyone thinking of selling their business."

+50

TOTAL
Sales in 2022



ELIZABETH HOUSE

Part of a group of two residential care homes for the elderly registered for 54 residents in total. Both residential care homes are well known and highly respected and are within easy reach of local shops and amenities.

Our Client commented:

"The experience with Asif Musa from redwoods was efficient, informative, and really helpful. I felt I was guided through the whole procedure of the sale very well. I would not hesitate to recommend the company to anyone thinking of selling their business."



ROSE COTTAGE

Rose Cottage is a charming residential care home located just a short drive away from Kettering city centre. The business boasts strong trading records with historically high occupancy levels and continual referrals and recommendations

Our Client commented:

"We decided to sell our care home last September Redwood were very good especially Asif."

The Negotiator commented:

"It has been an excellent result for all parties to the sale and wish my client all the best with his retirement."



CHESTNUT HOMECARE

A well established domiciliary care agency in Lincolnshire, offering a range of both long and short-term personal and domestic care, including dementia, learning and physical disabilities, end of life care and much more.

The Negotiator commented:

"It is great to have helped our vendors to achieve a sale of their business and I wish them all the best for the future. I wish the purchaser all the best in developing the business and taking it forward."



CAVELL HEALTHCARE

Located in Norwich, offers care for conditions such as dementia and brain injuries alongside elderly care. It was sold to an existing operator in a deal facilitated by Redwoods Dowling Kerr.

The Negotiator commented:

"It was a pleasure to work on behalf of the seller and successfully obtain a price which was above that of the target. In the current economic climate, this is a huge success. I wish both the seller and the buyer all the best for the future."

Offsetting the Footprint

HOW RDK WORKS HARD TO HELP

We joined the Ecologi initiative 10 months ago and can already be proud of how much we have accomplished together.

In their biomass and soil, forests are powerful carbon storehouses. Protecting those forests is vital. It prevents emissions from deforestation, shields already emitted carbon and enables ongoing carbon sequestration.

Tropical rainforests have long been referred to as “the lungs of the world”. Around a third of the world’s primary

tropical rainforest (490 million hectares) is situated in Brazil, and around 80% of this tropical rainforest is in the Brazilian part of the Amazon basin. Those rainforests are one of the most biodiverse habitats on the planet and are home to 10% of all known terrestrial species. Sadly, 20% of the Brazilian Amazon rainforest was lost between 1975 and 2018, largely to clear land for agriculture, oil and gas production, mining, logging, and infrastructure.

With the help of Ecologi, Redwoods Dowling Kerr has planted almost 4690 trees to date. We plan to support the

initiative indefinitely so that we can slowly rebuild the natural treasures we have lost over the last decades. Reforestation is our first and most important priority.

We also support projects that aim to protect what is left of the Brazilian rainforests and wildlife sanctuaries, stop deforestation, and promote the development of sustainable economies. We already took part in eight such initiatives and are looking forward to financing more.

Our influence on the World



12 months
of climate impact



392 tonne
of carbon reduction



5,290
of trees planted

IN A NUTSHELL

411 Great Reviews

FROM WHICH

95% Are 5 Stars



GALE 19.11.2022

Dedicated & friendly team

Dedicated friendly professional team, individual friendly consultants that give a first star service seeing a sale through to the end despite twists and turns on the way.



KAREN 09.10.2022

Thank you

Thank you Asif Musa at Redwood Dowling Kerr, due to him keeping both parties up-to date and keeping things on track so that our care home has been sold in less than 4 months. We would recommend RDK to anyone considering selling the process was made so easy. Now to enjoy retirement.



SALLY CLARK 30.06.2022

Fantastic service

I worked with Daniel on the recent sale of my Care business. From the initial conversation to the completion date Dan was fantastic. There was never a time that I did not feel confident or happy that he would help me achieve a sale. Dan was able to locate several buyers and achieve multiple offers whilst helping me decide which offer to pursue. I have now completed. I highly recommend Redwoods and Daniel is a credit to them.

 **Trustpilot**
RDK Rated
Excellent



PAUL 04.10.2022

I would not hesitate to recommend

As experienced investors we must thank and commend Nathan Miller of Redwoods Dowling Kerr for his professional efforts to identify suitable business opportunities meeting our profile of interest.

Nathan's careful and timely work supporting our many enquiries relating to business purchases have been invaluable in making our work both very efficient and productive. I would not hesitate to recommend RDK in general and Nathan Miller in particular - thank you!



JAI 24.09.2022

Professionals who understand

I am very happy to have purchased a care business from Redwoods Dowling Kerr and would certainly work with them again in acquiring future acquisition. Asif Musa who dealt with this transaction was extremely helpful in keeping the deal on track, whenever a problem occurred with the legals during the sale Asif quickly jumped on it to resolve it. We all know going through healthcare transaction is never easy but it is good to deal with professional who understands the business and wants to get the deal done on both sides. I would certainly work with Asif and RDK again and have confidence in their ability.

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

TO BUY CALL

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TO SELL CALL

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