SPECIALIST CARE
FAST 50

ALANTRA

Foreword

Welcome to the 2020 edition of the Alantra Specialist Care Fast 50, ranking the 50 fastest-growing specialist care businesses in the UK. This report once again charts the remarkable achievements of a sector that is demonstrating huge resilience and is continuing to thrive while caring for some of the most vulnerable members of our society.

JUSTIN CROWTHER
PARTNER, UK HEAD OF HEALTHCARE

HOONG WEY WOON
PARTNER, UK HEAD OF REAL ASSETS

MATT KUMETA
HEALTHCARE ASSOCIATE

This year's report, of course, is published against the backdrop of the Coronavirus pandemic. And if there are any positives to take from this unprecedented crisis, the public's new-found recognition of, and admiration for, the work done by the nation's carers would be one. As a country, we have become very aware of the contribution that carers make to society, often in the most difficult circumstances. We are now even more acutely aware that structural reform is required, with significant pressure on local authorities to release additional funding to help optimise service user outcomes as well as better compensate those caring for the most vulnerable in society.

At Alantra, we have long recognised this contribution. Indeed, the launch of this year's Alantra Specialist Care Fast 50 was partly motivated by a desire to call out the sector's invaluable role.

We recognised that amongst the highly fragmented provider landscape, several market leading operators were not, and are still not, getting the recognition they deserve.

Importantly, this report focuses specifically on the specialist care segment of the market. By that, we mean organisations that offer specialist residential services to children and adults who have needs that go beyond traditional respite or nursing care.

In this year's ranking, we divide such businesses into four categories: learning disabilities, specialist educational needs, mental health, and advanced neuro-behavioural conditions, albeit we recognise that those descriptions cover operators in a variety of disciplines. The businesses in this report may be working with service users who have learning disabilities, complex needs, physical and sensory disabilities or issues with memory and cognition. We also include operators catering for people with acquired brain injuries and providing services to those struggling with substance misuse.

The Alantra Specialist Care Fast 50 ranks businesses according to their compound annual revenue growth over the past two years[1]. Revenue is used as a proxy for the rate at which these businesses are growing and the number of patients to whom they are providing vital services. This growth is a reflection of their success, which comes from the high standards of care services they offer. Indeed, this remains a sector built on reputation, regulatory ratings and word-of-mouth referrals; commercial success is dependent on quality of care.

That must never change. Covid-19 is an important reminder that society deserves to be judged on how it cares for its most vulnerable and at-risk citizens. The businesses in the Alantra Specialist Care Fast 50 report are inspiring examples of what it means to rise to that challenge.

1 Data as at 31 March 2020

Specialist care providers triumph amid adversity

Despite tough operating conditions, the challenges of Covid-19 and a demanding political and regulatory environment, leading specialist care operators continue to grow rapidly.

IMPRESSIVE REVENUE GROWTH

The UK's leading specialist care businesses are accelerating their growth. The average business in the Alantra Specialist Care Fast 50 has posted a two-year compound annual growth rate (CAGR) of 23.1%, significantly ahead of the 18.2% average seen in last year's report.

Moreover, at the top of the rankings, the fastest-growing businesses in 2020 have delivered remarkable growth. This year's report considers businesses in four categories: learning disabilities, specialist educational needs, mental health, and advanced neurobehavioural services. In each of the categories analysed, the fastest-growing business posted growth of at least 36%. In first place, learning disabilities specialist Heathcotes Group has posted an impressive revenue CAGR of 93.6%.

These figures, which largely reflect trading periods that came to an end before the Covid-19 pandemic impacted the UK, in part reflect the dynamics of demand and supply in the specialist care sector. The number of people in need of specialist care services – and of higher acuity services in particular – continues to grow more rapidly than the supply of services. The challenges associated with running specialist care businesses that are both commercially successful and meeting the needs of some of the most vulnerable members of society have always been considerable. Providers of high-quality services are therefore in a strong position to meet this demand and to grow organically or by acquisition. Put simply, says Brendan Kelly, the managing director of Heathcotes Group, "If you're getting it right and doing a good job, you will get more referrals."

WHILE COVID-19 IMPACTS GROWTH, EARNINGS REMAIN ROBUST

Indeed, for many specialist care providers, Covid-19 has posed significant difficulties, both operational and strategic. In the case of the former, the slow initial response from central government – not only to guidance on visitations and home lockdowns but also on large scale issues including personal protective equipment, mass testing and discharge of hospital patients potentially carrying the virus into home settings – left many operators to go it alone, often setting up their own Cobra-style emergency planning committees.

> **"It has been unbelievably stressful," says Roy Bernard, CEO of Select Healthcare, which works with adults with complex needs and learning and physical disabilities. "Staff on the frontline have done an amazing job but understandably felt very vulnerable, particularly since some care homes have been forced to accept people with the virus."**

The crisis did prompt a huge increase in collaboration between the NHS and social care but more importantly between providers of all shapes and sizes coming together to share best practice. And there have been some operational gains – many providers report falls in agency staffing costs, for example, with dedicated staff determined to keep working and even moving into facilities to provide uninterrupted care.

Nevertheless, the pandemic has undoubtedly inhibited growth, if only temporarily. At fast-growing Pebbles Care, CEO Michael Walsh says: "Covid-19 has slowed us down in terms of adding to our facilities: it's made it more difficult to get builders in to finish new builds and the regulators have not been coming out to inspect and approve new facilities." Other providers report a slowing of the speed with which commissioners and local authorities have been placing service users, often because they have been unable to hold face-to-face meetings.

More positively, Walsh points out that the pandemic has raised the profile of caring professions – and therefore raised the pressure on government to fund services properly. "There is a need to raise the profile of this type of care so that it's better known and more widely understood by the public," he says. "That would lead to better levels of pay and service."

Precious Homes founder and chairman Mitesh Dhanak makes a similar point. He helped launch the Sparkle for Social Care initiative earlier this year, which saw people add glitter to their outfits, switch on fairy lights and put tinsel in their windows. "We want to make sure these workers are getting the same recognition as their counterparts in the NHS," he says.

WAITING FOR CARE REFORM

Policymakers have long promised social care reform and many in the specialist care sector argue investment and change is crucial. Certainly, there is widespread anxiety that the economic fallout from the crisis will pose real challenges – the lack of guidance from government, payors and regulators simply amplifies those feelings.

"What is integrated social and health care now going to look like and will the Government deliver what it has promised?" asks Johann van Zyl, the Group CEO of Cornerstone Healthcare. "Is there going to be money to pay our fees given what the Government has spent on Covid?"

Margins in the sector are already under pressure, many providers say. While demand for their services may outstrip supply, local authorities and commissioning groups lack the resources to pay higher rates, particularly for placements already agreed. "It's harder to increase or adjust an older fee level than to agree a new one, very often," says John Farragher, executive chairman of Potens, which works with children and adults with a range of learning disabilities, autism, mental

THE PEOPLE PROBLEM

Other challenges for the sector include recruitment and retention, though here at least some providers have seen some relief during Covid-19. "Our vacancy numbers have decreased during the pandemic as people have realised that caring is a profession offering job security and that sense of togetherness," says Dolphin Homes' Nick Heather. Other providers report a similar phenomenon.

> The single most important driver of success in any home is the quality of the home manager.
>
> **ANDREW WORSLEY**
> CEO, HARBOUR HEALTHCARE

health and complex needs. "This is why we are now focusing on services with higher acuities and on supported living."

"Rates are squeezed," agrees Precious Homes' Mitesh Dhanak. "The national minimum wage has consistently run ahead of the fee increases that local authorities offer; so we have to work with our service users, to get them to a stage where they're ready to move on, and then to bring in new users where there is an opportunity to refresh the rate."

Roy Bernard of Select Healthcare argues these issues add to the case for consolidation in the sector (see pages 10 to 11), with larger and better diversified groups able to cope better with the shifting policies and attitudes of individual local authorities and commissioning groups. "Our geographical spread has certainly helped us in that regard," he says. Bernard has chosen to focus Select Healthcare's growth on complex needs, where he believes demand is rising most quickly, but he is cautious of being caught out by too narrow a specialty.

The optimistic view of the future is that legacies from the Covid-19 crisis will include increased funding, clearer guidance from regulators and government, and the development of closer partnership models between health and social care providers. This isn't to suggest providers will be able to lessen their efforts to identify more efficient and effective operating models. In particular, technology and innovation (see page 12) will play a key role in underpinning the sector's development and profitability.

These will be even more important given the shift in the sector with it's evolution placing increasingly more significant operational pressures on those providing specialist care. The trend towards community-based care and policymakers' preference for supported living, wherever possible, over residential facilities, is one good example. Many providers welcome these changes but warn they are demanding to deliver.

Similarly, specialist care providers remain wary of the potential disruptive threat of shifts in regulation – the Care Quality Commission's move three years ago to encourage providers not to provide services through facilities with more than six beds is still widely quoted as an example.

Like many in the profession, Nick Heather, managing director of Dolphin Homes, is critical of such a prescriptive approach. "This insistence on small units with a maximum of six residents is based on a very narrow view and it is a barrier to innovation and growth," he says. "The focus should be on the nature and the quality of the services you provide."

Nevertheless, finding new ways to attract talent, and to retain the best people, remains crucial for a sector in which pay levels remain low. The uncertainties of Brexit – which may hinder overseas recruitment – continue, and the talent issue is pressing at every level of specialist care organisations.

"The single most important driver of success in any home is the quality of the home manager," says Andrew Worsley, CEO at Harbour Healthcare, which specialises in working with landlords and other stakeholders to turn around failing facilities.

The same principles apply at the top of the business, he argues, where strong and well-resourced leadership teams can play a crucial role in growth. "We might be seen as having top-heavy back office support, but we do that very deliberately – to support homes, to be ready for the unexpected and because it means we can take on new projects and scale very quickly."

There are, in other words, a multitude of challenges facing the specialist care sector – and the long-term impacts of the Covid-19 crisis remain uncertain. In this context, the performance of the businesses in the Alantra Specialist Care Fast 50 report is even more impressive. These are providers that continue to defy adversity with a focus on quality that drives their commercial success.

Heathcotes takes the top spot

This year's fastest-growing specialist care business is Heathcotes Group. The 93.6% compound annual revenue growth it has posted was more than enough for it to take top spot in this year's Alantra Specialist Care Fast 50 ranking.

HEATHCOTES IN NUMBERS

TWO-YEAR CAGR

93.6%

SPECIALIST CARE FAST 50 RANKING

1

CATEGORY

Learning disabilities

Chesterfield-based Heathcotes was founded in 2004 and provides residential care for adults with learning disabilities, mental health needs and associated complex needs. Its facilities include more traditional residential services, but the company has also expanded rapidly in specialist supported living.

Growth has been sustained over an extended period, Heathcotes managing director Brendan Kelly points out; when he joined the business 11 years ago, it managed five facilities – today the figure is 72.

"The key is agility," Kelly says. "It's about identifying where the need is emerging and then moving quickly to meet that need." One of the upsides of providing services to the public sector, he points out, is that bodies such as local authorities are obliged to put a great deal of information about their planning and resources in the public domain. Kelly also employs someone with a specific role to work closely with local authorities up and down the country to understand their requirements and pinpoint opportunities to meet new needs at the earliest possible stage.

That said, simply getting new services up and running is only the first part of the challenge. "Providing the services is the harder part of our job," Kelly says. "It's really challenging, and you absolutely have to get it right because you're working with some of the most vulnerable people in our society in a highly regulated setting."

Businesses such as Heathcotes still depend heavily on word-of-mouth, Kelly says, with recommendations from one commissioning group to another being crucial in order for the business to keep receiving new referrals. Recruiting and retaining high-quality staff – and constantly monitoring the quality of the services being provided – is therefore vital, he says.

Looking ahead, Kelly is confident that Heathcotes can continue to grow quickly, though he is concerned about the continuing pressures on funding for social care and how these make it difficult for providers to meet a growing need.

"We've built a scalable business model by having a scalable management structure," Kelly says. It helps, he adds, that his senior management team have all worked on the ground in care facilities, so understand the day-to-day demands of the job.

> **"The key is agility. It's about identifying where the need is emerging and then moving quickly to meet that need."**
>
> **BRENDAN KELLY**
> MANAGING DIRECTOR, HEATHCOTES GROUP

Expansion will largely come from organic growth, Kelly believes, with further supported living provision now a key priority for the business. But M&A may also provide opportunities to accelerate growth, particularly in the wake of the Covid-19 pandemic.

"I wouldn't write off acquisitions," Kelly says, pointing out that the £500,000 he has just spent on building up stocks of personal protective equipment would be out-of-reach for many businesses. "It has been a hugely difficult time for smaller operators in our sector, so there may well be opportunities for consolidation, though it's important to be very careful about what you buy."

**In November 2020, Heathcotes announced Civitas Investment Management had acquired its healthcare real estate assets while Envivo Group had bought the operational care business, after the reference period for this year's award listing.*

Aurora Care & Education

The new entrant achieved a growth rate of 57.4% to storm into second place.

Our long-term vision is sustainable growth with no compromise on quality and we don't see any cap on our potential.

MARK COSTELLO
CEO, THE AURORA GROUP

Mark Costello took on the CEO's role at The Aurora Group in August, having served as performance director for the previous eight months. The company provides a range of education, care and support for children, young people and adults with special needs and disabilities. "What we do is very specialist and we do not compromise on quality to meet demand," Costello says. In residential education, local authorities are finding it particularly difficult to find sufficient provision, he says, but demand is increasing across Aurora's other service areas too.

The business is therefore well-placed to continue growing at pace. Founded five years ago, it has already scaled up quickly through a combination of organic growth and acquisitions. Compound annual revenue growth of 57.4% over the past two-years makes it the second-best performing company in the Alantra Specialist Care Fast 50, and the leading business in its category.

"Our long-term vision is sustainable growth with no compromise on quality and we don't see any cap on our potential," Costello says. The business now aims to add around two services a year and "there are many opportunities for acquisitions in both residential and education."

The specialist investor Octopus Real Estate is a supportive owner of the company and is prepared to take a long-term view, Costello says. While straitened local authority budgets represent a challenge with Covid-19, he believes they recognise the advantages of working with providers such as Aurora. "Local authorities do continue to build their own services, but that takes time and they recognise there is a place for the private sector to support local provision," he says.

AURORA CARE & EDUCATION IN NUMBERS

TWO-YEAR CAGR

57.4%

SPECIALIST CARE FAST 50 RANKING

2

CATEGORY

Specialist educational needs

Bradbury House Group

The provider for adults with diverse and complex needs has clinched third place.

Launched in 1992, the Bristol-based Bradbury House Group provides both residential and day-service provision for adults with learning disabilities, autism, mental health needs and associated challenging behaviour. It caters particularly to people who have experienced living in secure, institutional settings or are at risk of being detained.

In the UK, the main Bradbury House business operates across the south-west of England, with seven residential homes and an additional day-care centre offering a range of facilities. The business is built on a unique model that focuses on how a fully working farm can be used therapeutically to offer education, skills and work opportunities for service users.

The company has grown rapidly in recent years, with compound annual growth of 50.5%. That makes it the third fastest-growing business in the Alantra Specialist Care Fast 50 – ahead of any other business in its category in the report.

Bradbury House has won a number of awards – most recently it was included in the London Stock Exchange's 1,000 Companies to Inspire Britain report, which tracks some of the UK's fastest-growing businesses. Its inclusion in Alantra's Specialist Care Fast 50 underlines the rate of progress that the business continues to show.

BRADBURY HOUSE GROUP IN NUMBERS

GROWTH RATE

50.5%

SPECIALIST CARE FAST 50 RANKING

3

CATEGORY

Mental health

Cornerstone Healthcare Group

New entrant Cornerstone is the top-performing provider of advanced neurobehavioural services.

Cornerstone Healthcare describes itself as providing "unique, specialist care for vulnerable people who present with challenging behaviours associated with complex neurodegenerative and mental health needs".

It's an important but chronically under-served area of the specialist care market, explains Group CEO Johann van Zyl. Two years ago, his assessment of the need was that around 15,000 people in England needed this type of support, with the number growing at about 3% a year; however, only 5,000 places (beds) are available. "We continue to see big demand," Van Zyl says. "We've demonstrated that we can take care of our residents and we're getting referrals from all around the country."

This is the dynamic now driving Cornerstone's rapid growth. With a supportive equity investor in Ignite Growth, the business has an ambitious programme of openings to move beyond the two homes it currently operates. It is on target to open a new home in Surrey in January 2021, followed by further openings slated for 2022 and 2023 in Somerset and Bristol respectively.

Another factor in Cornerstone's strong performance has been increased investment in specialist staff, which has enabled it to take on higher-acuity residents, for whom rates are higher. "We've become an employer of choice in the sector," Van Zyl says. "We've also worked hard to educate commissioners on what we can handle."

While Cornerstone's expansion plans are primarily organic, the business continues to look for M&A opportunities. But Van Zyl warns: "The lack of going concerns to buy is an issue and the high-quality operators either don't want to sell or can command very high prices; it makes more sense for us to build our own new homes."

> We've become an employer of choice in the sector.
>
> **JOHANN VAN ZYL**
> GROUP CEO,
> CORNERSTONE HEALTHCARE

CORNERSTONE HEALTHCARE GROUP IN NUMBERS

TWO-YEAR CAGR

36.1%

SPECIALIST CARE FAST 50 RANKING

6

CATEGORY

Advanced neurobehavioural services

Significant pent up demand fueling M&A

After a strong year for M&A in 2019, Covid-19 inevitably slowed activity this year. However, confidence is rising and significant dry powder is ready to be deployed into this resilient sector.

> The market is attractive. The pandemic has shown that specialist care is an essential service and that plurality of supply is crucial.
>
> **MARK HALL**
> SENIOR PARTNER, GRAPHITE CAPITAL

With banks reluctant to lend at the height of the crisis, larger deals have proved difficult to progress. Trade buyers with robust balance sheets have understandably been preoccupied with the operational challenges posed by the pandemic. And financial institutions, although awash with liquidity, have seen their ability to secure the best assets hampered by challenging diligence processes and lack of access to management teams, who are fully focused on countering the threat rather than exploring strategic opportunities.

However, this year's lull is likely to be a pause rather than a stop. Jamie Stuart, deputy head of health and social care at the banking group CYBG, supports this view. "There is an enormous amount of uninvested dry capital looking for assets to buy and the attractions of specialist care have increased through the pandemic. Bank debt will be harder to come by as credit risk margins increase and balance sheets have ballooned with government-backed loans, but banks have generally remained keen to deploy development and investment finance into businesses with strong fundamental characteristics," he says. The specialist care market remains highly fragmented and there is still significant room for consolidation across a variety of sub-sectors. Moreover, the pandemic has underlined the attractions of the sector, including its reliable income stream underpinned by public sector funding and its fundamental market drivers.

"The market is attractive," argues Mark Hall, senior partner of Graphite Capital, owner of two businesses in the Alantra Specialist Care Fast 50, in Horizon Care & Education and Compass Community. "The pandemic has shown that specialist care is an essential service and that plurality of supply is crucial."

Demand for specialist care businesses and assets is broad based. The most ambitious companies in the sector continue to look for opportunities to accelerate their organic growth rates. We continue to see new platforms emerge that seek to consolidate and build scale in particular niches. Pebbles Care, Sandcastle Care and Compass Community are examples in the children's services market. Cornerstone Healthcare is doing something similar in the neurological space. Then there are a growing number and variety of institutional investors targeting the sector.

Expect this demand to lead to a rebound in deal numbers, with sector specialists talking up the pipeline of transactions. Clare Connell, the CEO of Connell Consulting, which provides due diligence services to buyers of specialist care businesses, says that while she initially expected work to slow amid the Covid-19 pandemic, this didn't turn out to be the case. "We've remained busy with both due diligence work and strategic consultancy for operators," she says. "The only difference has been a practical one – it's been difficult to visit sites."

Connell believes interest in the sector has actually been piqued by the crisis because specialist care providers have offered greater resilience than the residential care for the elderly sector, which found itself at the centre of the storm. "There is a high level of interest in specialist care as most operators have seen demand unaffected by Covid-19. We've remained busy with both due diligence work and strategic consultancy for operators," she says. "For PE houses, specialist care offers some fantastic diversification benefits," she points out.

Torsten Mack, investment director of Downing, a leading and long-time investor in the sector, shares that view. "Healthcare investment has historically been a specialist play, but a broader range of more generalist investors have noted its resilience during this crisis," he says. "That will boost deal activity and I expect the pace of consolidation to accelerate in the coming months and years."

The sector is ideally suited to the buy and build strategy so often favoured by investors, Mack points out, with a high degree of fragmentation providing operators with plenty of opportunities to add new assets to the business once they have a reliable platform on which to build.

That said, Mack also highlights the risk inherent in the current fragmented marketplace. “There are significant variations in the quality and experience of the management teams running these businesses,” he warns. “I do see there being a flight to quality among commissioners and local authorities as more supply comes on to the market.”

Sam Gray, managing partner of Apposite Capital, which owns Swanton Care & Community, also warns investors coming into the sector to be cautious. “The consolidation trend we see is driven by the increased expectations commissioners have of operators, in terms of regulation, reporting and professionalism,” he says. But this requires time and investment to put in place. After Apposite invested in Swanton in 2017, it spent a full year investing in central services, technology and the management team, Gray points out.

Businesses in the sector operate in a highly regulated space and will fall short unless they are expertly run by experienced management teams, a point Brendan Kelly, Heathcotes Group’s managing director, is keen to emphasise. “We are responsible for providing a better quality of life and enhanced opportunities to often very vulnerable individuals and any investor in the sector must appreciate that providing these services rightly comes with strict regulations and requires significant sums to be invested in high-quality services and compliance,” he cautions.

Nevertheless, across much of the specialist care sector, demand continues to outstrip supply. The move away from institutional care to supported living, for example, requires significant investment in new facilities that will take time to feed through. And in certain sub-sectors – children’s services and complex mental health are much-cited examples – commissioners and local authorities are really struggling to find the services they need.

These dynamics will continue to attract new investors into the sector, suggests James Titmuss, a director of Livingbridge, a private equity firm that has stakes in Bright Futures, which works with young people and adults with autism and learning difficulties, and children’s services and education provider Witherslack Group. The past five years has already seen the profile of investors change, he says, with players ranging from mid-market private equity firms to infrastructure funds.

“The quality of earnings the sector offers is attractive, but people shouldn’t underestimate the operational difficulties of running these businesses,” he says. “One question we focus on a great deal is the right level of margin to be seeking: it is possible to cut corners, but you’ll get caught out; when we look at these businesses, margins that are too high represent a red flag.”

Nor is buy and build the only way to go, Titmuss argues. Witherslack, in particular, has preferred a model of investment in organic growth. “Arguably, this is harder, because you’re developing services that start out empty with no revenues, but if you’re confident that demand is there and that your reputation as an operator will ensure you get referrals, it can work well.”

Graphite Capital’s Mark Hall agrees. “Our preference would be for organic growth because then we’re in control of how we bring in new capacity,” he says. In particular, he points to the potential for innovation in the sector – in terms of technology (see page 12) but also in the delivery of care, through new therapeutic models and greater support for facilities from the business centre.

Hall believes buy and build has its place, and that consolidation will continue given “the long tail of small providers”, but that trade buyers and investors would be making a mistake by overlooking the potential for strong organic growth.

The debt market and alternative lenders are also increasingly active, attracted by the under-supply of high-quality homes and facilities. They are deploying further lending into the market, especially development debt.

One question for the sector is the extent to which UK specialist care will attract further international interest, whether from trade buyers, investment capital, or global real estate and infrastructure investors. There are certainly precedents for deals: France-based Antin Infrastructure kick-started a swath of international infrastructure investment in 2017, swiftly followed by the likes of Switzerland’s Montreux, Australia’s AMP Capital, Europe’s ICON Infrastructure, Canada’s Ardenton Capital and global investor Ancala Partners, which have all secured market-leading assets across a range of subniches.

THE MAJORITY OF BUSINESSES IN THE ALANTRA SPECIALIST CARE FAST 50 ARE PRIVATELY OWNED

- Founder/entreprenuer/family-owned
- Institutional investment

With the range of investors continually evolving, there is significant competitive tension for high-quality platforms. This provides owners with the flexibility and optionality either to raise capital and continue to develop or to realise value through a full or partial exit. Larger US, European and Asian sector specialist, real estate and infrastructure investors are seeing an opportunity to consolidate a fragmented market, make improvements to existing infrastructure and to deploy significant capital into future-proofing facilities.

Franck Noat, Head of European Care Services at Alantra in France, echoes this view. “Having been involved in several complex cross-border care service transactions over the last 12 months, it remains clear that institutional funders and market-leading European players are increasingly likely to scrutinise the UK market for the right opportunities,” he observes.

However, Christopher Jobst, Director of Healthcare at Alantra in Germany, says a combination of Covid-19 and Brexit are giving international investors pause for thought when it comes to the UK market. “There are reasons to be optimistic, with European providers increasingly focused on international expansion and interested in the UK,” he says. “But it may well be that deals that would have got done this year will now be postponed until 2021.”

In which case, international investors will provide even more competition in a crowded field of bidders for the best specialist care assets. These are in short supply; although some of the more established consolidators in the industry are now beginning to pursue exit strategies that could see assets come up for sale, these are unlikely to be sufficient to sate every buyer’s appetite.

Covid-19 proves the case for investment in technology

Building scale while maintaining the attention to detail required to deliver high-quality care that is absolutely centred on the needs of individual service users is a difficult balance.

> There is a definite benefit to digitalisation in this sector – having cloud-based IT across our estate has really helped us to be nimble. It has been essential to be real-time during Covid.
>
> **SAM GRAY**
> MANAGING PARTNER, APPOSITE CAPITAL

Lack of management oversight is a common characteristic of scandals in the industry – and among operators challenged to improve by regulators and inspectors – yet individual facilities need freedom to work with the service users they know better than anyone.

The answer for top-performing operators in the sector increasingly lies in investment in innovation, technology and future-proofed facilities. Digital infrastructure provides a means with which to support staff in delivering more effective and higher-quality personalised care, as well as driving operational efficiencies. And the Covid-19 crisis has brought home the value of technology that can underpin everything from remote diagnostics and connecting service users to the outside world to virtual training and recruitment.

"There is a definite benefit to digitalisation in this sector – having cloud-based IT across our estate has really helped us to be nimble," says Sam Gray, managing partner of Apposite Capital, which owns Swanton Care & Community. "It has been essential to be real-time during Covid."

Paul de Savary, managing director of Home From Home Care, argues that advanced data analytics tools have the potential to be transformative for the sector. "Everything we do is driven by data," de Savary says of the model developed at Home From Home Care, an Alantra Specialist Care Fast 50 constituent that works with adults with learning disabilities and autism.

Its technology platform provides constant feedback on the experience, behaviours and responses of service users, enabling carers to constantly fine-tune their provision. "It's an incredibly effective model for management to understand what is going on," de Savary says. "But importantly, we're also freeing up our staff to be carers, rather than them having to do the other stuff, and we can look in-depth at every single individual."

Other providers are equally enthusiastic about the power of technology to power business growth without any compromise on quality. At Cornerstone Healthcare, one of the fastest-growing businesses in the Alantra Specialist Care Fast 50, Group CEO Johann van Zyl says early investment in innovation proved critical. "We invested in a new CRM [customer relationship management] system, an upgraded people's planner program, in online training and in our compliance software," he says. "In a way, we put that investment in too early, at a stage when the business wasn't big enough to need it, but that future-proofing is absolutely bearing fruit now."

Mitesh Dhanak, founder and chairman of Precious Homes, says something similar of his business's move to cloud computing. "When we invested in electronic care planning software, we opted for a cloud-based solution, which has really paid off for us," he says. Not only does the software enable the company to manage care plans for almost 300 service users from a single location, but the cloud solution meant Precious Homes' central office staff were able to move to remote working seamlessly, with no impact on the support provided to staff in its homes.

At Harbour Healthcare, which specialises in turning round underperforming facilities, CEO Andrew Worsley says that the technologies it has adopted are vital in this process. "We have developed a set of processes and systems that we can overlay on a home when we acquire it," he explains. These span innovations such as electronic care plans, medication management and online training, as well as core back office systems, that make it possible for the business to drive up quality – and, above all, user experience – at speed.

Other operators are increasingly recognising the advantages of this approach, even for businesses and facilities currently performing well. And while the potential of new technology to deliver real improvements in the care sector has been talked up for some time, the Covid-19 pandemic may come to be seen as a watershed moment when such innovation proved its worth and convinced the sector to adopt new tools more rapidly.


MEDICAL HISTORY
89 bpm
HR
108/68 mmHg
NIPB
99 %
SpO2
16 rpm
RR
36.8 °C
BT
HR
PB
SpO2
RR

What's next for specialist care?

Five trends set to impact the industry.

The Alantra Specialist Care Fast 50 demonstrates that this is a sector continuing to grow at pace. Many of the businesses in this year's ranking have accelerated their growth since last year's edition – and, as this report discusses, there are good reasons to be optimistic about the future post Covid-19.

However, one of the major lessons from the pandemic is that not every factor is within the sector's control. Specialist care operators will continue to be buffeted by political, economic and social factors; how they are able to respond will determine their success. Here are five trends now set to impact the sector in the months and years ahead.

01

SOCIAL CARE BUDGET REFORM

The outlook for funding remains clouded. There will certainly be pressure from operators and the public for more generous funding of the care system; the sector's frontline role in coping with the crisis, very often led by vulnerable staff earning low wages, is driving greater public scrutiny of how resources are allocated.

However, many operators are anxious about how the Government will repair the public finances in the wake of unprecedented spending and borrowing to mitigate the economic damage caused by the pandemic. Some fear settlements for local authorities and commissioning groups will inevitably suffer in any return to the policies of austerity.

The supply and demand dynamics of the sector mitigate against reduced funding, with local authorities and commissioners already struggling to place people in certain sub-sectors given shortages of facilities. Still, there may not be enough funding to go round.

02

CONSOLIDATION TO ACCELERATE

While early 2020 saw a pause in M&A activity following an extended period of heightened activity, there is every reason to expect the pace to pick up once again in the months ahead. Due diligence specialists report that both trade buyers and investors continue to look for deals, even if Covid-19 has made moving towards completion more challenging.

Moreover, the pandemic has underlined the defensive qualities of the specialist care sector, which continues to generate strong earnings typically underpinned by local authority funding. This will further broaden interest in the sector with specialist healthcare investors joined by a broader variety of players, from generalist private equity firms to infrastructure funds and international bidders.

The market remains remarkably fragmented, providing plenty of opportunity for consolidators. However, competition for the best assets is likely to be increasingly fierce and this is already translating into frothy valuations.

03

SUPPORTED LIVING OUTSTRIPS RESIDENTIAL

One trend seen during the austerity years was a move by local authorities away from residential care towards supported living settings; the financial advantage of the latter lies in the availability of housing benefit to service users, shifting some of the funding burden back on to central government.

Many local authorities are also keen to stress the benefits of supported living compared to institutional settings for the adults they care for; certainly, service users and their families are keen to explore this option.

The combination of financial pressure – now potentially set to intensify once again – and demand from service users is likely to sustain or even accelerate the transition into greater use of supported living. There is already some evidence that the growth of businesses focused on residential care has been more sluggish than at operators seeking to increase their supported living exposure. This gap is set to widen.

04

OPERATIONAL EFFICIENCIES ACHIEVED THROUGH TECHNOLOGY

Leading operators in the sector are beginning to recognise the potential of data and analytics tools – not only in the context of unlocking operational gains, but also in improving the quality of care they offer.

In the former category, specialist care providers are increasingly making use of dashboards that provide real-time data on every aspect of operational performance. As these providers scale, building out from their central services platforms, this insight is invaluable to effectiveness and efficiency.

The use of data analytics in care delivery is arguably even more exciting. Tools that provide carers with advanced intelligence on how to work with each of their service users are transforming user-centred care. Innovations such as wearables make it possible for care operators to build ever more detailed pictures of their users.

05

STAFFING PRESSURES EASED

While the pandemic has provided some respite, with many operators reporting increasing numbers of applications from people who have lost jobs elsewhere, this may only be a temporary phenomenon. Brexit, moreover, is an issue, limiting the sector's ability to bring in overseas staff.

Leading operators are increasingly focused on staff retention strategies. Remuneration will not be the key battleground given the funding pressures, but many businesses are now looking for new ways to support staff, recognise achievement and in turn ultimately reduce agency spend.

Improved communication is one possible strategy. Operators forced into remote working report positive results for staff engagement from strategies such as video conferencing, online meet-ups and similar initiatives. Retaining these tools even after the pandemic may be one way to build more collaborative relationships between senior leaders and the workforce.

RANK
01

Heathcotes Group

TWO-YEAR CAGR

93.6%

OWNERSHIP

Privately owned*

Experienced provider of residential care for adults with learning disabilities and associated complex needs

*In November 2020, Heathcotes announced Civitas Investment Management had acquired its healthcare real estate assets while Envivo Group had bought the operational care business, after the reference period for this year's award listing.

RANK
02

Aurora Care & Education

TWO-YEAR CAGR

57.4%

OWNERSHIP

Octopus Real Estate

Innovative provider of specialist education and care for children, young people and adults with special needs

RANK
03

Bradbury House

TWO-YEAR CAGR

50.5%

OWNERSHIP

Privately owned

Specialist care provider for individuals with forensic backgrounds, learning difficulties and mental health needs

The fastest-growing specialist care companies

Specialist Care Fast 50 methodology

The Specialist Care Fast 50 assesses and ranks the UK's fastest-growing privately-owned specialist care businesses by compound annual growth rate (CAGR %) over a two-year period. For the avoidance of doubt, this category includes private companies backed by private equity, infrastructure funds and other financial institutions.

Qualification criteria and research approach

To be considered for inclusion, companies are required to achieve annual revenues exceeding £2m in the first year of assessment. In addition, entrants are required to have filed three consecutive years of consolidated financial statements at Companies House, with the most recent statements dated no earlier than 31st January 2018. Filed accounts must also show two successive years of revenue growth. Companies that have shares listed on a stock exchange, or where any of their shares are held by any quoted or overseas company, did not qualify for inclusion.

KEY

00	Rank
%	2-year CAGR
C	Company
O	Ownership
A	Activity
●	Advanced neurobehavioural services
●	Learning disabilities
●	Mental health
●	Specialist educational needs
◉	Sub-sector winners

The Fast 50

KEY

00	Rank
%	2-year CAGR
C	Company
O	Ownership
A	Activity

- Advanced neurobehavioural services
- Learning disabilities
- Mental health
- Specialist educational needs
- Sub-sector winners

00	%	C	O	A
04	49.2%	Glenholme Healthcare	Privately owned	Supporting young adults with learning disabilities, complex needs and problems with addiction
05	39.0%	Eagle House Group	Privately owned	Specialist schools for children with autism
06	36.1%	Cornerstone Healthcare	Ignite Growth	Specialist nursing homes focused on caring for people with complex neurological and mental health needs
07	33.0%	Horizon Care & Education	Graphite Capital	Market-leading provider of specialist care for children and adolescents
08	32.0%	Dolphin Homes	Business Growth Fund (BGF)	Specialist care for adults with learning difficulties, challenging behaviours and complex needs
09	31.8%	Orbis Education & Care	August Equity	Provider of schools, residential homes and facilities for children and adults with a diagnosis of autism
10	30.4%	The Esland Group	August Equity	Behavioural management specialists who deliver bespoke packages of care to young people
11	27.9%	Cuerden Care	Privately owned	Specialist care for complex dementia and mental health needs
12	26.9%	Harbour Healthcare	Privately owned	Specialist residential services including mental health care and young person's disability care
13	26.2%	Compass Community	Graphite Capital	Leading provider of fostering services, children's residential care and schooling
14	24.3%	Krinvest Care	Privately owned	Rehabilitation service for people with complex mental health needs including acquired brain injuries
15	23.3%	Thomas Owen House	Privately owned	Specialist nursing care home providing high quality mental health support and care
16	22.8%	Select Healthcare	Privately owned	Specialist care centres providing support for mental health, learning disabilities or brain injury needs
17	21.9%	Witherslack Group	Charme Capital and Livingbridge	Provider of specialist education and care for young people with social, emotional and complex needs
18	21.6%	Precious Homes	Privately owned	Empowering people with learning disabilities, autism and other complex needs
19	21.6%	Midway Care	Privately owned	Provider of services for people with learning disabilities and associated complex needs
20	21.3%	Accomplish Group	G Square Capital	Specialist support for adults with autism, mental health needs and acquired brain injuries
21	20.8%	Kisimul Schools Group	Antin Infrastructure	Specialist education and residential care for children or young adults with autism
22	20.3%	Hatzfeld Care	Privately owned	Residential care for adults with Asperger's, Schizophrenia or eating disorders
23	20.2%	Exemplar Health Care*	Agilitas	Leading provider of specialist nursing care for adults with complex needs and challenging behaviour
24	19.6%	Eleanor Health Care	Privately owned	Residential care homes, supported living facilities and mental health care
25	19.1%	New Forest Care	Privately owned	Residential childcare service to young people with complex needs

26 19.1%
C Kedleston Schools
O Metric Capital Partners
A Provider of care, education and support services for children with learning disabilities

27 18.9%
C Holmleigh Care Homes
O Ancala Partners
A Provider of residential care, supported living and domiciliary care services

28 18.4%
C Sonnet Care Homes
O August Equity
A High-end residential nursing care for the elderly and complex dementia patients

29 17.8%
C Pebbles Care
O Ardenton Capital
A Provider of residential care and education services for young people

30 17.5%
C Bramley Health
O Privately owned
A Specialist health and social care provider supporting individuals with complex and challenging needs

31 17.5%
C St Matthews Healthcare
O Privately owned
A Bespoke intensive mental health care and therapy in hospital, residential and step-down settings

32 17.2%
C Horizon Healthcare Homes
O Privately owned
A Residential support for adults with learning difficulties and associated complex needs

33 16.7%
C Select Lifestyles
O Privately owned
A Supportive services for adults with learning disabilities and autism spectrum disorders

34 16.2%
C Phoenix Learning & Care
O Ashridge Capital
A Therapeutically supported children's residential care and education facilities for young people with complex needs

35 15.0%
C Healthcare Homes
O Privately owned
A Residential support for people with physical disabilities, specialising in multiple sclerosis care

36 14.9%
C Comfort Care Services
O Privately owned
A Specialist providers of supported housing for vulnerable adults with mental health needs

37 14.6%
C Progressive Care & GDMA Group
O Privately owned
A Provider of care, assessment and support packages for children, young people and adults with complex needs

38 14.4%
C Salutem Healthcare
O Privately owned
A Residential provider of learning disability services, children's educational services and autism services

39 14.0%
C Active Pathways
O Privately owned
A Recovery focused mental health services

40 13.6%
C Gainford Care
O Privately owned
A Residential nursing care for the elderly and complex dementia patients

41 13.5%
C Home From Home Care (HFHC)
O Privately owned
A Residential care for adults with learning disabilities including those with Autism and Epliepsy

42 12.7%
C Potens Group
O Privately owned
A Specialist residential mental health care

43 12.6%
C TLC Care
O Civitas Social Housing Plc
A Providers of expert nursing, complex dementia and respite care

44 11.9%
C Castle Craig Hospital
O Privately owned
A Private residential drug and alcohol rehabilitation clinic

45 11.7%
C Midhurst Child Care
O Privately owned
A Residential children's homes, therapeutic crisis intervention and education services

46 11.6%
C Pathfinders Care
O Privately owned
A Specialist care for people with complex care needs, from slow-stream rehabilitation through to end-of-life

47 11.6%
C NG Healthcare
O Privately owned
A Residential care and support to a variety of people with progressive mental health needs

48 11.4%
C N. Notaro Homes
O Privately owned
A Advanced residential dementia care and support

49 11.0%
C Bryn Melyn Care*
O Privately owned
A Provider of therapeutic residential care, independent education, and integrated clinical services for children

50 11.0%
C Sequence Care
O Horizon Capital
A Residential provider of care for people with learning disabilities, autism and complex needs

*Ares Management acquired Exemplar Health Care in November 2020 and Outcomes First Group acquired Bryn Melyn Care in October 2020, after the reference period for this year's award listing.

Healthcare sector

At Alantra we have significant experience across the care services landscape and focus our activity on specialist care, children's services, elderly care and senior living.

CARE SERVICES

Domidep ACQUISITION OF Römergarten	Korian ACQUISITION OF INICEA	Korian ACQUISITION OF
Le Noble Age Groupe ACQUISITION OF Groupe Clinique Developpement	Amundi / Société Générale ACQUISITION OF Vivalto Santé	Dorea Familie RECAPITALISATION Quadriga Capital
Korian ACQUISITION OF Groupe Omega	Ignite ACQUISITION OF Cornerstone Healthcare	Dorea Familie SALE TO Groupe Maisons de Famille
Colisee ACQUISITION OF STS Grup	Residalya SALE TO Icade	Chequers Capital ACQUISITION OF Emvia Living
Raphael Healthcare SALE TO Elysium	Colisee SALE TO IK Investment Partners	Colisee ACQUISITION OF 24 HOMES GDP Vendome / Dolcéa
Gruppo Garofalo ACQUISITION OF Gruppo Fides	Philogeris Residences OWNER BUY-OUT 123 Investment Managers	Le Noble Age Groupe ACQUISITION OF adir assistance
Le Noble Age Groupe SALE OF PORTFOLIO TO careion	Groupe Maisons de Famille ACQUISITION OF grupoamma	Options MERGER WITH Outcomes First Group
Ameos SALE TO The Carlyle Group	voyagecare ACQUISITION OF Solor Care Group	CuroCare BIMBO Lyceum Capital

ALANTRA

Alantra is a global investment banking, asset management and credit portfolio advisory firm focusing on the mid-market with offices across Europe, the US, Latin America and Asia.

FULL ADVISORY SERVICE

Alantra advises business owners, management teams and financial investors on:

- M&A transactions
- Private equity
- Equity capital markets
- Debt capital markets

GLOBAL REACH

Our team of 300 corporate finance professionals are present in 20 countries:

- Advised on over 1,100 deals worth more than €200bn
- Over 50% of our deals are cross-border
- Quoted partnership with over 100 partners leading deals

SECTOR EXPERTISE

Deep coverage of chosen niches:

- Over 400 businesses sold to strategic trade acquirers
- Cross-border relationships with strategic acquirers and capital providers

CONTACT US

If you would like to discuss the Alantra Specialist Care Fast 50, find out more about our work in the Healthcare sector or how we can help you achieve your objectives, please contact us:

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