SPECIALIST CARE
FAST 50

ALANTRA

Foreword

Welcome to the 2021 Alantra Specialist Care Fast 50 report. As in previous years, our analysis identifies the 50 fastest-growing privately-owned specialist care businesses in the UK.

JUSTIN CROWTHER,
PARTNER – UK HEAD OF HEALTHCARE

HOONG WEY WOON,
PARTNER – UK HEAD OF REAL ASSETS

MATT KUMETA,
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It would be wrong to discuss the financial performance of these businesses without first acknowledging the enormous contribution they have made to society over the past two years. The specialist care sector has been on the frontline of the battle against the Covid-19 pandemic, and we owe it an enormous debt of gratitude for everything it has done.

Moreover, we should recognise that this report is published as specialist care businesses across the country continue to operate successfully under challenging circumstances. Many are working in an extremely difficult environment, both for the people they serve and for employees. The "Clap for Carers" campaign now feels like a distant memory, but we are very conscious of the ongoing effort and commitment that the specialist care sector continues to show.

Against this backdrop, the 2021 Alantra Specialist Care Fast 50 report highlights a sector showing remarkable resilience. These businesses are exceptionally well-managed, and continue to deliver strong commercial performances despite the market conditions. Indeed, the report reveals that revenue growth across the top-performing businesses in the sector has actually accelerated compared to a year ago.

It is worth setting out what we mean by specialist care. For the purposes of this report, we are focused on organisations that offer residential and supported living services to children and adults who have needs that go beyond traditional respite or nursing care.

That spans a wide range of activities, as well as patients and service users with very different levels of acuity. In broad terms, however, the businesses in the Alantra Specialist Care Fast 50 focus on four areas in particular: learning disabilities, special educational needs, mental health, and advanced neuro-behavioural conditions.

The ranking compares the financial performance of businesses in the sector on the basis of their compound annual revenue growth over the most recent two years for which they have published results. Naturally, this means the ranking includes businesses of very different sizes, but their revenue growth offers a good proxy for the extent to which they are serving more people – and therefore demonstrating to commissioners, local authorities and regulators that they are delivering high-quality outcomes for those for whom they care.

This, after all, is the most important test for any specialist care business. Their owners, managers and staff will, ultimately, be judged on the quality of care they provide to some of society's most vulnerable people. At Alantra, we believe specialist care businesses are absolutely committed to that mission – indeed, one of the reasons we launched this ranking three years ago was to highlight the sector's inspirational successes. We once again have reason to congratulate and thank specialist care providers for all they do.

Specialist care battles through the crisis

The dedication of specialist care providers' staff has helped the industry cope with the Covid-19 pandemic.

The UK's privately-owned specialist care businesses have shown incredible resilience during the Covid-19 crisis, continuing to support vulnerable children and adults despite unprecedented challenges. Frontline staff have put themselves at risk – many specialist care companies report losing valued colleagues during the pandemic – while management teams have battled to maintain services in both residential homes and supported living settings.

Quite rightly, the sector has focused first on the human cost of Covid-19 – but there have been financial impacts too. Staffing bills have risen, spending on personal protective equipment (PPE) has been high and, sadly, occupancy rates in some services have fallen as people have passed away.

Nevertheless, leading specialist care businesses continue to deliver impressive financial performances. The average business in the Alantra Specialist Care Fast 50 report has posted a two-year compound annual growth rate (CAGR) of 24.6%, up from 23.1% in the 2020 rankings. Every single business in the report has posted double-digit growth, on average, over its past two financial years. The leading business, National Care Group (see page 6), has delivered a two-year CAGR of 93.1%.

These businesses are consistently strong performers. No fewer than 16 of the companies in the Alantra Specialist Care Fast 50 rankings also appeared in the 2019 and 2020 editions of the report.

How, then, are specialist care businesses continuing to perform so well, despite the challenges the sector faces – including the pressures of Covid-19? "First and foremost, we have to thank our staff, who are remarkable in their commitment and bravery," says Andrew Worsley, CEO of Harbour Healthcare. "It has been difficult: we had to source PPE direct, navigating scams, face down staff shortages, and we did lose residents, but we have been surprised by how quickly occupancy rates have come back."

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>
> **GARRET TURLEY,**
> PARTNER, AUGUST EQUITY

Mark Costello, CEO of Aurora Care & Education, adds: "Covid-19 has certainly brought challenges, but the reality is that our industry cannot simply close down during a pandemic; on the contrary, we've seen very strong demand from local authorities, both for our education services and for care."

One driver of strong performance in the sector has been ongoing consolidation. In a highly fragmented marketplace, M&A represents an opportunity to accelerate growth, particularly with investment capital from a variety of different constituencies now targeting specialist care (see page 10).

Indeed, while small and medium-sized operators still proliferate – the best estimate is that the five largest specialist care operators account for less than 15% of the whole marketplace – businesses are getting larger. The average provider in the Alantra Specialist Care Fast 50 had revenues of £35.9m in its most recent financial year, up from £23.8m in the previous year. The 2021 Specialist Care Fast 50 is the first time any business in the ranking has reported revenues of more than £100m, with both Elysium Healthcare and Achieve Together breaching this threshold. Established in 2016, this is the first time Elysium qualifies for the Fast 50. The Regard Group and Care Management Group, which are both owned by investment manager AMP Capital, merged in 2019 to create Achieve Together.

Size does bring certain advantages, argues Tim Davies, CEO of Envivo Group, which has grown rapidly with a buy and build strategy since its launch in 2019. "This is a highly regulated market, so you need the resources to invest in quality," he argues. "As the business grows, it is possible to acquire more of the specialist expertise that commissioners are looking for, and to invest in technology, in property, and in your workforce."

The key to growing successfully, suggests Garret Turley, a partner at August Equity, an investor that has helped Orbis Education & Care to grow over the past five years, is management on the ground. "The most important people in these businesses are your home and school leaders," he says. "They define the culture in your settings, whether you have three or 300 of them."

However, one question for specialist care businesses is whether there is any such thing as too big; some in the sector worry about management becoming too remote from frontline care. Others point to the risks involved in M&A. "We have made acquisitions, but we have also walked away from transactions because of concerns about the viability of the business," reflects Johann van Zyl, CEO of Cornerstone Healthcare. "Scale doesn't necessarily give you protection."

Certainly, organic growth is an important element of the specialist care sector's development. At Krinvest Care, CEO Krish Satkunam, says: "Being close to the quality of care does help sustain good outcomes, and working with local commissioners does put you in a position to understand where new services are needed most."

This is one reason why the business's growth to date has all been organic, with Satkunam overseeing the development of a series of sites purpose-built for particular types of service provision. For example, having started out with a focus on residential care, Krinvest has more recently expanded its presence in supported living, in line with increased demand across the specialist care sector for such services.

Irrespective of the size debate, argues Envivo's Tim Davies, is the imperative in the sector to embrace digital technologies. "As a relative newcomer to the sector [Davies took over at Envivo in August 2021 following roles in the pharmaceutical industry], I've been surprised by the lack of adoption of new technology," he says.

Specialist care providers, Davies says, have an opportunity to improve efficiency and quality with investment in IT across a wide range of areas. HR and workforce management systems are obvious examples, but electronic care management systems and digital quality monitoring and reporting also have huge potential.

More broadly, new thinking and innovation is going to be vital to ensure the sector is able to respond to the challenges it faces. At the top of the list, agrees almost every specialist care provider in the Alantra Specialist Care Fast 50, is an unprecedented recruitment crisis, with thousands of vacancies in the sector going unfilled.

"It is a perfect storm, and it has deteriorated over the past three months," warns Nick Heather, the managing director of Dolphin Homes. "It does reflect the impact of Brexit, but that has been exacerbated by the large numbers of people who left the country during the pandemic, and the introduction of compulsory vaccinations for people working in social care." Like other businesses, Dolphin Homes is trying a range of new approaches to recruitment and retention (see page 12), but Heather warns: "There are just not enough people to go round".

Funding pressures also continue, with little optimism about the Government's recent announcements of further support for the social care sector. While ministers expect to raise £12bn from National Insurance increases, much of this funding will go to the NHS, particularly in the early years. It is far from clear how and when social care providers – including the specialist care sector – will benefit.

In the meantime, local authorities and care commissioners, facing their own tough budget pressures, continue to take a tough line with providers. "The key is to be absolutely transparent and specific about the break down of your fees," says Suzanne Lawrence, CEO of Orbis Education & Care. "It is incredibly challenging – we now have 15 to 20 categories to show what our fees are comprised of."

Another challenge is the regulatory climate, with many specialist care groups privately critical of Ofsted and, in particular, the Care Quality Commission (CQC). "The CQC was nowhere to be seen during the pandemic," says one chief executive. "And now they've started doing inspections again, there is no recognition of the impacts of the pandemic, or what staff have been through."

It is a reminder that many in the sector are still feeling the strains of the pandemic. Staff remain under pressure to keep people safe and the impacts of Covid-19 on recruitment add to the challenge. Nevertheless, specialist care providers continue to deliver. "We have to get through these difficulties," says Mitesh Dhanak, CEO of Precious Homes. "The backdrop is that this is a secure sector, where revenues are ultimately largely backed by government funding, but there is at least another very tough six to nine months ahead of us."

National Care Group tops the table

The fastest-growing specialist care business is National Care Group. With 93.1% compound annual revenue growth over the past two years, its growth was 15 percentage points ahead of its nearest challenger in the 2021 Alantra Specialist Care Fast 50 ranking.

> We've worked incredibly hard to keep the people we support safe during the Covid-19 crisis and to keep our employees safe. I can't take the credit for that: it has been all about the willingness of our staff to go the extra mile.
>
> **JAMES ALLEN,**
> CEO, NATIONAL CARE GROUP

James Allen, CEO of National Care Group, the leading specialist care provider in the 2021 Alantra Specialist Care Fast 50 report, is proud of his business's financial performance – but something else makes him even prouder. "We've worked incredibly hard to keep the people we support safe during the Covid-19 crisis and to keep our employees safe," Allen says. "I can't take the credit for that: it has been all about the willingness of our staff to go the extra mile."

Their efforts have come at a cost, with Allen paying tribute to two colleagues who lost their lives to Covid-19 during the crisis. "It tested us to the limit, but the systems we put in place proved our relevance and our resilience," Allen says. "We continued to recruit new staff and to train them; we opened new services; we completed acquisitions; we continued to grow."

The numbers tell their own story. National Care Group has grown at an annualised rate of 93.1% over its past two financial years. Today, the business serves around 1,300 adults with a range of needs, from learning disabilities and mental health problems to support following acquired brain injuries. It works in around 300 settings nationwide, offering both residential care and supported living as well as day support and a specialist college.

The company has grown partly through targeted M&A, with recent deals including June's acquisition of Stepping Stones Care Homes in Northamptonshire and last November's takeover of South Yorkshire-based Steps Residential Care. "With the platform we have, with structures and processes in place, we're in a strong position to scale," Allen adds.

However, National Care Group is also committed to organic growth, leveraging the relationships it builds with local authorities and commissioners in existing settings to understand what new services are needed and where. "Working in local areas, we can get much closer to commissioners and their needs, rather than just pitching up."

Unlike some fast-growing businesses in the sector, Allen doesn't believe that size can become the enemy of quality in specialist care. "The key is to get your operational structure right," he argues. "I'm certainly not going to apologise for having additional layers of management if they're based locally."

Indeed, Allen sees a number of advantages to increased scale, including in recruitment and retention, which is proving so challenging across the whole sector. If you have size as an employer, he points out, it is easier to offer opportunities for career progression, and to put in place better support systems for employees.

Still, Allen is also wary of investors in the sector who see rapid growth as a shortcut to quick profit. "I want people to understand that businesses like ours are a long-term play," he says. "Investors need to understand that while there is the potential for attractive returns, they will have to show patience over a reasonable time period."

All the more so in the current environment, where the funding landscape for social care is so tricky. "It does go back to building relationships with commissioners," Allen adds. "When we're working together to develop services, they have a better understanding of what those services cost to provide."

National Care Group in numbers

Specialist Care Fast 50 ranking

1

Two-year CAGR

93.1%

CATEGORY WINNER
MENTAL HEALTH:

Achieve Together

Achieve Together in numbers

Specialist Care Fast 50 Ranking

2

Two-year CAGR

77.5%

Founded just two years ago through the merger of CMG and Regard Group, Achieve Together's growth has seen it move into second place in the Specialist Care Fast 50 rankings.

Achieve Together's annualised growth of 77.5% over the company's past two financial years – enough to net it second place in the Alantra Specialist Care Fast 50 report – has been impressive. The company is also the second largest specialist care provider in the report.

In its current form, Achieve Together dates from 2019, from the merger between Care Management Group and Regard Group, two well-known names in specialist care with 50 years of experience between them. The merger was overseen by AMP Capital, the Australian investment management group, which had acquired both businesses over the previous two years.

Growth has continued since the merger, both organically and through M&A, with recent deals including the acquisition of United Health, which operates in South Yorkshire, Derbyshire and Lincolnshire. With a particular focus on adults with learning difficulties and mental health issues, Achieve Together now has a total of more than 2,300 beds across over 340 facilities across England and Wales.

Like so many other social care groups, Achieve Together points to challenges with recruitment and retention, and is focusing on initiatives to attract new staff. One recent scheme has seen it offer £300 bonuses to existing staff who refer someone to the business if they join the company and stay in post for six months. Elsewhere, the company's scale-up process continues to focus on technology and innovation, as well as collaborative relationships with local and national organisations in the sector.

CATEGORY WINNER
LEARNING DISABILITIES:

Glenholme Healthcare reaches the podium

Glenholme Healthcare has moved up one spot since the 2020 Alantra Specialist Care Fast 50 rankings, taking third place in 2021.

Glenholme Healthcare in numbers

Specialist Care Fast 50 Ranking

3

Two-year CAGR

63.5%

Glenholme Healthcare is making its second successive appearance in the Alantra Specialist Care Fast 50 Report. In the 2020 rankings, it finished fourth, with two-year compound annual growth of 49.2%; 12 months later, with annualised growth up to 63.5%, it has climbed to third place.

Headquartered in Windsor, Glenholme runs a variety of adult services across England, with concentrations in the East Midlands, North London and the South Coast. In addition, it manages four residential care homes for older people, including those with dementia.

While Glenholme was originally founded to run residential homes, the majority of its services are now focused on supported living, working closely with adults with learning disabilities and mental health conditions, including those with complex and challenging needs and those with problems with addictions.

The company has grown organically, as well as through a number of acquisitions, picking up facilities as the specialist care market has continued to consolidate; recent deals have been completed in locations ranging from Preston in the North-West to Ely in East Anglia.

The company is particularly focused on recruitment and retention, focusing on digital engagement to keep employees feeling part of the team – including a strong presence on social media – and launching a range of employee perks such as offers and discounts in leading retailers. It has also launched the Glenholme Care Awards to celebrate the achievements and dedication of staff across its facilities.

Investors do battle for specialist care assets

Specialist care businesses are attracting fierce competition from several distinct pools of potential buyers.

> It feels as if every transaction sees a new name amongst the potential buyers.
>
> **VIVIENNE HOWELL,** DIRECTOR, CIVITAS

In an uncertain economic environment, assets that provide revenue flows supported by the government and inelastic demand look compelling. No wonder specialist care businesses are currently so sought after. However, the competition for the best businesses is intense, with several groups of investors and acquirers now vying for leading targets in the sector.

Trade buyers continue to be active acquirers, pursuing consolidation strategies based on the purchase of smaller specialist care groups or individual homes or facilities. Private equity (PE) firms continue to invest in specialist care, with both health and social care specialists and more generalist PE investors focused on buy and build strategies.

Probably the fastest-growing group of investors in the sector comprises investors in real estate and infrastructure. These include both domestic investors and an increasing number of international players. In recent months, for example, the most high-profile deals have been the £775m acquisition of Elysium Healthcare (ranked fourteenth in the 2021 Fast 50) by Australia's Ramsay Health Care and the near £600m purchase of Witherslack by Mubadala Capital, a subsidiary of Abu Dhabi's second-largest sovereign wealth fund. In 2020 we saw US investment manager Ares Management buy Exemplar Health Care.

The Witherslack deal is particularly noteworthy because it comes in an area of the market where the Competition and Markets Authority (CMA) has launched a review of provision. The review follows concern about the charges levied by children's home operators, schools and foster-care providers, prompting speculation that the intervention might dampen investors' appetite. But Mubadala's purchase of Witherslack suggests that good quality assets will continue to sell, even amid this regulatory nervousness.

Franck Noat, managing partner in the Paris office of Alantra, believes the number of international investors targeting the UK specialist care market is likely to grow. "The resilience of specialist care really caught the eye during Covid-19, with stable and secure fee income effectively guaranteed by the state," he reflects. "I expect to see a new wave of consolidation now that Brexit is done – the uncertainties of the UK's departure from the European Union were uncomfortable for investors for a while, but that is no longer the case."

Certainly, European infrastructure players are circling. Antin, the French infrastructure fund, has already invested in specialist care providers Kisimul and Hesley Group. French, Belgian and Spanish operators have made significant investments in residential care homes for the elderly and may now expand into the specialist care sector.

Equally, the UK has its own infrastructure players. For example, Civitas Investment Management has rapidly become the largest landlord in the UK's social and healthcare sector, with around 1,000 properties split across residential care homes and supported living facilities. Civitas works with specialist care providers, leasing the properties it acquires back to their operators, and sometimes developing new facilities with these firms.

"We are a more efficient source of capital," says Vivienne Howell, a Civitas director. "Our cost of capital is lower than that of care providers themselves, or that of most private equity providers, so we're enabling them to release value."

The manager's UK presence and experience of the sector provide notable benefits in a competitive environment for good assets, adds Howell. "It feels as if every transaction sees a new name amongst the potential buyers," she says. "But while we do get involved in auctions, we also do a lot of transactions off-market – we're well known in the sector and transparent and straightforward to deal with."

As for trade buyers and PE firms, here too the stage is set for further competition in sale processes. Alantra's Franck Noat points out that the problems of the past 18 months are likely to see more smaller businesses come to market. "We've seen a wave of this type of consolidation across Europe, both in specialist care and more broadly in residential care," he says. "Lots of operators have simply had enough after Covid."

In which case, businesses such as Envivo Group are in a strong position to capitalise. Founded in 2018, Envivo has already made a string of

acquisitions, including the 2020 takeover of Heathcotes Group, which topped the Alantra Specialist Care Fast 50 ranking in 2020. "We've done a lot of M&A activity in a short period in a difficult sector at a difficult time," reflects CEO Tim Davies. "But given the fragmentation of this industry, there is plenty of room for more consolidation."

As for PE, the kind of criticism that led to the CMA inquiry misses the point, argues Garret Turley, a partner in August Equity, which is an investor in Orbis Education & Care. "Private equity has a huge role to play in the specialist care sector," he insists. "We get a lot of criticism, but what we do is help these businesses to professionalise – to build the governance and the structure they need to deliver ever higher quality outcomes as they grow."

These are not one-way bets, Turley points out. "There is a significant level of risk for investors – you need to really understand the regulatory process," he says. This is one driver of consolidation. "The smallest operators are coming under pressure in a regulatory environment that is becoming more onerous," Turley adds. "Smaller operators are starting to withdraw, particularly from areas of higher acuity."

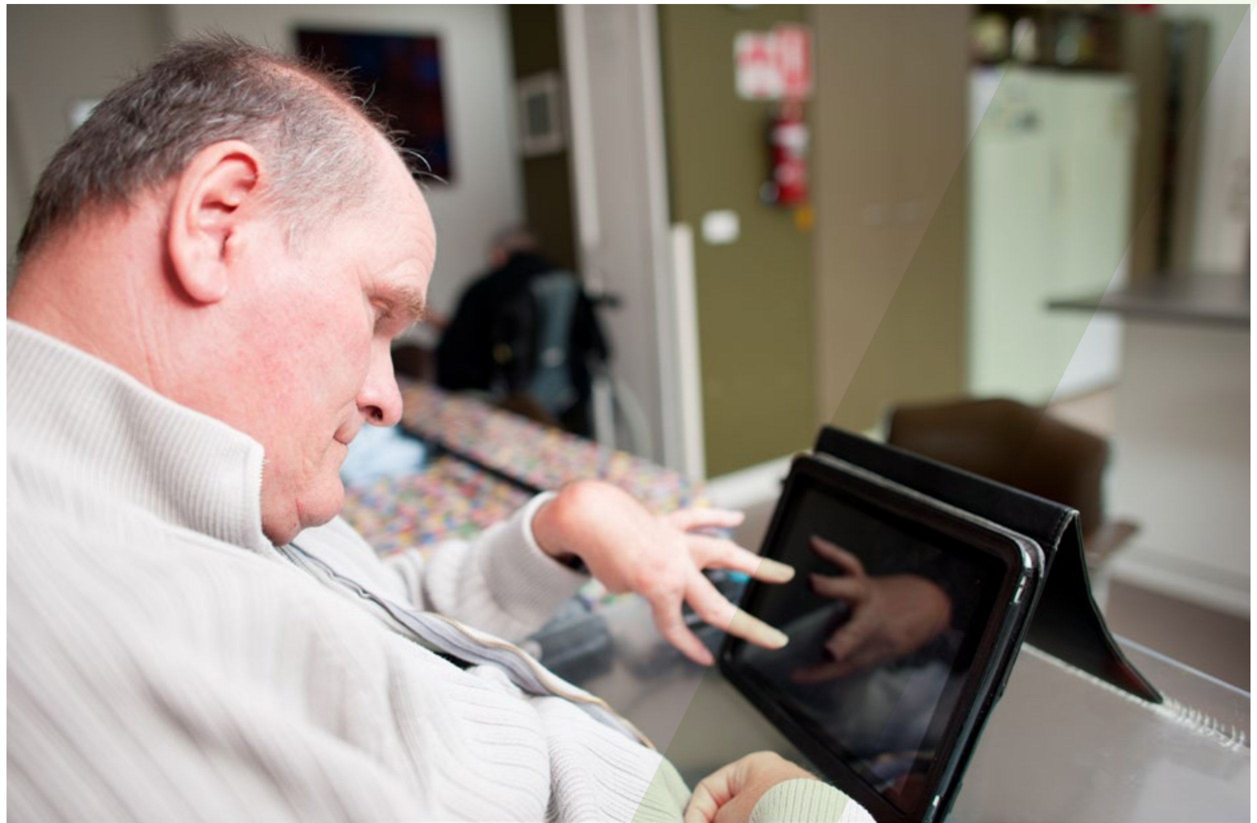
Forbes Stuart, a partner in the PE firm Ignite Growth, an investor in Cornerstone Healthcare, points to the opportunity for investor and operator to work together to drive value and growth. Ignite has supported Cornerstone Healthcare with the implementation of new technology, for example, including the roll-out of a new compliance system focused on data. PE can provide crucial support with development, he says. "It does take a different set of skills to run a large specialist care business than, say, to manage a small number of homes."

While many specialist care groups are ambitious for growth, whether through organic development or M&A, governance and management are crucial elements in ensuring specialist care homes do not run into trouble as they expand. "You have to be prepared to invest in the right management structure ahead of time," Stuart argues.

The bottom line is that while there will always be those who feel uncomfortable with the private sector taking the lead in specialist care provision, there is little prospect of the public sector becoming more active – or even appetite amongst most local authorities and policymakers for such a role. In which case, care commissioners will want to continue working with groups that are able to attract the investment required for high impact and quality.

Against that backdrop, Clare Connell, the founder of Connell Consulting, which provides due diligence reports to buyers of health and social care companies, anticipates plenty more activity in the M&A marketplace. "Deals are becoming more frequent and we're going to see even more, because there is a bit of a hangover from transactions delayed during the Covid-19 crisis."

Potential sellers may worry that the difficulties that the sector is facing – the impacts of the Covid-19 crisis and, in particular, the ongoing recruitment crisis in the industry – may deter buyers. But Connell thinks this is unlikely, particularly given the record amounts of capital that PE and other institutional investors currently have at their disposal. "One way of looking at that as an investor is that the recruitment crisis can't get any worse," she argues. "We are also seeing a recovery in occupancy rates that is faster than was widely anticipated at the height of the pandemic."



Recruitment at crisis point

A perfect storm of issues causing huge recruitment and retention problems is forcing specialist care providers to rethink their approach to the workforce.

> We've had to do a complete adjustment of how we recruit, retain and pay our nurses.
>
> **JOHANN VAN ZYL,**
> CEO, CORNERSTONE HEALTHCARE

Recruitment and retention is the biggest single challenge facing the specialist care sector, warn many of the Alantra Specialist Care Fast 50 businesses, with innovative and imaginative solutions to the crisis required. The warning is in line with data from the charity Skills for Care, which suggests more than eight per cent of roles in the broader social care sector were unfilled at the end of August 2021.

"The combined effect of Brexit and the Covid-19 lockdowns, when many European workers decided to go home, has been very serious, plus the furloughing scheme meant that staff from other sectors who might have moved into care had little incentive to do so," says Greg Lapham, CEO of Holmleigh Care. "We are also seeing an impact from the requirement for care workers to be vaccinated against Covid-19."

It is not just that staff may feel they have to leave because they don't want to vaccinate, but also that dealing with the whole issue is time-consuming and uncomfortable, agrees Mitesh Dhanak, CEO of Precious Homes. "We have to throw huge resources at it," he warns. "There's a significant legal cost too, and it seems very unfair given they're not enforcing this in the NHS."

Confronting these problems will not be straightforward. While higher pay is likely to be part of the solution, specialist care sector leaders emphasise the importance of a much broader range of measures.

Holmleigh Care, for example, is investing in its social media strategy in order to do a better job of telling a positive story about the business and its work. "We are also focused on staff engagement," adds Lapham. "You have to deal with the pay issue head on, by talking about it, but we're also using devices such as staff surveys to understand what is working and what is not."

At Aurora Care & Education, CEO Mark Costello is hopeful the end of the furlough scheme might see applications for care sector roles increase, but there will be no silver bullet, he cautions. "We are going to have to be more innovative about the way we recruit," he says. "Social media campaigns have been a real success for us."

Wage bills are already increasing significantly – even before the forthcoming National Insurance increases, which will hurt specialist care providers before it helps them, given the rise in costs for employers and the lack of clarity about when social care might see some of the funds raised.

"We've had to do a complete adjustment of how we recruit, retain and pay our nurses," adds Johann van Zyl, CEO of Cornerstone Healthcare. "There will inevitably be an impact on profitability. We've increased nurses' pay by 30% over the past three years, we've introduced a bonus system based on hours worked, and we're also prioritising the broader benefits package, including professional development."

> We're in the middle of a huge people programme, including thinking about how we can create a more nurturing environment for staff. We do have a positive story to tell: this is more difficult work, but it is more interesting too.
>
> **SUZANNE LAWRENCE,**
> CEO, ORBIS EDUCATION & CARE

"Nearly all of my challenges come back to getting the right people and getting them trained," says Suzanne Lawrence, CEO of Orbis Education & Care, who warns that specialist care companies are going to have to work harder on culture and engagement. "We're in the middle of a huge people programme, including thinking about how we can create a more nurturing environment for staff," she says. "We do have a positive story to tell: this is more difficult work, but it is more interesting too."

Other businesses in the sector are trying everything from paying staff a bonus if they recommend a friend or family member for a role, to reaching out to younger people just entering the workforce through schools and colleges. But Covid-19 casts a long shadow, warns Andrew Worsley, CEO of Harbour Healthcare. "We're looking at around 60 members of staff across our 19 homes who are choosing to leave because they do not wish to be vaccinated; there is a huge amount of work to do."

What's next for specialist care?

Five trends set to impact the industry

Despite some tough challenges, the outlook for specialist care businesses looks promising. Demand for the sector's services continues to increase, well-managed businesses are growing their revenues, and investment capital is flowing into the industry. As the 2021 Alantra Specialist Care Fast 50 reveals, commercial performance and care quality go hand in hand.

Where does the sector go from here? Throughout this report, specialist care providers have set out their views on the opportunities and challenges they see ahead for their businesses. As they begin to address these, new questions will inevitably emerge for every specialist care provider. Here, we consider five key issues that now lie ahead.

01

What do social care funding reforms mean for the sector?

Many specialist care operators express reservations about the Government's proposals to overhaul funding of the care sector. They point out that the funds raised from the National Insurance contribution increases coming into effect in April are largely earmarked for the National Health Service, particularly in the early years of the reforms. Even when funding does begin flowing through into social care, it is far from clear what slice of the pie will be allocated to specialist care provision.

In the meantime, local authorities and care commissioners continue to operate within tough budgets. Many providers interviewed for the Alantra Specialist Care Fast 50 report that negotiations over fees – particularly increases for existing service users – are very difficult. While commissioners recognise that only a limited number of providers are able to deliver the specialist services required, they are struggling to pay for this care.

The funding landscape will become clearer over time. But specialist care providers will continue to need to build strong and open relationships with commissioners where it is crystal clear what value they are providing. Providers with business models built on understanding commissioners' needs in advance, and developing services accordingly, appear to be negotiating fees with greater success.

02

Where can new technology have the greatest impact on care delivery and operations?

Large parts of the specialist care sector remain heavily dependent on pen and paper. Investment in new technology offers the prospect of improved efficiency – crucial given margin pressure in the sector – but also, more importantly, the potential to drive higher standards of care and ensure better outcomes.

Certainly, investment in back office systems can deliver substantial dividends for businesses with outdated administrative processes. Modern finance technology, as well as new tools for workforce management and other aspects of HR, can deliver genuine savings. Digital engagement is an opportunity to connect with staff who may be spread across many locations.

The bigger opportunity lies in care quality. Electronic care management software offers a means through which to record and respond to the needs of every patient and service user far more systematically. New reporting systems provide a constant feed of data on progress and outcomes. These tools also provide valuable resources as specialist care providers work with commissioners and regulators.

03

How do we solve the recruitment crisis?

For almost every specialist care provider interviewed for the 2021 Alantra Specialist Care Fast 50 report, recruitment and retention represents the most pressing issue for their business. In short, there are simply not enough people to go round.

In the very short-term, the end of the Government's emergency furloughing scheme may provide a little respite. Where people who have been on furlough do not return to jobs in sectors such as retail and leisure, they may be prepared to consider new roles in the care industry. Nevertheless, many providers report very high turnover rates amongst staff recruited from other industries.

The challenge is therefore to raise the status – and the remuneration – of the care sector as a career option, both for younger people and for employees already in other parts of the workforce. Better training, increased focus on staff engagement, attention to career development and a broad offer on benefits will all be part of this picture. Inevitably, staffing costs will continue to rise.

04

What do the buildings of the future look like for specialist care providers?

Many specialist care providers are operating out of older buildings developed for services that are very different to what is provided today. Investment in such properties provides a short-term fix, enabling operators to convert them for modern use cases, but the results are often unsatisfactory.

The question therefore facing many operators is how to develop an estate of buildings and facilities that is fit for modern use. Do they build from scratch or work more ambitiously on refurbishment and replacement? And how do they future-proof buildings given that users' needs will change over time – and that regulatory standards, including for property, continue to become more demanding?

Investment in buildings and property is expensive. This has seen the growing use of sale and leaseback and ground rents arrangements in the sector, with specialist real estate investors taking responsibility for developing new facilities, and then leasing buildings back to operators. These arrangements are set to proliferate.

05

How will operators respond to the growing preference for supported living?

Local authorities and care commissioners are increasingly committed to placing as many people as possible in supported living environments rather than in residential care homes. This will require specialist care providers to reorient their services, both through the development of new facilities and the recruitment of staff with the skills and capabilities to deliver supported living.

For example, it is likely to be impractical to redevelop larger residential care facilities for supported living settings, which typically demand smaller buildings offering a handful of units. The current regulatory environment, which stresses the need for small-scale settings, adds to this challenge. However, developing new settings of this type may be costly.

On staffing, meanwhile, supported living services require a different set of skills to those necessary for providing care and nursing in a residential home. Competition for employees with these skills will be tough.

The fastest-growing specialist care companies

National Care Group

Specialist care and support services for the most vulnerable adults in our society

TWO-YEAR CAGR

93.1%

Achieve Together

Support for people with learning disabilities, autism and associated mental health conditions

TWO-YEAR CAGR

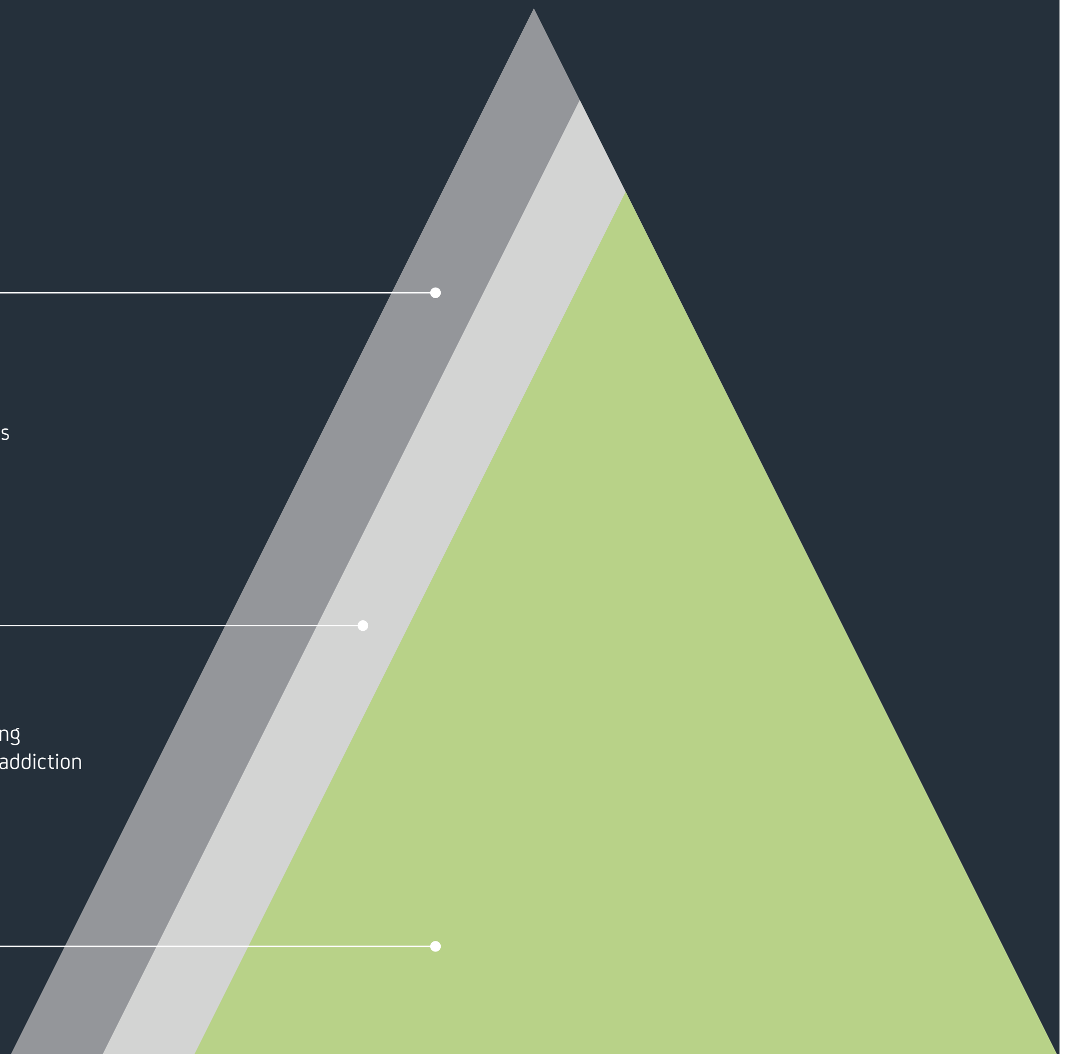
77.5%

Glenholme Healthcare

Supporting young adults and adults with learning disabilities, complex needs and problems with addiction

TWO-YEAR CAGR

63.5%



RANK 1

RANK 2

RANK 3

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 £5m 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 2019. 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

Rank	%	C	O	A
04	57%	Orbis Education & Care	August Equity	Specialist care and education services for children and adults with complex needs associated with autism
05	55%	Midway Care Group	Privately Owned	Care and assisted living services for people with learning disabilities
06	46%	Cornerstone Healthcare	Ignite Growth	Specialist care for vulnerable people with complex neurodegenerative and mental health needs
07	40%	Pebbles Care	Ardenton Capital	Dedicated provider of essential residential child care services
08	36%	Select Lifestyles	Privately Owned	Supportive services for adults with learning disabilities across the West Midlands
09	33%	Horizon Care & Education	Graphite Capital	Providing strategies, support and care solutions to some of the most difficult challenges involving children
10	32%	Bramley Health	Privately Owned	Specialist mental health, neurocognitive disorder, acquired brain injury and personality disorder services
11	32%	Action FOR Care	Privately Owned	High quality accommodation and personal care for individuals who have learning disabilities
12	31%	LDC Care	Privately Owned	Specialist provider of residential and supported living care in East Kent
13	30%	Premier Care	Privately Owned	Promoting independence by supporting people living with a range of mental health issues
14	27%	Elysium Healthcare*	BC Partners	Delivery of specialist care through a strategic network of sites which provide a complete pathway of care
15	25%	Swanton Care & Community	Apposite Capital	Supporting people with learning disabilities, autism, acquired brain injuries and other complex care needs
16	24%	New Reflexions	Bridges Fund Management	Providing services for children that have emotional behavioural difficulties
17	24%	Esland Group	August Equity	Providing trauma-informed therapeutic services, helping young people transition back into the community
18	23%	Salutem Care & Education	Privately Owned	Specialist care services for individuals with mental health needs, autism and associated challenging behaviours
19	22%	Precious Homes	Privately Owned	Empowering people with learning disabilities, autism and other complex needs
20	21%	Witherslack	Mubadala Capital	Specialist education schools and care programmes provider
21	18%	Krinvest Care	Privately Owned	Residential care and support services for individuals with learning disabilities and associated complex needs
22	18%	Progressive Care	Privately Owned	Specialist provider of care, assessment and support packages for families, young people and adults
23	18%	Eleanor Healthcare Group	Privately Owned	Specialist provider of a wide range of health and social care services
24	16%	Harbour Healthcare	Privately Owned	Services for those with mental health needs who may require complex care to support daily living
25	16%	Cedar Care Homes	Privately Owned	Caring for people who have dementia and mental disorders that result in complex behavioural issues

*In December 2021 Ramsay Health Care acquired Elysium Healthcare after the reference period for the 2021 award listing.

Rank	%	C	O	A
26	16%	Heathcotes	Envivo Group	Person-centred specialist residential accommodation for adults with learning disabilities
27	16%	Aurora Group	Octopus Healthcare	Special educational needs and disabilities (SEND) schools across the UK
28	16%	Exemplar Healthcare	Ares Management	Provides specialist care and rehabilitation for adults living with a range of complex and high acuity needs
29	16%	Blue Mountain Homes	Privately Owned	Individual-focused specialist residential care for young people in our society
30	15%	Kedleston Group	Privately Owned	Specialist schools and children's homes for young people with autism, emotional and mental health needs
31	15%	Midhurst Child Care	Privately Owned	Residential child care, therapeutic crisis intervention and education services
32	15%	St. Matthews Healthcare	Privately Owned	Bespoke intensive mental health care and therapy in hospital, residential and step-down settings
33	15%	Hexagon care Services	Privately Owned	Specialist residential care provider with children's homes and schools across England
34	15%	Sequence Care	Intriva Capital	Specialist care services that enable adults with complex learning disabilities to live richer, happier lives
35	15%	Compass Community	Graphite Capital	Leading provider of fostering services, children's residential care and schooling
36	14%	NG Healthcare	Privately Owned	Residential care and support to a variety of people with progressive mental health needs
37	14%	Dolphin Homes	Business Growth Fund (BGF)	Specialist care for adults with learning difficulties, challenging behaviours and complex needs
38	13%	Phoenix Learning & Care	Ashridge Capital	Therapeutically supported children's residential care and education facilities for young people with complex needs
39	13%	New Forest Care	Privately Owned	Residential childcare services to young people with complex needs
40	12%	Keys Group	G Square Capital	Innovative care and education provider for children and young people in the UK and Ireland
41	12%	Fairlie Healthcare	Privately Owned	Provider of nursing care to people living with complex neurological conditions
42	12%	Milewood Healthcare	BC8.	Provider of high quality, specialist care for adults with complex needs
43	12%	Eden Futures	Sovereign Capital	Support services for people with learning disabilities, autism and associated complex needs
44	11%	Holmleigh Care	Ancala Partners	Outcomes-focused specialist care supporting individuals on the pathway to greater independence and wellbeing
45	11%	Select Healthcare Group	Privately Owned	Specialist residential care providing support for adults with mental health and neurodegenerative conditions
46	11%	Careline Lifestyles	Privately Owned	Provider of personalised care and support for people with mental health needs and acquired brain injuries
47	10%	Optima Care	Privately Owned	Therapeutic model of care ensuring people with learning disabilities and complex needs realise their full potential
48	10%	Comfort Care Services	Privately Owned	Specialist provider of supported housing for vulnerable adults with mental health needs
49	10%	The Hesley Group	Antin Infrastructure	Provider of essential services to children and young adults with highly acute special educational needs
50	10%	Gainford Care	Privately Owned	Specialist residential nursing care for complex dementia patients and young adults

Three years of the Alantra Specialist Care Fast 50

The UK's specialist care sector does a remarkable job. Its positive impact on society is difficult to over-estimate: it provides invaluable care to some of the most vulnerable children and adults in our communities and delivers this care with professionalism, compassion and commitment.

The term specialist care is a wide one, spanning a broad range of client needs. The companies in this marketplace are varied and fragmented. As a result, specialist care businesses are rarely well-known or high-profile and they get relatively little public recognition for the work they undertake. This was one of the motivations for the launch of the Alantra Specialist Care Fast 50.

Since the Specialist Care Fast 50 was launched in 2019, 94 companies have made an appearance and sixteen have appeared in every ranking. There has been a new winner each year, reflecting a dynamic sector and one that is growing. The combined annual revenues of constituents have risen by 16% from £1.1bn in 2019 to £1.8bn in 2021. Growth in the sector has been steady; average growth three years' ago was 18% compared to over 24% now. The performance of the top-placed business in 2021, National Care Group, was an impressive cumulative annualised growth of 93%.

The ranking has also seen some changes, including the introduction of categories and category winners to acknowledge the different challenges and pressures each specialism deals with.

External capital plays an important role in specialist care, helping to fund new capacity and the upgrading of assets, supporting and accelerating innovation, and professionalising operations. Over a quarter of companies (28) have secured funding, either from private equity or institutional financial investors. Half of the top 20 in 2021 have external financial investment from UK and international investors.

M&A

The specialist care provider landscape does not stand still and not every Fast 50 constituent has remained privately-owned. Several constituents have been acquired since appearing in the ranking, including the 2020 winner, Heathcotes. An appearance has also been a marker for interest from investors with companies partnering with private equity or other funders, either for the first time or in addition to earlier transactions.

M&A highlights

Heathcotes Group was the fastest-growing company in the 2020 Alantra Specialist Care Fast 50 with a CAGR of 94%. Civitas Investment Management acquired its healthcare real estate assets while Envivo Group bought the operational care business

94%

Outcomes First Group, which ranked seventh in the 2019 Fast 50 ranking with a CAGR of 26%, was acquired by Stirling Square Capital Partners portfolio company National Fostering Agency Group in the same year. Outcomes First Group was a provider created by Sovereign Capital in 2013

26%

Exemplar Health Care, ranked 23rd in 2020 with 20% CAGR, was acquired by Ares Management in the same year. The sale was an exit for Agilitas, which backed the buy-out of Exemplar in 2016

20%

Danshell Healthcare, which featured in the 2019 ranking in 18th place, was acquired by NYSE-listed Universal Health Services ahead of the Fast 50's launch

19%

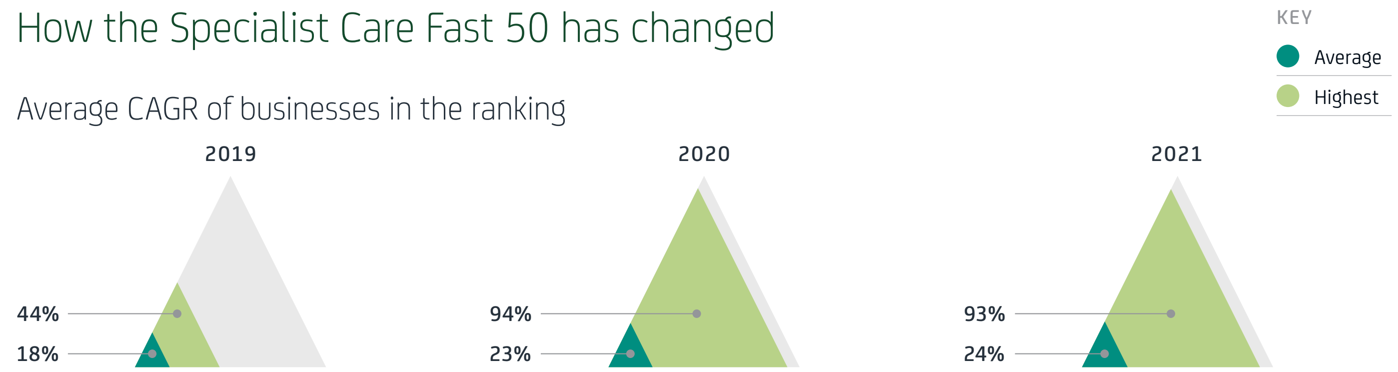
Oracle Care and Education ranked 44th in the 2019 ranking, was acquired by August Equity-backed Esland Care in 2020

10%

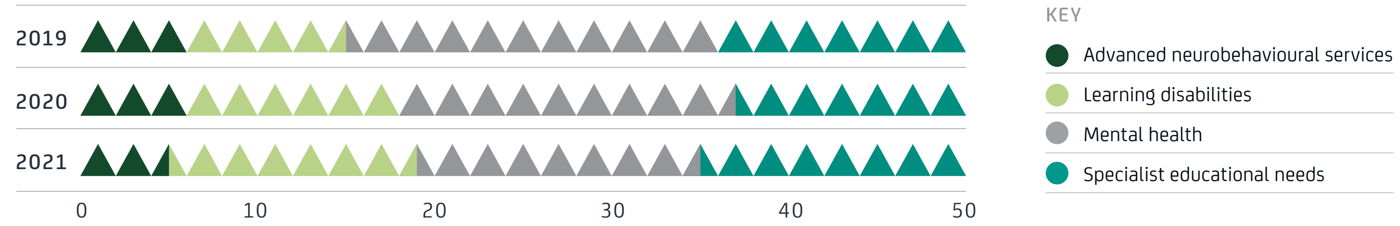
% is two-year CAGR at the time a company was acquired

How the Specialist Care Fast 50 has changed

Average CAGR of businesses in the ranking



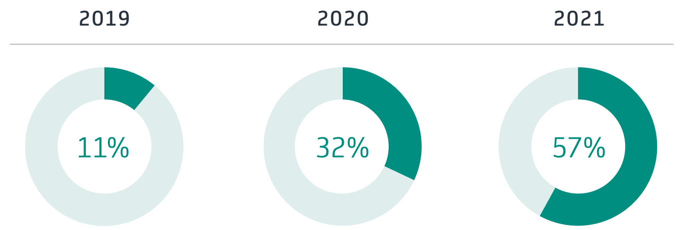
Performance of sub-sectors over the last three years



Spotlight on high-growth companies appearing in every Alantra Specialist Care Fast 50

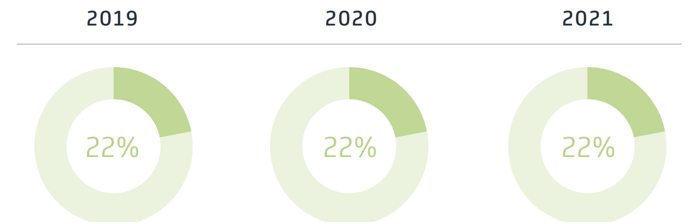
KEY
% 2-year CAGR
Learning disabilities
Specialist educational needs

Orbis Education & Care



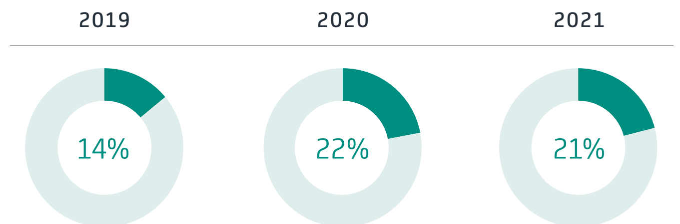
Average: 33%

Precious Homes



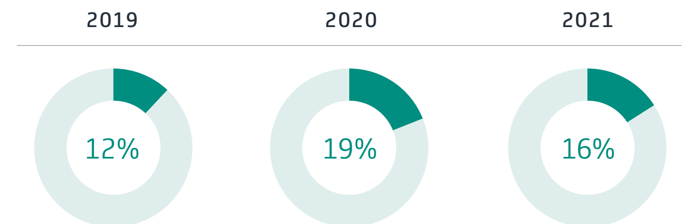
Average: 22%

Witherslack



Average: 19%

Kedleston Group



Average: 15%

Healthcare Real Assets

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.

M&A Services

Debt Advisory

Capital Raising

PROJECT PLATINUM GROUND RENT DEAL WITH Alpha Real Capital	OAKLAND CARE DEVELOPMENT DEBT SYNOVA	CHEQUERS CAPITAL PORTFOLIO REFINANCING EMVIA LIVING	PHILOGERIS RESIDENCES SALE AND LEASEBACK Pierval santé	Résidalya SALE AND LEASEBACK ICADE
Raphael Healthcare SELL-SIDE ADVISORY Elysium Healthcare	Options MERGER Outcomes First Group / SOVEREIGN CAPITAL PARTNERS	SOLOR CARE GROUP SELL-SIDE ADVISORY voyagecare	ODYSSENIOR SELL-SIDE ADVISORY COLISEE	QUADRIGA CAPITAL / dorea FAMILIE SELL-SIDE ADVISORY maisons de famille
ignite BUY-SIDE ADVISORY CORNERSTONE HEALTHCARE	KORIAN BUY-SIDE ADVISORY INICEA	HANIEL BUY-SIDE ADVISORY kinderzimmer	Armira BUY-SIDE ADVISORY onesta	LE NOBLE AGE GROUPE BUY-SIDE ADVISORY GROUPE CLINIQUE DEVELOPPEMENT
EQT BUY-SIDE ADVISORY & DEBT FINANCING COLISEE	Amundi / SOCIETE GENERALE Capital Partenaires BUY-SIDE ADVISORY VIVALTO VIE	DOMIDEP / ISQUARED CAPITAL BUY-SIDE ADVISORY Römergarten	Investment Partners / COLISEE BUY-SIDE ADVISORY STS GRUP	maisons de famille BUY-SIDE ADVISORY amavir

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ALANTRA

Alantra is a global investment banking, alternative 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 1,250 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 business 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 or would like to feature in the 2022 report, please contact Justin Crowther (justin.crowther@alantra.com).

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