



JUNE INSIGHTS PAPER – COMPLEX CARE

DRIVEN BY AN AGEING POPULATION: CONTINUED CONSOLIDATION EXPECTED IN THE COMPLEX CARE MARKET

Market overview



A growing complex care market with strong underlying market drivers including an ageing population, increased prevalence of chronic diseases, policy and reimbursement changes, and technological advances



Key market dynamics to consider include the importance of high-quality service provision (monitored by the Care Quality Commission (CQC)) and the impact of constrained staffing supply contributing to a competitive complex care labour market



A highly fragmented UK home care market including a long tail of smaller operators providing scope for future consolidators, with strong interest in the market from both Trade and Private Equity



Strong demand expected for providers delivering higher complexity, nurse-led care with high levels of care quality and those supported by scalable, technologically advanced infrastructure

The UK Home Care market is currently valued at c.£5.6 bn and is projected to reach £6.7 bn by 2029,¹ with the complex home care market estimated to be worth c. £1.3 bn²



Complex care at home delivers a comprehensive and coordinated array of healthcare services to patients with multiple, chronic, and often serious medical conditions in their home setting. This type of care aims to manage and treat conditions that require continuous medical attention, intricate care regimens, and a multidisciplinary approach.

The primary objective is to deliver high-quality, patient-centred care that maintains or improves the patient's health status, enhances their quality of life, and reduces the need for hospitalisations. This level of care necessitates highly skilled care and medical staff. In the UK, the acute needs requiring complex care primarily consist of physical/sensory needs, conditions related to Learning Disabilities (LD), memory/cognitive impairments and Mental Health (MH) conditions.

Complex Care		Complex Personal Care		Personal Care	
<ul style="list-style-type: none">▪ Complex case management▪ Neurological condition care▪ Brain trauma	<ul style="list-style-type: none">▪ Spinal trauma▪ Breathing support▪ Challenging behaviours	<ul style="list-style-type: none">▪ Drug administration▪ Dementia▪ Patient monitoring▪ Non-complex nurse tasks	<ul style="list-style-type: none">▪ Hospital avoidance▪ Sitting service▪ Stomach tube feeding▪ Stoma care▪ End of life	<ul style="list-style-type: none">▪ Daily living support▪ Hygiene and dressing▪ Podiatry	<ul style="list-style-type: none">▪ Continence care▪ Basic catheter care▪ Medication management
Hospital					
Nursing Home Care					
	Residential Home Care				
Home Care					
High Complexity			High Volume		

Source: ¹IBISWorld; ²PANSI, POPPI, NHS Digital, LaingBuisson; A&M analysis.

Market dynamics

There are strong national demands for home care in the UK with several factors contributing to this demand:

Ageing UK population: By 2030, the population over the age of 60 is projected to increase by 3.1 million (up 18.9 percent since 2020)¹, placing additional pressure on the healthcare sector and increasing the demand for care services. This is further driven by the rising prevalence of chronic diseases requiring long-term care and support, often delivered at home.

Cost reduction: Care at home is often a more cost-effective alternative to hospital services or residential care facilities. Amid rising healthcare costs, there is significant pressure to expand home healthcare services (both complex and non-skilled) to help offset these costs.

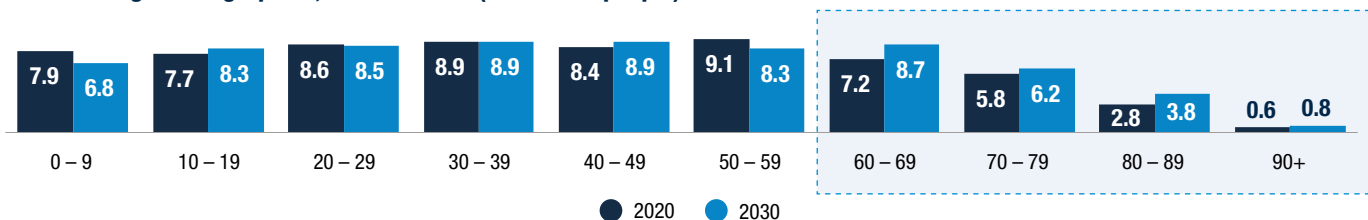
Medical advancements: New technologies are enabling more complex care packages to be effectively provided at home, thereby expanding the available market. This includes technological advancements such as remote patient monitoring.

Local Authority (LA) and Integrated Care Board (ICB) support:

To alleviate pressure on hospitals, LAs and ICBs are advocating for individuals with complex care needs to remain at home as long as possible. This has led to increased spending on home care packages, with a focus on value for money and robust care provision.

Care Quality Commission (CQC): The mandatory quality ranking system for care services implemented by the CQC is driving competition within the market by increasing the pressure to enhance the quality of services.

UK National Age Demographics, 2020 vs. 2030 (millions of people)¹



In England,
45,299,200
people aged
18+...

... of which
3,190,730
require help
with personal
care...

... of which
835,335
adults are
receiving long-
term care...

... of which
661,215
adults are
receiving non-
residential long-
term care...

... of which
c.576,000
adults are
receiving
home care...

In England,
c.24,400
adults are
receiving complex
home care²

Political view

If elected, the Labour Party has promised both funding and reform to the NHS. Various potential opportunities and risks to complex care businesses exist under a Labour Government, summarised below:

Opportunities:

- 1) Reduction of waitlist commitments
 - **Impact:** Effective complex care results in reduced hospital visits and reduced waitlists.
- 2) Tightening of Continuing Healthcare (CHC) referral criteria
 - **Impact:** Reductions in ICB CHC caseloads could lead to faster processing of eligible cases, increasing demand for complex care services
- 3) Loosening of immigration rules and Home and Care visa requirements
 - **Impact:** Reduced labour constraints and wage decreases

Risks:

- 1) Tightening of CHC funding eligibility requirements
 - **Impact:** Lower demand due to less funding
 - **Mitigating factor:** Unlikely due to corresponding increased hospital visits
- 2) Increased NHS capacity for continuing care
 - **Impact:** Reduction of demand for private complex care
 - **Mitigating factor:** Low priority area due to a lack of potential cost savings and implementation difficulty
- 3) Employment reforms (increased sick pay, parental leave and employment rights)
 - **Impact:** Increase in labour costs reducing margins
 - **Mitigating factor:** Increased wages will increase healthcare costs, which is politically unfavourable

The list above is not exhaustive, however due to the lack of influence on costs or even increased costs, increases in hospital wait times, and poor political outcomes, complex care services are unlikely to experience major downside risks due to a Labour government being elected.



Due to the fragmented nature of the home healthcare services market, M&A volumes have steadily increased on average over the past decade. Additionally, industry staff shortages since Covid-19 have limited businesses' ability to grow organically, leading to a greater demand for M&A to deliver growth. The complex care market has seen significant consolidation as larger healthcare organisations acquire smaller specialised providers to broaden their service offerings across high acuity care and geographic reach. This trend is driven by the need to offer comprehensive care services and improve care coordination.

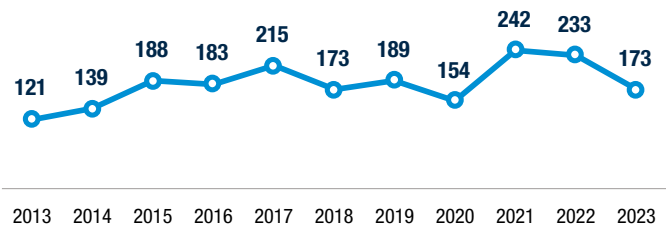
Some key trends identified within home care M&A include:

- **Consolidation for Scale and Efficiency:** The home care market is highly fragmented, with numerous small and mid-sized providers. Consolidation aims to achieve scale, streamline operations, and enhance competitive positioning. Larger organisations benefit from economies of scale, leading to cost savings in administration, technology investments, and supply chain management.
- **Expansion of Service Offerings:** Acquisitions often aim to expand the range of services offered. Existing care providers look to move up the value chain to offer high quality, high acuity, nurse-led care which typically demands higher margins. M&A activity is frequently focused on integrating home care with other healthcare services, such as hospital systems, to ensure seamless care transitions and to improve patient outcomes.
- **Geographic Expansion:** Companies pursue M&A to enter new geographic markets, increasing their footprint and access to a broader patient base. Expanding into different regions can mitigate risks associated with local market conditions and regulatory environments. Within the UK there are specific regional demand trends based on life expectancy and deprivation levels, as well as varying levels of availability of care staff.

- **Technological Advancements:** Acquiring companies with advanced telehealth and remote monitoring capabilities offers the opportunity to enhance care delivery and patient engagement, which is particularly important in the post-pandemic era. Investments in data analytics capabilities through acquisitions can help home care providers better manage patient populations, optimise care plans, and improve health outcomes.
- **Private Equity Involvement:** The home care sector's growth potential and relatively stable demand make it an attractive target for Private Equity (PE) firms, especially at the higher margin, higher acuity end of the market. PE firms aim to capitalise on strong underlying demand drivers, the opportunity to scale businesses both organically and inorganically, and the potential to enhance operational efficiencies.

There has been strong buyer interest across the sector from both trade and PE. Higher acuity care businesses are attractive due to higher, more defensible margins, while non-skilled care business acquisitions are appealing for achieving benefits of scale and geographic expansion. PE typically focuses on the higher acuity end of the market for stronger margins. Interest from both trade and PE has driven consistency in multiples and high deal volumes.

Global Home Healthcare Services Deal Volume, 2013-2023¹



Source: ¹CapitalIQ, Mergermarket, A&M analysis.

Buyer landscape



Buyer Group	A&M view on acquisition capacity	Rationale
Corporate: Home Care providers		<ul style="list-style-type: none"> ■ Achieve synergies and realise economies of scale ■ Diversify and fill gaps in current service offerings ■ Expand geographically
Corporate: Larger HC Services businesses		<ul style="list-style-type: none"> ■ Vertical integration across care continuum ■ Asset light diversification of service offerings ■ Utilise existing infrastructure to realise cost savings
Private Equity		<ul style="list-style-type: none"> ■ Interest in high margin nature of complex services ■ Fragmented complex care market providing opportunity for roll-ups ■ Organic growth tailwinds due to a strong underlying market with an ageing population and growing pressure to reduce hospital wait times

Source: A&M analysis.



Multiples in the Complex Care sector



Demand for quality complex care assets in the UK and globally remains strong, as evidenced by recent transactions and current trading multiples. Below is an analysis of the EV/EBITDA multiples for a selected range of listed companies within the sector, which are trading at an average EV/EBITDA multiple of 13.9x.

It is important to note that most of these companies offer a variety of home care services across the acuity spectrum, with higher acuity services commanding higher multiples compared to lower skilled care requirements. As large-scale listed companies, they also command a premium relative to privately owned, smaller-scale businesses in the market.

Selected Public Comparables (as at 31 May 2024)¹



Company	Market Cap (£m)	Enterprise Value (£m)	Implied EV/EBITDA multiple
Amedisys	2,341	2,677	14.5x
Addus HomeCare	1,459	1,516	15.9x
Aveanna Healthcare	395	1,543	14.8x
ModivCare	305	1,200	10.4x
Enhabit	362	835	13.9x
Nova Leap Health Corp	16	16	13.9x

As the previous page demonstrates, transaction volumes in the complex care market have remained stable in recent years, with strong multiples being achieved across the sector.

Recent transactions in the UK highlight this trend. A regional complex care business based in the North of England recently received a minority investment to support its growth through service expansion across both adult and children high acuity care, as well as geographical expansion into neighbouring ICBs. In January 2024, Celtic Care, a Swansea-based residential care provider operating three residential care homes, was acquired by Potens to enhance their existing presence in South Wales, facilitating geographic expansion.² Additionally, in November 2023, Brainkind (previously The Disabilities Trust), the UK's leading charity aiding those with brain injuries, acquired three neurological care services operated by Sue Ryder: Sue Ryder Neurological Care Centre Preston, Sue Ryder Neurological Care Centre Stagenhoe, and Sue Ryder Neurological Care Centre The Chantry.³ This acquisition allows Brainkind to expand its geographical reach and service volume while Sue Ryder refocuses on palliative and end-of-life care.

Despite limited recent disclosures on multiples, transactions in the sector generally align with the listed peer group, with multiples ranging between 4.9x and 16.0x EV/EBITDA, averaging at 9.5x. Key drivers of multiples include high levels of complexity of care, strong quality ratings, and the scale of the business (lack of concentration of funders). Higher acuity care businesses typically command multiples above 8.0x, while lower acuity care generally commands multiples in the 5.0-7.0x range, due to the typically lower margins and increased competition in the space. For example, Civitas Solutions Inc., a US-based provider of high acuity home and community-based healthcare services, was acquired by Centerbridge Partners and The Vistria Group for an EV/EBITDA multiple of 9.0x.⁴ In contrast, Always Home HomeCare, a regional provider of lower acuity home care services, was acquired by Nova Leap for a 4.9x EV/EBITDA multiple.⁴

Source: ¹CapitalIQ, Company filings, A&M Analysis; ²<https://potens-uk.com/15053-2/>; ³<https://brainkind.org/news/new-acquisition-for-brainkind/>; ⁴Mergermarket; CapitalIQ.
Contact A&M for a broader discussion and more detailed analysis on valuation.



The overall outlook for the complex care sector is positive, with specialised providers expected to outperform the broader domiciliary care market due to lower competition, reduced regulatory and political risks, and increased pricing power. As we approach 2030, several key themes are expected to remain prevalent:

- **Hospital wait time reduction:** This will continue to be a political focus of any government as the population ages, creating lasting tailwinds for the complex care services that help keep people out of hospitals.
- **Continued M&A activity:** The highly fragmented market will see ongoing M&A activity. Labour constraints are reducing opportunities for organic growth, making acquisitions a viable growth lever for trade and PE-backed buyers. These acquisitions will help diversify services, increase scale, and expand geographically.
- **Technological advancements:** Advances in medical practices are likely to continue extending patient lives, thereby increasing the demand for complex care and the duration for which this care is required. Additionally, innovations in medical technology will enable more care options to be provided at home, thereby expanding the overall market size.

- **Digitisation of care services:** Care services will continue to become increasingly digitised, with patient monitoring, care booking, and record keeping becoming more personalised and efficient. Businesses that embrace technology within their offering or develop their own technological solutions are likely to be in higher demand as acquisition targets.

Given the positive outlook for the industry and high demand for M&A activity, now is an opportune time for business owners to start planning for the future of their complex care businesses. As technology becomes further ingrained in the industry, companies with scale will be able to offer more personalised, quality services at lower costs.

The M&A landscape in the home care sector is dynamic, driven by the need for scale, expanded service offerings, geographic reach, technological integration, and alignment with value-based care models. As the industry continues to evolve, we can expect ongoing consolidation and strategic investments aimed at enhancing the ability of home care providers to deliver high-quality, patient-centered care.

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