



Investor Presentation Slides

5th May 2022

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AN INTRODUCTION TO CONNELL CONSULTING

A sample of our experience in the elderly care sector

Elderly care
Residential care
Nursing care
Homecare
Staffing

Vendor commercial due diligence
and CDD for refinance



Buy-side commercial due
diligence



Strategic reviews



Strong reputation within the social care sector

- ✓ Connell Consulting produced CDD reports on over £7bn of UK health and social care transactions in the last year
- ✓ Unrivalled access to local authority commissioners
- ✓ Significant experience of working within the elderly care space
- ✓ Direct engagement with over 100 local authority commissioners each month
- ✓ Undertake comprehensive interviews with key stakeholders

Connell Consulting has won a number of accolades, including HealthInvestor Consultants of the Year 2021, and Clare was voted Sector Specialist by her peers in the 2018 & 2019 HealthInvestor Power 50



The outlook for the elderly care market is positive. Connell Consulting is seeing more activity in the elderly care space post COVID-19, with renewed interest in elderly care assets from investors. We anticipate more elderly care assets will come to market within the coming year

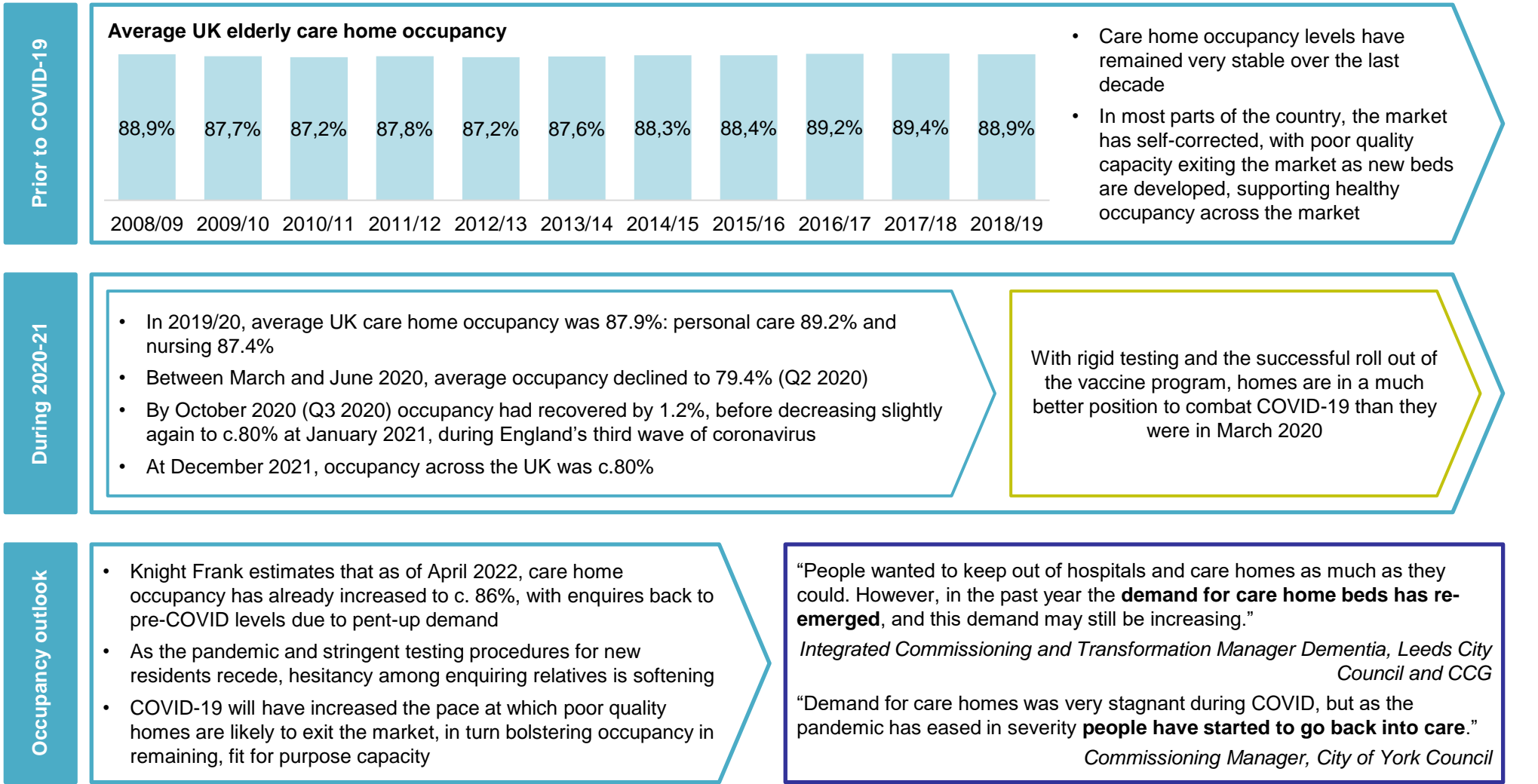
UK DEAL ACTIVITY AND OUTLOOK

Recent elderly care transactions

Target	Acquirer	Date	Transaction value
LV Care Group	Aedifica and Emera	April 2022	Aedifica: £58m
Freeholds of three Scottish care homes	Impact Healthcare REIT	April 2022	£8.1m
Freeholds of five Hamberley Group homes	Rynda Healthcare	April 2022	£100m
49 Caring Homes Group homes from DigitalBridge	Santerre Health	March 2022	N/A
29 Four Seasons Health Care sites in Northern Ireland	Beaumont Care Homes	March 2022	£36m
Avery Healthcare	Reuben Brothers' Real Estate Investment (joint venture with Welltower Inc)	February 2022	N/A
Freeholds of 18 operational homes with 1,200 beds	Target Healthcare	January 2022	£173m
Kingdom Homes	Holmes Care Group & Impact Healthcare REIT	January 2022	£37.5m
Freeholds of three nursing homes with c. 200 beds in the East and South East	Cofinimmo (Belgian REIT)	September 2021	£57m
Sentinel Healthcare	Allegra Care/Moorfield Group	April 2021	N/A
Berkley Care Group	Korian	March 2021	N/A
Freeholds of six care home properties with 370 beds, three in Northern Ireland and three in England	Impact Healthcare REIT	February 2021	N/A

Favourable trends in demand drove stable occupancy levels across UK care home capacity between 2008/09 and 2018/19. Whilst COVID-19 slowed demand and impacted occupancy, pent up demand for elderly care homes is expected to support a recovery in occupancy levels

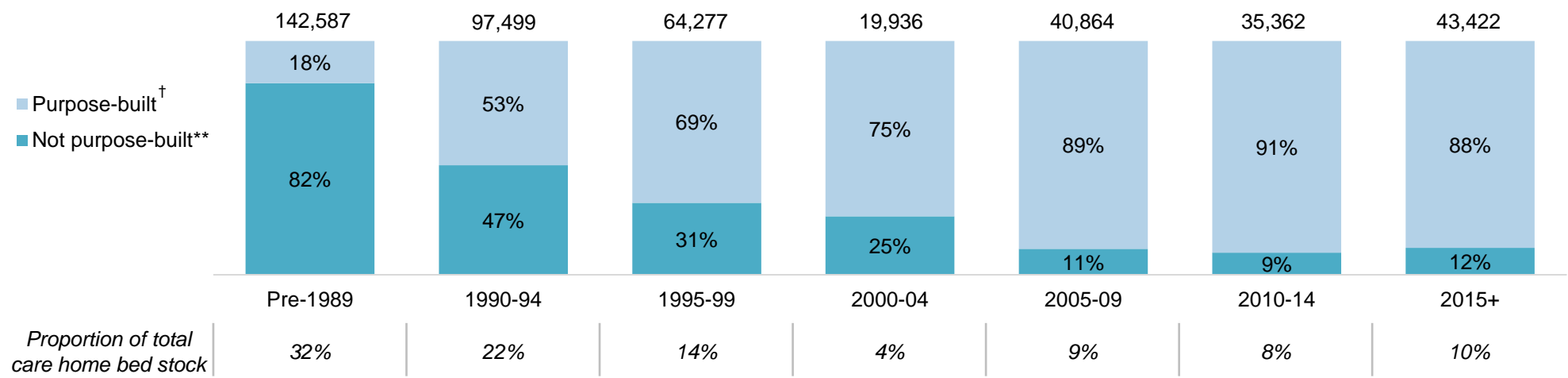
ELDERLY CARE HOME SECTOR RECOVERY FROM COVID-19



There is a growing requirement for developing future-proof elderly care home stock. With 51% of the market converted properties, these are at risk of exiting the market, intensifying the need to develop new purpose-built capacity

SUITABILITY OF EXISTING UK ELDERLY CARE HOME CAPACITY

UK elderly care home bed stock* by year of first registration and build type, as at December 2021



The existing stock of elderly care home beds in the UK consists predominantly of old converted homes with low capacity

- Only 31% of UK care home stock was first registered in the last two decades and 45% of care home beds in the market consist of conversions or partly purpose-built homes
- The high proportion of converted homes first registered pre-1989 and during the 1990s no longer meet expectations around en-suite facilities, wide corridors and multiple communal areas
- Particularly given the impact of COVID-19 on occupancy levels across much of the care home sector, many smaller operators will no longer be in a financial position to invest in future-proofing poor quality care homes

These homes are not fit for purpose and are likely to fall out of the market in the future

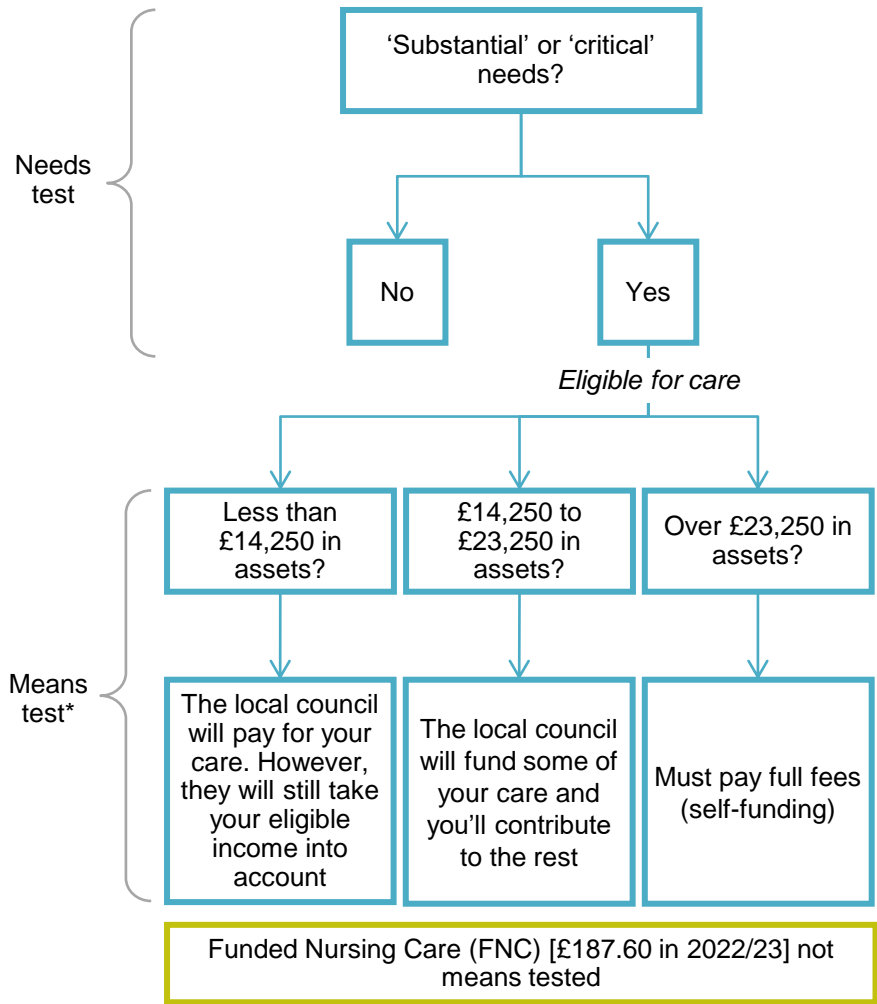
- Many of these older homes also won't have been well positioned to adapt to increased requirements as a result of COVID-19, due to the financial limitations of constructing spaces that can facilitate social distancing
- To date, closure of care homes has been heavily weighted in favour of homes that are small, converted properties, with limited en-suite facilities
- As such, the beds in the market do not align with current trends in demand
- A large proportion of older converted care homes are likely to drop out the market in the coming years

*Sample doesn't represent the entire UK elderly care home market due to different reporting methodologies. Data excludes homes where the build status was not known; **Conversions or partly purpose-built homes; †Purpose-built from the foundations up, and not counting older properties with a new-build extension

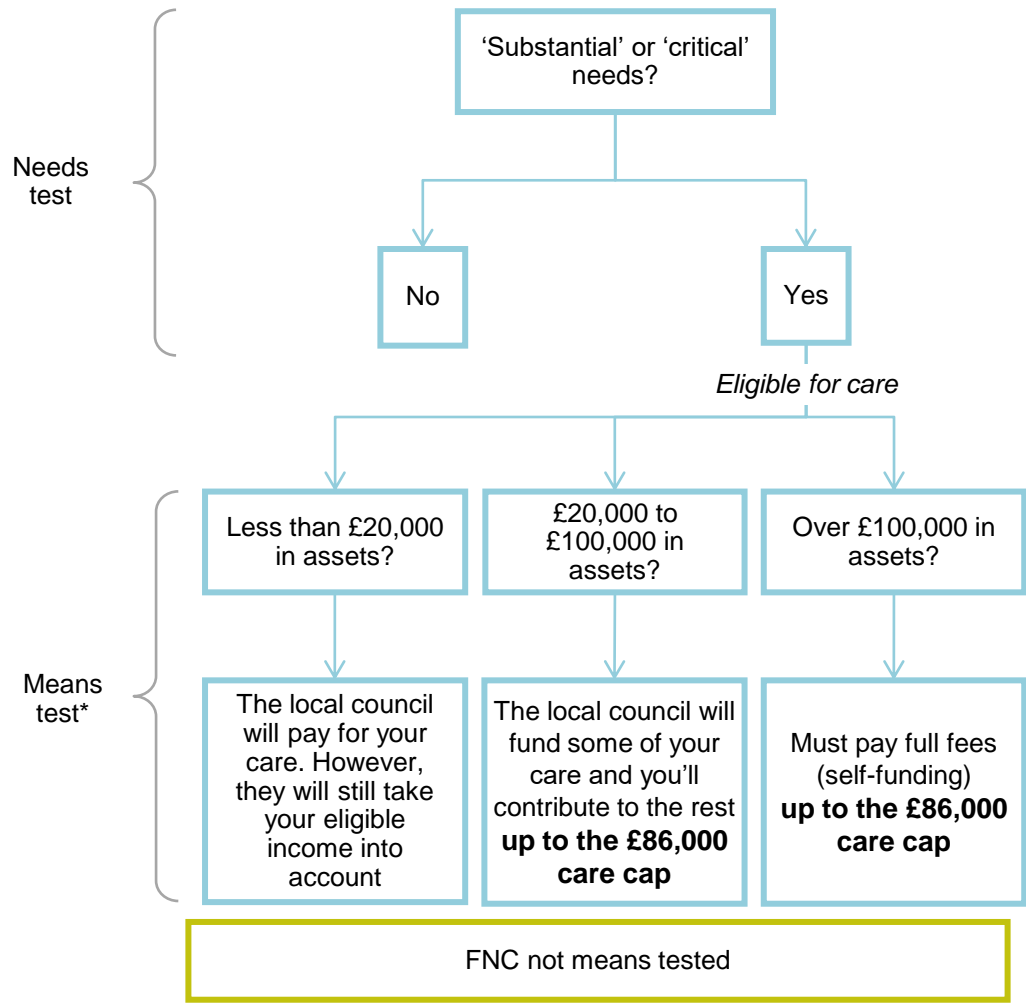
From October 2023, the government will introduce a new £86,000 cap on the amount adults in England will need to spend on their personal care (not daily living costs or top-ups) over their lifetime. The upper capital limit to receive LA funding will also rise to £100,000 from £23,250

CHANGING ELIGIBILITY CRITERIA FOR LA FUNDED CARE AND THE CARE CAP

Eligibility criteria for LA funded care in England, until October 2023



Eligibility criteria for LA funded care in England, from October 2023

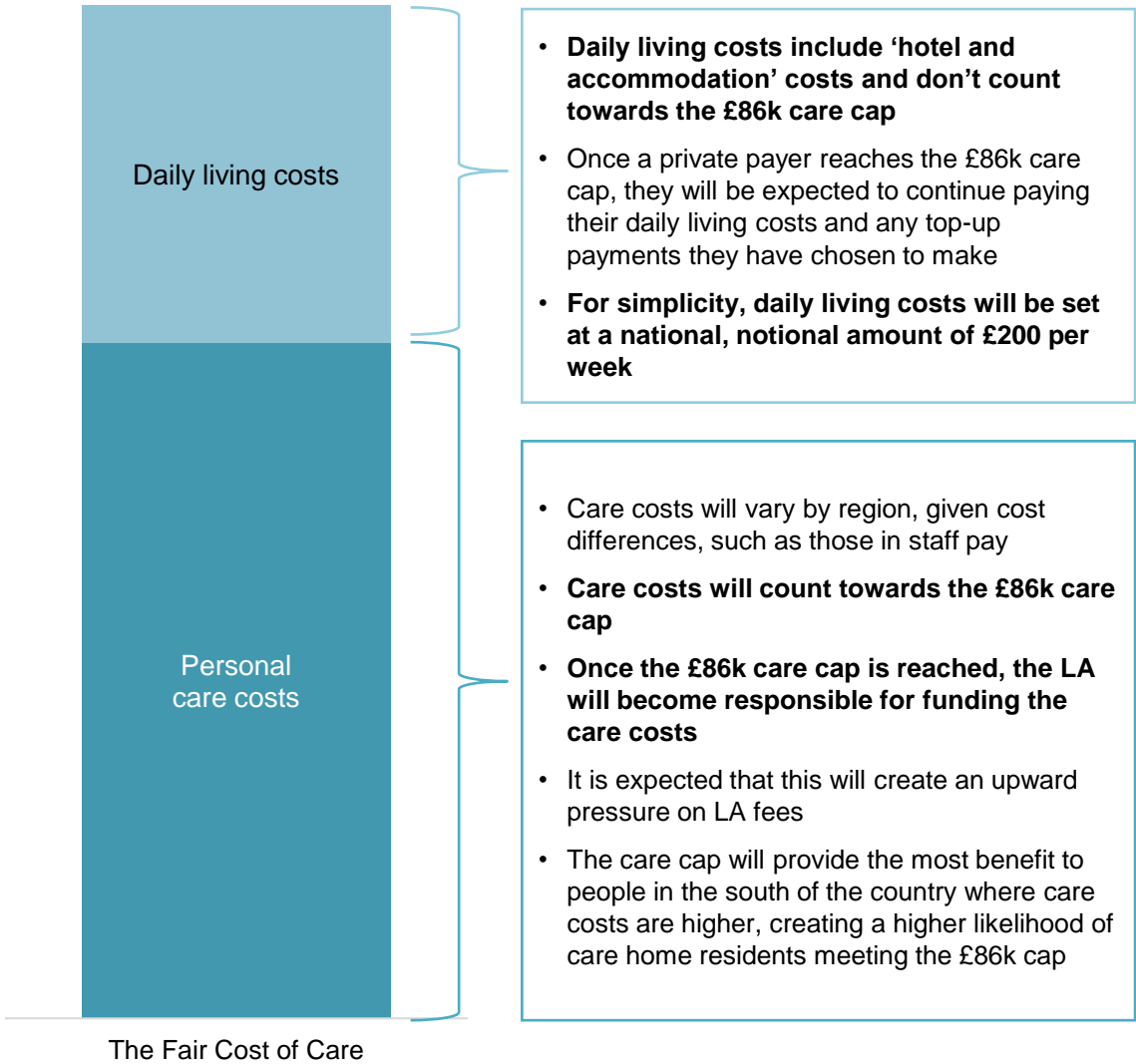


*Includes earnings, benefits, pensions, savings, and property (if living alone)
Source: nhs.uk; Age UK; LaingBuisson; Connell Consulting analysis, 2022

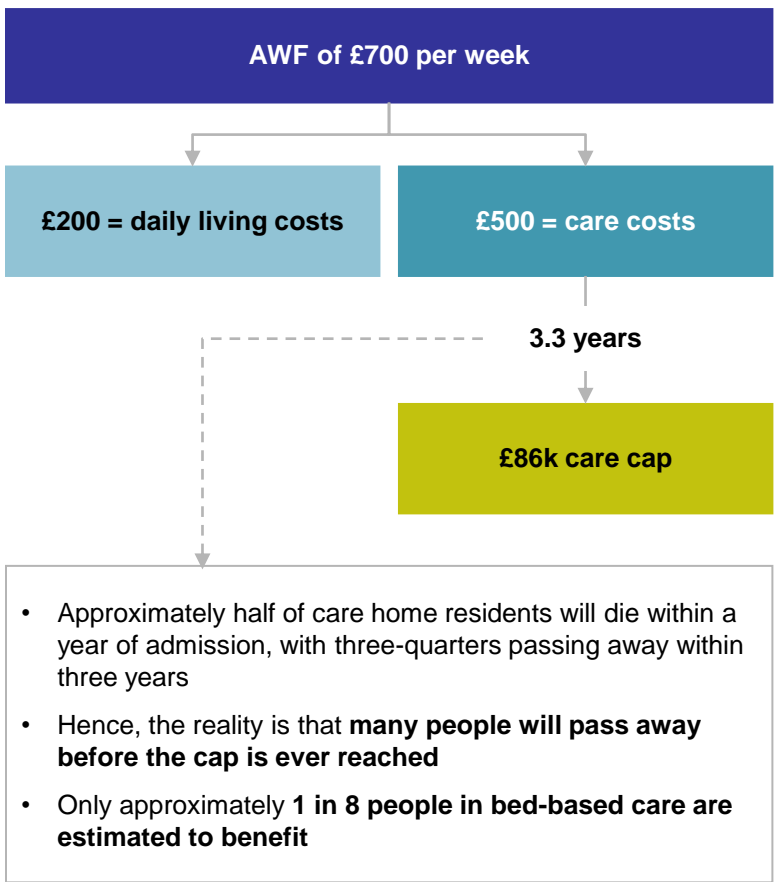
Each LA must calculate the Fair Cost of Care, taking into account regional variations, such as those in staff pay. The reality is that many care home residents will pass away before the cap is ever reached, with only 1 in 8 people in bed-based care estimated to benefit from the cap

WHO WILL REACH THE CARE CAP?

What is the Fair Cost of Care?



Who will reach the care cap? *Example*



Following the introduction of the care cap, for a care home with 50:50 public:private funding, it's estimated that only 1% of its revenue is at risk while the exposure for a home with 90% private funding is no more than 2%

SUMMARY OF THE IMPACT OF SOCIAL CARE REFORMS ON THE MARKET

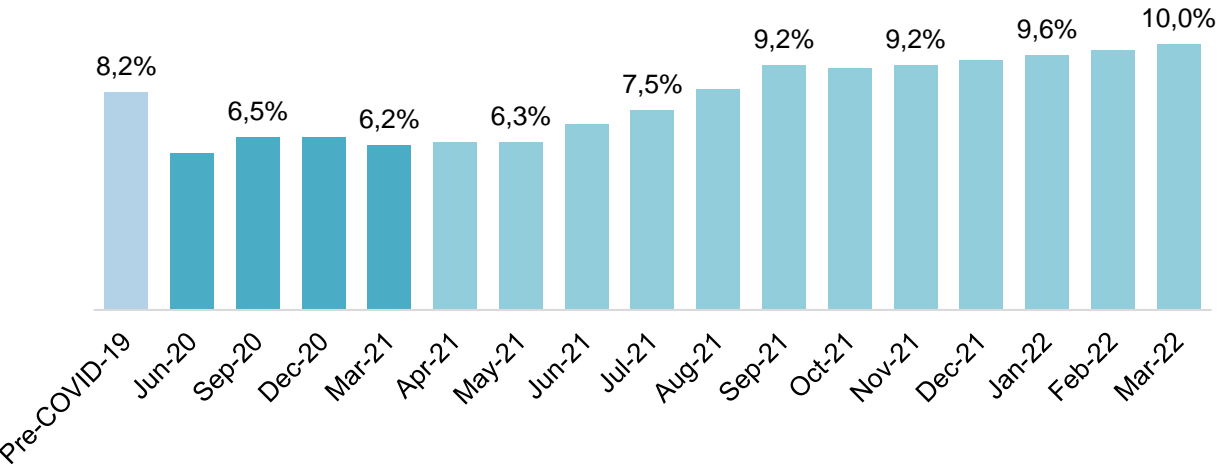
	Overview	Potential effect on the market
Raising the means-testing threshold from £23,250 to £100,000	<ul style="list-style-type: none">From October 2023, means-tested eligibility thresholds are increasing from £23,250 to £100,000	<ul style="list-style-type: none">Raising the means-testing threshold will make more elderly consumers eligible for either partial or full public fundingHowever, since property wealth is generally included in the means test for care home funding eligibility, many homeowners are ineligible for public funding by virtue of their homeownership
Cap on care costs of £86,000	<ul style="list-style-type: none">From October 2023, a cap on personal care costs will be introduced at £86,000	<ul style="list-style-type: none">There will be an increase in the number of individuals receiving state funding for care costsHowever, it will only impact those with a higher care cost or those with a long length of stay
Section 18(3) of the Care Act 2014	<ul style="list-style-type: none">States that LAs will commission packages of care and support on behalf of self-fundersIt has already been implemented in domiciliary care and is now being implemented in care homes	<ul style="list-style-type: none">It will allow self-funders to pay the Fair Cost of CareIt will also give pricing power to self-funders, as placements can be commissioned en-bloc by the LARisk of downward pressure on AWFs paid by private payers
Fair Cost of Care	<ul style="list-style-type: none">Each LA in the country must carry out an exercise to work out the fair cost of delivering care	<ul style="list-style-type: none">Care costs will vary by region, given cost differences such as those in staff payIt is expected that this will create an upward pressure on LA fees

Despite more staff entering ASC at the start of the pandemic, following the opening back up of hospitality and tourism, the sector now has more vacancies than pre-COVID, worsened by the now-scrapped mandatory vaccination policy

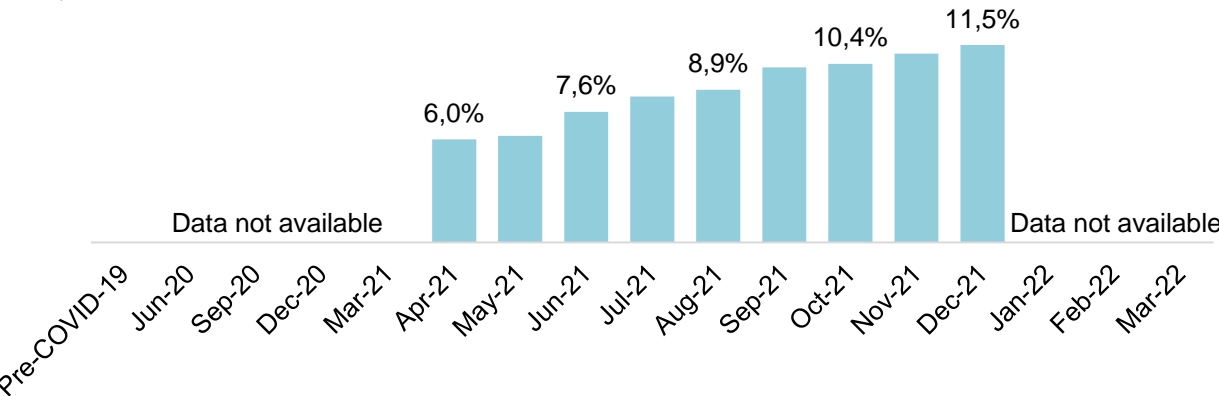
IMPACT OF THE PANDEMIC ON STAFFING LEVELS IN HEALTH AND SOCIAL CARE

DRAFT

ASC vacancy rate over time
Skills for Care



Vacancy rate over time in residential ASC
CQC



- Despite adult social care (ASC) services seeing lower occupancy levels as a result of the pandemic, there were more tasks associated with COVID-19, meaning employees needed to maintain similar staffing levels
- Staff turnover and vacancy rates fell during the start of the pandemic, partially due to fewer jobs being available in the wider economy during this period and some employees feeling the duty to stay with their employers and help the people they care for through the pandemic
- However, since April 2021 vacancy rates have been steadily rising again as the wider economy reopened. Vacancy rates have been back above their pre-pandemic levels since October 2021
- Whilst the CQC has not published a pre-COVID-19 vacancy rate, it states that rates are comparable to Skills for Care, if CQC data is analysed in the same way
- An increasing vacancy rate at the start of 2022 matches feedback from employers who advise that recruitment and retention has been especially problematic recently as other sectors such as hospitality and tourism have opened back up
- The mandatory vaccination policy for care home staff (introduced from 11th November 2021) will have also added to the sector's recruitment and retention issues. Though this policy ended on 15th March 2022, staff members have already been lost from the sector, and are unlikely to return

*Which came into force on 11th November 2021
Source: Skills for Care; CQC; Connell Consulting analysis, 2022

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