

‘We want CareChoice to become Ireland’s leading nursing home operator’

InfraVia Capital Partners partner **Bruno Candès** and CareChoice chairman **Jimmy Tolan** talk about the sector’s attractiveness, its challenges and what’s been achieved since the firm’s acquisition

Q Why did you choose to invest in nursing home infrastructure?

BC: We have done some research on the social infrastructure sector, and the nursing home sector in particular, over the past few years. Through this research, we have been able to form a conviction on a number of structural issues that the sector is facing.

The first, and most obvious one, is the ageing of the population in our advanced economies and the fact that the number of people over the age of 85 – which is very much the cohort of population that nursing home operators provide services to – is going, more or less, to double over the next 15 years.

The second one is that the expectations of residents, relatives and stakeholders at large, in terms of quality, will continue to increase, particularly in terms of dignity, independence, quality of life and interactions with staff. And the last one is the difficulty for local or central governments to directly deliver these services, which makes a strong case for the involvement of private operators.

At InfraVia, we looked at these attractive trends and formed the view that, combined with strong growth fundamentals and high barriers to entry, the sector could offer interesting infrastructure investment opportunities and that with the right platform and within the right regulatory and market environments, we could create long-term value for these assets.

Q Why did you settle on Ireland as your first destination in the sector?

BC: As with all our investments, it is essential



to focus and look at local regulations and market dynamics, and CareChoice is no exception to that. The first reason is that the Irish population is comparably younger than the European average and is now facing an unprecedented growth in its older age categories. These demographics result in a need to increase the capacity of

“In a highly fragmented market, where the top 10 players only account for less than 20 percent of the capacity, we will for sure continue to monitor acquisition opportunities”

Candès

the market by more than 30 percent over the next 10 years.

We also liked the regulatory environment, with nursing home services being predominantly funded by the central government through a fair and transparent scheme. The combination of this growing demand, a solid regulation and the country’s economic recovery made the prospect of investing in the sector quite interesting.

JT: In addition to what Bruno said, this was also the right moment in time. The Irish nursing home market is still very fragmented, and we believe that with the right capital, CareChoice has the opportunity to become the national leader in the market. And when I say leader, I mean not only in terms of size but also in terms of quality of care and innovation. In fact, we see a clear trend towards the emergence of national platforms that will have the capital and management resources to drive the ‘corporatisation’ of this market – a trend we have observed in the past in Australia and most of the European countries.

Q Do you feel healthcare is a particularly sensitive sector for an infrastructure investor? And what would you identify as its main challenges?

BC: We are analysing healthcare infrastructure investments with the same methodology we apply to any other infrastructure businesses. We ask ourselves the same questions: How strong is demand? Where are the cashflows coming from? How is the business regulated? What are the barriers to entry? And so on. We are also very disciplined, in that we want to invest in real assets, and as a result are shying away from the 'Assetco/OpcO' model, which we don't believe fits well within our portfolio. We actually want to own the entire business and have full control over how the assets can be expanded and adjusted to the actual operational and clinical needs.

And yes, we are very sensitive to reputational risk, which is probably 'risk zero' in healthcare and that is why we invest significantly in quality-of-care initiatives and processes to ensure our businesses are operating at the highest operating standards.

Q How do you plan to create value with CareChoice?

JT: First, we will expand our portfolio by either developing new homes, extending existing ones or by acquiring new ones through M&A. Our ambition is to treble the size of the business over a six- to eight-year period.

In parallel, and as we build scale, we need to develop that level of 'corporatisation' that I was referring to earlier. And that is the second step, which is to adapt CareChoice organisation and processes to a growing company. That means, for example, bringing new management on board, relocating the business in Dublin, digitalising our processes and continuously investing in quality-of-care initiatives. If we do that well, we will have built a leading Irish operator, one that can not only develop much-needed new capacity, but also lead a dialogue with all stakeholders and help reshape the market.

“Our ambition is to treble the size of the business over a six- to eight-year period”

Tolan

Q Where are you on this roadmap and what have you achieved since acquisition?

BC: Since we became shareholders one year ago, the results have already been positive. We have acquired two homes and launched the construction of a new one as well as rolling out an ambitious expansion plan across our existing portfolio.

We also transformed the CareChoice organisation and governance. As an example, the board has established a quality-of-care sub-committee with the support of leading external experts (geriatricians and healthcare experienced non-executive directors) and one industry veteran that also serves as non-executive director. We are also working hard to create a strong momentum with staff and to build a true 'one-brand, one-firm' approach.

JT: I can certainly echo the 'transformation' aspect with an additional emphasis on entrepreneurship and operational and margin improvements. We have also invested in digital tools. The transition to digital processes not only drives cost efficiencies, but also enables us to reduce response times, improve interactions with patients (think of medication traceability for example) and to collect very relevant

operational KPIs, which, in turn, feeds back to our approach to care delivery.

Q You mentioned you have done two M&As already. Any other plans?

BC: In a highly fragmented market, where the top 10 players only account for less than 20 percent of the capacity, we will for sure continue to monitor acquisition opportunities to further grow the business. So, the answer is yes.

Q Finally, what are your more long-term perspectives for CareChoice?

BC: In the mid term, we will continue to focus on this 'buy-and-build' strategy. After this period of consolidation, we will ask ourselves if it would create value to diversify on adjacent activities. For example, we could look into home-care activities, which would allow us to facilitate the continuum of care between home and nursing homes. We could also look into functional rehabilitation clinics for patients requiring medical follow-up and rehabilitation care following surgery, or as part of an acute episode of a chronic disease.

JT: We will aim to maintain CareChoice as a pioneer and innovator in its fields, in particular by benchmarking our business against global trends and by constantly monitoring innovative approaches to care delivery. CareChoice wants to give itself the means to offer solutions that are always better adapted to the needs of residents, but also to the expectations of its employees, which is probably the biggest challenge we are facing today. Again, in the long-run, we want to contribute to the transformation of this market and establish CareChoice as the leading Irish operator, against which all other national players are benchmarked. ■

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