

Engaging with buyers:

a practical guide on how to engage with buyers and maximise your chance of a sale.



By Alison Willoughby, specialist business appraiser, DC Care specialist healthcare business agents.

First of all, you need a good team around you – an agent who understands the care home business, an accountant and a lawyer with solid healthcare experience who really knows the market. Selling a care home is all about taking an honest look at your business, acknowledging both the strengths and weaknesses and being able to demonstrate performance. Know your business and be prepared to sell. You also need to be realistic about value.

Potential buyers are going to be looking for extensive financial information. This will include recent accounts for the business, but as formal accounts are often considerably out of date, you are likely to need up-to-date management accounts as well. Buyers will want to see what your costs are, especially staffing, and will also want to see what the fee profile is. If your buyers are borrowing money from a bank, then the bank will want this information as well, repeatedly throughout the sale process. Ideally you will have all the information needed to hand and have taken any necessary steps to improve the home before it goes on the market – but you can't stop there. Selling can be a long process, taking some months, and you may need to prepare more accounts and deal with more challenges while a sale is being negotiated.

Staffing information is vital. Your buyer will want to know how much you are spending on permanent and temporary staff, whether this aligns with your plans or is unpredictable, and whether you have a registered manager in place.

I would always recommend honesty. Your business may have had challenges in the past, but it is important not to hide those: instead concentrate on showing how they have been overcome. These might include adverse Care Quality Commission reports or poor occupancy rates. Your buyer will find out much of this information as part of a due diligence process anyhow, but it would foster a more positive relationship with the purchaser if you are upfront about them.

Any potential buyer is going to want to see the business for themselves. Appearances matter; ask yourself whether this is an environment where you would be happy to live. Are the furnishings in good condition and well maintained? Are all areas clean and tidy? Is the garden well kept? Does the home smell fresh with no unpleasant odours? Just as a house for sale has “kerb appeal” so a care home can appear appealing to a buyer because it is well looked after and the residents are enjoying their time there. While there are some things about a home which are hard to change, often a small investment in improving the environment will be worthwhile. Even little features such as light fittings and whether they are energy efficient can make a difference.

This can be an unsettling time for staff, residents and their families if they know the business is on the market and many owners will try to keep this quiet until the deal is certain. One of the challenges of our role is that we need to keep sales confidential for as long as possible. We are always mindful of our obligations to clients to safeguard this confidentiality.

The good news is that the market is not entirely flat, despite the obvious challenges some care homes are facing. An ageing population means demand for care home places is likely to increase. I am seeing more first-time buyers coming into the market and a greater willingness among banks to loan money for purchases. Buyers need to understand the difficult job their staff will be doing – I've even turned some buyers away because they don't appreciate this.

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The legal perspective by Faisal Dhalla, Hempsons partner

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I would echo everything Alison has said – and add that buying and selling a care home is a big-time commitment and one which many people will be doing on top of their day job!

Due diligence, in particular, can be a painstaking process and any seller should be prepared to answer lots of questions. If there are any skeletons in the closet, be upfront about them from day one. Make sure you are thorough in your responses and that you are organised with all your supporting documents.

There are some key legal areas which you will need to think about when selling. One of these is what is being sold – is it the company which owns the home or is it the home itself? Getting the structure right from the outset will allow you to be tax efficient. Experienced lawyers and accountants can help you get this right at the start – so as to avoid any pitfalls further down the line. Other areas to think about include: changes to CQC registration which may be required, staff consultations and TUPE, novation of commercial contracts and change of control clauses in your local authority/CCG contracts.

Faisal Dhalla specialises in the sale and purchase of health and social care businesses, including care homes and nursing homes. He acts for a variety of buyers and sellers and is experienced in all aspects of the buying and selling process (including banking and finance law and regulatory compliance).

