

PRESS RELEASE

Global Pension Funds Eye Local Nursing Home Chains

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THE AUSTRALIAN

PUBLISHED: OCTOBER 02, 2013

EVIDENCE is emerging that global institutions are starting to circle the nation's \$11.5 billion aged-care sector, with suggestions Canadian pension funds including Alberta Investment Management are among three groups in talks to buy Macquarie Group's stake in the \$550 million Regis business – the industry's second-largest player.

As well as the \$69bn AIM, one of Canada's largest institutional investment fund managers, Borealis, also of Canada, could be a suitor too, sources said.

Regis has 48 nursing homes across Australia, according to its website, with 4700 beds, and Macquarie Group's 44 per cent share of the business has been up for sale this year through investment bank Greenhill. The entire business, including debt, is believed to be worth about \$550m, while Macquarie could reap about \$150m for its equity stake.

The company is the second-largest private aged-care provider behind British-controlled Bupa, which acquired Innovative Care last December to lift its empire to about 5600 beds.

Institutions are becoming increasingly focused on the sector in the hope that the Abbott government will relax industry regulation and make investment in the sector more attractive.

Archer Capital has been in talks to buy Stockland's six nursing homes, which have 400 beds across four sites, after making unsuccessful attempts to acquire Abano Healthcare Group in New Zealand.

Archer bought Lend Lease's aged-care business for \$270m in February and renamed it Allity.

It is believed a sticking point for Archer with respect to the Stockland deal could be that it wants to secure the underlying properties of the Stockland aged-care assets, as well as the operating businesses, but the listed developer may not part with the real estate.

Quadrant private equity is on the brink of buying aged-care operator Estia Health for about \$175m, sources confirmed yesterday, and last month GK Goh Holdings purchased almost half of Domain Principal Group for \$136.7m from AMP Capital – a business Borealis also pursued.

Figures from IBISWorld show the aged-care industry has had 5.5 per cent growth each year since 2008, and forecasts are for growth of 4.7 per cent annually in the next five years.

The top five providers have a combined market share of 15 per cent of Australia's 182,000 odd beds and are likely to dominate in coming years.

"The pools of capital for aged care are deepening substantially," an industry source said yesterday.

There would likely be more opportunities to buy aged-care properties from not-for-profit groups, with regulatory changes potentially causing the groups to leave the sector.

Bupa, which purchased Innovative Care for \$220m, would probably be among buyers, along with Japara, which has been raising capital to expand its business.

Meanwhile, bids for Archer's Cura Day Hospitals Group closed yesterday. Sources said private equity firm Warburg Pincus, which manages \$35bn worth of assets internationally, could be a bidder, as could Quadrant Private Equity, which this year successfully listed Virtus Health on the Australian Securities Exchange.

It is understood that Archer is asking about \$165m for the business, which is being sold through Oaktower in Sydney.

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