

FINANCIAL REVIEW

SE Market Wrap - Street Talk

HD Archer's Allity leads race for Croft portfolio

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LP Private equity-backed aged care operator Allity is working on a deal that would significantly boost its footprint and underpin a compelling growth story when it comes to pitching the **company** to a new owner or an initial public offering.

As revealed by Street Talk on Monday, Allity, which is controlled by private equity **firm** Archer Capital, is in talks with Victorian-based aged care operator Innovative Care about purchasing its pipeline of more than 1000 beds. The mooted **sale** price is said to be \$275,000 per bed, valuing the **company** at more than \$300 million.

TD It's a big price.

Sources said similar deals were being done at closer to the \$180,000-a-bed mark.

A measure in the recent federal budget put restrictions on the ability of operators to claim higher levels of government funding for caring for residents with more complex needs or more acute health problems, potentially crimping profit margins of **residential** care owners.

Bupa, which is best known as a health insurer but is also the country's largest aged care provider, acquired the operations and real **estate** of Innovative Care's 10 aged care facilities across NSW, Victoria and Queensland in 2012 from Victoria's Croft family.

Since then, Graeme Croft, who remains the chief executive and chairman of the business, has been developing homes on a turn-key basis for Bupa and has delivered another six homes for the healthcare giant.

Now Allity is in pole position in the race to acquire Croft's second pipeline of about 1300 beds.

While Street Talk understands Bupa, ASX-listed Estia Health and other private equity firms have also held negotiations with Croft over the proposed assets, Allity is said to be the closest to inking a deal. As an aside, Allity may have got in the door with the Crofts through its chief operating officer Glen Hurley, who was previously employed at Bupa Aged Care.

The deal is structured in a way that outsources construction and project risk to Croft, which is possibly why it is more expensive on a per-bed basis. But the upside is that Allity can point to new beds coming down the growth pipeline.

Croft runs Innovative Care with his children, Amal, who is a lawyer, and Ramsay, who is a builder. Ramsay Croft leads the family's **property** development arm, Croft Developments, which develops its aged care facilities.

The talks comes as Archer Capital has, thus far, resisted pitches from numerous investment banks who are willing to underwrite an initial public offering or **sale** for Allity.

Archer doesn't need the banks to know how much demand there is for health sector assets, particularly from offshore. It **sold** private hospital operator Healthe Care to **China's Luye Group** earlier this year, in one of the **firm's** best deals in recent years.

CO grtsam : Archer Capital

IN i8150203 : Private Equity | i81502 : Trusts/Funds/Financial Vehicles | ialtin : Alternative Investments | ifinal : Financial Services | iinv : Investing/Securities

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