



Senior Baltic

Development of assisted living facilities (ALF) and nursing homes (NH) in 6 locations in Baltic countries

Project overview

- A team of experts in elderly care is contemplating **a development of long-term care facilities in Central and Eastern Europe.**
- The project will be developed in 3 phases and **the first phase is going to be a development of Nursing Homes and Assisted Living Facilities in the Baltics.**
- Assisted Living Facilities in Riga and Tallinn are ready to be developed in the upcoming months.



The team working on the project are **experts in development of elderly care facilities** in Europe. The team has successfully developed and sold several elderly care projects in Russia, France, the Baltics.



The project will take advantage of **the growth of age group “65+”** which is projected to grow rapidly over the next few decades. There already is a huge excess demand for social care services in the Baltic states.



The project will address the lack of modernization of the existing residences and facilities that currently operate in the Baltic. **Quality of vast majority of long-term care facilities in the Baltic is below par.**



The project has **an important social cause** – improve the quality of life for local people. The elderly will be able to live safe, comfortable and interesting life with access to medical services in one place.



The project not only addresses an important socioeconomic challenges, it also **offers solid financial returns** to the its financial investors. Equity investors can expect an IRR of more than 20%.

The team is currently raising equity capital for development of Assisted Living Facilities near Riga, Tallinn and Vilnius

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Market opportunity

Summary

- Senior Baltic team wants to take advantage of two key developments in the Baltic long-term care (LTC) market: **(a)** meet the demand created by the rapidly expanding population that is over 65 years old and **(b)** address the lack of modernization in the existing residences.
- In 2013 there were 36,856 long-term beds in the Baltic market.
- At present there is **excess demand for social care services** and clients wait in queues for LTC institutions on average 0.5 - 2 months in Estonia and even up to 30 months in Latvia.

Key figures

0.21%

Baltic population between **age 65 and above** is projected to grow with CAGR of 0.65% till 2050, while the other age groups will decrease with a rate of almost -1% per year.

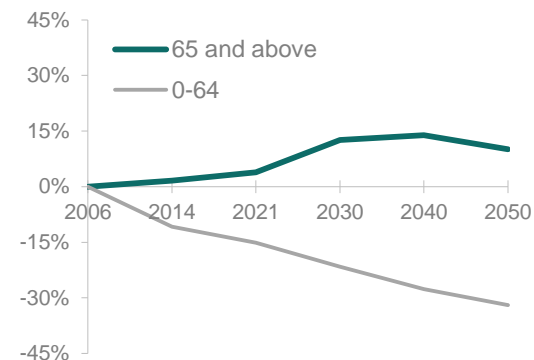
1,200

In order to keep up with the growing number of the elderly, **the number of long-term care beds in the Baltics must increase** at least by 1,200 beds every year till Year 2030.

Age group of “65+” is the only one projected to grow

Growth in the Baltic population based on two age groups (growth relative to base year = 2006)

- Senior Group is going to develop the project in Baltic States – a region in which the number of people of age between **0-64 is expected to drop by 20% by 2030.**
- Meanwhile, the number of people representing age group **“65+” will continue to grow.**

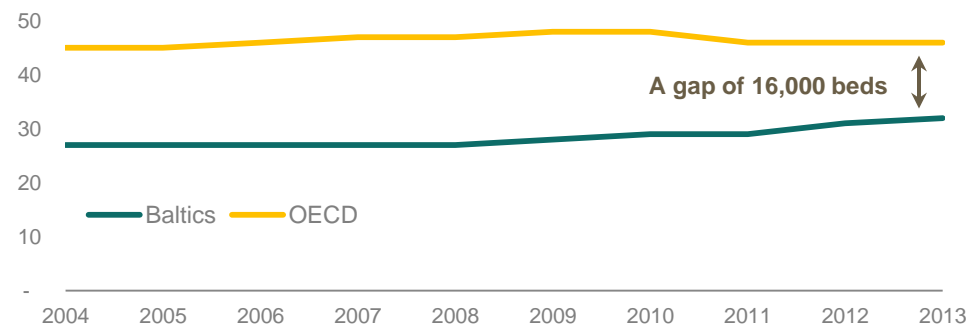


Source: The World Bank Group



LTC needs significant improvements in the Baltic

Beds per 1,000 population aged 65 years old and older in residential long-term care facilities



Source: OECD

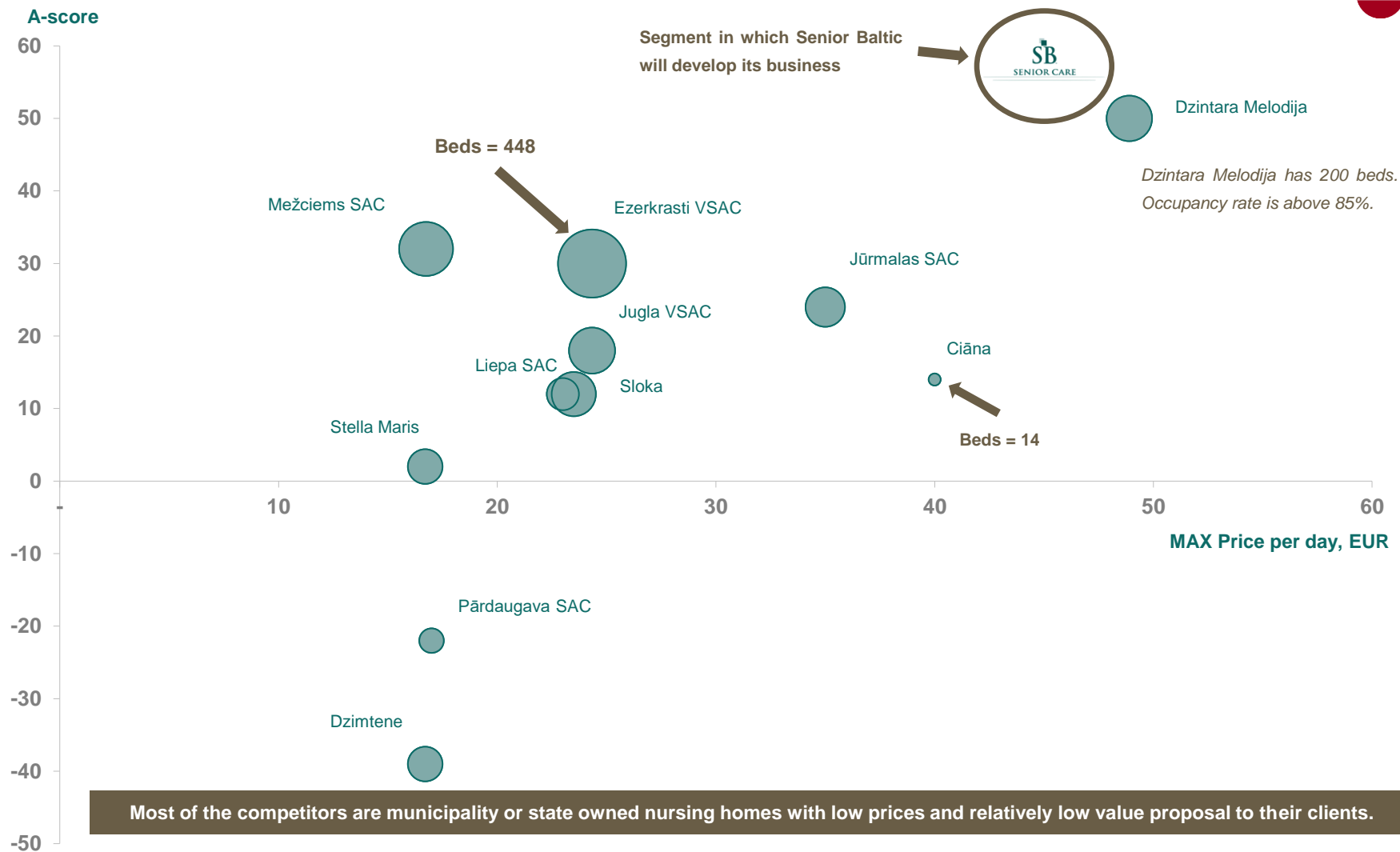


Project's competition and positioning in Estonia

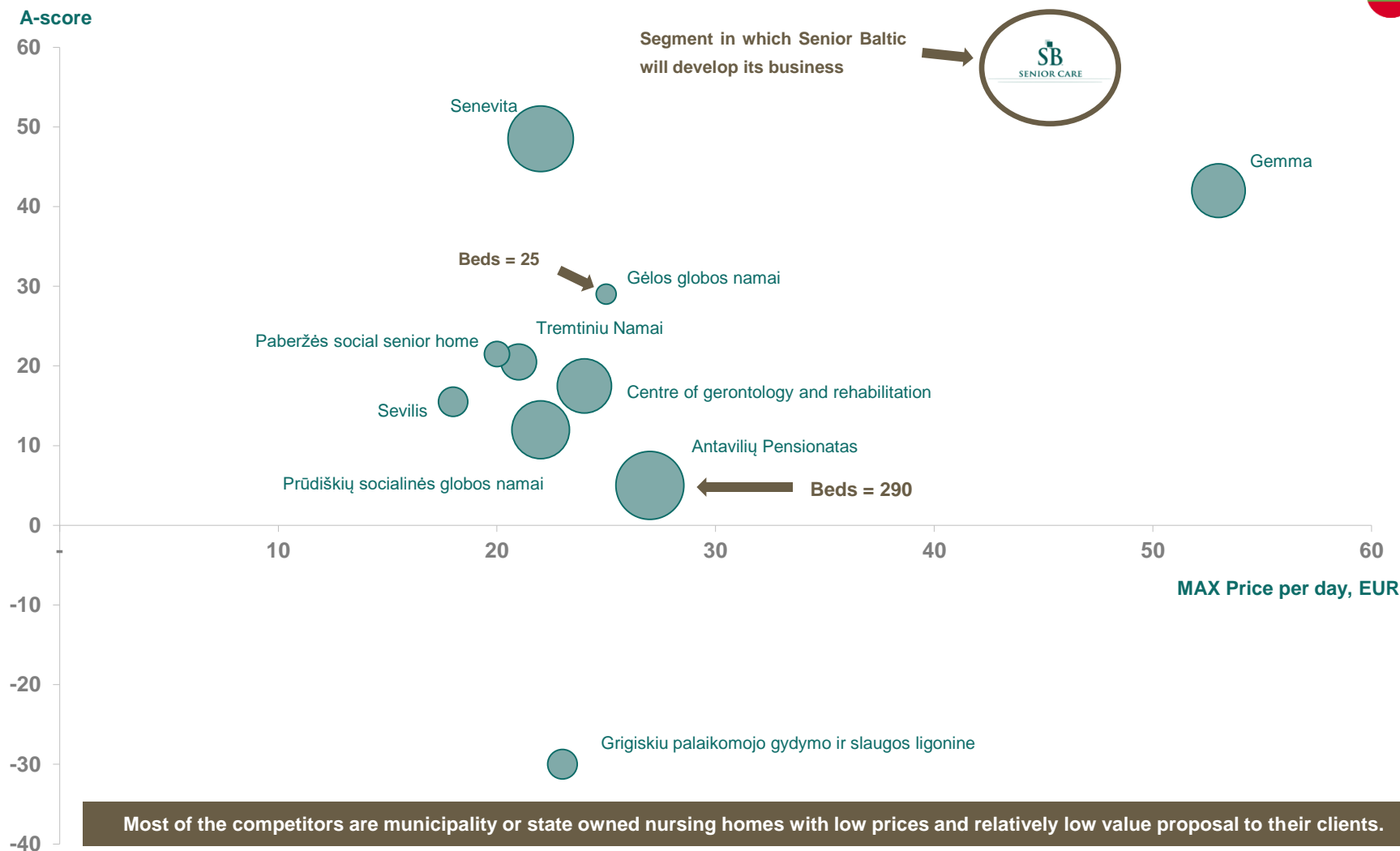
High A-score means that a certain facility is top-quality and with good value proposal to its residents.*



Project's competition and positioning in Latvia



Project's competition and positioning in Lithuania

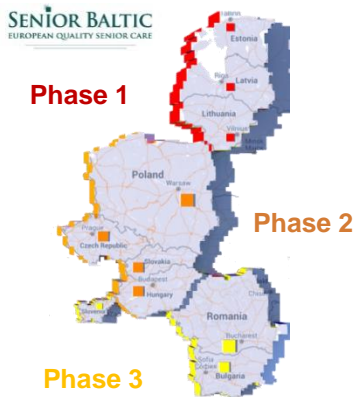


Overview of Senior Baltic

Project with international ambition



- Project team has made an extensive market research and **laid the ground work for development of an operator** of nursing homes (NH) and assisted living facilities (ALF) for the elderly in Eastern Europe.
- In the region, **the number of the elderly is on the rise**, however, the infrastructure for elderly care is immature.
- Group's research reveals **significant market opportunities especially in the assisted living** niche which is severely underdeveloped.
- The scope of the operator covers 10 countries which will be entered in 3 phases. **Phase 1 (Latvia, Estonia and Lithuania)** in this document is referred as "the Project".



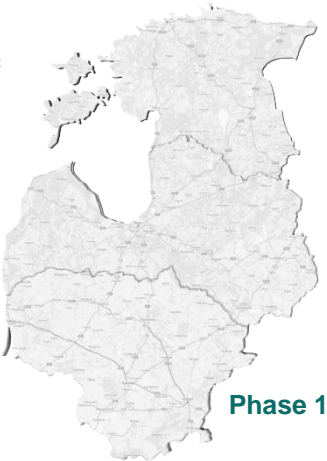
Key figures of the Project



- The Project will create 6 senior campuses with **412 nursing beds/living units** in Estonia, Latvia, Lithuania by 2020.
- Investment size of the Project is approximately **EUR 32 million**.
- The investment will be allocated for development of 180 nursing beds (NH) and 232 assisted living units (ALF) in areas close to Riga, Vilnius and Tallinn.
- The team is also considering an acquisition of Dzintara Melodija, a nursing home in Riga with a capacity of 200 beds. Approximately **EUR 8 – 11 million of additional funds** should be allocated for the transaction.

In total, the project will consist of 612 NH beds and ALF units. NHs and ALFs will be grouped in 6 Senior Campuses in 3 Baltic countries.

	<u>Capacity*</u>	<u>Campuses</u>
	110	2
	342**	2
	160	2

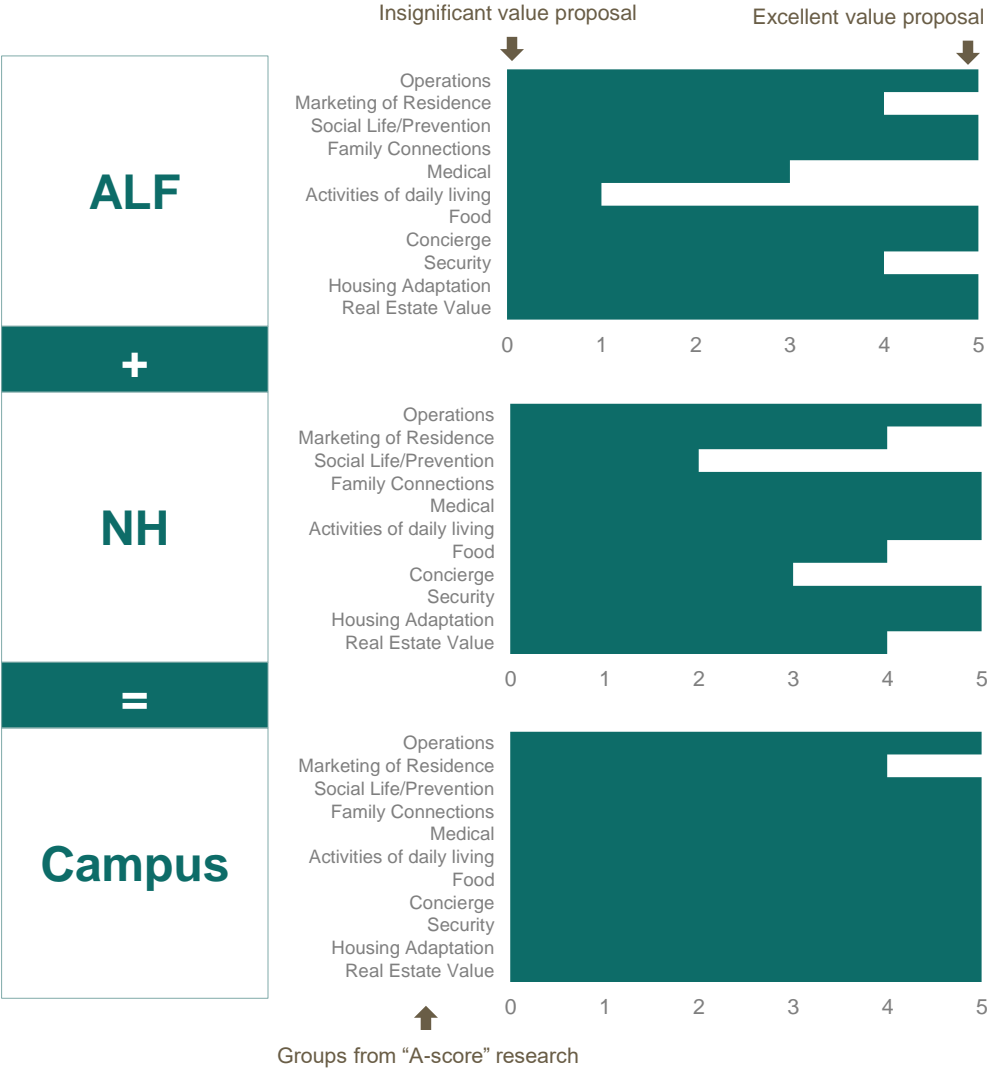


*How many people can be accommodated
 **Includes also Dzintara Melodija (200 beds)







Senior Campuses

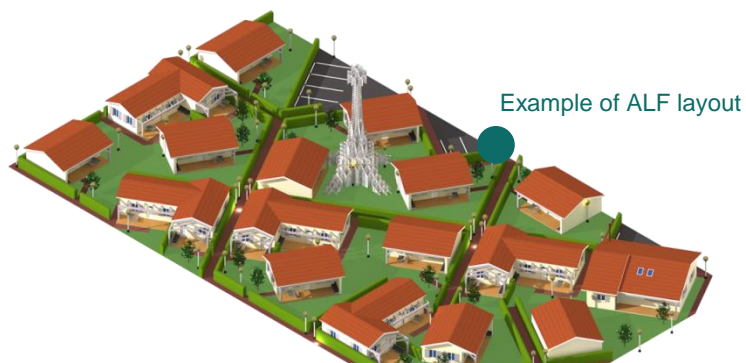
Overview

- Every person in need of care requires an individualized service/care plan tailored to his or her personal and medical needs and level of independence. **Senior Baltic campuses will consist of assisted living facilities (ALF) and nursing home (NH) clusters**, hence, the campus will be able to provide tailor-made services for any needs that the client might have.
- Senior campuses will provide all levels of care, from independent living and assisted living to long- or short-term skilled nursing care facilities.
- Care services will be available in one place called “campus”. The campus – a combination of ALF and NH clusters, **grouped in one geographical location and managed by one team**.
- Every Senior Group Campus will offer onsite services to **help patients and residents remain at their highest level of independence**.



Senior Campuses

Campus	Country	ALF clusters	ALF units	NH clusters	NH beds
Riga-Jugla		2	40	1	30
Riga-Jurmala		3	72	Dzintara Melodija	
Tallinn-Ulemiste		1	20	1	20
Tallinn-Viimsi		2	40	1	30
Vilnius-Airport		1	20	1	70
Vilnius-Klevine		2	40	1	30



Brief comparison of ALF and NH



	Assisted living facility	Nursing home
Medical care	Minor supervision	Extensive care
Privacy	Private apartments	Usually shared rooms
Independence	More independence	Less independence

Safe, comfortable and interesting life with access to medical services in one place – the Senior Baltic campus

Dzintara Melodija (DM)

Dzintara Melodija is a nursing home with 202 beds located in Riga, Latvia. It was opened in May 2013. It is the first purpose-built residence since Soviet times and it offers high quality senior care services.

Key figures



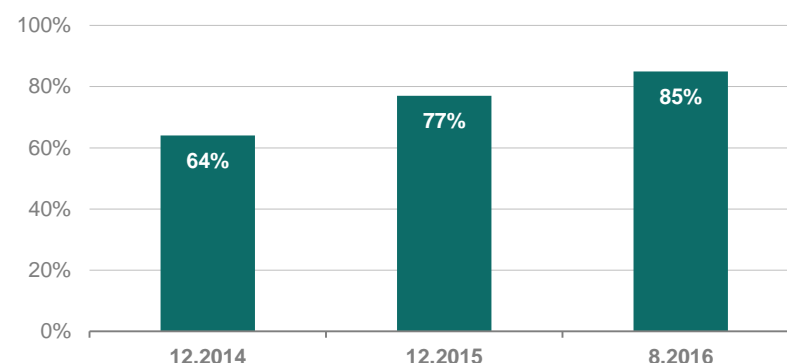
5,940 m²	Total area of the residence (area on 4 floors)
202	Capacity (number of beds)
90 & 56	Number of single rooms & double rooms
29 m²	Square meters per bed

DM – a potential acquisition target



- Current owner of Dzintara Melodija is Batipart Invest Group (via Monroe Invest S.A), a key shareholder of the Korian group, the leader in Europe in the elderly care services.
- Korian is based in France, Germany and Italy with 57,000 beds in over 600 facilities and revenue over EUR 2.5 billion.
- Owners of Dzintara Melodija are open for negotiations about sales terms. The owners have already sent indicative term sheet to the Senior Baltic team.

Occupancy



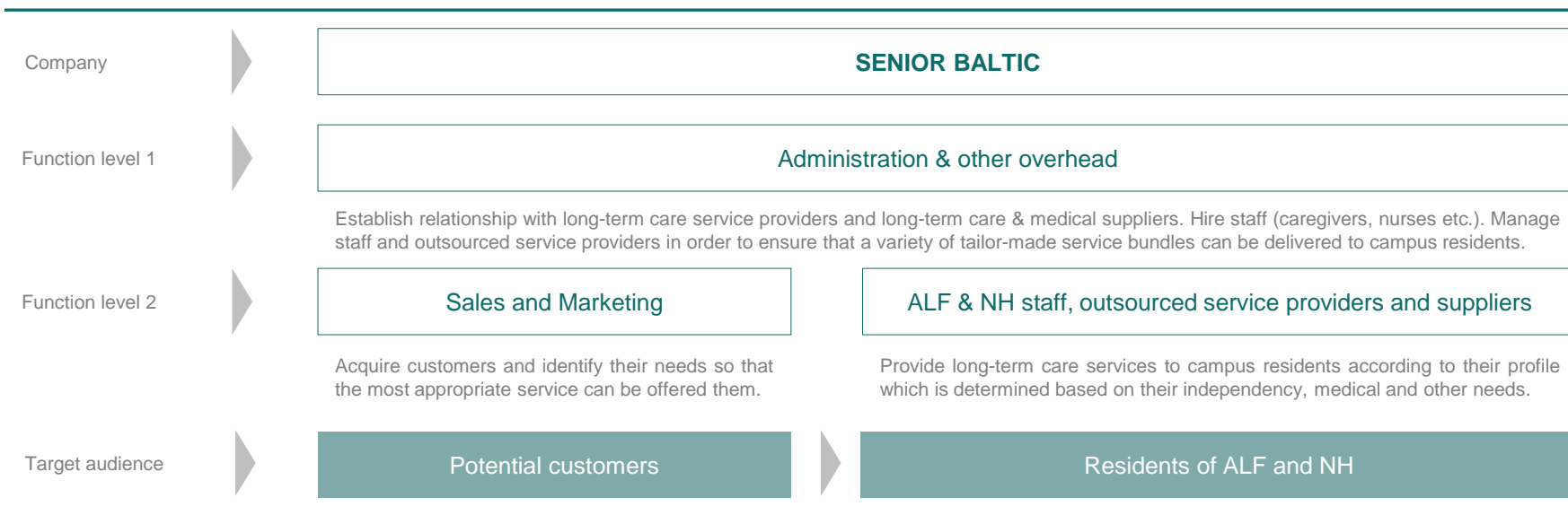
Key financials



	2014	2015	2016f
Revenue, th EUR	1,197	1,490	1,860
EBITDA, th EUR	-491	81	400

According to Batipart Invest estimate, Dzintara Melodija can generate up to EUR 900,000 of EBITDA when it operates at full occupancy (annual average occupancy of 95%).

Business model



Cost drivers

Staff in assisted living facilities and nursing homes

Food

Medicaments and similar supplies

Facility and equipment maintenance

Facility running costs, e.g. utilities

Costs

Revenue



	EUR per day
ALF residents make rent payments	27
ALF residents make payments for concierge services based on their need profile	7 – 30
NH residents make payments for NH services	39

Milestones of the project

Overview

Project team has made a significant effort in order to understand the market opportunity in the Baltics and find the best way how to solve the problems that exist in the long-term care market.



The team has carried out an extensive market study



There is support from local communities and municipalities



Sales channels indicate that the demand is significant

Sales channels are being developed

1

- A strong and **cost-efficient sales and marketing channel** is being developed – a network of prescribers. Interviewing of doctors is an important mechanism of creating the prescribers networks in Latvia, Lithuania, Estonia.
- First visits and data collection already has been finalized. Initial feedback confirms **strong demand for Senior Baltic services**.

Local support has been obtained

3

- The team has obtained **sufficient community and regional support for the development of the project**.
- Memorandum of understanding signed with Municipality of Viimsi (place the first campus will be developed) and with Municipality of Babite (for Saliena development).
- The letter of support received from Riga municipality. In the letter, the municipality agrees to reimburse up to 250 euros per 1 bed for every resident that will live in Senior Baltic Riga campuses.
- A letter of support has been received from Vilnius Social Affair and Health Department.







Excellent understanding of the marketplace

3

- The team has visited all long-term care facilities that are 30-40 km away from Riga, Tallinn or Vilnius. **In total 34 facilities have been visited.**
- The facilities were evaluated based on a tailor-made methodology. The methodology helped to rate (“A-score”) Baltic long-term care facilities and find market gap. The team has excellent understanding of the completion and current value proposal.
- Demand study in the Baltics has also been carried out. Based on this market study the team has identified its **target client - upper middle class**.

Project’s team has laid the groundwork for successful development and launch of operations at the end of 2017

Project team

		Position and location	Senior care experience	Area of responsibility
Marc Saillon		DG group Almage, Paris	Founder of the Senior Group Russia. Together with Nicolai created and sold it. Supervises family network of nursing homes in France and Belgium for 1000 beds.	Strategic expertise
Nicolai Kobliakov		PDG Senior Group, Paris	Founder of the Senior Group Russia, of Senior Baltic, of Senior Cottage.	General Management
Vladimir Pertsov		COO Senior Group, Moscow	Acting COO of the Senior Group Russia which is currently the largest network in Russia. Since November has moved to Riga.	Finances, start of operation
Diana Gzhibovska		Representative of Senior Group in Baltics, Riga	Acting Senior Group employee	Operational, Marketing and Financial questions in Latvia
Aurimas Maldunas		Rep of Senior Group in Lithuania, Vilnius	Owner of RealGame, Real estate specialist of very high level, based in Lithuania.	Operational, Marketing and Financial questions in Lithuania
Leonid Feoktistov		Management expert, Lybliana	A graduate of LSE, has worked in a number of management positions in the telecommunications industry in Russia and in the United States.	Operational, Marketing and Financial questions in Estonia

Highlights of team's track record

Senior Group Russia - www.seniorgroup.ru

Development

Development of Senior Group Russia was started in 2007. First facility was opened in 2008.

Outcome

At the moment of Exit there were 5 working facilities with 100 beds plus homecare operation department. The occupancy rate was close to 95%.

Exit: Sold in 2011 to Group of private investors for 700 000 EUR

Dzintara Melodija – www.seniorbaltic.lv

Development

Development of Dzintara Melodija, a conventional nursing home, was started in 2011. The facility was opened in 2013.

Outcome

Current occupancy rate is around 85% (160 of 200 beds filled)

Nicolai and the team started with 100% ownership. At the moment of exit the team had 4% of shares outstanding and Batipart, a private equity and venture capital firm, had the rest 96%.

Exit: Sold at 2014 to Batipart for 120 000 EUR

Senior Cottage - www.senior-cottage.fr

Development

Development of Senior Cottage was started in 2013. First facility was opened in 2013.

Outcome

Currently there are 3 functioning facilities in France

Nicolai and the team still hold 20% of shares. Group Almage have 40%

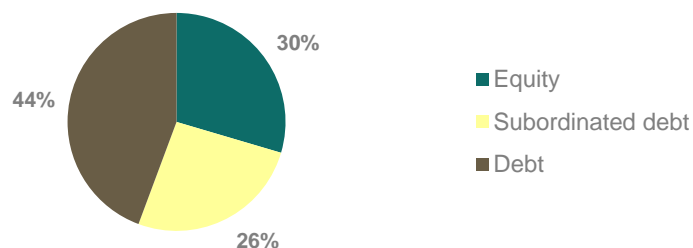
Investment structure

Financing needs



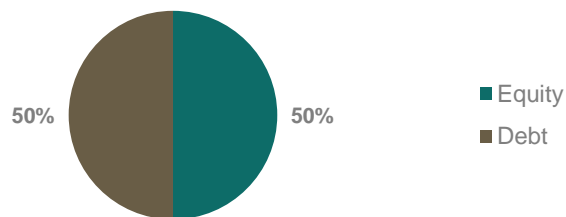
Project part: new development

Total investment size: EUR 32 million

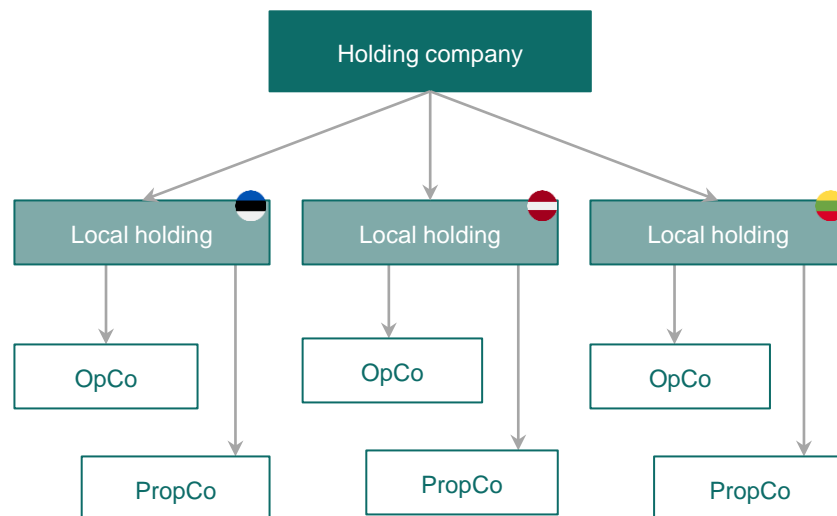


Project part: acquisition of Dzintara Melodija

Total investment size: EUR 8 – 11 million



Proposed legal structure



- Investors can invest (debt, equity) in any of the companies depending on their risk profile, for example, an investor can choose to invest only in Local holding (Estonia) or any of the OpCo.
- PropCo is a company on which balance sheet the real estate developed during the project will be held
- OpCo is a separate company from PropCo, because the intent is that customers receive one invoice for all the services including rent.

Legal structure of the project is to be determined. Investor preferences will be taken into account before developing the final structure.

Income statement

Income statement (in EUR)	2017	2018	2019	2020	2021	2022
Revenue	2 269 000	3 443 619	6 192 430	9 160 576	9 820 596	10 137 851
Rent from ALF	-	656 112	1 831 774	2 515 666	2 667 995	2 766 003
Concierge services	-	364 507	1 017 652	1 397 592	1 482 219	1 536 668
Revenue from NH	-	-	818 004	2 671 319	3 043 382	3 155 180
DM revenue	2 269 000	2 423 000	2 525 000	2 576 000	2 627 000	2 680 000
COGS*	-	341 643	1 377 211	2 659 499	2 890 005	2 958 946
Gross profit	2 269 000	3 101 976	4 815 219	6 501 077	6 930 592	7 178 905
Sales & Marketing	-16 201	-110 573	-214 442	-258 768	-154 514	-156 779
Administration	-977 914	-987 617	-504 795	-514 891	-525 189	-535 693
Depreciation	-879 850	-1 500 727	-1 968 800	-1 968 800	-1 968 800	-1 968 800
DM costs*	-1 542 920	-1 574 950	-1 641 250	-1 674 400	-1 707 550	-1 742 000
Real estate tax	-10 328	-60 053	-133 110	-189 720	-189 720	-189 720
EBITDA	-278 361	368 783	2 321 623	3 863 298	4 353 619	4 554 714

*COGS figure does not contain Dznitara Melodija COGS. All expenses related to Dzintara Melocija operations are included in cost item "DM costs"

Key financials

Project IRR – 16%

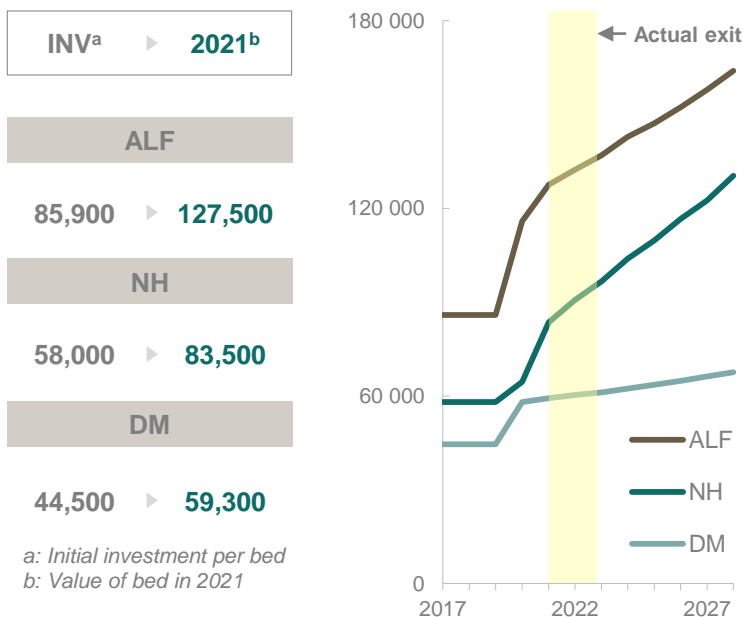
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- Project's overall IRR is 16%. With the right financing structure, **equity investors can achieve equity IRR above 20%** for an investment period of 5 to 6 years.
- Team has the necessary experience to successfully develop the project, prepare it for exit and realize financial gains.

Value of one bed (in EUR)

2

Value based on different exit years with EV/EBITDA multiple = 12



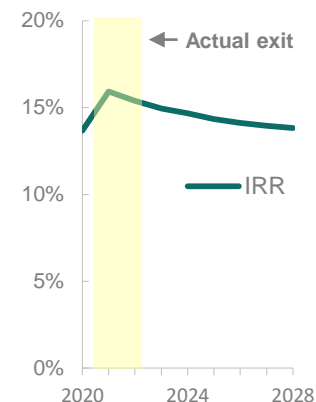
a: Initial investment per bed
b: Value of bed in 2021

Investment breakdown and project IRR

3

	EUR	& of total
Working capital	1 414 600	3%
Land	3 750 000	9%
Construction	18 850 000	46%
Equipment	7 776 000	19%
DM	9 000 000*	22%
TOTAL	40 790 600	100%

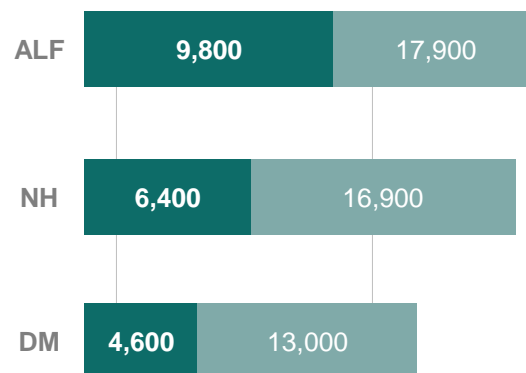
*Indicative transaction value which is not binding



Revenue and EBITDA per bed in 2021 (in EUR)

4

Figures are for financial year 2021 (exit year with highest project IRR)



Appendix

A-score

1

- Project team conducted a market research in which it assessed (questionnaires, interviews and secondary data) different competitors based on a variety of values. The sum of those values are represented by “A-score”. High A-score means that a certain facility is top-quality with good value proposal to its residents.
- More than 140 questions were asked in the questionnaire. The values were aggregated in several groups listed in the table below:

1	Real Estate Value
2	Housing Adaptation
3	Security
4	Concierge
5	Food
6	Activities of daily living
7	Medical
8	Family Connections
9	Social Life/Prevention
10	Marketing of Residence
11	Operations
12	Pricing

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