

Comments on Update Paper – Pinders

Dear Sirs

I have read with great interest your Update Paper in relation to the UK Care Home sector.

Pinders is a leading firm of specialist business appraisers and valuers and we carry out hundreds of detailed assessments of care home businesses each year. In total, we have produced more than 40,000 reports over the past thirty years.

I have particularly noted your comments regarding the operating profits being achieved by care home businesses under paragraphs 8.12 - 8.16 of the Update Report. Whilst your conclusion that there is a wide difference in profitability between homes with differing client profiles, I would question the view that "*the average levels of profitability in the sector are not particularly high*".

In our experience, many homes are achieving very strong, and improving, margins, particularly in comparison to other business sectors and investment opportunities. It is for this reason that the appetite to acquire (good quality) homes remains healthy. Whilst margins are certainly lower for homes relying principally upon publicly funded clients, these are rarely below 20% and still deemed viable by potential market investors.

I note that you have based your findings in this regard upon audited accounting information and I would be interested to know what level of reconstitution has been carried out to arrive at the relevant earnings figure (EBITDAR - earnings before interest payments, taxation, depreciation, amortisation and rental payments)? Whilst it is, of course, highly relevant to consider the viability of care homes, it is wrong to paint the sector as being in financial crisis, when many are enjoying excellent trading performance.

If we can be of any assistance with this aspect, or any others within your ongoing study, I would be pleased to discuss this with you.

Kind regards

Jon Chapman
Director
Pinders