



## **Exit Report**

### **1. Deal Origination and Rationale**

Ironbridge's knowledge of healthcare had kept us abreast of the aged care market. Major attractions were strong growth backed by demographic trends and a fragmented market ripe for consolidation. In particular we were looking for an asset that had quality care sites (funded by government subsidies) and an associated land bank that could be developed through the construction of independent living units whose re-sales create a long term annuity.

In 2004 we initiated a widespread industry search and cold calling program which led us to a number of opportunities. We were under bidder on some before identifying Qualcare. Over the next year we built a strong relationship with the founder and CEO, Greg Tomlinson, concluding with the proprietary acquisition in December 2005.

### **2. Business and Deal Metrics**

Qualcare had huge potential with quality sites and spare land but the assets were disparate with no central management.

We acquired Qualcare for NZ\$112m Ironbridge took 62% of the equity.

Further acquisitions, equity guarantees to fund unit development and deal fees took the eventual EV to NZ\$158m.

### **3. Ironbridge Value Add**

Ironbridge had a clear strategy to add value by acquisitions, corporatising the assets, improving focus on operational performance and proving up the value of the land bank.

Initially we recruited a new management team, integrated the sites and established an operating system to generate proper management information. As a result, care occupancy increased from 90% to 96% over the term of the investment.

In tandem, we focused on creating value in the land bank by master planning each site to maximise site density. This identified 800 units in excess of our original plan of 500 units. We started the development of 5 high value sites, completing them (on time and budget) by February 2008 with the units in 3 sites sold at better margins than forecast.

We also made a number of acquisitions, increasing the size of the business from 16 sites, 476 units and 973 beds to 23 sites, 562 units and 1365 beds.

Our efforts grew EBITDA from NZ\$9.7m in FY06 to NZ\$27.7m in FY08, of which only NZ\$2.8m came from acquisitions.

### **4. Investment Outcome**

As awareness of the sector's strong growth and stable cash flows grew, multiples increased so that further acquisitions were difficult. We had also received a number of unsolicited approaches to sell Qualcare. We decided to run a limited process which resulted in an offer from RCNZ, a Macquarie affiliate, which fully valued all components of the business, including the land bank.

### **5. Proceeds and Value Creation**

The sale of Qualcare completed in February 2008. Ironbridge realized an IRR of 98% and a 4.4x money multiple from the deal of which almost all was generated by the substantial profit growth that Ironbridge created.