

# WHEN THE PRICE IS RIGHT

Completing an investment in a health sector business during lockdown is no mean feat. Jason Sinclair looks at how WestBridge Capital – advised by KPMG – persevered through hard times to back the Bespoke Health & Social Care management buy-out, completed in June this year

As UK lockdown hit in March, Paul Sais, CEO of Bespoke Health & Social Care, had his hands full. He was supporting the NHS in freeing up hospital beds as patients with acute needs, but not affected by COVID-19, were discharged for home care. Nottingham-based Bespoke provides complex care to spinal, neurological and other patients who often require round-the-clock assistance.

At the same time, Sais was busy putting the final touches to a management buy-out (MBO), as private equity house WestBridge Capital was about to invest £9.6m to support the business's future development.

The MBO completed in late June, and it shows that while lockdown changed the M&A perspectives, the process was intact.

Khush Purewal, KPMG's head of corporate finance for the Midlands, marketed the sale: "In common with a lot of transactions over the last 12 months, we've had lots of dislocating issues – Brexit and its predicted impacts, the autumn Budget, the election, the expected change in capital gains tax – all of which meant changes in the deal timetable. After Sais

got comfortable with what the tax changes meant for him, at that point the country was locking down."

## VIRTUAL CHALLENGE

As the UK went into lockdown, there were more challenges. Purewal explains: "The main reason the deal became harder was not that we couldn't see each other face to face – most of the work was done by email, or we could review and share documents with various apps." The bigger issue was feeling comfortable with trading prospects. "At the front end of lockdown, nobody knew what lockdown really was.

"How do you define what's normal now, let alone on the other side of this? You need a micro-perspective on the business, macro on the economy and then structural. What's happening with healthcare? Are private operators going to have to absorb public sector demand? Are we seeing a push of people out of hospitals into social care? Are we going to see the sort of investment in social care that hasn't been around for years? Yes, but on the other

# 620

NUMBER OF TRAINED CARERS AT BESPOKE HEALTH & SOCIAL CARE



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**Khush Purewal**  
head of corporate  
finance in the  
Midlands, KPMG



"There is potential to develop the business through a focused acquisition strategy"

**Tim Whittard**  
partner,  
WestBridge  
Capital

## HISTORY OF BESPOKE



Founded in 2011 by Paul Sais (right), Nottingham-based Bespoke Health & Social Care has grown to manage contracts from 58 of the UK's clinical commissioning groups.

Bespoke has more than 50 direct employees and 620 trained carers who support individuals with complex health and social care needs within their own homes and communities. The company specialises in providing care to those with spinal and brain injuries, and works to support children and adults with physical disability, mental health conditions, learning disabilities and autism.

Tim Whittard of WestBridge Capital says: "Bespoke is successful with a reputation for high-quality care, a strong track record of growth and significant recurring income from its NHS contracts. The market it operates in is highly fragmented, so there is continued potential to develop the business through a focused acquisition strategy."

and to realise some of his value in the business. The management team was key to WestBridge's interest, and the idea was that Sais would stay on board and continue to push the business forward. Along with the new investment, healthcare buy-and-build specialist Craig Rushton joined Bespoke's board as chairman.

"Our 'day one' investment has basically gone to fund the buy-out," Whittard says. "But our additional investment capital will be used to fund other acquisitions and to invest in the business infrastructure - find the right systems and people to put in place to prepare Bespoke for growth organically and through M&A."

WestBridge's approach to investments is generally to fund primary buy-outs, Whittard explains: "We work with a founder or management team to develop the business from their period of ownership to a corporate period of ownership, so effectively when we come to the end of our investment period we've created a high-quality strategic platform that can either be sold to a secondary buy-out or to a trade buyer."

For Sinclair, it was a case of "being thrown in at the deep end, shaping due diligence and trying to deliver the deal" - it was her first transaction, having joined WestBridge from HSBC in October 2019. She says: "One of the main drivers for the business is that a lot of the people needing acute care would go into care homes or institutions, and there's been a drive from the NHS to get people out of institutions and into their own homes - for

Supporting children with a wide range of needs is one strand to Bespoke's care offering

side you have biosecurity concerns. There are huge headwinds and tailwinds coming at business and the economy from every direction."

KPMG and Purewal were involved as corporate finance advisers in early 2019 as Sais selected corporate finance advisers. "Provided the business was performing well and its prospects were good, we knew we'd get a transaction," Purewal says. "The healthcare dynamic of getting people out of hospitals into their own homes is still positive for the business - people want to be treated at home and tech is allowing more of that."

WestBridge Capital made a bid and was given exclusivity in November 2019. The team comprised partner Tim Whittard, investment executive Rebecca Sinclair, investment manager Edward Minton and founding partner Valerie Kendall.

## MANAGEMENT TEAM

Sais founded the business in 2011 and by 2019 had decided to step back from day-to-day involvement



more independence and a better quality of life.

The UK's public commissioning groups have been funding more and more home care, which encouraged WestBridge to see Bespoke as an attractive investment. So, there was an opportunity to organically grow, gain packages from groups that Bespoke works with and expand to those it doesn't already work with.

There were delays on timing of diligence on the deal because of lockdown, Sinclair adds: "When you're not physically sitting with someone, it's a lot easier for there to be slips in getting information across. Some of the management diligence was done pre-lockdown, the rest involved Zoom calls and behavioural tests. So, while there was disruption, a lot was still face to face, just through a different medium."

#### COVID-19 ADJUSTMENTS?

"COVID-19 didn't change our forecasting," explains Rebecca Sinclair. "We did have a number of carers who were isolating at home or we had cases where family members took over care. Management dealt with this well, and the push from hospitals to discharge non-coronavirus patients to be cared for at home actually meant we didn't need to reforecast as Bespoke was in a strong position, with COVID-19 highlighting the need to get people out of institutions and hospitals. If it's possible to be in a good space in that situation, we were."

"The business is resilient and traded well through lockdown," adds Tim Whittard. "The NHS has done a fantastic job responding to the challenges of COVID-19. The Bespoke management team was supporting it in whatever way it could, beyond its core business, to help unblock beds and get people home."



#### NEW NORMAL

Whittard admits: "The deal was quite complicated, going through a number of iterations. Most of that happened before lockdown, but there were additional complexities that took time to deal with. There's no such thing as a normal deal these days, and in an ideal world we would have wanted it done before June. However, there are always issues that arise during the deal that need the parties to work together to resolve, as was the case here, which meant that it took a little extra time to get over the line."

Purewal adds that commercial due diligence was difficult. "You want to talk to the customers," he says. "And who are the customers? They're the health authorities, the clinical commissioning groups and the people at the front end of the healthcare crisis. WestBridge had to strike a careful balance, recognising Whittard's need to do diligence, but also knowing we're in a global crisis and the last thing some of these people want to be doing is answering questions about Bespoke Health & Social Care. Their focus was on looking after their patients, employees and getting access to enough PPE."

Some of the transaction dynamics were difficult, he explains: "In terms of forming a view on how trading is affected by various measures or hypotheticals - what happens when furloughing ends, if PPE costs go through the roof, if local authorities go insolvent?"

Purewal says WestBridge's investment approach is a perfect fit with the overall plans for the business: "As a private equity house, with their three- to five-year horizon, once they got comfortable with trading through the COVID-19 era and there was enough visibility that Bespoke could be one of the winners in the medium-term dynamic, the deal was on."

"The sector drivers haven't disappeared - pressure on the NHS budget, a requirement to deliver long-term care and a desire from patients and their families to be looked after at home. WestBridge stuck to its guns and kept valuations as they were." ●