

DONE DEALS

DONE DEAL: Mezz Management buys Regard

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DEAL SUMMARY

Sector: Health, education & public services

Target: Mezz Management buys Regard

Value: 26 millions of euros

Country/Region: United Kingdom,

Deal Type: Bolt on

Date: Thursday, 30th August 2007

Mezzanine Management has invested £18m (€26m) in equity for a minority stake in the Regard Partnership. The total value of the deal, which provides an exit for existing investor Bowmark Capital, is believed to be around £120m. Bowmark generated a 3.4 times return on capital invested and an IRR of 77 per cent.

Regard is a residential care provider for people with permanent learning difficulties who cannot live by themselves. Founded in 1994, it provides services for adults with mental health problems or acquired brain injury and operates a care home with a residential school service for children who experience emotional and behavioural disorders.

The Kingston-based business manages 101 properties with 677 registered beds in England and Wales, working closely with local authorities.

Bowmark, which held a 27 per cent stake in the business, invested an initial £6m in Regard in the summer of 2004 to support the acquisition strategy, later providing it with an additional £1.5m for bolt-on deals.

"Management has done an excellent job in executing the buy-and-build strategy," said Bowmark's Mark Salter.

During the investment period, the business made eight acquisitions, which helped to increase operating profits by more than 100 per cent. Bowmark took an active role at board level, helping to set corporate strategy, reviewing acquisitions and making senior personnel decisions.

Mezzanine Management director Bal Johal – who is taking a seat on Regard's board – met the company's founders several years ago and kept in touch. "Yes, there was a process, but we always felt there would be a deal. We knew what they were looking for and what they were looking to do, and we knew their needs.

"The market is still fragmented," he added. "There is a real drive to improve the quality of care in the UK and there are plenty of businesses left to enhance. We see significant growth potential through the development of new homes, extensions and further acquisitions and a requirement for specialist quality care facilities."

The deal marks the third investment from Mezzanine Management's fourth fund. The firm will continue to provide mezzanine for private equity-sponsored deals but plans to concentrate more actively on self-sponsored deals, such as the Regard transaction, in the future.

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DEAL INVESTORS & ADVISERS

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