



BRYAN, GARNIER & CO

New ways to care for old people

EXPLORING THE FAST-GROWING MARKET FOR ALTERNATIVE SENIOR CARE IN EUROPE



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The aging population is opening up opportunities for businesses to provide new models of care.

In Europe, the number of people aged 80+ is expected to double in the coming five decades. Throughout the world, the demand for senior care solutions already outstrips supply. At the same time, seniors are looking beyond traditional nursing homes towards solutions that enable them to live at home for longer.

COVID-19, unprecedented in its scale and brutality, has accelerated the need to transform senior care. In these extraordinary circumstances, senior care operators have mobilized to ensure continuity of care and protect the elderly population. Using expertise gained in the management of annual epidemic crises such as flu or gastroenteric illness, they have thus far been able to manage patients from the very first cases. But this new crisis, which requires drastic containment to protect the most fragile, highlights the urgent need to deploy technologies such as IoT in institutions as well as in homes. It is the spur for these new technologies to take off without delay.

This paper examines alternative models for elderly care that focus on home-based solutions and take advantage of recent technology innovations. We also profile some of the providers in this fast-evolving sector.

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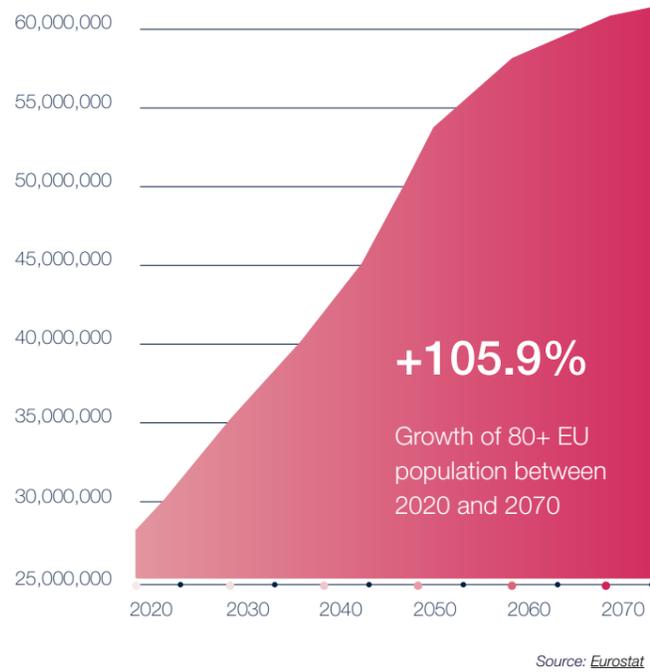
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1. The aging population crisis

FIG. 1: PROJECTED GROWTH IN 80+ EU POPULATION



The global population is aging at an unprecedented pace

The global population is aging at an unprecedented pace causing alarm for cash-strapped governments while simultaneously creating new investment opportunities. In Europe, the number of people aged 80+ is expected to more than double by 2070 (Fig. 1). At the same time, the dependency ratio (people aged 65 and over compared to those aged 15-64) is projected to increase from 29.6% in 2016 to 51.2% in 2070. Public expenditure on long-term care is expected to grow from 1.6% to 2.7% of GDP between 2016 and 2070.

Although this is a challenge for governments, business has an opportunity to respond by investing in innovative care service models and infrastructure to meet growing demand.

The European Commission for Employment, Social Affairs and Inclusion notes that demand for senior care nursing and housing solutions largely exceeds supply in many countries¹. New approaches and sources of financing are needed to match demand with supply.

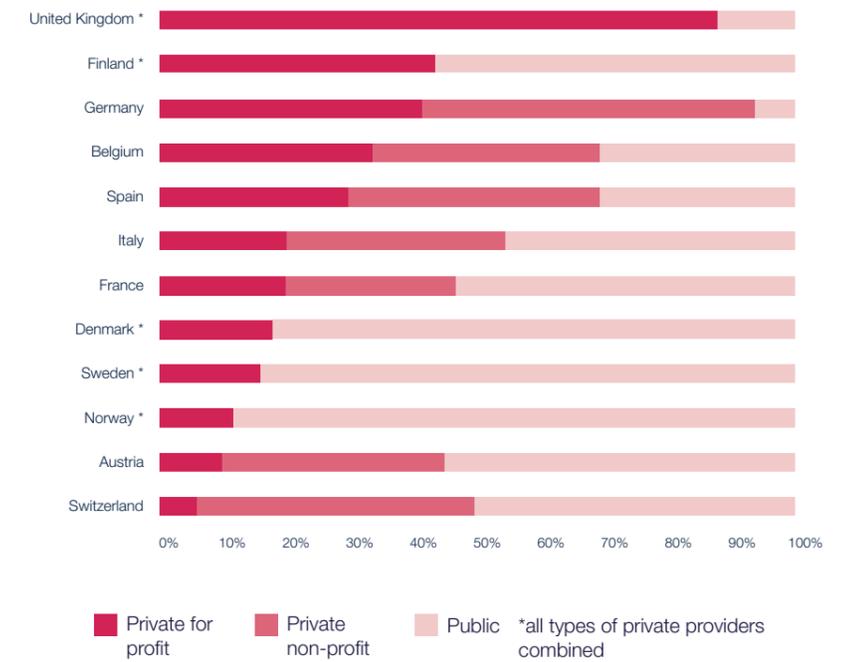
A significant number of mergers and acquisitions have taken place in elderly care in recent years. Although the public sector remains the main provider, there is a lack of public funding. Recent consolidation of the sector has mostly benefited the growing private sector.

Spasova, S., Baeten, R., Coster, S., Ghailani, D., Peña-Casas, R. and Vanhercke, B. (2018). Challenges in long-term care in Europe. A study of national policies, European Social Policy Network (ESPN), Brussels: European Commission

We are seeing a shift in demand away from the traditional model, which prioritizes nursing homes, to a new model that focuses on home care (Fig. 3).

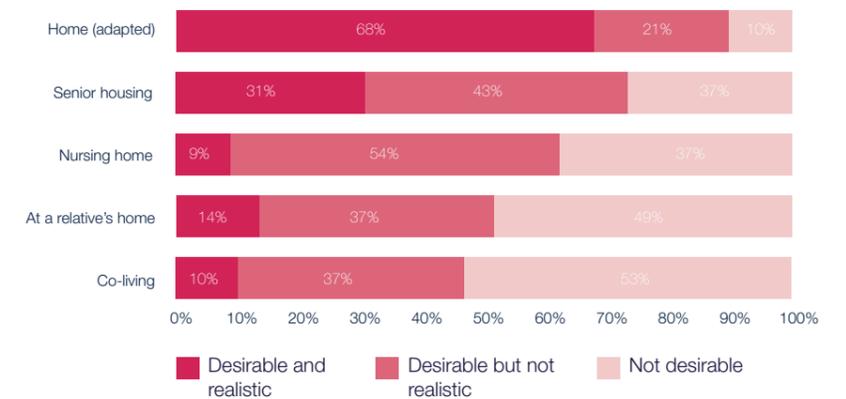
Elderly people prefer to remain in their homes as long as possible, which is much less costly for healthcare systems than institutional care

FIG. 2: PUBLIC-PRIVATE BREAKDOWN FOR EUROPEAN ELDERLY CARE



Source: Attendo (IPO presentation, 2014), Orpea (2018), Bryan, Garnier & Co

FIG. 3: "WHAT DO YOU THINK OF THESE SOLUTIONS IN CASE OF MEDICAL DEPENDENCY?" (SURVEY PEOPLE AGED 65+)



Sources: IFOP, Credoc, Rapport Libault, Etude Cercle Vulnérabilités & Société, Roland Berger



Development of innovative senior housing

A variety of innovative senior housing co-living and home care services have been developed to address this demand. By helping the elderly maintain their independence, these services reduce both hospital readmission rates and demand for hospital beds, which can translate to cost savings if health systems can scale down infrastructure accordingly. More importantly, these solutions improve patients' quality of life.

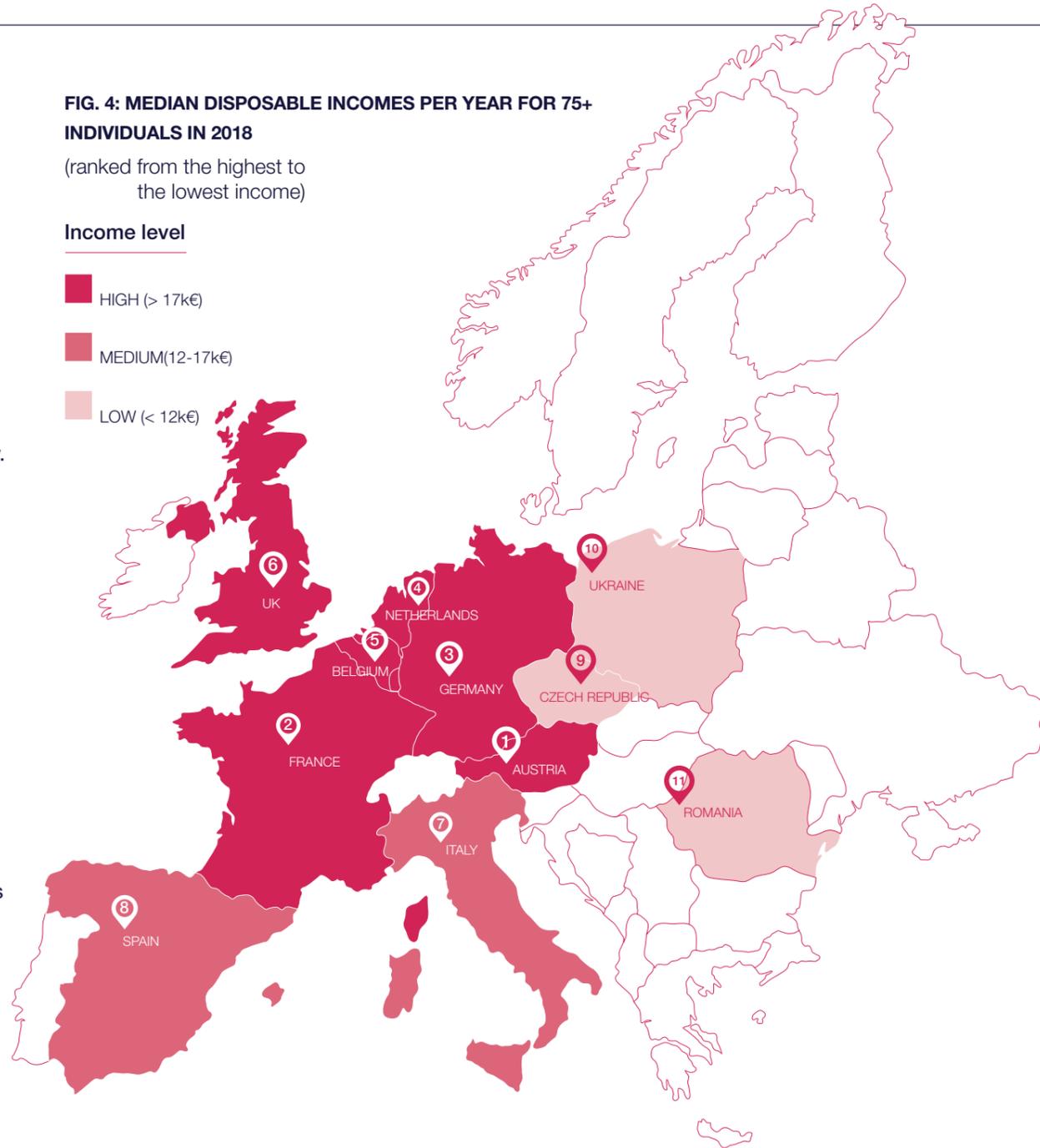
Technology is disrupting traditional models of care and is a vital component in joining up services to create alternative elderly care networks. Tech-enabled care is playing a significant role in redesigning out-of-hospital care delivery. However, a greater need for "connected care" – where telecoms technology is used to share health data, most often between a patient and their healthcare professionals – is expected to accompany the increase in technological possibilities.

FIG. 4: MEDIAN DISPOSABLE INCOMES PER YEAR FOR 75+ INDIVIDUALS IN 2018

(ranked from the highest to the lowest income)

Income level

- HIGH (> 17k€)
- MEDIUM(12-17k€)
- LOW (< 12k€)



Source: Eurostat; Bryan, Garnier & Co



2. The shift from nursing homes to a new model prioritizing home care

Nursing homes are the ultimate solution in elderly care for people who are completely dependent and need daily medical-grade care. However, although they may not be independent, many seniors aged 80+ don't need this very expensive level of care.

Many alternative solutions have been developed to meet demand from this group, including home care services, teleassistance, telehealth, senior housing and senior co-living. This "alternative" segment of elderly care is not yet well structured: there is

an opportunity to build continuity in the elderly care client pathway, with an integrated solution from low to high dependency. This type of offer, matching the evolution of seniors' conditions, could be a main driver of growth in the elder care market.

A new model that prioritizes home care

The goal of home care services is to maximize people's long-term independence and to appropriately minimize the level of ongoing support required. It includes help with daily activities such as bathing, clothing, eating, shopping and cooking, and can be provided by professional services or by individuals. Other aspects of home care can include subsidized food services such as "meals on wheels" or meals provided in a service centre, alert systems, and technical aids such as nursing beds, support to adapt private houses, social counselling and "teleassistance", in which seniors can connect instantly with care or help.

In many countries, home care has priority over residential care². The Nordic countries in particular have made major efforts to make it easier for people to stay in their own homes for as long as possible and to reduce the number of people living in institutions.



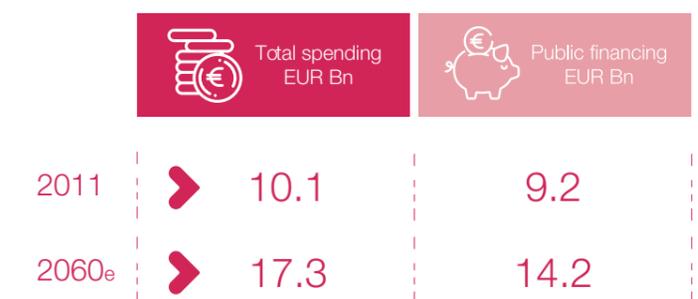
To enable the elderly to live independently for as long as possible and reduce reliance on care services, some countries have emphasized prevention. The European Commission for Employment, Social Affairs and Inclusion notes that home care services for the elderly are underdeveloped in several countries³ (e.g. Estonia, Greece, Croatia, Hungary, Romania and Turkey). In a survey in France, the lack of home care solutions was cited by 55% of respondents as the reason why they left home for nursing care⁴.

² France, Spain, Germany, Austria, Denmark, Slovenia, Norway, Sweden, Finland.

³ Spasova, S., Baeten, R., Coster, S., Ghailani, D., Peña-Casas, R. and Vanhercke, B. (2018). Challenges in long-term care in Europe. A study of national policies, European Social Policy Network (ESPN), Brussels: European Commission.

⁴ Source: Terra Nova « L'heure du choix: l'entrée des personnes âgées en structure d'accueil » 2018.

FIG. 5: SENIOR HOME CARE SPENDING GROWTH IN FRANCE



Source: DRESS, Bryan, Garnier & Co calculations

Housing solutions to match declining levels of autonomy

Senior co-housing

This solution features shared living spaces, with around 10-20 independent dwellings. It is aimed at elderly people with small to medium mobility difficulties, but who are able to carry out most domestic activities themselves.

living room and kitchen, and are managed by non-medical staff. This solution is for elderly people with small to medium mobility difficulties who need help with bodily functions, meal preparation, grooming and dressing. This solution is more concentrated in rural areas.

Senior housing residency

Again, managed by non-medical staff, this level of housing features independent spacious rooms and

includes catering, laundry and additional services. It is designed for elderly people with small to medium mobility difficulties who need help with bodily functions, meal preparation, grooming and dressing. These facilities are mostly concentrated in urban areas.

The European Commission for Employment, Social Affairs and Inclusion notes that demand for senior housing residency largely exceeds supply in many countries (Portugal, Greece, Hungary, Latvia, Romania, Serbia, Turkey⁵). Operators can usually freely set their prices and there is often less supervision of the care quality standards offered. In Europe, the average facility houses 80-100 residents and

costs average EUR1,600 per month including rent, meals and 24/7 teleassistance.

Nursing homes

Nursing homes provide residential care for elderly people with medium to high mobility difficulties, for example who are confined to a bed or chair and who require the continuous presence of skilled medical caregivers. The average size of these facilities is 85 residents, with costs

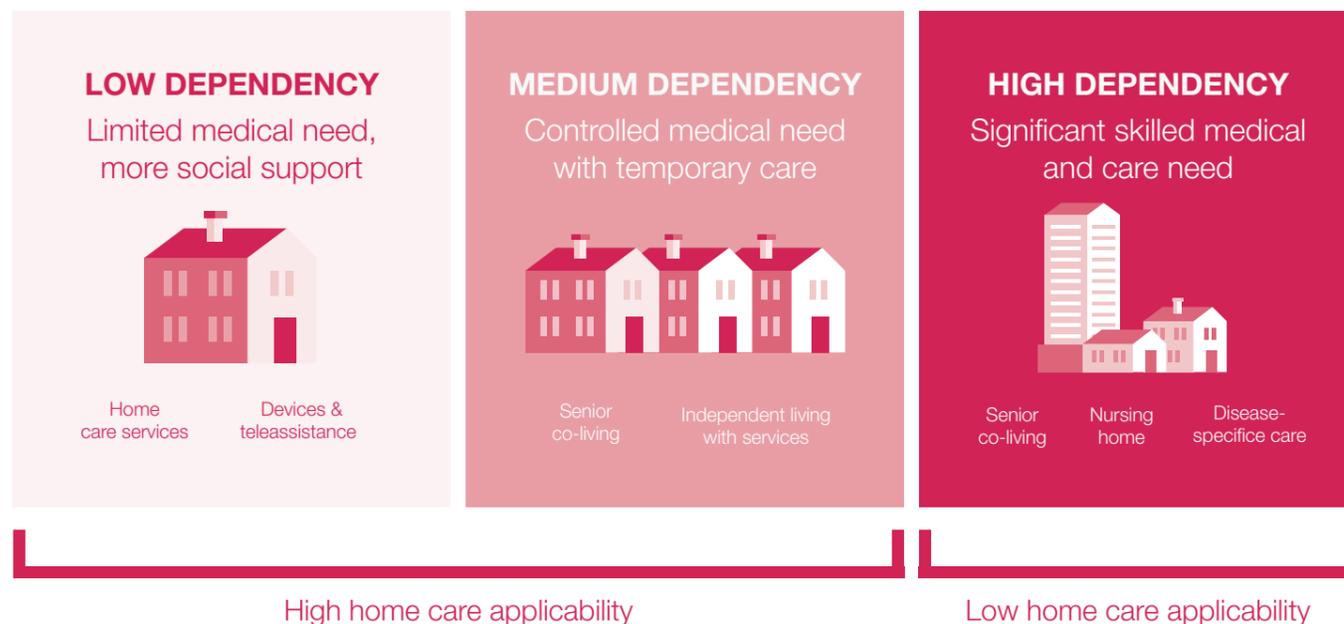
averaging EUR50-75 per day. Luxury nursing homes cost from EUR145-220 per day.

⁵ Spasova, S., Baeten, R., Coster, S., Ghailani, D., Peña-Casas, R. and Vanhercke, B. (2018). Challenges in long-term care in Europe. A study of national policies, European Social Policy Network (ESPN), Brussels: European Commission.

Senior co-living

In senior co-living, small units with fewer than 10 residents have a shared

FIG. 6: SOLUTIONS AND DEPENDENCY LEVEL



Source: Bryan, Garnier & Co

3. Home automation and IoT at the service of seniors

Home automation, or domotics, has significant potential to improve elderly care solutions and provide greater independence. Applications include emergency assistance systems, security features, fall prevention, automated timers and alerts, and remote monitoring by medical staff or family members.

Smart homes with environmental and wearable medical sensors, actuators, and modern communication and information technologies can monitor elderly health and wellbeing at a low cost. However, the adoption of internet of things (IoT) technology

for care facilities is held back by fragmented technology that results from IT constraints, marketing and business policies. This also prevents interoperability among smart devices, platforms and systems. Despite this, domotic and tech-enabled care are clearly playing significant roles in enabling home care and maintaining clients' long-term independence, while minimizing the quantity of ongoing support required.

Domotics are also proving their value in areas such as managing Alzheimer's disease, where IoT sensors can physically track sufferers with unpredictable behaviour.

Many European countries currently subsidize technical aids and house adaptation (Fig 7).

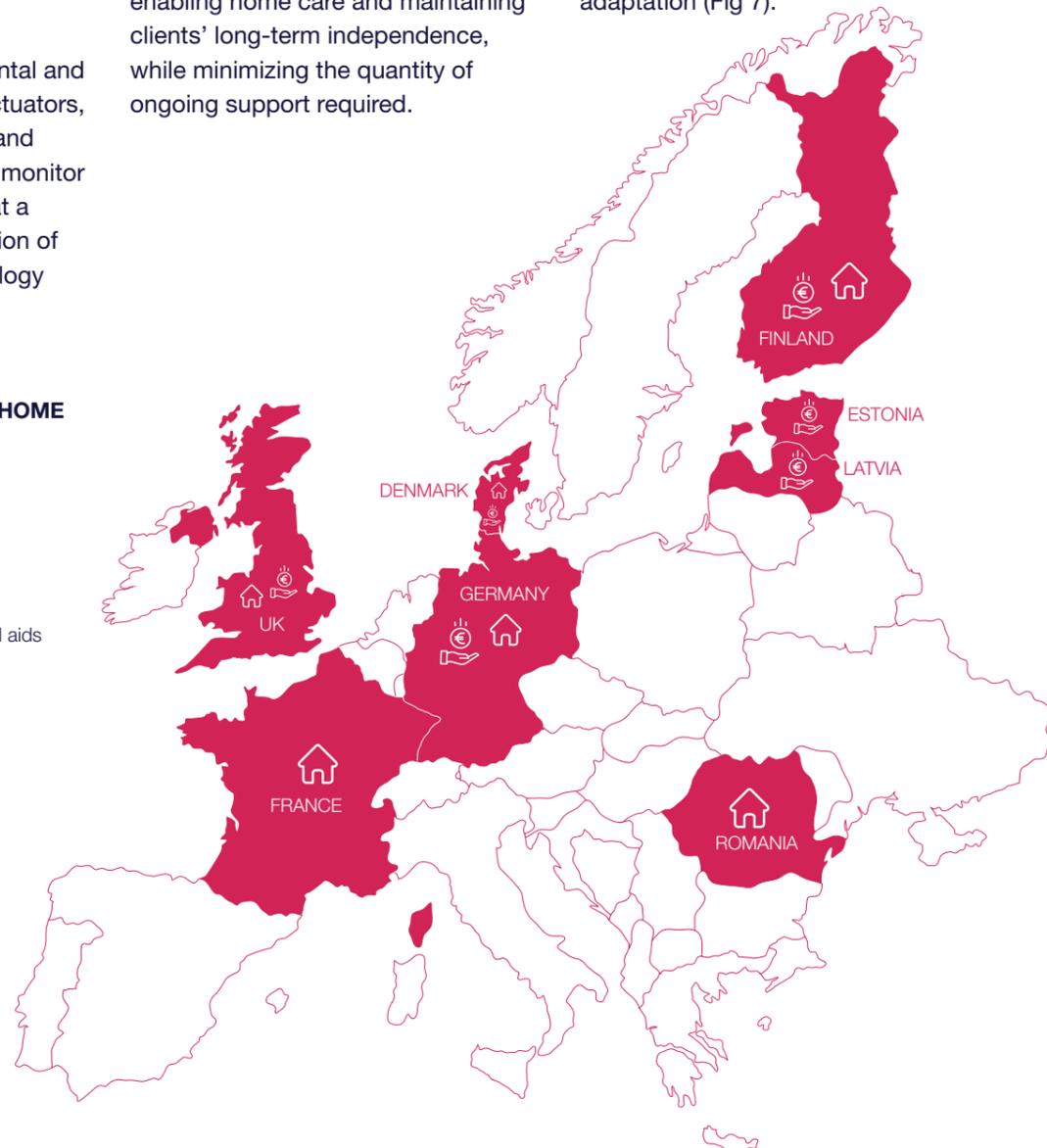
Devices used in senior care are often linked to teleassistance. Most devices are provided by teleassistance service companies or insurance companies.

with connected technologies such as fall detectors and extra assistance solutions.

Penetration rates for these services vary through Europe. In the UK and Sweden, where teleassistance is primarily a public service, 15% and 12% of over-65s respectively use them. This contrasts with France, which has 60% private-sector provision and only 5% penetration. Another reason for this disparity is that players in France primarily offer an alarm service only, while in other countries, teleassistance is enriched

FIG. 7: COUNTRIES FUNDING HOME CARE ASSISTANCE, DEVICES AND HOME ADAPTATION 75+ INDIVIDUALS IN 2018

-  Subsidies for technical aids and devices
-  Support for adapting private houses



CASE STUDY



Connecting care facilities

With EUR6.2m in sales, French company Bluelinea is expanding its consumer teleassistance offer with a B2B solution, Serenea. This uses LoRa networking technology to connect a care facility with motorized shutters and doors, lighting, nurses' pagers, medical connected devices and wearables such as emergency buttons and fall detectors. Solutions like this can not only improve comfort and security for seniors, but also drive productivity and cost management for care facilities, reducing workload for the staff.



CASE STUDY



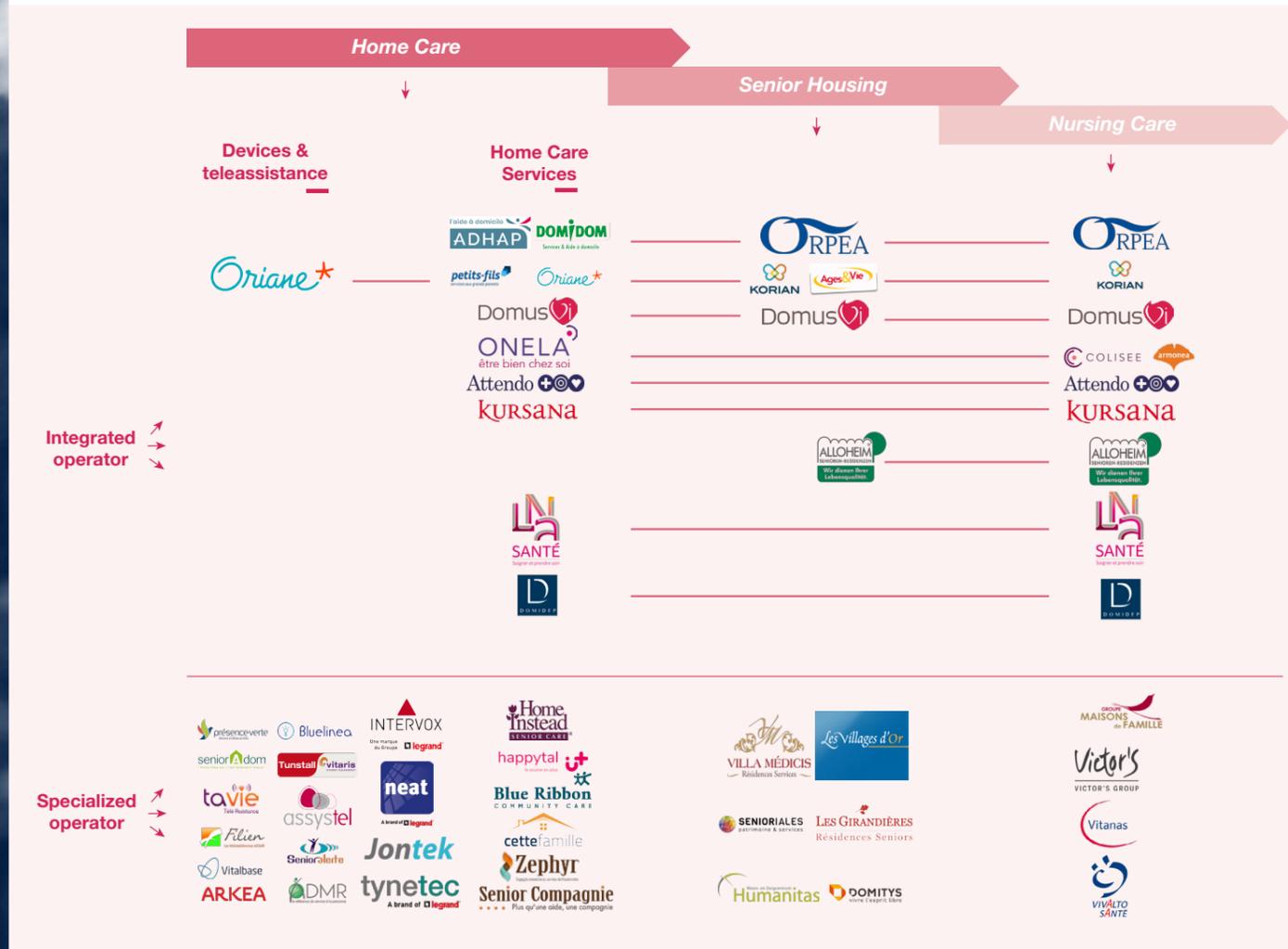
An outsider entering the elderly domotic market

This French electrical installations company has accelerated its expansion into the assisted living market with the acquisition of four companies, most of them frontrunners in teleassistance and related devices, particularly in their own countries:

- Intervox Systems, France's leader in remote assistance systems (2011).
- Tynetec, a frontrunner in assisted living in the UK, include wireless nurse call systems (2013).
- Neat, the Spanish market leader and a major player in assisted living in Europe (joint venture agreement - 2014). Portfolio includes smart terminals for remote assistance.
- Jontek, specializing in management solutions for assisted.



FIG. 8: INTEGRATED AND SPECIALIZED SENIOR OPERATORS IN THE EU



Source: Bryan, Garnier & Co

4. Alternative senior care providers

These short profiles outline some of the innovative European companies and offers in home care and residential solutions for the elderly.

HEMECARE



Korian continues to diversify its offer as an integrated operator of solutions for elderly people and launched Oriane in September 2019. Oriane is a comprehensive home-care services solution that builds on the expertise of Petits-fils. It combines the potential of a digital platform and personal visits from professionals who provide support and care for the assisted person, while keeping family and carers closely involved. Services includes help for domestic tasks, health monitoring via nurse visits, home equipment, concierge services and teleassistance. Korian is targeting 1,000 customers for its first year of operations (through the Petits-fils network) and aims to grow this number to 15,000 by 2023.



Home Instead Senior Care is a US private home care company founded in 1994, and franchised in 14 countries including the UK, Ireland, Germany, Italy, Austria, Switzerland and the Netherlands. The company has more than 65,000 employees worldwide, who provide care services that span the care ecosystem from personal care to specialized Alzheimer's and hospice care.



Acquired by Korian in December 2018, Petits-fils is a senior home care company created in 2007. Its services range from meal preparation to accompanied walks and help with personal autonomy. It has a network of 115 agencies in France, and aims to expand to 200 by 2023.



Groupe Zephyr is a French private company created in 2007, with EUR58m of revenues in 2018. It is a combination of four home care companies offering complementary services:

- FreeDom (Domestic tasks).
- Senior Compagnie (home care) 82 agencies in France.
- Libelia (transport).
- SynergieMed (Home medical care).



Happytal is a France-based private company created in 2013, which provides personal care services in nursing homes and hospitals. It offers services and products that contribute to the well-being of patients and facilitate the daily life of their families. This includes concierge services such as the delivery of essentials and in-room hairdressers and beauticians. Happytal is present in 100 hospitals and nursing homes in France and targets presence in 700 by 2023.



Launched in 2016, CetteFamille arranges for lonely older people to live with hosts. Its proposition is less expensive than senior housing, and CetteFamille currently has 4,500 hosting families hosting 8,000 seniors. Having raised EUR4m earlier in 2019, CetteFamille plans to develop its offer and build 100 senior housing residencies over the next five years.



Blue Ribbon is an independent senior home care provider, offering personalised care and support services throughout the UK via a franchise business model.



SENIOR CO-LIVING AND SENIOR HOUSING



Ages&Vie is a French senior co-living housing company created in 2008. Korian became the main shareholder in 2018. Shared homes are organized around a common living space, where residents meet to share meals. They are helped in their daily lives by life assistants, some of whom live on site. Each of the eight residents also has a private space that they can furnish and decorate according to their tastes. The existing housing development has 50 residences and Korian aims to expand to 300 by 2024.



In Deventer, Netherlands, the Humanitas senior residence provides free accommodation for students. In return they commit to spending at least 30 hours of their time every month with their older co-residents. This win-win solution enables students to access accommodation in a country where rents are high and offers support for residence in looking after seniors.

Other senior co-living and senior housing players include:

Korian (Europe), Orpea (Europe), Domitys (France), Les villages d'or (France), Les Senoriales (Pierre&Vacance, France), Les Girandières (Groupe Reside Etudes, France), DomusVi (Europe/Latam), Villa Medicis (France), Alloheim (Germany).

FIG. 9: M&A TRANSACTION IN ELDERLY CARE MARKET, 2018-2019

DATE	TARGET	COUNTRY	TARGET DESCRIPTION	ACQUIRER	EV (€M)	REVENUE	EBITDA
Feb-20	Tove in med	FR	Consultancy, technological innovation and training for healthcare professionals and facilities	KORIAN	n.a.	n.a.	n.a.
Feb-20	SANTÉ	FR	Chronic diseases clinics	KORIAN	n.a.	n.a.	n.a.
Feb-20	SOLIAAR	ES	7 nursing homes	VIVALTO VIE	42	n.a.	n.a.
Sep-19	exelus nomadeec	ES	Telemedicine	ORPEA	n.a.	n.a.	n.a.
Sep-19	SINOUE	FR	Psychiatry	ORPEA	90	1.4x	n.a.
Jun-19	GRUPO5	ES	Nursing homes	KORIAN	n.a.	n.a.	n.a.
Apr-19	SteppingStones	NL	Nursing homes	KORIAN	25	1.92x	12.0x
Feb-19	armones	BE	Senior care residential centre	COLISEE	550	1.12x	12.5x
Jan-19	SENIORS	ES	Nursing homes	KORIAN	20	1.3x	12.0x
Nov-18	petits-fils	FR	Home care	KORIAN	n.a.	n.a.	n.a.
Nov-18	axion	DE	7 nursing homes	ORPEA	n.a.	n.a.	n.a.
Oct-18	Aleris	NO	In-patient nursing and rehabilitation services	ambea	256	0.57x	n.a.
Oct-18	THE MARLAY	IE	Nursing homes	carechoice	20	n.a.	n.a.
Oct-18	L'HOUSSE	FR	Nursing homes	BNP PARIBAS DEVELOPPEMENT	11	0.50x	n.a.
Sep-18	ALLEZORG	NL	Nursing home and homecare services	ORPEA	n.a.	n.a.	n.a.
Jul-18	ecoplar	ES	Nursing care homes and rehabilitation centers	ORPEA	n.a.	n.a.	n.a.
May-18	urtinsa	ES	5 elderly care homes in Madrid	Undisclosed	50	n.a.	n.a.
May-18	Dagelijksleven	NL	Nursing care to elderly individuals who suffer from dementia	ORPEA	n.a.	n.a.	n.a.
May-18	WOOD ZORG NET	NL	Provider of psychiatric care	ORPEA	11	n.a.	n.a.
Apr-18	Ardmore Care	IE	Nursing homes	carechoice	15	n.a.	n.a.
Jan-18	Ages&Vie	FR	Senior co-living	KORIAN	n.a.	n.a.	n.a.

Source: MergerMarket, Bryan, Garnier & Co estimations

Conclusion

Demographic challenges, budgetary constraints, and widespread dissatisfaction among professionals and users of elderly care are all creating strong pressure for change.

Home care increasingly looks like the preferred way forward to streamline senior care. Most people prefer to stay at home rather than in a specialized unit, and home care costs less. Technology has the potential to make home care integrated and all-encompassing, with doctors, hospitals, pharmacies, seniors and relatives all connected to IT platforms. Care can be monitored continuously and delivered faster and more cheaply, in a safe environment.

Keeping patients in their homes, connected to their own digital environment, offers interesting opportunities in prevention care. Platform connectivity allows clients, who probably cannot yet be qualified as “patients”, to become active participants in their own health monitoring. This way, diseases can be

detected early on, reducing treatment costs and increasing the chances of success.

The growth of home care is impacting the entire path for elderly care and is a key driver of integrated patient care. By allowing people to stay at home longer, it is giving rise to a wide range of alternative elderly care models. This has the potential to free up hospital beds and significantly reduce the overall cost of healthcare.

Going forward, we expect the home to be the place where care is provided for the longest period of time, with technology allowing for remote delivery and monitoring. Retirement homes will cater to the very elderly for a relatively short period of time. The same logic probably applies to rehabilitation clinics. Patients will only stay there for a few days before heading back to their connected home.



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