A note from the CEO

Accurately Valuing Your Care Home Business Before Selling

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Article:

An accurate valuation of your **Care Home**, **Nursing Home** and **Assisted Living** is fundamental to a successful exit. **Incomplete** financial analysis and **poorly** recorded financials are amongst the major factors that affect inaccurate business valuations (i.e. usually undervaluation). This will often lead to a misunderstanding of the true business valuation.

Care Home valuations predominantly revolve around **EBITDA** (Earnings Before Interest, Taxes, Depreciation, and Amortization), with buyers typically applying multiples ranging from 3X to 5X (subject to due diligence, finance and Ts & Cs). The due diligence part includes (but is not limited to) 1)profitability 2)regulatory compliance 3)occupancy levels and 4)growth potential, to name but a few. Financial statements must clearly reflect adjusted profitability, excluding one-off expenses and owner-related costs (a more accurate metric can also be presented, i.e. **Free Cash-Flow**).

Regulatory compliance significantly influences valuation. With **23%** of care homes currently facing closure due to inadequate CQC ratings, a dynamic regulatory history dramatically enhances a Home's appeal and valuation. Physical property condition, staffing stability, and occupancy consistency also heavily influence valuation. Deferred maintenance, reliance on agency staff, or inconsistent occupancy rates all negatively impact the true value of a Care facility. Ensuring and embedding extensive and detailed Standard Operating Procedures (**SOP**s) in all aspects of the Care facility will aid with a smoother transition and, undoubtedly, a better valuation. Additionally, engaging sector-specific valuation experts early on, ensures realistic pricing and better negotiation positions. Accurate valuations foster buyer confidence and streamline the sale/exit/transition process.

Is there a viable and practical solution?

At Florence Legacy, we take pride in having successfully formulated **37 strategic exits** for Care Home, Nursing Home and Assisted Living facilities, each tailored precisely to meet the unique needs of each individual owner. Whether you're considering a straightforward sale, planning for retirement, transitioning your responsibilities, or seeking a smooth, stress-free exit, we are happy to help. We counsel our partners to begin planning **their strategic exit at least 3 years in advance**, but the more ideal timeframe is **5 to 7 years prior to retirement or stepping away**. Please reach out to us for a completely confidential conversation to discuss how we can support your next steps.

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