



Breslauer: focusing on healthcare

FUND STRATEGY

Patron puts its health first

The pan-European firm has hired ex Macquarie advisor Tim Street to pursue 'defensive' healthcare property assets

Following a trend toward specialisation, more firms in Europe are focusing on specific sectors and strategies.

Joining in this trend is London-based Patron Capital, which last month informed investors that it will launch a new business line targeting healthcare properties. The firm has hired Tim Street as a senior advisor to help the firm execute its strategy, with Street having worked at Australia's Macquarie Capital Advisors as managing director, advising on healthcare deals. Street previously held lofty positions within healthcare businesses, serving as chief operating officer at Four Seasons Health Care in the UK.

The aging population is an obvious driver of the European healthcare service sector. The public sector, insurers and those funding care themselves are relying on the independent sector to plug gaps in services. Keith Breslauer, founder and managing director of Patron, said the sector was a "major focus" for the firm. Daniel Kay, who, like Street, has joined Patron as a senior advisor, has already been preparing a platform for the firm to step up investment in the area.

In this instance, the healthcare sector has been cherry-picked by the firm as an asset class partly because of its "defensive" properties. "A lot of our investments are corporate deals backed by assets that have defensive qualities but also an operating upside," explained Breslauer.

This is not the first time the healthcare sector has come in for attention from private equity real estate firms of late. GI Partners, the Menlo Park, California-based firm, paid £20 million (£22 million; \$32 million) for privately-owned UK healthcare company Shirebrook Care Group in December. Shirebrook, which runs care facilities for adults with severe learning disabilities, will be folded into GI's existing platform, Care Aspirations. The bolt-on doubles the size of GI's care business, which made its original acquisition last year for £58

million.

More mature highly leveraged investments in the sector have proved challenging, though. Allianz Capital Partners sold Four Seasons Health Care for £1.4 billion in the UK to Delta Commercial Property LP, an investment vehicle of London-based Three Delta, backed by Qatar's sovereign wealth fund. The acquisition was made at a multiple of 14x EBIDTA. Since then, the group has had to be restructured via debt for equity swaps, leading to the Royal Bank of Scotland taking a stake of around 38 percent.

Patron is eyeing opportunities having already committed around €400 million of the €1 billion it raised for Patron Capital III in 2008.

Portfolio assets to date include Powerleague, a British five-a-side football business that Patron Capital acquired in December for €42.5 million, after initially taking a stake in March 2008. It was one of the few take-privates in Europe by a private equity real estate firm since Lehman Brothers collapsed.

Patron intends to buy more football sites to add to Powerleague's existing portfolio of 44 in the UK, with plans to export the brand to Europe.

Other businesses Patron has invested in include the student hostel company, Generator Group, which operates properties in London and Berlin. Patron has just acquired two more sites in Hamburg and Berlin for expansion and will be adding more sites in the near future.

In addition, Patron continues to invest in small properties in Germany, where it also owns a number of railway stations. As well as investing in the aforementioned sectors, the firm also expects to invest more in distressed assets. It hopes the appointment of Steven Green from Merrill Lynch, where he was head of commercial real estate finance for EMEA, will help ■