



SOVEREIGN CAPITAL

HEALTHCARE SECTOR UPDATE

National Fostering Agency

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NATIONAL FOSTERING AGENCY (NFA)

Over the past five years Sovereign Capital, a leading UK investor in Healthcare Services, has developed an in-depth knowledge of foster care services providing investment to independent fostering agencies, enabling them to grow and reach their full potential.

Founded in 1996, NFA provides care for over 1,700 children from 13 regional offices in England, Scotland and Wales and currently employs over 225 people. NFA has placed care at the heart of its offering by focusing on quality, standards and service all of which have enabled NFA to build strong relationships with local authorities and provide positive outcomes for the children in its care. The company has put in place a robust infrastructure that monitors outcomes for child placement and ensures appropriate matching between carers and children. In addition, NFA prides itself on its procedures, which significantly exceed the national minimum standards.

Sovereign, an active UK private equity investor in Healthcare Services, has continued to support NFA's development since its initial investment in November 2006.

Sovereign has been strongly involved with management and has augmented the team with the appointments of Iain Anderson as CEO and Michael Hill as Finance Director.

Commenting on joining NFA, Iain Anderson said: "I felt Sovereign and NFA shared my values: integrity, confidence, respect for each other and an understanding that people are at the forefront of delivering quality services which in turn leads to business success."

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IAIN ANDERSON - NFA



HOW HAS SOVEREIGN HELPED?

Since investment, Sovereign has worked hard with the management team and achieved the following:

- Expanded placement numbers by 59% since December 2006 both organically and through four bolt-on acquisitions: The Foster Care Agency (TFCA) in March 2008, and Alliance Fostering Limited, Alpha Plus Fostering and an Essex based agency in April 2009
- Grown placement numbers at TFCA by 45% since acquisition
- Won 30 new tenders
- Invested to upgrade the back office IT system to improve group efficiencies and facilitate reporting for the National Contract
- Supported the introduction of online marketing and the ongoing production of carer, placement and local authority publications
- Expanded the management team with a view to best practice and future growth



“The high standards at these companies fit well with NFA’s track record of delivering the best possible outcomes for children and young people in our care. We look forward to continually growing NFA’s geographic reach to enhance children’s services on behalf of our local authority customers throughout the UK.”

IAIN ANDERSON - NFA

Since its initial investment in December 2006, Sovereign has funded the acquisition of four high-quality, independent fostering agencies to expand NFA’s geographic reach and to build scale:

The Foster Care Agency (‘TFCA’)

Brighton based TFCA was established in 2001 and focuses on serving local authorities in South London and South East England. TFCA specialises in placing siblings and special needs children. Placements are typically long term in nature, with the average length of stay being over 18 months. TFCA has benefited from NFA’s operational scale to grow placement numbers by 45% since acquisition to over 70 today.

Alliance Foster Care Limited (‘Alliance’)

Alliance is a preferred provider of fostering placements amongst its local authority customer base in Northamptonshire. Specialising in long-term, younger placements, Alliance currently cares for 75 children in the region. The agency has an “outstanding” OFSTED rating and its exceptional practices and policies fit well with NFA’s robust infrastructure.

Alpha Plus Fostering Limited (‘Alpha Plus’)

Alpha Plus provides services to 21 local authorities in the North West of England. Established in 2000, Alpha Plus’s 70 placements augment NFA’s existing presence in the region. Having also achieved an ‘outstanding’ OFSTED rating, the agency’s excellent reputation and links with the local community provide substantial opportunities for the NFA group.

Essex based agency

Established in 1999, the agency specialises in high quality care for children and young people within the age range of birth to 21 years old. As a multicultural agency, it aims to place children with carers from similar cultural and religious backgrounds, and has strong relationships with key local authorities.

Commenting on the acquisitions, Iain Anderson said: “The high standards at all of these companies fit well with NFA’s track record of delivering the best possible outcomes for children and young people in our care. We look forward to continually growing NFA’s geographic reach to enhance children’s services on behalf of our local authority customers throughout the UK.”

GROWTH WITH SOVEREIGN				
	DECEMBER 2006	JUNE 2009	INCREASE	
Number of placements	1,071	1,700	59%	
Number of local authorities	108	135	25%	
Number of employees	120	225	88%	
Number of offices	8	13	63%	
Number of foster carers	805	1,196	49%	
Number of social workers	85	135	59%	

Since acquisition, the four companies have continued to grow and Kay Freeman, (previous owner of TFCA), John Duffield, (former owner of Alliance) and Mary Groarke (founder of Alpha Plus), describe why they decided Sovereign and NFA provided the right solution for their businesses.

TFCA

Having built and nurtured a very successful agency since 2001, Kay Freeman and her team realised that: "the business had reached a turning point and was bursting to grow." However, she realised that "we didn't have the expertise to change gear and take the business to the next level, so I needed to sell to a company I trusted and one which would take the agency on to its next stage of growth."

Selling her business was heart wrenching at times, but Kay firmly believes that the children under TFCA's care are benefiting from being part of NFA: "NFA has more resources, better quality assurance systems and a great approach to safeguarding the children. The carers are properly supported which means the children are too." She was impressed that a large organisation could have such a strong quality agenda but saw that "NFA wants quality and are driven by quality, with children at the heart of everything they do."

Sovereign's investment and NFA's leadership have steered TFCA in the direction that Kay had envisaged for her company. NFA's focus on carers, children and staff have been key in the company's development and something that reassures Kay that selling to Sovereign was "definitely the right decision" for her.

15 months on, Kay is still very happy with her decision: "overall the transaction and integration were successful, I really felt valued and respected by both Sovereign and NFA. It was a fantastic experience." TFCA has grown significantly under NFA, with "carers and children thriving as TFCA look after more and more placements - from the moment NFA got involved the numbers have gone up and haven't stopped." Relationships with customers and local authorities have benefited too as the agency continues "to provide the best compensatory care and enhance opportunities and outcomes for the children."

"Overall the transaction and integration were successful, I really felt valued and respected by both Sovereign and NFA. It was a fantastic experience... It was an excellent decision I ended up making, I'm over the moon about it."

KAY FREEMAN - TFCA

Kay remains involved with NFA, and having received "huge encouragement from Iain" is now working on a project which she is "really enjoying... it is so interesting and I am learning a great deal from senior managers at NFA." She is excited by her future at NFA and is remains convinced that "TFCA is in very good hands." Looking back she reflects: "It was an excellent decision I ended up making, I'm over the moon about it."

ALLIANCE

John Duffield and Pam Alena sold their business, Alliance, to Sovereign in April 2009. John wanted to ensure that the high quality business that they had grown over the years would go to "a safe pair of hands." He saw in NFA a fostering agency of sufficient size to accommodate the reporting demands of the National Contract and Local Authorities' increasing need for scale.

John was "particularly impressed by Iain Anderson's leadership and vision for the future", with NFA in his view "providing a good place for the future of fostering" and importantly, the growth prospects of Alliance.

ALPHA PLUS

Since founding Alpha Plus in 2000, Mary Groarke and Chris Jackson focused on ensuring their agency provided the highest quality fostering service. When their minds eventually turned to succession planning for their retirement from the business, they were naturally keen to find a buyer who shared, and would maintain, those high standards.

Whilst exploring their options and deciding whether to sell Alpha Plus, Mary and Chris had the opportunity to speak to Kay Freeman who sold TFCA to Sovereign in 2008. They found the conversation "very useful and reassuring" and sold Alpha Plus to Sovereign in April 2009. Alpha Plus continues to trade under its own brand and service proposition but with the added backup and support of the NFA group.

Three months on, Mary and Chris are very happy: "NFA are great. Iain and his team are professional, supportive, responsive and share our values, making them a good fit with Alpha Plus."

Through Sovereign's proven Buy & Build strategy, NFA intends to continue to grow. If you are starting to think about your succession planning or you would like to have a confidential conversation with us about your organisation, please call Matthew Owen or Dominic Dalli on 0207 340 8800 or visit our website www.sovereigncapital.co.uk

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Sovereign Capital, the UK private equity Buy & Build specialist, has a preeminent track record and specific expertise in the service based sectors of healthcare, education & training and business support services. Sovereign Capital is focused on investing in lower mid-market UK consolidators requiring up to £40m of equity.

