

# Mitie sells homecare business for £2

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Quoted outsourcing group, Mitie, has sold its homecare business to the private equity firm, Apposite Capital, for the price of £2.

Mitie, which has already suffered a £115.3m write-down this year, has agreed to pay Apposite £9.45m to cover existing loss-making contracts and turn around costs, and handed over MiHomecare in return for the token fee.

The business was bought by Mitie in 2012 for £112m but, like much of the homecare industry, has seen its tariffs fall alongside the cuts to local authority budgets.

This was compounded by the government's Living Wage policy, which has significantly increased costs for an industry that's in competition with the supermarkets and other low-wage employers for staff.

In 2016, MiHomecare made an operating loss of £4m on sales of £78m – a fall of 14.7% from 2015 – and closed nine of its 40 branches.

Dr Leonid Shapiro, managing partner and founder at Candestic, a consultancy, said the closing of branches is not in itself a bad thing and will give MiHomecare the opportunity to focus on its most profitable arms.

And Valerie Auffray, investor relations manager at Apposite, confirmed that it intends to continue consolidation.

“That doesn't necessarily mean we will have to close more branches but we intend to stabilise the business and rationalise by moving contracts in between branches.”

She believes that over the longer term home care will play a vital role in keeping people out of hospital and helping a healthcare system that's in crisis.

In the short term, Apposite intends to guarantee no interruptions to the service – but she admits this is a long-term fix and Apposite “does not expect the restructuring to happen tomorrow”.

One arm of MiHomecare which has been more profitable is its more complex care needs division known as Complete Care.

This, said Auffray, is one area she expects to grow fast and Shapiro added that the authorities have to pay more for this type of care as there are fewer people that are able to provide it.

More traditional, less complex home care, on the other hand, is a business of zero hours contracts and low margins where the balance of power remains in the hands of stretched local authorities.

“Mitie and the other providers have felt the pain of the cuts,” said Shapiro. “They have been bidding for contracts just to win and many of them have turned out be loss making.

“Councils have also been insisting on a policy of permanent billing where travel costs are borne by the operators and in rural areas, where the staff have to travel significant distances, that's harmed both operators and carers.”

Despite this, Shapiro believes, it's still possible to make a profit in the industry and the best groups are already looking at IT as a means to boost efficiency.

We've heard that MiHomecare, formerly known as Enara Group, is one of the better operators in terms of quality but

has struggled with its finances since it took over the group back in 2012.

“When Mitie took it over it was surprised by how many corners the previous owners had cut and they had to increase the staffing levels to bring it up to its standards,” we heard from an off the record source.

Shares in Mitie jumped almost 10% to 227.2p on the news of the deal.