CHRISTIE & CO

BUSINESS OUTLOOK 2022

ADJUST, ADAPT, ADVANCE

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GLOBAL MANAGING DIRECTOR'S STATEMENT

2021 started with considerable uncertainty following a challenging finish to the previous year. Still right in the middle of a global pandemic, national lockdowns followed and large swathes of our sectors were effectively closed for the first part of the year.

Despite this, the activity we witnessed was very encouraging and we have seen our transaction volumes return to pre-pandemic levels, much sooner than expected.

The shortage of available stock meant that the correction in values many anticipated wasn't forthcoming and, as you are able to see from the data:

OUR ANNUAL PRICE INDEX INCREASED BY 4.3% ACROSS ALL OF OUR SECTORS.

Childcare & Education and Dental were the standout performers; however, Hospitality was perhaps the biggest surprise with Pubs and Hotels showing a positive trend and only restaurants seeing a big decline in the sector.

Another big surprise of the year was the limited amount of distress and business failure. The sheer scale of government financial support appears to have helped businesses through the toughest part of the pandemic to date, however a resurgence in COVID cases and new variants emerging may lead to some further casualties in the year ahead.

The inability and reluctance to travel has meant that overseas travel has impacted visitor numbers to the UK and to gateway European cities. This has led to a continuation of the staycation, with some hospitality businesses benefiting significantly over the second half of the year. Many European hotel markets are yet to open up fully and we estimate that it will take at least two to three years before some hotels will recover to their pre-COVID trading performance, if indeed they all do.

One common challenge facing all of our specialist sectors, is staffing. We've seen hospitality and healthcare significantly affected and we expect the labour shortage to continue well into 2022. There has been considerable pressure on rates of pay, which will undoubtedly hit margins, as some businesses struggle to pass the full cost increase on to their customers. This will almost certainly impact all businesses in some way throughout the year.

I expect this year will bring further challenges, but also many opportunities. I mentioned last year the strength of character and resilience we'd seen right across our markets, which has helped to drive recovery. I expect 2022 will see a continued recovery for the UK and Eurozone economy and there remains a significant amount of capital in the market looking to find a home.

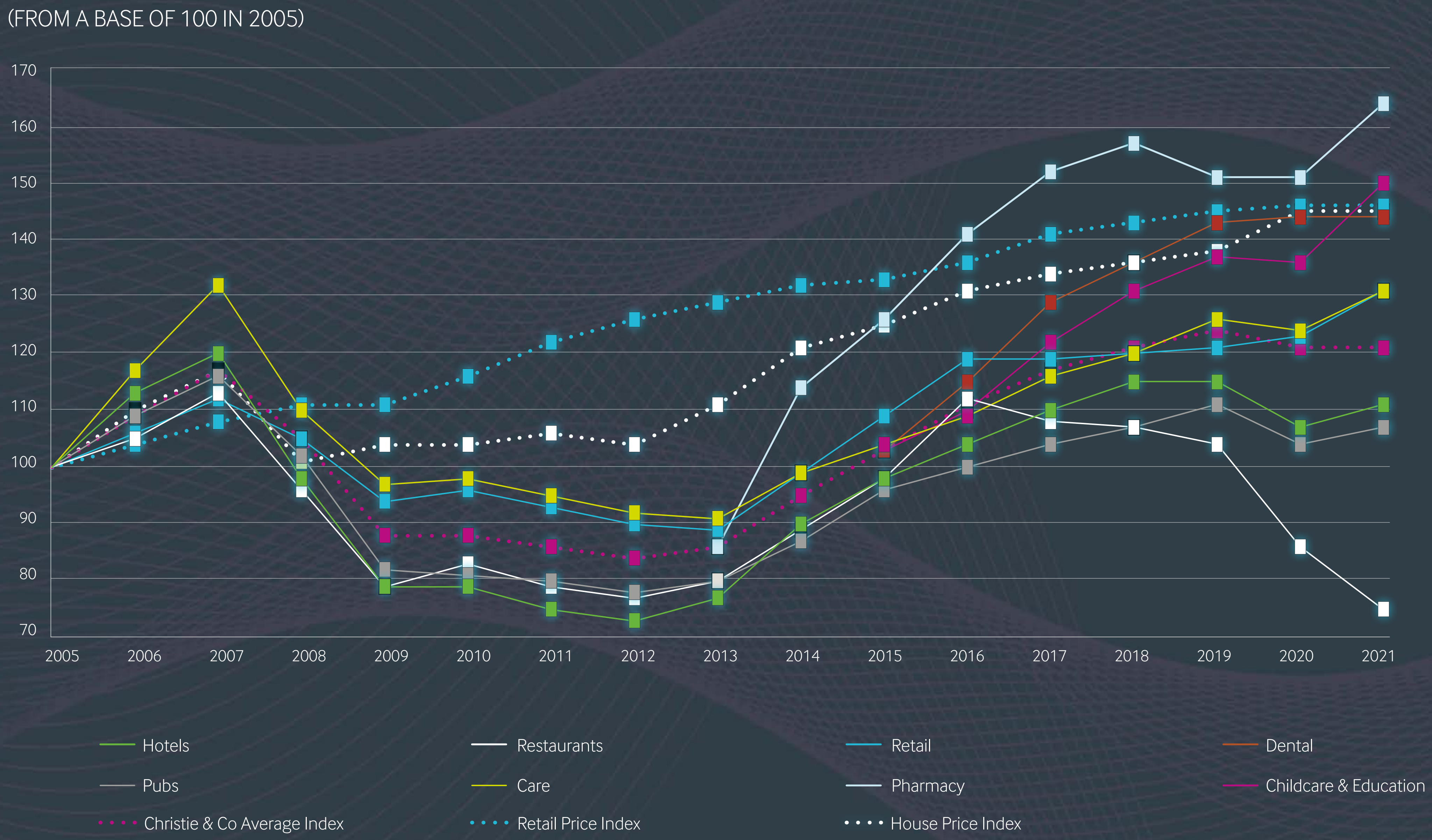
We also expect to see strong demand for our consultancy and valuation services as trading performance returns towards pre-COVID levels. Many lenders have been reluctant to commission periodic valuations until the worst is behind us and we're all really hoping that it is now mainly in the past and we can adjust, adapt and advance.

> Childcare & Education and Dental were the standout performers; however, Hospitality was perhaps the biggest surprise with Pubs and Hotels showing a positive trend and only Restaurants seeing a big decline in the sector.

> I expect 2022 will see a continued recovery for the UK and Eurozone economy and there remains a significant amount of capital in the market looking to find a home.

DARREN BOND
GLOBAL MANAGING DIRECTOR

PRICE INDEX



(FROM A BASE OF 100 IN 2005)
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2020
2021
Hotels
Restaurants
Retail
Dental
Pubs
Care
Pharmacy
Childcare & Education
Christie & Co Average Index
Retail Price Index
House Price Index

BANK SUPPORT & BUSINESS RECOVERY

As we look back at 2020 and the pundit's acknowledgement that the predicted raft of COVID-19 business failures did not happen due to extensive and ongoing business support, the expectation for a rise in distress and insolvency was pushed out to H2 2021. This was predicated on business support measures unwinding.

The effects of the pandemic, however, did not abate, leading to a third national lockdown on 6 January 2021 and a 'Roadmap' being imposed to phase out restrictions, culminating in 'Freedom Day' on 19 July 2021 in England, when all legal limits on social contact were removed. Several key business support measures were further extended to mitigate the financial impact of the ongoing pandemic. This included extending business rate relief, restrictions on winding up orders to 31 September 2021, but not for commercial rent debts related to coronavirus until 31 March 2022, the Recovery Loan Scheme to 30 June 2022 and lease forfeiture moratorium to 25 March 2022.

The further stimulus of business support, restrictions on debt collection and forbearance of lenders enabled some businesses time out to take stock, adapt, restructure and emerge stronger. Conversely, a number of weaker businesses did not survive, and whilst corporate insolvency volumes were below pre-pandemic levels overall during 2021, a spike in creditors' voluntary liquidations (CVLs) in both Q4 2020 and Q2 2021, with volumes rising further in Q3 2021, suggests that company directors chose to cease trading businesses they deemed unviable going forward.

As the anaesthetic of business support wears off, we should expect to see a rise in business distress and insolvency during 2022 which will be exacerbated by headwinds created by the pandemic itself. This will be characterised by an increased debt burden in addition to supply chain issues and an inflationary spiral which saw the Consumer Price Index reach a ten year high of 5.1% in November 2021. This prompted the Bank of England (BoE) to raise interest rates in December for the first time in three years to 0.25%, to tighten monetary policy and maintain price stability in the medium-term.

THE BOE'S FORECAST IS THAT INFLATION WILL REMAIN SIGNIFICANTLY ABOVE THEIR TARGET OF 2%, PEAKING AT CIRCA 6% IN SPRING 2022.

The hospitality and care sectors have been particularly sensitive to inflation. In addition to spiralling utilities and supply costs, labour shortages are amongst the highest in these sectors, further compounding inflationary pressures as wage costs rise due to operators vying for staff to fill vacancies. It appears there is no short-term fix to this issue as the impact of Brexit on the supply of migrant workers, a flight to jobs with more sociable hours and mandatory vaccination enforced in care homes all have an effect.

It is uncertain as to what extent the prevailing challenges will hamper growth and the recovery.

IN DECEMBER 2021, THE ORGANISATION FOR ECONOMIC DEVELOPMENT (OECD) UPGRADED ITS FORECASTS FOR THE UK ECONOMY FOR THE YEAR BY 0.2% TO 6.9% AND PREDICTED AN EXPANSION OF 4.7% IN 2022, WHICH WOULD BE AHEAD OF ITS G7 RIVALS.

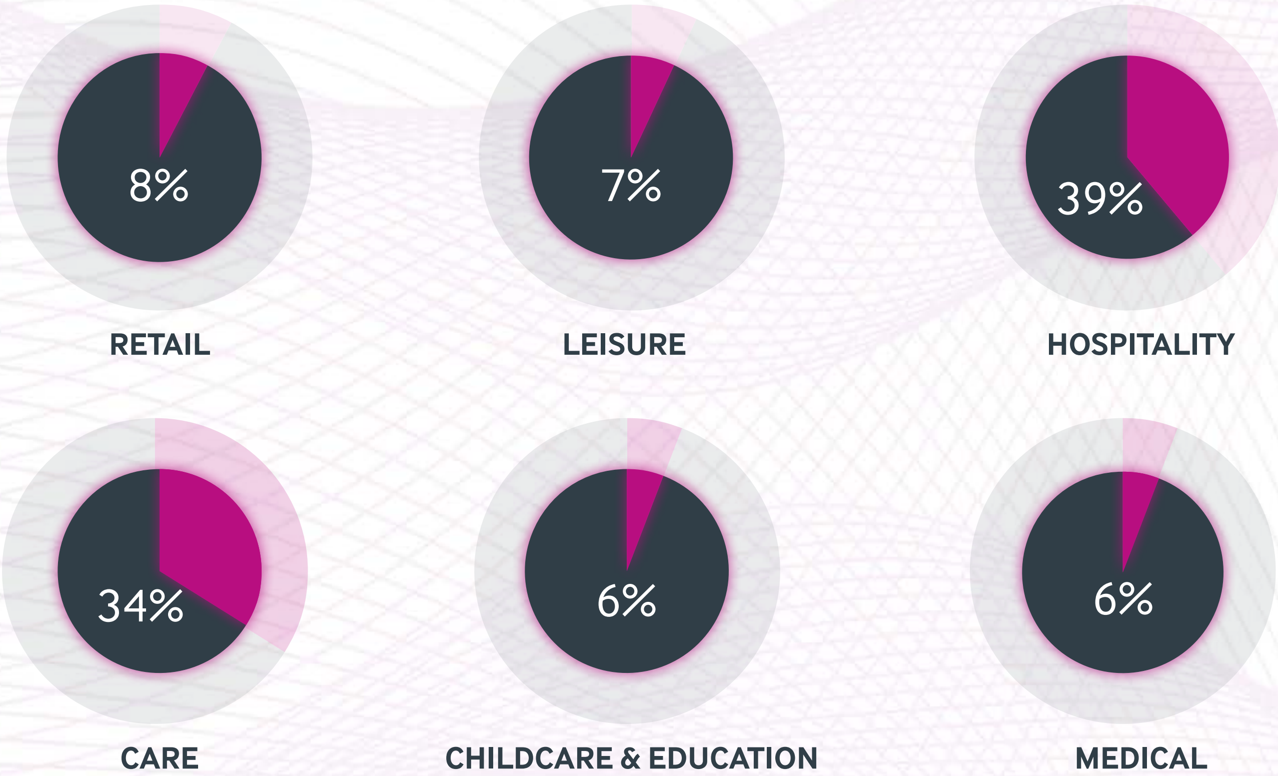
However, the arrival of the Omicron variant has seen several economists downgrade growth estimates, and the extent of its impact on business, consumer confidence and economic growth will be dependant on how the variant evolves and whether additional restrictions are put in place to combat it.

The further stimulus of business support, restrictions on debt collection and forbearance of lenders enabled some businesses time out to take stock, adapt, restructure and emerge stronger.

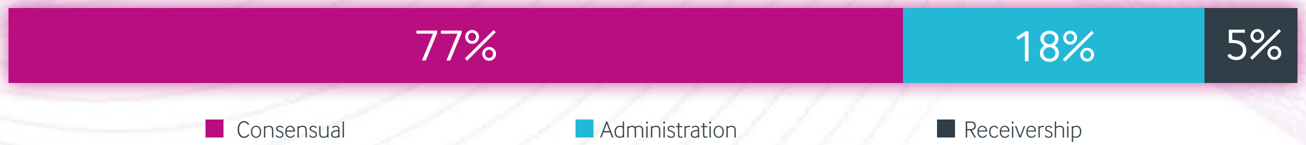
Consumer confidence and economic growth will be dependant on how the variant evolves and whether additional restrictions are put in place to combat it.

STEPHEN JACOBS
DIRECTOR
- BANK SUPPORT &
BUSINESS RECOVERY

BREAKDOWN OF DISTRESSED ASSET INSTRUCTIONS FOR DISPOSAL BY SECTOR IN 2021



DISTRESSED ASSET INSTRUCTIONS FOR DISPOSAL BY APPOINTMENT TYPE IN 2021



Source: Christie & Co

MARKET PREDICTIONS

An increase in debt refinancing and asset sales where lenders do not have appetite to further support non performing businesses

A rise in business distress and insolvency during 2022, as business support measures unwind, debts must be repaid and enforcement activity increases

Supply chain issues and inflationary pressures will ease in the second half of 2022, notwithstanding further imposed pandemic restrictions

High vacancy rates and labour shortages in the care and hospitality sectors will persist, which will impact operational efficiency and economic recovery

CHRISTIE FINANCE

Purchase and Refinance

JOHN MITCHELL
MANAGING DIRECTOR
- CHRISTIE FINANCE

SUPPORTING FIRST-TIME BUYERS AND EXISTING OPERATORS TO ACCESS FUNDING DURING THE PANDEMIC

Throughout 2021 we supported clients across our range of specialist sectors. As the UK moves through the pandemic, we will continue to support acquisitions, refinancing and development finance.

Some high street lenders are naturally reluctant to support hard-hit sectors as they require certainty on the return to normal trading and seek six to nine months of uninterrupted trade before considering lending again.

Support from the Government through the Coronavirus Business Interruption Loan Scheme (CBILS) facilitated a number of transactions during the UK lockdowns, with the Recovery Loan Scheme (RLS) later being introduced to provide ongoing support in 2021. This allowed many lenders to sanction loans that may not have normally been approved.

HAVE THERE BEEN ANY CHANGES WITHIN THE FUNDING MARKET?

With no regulatory changes and differences in the types of clients we work with, Christie Finance has continued to ensure every client is treated with the same amount of care and due diligence when supporting their funding requirements.

New lenders have continued to enter the market, joining the increasing number of challenger banks that have emerged since the credit crisis during 2007 – 2008. They have provided a strong offering in some of our niche sectors, and we welcome such lenders presenting a real desire to support SME funding.

ARE BANKS LOOKING MORE FAVOURABLY AT CERTAIN SECTORS OVER OTHERS?

The pharmacy, dental and childcare sectors remain 'green light' sectors to the lending market. Banks have favoured businesses that have an NHS contract in place due to the cash flow advantages it presents.

In other sectors, such as hospitality, lenders are particularly cautious to offer funding to businesses that have been so greatly impacted by the pandemic.

MARKET PREDICTION FOR 2022

Going into 2022, it will be intriguing to see how banks manage their client base when borrowers are either at the end of their committed loan term or in technical default.

We expect an increase in refinance opportunities, due to some banks not showing a desire to renew loans or support incumbent borrowers with further loan facilities.

> High street lenders have presented limited appetite to support some of our specialist sectors and we have established that only 40% of our completions are generally financed through one of the main high street lenders, whereas historically, this figure would have been considerably higher.

CASE STUDIES

The Fox and Hounds, Devon

We supported experienced business owners, Helen and Michael, with their purchase of a highly successful hotel sitting on the River Taw, Devon.

The hotel comprises 22 en suite bedrooms and regularly features in the top-ranked wedding venues in Devon.

The Corsewall Lighthouse Hotel, Scotland

We supported two first-time buyers with the acquisition of a unique lighthouse hotel on the shores of Stranraer in Scotland.

The hotel is complemented with self-catering cottages and has gathered excellent reviews on TripAdvisor.

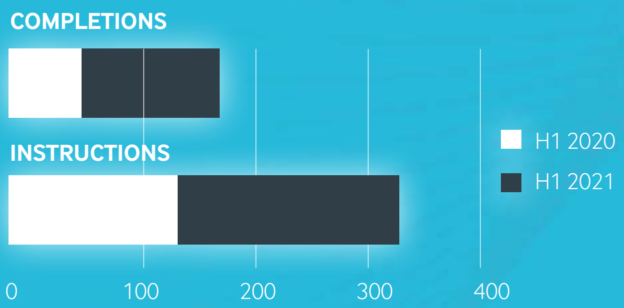
CHRISTIE FINANCE

Unsecured and Asset Finance

SHAUN WATTS
DIRECTOR
- CHRISTIE FINANCE UNSECURED AND ASSET FINANCE

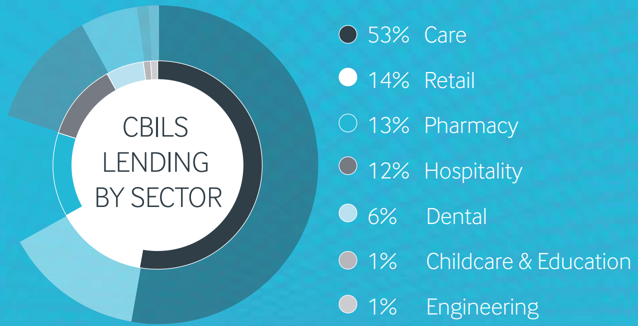
MANY BUSINESSES ARE SEEKING UNSECURED, ASSET FINANCE AND GOVERNMENT-BACKED FUNDING SCHEMES TO AID BUSINESS RECOVERY.

The continuation of the CBILs (Coronavirus Business Interruption Loan Scheme) funding scheme in 2021 drove significant growth in unsecured finance applications in H1 2021, up 35% vs. H1 2020. We have also seen a 50% increase in completions compare to H1 2020.



The Christie Finance Unsecured and Asset Finance division provided approximately £25 million in unsecured business loan funding to 165 clients across a variety of sectors in 2020, with 65% of this being CBILS funding. This strong demand continued into 2021 with circa £18.5 million of funding provided in the first three quarters of the year - a growth of 30% in comparison to the same period in 2020.

A significant proportion of our CBILS funding support (53%), was provided to the care sector. Furthermore, 12% of CBILS funding was delivered to the hospitality sector. This is a sector that has been impacted heavily by the pandemic but was also able to benefit from the Bounce Back Loan Scheme (BBLS).



The Recovery Loan Scheme (RLS) was launched in April 2021 as the lending market moved to gain accreditation, with the need for business recovery support becoming vital. Although the scheme has been well received, we have not witnessed the same level of demand as we did for CBILS funding.

With the anticipated challenges that businesses faced during the pandemic, it became clear that asset secure lending would be an important tool in supporting businesses with their recovery. This has all resulted in a greater demand in new borrowing by way of the BBLS, CBILS and other schemes, and we have now seen an increase in the need for equipment finance which has accounted for 20% of completions post-CBILS.

MARKET PREDICTIONS FOR 2022

We anticipate increased opportunities for alternative funding as bank credit policies adapt to the 'new normal'.

We expect to see operators with a renewed confidence within their markets and there is an expectation to see a greater availability of alternative funding as businesses start to adapt, incorporating new technology and embracing new opportunities. Operators may consider 'hire purchase' and 'leasing' options, and mid-term business loans to spread the cost of acquiring or upgrading equipment.

CASE STUDIES

Unsecured Business Loan, Manchester

We sourced an unsecured loan to support the refurbishment of a boutique hotel in Manchester.

A traditional facility was secured without the need for any government support, which highlights the appetite for funding remains for businesses with robust planning strategies.

Hire Purchase Facility, Leicester

Our team sourced a hire purchase facility to support a Leicester-based pharmacy in purchasing a dispensing robot, accommodating complex payment terms from an international supplier.

This has enabled our client to effectively manage the product and cash flow during installation and the first stages of automation within the pharmacy.

CHRISTIE INSURANCE

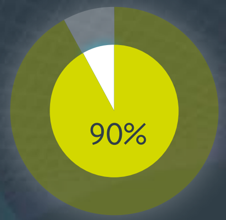
WALTER MURRAY
MANAGING DIRECTOR
- CHRISTIE INSURANCE

Many insurers are taking a cautious approach towards renewals, and, indeed, towards any new business. As a consequence of the global pandemic, insurers are having to clarify their policy covers, limiting or excluding cover for COVID-19, but also clarifying what interruption to 'the business' means, and when the cover (if any) for prevention or hindrance to the insured premises will apply.

Premium increases remain a central theme of the insurance landscape. Directors and Officers, Crime (fidelity) and Cyber Insurance have all seen premium increases and cover reductions due to a limited number of insurers in the insurance market; together with ransomware claims that continue to rise.

COVID-19, rising fuel costs, labour shortages and delivery delays have all led to the cost of construction increasing. The primary asset of most businesses is their buildings, yet very few review the cost of rebuilding, which is insured.

The market value, which has no relationship to the rebuilding cost, often distracts buyers when the most important thing is to ensure the rebuilding cost is correct.



Two thirds of businesses have adapted their business model as a result of the national lockdowns, but 90% of these have not made any changes to their insurance cover*.

Cyber attacks targeting mobile devices rose by 50% in the first half of 2021 as our dependence on technology grows.

It is more critical than ever for businesses to have cyber and data protection in place, protecting them from any future digital crimes.

Criminal activity can often vary, having a significant impact on a business, the individuals it supports and their families. Cyber insurance can help protect a business against a range of cyber threats and exposures, including cybercrime, data breaches and system interruption.

MARKET PREDICTION

After years of decline, the UK insurance market is buoyant with premium growth. This would usually indicate the return of competition within the insurance market triggering reductions in premiums, but the economic outlook for 2022 together with the current inability to see the 'end' of COVID-19, will restrain premium reductions. They may occur but not as dramatically as they have done previously.

COVID-19, rising fuel costs, labour shortages and delivery delays have all led to the cost of construction increasing. The primary asset of most businesses is their buildings, yet very few review the cost of rebuilding, which is insured.

**The Broker Magazine – May 2021*

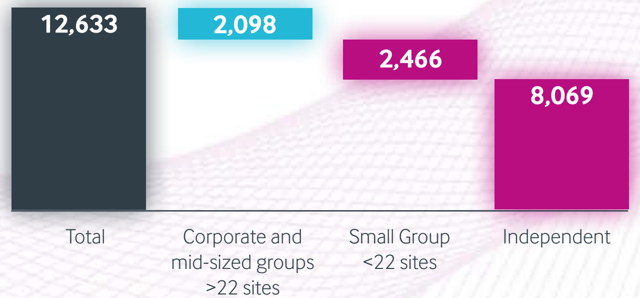
CHRISTIE & CO SECTORS

DENTAL

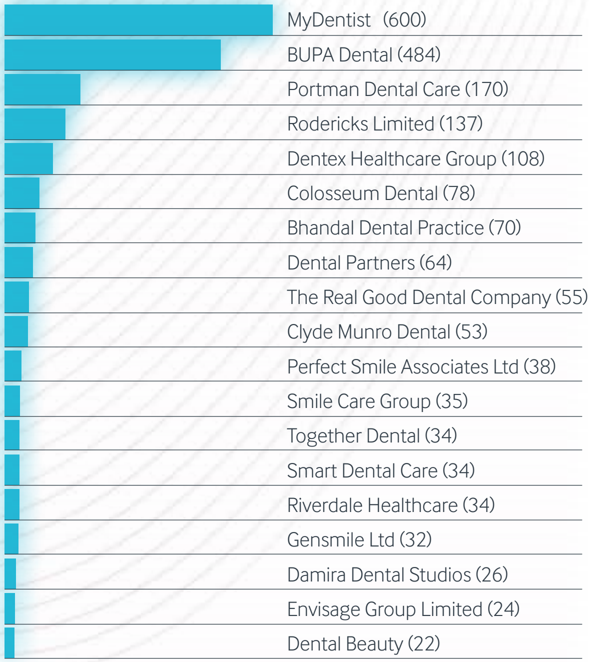
INTRODUCTION

After the seismic impact of COVID-19 on the dental profession, particularly in 2020, it is very encouraging to report such buoyant market conditions in 2021. Deal activity picked up where it left off in late 2020 as buyers sought to recover lost ground and fulfil their acquisition plans.

UK MARKET COMPOSITION BY OWNERSHIP TYPE



CORPORATE AND MID-SIZED GROUP OWNERSHIP



MARKET PREDICTIONS

Market demand is driven by the sentiment of buyers and is often influenced by how their own businesses are trading.

Since most dental practices re-opened in June 2020, patient demand for NHS and private dentistry has been unprecedented. The NHS sector continues to experience significant capacity issues caused by a huge backlog of patient appointments, whilst the private sector has boomed. Noticeable trends include the migration of patients from the NHS to private sector and a general increase in the typical spend of patients, particularly on cosmetic and aesthetic dental treatments.

The reduced activity in the NHS sector has also freed up capacity in some practices for private dentistry to be introduced where previously it had not been offered. Some dental practice owners are comparing the economics of running a practice with a more balanced income mix and are actively considering reducing their NHS commitments (when activity returns to 100%) to retain the valuable new private income.

Profit margins will come under further pressure in 2022 as the increase in employer NI contributions is introduced. Practice owners, already under rising cost pressures, will need to consider ways to mitigate this through better cost management and/or fee increases in the private sector.

Dentistry has not been immune to the combined effects of Brexit and the pandemic. In 2017, we reported on the shortage of dentists in the UK due to the referendum result. These pressures remain, further compounded by an acute shortage of qualified nurses in the profession. Whilst the overall number has been reported as being broadly the same as pre-pandemic, a higher-than-average number have failed to re-register. The BDA is quoted as saying that this number was up to 3,800, with the main causes cited as relatively low pay and changes in working conditions. A lack of transience in the workforce as a result of the pandemic is also likely to have affected the recruitment market.

Noticeable trends include the migration of patients from the NHS to private sector and a general increase in the typical spend of patients, particularly on cosmetic and aesthetic dental treatments.

Deal activity picked up where it left off in late 2020 as buyers sought to recover lost ground and fulfil their acquisition plans.

DENTAL

BUYER APPETITE

Demand for dental practices continued to be very strong in 2021. In the higher price ranges, there was a noticeable increase in the number of potential buyers for the best practices.

Corporate and mid-sized group operators were extremely active, and a number of new buyers emerged to increase competition in this segment of the market. The lack of supply of good quality, larger practices led to extremely competitive bidding and sale prices achieved were often ahead of the asking price.

There was a glut of completed deals in the first quarter of 2021 in particular, as sellers sought to beat the anticipated increase in Capital Gains Tax in the Chancellor's Spring Budget. In the event, no such increase was announced.

The strong appetite for dental businesses continued throughout the year in all market segments, as illustrated by the graphics below.

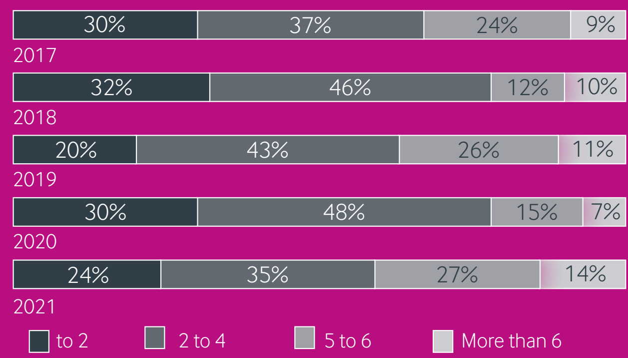
Between 2017 and 2021

ORTHODONTICS

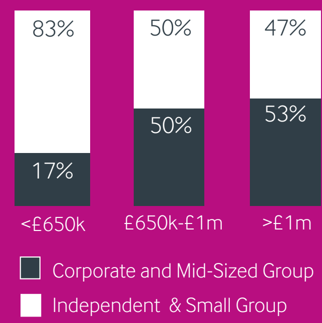
Following a mixed national implementation of procurement processes over the last year, there was a noticeable increase in demand for orthodontic practices in 2021. Several large corporate groups have employed dedicated orthodontic acquisition managers tasked with securing more ortho-focussed practices and increasing their offering in this space. The rise of popularity in aligners, notably Invisalign, cosmetic dentistry and the impact of video conferences/meetings over the last year, has led to an upsurge in the number of patients seeking straightening and whitening treatments.

We are seeing a number of the new orthodontic contracts (7 years + 3 years) come to the market, and demand for these has been strong, particularly amongst corporate operators. Values per unit of activity are lower but contracts are longer and so provide a greater degree of security than the previous versions. The limited supply of these 7+3 year opportunities have resulted in competitive bidding and the same corporate buyers are looking further afield with significant orthodontic transactions happening in the Scottish market where there are no time limited contracts, but they remain as valuable.

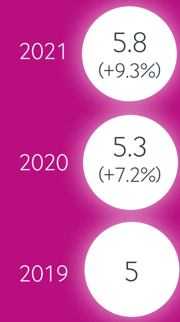
OFFERS RECEIVED BY NUMBER OF SURGERIES AND YEAR



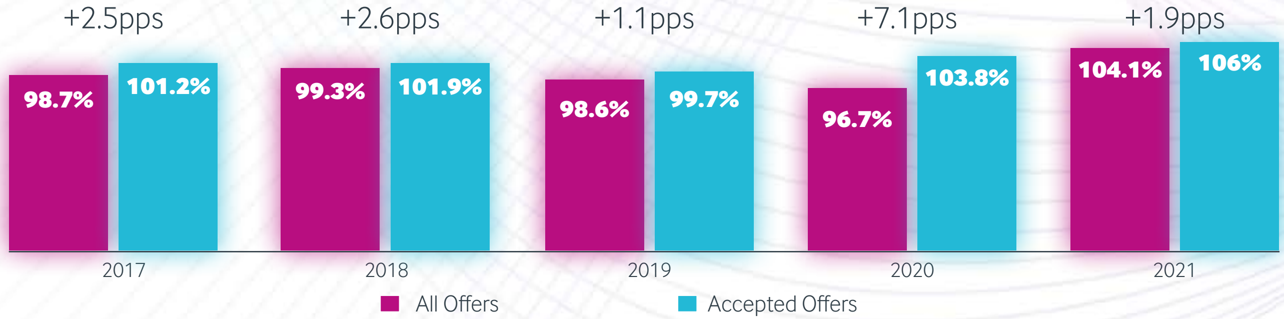
C & CO'S TRANSACTIONS BY REVENUE GROUP AND BUYER TYPE



AVERAGE NUMBER OF VIEWINGS PER PRACTICE



VARIANCE BETWEEN OFFERS AND ASKING PRICE, BY YEAR AND IF ACCEPTED



SIMON HUGHES
MANAGING DIRECTOR
- MEDICAL

PAUL GRAHAM
DIRECTOR
- HEAD OF DENTAL

CHRISTOPHER VOWLES FRICS
HEAD OF VALUATION
- MEDICAL

BUYER & PRACTICE TYPES

Established corporate and various mid-sized groups, typically with private equity (PE) backing, are trying to fulfil their ambitious buy and build targets. However, they face stiff competition from independently-owned dental groups which are trying to grow to platform size to eventually become suitable for future PE backing themselves – this buyer profile is dominating the higher end of the market at present. One of the fascinating aspects of the market now is seeing the number of new entrants looking to build groups. For sellers of larger dental practices, the choice of buyer and deal structure has never been so varied.

There are also more buyers for larger assets than ever before, which comes with the consolidation of the market. Whilst there has been a greater share of offers for larger practices in 2021 than any year prior, this may also be reflective of what we have on the market. The buyers for these practices are mostly corporates.

We are seeing a reinvigorated appetite from independents and first-time buyers purchasing their own practices. This is not a new trend by any means but is a surge of activity emphasised by the pandemic as Associates seek income security through practice ownership, often well supported by major high-street banks.

There is also a continued increase in interest for practices within more urban locations, as local operators are keen to live and work in one area. Patient numbers in suburban locations are also increasing in line with changing working patterns, as many people now work from home so, out of convenience, are choosing practices closer to home, rather than closer to their workplace.

THE FUNDING LANDSCAPE

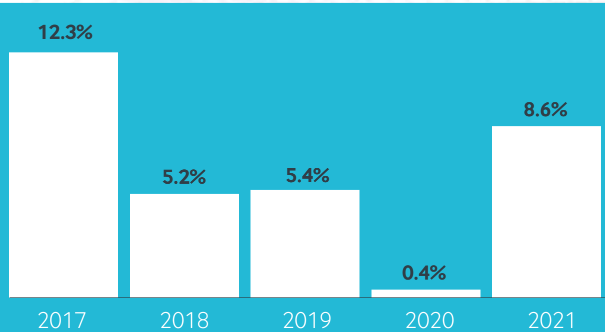
The dental sector continues to recover from the pandemic and demand for dental practice businesses remains strong. Banks new to the sector are limited due to the unsecured nature of the businesses but, with those who do lend in the sector, applications are considered with a positive view. Christie Finance delivered a number of applications to lenders in the sector in 2021, with 69% of finance secured used to purchase a dental practice.

Lenders are looking at all aspects of the business, from the dental and management experience of the buyer, to how the practice will be run post-purchase, from its history to its potential.

DAVID WARD
SENIOR DIRECTOR, CHRISTIE FINANCE

PRICE INDEX

Our positive price index movement is reflective of a pre-pandemic era. The demand for dental businesses has rebounded as a result of the sector's profile during the pandemic, and we expect this trend to continue.



CASE STUDIES

Real Good Dental, Scotland

We advised on the strategic investment in Real Good Dental from private equity firm, TriSpan. Founded in 2012 by Dr Satinder Dhami and Dr Jagdeep Singh Hans, Real Good Dental services over 350,000 patients across 46 mixed income practices located around the Central Belt of Scotland. Covering circa 85% of the Central Belt's population, it is the second largest dental group in the country.

Project Humber, East Yorkshire

We advised on the partnership between two EYDS practices - Brough Dental Studio and Grimsby Dental Studio - and Dentex. Founding Principals, Dr Jason Spence and Dr Christopher Maher, partnered with Dentex to enable them to focus on delivering first-class clinical treatment to patients and to step back from some of the more stressful aspects of practice ownership.

The Dental Surgery, London

We represented Dr Shaun Smith and Dr Simon Nocton in the sale of their eminent London practice to Portman. Originally marketed in 2020, the process was interrupted due to COVID-19, but the practice bounced back strongly once it re-opened in June 2020 and negotiations led to completion in early 2021. The 15-surgery practice is one of the largest of its kind in London.

PHARMACY

INTRODUCTION

The pharmacy sector performed strongly throughout 2021 and saw significant levels of deal activity as sector confidence continued to be buoyed by the ongoing response to the pandemic.

Pharmacy saw its frontline role increase further as it underpinned the national vaccination programme. With the booster campaign, which started in September 2021, pharmacy is expected to continue its vital role in helping to suppress the virus as we move into 2022.

11%

INCREASE IN AVERAGE NUMBER OF OFFERS RECEIVED PRE-PANDEMIC (2019 AVERAGE)

31%

INCREASE ON 2020

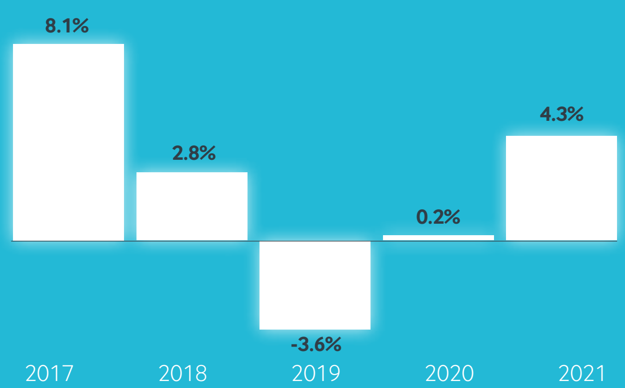
MARKET PREDICTIONS

> The continuation of strong deal activity, both independent and group sales
>
> We are likely to see increasing investment by independents in technology and automation as they look to adapt their digital offering and keep up with demand

> The role of pharmacy will expand as it increases delivery of services as the effects of the pandemic ease
>
> Subject to regulatory changes, we expect to see the roll-out of 'hub and spoke' models to serve independent contractors outside of private company structures

PRICE INDEX

With more multiples coming back into the market and an increase in appetite over the course of the pandemic, we have seen interest generated more quickly on new instructions, often resulting in competitive bidding. This is starting to manifest itself in increasing deals agreed values.



CASE STUDIES

Pearn's Pharmacies Limited, South Wales

Pearn's Pharmacies Limited, a group of 20 pharmacies in South Wales trading from a mixture of community and health centre/health centre adjacent settings, sold to regional pharmacy operator, Knights Pharmacy.

Stewart Pharmacy (Scotland) Limited, East Ayrshire

We brokered the sale of two community pharmacies in East Ayrshire trading under Stewart Pharmacy (Scotland) Limited. Stewart Pharmacy sold to a west of Scotland group-operator and Dalrymple Pharmacy sold to a local first-time buyer who is a qualified Independent Prescriber. The pharmacies dispensed a combined average of 9,750 NHS items per month. A total of 14 offers were received.

JM McGill and D & R Sharp, South Yorkshire

Two independent South Yorkshire pharmacy businesses – JM McGill Limited and D & R Sharp (Chemists) Limited – sold to Leicester-based group, Mr Pickford's, through a management buyout supported by Connection Capital LLP. The sale comprised a total of 14 pharmacies, making Mr Pickford's one of the top 30 groups in the UK by size.

PHARMACY

MARKET ACTIVITY & BUYER APPETITE

Whilst operating pharmacies remained challenging as a result of the pandemic, the pharmacy market continued to perform strongly both from a corporate and an independent perspective. 2021 saw some significant deal activity, including the sales of Dudley Taylor Pharmacy Group, A & JM Sheppard Pharmacy Group, JM McGill Limited and Pearn's Pharmacies Limited, all of which were acquired by expanding group operators.

Alongside this, independent activity also remained brisk, with Christie & Co recording its highest ever volume of sales since it started operating in the pharmacy sector over a decade ago.

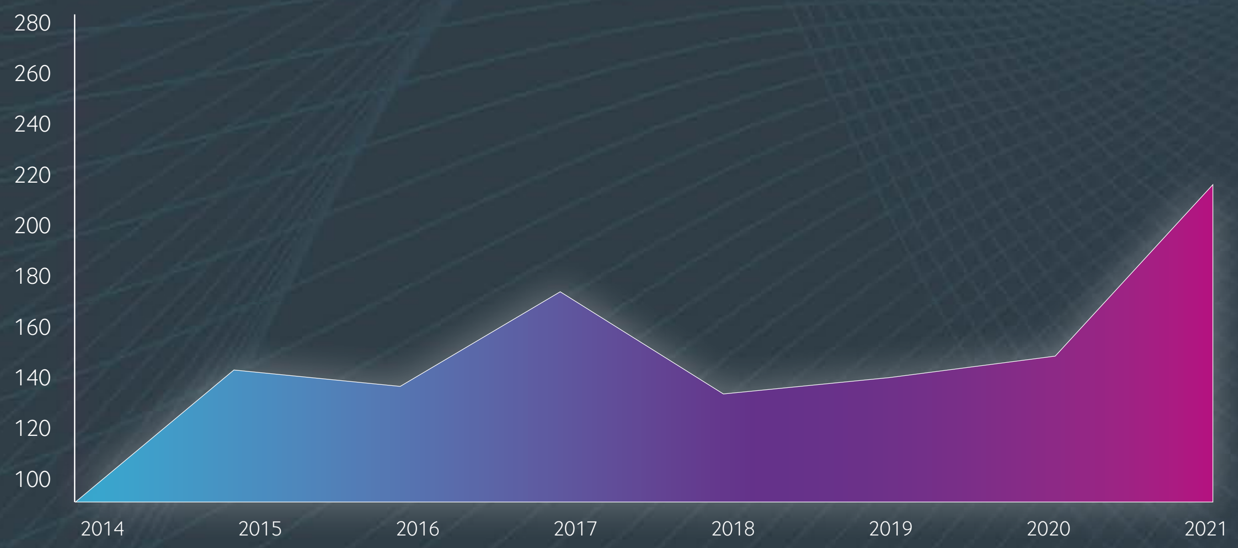
After a challenging 2020, deal times began to return to normal levels as regulatory services managed to overcome the backlog of applications that was stunted due to the temporary suspension of services in June of that year. Appetite has continued to increase, resulting in highly competitive activity with an average of five offers per pharmacy sold.

2021 saw the return of many small multiple operators looking to acquire to further expand their estates. Notable projects through the year included the ongoing disposal of pharmacies on behalf of Boots under Project Echo, and the marketing of 16 pharmacies on behalf of The Hub Pharmacy.

Buyer appetite increased across the year, with activity being generated from first-time buyers, independent contractors, and regional and national multiples. There has been notable corporate activity too, and an increase in the activity of PE/finance buyers.

Confirmation that the sector would have to repay the £370 million of advance funding that was provided at the outset of the pandemic was, in part, offset by the ability for contractors to reclaim additional costs incurred as a result of the pandemic. Subsequently, this had little impact on market activity or appetite.

PHARMACY EXCHANGES YTD Y-O-Y
(BASE, 2014 = 100)



THE FUNDING LANDSCAPE

Appetite from the majority of lenders remains strong within the pharmacy sector. However, some banks have amended their criteria over the last couple of years and are more cautious in their approach, especially around forecast-led business proposals.

Whilst still keen to lend, banks now look at proposals in greater detail and adjust their offerings to reflect the overall strength of a particular borrowing proposition. It is, therefore, important for clients to liaise with their advisers, ensuring they have all evidence required to support their applications.

Christie Finance has completed over 45 deals in the pharmacy sector in 2021, with the majority of this being acquisition funding, particularly for first-time buyers.

CRAIG DICKSON
DIRECTOR, CHRISTIE FINANCE

TONY EVANS
HEAD OF PHARMACY

CHRISTOPHER VOWLES FRICS
HEAD OF VALUATION - MEDICAL

THE SCOTTISH MARKET

In Scotland, the pharmacy market continued to perform strongly, mirroring the activity witnessed in 2020. Many pharmacies delivered strong income during 2021 which, coupled with a relatively low number of pharmacies available on the market, continued to drive prices forwards. The Pharmacy First Scheme - where patients can visit a pharmacy for consultation and treatment of minor illnesses - also contributed to an increase in trade. Additionally, plans were announced to further expand the range of conditions treated under the Scheme which will help to reduce the number of unnecessary GP and out of hour appointments.

TECHNOLOGY & AUTOMATION

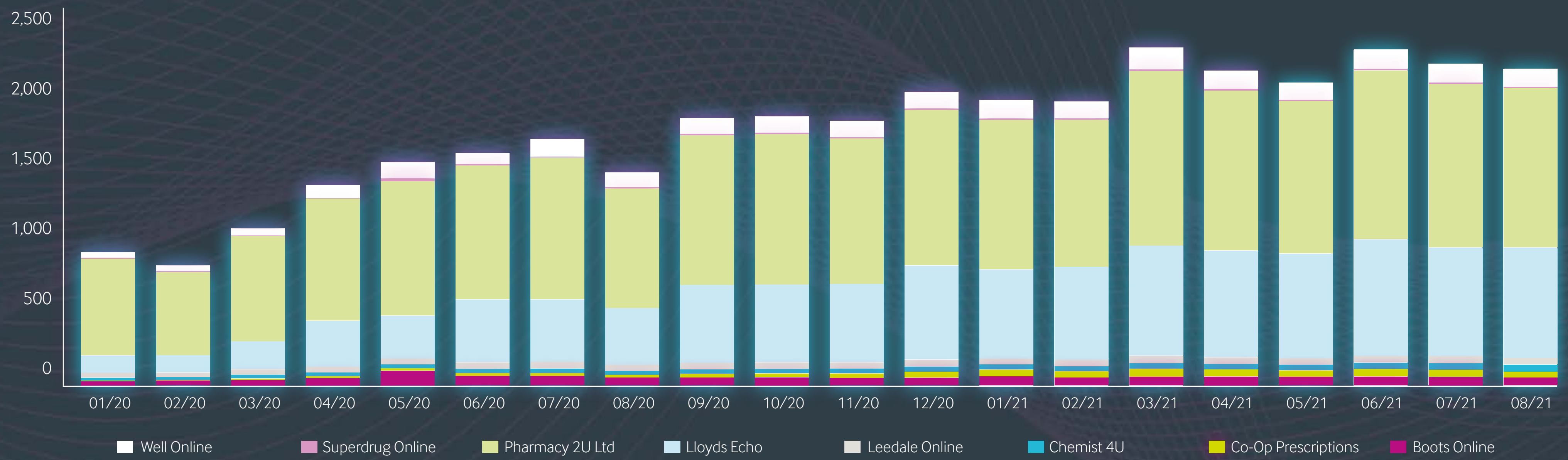
The introduction of technology and automation appears to have developed at pace off the back of the pandemic, with more and more operators using these to improve efficiencies in their day-to-day activity which enables them to reallocate their valuable staff resources to deliver more services to patients.

Online pharmacy services have delivered significantly over the course of the pandemic, with our 2021 market review highlighting that primary online providers have seen over a two-fold increase in their dispensing volumes compared to pre-pandemic. Whilst this inevitably suggests they are attracting an increasing market share, 'bricks and mortar' providers, by morphing into 'bricks and clicks' structures, are more than capable of competing head on with these services, creating a 'stickiness' to the patient, whilst offering the same services and value that only traditional pharmacy can deliver.

KEY CHALLENGES

Common to all country regions was the challenge of staff shortages, in part brought on by pandemic measures for self-isolation, however the squeeze on Pharmacist resource was also a result of a movement of Pharmacists and Technicians away from community pharmacy to GP primary care support roles. This has resulted in contractors now being faced with significant increases in locum rates.

TOTAL ITEMS DISPENSED BY KEY ONLINE PHARMACIES - JANUARY 2020 TO AUGUST 2021 (000's)



CARE

Image credit: WR Dunn

INTRODUCTION

The care sector is underpinned by need and, over many years, the demographic trends in the UK have fuelled significant investment activity with operators and investors expanding their presence in the knowledge that people are living longer but with an ever-increasing range of health conditions.

Through the pandemic, and despite the many challenges, the sector has proven to be exceptionally resilient, with care providers and their staff playing a vital and inspiring role. This resilience has also been seen in the transactional market, with 2021 seeing a resurgence of M&A activity at all levels of the market.

The year welcomed a number of landmark deals, with the arrival of European investors including the French healthcare fund, Pierval Santé, which acquired a group of Care UK investments from Legal & General in a deal brokered by Christie & Co. Separately, Cofinimmo, one of the largest property funds in Belgium, entered the UK market and Korian, one of the largest European operator consolidators, completed its first UK platform acquisition.

Christie & Co completed **over 50%** of all individually transacted care home deals in the UK during 2021, including several major divestment projects for leading operators and investors.

Similarly, our development, investment and advisory teams had a very busy year, working on a wide range of projects across the value spectrum.

Moving into 2022, very positively, operators are reporting that occupancy levels are recovering following a steady increase in new resident enquiries. Whilst there are operational headwinds, particularly in relation to staffing, the buoyancy of the sector and the strength of investor appetite make us optimistic for the year ahead.

> Through the pandemic, and despite the many challenges, the sector has proven to be exceptionally resilient, with care providers and their staff playing a vital and inspiring role.

THE FUNDING LANSCAPE

Over the past two years, the funding landscape has completely changed in the care sector, with alternative, less mainstream lenders entering the market to pick up where the high street has perhaps retrenched.

The ever-growing challenges faced by the sector – be those staff shortages, COVID-19 restrictions, PPE issues or vaccination rules, have been highlighted by lenders who focus on the operation of care businesses.

In 2021, we saw a 32% increase on 2020 on the number of funding offers we secured, this is 37% higher than that of 2019.

JIMMY JOHNS
ASSOCIATE DIRECTOR, CHRISTIE FINANCE

MARKET PREDICTIONS

Significant investor interest will remain as UK and international capital continues to be attracted by the strong fundamentals underpinning UK healthcare

Workforce related challenges and increased cost pressures are likely to occur but with mitigation provided by increased occupancy rates and fee levels

Providing the COVID-19 vaccinations remain robust, the trend of post-lockdown occupancy recovery will continue

Funding reform will remain a 'hot topic' on the political agenda

The strong healthcare development market seen in 2021 will continue

We anticipate further activity from European consolidators which may potentially lead to one or more OpCo transaction occurring

CARE

MARKET TRENDS

2021 started extremely positively with an announcement made on 30 December 2020 that Dutch private equity firm, Waterland, had acquired the Priory Group from Acadia in a deal valued at just over £1 billion. Shortly after, it was announced that the NYSE listed REIT, Medical Properties Trust, had agreed a concurrent sale and lease back transaction with Waterland in a deal valued at circa £800 million.

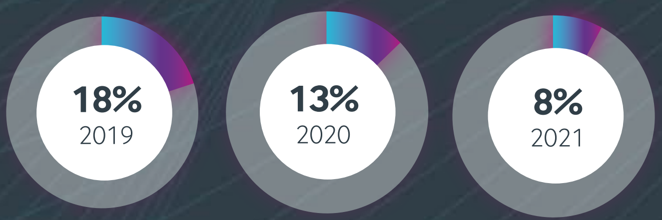
These major transactions, which occurred as the UK was in the midst of the winter lockdown, set the tone for the year ahead, with our transactional team, once again, having an exceptionally busy year.

Our work through the year included some major corporate operator and investor divestment projects with high demand from a wide pool of well-funded local and regional operator buyers.

The strength of the market is illustrated by the average number of offerees where, for the period of 2017 to 2021, we have seen a 56% increase.

LACK OF DISTRESS

THE % OF DEALS WHICH WERE DISTRESSED BY YEAR:



2021 witnessed highly competitive sale processes which were fuelled by a combination of strong demand and a relative shortage of available stock.

11%

THE AVERAGE NUMBER OF OFFERS RECEIVED ON CARE BUSINESSES INCREASED BY 11% RELATIVE TO THE PRIOR YEAR

14%

THE NUMBER OF CARE TRANSACTIONS FOR 2021 INCREASED BY 14%

95%

OUR TEAM ACHIEVED AN AVERAGE DEAL AGREED PRICE AT 95% OF THE QUOTED ASKING PRICE

DEAL TIMESCALES

Deal timescales have increased, with this partly reflecting delays in the processing of re-registration applications by the respective regulators.

CHRISTIE & CO'S CURRENT NET INITIAL YIELD BENCHMARKS

3.5% - 4.0%

Super Prime

4.25% - 4.75%

Prime

5.0% - 5.75%

Upper Secondary

6.0% - 7.0%

Lower Secondary

7.5%+

Tertiary

RICHARD LUNN
MANAGING DIRECTOR
- CARE

MICHAEL HODGES
MANAGING DIRECTOR
- HEALTHCARE CONSULTANCY

DEVELOPMENT AND INVESTMENT TRENDS

Many operators continued with development site acquisitions in 2021, fulfilling strategic long-term objectives to future-proof the quality of their asset base.

Investor appetite is undoubtedly increasing, with the arrival of large European investors and a broadening array of institutional investors, attracted by the long-term fundamentals that the sector offers.

There are, however, headwinds revolving around procurement and construction costs. Labour shortages and global supply chain issues, compounded by COVID-19, have led to rising labour costs and construction material shortages. We expect this to continue as a short-term challenge but there is hope in the industry that construction material pricing will become less volatile as the country adjusts to a new normal.

Land availability in locations with compelling underlying demographics remains scarce and securing planning permission continues to be a highly protracted, costly, and uncertain process.

Consequently, land values for sites with planning permission have continued to increase at a steady rate and we anticipate demand to remain robust for the foreseeable future.

RENTAL TRENDS

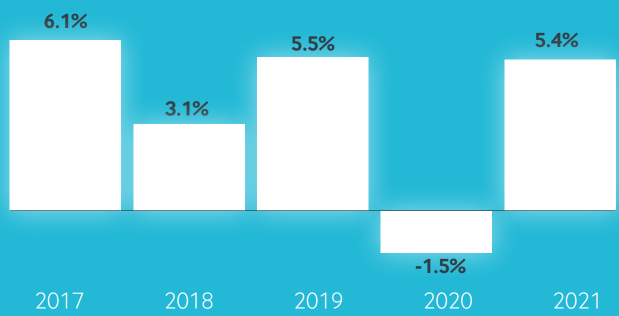
An increasing number of operators are now considering lease agreements, often within the context of new build development assets. Rents for such assets are linked to mature trading potential and the covenant strength of the operator with a typical range, based on Christie & Co activity, being in the order of £10k - £14k per bed.

YIELD TRENDS

Across the market, we have seen a trend of steady yield compression fuelled by strong demand from capital and limited stock availability. This is particularly notable for third sector covenants which are favoured by a number of institutional funds. There is also significant activity from UK and international sector specialist investors which is fuelling the upper secondary market.

PRICE INDEX

Strong demand from well funded purchasers, coupled with a general shortage of available stock, has led to a positive movement in pricing. This has been most pronounced at the top end of the market, particularly for prime platform opportunities, development sites and investments.



CASE STUDIES

Project Pine

Acting on behalf of Legal & General, Christie & Co sold three prime care home investment assets to SCPI Pierval Santé. The assets were let to Care UK with the deal marking SCPI Pierval Santé's first transaction involving existing healthcare investments in the UK.

Freehold land sale with planning permission for a retirement village development, Surrey

A specialist developer achieved full planning permission for a 115 (C2 use) Integrated Retirement Community with luxury resident amenities. Christie & Co conducted a confidential marketing campaign and sold the site to an established Retirement Village provider.

Pre-Let and forward funded investment sale for a care development scheme, Bedfordshire

Photo credit: WR Dunn

A site with full planning permission for a high specification development 76-bedroom care home scheme in Bedfordshire. We brokered a pre-let with a regional charity provider and then undertook an associated forward funded investment sale to a specialist healthcare fund.


CHILDCARE & EDUCATION

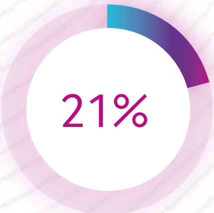
INTRODUCTION

The childcare and education sectors have risen to the fore during the pandemic, resulting in a tsunami of interest from enthusiastic prospective entrants. Following a period of slightly stagnated activity last year, established operators have also regained their appetite for growth.

Pent up buyer demand for day nursery, specialist childcare, and education businesses has fuelled competitive tension for the best quality businesses, with prices reaching new heights for prized assets.

THE VOLUME OF OFFERS RECEIVED FOR ALL TYPES OF BUSINESSES BROUGHT TO THE MARKET DURING 2021 EVIDENCES THE HEIGHTENED DEMAND FROM BUYERS.

Operational challenges associated with infection control have prevailed, along with recruitment, retention and remuneration difficulties during the UK's severest staff shortage following COVID-19 and Brexit.



BUSINESS TRANSACTIONS ARE UP 21% FROM 2020 TO 2021

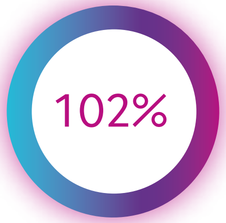
Despite ongoing operational complexities, childcare and education business transactions are up 21% from 2020 to 2021, increasing by some 5% on 2019.

38% INCREASE ON 2020

45% INCREASE ON 2019

With a diminution in the overall number of businesses being offered for sale, the volume of offers received increased by some 38% on 2020 and a staggering 45% on 2019. Throughout 2021, buyer demand has exceeded supply.

Transactions are taking longer; nine months on average from instruction to completion, this is, in part, due to buyers commissioning more rigorous financial due diligence. Frustrations created by longer deal timetables have been offset by higher prices being achieved, with single asset sales in 2021 on average achieving 102% of asking price.



SINGLE ASSET SALES IN 2021 ON AVERAGE ACHIEVED 102% OF ASKING PRICE

> Buyer demand is at an all-time high, but we expect further pace to be gained.

LOOKING AHEAD TO 2022, THERE ARE PLENTY OF REASONS FOR CONFIDENCE AND OPTIMISM...

Buyer demand is at an all-time high, but we expect further pace to be gained. While some prices achieved for the most sought-after childcare and education businesses have been eye-watering, we do not predict any significant reduction in general pricing.

Our childcare and education team is proud to work in a sector where providers exude so much passion, dedication, drive and determination – all striving to deliver the very best of outcomes for children in their care. 2022 will undoubtedly bring new challenges and opportunities.

FOR BUSINESS OWNERS AND INVESTORS RESOLUTE IN SEEKING TO 'SHOOT FOR THE STARS', 2022 WILL BE THE YEAR TO ADVANCE.

> While some prices achieved for the most sought-after childcare and education businesses have been eye-watering, we do not predict any significant reduction in general pricing.

COURTENEY DONALDSON MRICS
MANAGING DIRECTOR
- CHILDCARE & EDUCATION

> High-quality ECEC provision will be pivotal to each nation's future success, not just economically but also with direct regard to health, well-being and attainment prospects for children who have seen much disruption during their early years due to COVID-19, and, indeed, the wider generation of COVID-19 babies, toddlers, pre-schooler, children, and young generations overall.

INTERNATIONAL EARLY CHILDHOOD EDUCATION & CARE (ECEC)

Across the globe, the pandemic has raised the profile of ECEC, giving providers and practitioners the long-overdue recognition they truly deserve. With a wider awakening and awareness of the importance of high-quality ECEC provision comes new interest from prospective investors which adds to the demand from private equity, high-net-worth individuals, and philanthropic investors, all of whom face direct M&A competition from a wider range of ECEC trade buyers.

High-quality ECEC provision will be pivotal to each nation's future success, not just economically but also with direct regard to health, well-being and attainment prospects for children who have seen much disruption during their early years due to COVID-19, and, indeed, the wider generation of COVID-19 babies, toddlers, pre-schooler, children, and young generations overall.

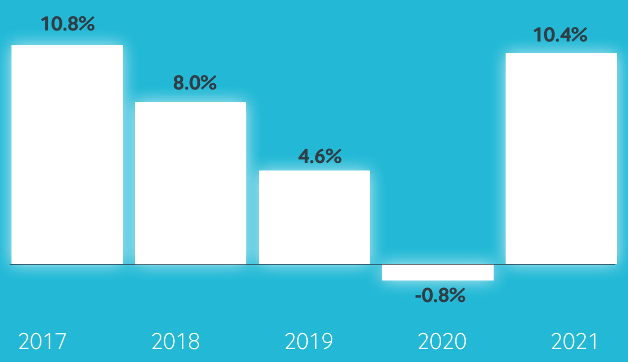
In May 2021, we published 'The Impact of COVID-19 on Global Early Childhood Education & Care (ECEC) Markets' report, which analysed and compared the impact of the pandemic on markets across five countries: United States, United Kingdom, Germany, Sweden and Australia. We highlighted the ongoing ECEC global activity which had taken pace mid-pandemic, including Antin Infrastructure Partners' acquisition of the majority shareholding in Babilou. Headquartered in Paris, Babilou comprises 500+ ECEC centres across France, Germany, Belgium, Dubai and Switzerland.

2021 has seen some very notable international ECEC activity, with trade buyers in particular, spanning many different countries and continents seeking high-quality ECEC platforms in new territories. Transactions included InfraVia Capital Partners' investment into Grandir, Haniel's acquisition of KMK Kinderzimmer in Germany, Busy Bee's acquisition of Think Childcare Group and Little Peoples Places in Australia, Provincial Education Group in New Zealand, and Park Academy Childcare, Ireland.

With a number of market-leading global ECEC portfolios spanning multiple continents set to commence auction processes in 2022, private equity investment will further fuel market activity. For trade buyers making platform acquisitions in new territories, experienced senior management teams and the successful integration of new acquisitions will continue to be the keys to success. For investors, trade buyers and those contemplating the sale of their international ECEC portfolios, 2022 has the potential to be a pivotal, landmark year.

PRICE INDEX

While some distressed businesses exchanged hands, most sales in 2021 were associated with businesses that benefited from the depth and breadth of experienced management teams. This, teamed with a lack of supply and pent-up demand, fuelled competitive tension resulting in higher values being achieved.



THE FUNDING LANDSCAPE

The childcare and education markets are still considered 'green' sectors for most lenders, where availability of funding remains strong for experienced operators. Interest rates have slightly increased across the board, compared to 18-24 months ago but, overall, there are still a range of lenders in the sectors.

Despite the volatility of the funding market during the pandemic and the high percentage of companies now offering employees a hybrid working pattern, there is still very much a need for childcare and education. As such, the markets have recovered relatively quickly for these businesses, especially those able to demonstrate a return to normal occupancy and turnover.

It is important for all borrowers to have viable business plans including projections along with demonstrable experience in the sector. First-time buyers are naturally finding the market more challenging, however, purchasing a successful childcare and education business with a strong management team in place is key when securing finance.

EMMA VANSON
FINANCE CONSULTANT, CHRISTIE FINANCE

CHILDREN'S DAY NURSERIES

NICK BROWN
DIRECTOR & HEAD OF BROKERAGE
- CHILDCARE & EDUCATION

Between 1 April 2020 to 31 March 2021, there was a net loss of 442 nurseries and pre-schools in England, the greatest number of which were in deprived areas, which has resulted in many parents accessing and utilising childcare in different ways. While some nurseries in city centres are experiencing continued occupancy challenges, others in suburban areas are citing full business recovery, so it is clear there remains an incredibly mixed picture across the whole of the UK.

Throughout the year, we saw a constant and steady stream of transactions, including the sales of Poppies Nursery Group, Tudor House Nurseries, Oakwood House Nursery and Tic Toc Day Nurseries, which were sold to Family First, Tinysaurus, Busy Bees and Kids Planet. Notable private equity transactions include Oakley Capital's acquisition of ICP nurseries, Phoenix Equity Partners' sale of their investment in Just Childcare and Fremman Capital taking a majority shareholding in Kids Planet.

Buyers appear less concerned with prior year earnings. Financial performance during 2020 was so distorted that many buyers shifted their focus to 2021 operations, occupancy, and earnings. For some, it might not be as advantageous selling in 2022 as it has been for those that chose to sell in 2021.

Nurseries have increasingly been at the forefront of developer's and real estate investor's thoughts. Notable investment transactions in 2021 include AEW's acquisition of London pre-school assets and LXi REIT's sale and leaseback of a portfolio of assets tenanted by Just Childcare. We wholly expect that investor interest will gain pace during the year ahead.

At the start of last year, some anticipated that the nursery market would stagnate, but this could not have been further off the mark as we saw a plethora of transactions complete, some at substantial prices. For those who sold their businesses in 2021, turbulence caused by the virus led to a shift in market dynamics, creating a perfect storm for those looking to retire or pursue a lifestyle change.

Looking ahead, we expect market conditions to remain strong. There may be a shift back to buyers appraising value by having due regard to 2021 performance due to operations being more normalised, in comparison to the prior year. While we are likely to see an increase in distressed sales, we remain confident that high-quality assets will continue to achieve premium prices.

MARKET PREDICTIONS

Activity will remain buoyant

Regional operators will continue to consolidate, acquiring single settings and small groups

Several high-profile portfolios will change hands between trade buyers and new investors

A two-tier market will emerge

Outstanding CAPEX requirements will impact prices achieved for tired assets

Regulatory pressures arising from inspections, if not deemed to be fair, could result in owners permanently closing sites

Real estate developers will increasingly seek land suitable for organic nursery developments

Property investment appetite will continue to grow. Yields are predicted to sharpen as tenant diversification prospects widen and covenant strengths improve

CASE STUDIES

Footsteps Day Nurseries, West Midlands

A portfolio of 10 'outstanding' day nurseries in the West Midlands sold to Family First Nursery Group, with backing from August Equity. Following its platform acquisition of Little Garden Nursery Group in 2019, this is the Group's first major purchase outside of London and the South East.

Oakwood House Nursery, near Glasgow

Oakwood House Nursery in Rutherglen is one of the longest-established nurseries in South Lanarkshire. After 26 years of ownership, the proprietor sold to Busy Bees.

ICP Nurseries, London and South East

Founded in 2016, ICP's rapid buy and build strategy was impressive, with a notable proportion of transactions brokered by Christie & Co. The portfolio of circa 44 nurseries, mostly in London and the South East, sold to Oakley Capital in a deal reportedly worth £176 million.

INDEPENDENT EDUCATION

ROSIE ADLEM
DIRECTOR
- CHILDCARE & EDUCATION

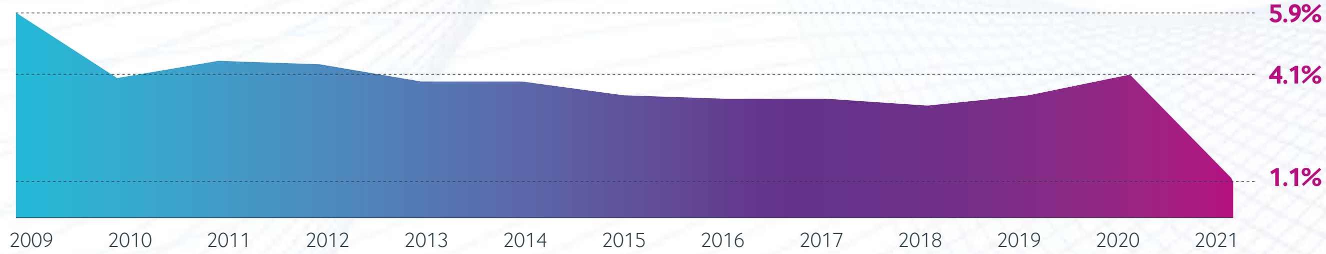
While many independent schools flourished in 2021, with increases in pupil numbers and fees being comfortably weathered, some smaller provincial schools that faced sustainability challenges pre-pandemic saw their financial problems exacerbated, leading to permanent closures. Indeed, some school fees were frozen, resulting in the lowest average fee rate increase in at least the last 12 years.

When closed establishments were offered to the market in 2021, we saw strong demand from specialist childcare and SEN providers seeking additional accommodation, buyers seeking sites for medical-related use, and developers seeking sites for mixed use commercial schemes and/or residential use. Vacant property transactions completed during 2021 included the sales of former Rastrick School in Brighouse, Park School in Yeovil, and Branston Hall in Lincoln which was acquired by Avanti Foundation.

For educational businesses that recovered, and indeed exceeded 2018/19 academic year operational performances, buyer appetite remains strong. One of the most prolific buyers in 2021 was Dukes Education, which acquired the Eton House portfolio, Northwood Schools, St Andrew's College and Hampton Court House School, to name a few. Global provider, Nord Anglia, was also very active in the market, through its purchase of Oxford International College, D'Overbroeck's and Oxford College, all of which illustrate that buyer appetite remains high for prestigious assets in prime locations.

The past 12 months have seen a surge in specialist education providers seeking growth via acquisitions and organic developments. Notable deals include Chatsworth School's acquisition of Riverstone Group's UK schools, the sale of Ripplevale School to Cavendish Education, and the acquisition of Orchard Education Limited from new sector entrant, Melrose Education.

INDEPENDENT SCHOOL FEE INCREASES SINCE 2009



MARKET PREDICTIONS

Provincial schools, colleges and tuition centres that have failed to regain student numbers will face the greatest financial sustainability challenges and so we expect a number of casualties in 2022

Vendors' willingness to accept more realistic prices should keep the transactional market moving across the regions

Independent mainstream school's capacity for 1,250+ pupils and SEN schools will remain sought-after by domestic and international buyers

Schools with a high dependency on international students will continue to face challenges

Closed and vacant former educational establishments will continue to secure strong interest from specialist education providers and developers

CASE STUDIES

Branston Hall, Lincoln

Acquired by Avanti Foundation, a sponsor of state-funded Hindu faith schools, the former Branston Hall hotel is to be converted into a multi-purpose educational and private events hire venue.

Eton House, London

THE EATON HOUSE GROUP OF SCHOOLS

Dukes Education acquired a group of private equity backed schools in London in a deal externally reported as being in excess of £75 million.

Rastrick School, Brighouse

Following the liquidation of Rastrick Educational Services Ltd, we were appointed to sell this traditional school for 5 to 16-year-olds in Brighouse, West Yorkshire. The site was purchased by a local housing developer with plans to convert the building as part of a residential development.

SPECIALIST CHILDCARE

JULIE KITSON
DIRECTOR
- CHILDCARE & EDUCATION

We have seen a strong appetite from buyers across specialist childcare sectors, with high demand for children's homes and independent foster care agencies (IFAs).

Buyers remain eager to acquire established businesses alongside vacant properties, enabling them to create new residential provision and additional educational space.

2021 was an emotionally draining year for many providers, due to the increase in referrals of children and young people in need of residential placements, challenges around gaining access to the required range of therapeutic and wider support packages, and workforce issues. As a result of these factors and the CMA market study into children's social care provision (announced in March 2021), we have witnessed the stagnation of some of the larger M&A activity that had initially been predicted at the start of the year despite market fundamentals remaining very strong.

Research published by Revolution Consulting (May 2021) revealed that, over the two preceding years, council spending on children's residential and fostering placements had increased by over £2 billion. Children's residential care saw a 29% increase in spending, while there was a 13% rise in foster care spending. Between March 2020 and March 2021, private sector residential provision increased by 12%, private IFAs increased, too, with 19 new providers and the creation of an additional 4,600 places.

The CMA's interim report (October 2021) found, "*The placements market overall is not providing sufficient appropriate places to ensure that children consistently receive placements that fully meet their needs, when and where they require them.*

"This is resulting in some children being placed in accommodation that, for example, is too far from their home base, does not provide the therapy or facilities they need, or separates them from their siblings...

"Our analysis of the largest 15 independent providers indicates that they are earning significant and persistent economic profits."

Looking ahead, assuming no structural shifts in policy or funding arrangements, quality businesses with strong caring, professional, and empathetic values embedded at their core, teamed with good regulatory inspection outcomes and solid relationships with commissioning authorities will continue to be highly desired by buyers and capable of commanding the best premiums.

MARKET PREDICTIONS

Demand for residential children's businesses, especially those that provide a range of therapeutic services, will surge at the end of Q1 and Q2 2022 following the passing of the statutory deadline for the publication of the CMA report

We expect to see several significant transactions in 2022

Pent-up demand from buyers will fuel competitive tension, resulting in premium prices for those selling during 2022

IFAs, especially those with 200+ carer partnership, will continue to be greatly sought after

Cash buyers will continue to hold the upper hand

Unregulated services will be in the spotlight

CASE STUDIES

Southern Adolescent Care Services Limited, West Sussex

A portfolio of three freehold therapeutic children's homes which cater for young adults with emotional and behavioural difficulties, young offenders, and survivors of abuse, sold to Keys Group.

Witherslack Group, UK Nationwide

Charme Capital Partners sold the majority stake of Witherslack Group, a portfolio which comprises 25 children's homes and schools for children with special needs, to Mubadala Capital. A competitive process was leveraged off the back of a £600 million guide price.

Quality Foster Care, Essex

This long-established privately owned IFA was sold in a confidential process which drew significant interest. The successful acquirer was Five Rivers Childcare.

RETAIL

INTRODUCTION

COVID-19 continued to significantly shape business values and transactional activity across the forecourt, convenience retail and garden centre sectors in 2021.

Designated as 'essential services', forecourt and convenience businesses remained open throughout the pandemic, resulting in a prolonged period of bumper trading for many operators, which is driving the highest levels of buyer demand for convenience retail assets in many years.

AS A RESULT, CHRISTIE & CO SOLD A RETAIL BUSINESS EVERY SINGLE WORKING DAY IN 2021.

This was also reflected in the major M&A arena as EG Group's acquisition of ASDA was approved by the CMA. The chain reaction of deals after that are well documented and point the way to further blurring of lines between food retail, convenience and food service. The resulting sale of 27 EG sites required by the CMA to Park Garage Group also underpinned the strength of demand in the petrol filling station market. This high-quality package could have been sold to a number of other disappointed bidders who see ongoing and undiminished opportunity in the sector.

Garden centres were closed for a limited period but reopened quickly, albeit with restrictions on their food and beverage operations. Travel restrictions and increased staycations meant consumers upped their spending on home and garden products, which went some way to compensating for lost restaurant revenue.

Our team rose to the challenge of advising sellers who presented sometimes wildly varying financial information caused by COVID related trading periods.

We initially cautioned prospective sellers to have realistic price expectations based on pre-COVID levels. However, offers in the last year were often driven by run rate results and therefore in many cases higher than expected priced were achieved, which underpins the rise in our price index.

Our conclusion is that we are in a 'new normal', but;

- For how long is this trade 'bounce' permanent?
- Will previously office-based workers return in the foreseeable future?
- Can suppliers fulfil demand?

Such factors will shape retail going forward.

THE APPETITE AMONGST BUYERS REMAINS SO STRONG THAT THE NUMBER OF SITES COMING TO THE MARKET HAS BEEN UNABLE TO SATISFY BUYER DEMAND AND THIS IS DRIVING BUYERS TO LOOK FURTHER AFIELD FOR MORE OPPORTUNITIES.

Many operators continued to delay plans to sell in order to benefit from the ongoing boost in trading performance, which also impacted the balance of supply and demand. This led to competitive bidding and meant that we frequently achieved or exceeded asking price.

> Our team rose to the challenge of advising sellers who presented sometimes wildly varying financial information caused by COVID related trading periods.

MARKET PREDICTIONS

Demand will continue to exceed the supply for retail opportunities

Operational headwinds, including inflation of staff wages, fuel and food prices, along with supply chain issues could impact trading performance – particularly for the large multiple operators

As this evolves, large operators will continue to churn - acquire better stores and sell underperforming ones, providing further opportunity for independents

We expect to see further consolidation as supermarket brands explore how to penetrate convenience further through supply deals, franchising and perhaps further deal activity

Forecourt operators will likely focus on diversifying their income and introducing alternative fuel offers

Christie & Co will conclude several garden centre deals having reinvigorated activity in this sector

Following a bumper trading year for most convenience businesses in 2021, buyer demand is at an all-time high.

STEVE RODELL
MANAGING DIRECTOR - RETAIL

Traditionally, urban stores generated the most interest due to high footfall, but in 2021 the team witnessed an increased demand for businesses in regional leisure-led destinations such as national parks and coastal resorts, with buyers looking to capitalise on the shift towards shopping locally and the booming staycation market.

The upward trend in site level performance hasn't been without its challenges. Operators faced ongoing supply chain issues due to Brexit-related changes and the 'pingdemic' often left businesses short-staffed.

> However, the virus also accelerated several changes which are set to benefit the sector, including the integration of technology and digital services to capture changes in consumer behaviour and buying habits.

This may help to mitigate some of the pressure from rising operational costs and inflation of fuel and food prices in the coming months.

The one big question on the horizon has been exacerbated by the environmental and social governance (ESG) agenda. How will banks and major financial institutions view lending into businesses which do not accord with preventing climate change?

We could write an entire book on this alone, but at present we simply see no indication that the commercial decisions made on whether to lend into the retail market is having any effect whatsoever at site level. That is not to say it may not start to have an effect in the medium to long-term. The horticulture sector is well placed to benefit from this undertone. As long as packaging issues can be dealt with there is no reason why garden centres cannot capitalise on their 'green' credentials.

THE FUNDING LANDSCAPE

With buyer demand for convenience retail assets currently at an all-time high, lenders are happy to fund in this sector and have supported buyers and those wishing to refinance throughout the pandemic, albeit with a more cautious and data driven approach than we have experienced in previous years. Government-backed funding was widely used by existing operators, but we also saw challenger banks return to the fore in 2021.

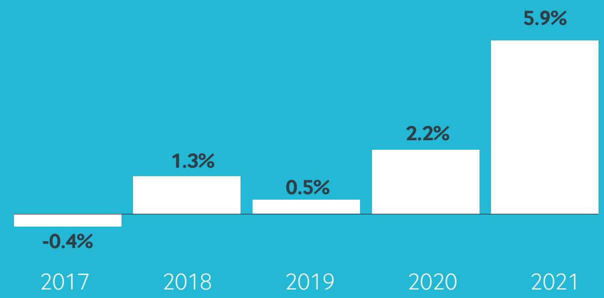
Looking ahead to 2022, it is important to ensure operators or buyers have a plan of action.

AT CHRISTIE FINANCE WE WILL CONTINUE TO USE OUR WIDE RANGE OF LENDERS AND FUNDING SOLUTIONS TO ENSURE OUR CLIENTS CAN ACCESS THE FINANCE THEY NEED.

LAWRENCE ROBERTS
ASSOCIATE DIRECTOR, CHRISTIE FINANCE

PRICE INDEX

Following a bumper trading year for most convenience businesses in 2021, buyer demand is at an all-time high. This has resulted in a continuation of the rise in our index seen over the past few years.



GEOGRAPHICAL DISTRIBUTION OF BUSINESSES SOLD IN 2021

CONVENIENCE

Demand for convenience retail opportunities remained high across the UK throughout 2021 and continued to outstrip supply, including markets where perhaps there was historically less demand. In contrast to many other sectors, convenience operators benefited from the UK's national lockdowns and ongoing social distancing restrictions, and transactional volumes continued an upwards trajectory as a result.

OUR ACTIVITY

IN 2021 WE SOLD

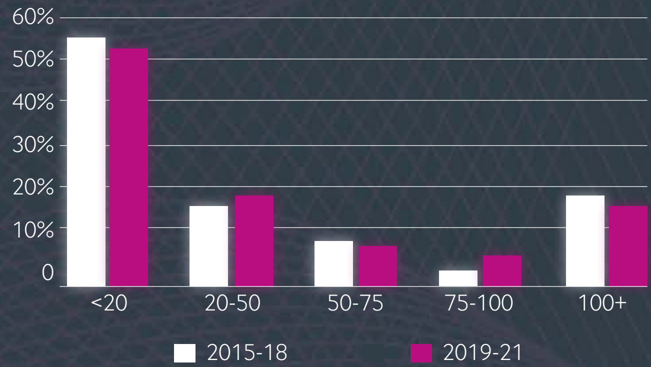
60% MORE CONVENIENCE STORES THAN WE DID IN 2020 **&** **70%** MORE THAN IN 2019

Over the last five years, there has been a 50% increase in the number of offers achieved for each business we market. This has accelerated in the last two years which, in our view, is a result of the heightened profile of convenience as an essential service since the beginning of the pandemic.

> "Our data indicates that 2/3 of buyers come from within 50 miles, however 1/3 of buyers are travelling from over 50 miles for opportunities.

Stock comprised a good mix of independent and corporate opportunities, contrasting what we have seen in previous years. Corporate divestment ramped up as several large multiples took advantage of the buoyant market. This presented an excellent opportunity for independent retailers either looking to acquire their first convenience retail asset or expand an existing portfolio.

PROPORTION OF CONVENIENCE STORES SOLD BY DISTANCE FROM PURCHASER (MILES)



INDEX OF OFFERS PER MARKETED BUSINESS
(BASE = 100, 2017)

CASE STUDIES

Project Angel, Nationwide

Throughout 2021, our work supporting the Co-operative Group with an ongoing multi-phase divestment project continued. To date we will have confidentially marketed six tranches of stores that no longer align with their future business model, with a very high level of success. Stores divested to independents are generally then supplied by NISA.

Ansell Village Stores, South East England

Pre-pandemic, we were instructed to market four Ansell Village Stores, three of which have now been sold. The final store will complete early this year.

Londis Late Store, North Wales

Following a semi-confidential marketing campaign which generated a host of offers, this high turnover convenience store sold above asking price to a buyer funded by Christie Finance. We then referred the vendor to our hospitality team, who identified a suitable site for their new business venture.

PETROL FILLING STATIONS

Despite discussions around climate change and electric vehicles dominating news headlines throughout 2021, there remains an insatiable appetite for petrol filling stations, with multiple buyers hungry to acquire assets at every level of the market. Such activity has been driven by the opportunity in convenience and food services, coupled with a strong underlying property element.

The headline deal of the year was the sale of 27 high quality EG Group sites to Park Garage Group (PGG). This resulted from the agreed remedy between EG and the CMA to perceived unfair competition created by EGs acquisition of ASDA. A stunning deal for PGG which catapulted them to fifth in the Forecourt Trader Top 50 listing with 57 sites.

The sale of Petrogas UK (Applegreen UK) remains a possibility at the time of writing as Welcome Break became the focus of growth for Applegreen.

The "panic buying" of road fuel was media driven, resulting in irrational consumer behaviour. There was a short-term shift of fuel storage from petrol station storage tanks to vehicle fuel tanks. However, the industry caught up within two weeks of the unfortunate event and there was no impact on the transactional market.

AT A SINGLE SITE LEVEL:

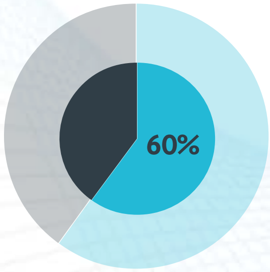
- Many commission operators want to buy their first PFS
- Small multiples are adding sites
- Group deals achieved pricing at multiples of EBITDA above those achieved for single site deals

OUR ACTIVITY

The sale of eight sites in the North East (Project Ranger) brokered by Christie & Co completed early in 2021 and set the pace for small group activity. We advised on several other small groups and expect a few to reach the market in 2022.

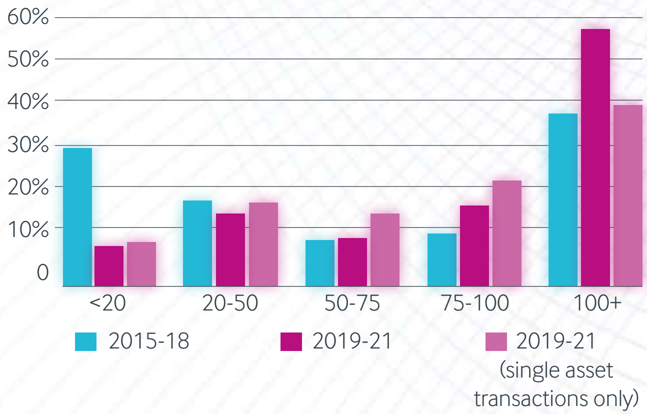
The time from instruction to exchange decreased by 22.7% due to competitive tension among buyers.

Buyers outnumber sites that exist by a ratio of 3:1. Not all sites come to the market, so those that do attract a significant number of buyers and we achieve an average of five offers per transaction.



In the forecourt market, people travel much further for opportunities, with 60% of buyers hailing from over 50 miles away.

PROPORTION OF PETROL FILLING STATION SOLD BY DISTANCE FROM PURCHASER (MILES)



CASE STUDIES

Project Ranger, North East England

During February, we completed on the sale of seven petrol filling stations operated by Marla and Gus Saggu to Certas Energy UK Limited, bringing their company-owned estate to a total of 84 sites. An eighth site was sold separately to Penny Petroleum. Whilst COVID-19 delayed the sales process, which initially launched in early 2020, as soon as restrictions were eased a relaunch resulted in multiple offers, not only for individual sites but also on a group basis, with Certas Energy UK Ltd emerging as the preferred party.

Greenacre Garage, Cheshire

During September, we sold this independently branded petrol filling station, convenience store and MOT garage in Cheshire for the first time in 30 years to a first-time buyer, with funding for the purchase secured by Christie & Co's sister company, Christie Finance.

GARDEN CENTRES

TOM GLANVILL
ASSOCIATE DIRECTOR
- GARDEN CENTRES & RETAIL

Many garden centres enjoyed a record year of trade in 2021, with increased sales seeming to be the confluence of three main trends;

Increased spending on homes and gardens as a result of lockdowns and international travel restrictions.

A shift towards out of town shopping, with the product offering in garden centres broadening almost to the extent of the traditional department store with extensive clothing, homeware, giftware and luxury food offerings.

Customers increasingly favouring garden centre restaurants and cafés, which have been an area of significant investment by owners and which often offer well ventilated, pleasant environments to meet, eat and drink.

We foresee continued strong trade in the sector in 2022, off the back of a busy Christmas period. Operators have also sensibly invested early and heavily to ensure they have sufficient stock, such as outdoor furniture, to meet anticipated demand this year.

Another interesting trend is the increasing number of operators who are upscaling their growth, with many acquiring nurseries in the last couple of years. This is most likely a response to several factors including rising costs of importing, the challenges of procuring plants and increased consumer demand for British produce.

The number of garden centres transacting is also, in Christie & Co's view, likely to be higher this year as we are witnessing strong demand from larger garden centre groups which are keen to expand as well as many independents looking to grow their estates. In response, We have shifted greater resource to the sector and are already seeing a significant uplift in the number of sites we are marketing.

Christie & Co remains one of the most active agencies in the garden sector market and has an excellent overview of transactional activity, giving our valuation team unrivalled insight into values.

> Another interesting trend is the increasing number of operators who are upscaling their growth, with many acquiring nurseries in the last couple of years.

CASE STUDIES

Langlands Nurseries Ltd, Yorkshire

We were instructed to value the Langlands Garden Centre portfolio which included three garden centres and nursery premises which were located throughout Yorkshire. The valuation was for loan security purposes for one of the main high street banks.

Popular Garden Centre, South West England

We provided formal valuation advice on this popular South West garden centre and nursery on behalf of a high street lender for loan security purposes.

Riverside Garden Centre, Hertford

We provided a bank valuation for loan security purposes. Riverside is an outdoor living destination in affluent location attracting visitors from all over the country and is the largest Weber World barbeque store in the UK.

LEISURE

INTRODUCTION

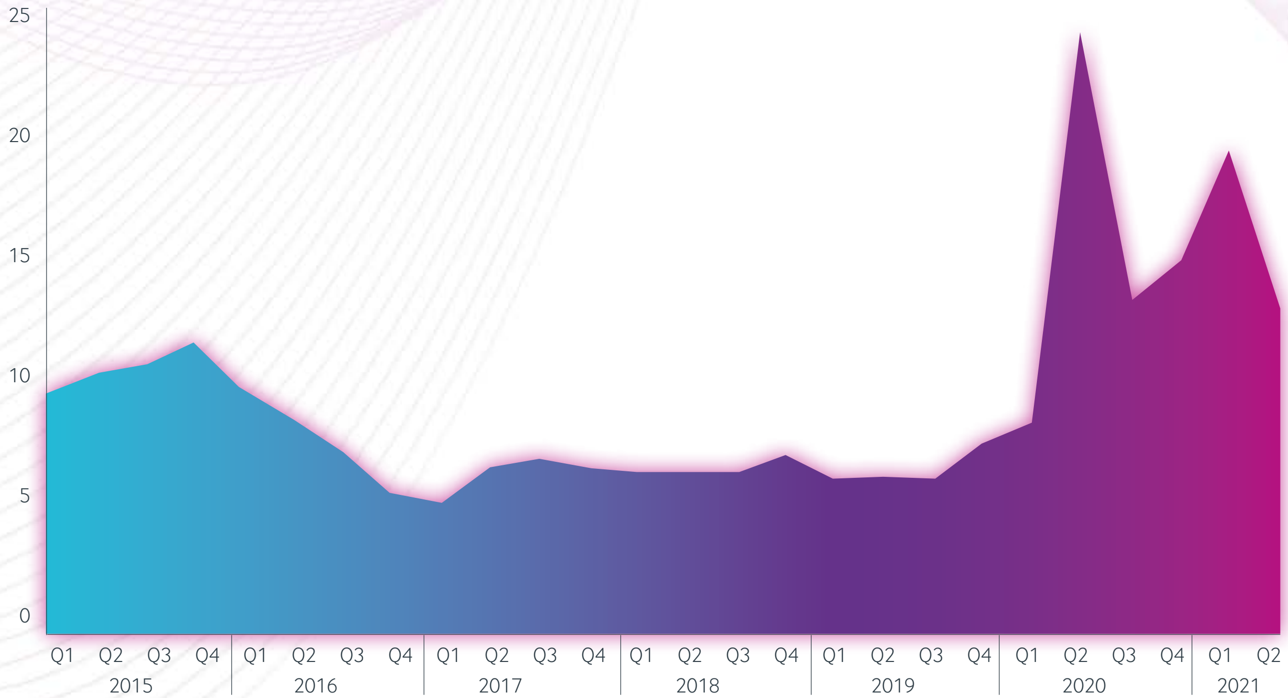
Much of the focus for the UK leisure industry over the initial twelve months of the COVID-19 pandemic was towards cash preservation and business survival. Following the easing of final trading restrictions on 17 May 2021, focus was able to shift towards businesses implementing their strategies for reopening.

During the worst of the pandemic, household savings increased significantly and even once a sense of normality started to return in Q2 2021, savings remained well above the 2015–2019 monthly average.

This shifted from Q3 and Q4, as consumers engaged in more leisure activities and household disposable income spend increased. This is expected to continue as higher costs and inflation influence family budgets and spending power.

Numerous operators across the leisure space reported phenomenal "bounce back" trading once allowed to fully reopen, underpinned by the success of the vaccination programme. Encouragingly for the transactional market, this sentiment helped to retain a considerable amount of investor interest in quality leisure assets and drive a healthy level of market activity throughout 2021.

HOUSEHOLD SAVINGS (%) 2015-2021



Source: www.ons.gov.uk

MARKET PREDICTIONS

We will continue to experience robust demand for quality leisure assets, particularly whilst uncertainty continues around cross-border restrictions, with key UK staycations and day-trip markets prospering as a result

Investors will be attracted to opportunities that possess the ability to trade through pandemic-type situations with holiday parks, golf and garden-based attractions continuing to thrive

Staff shortages, the end of the commercial eviction moratorium in March 2022 and the return of both business rates and pre-COVID VAT rates will create added financial pressure. We are likely to see a rise in business failures and rental delinquency, bringing more opportunities to the market

Leisure property rents will be a mixed bag with some negotiations incorporating significant tenant incentives and rental levels off by as much as 25% to 35% of pre-pandemic levels, whilst those busy and more competitive locations will see landlords retaining the upper hand in lease transactions

Environmental, Social, and Governance (ESG) factors will see investors increasingly applying these non-financial factors to both real estate and operational aspects as part of their analysis process to identify material risks and growth opportunities

LEISURE

MARKET ACTIVITY

There was a healthy level of activity across the leisure transactional market in 2021, particularly amongst holiday park and outdoor visitor attraction operators. The long income investment market continued to be particularly active, with strong investor appetite specifically targeting the 'alternatives' investment space. With leisure markets opening and functioning once again, investors have been prepared to consider exposure to operational real estate, particularly in market segments capable of being able to trade throughout periods of lockdown.

For Christie & Co, the year kicked off with the sale of iconic UK visitor attraction, Skegness Pier, to Nottingham based Mellors Group. The opportunity attracted a highly competitive bidding process with multiple cash offers and sold for significantly in excess of the £3 million guide price within four weeks of launch. The sale emphasised the huge interest in quality visitor attractions which offer an opportunity for further investment or development, particularly those in coastal tourist locations, due to the ongoing strength of the UK's staycation market.

> Our other activity spanned a broad range of leisure sectors including health & fitness, sporting and social bars, hotel development and the long-income investment market. Sales have all been at or above asking price, demonstrating the strong demand from buyers and the weight of capital looking to be deployed.

KEY DEALS ACROSS THE LEISURE MARKET:

January – Blackstone attain a majority stake in Bourne Leisure (Butlin's Holiday Parks)

February – Skegness Pier is sold to Mellors Group through Christie & Co

March – The long-income investment of Northern Racehorse College is sold through Christie & Co

March – Away Resorts purchase St Ives Holiday Park, Cornwall

April – The Snow Centre Group acquires Beyond Manchester (The Chill Factore)

May – Pure Leisure Group acquires Country Holiday Parks and Doe Wood Lodges, Six Arches in Scorton and Cockerham Sands, and Coniston View

June – Roompot acquire Landal GreenParks from Awaze

Brighton Pier Group acquire the share capital of Lightwater Valley Attractions

July – Powerleague acquires five small sided Playfootball sites in Bury, Colchester, Luton, Romford and Shepherd's Bush

August – KSL Capital acquires a majority interest in Third Space gyms

September – Palatine sells its stake in Verdant Leisure to Pears Partnership Capital

November – Boom Battle Bars is sold to Escape Hunt

December – Zetland Capital Partners acquires a portfolio of 37 leisure investments let to Buzz BIngo

JON PATRICK
HEAD OF LEISURE
& DEVELOPMENT

2022 OUTLOOK

Like many other businesses, leisure operators face several headwinds in the coming months, specifically around staffing challenges, and inflationary pressures. The introduction of Plan B restrictions in December is an added pressure which may result in more opportunities coming to the market in 2022.

COVID-19 has accelerated many operational changes that may have been anticipated for the UK leisure industry in the coming years, which may help to offset some of these cost pressures to a degree. Yet not all costs will be capable of being passed on to consumers. Consumer demands have evolved quickly over the past two years and businesses have had to change accordingly, in order to encourage a swift return of business in environments which are both as safe and secure as possible. This included integrating digital technology into booking and payment solutions, but also investment in staff training and adaptation of premises to encourage appropriate social distancing in order to minimise risks to both staff and customers.

“There is also a growing consumer demand, particularly from the millennial audience for experience-led activities which centre around competitive socialising such as bowling, indoor golf, darts and pool.

30% - 50%

INCREASE ON 2019 LIKE-FOR-LIKE TRADING LEVELS POST REOPENING

Operators including the likes of Roxy Ballroom, Puttshack, Swingers and Junkyard Golf have witnessed significant increases in post re-opening like-for-like levels of trading by as much as 30%-50% compared with 2019. We’ve seen further development on the back of TV game shows such as Ninja Warrior family entertainment centres and I’m a Celebrity Jungle Challenge.

This will be an interesting area of the leisure industry to watch over the next few years as the market continues to develop. As evidenced by escape room operator, Escape Hunt’s acquisition of Boom Battle Bars for a headline figure of £17.38 million, we anticipate further consolidation will take place as the market matures. Inevitably, in a comparatively new market where considerable landlord incentives and contributions have been necessary to get some of these experiential operations up and running, we envisage there will be a number of business failures as new entrants fail to gain the necessary traction to develop a secure business.

THE FUNDING LANDSCAPE

Funding proved to be an ambiguous territory in 2021, as certain trading businesses showed considerably higher trading figures in comparison to pre-COVID-19 levels. Most lenders continued to take a cautious approach to lending. That said, where businesses can demonstrate positive signs of recovery backed by a strong, pre-pandemic business model and robust operational experience, then opportunities exist to fund leisure businesses.

JOHN MITCHELL
MANAGING DIRECTOR, CHRISTIE FINANCE

CASE STUDIES

Boothferry Golf Club, East Riding of Yorkshire

Acting on behalf of Spaldington Golf Centre Limited, we brokered a confidential sale of the 18-hole parkland golf course, adjacent driving range, par3 course and Howden Footgolf course to Cheshire based leisure investor-operators.

National Horseracing College, Doncaster

During March, we concluded the sale of the freehold, long-income investment of the renowned NHC on behalf of the owners of Rossington Hall near Doncaster for £1.35 million, representing a net initial yield of 3.5%.

Virgin Active Health Club, Leeds

On behalf of Bannatyne Fitness, we completed a confidential acquisition and lease re-gear of the Virgin Active club in Leeds with Landsec.

PUBS

INTRODUCTION

Following the business disruption and challenges caused by COVID over the last two years, it was encouraging to see the UK pub sector get back up and running in 2021.

The number of businesses that reported a strong return to trading once all operating restrictions were lifted on 19 July for England and 9 August for Scotland, coined 'Freedom Day', demonstrated the significance that British people place on visiting the pub, underpinned by the successful vaccination programme and ongoing stimulus of government support. Alongside this, the transactional market remained buoyant in 2021, with the M&A market beginning to heat up.

> Operators were gearing up for a positive end to the year, with a bumper Christmas and New Year trading period however the emergence of the Omicron variant has created some ambiguity.

At the time of going to press, the Government had just announced that we would be moving to Plan B, in light of the new variant. The impact of these new restrictions on the hospitality sector will take time to emerge and the picture may be clearer at the time of publication.

OUTLOOK FOR 2022

Crucially, the wave of distress that we anticipated for 2021 is yet to materialise. This was coupled with many owners holding off on coming to market in the first half of the year, in anticipation of the strong bounce-back over summer, post Freedom Day. As a result, the transactional market has experienced a shortage of quality opportunities to satisfy the level of demand from buyers.

Many businesses remained afloat having accessed the range of support made available to them. Yet, operators face several challenges over the coming months which may create distress and cause this to shift. This includes the potential re-introduction of social distancing and trading restrictions, coupled with the rising costs of goods and staff, labour shortages and the end of government support measures such as the rent moratorium and VAT relief from March 2022. This will likely lead to more opportunities coming to the market during the year.

Our regional offices noted that freehold assets with letting rooms in popular rural and coastal tourist locations remain very attractive, driven largely by the staycation boom. Properties with beer gardens and /or scope to develop or increase letting bedrooms also remain in high demand. This is expected to continue in 2022, with the general view that staycations and all year round al fresco dining is here to stay. To support this, consents for outdoor seating will be more accessible, which should boost trading.

> Our regional offices noted that freehold assets with letting rooms in popular rural and coastal tourist locations remain very attractive, driven largely by the staycation boom.

MARKET PREDICTIONS

- Race to "premiumisation" and operational efficiencies to help drive margins and offset operational headwinds and inflation
- Benefits of "localisation" and working from home set to continue for regional towns and cities
- Increase in supply as operators re-evaluate their estate post-COVID, taking into account CAPEX and other increasing cost pressures. Operators who fail to invest will fall behind
- Continuing competition between the fast-growing PE backed companies as well as multiple operators and regional pub co/brewers eager to fulfil their expansion plans will lead to a greater diversity of buyers and sellers this year

It was an active year for Christie & Co and the unprecedented interest for individual sales which we experienced last year continued in 2021, culminating in the sale of over 340 hospitality businesses.

MARKET ACTIVITY

The transactional pub market remained buoyant in 2021. Whilst activity predominantly consisted of individual asset sales, the M&A market began to ramp up and portfolio transactions increased, with significant capital entering the sector.

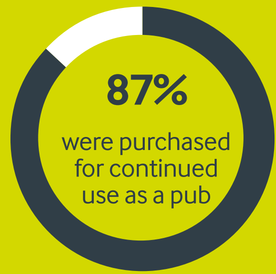
The highest value deal was Admiral Taverns' acquisition of the 674-strong Hawthorn Pub Co portfolio from New River Retail for £222 million. This was until Fortress Investment Group acquired the Punch Pubs & Co portfolio from Patron Capital Partners in December for a reported £2 billion. Two other notable portfolio deals included the sale of the Youngs tenanted estate of 56 pubs to private equity-backed Punch Taverns for £53 million and Redcat Pub Company, new entrants to the sector, acquiring Coaching Inn Group for £60 million. Headed up by Rooney Annand, the private equity-backed investment vehicle was the most active buyer in the market, acquiring five pub portfolios during 2021 as well as several individual assets. This flexible and size-agnostic approach led them to acquire circa seven pubs per month on average since January 2021.

Red Oak Taverns, led by Mark Grunnell and Aaron Brown, was one of the most active purchasers of tenanted estates, alongside Punch Pubs and Admiral Taverns, acquiring three small portfolios from Hall & Woodhouse and Wells & Co.

OUR ACTIVITY

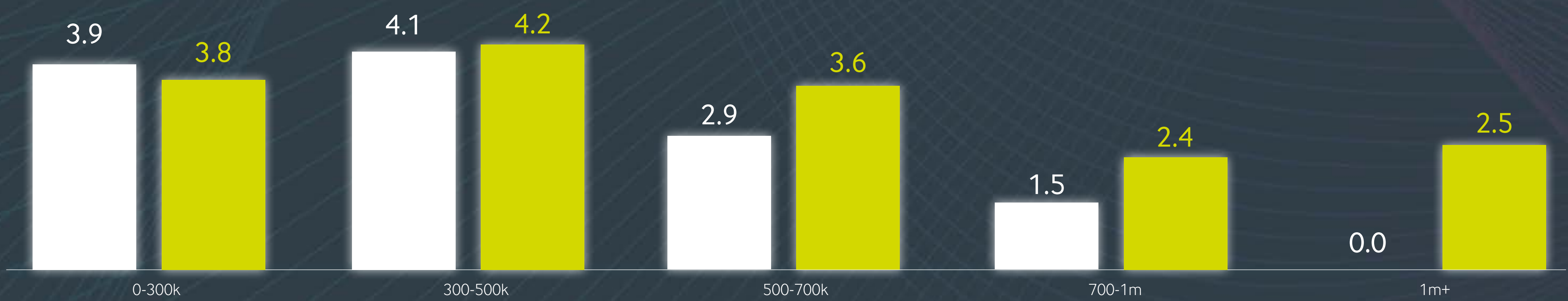
It was an active year for Christie & Co and the unprecedented interest for individual sales which we experienced last year continued in 2021, culminating in the sale of over 340 hospitality businesses.

Pub transactional volumes were up 103%



These figures indicate that, despite current unpredictability, there still remains an appetite for purchasers to buy and operate pubs.

AVERAGE NUMBER OF OFFERS BY PRICE POINT AND YEAR



STEPHEN OWENS
MANAGING DIRECTOR
- PUBS & RESTAURANTS

NEIL MORGAN
SENIOR DIRECTOR
- PUBS & RESTAURANTS

OUR MAJOR TRANSACTIONS

The pub team was involved in several of the reported tenanted or managed portfolio transactions in 2021. This included the first portfolio transaction of the year; the sale of a majority stake in ten managed pub-restaurants owned by Red Mist Leisure Limited to private equity backed Red Lion Holdings.

Red Mist Leisure
Majority stake in 10 public houses sold to Red Lion Holdings

Red Oak Taverns
Acquisition of 10 freehold tenanted pubs from Wells & Co

Little Britain Pub Company
Company sale of five pubs to RedCat Pub company

Red Oak Taverns
Package of nine pubs from Hall & Woodhouse

Seafood Pub Company
Sale of six public houses to The Oakman Group, restoring some 150 jobs

THE FUNDING LANDSCAPE

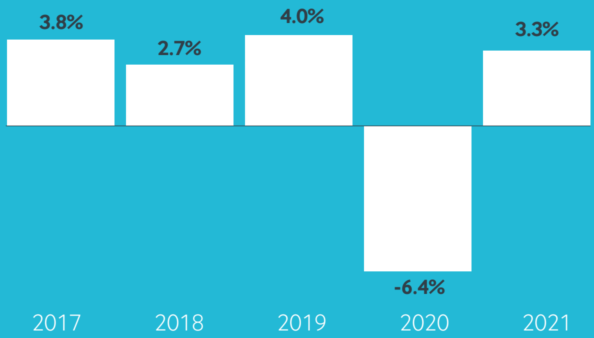
Funders have maintained a forward-focused yet mixed view towards lending to the pub sector in 2021, underpinned by the sector's bounce-back post 'Freedom Day'. High street lenders continued to take a cautious approach, even more so as many trading businesses reported considerably higher operating costs compared to pre-pandemic levels since reopening. Yet this has allowed challenger banks, particularly those willing to use the Government's Recovery Loan Scheme (RLS) to gain traction in the market. Lending parameters have also been quite diverse from one lender to another. Some prefer pubs with additional income streams such as accommodation, whilst others want the focus to remain on food.

From an operators' perspective, we experienced an increase in enquiries from quality tenants seeking funding to secure their premise on a freehold basis, providing them with a better asset base to expand or a more secured future.

JIMMY JOHNS
DIRECTOR, CHRISTIE FINANCE

PRICE INDEX

Throughout 2021, the large pool of buyers seeking quality pubs outstripped the level of supply, as many operators have managed to weather the worst of the COVID storm due to government support. The imbalance in the demand and supply equilibrium has offset any potential negative impact of trading and cost issues and created an upwards movement in our index.



CASE STUDIES

Little Britain Pub Company, UK

During July, we sold Little Britain Pub Company's portfolio of five pubs to Rooney Annand's RedCat Pub Company, marking the groups second portfolio acquisition for 2021. The deal was completed on a highly confidential basis.

Swettenham Arms, Cheshire

We sold this outstanding 16th century Cheshire freehouse set on circa four-acres in Swettenham on behalf of a private buyer to North West family brewer, Robinsons Brewery. Incorporating terraced outdoor seating, beer gardens and lavender meadows, the property generated a high degree of buyer demand.

Pickled Parson of Sedgefield, County Durham

During December we completed on the sale of this award-winning, modern British coaching inn located in the centre of Sedgefield to a local buyer. The property received wide-ranging interest from multiple regional pub companies to private individuals.

RESTAURANTS

INTRODUCTION

COVID-19 has had a polarising effect on restaurants across the UK. The sector has been hit particularly hard due to the distress that existed within the market prior to the pandemic.

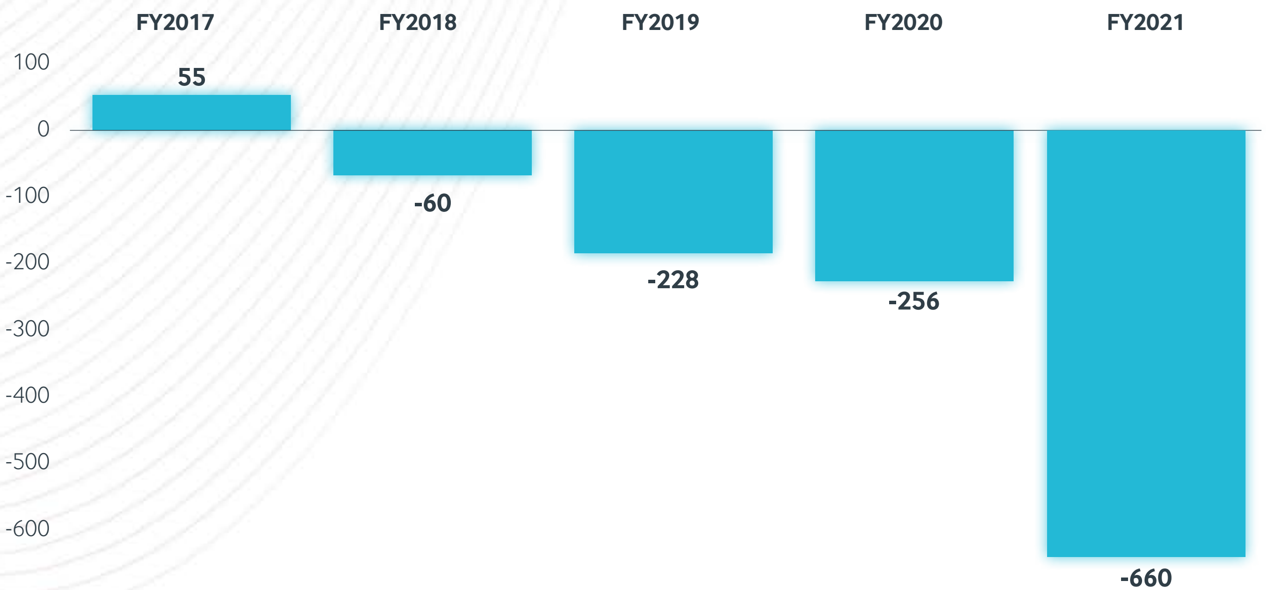
The events over the past two years have exacerbated this situation and will have a lasting impact on the sector landscape, with an estimated 10,000 hospitality businesses now closed.

At the time of writing, the Government had just announced that we would be moving to Plan B, in light of the emergence of the Omicron variant, with the hospitality industry holding their breath on the potential next steps. The impact this evolving situation will have on the sector may be clearer at the time of publication.

Yet, despite this challenging backdrop, opportunities still exist for restaurateurs, with certain markets such as take-away and delivery, franchised businesses and quick service restaurants having experienced growth in 2021, allowing operators to push ahead with expansion plans. Over the next few pages, we explore how COVID is shaping the restaurant sector in this new era of business.

> Despite this challenging backdrop, opportunities still exist for restaurateurs, with certain markets such as take-away and delivery, franchised businesses and quick service restaurants having experienced growth in 2021.

LOSSES RECORDED BY THE UK'S TOP 100 RESTAURANT GROUPS BY REVENUE (£M)



Source: UHY Hacker Young Based on analysis of companies with financial year end 30 September

MARKET PREDICTIONS

Bumpy road ahead – Further casualties, both large and small as landlords start to seek rents and other debt payments come into play

Growth opportunities – As key sites become vacant and rents fall with ever increasing incentives available, operators without legacy burdens will take advantage

Town and City recovery – Whilst out of town venues have benefited during 2021, we should see a return to major towns and cities during 2022

Good operators will get better – Those with the ability to adapt and offer what the customer wants will fare well. Many are seeking staff from a wider immigration pool, which will lead to more creativity with menus and they will continue to service delivery demand

> We are confident that town and city centres will return, and some investors are taking advantage now in anticipation of this, but it may be well into 2023 before a balance is reached.

MARKET OVERVIEW

Operational headwinds such as staffing, supply chain and inflationary pressures, coupled with the threat of future operating restrictions and social distancing measures lie ahead for operators across many sectors. However, restaurants also face additional pressures due to the leasehold nature of these assets which become liabilities in times like this.

Town and city centres have been quieter than normal, and although evening trade is climbing, the day trade is still a fraction of what it was. The British Retail Consortium suggest footfall was down 24.6% over the summer, with many large high street stores closed and individual retailers suffering. This lack of people must be reflected in costs. With rent and rates being up to 20% of overheads, any saving is crucial.

The Government continued to offer an extensive stimulus through business support schemes in 2021, with support from landlords and lenders alongside this to alleviate some of these financial pressures. However, these measures begin to fall away in April 2022, creating the perfect storm for a wave of distress, particularly in more desirable locations where we have traditionally seen high demand from occupiers. In these areas, we may see landlords take the risk and force tenants to either pay up or move on, which may result in more opportunities coming to the market.

We are confident that town and city centres will return, and some investors are taking advantage now in anticipation of this, but it may be well into 2023 before a balance is reached.

KEY TRENDS:

EXPANSION

On the upside, this fluidity is bringing about great opportunities for expanding hospitality entrepreneurs, many who are backed by "new" money. Much of the expansion is in the fast casual dining and grab and go market, with many focussed on suburbs and regional villages to take advantage of the booming delivery and local markets.

TAKE-AWAY & DELIVERY BOOM

Demand for delivery and take-away food has risen considerably throughout the pandemic, with sales surging by at least 30%, particularly during lockdowns. This growth continued in 2021, with delivery becoming the "norm" for many consumers, especially those with access to the services of Deliveroo, Just Eat and Uber Eats.

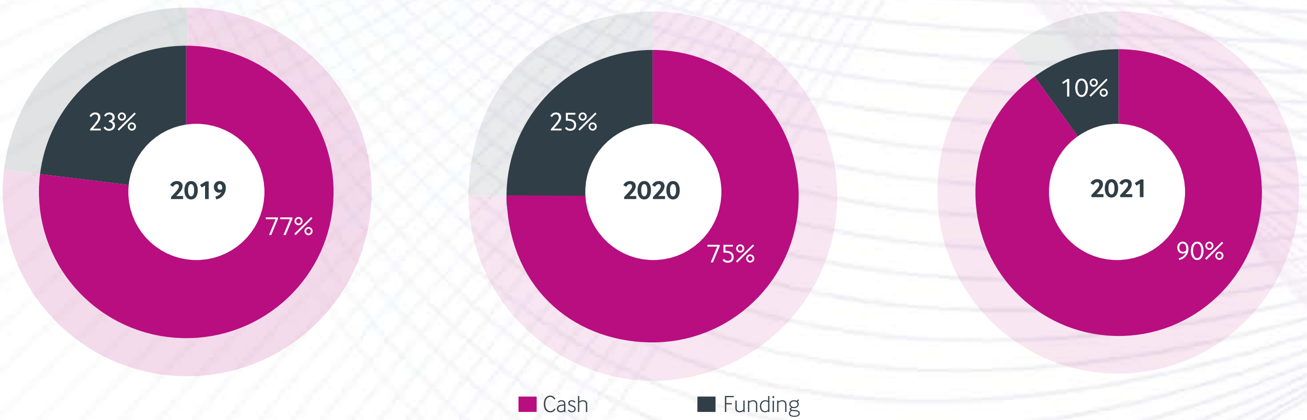
This focus on take-away or delivery has influenced investors to consider property suitable for take-away use, which previously fell under A5 planning use but is now categorised as sui generis. There is some planning resistance from Local Authorities concerned about any nuisance factor but the pandemic has seen the rules relaxed by many for now.

FRANCHISE MARKET GROWTH

We have also seen more operators exploring franchising. There are now over 48,000 franchised business in the UK, up 25% in 10 years. The franchise model is increasingly becoming a favourable option for some branded hospitality, although not yet as prevalent as in the USA. Many UK-based brands have franchised their operations overseas and are now developing the model in the UK. Over the last two years we have also seen a growing number of overseas brands enter the UK market.

The operating model also attracts private equity and larger investors drawn by the benefits, namely being able to grow a brand without significant investment from the franchisor.

PROPORTION OF OFFERS RECEIVED BY BUYER TYPE

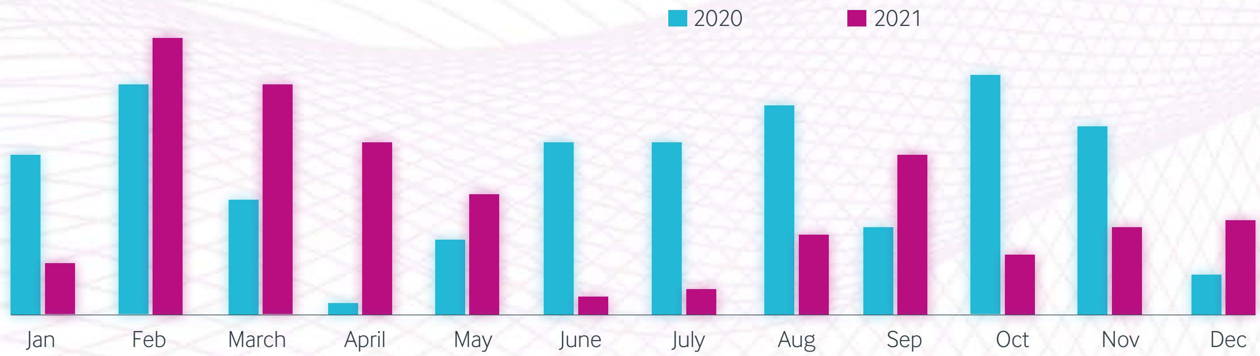


STEPHEN OWENS
MANAGING DIRECTOR
- PUBS & RESTAURANTS

SIMON CHAPLIN
SENIOR DIRECTOR
- CORPORATE PUBS & RESTAURANTS

The total value of offers received on restaurant sites started well in 2020 but, as anticipated, dropped on news of the first lockdown. Confidence returned in mid-2020 but 2021 has seen offer amounts fall as values diminished.

TOTAL VALUE OF OFFERS RECEIVED



THE FUNDING LANDSCAPE OVERVIEW

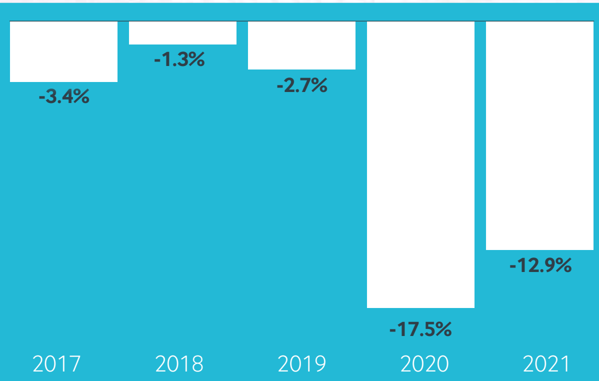
Throughout the pandemic, restaurants have been one of the hardest hit sections within the hospitality sector, despite the opportunity for them to diversify with delivery and takeaway platforms.

The funding market continued to view the sector cautiously in 2021 due to the single-asset nature of most restaurants and the threat of tightening restrictions or future lockdowns. Going forward, we believe appetite will improve as the pent-up consumer demand will improve high street lenders sense of confidence in providing debt and others will likely follow suit as the industry gets back on its feet.

JIMMY JOHNS
DIRECTOR, CHRISTIE FINANCE

PRICE INDEX

2021 has seen a continuation of the decline in prices over the previous two years, as the over expansion of the sector and necessary correction takes time to work its way through the system and the disruption caused by the pandemic has prolonged this process.



CASE STUDIES

Project Topping & Shakespeare, UK

Acting on behalf of YUM! we secured Starboard Hotels as the new franchisee partner for 27 Pizza Hut Delivery sites around the Midlands. As a result of this successful work, in March 2021 we were then instructed to identify a suitable franchisee for their managed estate of Pizza Hut Delivery sites run by Head Office. After receiving eleven competitive bids, multi-site hotel operators, Nine Group were selected as the new franchisee.

Brunning & Price, UK

We have been working closely with The Restaurant Group in expanding its quality pub restaurant Brunning & Price for a number of years and have helped secure 15 sites for the brand around the country. We are now tasked with identifying further suitable sites over to Newcastle and down to Exeter.

Pizza Express, Wapping

Following the Pizza Express CVA in September 2020, we were asked by the landlords of the vacant Wapping site to seek a new tenant and secured multi-site operator, Clapham Leisure. Whilst it was acknowledged that former rent levels could not be achieved, we worked closely with all parties to see this return to being a solid investment going forward.

HOTELS

INTRODUCTION

The beginning of 2021 was a challenging period for hoteliers, as the UK entered its third and longest lockdown. However, following the lifting of domestic travel restrictions from May onwards, the hotel sector regained momentum, albeit with stark differences across various regions and markets.

In parallel with this, the hotel property market experienced a resurgence of transactional volumes in 2021, indicating more active deal flows and increased investor confidence in the sector recovery curve.

Nonetheless, this generally positive sentiment has been overshadowed by the staffing crisis rippling out across the sector, followed by the emergence of the Omicron variant in December which is creating uncertainty. This combined with inflation is placing significant pressure on hotel margins and is likely to impact trading in 2022.

The funding landscape for the UK hotels sector was complex throughout 2021 as many trading businesses reported considerably higher trading figures in comparison to pre-pandemic levels. Most lenders continued to take a cautious approach to lending, in particular high street banks who appear to have a limited appetite. This allowed challenger banks to come to the fore, particularly those willing to use the Recovery Loan Scheme (RLS), and who continued to show a positive attitude towards the sector compared to some of the traditional options.

Loan-to-Values (LTV) are generally circa 60-65% and potentially better for high calibre deals. Assuming LTV requirements are within the lending parameters set, particular focus remains centred on the borrower's experience and capability of running a hotel business.

First-time buyers looking to enter the sector may struggle to secure funding support from high street banks however, going forward, we believe appetite will improve as the pent-up demand will push a few lenders into funding the sector again, with others likely to follow suit as the industry recalibrates.

SHAHMOZ RAFIQ
FINANCE CONSULTANT, CHRISTIE FINANCE

2021 KEY TRENDS

- A stark **contrast in performance** between leisure destinations capitalising on the staycation boom and corporate hotels starting to see the slow return of domestic business travel
- Various **economic and operational challenges** such as inflation, staffing, supply chain disruptions impacted revenues and put pressure on profit margins
- A **lack of opportunities** coming to the market, particularly those of scale, as many operators held off selling to focus on reopening and benefit from the summer trading period
- A significant **imbalance between buyers and opportunities**, often driving price competition
- **A delay to the wave of distress** that was predicted for this year due to ongoing government support measures - less than 17% of Christie & Co's hotel transactions included an element of distress in 2021
- **Minimum impact on pricing** due to low stock, which is creating competition for deals and in some instances, pushing sales proceeds above asking prices
- **Development challenges**, as rising construction costs and limited development finance created uncertainty around the viability of new hotel projects

MARKET PREDICTIONS

DEMAND

Assuming the surge in cases and social distancing measures introduced as a result of the Omicron variant are short-lived, demand for business travel and international visitation will likely pick up. This may lead to a potential correction in domestic leisure demand and ADRs vs 2021 levels before normality returns

MARKET PERFORMANCE

In light of the Omicron threat, it is likely that any recovery in occupancy, notably in corporate destination, may be further delayed into the second half of 2022. Hoteliers will try to keep ADRs high to absorb some of the cost pressures

Operating margins will continue to be impacted by significant economic pressures, staffing shortages and payroll increases

Transactional volumes are likely to increase in 2022 but we are unlikely to see a massive wave of distress activity. We may start to see some larger-scale opportunities and the appetite for leisure-led assets and leaner business models will continue

SUSTAINABILITY & DEVELOPMENT

Sustainable buildings, renewable energy and carbon offset schemes will be highly sought-after and will be positively reflected in yields

The development pipeline is likely to slow down due to rising construction costs and limited financing appetite

Christie & Co's Hotel team remains the market leader in hotel deal volume, selling over 110 hotels across the UK in 2021.

2021 REVIEW

2021 presented an opportunity for hotel operators, particularly regional businesses in strong leisure markets such as the South West region, as ongoing international travel restrictions resulted in a domestic staycation boom.

Following the reopening of the hospitality sector on 17 May, regional UK occupancy levels picked up rapidly over the summer months, notably in coastal and rural locations, allowing operators to charge rates well ahead of 2019 levels in many instances due to the captive demand. In contrast, the UK's key city-centre markets have not recovered as quickly due to the slower return in business travel and lack of international demand. This was particularly noticeable in London and Edinburgh. However, after 18 months of online interaction, pent-up in-person MICE demand boosted performance of regional conference venues during the autumn, whilst weddings could finally take place.

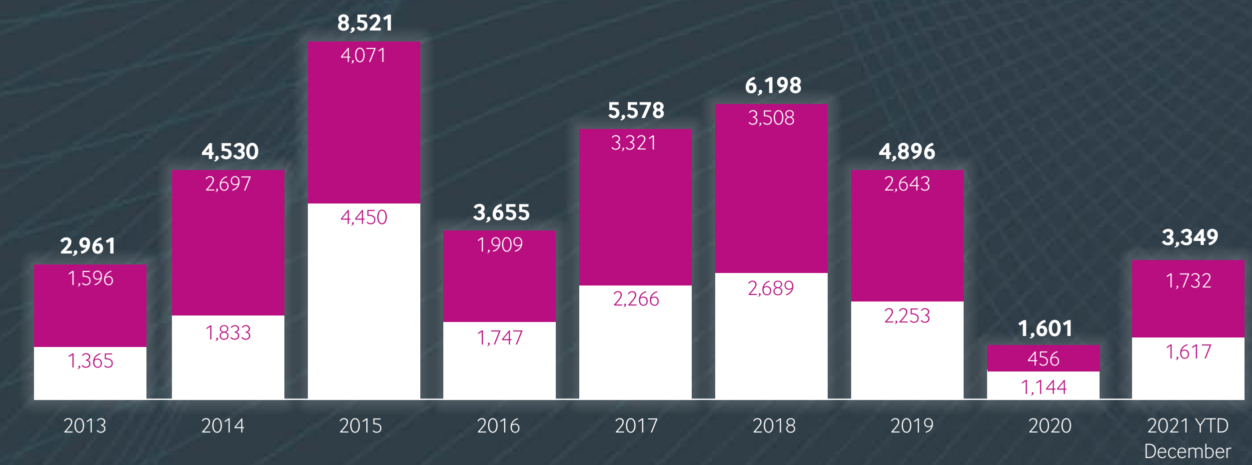
In spite of uneven demand levels, hoteliers have strategically focused on maintaining rates, which will greatly support a faster recovery.

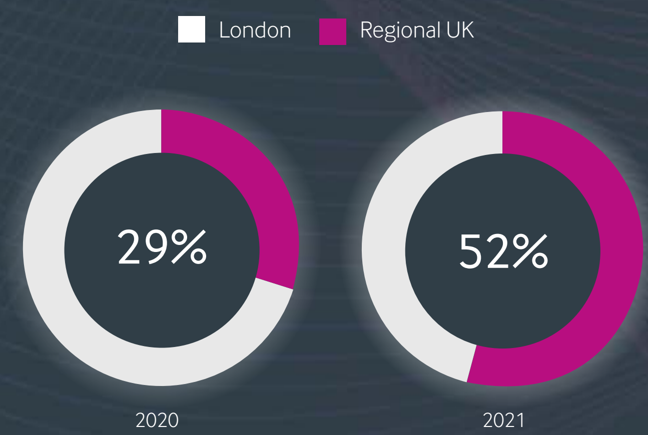
The summer trading boom and understanding lenders were key drivers for many owners to hold off on selling in 2021. In addition, businesses have been backed by ongoing government support measures, many of which have been extended until March 2022, and lenders have shied away from making moves that would create distress, in the absence of viable alternatives. As a result, there has been a lack of opportunities coming to the market, particularly large-scale assets and little in the way of portfolio activity. This has been frustrating for investors who are hungry for sizeable, quality assets and have been unable to deploy capital at the level at which they had anticipated at the beginning of the pandemic.

Buyers were still predominantly domestic but North American investors, such as Marathon, Cerberus and Henderson Park, started to gain strong momentum. This generally positive sentiment was, however, impacted by the staffing crisis, with one in six jobs currently vacant and ripple effects across the entire supply chain and wider economy. This combined with several other challenges, such as inflation to food and beverage costs and utilities, is placing significant pressure on hotel margins.

The forthcoming 6.6% increase in National Living Wage will not suffice to attract new workforce and unprecedented increases in payroll are likely to fundamentally change operational structures and margins, reshaping our industry. Despite the 50% business rate relief unveiled in the October budget, the industry is calling for a permanent freeze of the VAT rate at 12.5% to help mitigate these cost pressures. March 2022 will also see the end of the extensive financial support schemes provided by the Government throughout the pandemic to keep businesses afloat. This could create more distress and ultimately shift deal flow to 2022.

UK HOTEL TRANSACTIONAL VOLUMES (£M) - SHIFT IN CAPITAL TOWARDS REGIONAL HOTELS





Notes: As of 15 December 2021; Includes transactions €5 million and greater. Sources: Real Capital Analytics www.rcaanalytics.com, Christie & Co Research and Analysis

CARINE BONNEJEAN
MANAGING DIRECTOR
- HOTELS

JEREMY JONES
HEAD OF BROKERAGE
- HOTELS

TOBIAS REINECKE
DIRECTOR
- HOTELS

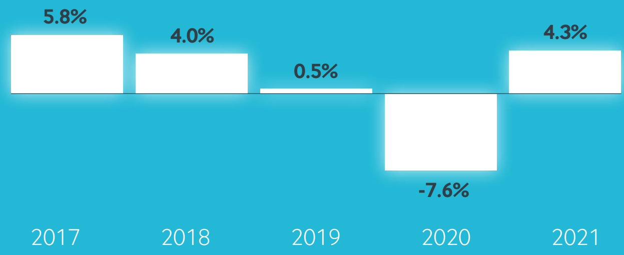
OUR ACTIVITY

Christie & Co's Hotel team remains the market leader in hotel deal volume, selling over 110 hotels across the UK in 2021. This 50% increase in deal volume versus 2020 and the 30% uplift in the number of offers received clearly illustrate the buyer appetite that currently exists for hotel assets and suggest investors remain forward-looking. The wave of distressed activity expected this year did not materialise and only represented less than 17% of our 2021 deals, a moderate increase on 2020 figures.

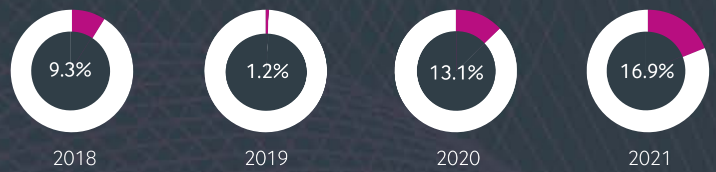
Our Valuations team has been busier than ever, with many valuations being delayed due to travel restrictions. Similarly, our Hotel Consultancy team has had a record year of instructions, working with key industry players, such as private equity houses, institutional investors, lenders and private owners in providing investment advice.

PRICE INDEX

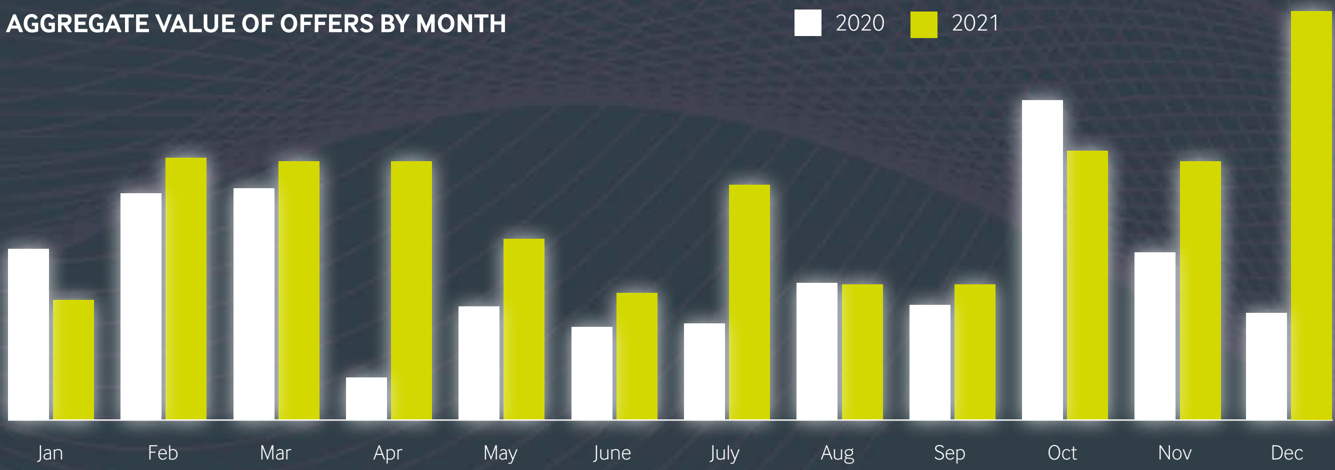
Our pricing index shows an overall, albeit moderate, recovery in hotel values versus the 2020 drop, influenced by low stock levels driving competition and limited distress activity.



PROPORTION OF DISTRESSED TRANSACTIONS BY YEAR



AGGREGATE VALUE OF OFFERS BY MONTH



CASE STUDIES

Lorne Hotel, Glasgow

We were appointed by joint administrators, Alistair McAlinden and Blair Nimmo of Interpath Advisory, to market the former Lorne Hotel, located in Finnieston, between Glasgow's city centre and the popular West End district.

Qbic London City Hotel, London

We were instructed to sell the leasehold interest of one of London's "greenest" hotels in the Summer of 2021. This 160+ bedroom leasehold hotel in East London generated huge interest with highly competitive bidding.

Macdonald Hotels, Edinburgh and Manchester

The hotel consultancy team advised Zetland Capital on the acquisition of these two properties. We provided commercial due diligence including market trends and insights, competitive analysis and financial forecasting, working closely with their partner Hamilton Hotel Partners.

INTERNATIONAL

GERMANY & AUSTRIA

LUKAS HOCHEDLINGER
MANAGING DIRECTOR
- CENTRAL & NORTHERN EUROPE

RECOVERY ACROSS THE MARKET

As the hotel market doesn't suffer from structural issues, like some other asset classes do, we believe that it won't take long for the market to make a full recovery. Hotels with stronger domestic and leisure demand are likely to bounce back first, followed by those with a more international and long-haul customer-base which may experience a longer recovery time. Individual hotels heavily depending on congresses and trade fairs in Vienna, Munich or Frankfurt will have to show more patience than those focusing on leisure travellers or hotels in secondary cities.

Resort hotels in Germany and Austria, as well as in the Northern Adriatic (Italy, Croatia), have been doing notably well, as they are all close to key source markets of Germany, Austria, and Switzerland, and are easily accessed by car by Dutch and Scandinavian tourists.

APPETITE FOR HOTEL BUSINESSES

We are seeing the re-emergence of appetite from a range of buyer types including institutional buyers who are more cautious but are keen to acquire, some existing owner-operators and high-net-worth individuals who appear very cautious. Private Equity interest is also strong and many are looking for value-add opportunities.

KEY MARKET CHALLENGES

Lockdowns in 2021 created much uncertainty in the global hotel market as, even if COVID-19 numbers were low in certain home markets, if the source market had higher infection rates then the home market saw little to no business. If the infection numbers were good in the source market but bad in the home market, business was equally scarce.

Travel restrictions, limited flights and increased ticket prices all led to more uncertainty for the hospitality sectors and staffing continues to be an issue as staff leave the industry.

THE YEAR AHEAD

COVID-19 has accelerated some market trends and so, in the year ahead, we expect to see:

- "Revenge travel" will boast occupancies in historically sought-after city markets like Prague, Munich, Budapest, Vienna
- Overall market performance is expected to gradually improve and normalise
- Hotels in inferior locations, with weak operators or an over rent situation will cease trading
- Hotel developments may be stopped due to gloomy forecasting
- Many closed hotels may be converted to other uses, such as care/senior living
- We're likely to see the closure of certain privately run hotels which do not have the interest or energy to wait for the market to recover
- There will be challenges with regards to tourist accessibility including flights and prices
- We also expect that bank financing for first-time buyers to be an issue

THE FUNDING LANDSCAPE IN 2022

The funding landscape differs from country to country, we are likely to see accessible bank financing in Austria, especially for leisure hotels, but obtaining financing in Germany will be somewhat more challenging.

BENJAMIN PLOPPA
DIRECTOR
- HEAD OF HOTELS GERMANY

SIMON KRONBERGER
DIRECTOR
- AUSTRIA & CEE

CASE STUDY

Meininger Hotel Vienna Downtown Franz, Vienna

We sold the Meininger Hotel Vienna Downtown Franz. LLB Immobilien KAG takes over the property from CA Immobilien AG. The hybrid concept of hostel and hotel is located in the heart of Vienna and offers 131 rooms with up to six beds.

THE NORDICS

KIMMO VIRTANEN
DIRECTOR - SCANDINAVIA, RUSSIA & THE BALTIC STATES

MARKET ACTIVITY IN 2021

Despite the Nordic economy faring well throughout the pandemic, the tourism sector has taken a hit over the past two years. This continued to impact deal flow across the hotel transactional market in 2021, with a limited number of deals taking place throughout the year. This was frustrating for the large pool of opportunistic buyers chasing hotel assets.

Across the region, occupancy levels remained significantly lower than pre-pandemic levels, hovering around 30% in capital cities. Ongoing international travel restrictions slowed the recovery of these capital markets, as they rely more heavily on international visitors. On the other hand, domestic demand significantly increased as a result of travel bans and is expected to remain strong, with provincial cities and resort destinations emerging as clear winners in 2021. Markets that rely more on international travellers such as Helsinki and Copenhagen, and to a large extent the Baltic capitals, are recovering fairly slowly in general, only Reykjavik had some positive RevPAR development.

Recent spikes in virus cases across the region, despite high vaccination rates, could lead to new restrictions which will place further pressure on the sector in 2022.

THE FUNDING LANDSCAPE IN 2022

Banks remain cautious about lending for transactions and developments, but we expect this to relax this year, providing that market recovery progresses without further disruption. Buyers may face increased pressure from the anticipated rise in interest rates. Due to pressures of allocating idle capital to dividend yielding use, there are expected to be more pure equity buyers as well.

THE YEAR AHEAD

COVID-19 has accelerated some market trends and so, in the year ahead, we expect to see:

- The increase in domestic demand is expected to continue. This will be beneficial for regional key cities and resort hotels in the future, boosting further development and competitiveness
- The ongoing "work from home" culture influencing more businesses to vacate their office space, creating capacity for alternative use
- Increased consolidation, as large hotel chain operators re-evaluate their portfolios and dispose of low performing assets, which will bring more stock to the market
- MICE demand hanging in the balance of rising virus cases
- As the Nordic and Baltic regions are not viewed as overcrowded destinations, they may see more success in attracting leisure travellers who are still cautious, compared to more established and densely populated European tourist destinations
- Staffing will be a challenge in 2022 as a substantial amount of operational staff have left the sector

Domestic demand significantly increased as a result of travel bans and is expected to remain strong, with provincial cities and resort destinations emerging as clear winners in 2021.

CASE STUDY

Altum, Latvia

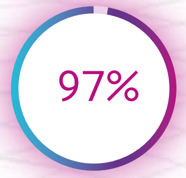
At the beginning of 2021, we advised Altum, Latvia's state-owned development finance institution, in granting financing to support Mogotel's expansion in Europe. Since then, Mogotel, with the help of Altum, has already taken over the operations of three hotels.

FRANCE

PHILIPPE BIJAOUI
MANAGING DIRECTOR
- FRANCE

HOTEL MARKET ACTIVITY IN 2021

Business in Q1 of 2021 was slowed by the expected third wave of COVID-19, which caused the implementation of further restrictions such as a curfew at 6pm and travel constraints. As the vaccination campaign accelerated in Q2, these restrictions were progressively softened and were finally lifted in June.



In June 2021, 97% of the hotels in France were open and business performances were very much improving across the regions, with most large cities recording better performances than in 2020.

Summer 2021 was a record time for French hoteliers located along the 5,600 kilometres of coast. In the south, businesses recorded a 7% rise compared to the same time in 2019, and those on the Atlantic coast saw an increase of 5% compared to 2019.

Despite the historically low performance of hotels in 2020 and in the first half of 2021, the majority of the transactions were completed at values comparable to 2019. This is likely due to the unprecedented quantity of equity probably caused by low interest rates and the low volume of assets available for a large number of buyers which pushed prices up.

THE YEAR AHEAD

A positive run of business towards the end of 2021 makes us hopeful of a positive market in 2022. In the year ahead, we expect to see:

- The MICE segment of the hotels market will return to businesses in most cities
- Office spaces in good locations could become available, offering interesting conversion opportunities
- The leisure segment has demonstrated resilience and hoteliers, even in urban locations, should adapt their services for this segment
- With hotel performances improving, we shall see more assets available for sale
- There is still a level of uncertainty around staffing challenges and, as we enter another year, questions remain around what will happen next with the pandemic which is, no doubt, front-of-mind for many hoteliers
- Intercontinental travel continues to be sporadic and hotels in gateway cities, such as Paris, London and Amsterdam, are still far from historical performance figures
- Bank funding will be available with tougher covenants than pre-pandemic requirements

We're seeing raised appetite from existing owners and operators, half of which have teamed up with dedicated investment funds such as Extendam, 123 IM, or Eternam, to execute their acquisitions plans.

CASE STUDY

Portfolio of Nine Hotels, France

Investor confidence in the recovery of the hotel industry, and their appetite for acquiring hotel businesses, especially budget hotels, has not waned. During 2021, our Rennes office completed on the sale of a portfolio of nine 2-star and 3-star hotels located in the Ile-de-France, Normandy, and Pays de la Loire regions which represented a total of 602 rooms. The portfolio sold to some of the country's major hotel brands.

SPAIN & PORTUGAL

EDGAR OLLÉ
MANAGING DIRECTOR
- SPAIN & PORTUGAL

MARKET ACTIVITY IN 2021

The first half of 2021 was a particularly challenging period for hoteliers in Spain and Portugal, as international travel bans persisted and local restrictions remained unpredictable, changing at very short notice.

Despite these ongoing COVID-19 restrictions, the total annual investment volume for the Spanish hotel market recovered from the decline in 2020 and will be higher than the 2019 annual investment volume. Transactions predominantly consisted of prime city asset sales under a sale & management/sale & lease back structure.

Given the nature of these transactions, pricing has been high, undoubtedly at pre-COVID levels. The Bless Madrid and the forward sale of the Edition Madrid both beat the €1million /key threshold.

The resort market continued to generate the most interest, but buyer price expectations are far below those of sellers. The gap has not closed yet, which explains the low number of resort transactions in 2021. Large amounts of capital have been raised by different players entering this market but so far it is, by a large majority, frustrated.

THE FUNDING LANDSCAPE IN 2022

Whilst limited, banks continued to support existing clients with new investments in 2021 but they remained hesitant to provide funding to new or less strategic clients. This is expected to shift in 2022, as markets continue to recover and hotel performance improves, and we should see lender confidence in the sector return.

Alternative financing was very expensive at the beginning of the year but the cost has gone down to 5% and 6%. This makes it very competitive despite the lower LTV ratios typically applied.

THE YEAR AHEAD

In the year ahead, we expect to see:

- Quick recovery of leisure demand which will have a positive impact on resort destinations such as the islands and Iberian coast, along with city destinations which capture greater leisure demand such as Málaga, Palma, or Seville
- Recovery of corporate and MICE demand in major cities such as Barcelona and Madrid will be protracted, which will impact performance levels
- Increased volume of sales in resort markets, with the Balearic Islands likely to retain the most investor interest
- Increased conversations on potential mergers between hoteliers
- As in other countries, many employees have left the industry during the crisis and hotels are struggling to find qualified staff, we expect this challenge to continue in 2022

The resort market continued to generate the most interest, but buyer price expectations are far below those of sellers. The gap has not closed yet, which explains the low number of resort transactions in 2021.

NICOLAS COUSIN
HEAD OF CONSULTANCY

CASE STUDY

Málaga Premium Apartments, Malaga

We carried out the operator search for a recently reconverted 19 unit Serviced Apartments building in the historic centre of Malaga. Despite the pandemic, the competitiveness of the process surpassed all expectations, finally selecting an innovative value adding offer from a locally renowned hospitality group.

KEY TRANSACTIONAL TABLES

DENTAL

DATE	VENDOR	PURCHASER	DEAL
Jan-21	Hutton Village Dental Practice	Dentex	A dual-site practice located in Essex sold to Dentex, a predominantly private led corporate operator.
Feb-21	Dental Beauty Partners	European Dental Group	European Dental Group acquired a majority stake in Dental Beauty Partners, a multi-award-winning group providing a range of both NHS and multi-disciplinary private dental services through a partnership model.
Feb-21	Village Dental	Riverdale Healthcare	A portfolio of three dental practices in the North East of England - Village Dental Practice, Westlands Dental Studio, The Grange Dental Centre - sold to Riverdale Healthcare.
Mar-21	The Dental Surgery	Portman Dental	The Dental Surgery, Corn Exchange - one of the UK's leading dental practices, operating 15 dental surgeries in the City of London – sold to Portman Dental, marking the group's 150th practice.
Mar-21	The Essex Smile Centre	Dentex	The Essex Smile Centre - a hugely successful, multi award-winning, seven-surgery practice which has been providing Private and NHS patient care for over 50 years – sold to Dentex.
Apr-21	Devonshire House Dental Practice	Riverdale Healthcare	Devonshire House in Cambridge - which has 12 surgeries, 14 specialist dentists, and supports more than 200 referring practices - sold to Riverdale Healthcare.
May-21	The Carlyle Group (Carlyle)	Palamon Capital Partners	Having acquired IDH Group in 2011 in partnership with The Carlyle Group (Carlyle), in 2021 Palamon Capital Partners acquired the remaining shares in the group.
Jul-21	Real Good Dental	TriSpan	The strategic investment in Real Good Dental from private equity firm, TriSpan. Real Good Dental services over 350,000 patients across 46 mixed income practices located around the Central Belt of Scotland.
Oct-21	Perfect Smile Group	Riverdale Healthcare	Riverdale Healthcare acquired seven dental practices formerly part of the Perfect Smile group. The practices offer NHS and Private services from prime locations in Tyne & Wear.
Oct-21	East Yorkshire Dental Studio	Dentex	Brough Dental Studio and Grimsby Dental Studio in East Yorkshire sold to Dentex to allow the practices' Principals to focus on delivering first-class clinical treatment to their patients.

PHARMACY

DATE	VENDOR	PURCHASER	DEAL
Jan-21	Norvik Pharmacy Group	Right Medicine Pharmacy	Six pharmacies in Elgin and Buckie, Moray were sold to Right Medicine Pharmacy.
Feb-21	Pharma-Z Limited	Well	A group of six pharmacies in Norfolk sold to Well.
Mar-21	Dudley Taylor Pharmacy Group	Avicenna plc	A group of 57 pharmacies across England and Wales sold to Avicenna plc.
Mar-21	C G Murray & Son Limited	PCT Healthcare (Peak Pharmacy)	PCT Healthcare acquired 25 pharmacies across the West Midlands.
Apr-21	A& M Sheppard Limited	Avicenna plc	Avicenna acquired 34 pharmacies in South Wales.
Jun-21	J M McGill Limited	Mr Pickford's/Connection Capital LLP	11 pharmacies in South Yorkshire sold to Mr Pickford's through a management buyout supported by Connection Capital LLP.
Jun-21	D & M Sharp (Chemists) Limited	Mr Pickford's/Connection Capital LLP	Three pharmacies in South Yorkshire were sold to Mr Pickford's through a management buyout supported by Connection Capital LLP.
Aug-21	Pearn's Pharmacies Limited	Knights Pharmacy Limited	20 Pearn's Pharmacies sites in South Wales sold to Knights Pharmacy Limited.
Dec-21	Newfield (Dundonald) Ltd	W Davidson & Sons Ltd	Six pharmacies in Ayrshire and Greater Glasgow sold to W Davidson & Sons Ltd.
Various 2021	Boots UK	Various	23 individual Boots pharmacies sold to various buyers.
Various 2021	L Rowland & Co (Retail) Ltd	Various	Eight individual pharmacies sold to various buyers.

CARE

DATE	VENDOR	PURCHASER	DEAL
Jan-21	Waterland Private Equity	Medical Properties Trust	Sale and leaseback transaction relating to the Priory Group for a reported price of £800 million.
Jan-21	Confidential	Impact Healthcare	Transaction of three assets comprising circa 193 beds sold for £7 million.
Jan-21	Excelcare	Aedifica	Transaction of three assets comprising circa 263 beds sold for £40 million.
Feb-21	Berkley Care Group	Korian	Transaction of six assets comprising circa 425 beds sold for £57 million.
Mar-21	The Huntercombe Group	Montreux Capital Management	Huntercombe, the specialist care division in Four Seasons, was acquired by Montreux Capital Management for a reported £35 million.
Mar-21	Confidential	Aedifica	Transaction of four assets in Ireland comprising circa 233 en suite beds sold for €26.5 million.
Apr-21	Caring Homes Group	Stirling Square Capital Partners	The sale of Consensus Support Services from Caring Homes Group to Stirling Capital Partners for an undisclosed sum.
Jun-21	Four Seasons	Ann's Care Homes	13 care homes in Northern Ireland sold to Ann's Care Homes for an undisclosed sum.
Jun-21	Schroder UK Real Estate Fund	Aberdeen Standard Investments	Sale of five care homes let to Care UK for a reported price of £44.25 million.
Jul-21	Sunrise Senior Living UK & Gracewell Healthcare	Signature Senior Lifestyle & Care UK	The transaction of 46 homes comprising the Sunrise Senior Living UK and Gracewell Healthcare portfolios to Care UK and Signature Senior Living.
Jul-21	Country Court Care Group	Cofinimmo	Belgian real estate company, Cofinimmo, entered the UK healthcare market by acquiring three nursing and care homes for £57 million.
Jul-21	Legal and General	SCPI Pierval Santé	Transaction of three assets comprising circa 193 beds sold for £34 million.
Oct-21	Aspen Healthcare	Nuffield Health	Nuffield Health completed the acquisition of five hospitals from Aspen Healthcare Limited for an undisclosed sum. This was subsequently followed by a long lease transaction with NorthWest Healthcare Properties REIT.
Dec-21	BC Partners	Ramsay Health Care Ltd	Global healthcare business, Ramsay Health Care, acquired one of the UK's leading independent mental health care providers, Elysium Healthcare, for £775 million from private equity firm BC Partners.

CHILDREN'S DAY NURSERIES

DATE	VENDOR	PURCHASER	DEAL
Apr-21	Poppies Day Nurseries Ltd	LGDN BidCo Limited	Poppies Day Nurseries, a group of six nurseries located across Berkshire and Buckinghamshire.
May-21	Tudor House Montessori Group Limited	Tinysaurus Nurseries Ltd	Portfolio of three nurseries, with a capacity of 158 children, located in and around Burgess Hill, West Sussex.
Jun-21	ICP Education Holdings Limited	Oakley Capital	Oakley Capital acquired ICP Education, 44 nurseries across London and the South East, with a capacity of circa 6,000 children.
Aug-21	H.R.H. Nurseries Limited	Kindred Education Ltd.	Renowned Cambridgeshire nursery group, comprising three settings, with capacity for 320 children, sold to Kindred Nurseries.
Sep-21	Peepo Day Nursery Ltd	Kids Planet Day Nurseries Limited	Two settings located in the West Midlands sold to one of the fastest growing UK nursery groups.
Sep-21	The Kindergartens Limited	Dukes Education	10 term time kindergartens, situated within affluent locations across London serving circa 500 children.
Oct-21	Just Imagine Day Nursery Limited	LGDN BidCo Limited	Portfolio of five nurseries in Essex; Colchester, Maldon, Vange and two in Wickford, with a total of 221 nursery places.
Nov-21	Footsteps Day Nurseries	LGDN BidCo Limited	10 Leasehold settings, with an annual fee income of circa £9.5 million, located across the Midlands catering for circa 890 children.
Nov-21	BGF	Fremman Capital	Acquisition of majority stake in prominent nursery operator, Kids Planet, which owns settings nationwide.
Dec-21	Kinder Haven Limited	Kids Planet Day Nurseries Limited	Portfolio of nine purpose-designed nurseries located across West Yorkshire which provide an aggregate operating capacity of circa 930 places.

INDEPENDENT EDUCATION

DATE	VENDOR	PURCHASER	DEAL
Jan-21	Ripplevale School Limited	Cavendish Education	Independent school in Kent for boys aged 6 to 18 who have an EHCP or ASD diagnosis.
Feb-21	Park Scholl (Yeovil) Limited (Voluntary Liquidation)	Private Individual	Park House School, Yeovil sold with overage clause for any other use than D1. Set in 17 acres, the Grade II listed 18th century manor house with ancilliary buildings was sold off a £1.95 million guide price.
Mar-21	Hampton Court House School Limited	Dukes Education Ltd	Hampton Court House is an independent co-educational school from nursery through to 18 years with additional Sixth Form. Acquired by rapidly expanding Dukes Education.
Mar-21	The Riverston Group	Chatsworth Schools	Funded by Synova, Chatsworth Schools acquired Riverston School and Beech House School located in London and the North West, serving the needs of students with moderate learning difficulties.
Apr-21	Oxford International Education Group	Nord Anglia	Nord Anglia acquired four highly respected schools in Oxford - Oxford International College, D'Overbroeck's and Oxford Sixth Form College - backed by THI, taking the number of Nord Anglia schools to 73 in 30 countries.
Jun-21	Sovereign Capital	Dukes Education Ltd	Dukes Education acquired the Eaton House portfolio, London, in a deal externally reported as being in excess of £75 million.
Jun-21	Rastrick Educational Services Limited	D2M3 (Yorkshire) Limited	Christie & Co was appointed by the Joint Liquidator, and subsequently sold the property to a local housing developer.
Sep-21	Northwood Schools Limited	Dukes Education Ltd	Broomwood Hall Lower and Upper Schools, Northcote Lodge and Northwood Senior schools in Southwest London acquired in a deal with rumoured EV of £50 million.
Oct-21	Wellesley House School	Alpha Schools	School dating back to 1866 offering day and boarding for pupils aged 3 to 13. Acquired by Haddon Dene Preparatory School - owned by Alpha Schools.
Oct-21	Bridge of Allan Hotel	Fairview International	Former hotel built in 1842 which was bought by Fairview International - an International Baccalaureate candidate School - to become part of their local school campus.

INTERNATIONAL ECEC (EARLY CHILDHOOD EDUCATION & CARE)

DATE	VENDOR	PURCHASER	DEAL
Jan-21	GEMS World Academy	XCL Education Holdings PTE Limited	Backed by TPG Capital, Singapore based XLC Education acquired GEMS World Academy Singapore.
Jun-21	KMK Kinderzimmer	Haniel Group	Haniel acquired the majority stake in one of Germany's largest for-profit nursery groups, providing capacity for some 4,000 children.
Jun-21	Phoenix Equity Partners	Partou Holding BV	Phoenix sold its interests in Just Childcare, a portfolio of 62 settings located in the North West and South West of England. The portfolio was acquired by Partou, which operates 400 centres catering for circa 26,000, headquartered in the Netherlands.
Jul-21	Bright Kids Nursery (BKN)	Babilou	An ECEC portfolio comprising six centres located across Abu Dhabi in Al Muroor, Bain Al Jesrain, Al Najda, Khalifa City A and Al Manaseer, in Al Ain – Al Sarooj sold to Babilou as they consolidate their UAE presence.
Aug-21	Sodexo	Grandir	With operations spanning France, Germany, Spain and India, Sodexo's partnership extends Grandir's global reach.
Sep-21	Park Academy Childcare	Busy Bees Nursery Group Limited	Established in 1995, Park Academy Childcare comprised a portfolio of eight settings across South Dublin and North Wicklow, providing 700 places.
Sep-21	Little Peoples Place	Busy Bees Nursery Group Limited	Busy Bees acquired 11 Perth-based settings from Little Peoples Place.
Oct-21	Eurazeo	InfraVia Capital Partners	InfraVia acquired a 41% stake in Grandir, one of France and Europe's leading childcare operators with circa 650 sites.
Oct-21	Think Childcare Group	Busy Bees Nursery Group Limited	In a deal reported to be worth £105 million, Busy Bees acquired Think Childcare Group comprising 83 ECEC settings and a development pipeline of a further 26 centres.
Oct-21	Waterman Private Capital & Ascentro Capital	Busy Bees Nursery Group Limited	Marking its entrance into New Zealand, Busy Bees acquired its third largest provider, Provincial Education group, which operates 75 settings and provides more than 5,500 places across the North and South Islands.

SPECIALIST CHILDCARE

DATE	VENDOR	PURCHASER	DEAL
Mar-21	3 Dimensions Care Limited	Outcomes First Group Limited	A portfolio of residential children's homes, LD care home and SEN School providing services to young people and adults with learning disabilities and communication difficulties including autism.
May-21	Southern Adolescent Care Services Limited	Keys Group Limited	Group of three residential homes, located in Crawley West Sussex, providing 16 registered places. Each of the homes with residential services were rated by Ofsted as either Good or Outstanding.
Jun-21	Quality Foster Care Limited	Five Rivers Child Care Limited	Independent Foster Care Agency sold to Five Rivers in a confidential transaction.
Aug-21	Charme Capital Partners and Livingbridge	Mubadala Investment Company	Charme Capital Partners and Livingbridge sold their majority stake in UK-based children's education and care provider Witherslack Group. Operating 25 homes and schools for children with special education needs. Sold off a £600 million guide price.
Aug-21	Next Step Fostering Services Limited	Outcomes First Group	Independent agency founded in 1996, providing National Fostering Group services delivered by circa 70 foster carers across Kent, East London, Surrey, Slough and London boroughs.
Oct-21	Care First Management Services	Outcomes First Group	Midlands-based provider of practical life skills training, for service users with learning difficulties/disabilities, behavioural support needs, mental health, autism, brain injuries, complex needs, and physical disabilities.
Oct-21	Bridge of Allan Hotel	Fairview International	Former hotel built in 1842 which was bought by Fairview International - an International Baccalaureate candidate School - to become part of their local school campus

LEISURE

DATE	VENDOR	PURCHASER	DEAL
Jan-21	Bourne Leisure	Blackstone	Blackstone acquired a majority stake in Bourne Leisure in a deal thought to value the business circa £3 billion.
Feb-21	UK Piers Limited	Mellors Group	Skegness Pier sold to Nottingham based entertainment specialists, Mellors Group through Christie & Co.
Mar-21	The Rossington Estate	Private	Sale of the Northern Racehorse College long income investment by Christie & Co off a net initial yield of 3.5%.
Mar-21	St Ives Holiday Park	Away Resourts	Away Resorts acquired St Ives holiday park in Cornwall. Freshstream and LDC provided follow-on funding for the acquisition.
Apr-21	U+I Plc	Snow Centre Limited	Snow Centres Group acquired the long leasehold interest of The Chill Factore in Manchester for a reported circa £15 million.
May-21	Various	Pure Leisure Group	Pure Leisure Group acquired three new holiday parks, expanding their UK portfolio to 19 sites.
May-21	Bridge Leisure	Park Holidays	Park Holidays bought nine sites from rival Bridge Leisure.
Jun-21	Away Resorts	CVC Capital Partners	A circa £250 million majority share deal of Away Resorts.
Jun-21	Lightwater Valley Theme Park	Brighton Pier Group	Brighton Pier Group acquired the entire share capital of Lightwater Valley Attractions in a circa £5 million deal.
Jun-21	Landal GreenParks	Roompot	Dutch holiday parks group, Roompot acquired the Landal GreenParks portfolio from Awaze for an undisclosed sum.
Jun-21	Caerfelin Holiday Park	Leisure Escapes	Welsh holiday park operator Leisure Escapes aquired its third site, the Caerfeline Holiday Park in Aberporth, supported by HSBC UK.
Jun-21	Five Ways Entertainment Cen-tre, Birmingham	AEW UK Core Property Fund	Acquisition by AEW UK Core Property Fund for £25.1 million.
Jul-21	Hagan Leisure UK	Hill Brothers Residential & Leisure Parks	Lancashire-based Hill Brothers Residential & Leisure Parks acquired its 15th site, Beacon Fell View for £11 million from Hagans Leisure UK.
Jul-21	Playfootball	Powerleague	Powerleague acquired five sites in Bury, Colchester, Luton, Romford and Shepherd’s Bush from Playfootball for an undisclosed sum.
Aug-21	Third Space	KSL Capital	KSL Capital Partners acquired a majority interest in luxury health club, Third Space from Encore Capital, for an undisclosed figure.
Sep-21	Verdant Leisure/Palatine	Pears Partneship Capital	Palatine sold its stake in Verdant Leisure to the management team backed by Pears Partnership Capital for an undisclosed sum representing a 3.7x return.
Nov-21	Boom Battle Bars	Escape Hunt	Escape room operator Escape Hunt acquired Boom Battle Bars for £17.38 million.
Dec-21	Buzz Bingo	Zetland Capital Partners	Zetland Capital Partners acquire a portfolio of 37 leisure investments let to Buzz Bingo.

PUBS

DATE	VENDOR	PURCHASER	DEAL
Jan-21	Red Mist Leisure	Red Lion Holdings	Acquisition of a majority stake in Red Mist Leisure.
Feb-21	Wells & Co	Red Oak Taverns	Sale of 10 freehold pubs for an undisclosed sum.
Mar-21	Seafood Pub Co	Oakman Inns	Sale of six pubs from the joint administrators of Seafood Pub Company Holdings.
Apr-21	Everards Brewery	Admiral Taverns	Off-market transaction of 14 community pubs.
May-21	Adventure Group	Nightcap	Nightcap extends its presence in London with the purchase of seven of the nine sites in the Capital for £2.5 million.
Jun-21	Stonegate	RedCat Pub Company	Disposal of 42 assets as a condition of the CMA for the Stonegate/ei Group merger for a reported £16 million.
Jun-21	Youngs & Co	Punch Pubs & Co	Young's divest the majority of its tenanted division to Punch Pubs in a deal worth £53 million.
Aug-21	Little Britain	RedCat Pub Company	Company sale of Little Britain Pub Company, including five freehold trading pub assets for an undisclosed sum.
Aug-21	Coaching Inns Group	RedCat Pub Company	Acquisition of 18 Coaching Inns Group assets located in market towns for a reported £60 million.
Aug-21	Knead Group	RedCat Pub Company	Acquisition of four of the seven Knead Group pub assets by RedCat Pub Company.
Aug-21	Hawthorn	Admiral Taverns	Portfolio sale of a combination of tenanted and operator-managed assets for £222.3 million.
Sep-21	Dominion Hospitality	RedCat Pub Company	Sale of seven pub/hotels located in the south of England for an undisclosed price.
Dec-21	Patrol Capital	Fortress Investment Group	Acquisition of the Punch Pubs & Co portfolio from Patron Capital Partners for a reported £2 billion.

RESTAURANTS

DATE	VENDOR	PURCHASER	DEAL
Apr-21	Leon	EG Group	EG Group plans to grow the portfolio by 20 sites per year from 2022.
Aug-21	Pho/Gresham House Ventures	TriSpan	TriSpan acquired a majority stake in Pho.
Aug-21	Baker and Spice	Stefan Allesch-Taylor	Interim Chief-Executive acquired Baker & Spice with plans to expand.
Feb-21	Pizza Hut Delivery	Starboard Dining	Sale of 27 exisiting Pizza Hut Delivery franchised sites to Starboard Dining.
Feb-21	Prezzo	Cain International	Prezzo was acquired from its administrators, with management team remaining in place.
Oct-21	Pizza Hut Delivery	Nine Group	Hotel operator Nine Group acquired a package of franchised sites.
Oct-21	Cooplands	EG Group	Forecourt/roadside operator EG Group acquired CS Food Group for an undisclosed sum.
Oct-21	D&D	Montecito Equity Partners	A deal rumoured to value D&D at £100million.
Sep-21	Amsric	EG Group	Forecourt/roadside operator EG Group acquired 52 KFC UK sites from Amsric Group.

HOTELS

DATE	VENDOR	PURCHASER	DEAL
Jan-21	JMK Group	Private Investor	The 80-bedroom Holiday Inn Express branded hotel was sold off a guide price of £17 million to a private investor through Christie & Co.
Mar-21	Medina Investments	Legal & General	The 212-bedroom Yotel in Clerkenwell, London was sold for £70 million.
May-21	Cerberus	Marathon AM	Project Horizon which included a portfolio of 17 Holiday Inn properties around the UK was acquired for £183.5 million by Marathon AM.
May-21	Tonstate Group	Castleforge Partners	The 197-bedroom Hilton Hotel in central Cardiff was acquired by Castleforge Partners for an undisclosed price. Christie & Co supported Castleforge with this acquisition.
Jun-21	Dorsett Hospitality International	Cerberus, Highgate Holdings	The 267-bedroom Dorsett City Hotel London was sold for £113.8 million. The estimated development cost was expected to be in the region of £21 million.
Jul-21	De Vere Group	Zetland Capital	The 247-bedroom hotel and golf course was acquired for an undisclosed price by Zetland Capital.
Jul-21	Regal Homes	Union Investment (Unilmmo: Deutschland)	Wilde by Staycity Aparthotel (156 rooms) in Whitechapel, London was acquired for circa £51.5 million.
Sep-21	Shiva Hotels	Conker Dawn	The Shiva UK Hotel Portfolio including the Hampton by Hilton Waterloo in London and the DoubleTree in York was sold for approximately £95 million.
Oct-21	Qbic Hotels	Tristan Capital	Tristan Capital purchased the 261-bedroom Qbic Hotel in Manchester for an estimated £44 million and rebranded it to Yotel.
Oct-21	Aroundtown	Henderson Park	The LRC UK and Ireland Hotel Portfolio which includes 12 predominantly-freehold Hilton-branded assets totalling 2,384 rooms was acquired for £555 million.
Nov-21	MacDonald Hotels & Resorts	Zetland Capital Partners & Hamilton Hotel Investors	Zetland Capital and Hamilton Hotels purchased the two Macdonald properties in Edinburgh and Manchester for circa £97 million. The Christie & Co hotel consultancy team supported Zetland during the Commercial Due Diligence.
Nov-21	KSL Capital Partners	Goldman Sachs & Cedar Capital Partners	KSL Capital Partners sold The Belfry to Goldman Sachs and Cedar Capital as a freehold for circa £140 million.
Dec-21	Downing	Blantyre Capital/Fairtree	Acquisition of Dunkeld House Hotel with Christie & Co acting for the vendor.

RETAIL

DATE	VENDOR	PURCHASER	DEAL
Jan-21	Gus & Marla Saggu	Certas Energy	Sale of seven petrol filling stations to Certas Energy at an undisclosed price.
Jan-21	BP	MFG	Acquisition of seven operational and nine new to industry sites – price undisclosed.
Feb-21	Walmart	EG Group	ASDA takeover agreed for a reported £750 million.
Feb-21	Costcutter Supermarkets Group	Bestway Group	FCA cleared acquisition of Costcutter by Bestway Group.
Apr-21	Leon Restaurants Ltd	EG Group	Sale of 42 company and 29 franchised Leon sites to EG Group for a reported £100 million.
Aug-21	George Hammond	MFG	MFG acquisition of six petrol filling sites from George Hammon for an undisclosed price.
Sep-21	Amsric Group	EG Group	Purchase of 52 KFC restaurants.
Oct-21	EG Group	Park Garage Group	Sale of 27 former EG Group petrol filling stations - an agreed remedy between EG and the CMA to the perceived unfair competition created by EG's ASDA takeover.
Oct-21	CS Food Group (Cooplands bakery)	EG Group	EG acquisition of 180 bakery stores and cafes from CS Food Group.
Oct-21	Morrisons	Clayton, Dubilier & Rice	£7 billion proposed takeover of Morrisons agreed by shareholders, subject to CMA approval.

GROUP SERVICES

VENNERS

2021 MARKET OVERVIEW

The hospitality sector has taken 2021 in its stride and continues to manoeuvre successfully through the prolonged challenges presented in the aftermath of lockdowns, restrictions, Brexit, the nationwide recruitment crisis and supply issues. In its journey towards rebuilding in the second half of the year, the sector's trading sphere attracted a new wave of operational changes and innovation.

In many cases, operators have been forced to adapt to ensure further business survival and a return to profitability.

The shift in guest expectations, along with limited resources, both in terms of staff and stock, has meant that operators have also persisted in the earlier investments they made in their attempt to endure the pandemic. This includes the continued use of new technology applications, transformed service styles and tailored commitments to supplier agreements.

CASE STUDY

A large pub company, with just under 45 sites, has invested in regular stocktaking with Venners for the last two and a half years. Through coaching the company's individual sites, it increased product yieldby almost 3% across all sites, correlating with an all-round gross profit increase of 2%.

OUR ACTIVITY

Initially, the need for external support from supplier companies like Venners was re-engaged with caution, with businesses purposefully extending stock cycles to cut costs where they could. Yet, as consumer confidence began to grow, and trading resumed to more 'normal' levels, operators recognised the critical need to re-engage with our trusted and effective methods to help them manage their output and optimise their gross profits.

At the same time, instability in the sector caused by the pandemic saw many businesses seizing opportunities to sell or grow. Where businesses merged and transformed their portfolios they sought independent support to deal with the operational overhauls required. The arising need for ad-hoc stock valuations and stock control advisory solutions resulted in an uptake in work for Venners.

Since then, the fierce battle with staffing issues has exponentially amplified the demand for external support.

A unified concern echoed across the industry has been that understaffed hospitality operations are struggling to cope with crucial tasks like stocktaking and are increasingly seeking support in these areas.

Our own Venners teams have already begun feeling this sharp increase in demand, which is expected to continue for quite some time.

In the wake of the pandemic, Venners onboarded several new clients, including BlackRose Pubs, Redcat Pub Company, Balfour Beatty and Tottenham Hotspur FC.

MARKET PREDICTIONS

Staff shortages to persist into late 2022 resulting in the need for external on-the-ground support

Rising food prices and operating costs in Q1 and Q2 of 2022

Cost cutting measures and controls heightened to boost short-term profit wins and optimise cash flow

Embedded culture of limited menus, self-ordering and adapted service styles

Flexible supplier agreements will be a trend in 2022

SCOTT HULME
MANAGING DIRECTOR

venners

ORRIDGE

2021 MARKET OVERVIEW

PHARMACY

The pharmacy sector was under pressure during the COVID-19 pandemic with early stockpiling of provisions and prescription renewals surging early on. Orridge continued to service its pharmacy customers by successfully collaborating with them to operate in a COVID-safe manner.

Interest in Orridge's Pharmacy services remains strong, and customers have been willing to accommodate cost increases to secure a reliable standard of service. Ongoing discussion with prospective customers is equally encouraging.

Our largest customer, Boots, reported a strong financial year as one of the largest providers of COVID-19 testing in the UK. Our stocktake teams have been involved in a higher-than-average number of pharmacy business sales.

CASE STUDY

As the chosen stocktake provider to the Co-operative Group across six decades and the long-established provider of Co-op Food stocktakes, the service continually evolves. The introduction of our Supply Chain team is enhancing Co-op's stock-related insight by providing in-store supplier delivery checks.

RETAIL

The Retail sector is adapting to pressure on in-store sales from online retailers, exacerbated during the COVID-19 lockdowns. However, Orridge's resilient portfolio of key customers traded throughout lockdown periods as 'essential retailers' and benefited from the opportunity to enhance customer engagement and improve its market share during this time.

Staff recruitment and retention issues are affecting many sectors throughout the UK and we are receiving a greater number of requests for staffing support in non-stocktake capacities. The challenge to attract staff is intensified by a growing number of warehouses and distribution centres.

Stock supply issues have been well-publicised in Retail, especially in the grocery sector. Accurate stocktake data and reporting highlight stock availability in stores, empowering the customer to determine if such shortages are caused by supplier shortages or operational inefficiencies.

In challenging times, retailers require Orridge's services more than ever. A reliable and regular stocktake schedule provides accurate stock records, resulting in deliveries becoming more efficient and on-shelf availability being optimised. Those that invest in good quality stocktaking services are most likely to succeed in their endeavours.

Retailers utilising an Orridge stocktake service alongside our Supply Chain audits benefit from heightened insight into their stock-related challenges, whether in store or a weak link along the supply chain.

DARREN FLACK
MANAGING DIRECTOR

ORRIDGE

MARKET PREDICTIONS

In Retail, customer footfall will continue to recover and consumer spending will increase, particularly non-essential spend

Traditional retailers' multi-channel offerings will continually improve to meet customer demand for choice. The most innovative and creative retailers will successfully adapt to offer the very best customer experience in their stores

The UK pharmaceutical sector value is forecast to continue increasing in both 2022 and 2023

New technology will be adopted more, including robotic dispensing. The outlook for the sector is encouraging

Optimal stock availability is essential to maintaining customer engagement and maximising sales, therefore a reliable stocktake strategy provides customers with empowering stock-related data to support their endeavours to be the very best they can be

We are seeing greater emphasis on the quality of stocktaking services from customers that acknowledge the relationship between the service Orridge provides and the performances of their stores

We are confident that demand for both stocktaking and supply chain auditing services will intensify in 2022

VENNERSYS

2021 MARKET OVERVIEW

The leisure and visitor attraction sectors had a difficult start to 2021 due to the varying national lockdowns imposed by the Government. As the country started to return to normality in July 2021, demand from the public was high. This was helped by the ongoing international travel restrictions which saw the boom of staycations across the country. On the other hand, a dramatic drop off in overseas visitors has taken its toll on the sector.

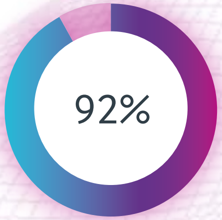
In 2019, we saw 40.86 million leisure visitors to the UK in comparison to the forecasted 7.4 million in 2021, which has had a significant impact on attractions in cities and, in particular, Scotland.

With fewer overseas visitors, the sector has had to change its tact on how footfall and revenue could be increased. The key for attractions was to make the customers feel safe and target all local visitors or those on staycation nearby to their venues. With limited capacities still impacting most of the sector, timed entry was still needed. Although initially seen as a negative, this allowed attractions to steady the flow of customers which enhanced safety and gave customers an overall better experience due to fewer crowds.

The industry has been one of the most heavily hit sectors for staff shortages. The challenge hasn't only come from the pandemic, Brexit has forced several reliable employees from the EU to return to home countries.

Also playing a part is the post-pandemic thought process, which has made people think about a better work-life balance, working hours required in the industry, or changing their career completely.

It isn't all doom and gloom; Folly Farm Park and Zoo reported a 90,000 shortfall in footfall YTD in comparison to 2019 which included the site being closed for the first four months of the year.



Showing the appetite to visit the attraction post-pandemic, initiatives such as sloth experiences saw £6,000 worth of sales in 2021, and the holiday park which has seen 92% occupancy has helped with the revenue.

OUR ACTIVITY

The demand for ticketing and POS services has increased since the pandemic due to the ever-changing requirements thrown at the industry. Visitor management systems can help the sector rebuild by providing user friendly e-commerce journeys and easily accessible data so critical business decisions can be made. 2021 saw 350 leads converted into 84 opportunities and 19 new clients.

PAUL HARDING
MANAGING DIRECTOR

VENNERSYS

MARKET PREDICTIONS

Increased overseas visits and spending for 2022 in the tourism and leisure industry

Staycations are expected to continue into 2022 albeit a small drop off from the 2021 boom

Skilled staff shortages are expected for 2022

CASE STUDY

FOLLY FARM

Already using our admissions and EPOS system, restrictions imposed by the pandemic meant that Folly Farm needed to better monitor visitor numbers. As such, we implemented integrated online ticketing, allowing the venue to monitor visitor numbers, review details on spend and visit dates and push promotions and marketing campaigns.

CHARITY ACTIVITY

THE GREAT CHRISTIE BAKE/FACE OFF

We started strongly with a Bake Off in the South West, which was very quickly curtailed by COVID.

The Bake Off was replaced with a Face Off, and Vicki McHugh produced masks for friends and colleagues. Vicki also did a Virtual Channel Swim in the summer.

WINGS FOR LIFE – WORLDRUN

Our Central & Northern Europe team ran the Wings for Life – Worldrun alongside 184,236 runners and wheelchair users from 195 nations.

Our Medical team completed a 25k walk around Bristol and Abbots Leigh, raising over £2,100 for Bowel Cancer UK.

FOOTBALL HELPS

Our Austrian team celebrated 10 years of Christie & Co Austria in September by running a raffle/tombola raising a total of EUR 2,000 for the Football Helps organisation.

300 MILES IN MAY

Vicky Marsland completed 300 miles in May, finishing on a total 309.76 miles (647,111 steps!). She raised a grand total of £1,100 for two brilliant organisations - Bowel Cancer UK's Never Too Young Campaign and WHYSUP.

FAMILY ACTION

Our Manchester office and some of the wider childcare team donated Christmas gifts to a group of children at a Family Action centre in Wythenshawe.

family action Building stronger families

Bowel Cancer UK

FOOTBALL HELPS

CHRISTIE & CO