
Guy Hands swoops on care homes

By Ben Marlow

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GUY HANDS, the embattled private equity tycoon, is poised to make a dramatic comeback by winning the race to buy Four Seasons Health Care, Britain's largest care homes chain.

The Terra Firma boss, who blew a fortune during his catastrophic ownership of EMI, the music publishing group, is putting the finishing touches to the deal today.

Four Seasons looks after 25,000 people in 500 nursing and care homes across Britain. Terra Firma is expected to pay about £820m to take control after fending off rivals.

The operator is owned by a consortium of banks, led by Royal Bank of Scotland, and a group of hedge funds. They bailed out Four Seasons in 2009 by writing off half its borrowings in return for control.

The business was due to be refinanced again later this year. Not all the lenders wanted to take part, so RBS decided to seek a new investor willing to pump in more money.

Terra Firma is expected to be unveiled as the new owner tomorrow. The deal will help restore Hands's reputation, which was left in tatters after Terra Firma had to hand EMI to its banks because of huge debts.

Hands has been one of Britain's most high profile and prolific dealmakers of the past two decades. The demise of EMI left his private equity company nursing losses of nearly £2 billion, and critics said he would struggle to be taken seriously again.

However, the colourful investor returned to the fray last month with a £300m deal to buy the Garden Centre Group, the company behind the Wyevale and Blooms chains.

The Four Seasons takeover will thrust Hands firmly into the spotlight again. Private equity companies' involvement in the care homes industry has proved controversial, with last year's collapse of Southern Cross — then the biggest operator — partly attributed to its past ownership by Blackstone.

Sources close to Four Seasons said Terra Firma's buyout will put the company on a more stable financial footing. Debts of £800m will be refinanced with a bond issue of about £525m, which is being arranged by Goldman Sachs.

Terra Firma, which owns the Odeon and UCI cinema chain, is expected to provide up to £300m of fresh equity. RBS also plans to take a small stake.

It is the third debt restructuring Four Seasons has been forced to undertake since its takeover by a Qatari sovereign wealth fund in 2006 left the company weighed down with £1.3 billion of loans.

Hands faced rival bids from a consortium of Formation Capital and Patron Capital and from a smaller care home business, Bondcare.