Senior citizens

Market segment dynamics

Every year, the life expectancy of the French people increases by three months; it now exceeds 80 years. While the number of people over 85 years of age has remained stable between 1995 and 2005, as a result of a deficit of births in connection with WWI, it will almost double over the next ten years, from 1,100,000 people in 2005 to 1,900,000 by the year 2015.

As a result of medical progress, the number of dependent elderly people will increase considerably. The supply of home care and home services must certainly be developed and adapted to respond to the expectations of elderly people who wish to preserve their usual family environment as long as possible. Age-related dependency, however, implies an increase in special service structures: from 85 years onwards, more than one person out of three suffers from a disability which makes it impossible for them to stay in their homes.

The market for retirement homes is still, for the main part, held by the public sector and the nonprofit sector, (religious groups in particular). However, growth in this sector is now dominated by private profit-oriented groups of companies which have taken over the structuring of the sector, sometimes with the support of powerful investment funds. This trend could soon be accompanied by the arrival of foreign companies, some of which are already highly international.

France's attractiveness

Today, France lacks coverage in terms of the offer for care of dependent elderly people.

Considering the accelerated growth of the market, this situation runs the risk of becoming perennial in spite of efforts that are made to expand the offer. As a result, the perspectives of profitability are excellent in the sector, even more so as the accommodation rates paid by the residents can be freely established and the scarcity of the offer as compared to demand ensures an extremely high occupancy rate.

The lack of coverage in the sector justifies the entry of new players, whether as a Greenfield site, in partnership or through acquisition, given that the sector is still very splintered and therefore represents significant possibilities for external growth.

It is a propitious time to invest, given that for some years now the public authorities have been committed to making the sector more dynamic, providing it with a favorable regulatory environment, and maintaining the solvency of the parties in question.

At the regulatory level, private retirement homes are now authorized to offer services other than those within the care facility and can therefore develop services at home.

At the social and financier level, a Day of Solidarity in favor of collective dependency care was established in 2004; it provides an additional 2 billion euros each year used, in particular, to consolidate the financing of the allowance for personal autonomy (APA). This allowance is intended for people over 60 years of age who are experiencing loss of autonomy and who require assistance for essential activities; the allocation of the APA is not dependent on revenue, although the latter is taken into account when determining the amount to be paid.

International players in France

• Orpéa is currently one of the leading French players in the three most significant segments of the dependency industry: retirement homes, follow-up care, physical therapy and, through its subsidiary Clinea, it is a significant player in the health care sector: psychiatry, physical therapy and rehabilitation, medicine. Created in 1989, and listed under compartment B of Eurolist (Euronext) since April 2002, its capitalization has increased fivefold since its introduction reaching one billion euros. Orpéa currently has 7 000 employees in the service of more than 9 400 residents and patients; it has a total of 174 care facilities and 16 000 beds and generated turnover of 410 million euros in 2006, an increase of 19%.

• Médica is another major player in this market, and offers two types of services, both in the medico-social sector with its care facilities for dependant elderly people, as well as in the health care sector, with its follow-up care and rehabilitation facilities. The company offers a capacity of 9 388 beds distributed over a network of 120 care facilities in France and in Italy. In 2005, The Médica group recorded consolidated turnover of more than 270 million euros and has more than 4 000 employees. Acquired in 2003 from Caisse des Dépôts et Consignations by the investment fund Bridgepoint for 330 million euros, Médica was transferred in 2006 to a consortium of investment funds headed by BC Partners, for 750 million euros.