Three beds, then five, and two covenants gone

Hartfield Court is the strongest care home in the portfolio. 94 beds, 92.6% occupied, rated Outstanding, rent covered 1.45 times. Three more empty beds and loan to value is through its ceiling; five and rent cover goes too.

£73,476
out of earnings, per empty bed, annualised

3 beds
to breach loan to value

5 beds
to breach rent cover as well

The chain, one step at a time

An empty bed removes £1,499 a week of fee and saves £86 a week of food and consumables. Staffing, rent, insurance and compliance do not move, so each bed takes £73,476 a year out of EBITDARM. The home is valued on what it earns at the 7.2 times multiple, so the same bed takes £506,578 off the value. Two covenants, two measures, two breaking points.

FURTHER BEDS EMPTY	EBITDARM	VALUE	RENT COVER	LOAN TO VALUE
0	£1,740,000	£9.95m	1.45×	62.3%
1	£1,666,524	£9.45m	1.39×	65.6%
2	£1,593,048	£8.94m	1.33×	69.4%
3	£1,519,572	£8.43m	1.27×	73.5% breach
4	£1,446,096	£7.93m	1.21×	78.2% breach
5	**£1,372,620**	**£7.42m**	**1.14× breach**	**83.6% breach**

Covenants: rent cover 1.20 times, loan to value 70.0%. Debt allocated £6.20m. Tested quarterly, on the twelve months behind each test. Value is a desktop re-run of the basis the last RICS valuation struck, not a valuation: £73,476 of lost contribution less £3,118 of notional management charge is £70,358, and at 7.2 times that is £506,578 rather than the full £529,027.

The part that is usually missed

EBITDARM is struck before rent, which makes the headline margin look durable. Take the £1.20m of rent out and £540,000 is what this home actually earns. Five empty beds leave £172,620: two thirds of the real earnings gone, while the margin everyone watches moved from 26.4% to 23.9%.

What the platform does with it

Occupancy is read as it changes, and rent cover and loan to value are re-struck against the thresholds in the loan agreement itself, so the distance to a breach is a figure in beds.