

Look before leaping into expansion



Kindred Home Care, which is co-owned by Billy English, left, and Will Bernard, has made a name for itself in New Brunswick by focusing on clients other home-care companies aren't interested in – seniors in rural communities.

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When Billy English dreams about growing his company, he doesn't have to look far to see where he could expand.

Mr. English is chief executive officer of [Kindred Home Care](#), based in St. Stephen, N.B., which provides care services for seniors to help them stay in their homes rather than being moved to assisted-living facilities. Its services range from light housekeeping to assistance with grooming, bathing and dressing and even helping seniors to buy groceries and do other errands.

St. Stephen is minutes away from the border, and it's the United States where Mr. English sees a great opportunity to build his business.

"There are more people between St. Stephen and Boston than there are between St. Stephen and Halifax, and should we expand into the U.S., we will know how to provide home care in two countries," Mr. English says. "That would be a massive advantage for us as we continue to grow."

The business has already been enjoying rapid growth, fuelled in part by three acquisitions. Monthly revenue has risen to almost \$1.1-million this year (as of June) from \$368,000 in 2012. Total service hours billed per week has risen to 12,327 from 5,634 in 2012, and the company now has 490 employees compared with 225 in 2012.

But Mr. English wants more. His goal is to triple the company's size and increase its weekly service hours to 35,000 in five years. He thinks expanding into the northeastern U.S. is the best way to achieve those goals.

Kindred Home Care, which is co-owned by Mr. English and the company's chief operating officer, Will Bernard, has made a name for itself in New Brunswick by focusing on clients other home-care companies aren't interested in – seniors in rural communities. Competitors are reluctant to take on clients in rural areas because they don't want the cost of maintaining bricks-and-mortar facilities in those towns to deliver services.

But Kindred's strategy is to hire local managers who work out of their homes, so no offices are required. That saves the company money. What's more, the managers hire home-care workers from the communities the seniors are from, so elderly clients often know the workers personally and there is less staff turnover.

One of Mr. English's biggest concerns about expanding into the U.S. is access to capital. The company doesn't have extensive physical assets, and that makes it difficult to borrow money from banks to fund acquisitions. That's a problem, because acquiring existing care companies in the U.S. will be key to its expansion plans.

Mr. English also wants to improve his profit margin. While Kindred's direct labour and related expenses as a percentage of revenue have dropped to 84 per cent from 94 per cent in 2012, he thinks he can improve his margin even more by bringing in more private clients who are not going through a government program and will pay a higher rate.

The company has roughly 400 clients, and more than 90 per cent were referred to Kindred by the New Brunswick department of Social Development. But the government determines how much the company can charge these clients, as well as the minimum it can pay its workers. Mr. English thinks the company can increase the number of private clients it serves, and therefore its revenue, by expanding into the U.S.

Another big challenge facing the company with its U.S. expansion plans is understanding the regulations involved in running a business there.

"We know how to deliver awesome quality of care," he says. "But it's all the other little differences, like how time off works and when you pay for overtime and how that's calculated ... that we've yet to learn about in the U.S."

We asked Omar Allam, founder and CEO of the global trade advisory firm Allam Advisory Group, for his advice on what Kindred can do to set itself up for success south of the border.

Expert advice

Mr. Allam says it's imperative the company hire experts to perform an international expansion assessment that examines the company's strengths and weaknesses, finances, management's commitment to growth, the risks and challenges involved in U.S. expansion, and an assessment of the U.S. health-care market.

"You want to do a diagnostics of the marketplace. Who are the competitors out there? Does the business model you have already rolled out for Canada make sense for the U.S. market? You need to take a deep dive into the U.S. health market," he says.

Mr. Allam says advice in accessing capital would be invaluable as well. Experts can help structure financing options for Kindred. He points out that the company will need help financing different stages of growth, such as money to fund the initial costs of taking on a new business, or a loan to promote or expand its business in the United States. This advice will include preparing them to meet with U.S. banks, financial institutions and export credit agencies, managing relationships across the border and structuring deals.

With Kindred looking to diversify its client base and attract more private clients, Mr. Allam thinks the company shouldn't focus solely on the northeastern U.S. He says Arizona, Florida and the rural Midwest have a large senior population who could be potential customers.

He says the company should also look beyond the services it provides in Canada and see whether there are new services it could take advantage of in the United States. Management must also consider if a different business model might work better there.

"When I look at their business, they are doing well in Canada and they can export that, but it might not be the same business model," Mr. Allam says. "Could this work as a franchise and royalty model, where you pass the risk of the market back to the franchisee and you still control the territory? These are the things they need to think about."

Poised for growth

Kindred Home Care's monthly revenue has risen to almost \$1.1-million from \$368,000 in 2012.

Revenue (monthly):

- 2012 -- \$368,521
- 2016 -- \$928,881
- 2017 (as of June 30) -- \$1,099,987

Labour and related expenses:

- 2012 -- \$346,741
- 2016 -- \$750,830
- 2017 (as of June 30) -- \$927,068

Labour as a percentage of revenue:

- 2012 -- 94%
- 2016 -- 81%
- 2017 (as of June 30) -- 84%

Service hours per week (home care):

- 2012 -- 5,334

- 2016 -- 9,908
- 2017 (as of June 30) -- 11,627

Service hours per week (family support):

- 2012 -- 300
- 2016 -- 650
- 2017 (as of June 30) -- 700

Total hours:

- 2012 -- 5,634
- 2016 -- 10,558
- 2017 (as of June 30) -- 12,327

Number of employees:

- 2012 -- 225
- 2016 -- 420
- 2017 (as of June 30) -- 490

Kindred's acquisitions

The company has bought three other firms since its founding:

- One in 2012 brought 300 service hours per week and \$280,000 in revenue.
- One in 2013 brought 2,100 service hours per week and \$1.9-million in revenue.
- One in 2017 brought 500 service hours per week and \$500,000 in revenue.