

SECTOR SNAPSHOT



UK HEALTHCARE M&A ACTIVITY AND VALUATIONS FOR 2017



Shah Zaki
Partner



Peter Bull
Executive

A year of two halves in the UK healthcare M&A market

There was a strong start to the healthcare M&A market in H1 2017 with **98** deals taking place across the sector, some **13** deals more than in the same period of the previous year. Deals involving strategic buyers were at their highest level since H1 2015.

This was followed by a slowdown in deals in H2 with only a further **60** being completed. This is likely to have been heavily influenced by a number of factors including political uncertainty with Brexit approaching, concerns over healthcare funding and dependency on migrant staffing in some parts of the sector. Large corporates appear to be holding off on potential deals in order to assess the full implications on market conditions of the UK leaving the EU.

Supported Living Sub-Sector Attracts Significant M&A Interest

HC-One Ltd agreed a deal to acquire 122 Bupa Care Homes for £300m (August 2017)

HC-One has acquired 122 care homes from Bupa in a £300m transaction, which is one of the largest care home deals to date. The acquisition is the latest in a series of deals HC-One has completed over recent years, including 30 care homes acquired from Meridian and 20 care homes acquired from Helen McArdle Care. Following the deal, Bupa are expected to invest in refurbishing their existing homes, as well as continuing to build retirement villages and new care homes.

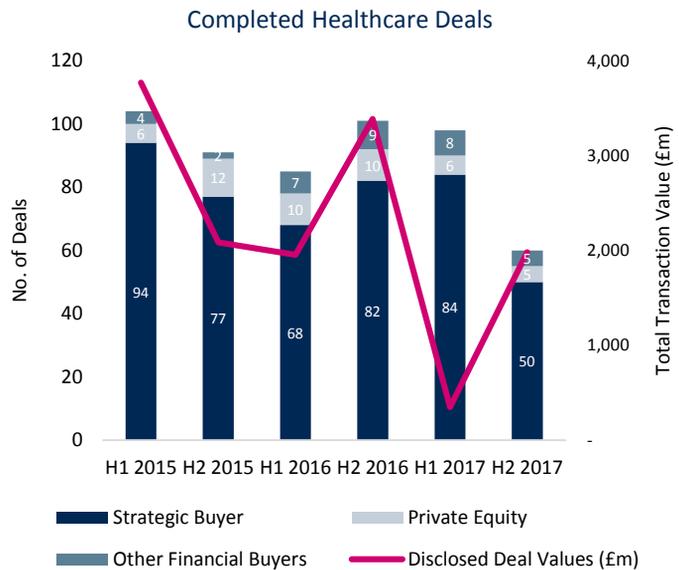
Legal and General Capital acquired Renaissance Villages in a bolt-on deal (November 2017)

Legal and General (L&G) Capital followed up its £40m acquisition of Inspired Villages Group in August with a £148m deal to purchase Renaissance Villages. The acquisition significantly increased the development portfolio of Inspired Villages Group with L&G planning to integrate the two 'later living' businesses. The benefits expected to be realised by the deal include accelerated housing delivery, along with an increase in operational skills.

Sanctuary Group acquired 35 residential care homes from Embrace Group (June 2017)

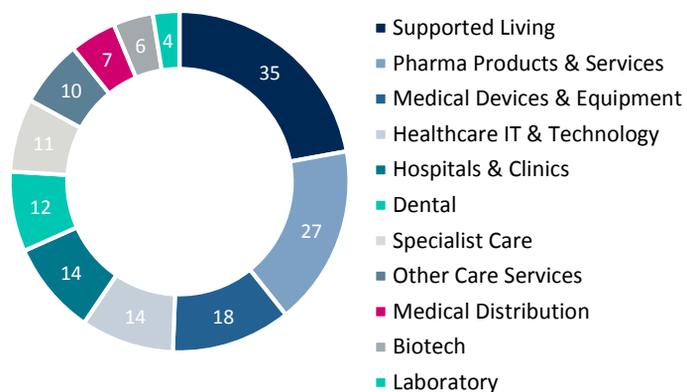
Sanctuary group, one of the largest housing associations in the UK, have expanded their geographical presence with a deal to acquire 35 residential homes from Embrace Group, most of which are located in Scotland and the North-East of the UK. The transaction increases Sanctuary Group's care home portfolio to 103, which in turn takes the total number of bed spaces provided by the company to 5,300. As part of the deal, Sanctuary Group have also acquired a supported living scheme from Embrace Group.

Healthcare M&A Activity



Note: Excludes any deal with a transaction value of £1bn or above. Other Financial Buyers primarily relates to debt funded deals with no disclosed equity investor.

No. of Healthcare Deals by Sub-Sector – 2017



Private Equity Interest Remains Strong Across the Healthcare Sector

Leading Pan-European Private Equity outfit Montagu acquired Servelec Group (November 2017)

Servelec Group plc, a global provider of software, hardware and services to the healthcare industry, was acquired by Montagu Private Equity for £238m in November 2017, who plan to grow the business both through internal improvements and further acquisitions. The deal supports Montagu's investment approach with the private equity outfit having vast experience in making investments in software and other technology focused companies.

Penta Capital acquired Circle Health in a public-to-private deal (March 2017)

Penta Capital have acquired Circle Holdings plc for £75.2m in a take-private deal. The company which operate hospitals, and provides health and rehabilitation services, has been renamed as Circle Health following the acquisition. Circle Health currently have four facilities located in Bath, Reading, Nottingham and Bedfordshire, with a new Birmingham Hospital under construction due to be completed by 2019.

Jacobs Holding AG acquire Southern Dental (October 2017)

Zurich-based investor Jacobs has acquired one of the UK's largest dental chains, Southern Dental, for an undisclosed sum. The UK dental practise has 80 sites which supply both NHS funded and private dental services. Since the transaction Southern Dental have become the UK arm of Colosseum Dental, another Jacobs investment, and one of the fastest growing dental groups in Europe with sales of over €250m.

LDC fund the £38m MBO of Fishawack Communications (January 2017)

LDC backed the management buyout of UK-based supplier of scientific communication services to the pharmaceutical industry, Fishawack Group, in a £38m transaction. Fishawack Group have seen strong financial growth in recent years and are contracted with a number of the world's top pharmaceutical companies. LDC provided equity to investment in order to support the company's future growth plans, which is likely to include bolt-on acquisitions.



Have acquired



For £238m

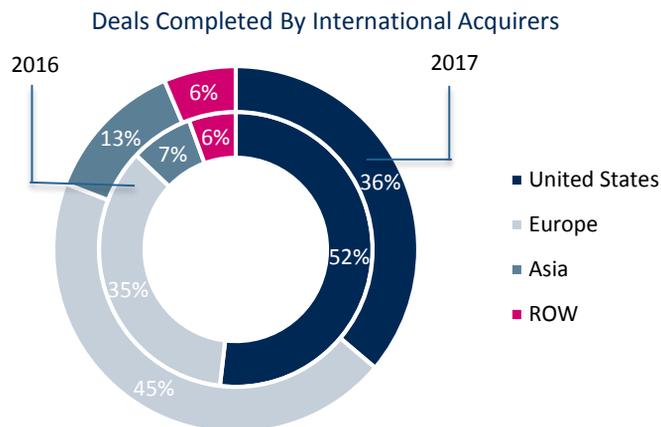


Have acquired



For £75m

A Number of Noteworthy Deals Involving Overseas Buyers



The number of deals involving overseas buyers totalled **47** in 2017, a slight reduction from the **54** deals in 2016. This can be largely attributed to a reduction in interest from US buyers, potentially as a result of the weakening US dollar making acquisitions relatively more expensive. However, the number of European buyers has increased, which is likely to be a result of firms wanting to secure a UK foothold ahead of Brexit.



Have acquired



For undisclosed value



Have acquired



For £910m

Sodexo Make Acquisition in the UK Homecare Market (April 2017)

French company Sodexo, one of the world's largest multinational corporations, acquired UK homecare provider Prestige Nursing and Care in April 2017. Prestige operate through 44 branches in the UK delivering home care to seniors using a private-pay model. The deal consolidated Sodexo's presence in the UK supported living market, a space which is likely to see continued growth in the future with 18% of the current population now aged 65 or over.

LabCorp Acquire Provider of Clinical Trial Solutions, Chiltern (September 2017)

US-based LabCorp acquired clinical trial solutions firm Chiltern for approximately £910m in September 2017. Chiltern has become part of LabCorps drug development business, Covance, further developing its offerings to include a strong focus on the mid-market biopharma sub-sector. The acquisition supports Covance's objective of providing patients with innovative medicines, and thereby improving the results of their clients.

Other Selected Deals Of Interest

Schön Klinik SE acquire Newbridge Care Systems Ltd (May 2017)

The UK's second largest private eating disorder clinic for young people aged 8-18, Newbridge Care Systems, has been acquired by German firm Schön Klinik SE for an undisclosed sum. The move significantly increases Schön Klinik's presence in the UK, with the company's only other presence being a newly built hospital in London which specialises in orthopaedics. The acquisition supports their acquisition strategy of realising opportunities in psychosomatic medicine.



Have acquired



For undisclosed value

Clinigen Group Plc acquire Quantum Pharma Plc in £150m Deal (September 2017)

Clinigen Group made a strategic move to acquire Quantum Pharma Plc. The transaction consolidated Clinigen's position as the leading provider of unlicensed medicines to both doctors and hospitals internationally. Benefits expected to be realised for Clinigen include an enhancement in the firm's ability to create licensed products from unlicensed drugs, thereby supporting the company's ambition to provide doctors with drugs that are licensed or in clinical trials, in order to help their clients.



Have acquired



For £150m

Sysmex Corporation acquire Oxford Gene Technology IP Limited (May 2017)

Japanese In Vitro Diagnostics (IVD) company, Sysmex Corporation, acquired Oxford Gene Technology, which provides research solutions in genetics to academic and clinical institutions. The acquisition enables Sysmex to enter the cytogenetics market creating products for array comparative genomic hybridisation (aCGH) and fluorescence in situ hybridisation (FISH).

Orbis Advise The Shareholders Of Homes Caring for Autism



Have acquired



For £12 million

Homes Caring for Autism, a residential care provider for young adults with complex needs arising from autism, has been sold to nationwide learning disability provider Care Management Group (CMG).

Homes Caring for Autism is a group of ten care homes offering 63 placements across Somerset, North Somerset and Wiltshire.

Established in 1996, the buyer, CMG, has significant expertise in supporting people with learning disabilities and particularly complex needs, including autistic spectrum conditions, mental health needs, challenging behaviour, profound and multiple learning disabilities and associated complex health needs. The business has over 120 services across England and South Wales.

HCA was sold for £12 million with financial advice to shareholders provided by Orbis Partners.

Clairfield & Orbis Transactions



Have acquired home care services, ambulance services and staffing of medical personnel businesses of



For undisclosed value



Have acquired



For undisclosed value

About Orbis

Orbis is a mid-market corporate finance boutique advising on a wide range of M&A transactions covering the healthcare sector in addition to industrials, technology, media & telecoms, and food & consumer. Orbis also has an active investment portfolio held through its investment vehicle Intrinsic Equity.

If you are considering your strategic options for enhancing the value of your business or your client's business, please contact either Shah or Peter.

Contact

Shah Zaki

Partner

T: +44 (0) 121 234 6075

E: szaki@orbiscf.com

Peter Bull

Associate Director

T: +44 (0) 121 234 6078

E: pbull@orbiscf.com