



Shah Zaki
Partner



Steve Nock
Associate Director

SECTOR SNAPSHOT



UK HEALTHCARE M&A ACTIVITY AND VALUATIONS FOR 2018 & H1 2019

UK healthcare M&A market shows promise despite Brexit

Overall M&A activity strengthened in 2018, with **180** deals across the sector, a significant **22** deal increase on the previous year. This is due to a mixture of factors including an active private equity market and a cheaper sterling, which led to a rise in overseas deals despite Brexit uncertainty. Activity in the supported living sector fell slightly although it maintained the greatest share of deals, whilst medical devices, healthcare IT and dental sectors achieved growth.

2019 activity is up on H1 2018, with a total of **90** deals taking place in H1 2019. Notable transactions included the acquisition of Partnerships in Children's Services by CapVest, whilst Bracco Imaging acquired Blue Earth Diagnostics in a £355m deal. The dental sector saw multiple acquisitions by Bupa and in the supported living sector, Elysian Capital acquired Aspirations Care.

Specialist Residential Care Draws Interest

M&A in the supported living sub-sector was **4** deals down in 2018 but is set for a stronger performance in 2019. Specialist services are attractive due to the highly fragmented market providing opportunities for acquisitions to accelerate business growth. There is a very high demand from local authorities to meet more challenging care needs, which ensures that specialist services remains an area of growth. The sector remains attractive to PE (**13%** share) although strategic buyers completed the majority (**87%** share) of deals.

CareTech Acquire Cambian Group In £372m Deal

CareTech, a provider of social care services, looked to expand their childcare services offering when they acquired the Cambian Group, one of the UK's largest providers of specialist education, residential and mental health services for children. The deal was paid for in a combination of stock and cash that saw Cambian's shareholders take ownership of almost a third of the enlarged group, which is now the UK's second-largest social care operator by revenue behind the Priory Group.

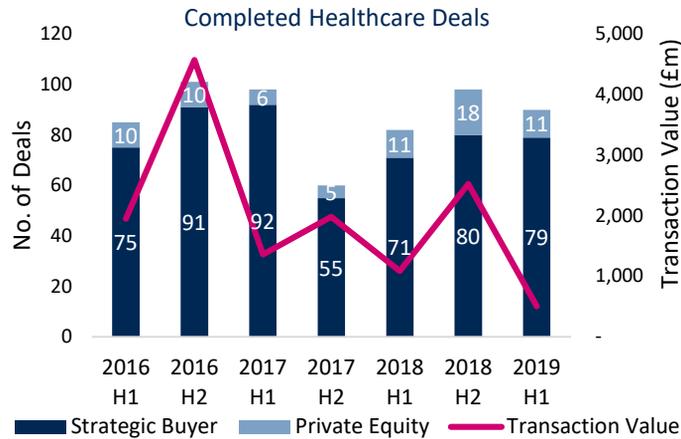
Care Groups Remain Acquisitive

National Care Group has expanded in the West Midlands with the acquisition of Shelton Care, a £10.3m turnover residential care and educational services business that supports adults with complex needs. The acquisition is one of a handful that they have completed recently, as part of their ambitious growth strategy to expand to 5,000 beds by 2022. It is their largest acquisition to date, adding an estimated 99 beds to the group.

Infrastructure Fund Acquires Care Group

iCON Infrastructure Partners acquired Choice Care Group in a transaction valuing the business at £153m. The group had previously grown to 514 beds under Caledonia Investments, who achieved a **1.9x** money multiple on exit. Choice Care provides care to high acuity adults with learning disabilities and mental health disorders, and will look to meet market demand for their specialist services through strategic expansion, organically and via other acquisition opportunities.

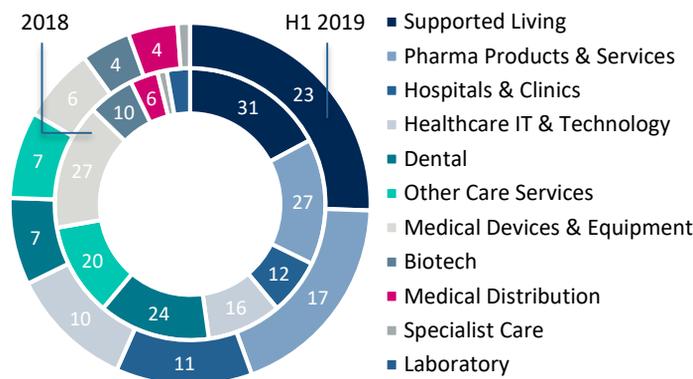
Healthcare M&A Activity



Source: Orbis / S&P Capital IQ. Note: Strategic buyers includes debt funded deals with no disclosed equity investor.

The 31st March 2019 EU withdrawal date did not reduce Healthcare M&A activity. In H1 2018, the sector saw growth after an initial dip in H2 2017 due to the fallout from the EU Referendum result. Businesses have now had time to reflect on their position and their confidence in the market's prospects remains positive. International acquirers, specifically, have decided that it is a good time to target UK businesses.

No. of Healthcare Deals by Sub-Sector – 2018 & H1 2019



PE Interested In Leading Businesses

Private Equity M&A interest rose to a five-year high, with the number of deals reaching **29** in 2018. Market-leading companies with a solid fundamental business and a competitive edge continued to attract investors with ambitious expansion plans where additional funding can unlock growth potential. PE was strongest across the medical device market (**24%** share), with a focus on innovative products within the sector. IT was also popular (**17%** share) with strong prospects due to high demand for the digital transformation of healthcare organisations. The aim of which is to deliver high-quality patient care and drive greater efficiency, particularly with customer service and staffing.

Dental Care Attracting Significant Interest

Belgium-based Core Equity has acquired Portman Dental Care, the UK's fastest-growing privately focused dental group. Portman's had grown from 27 dental practices to more than 75 between 2014 and 2018 with the backing of Livingbridge, who exited their investment. Core Equity is supporting the management team in its growth strategy, both through M&A and organically. This was evidenced later in 2018 when Portman acquired Caledonian Dental Care, adding two further practices. We expect continued activity, with a long term opportunity for them to launch a pan-European operation.

Foster Care Services Prove Desirable

CapVest has supported the management buyout of Core Assets Group from the Group's founding owner. The management team have plans to consolidate their position with an acquisition strategy that will increase their share of the £1.7bn foster care market. There is a steady supply of potential acquisition targets due to a high level of fragmentation in a sector, in which there are 295 independent fostering agencies. In Q1 2019, Core acquired Partnerships in Children's Services from Sovereign in a deal which made them the second largest fostering business in the UK. In Q2 2019 the deal received approval from the CMA.

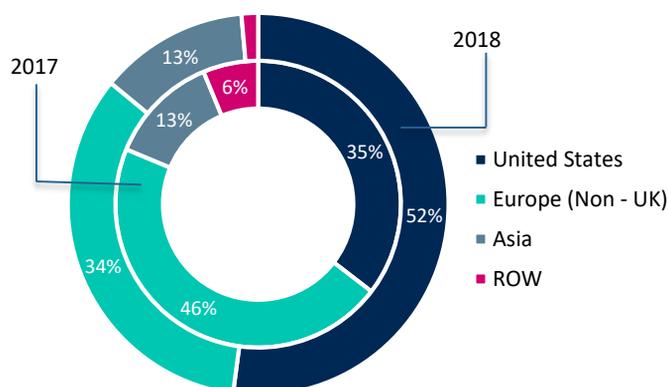
Private Equity Changeover Of Prism Medical

LDC has sold Prism Medical, a £40m turnover provider of moving, handling and bathing equipment for mobility-impaired persons. LDC originally supported the management team in a buyout, providing investment for the development of new products. Acquirer Limerston Capital will work with Prism to continue to expand the geographic coverage of their products, with overseas markets offering attractive opportunities, already accounting for almost 8% of turnover.

International Buyers Target UK Businesses

The number of deals involving overseas buyers totalled **71** in 2018, a significant **48%** increase on 2017 which reveals a heightened interest in UK healthcare from around the world. This rise can largely be attributed to a strong US economy and cheap sterling leading to numbers of US buyers almost doubling. We expect US buyers to maintain a prominent role whilst these favourable conditions remain. European buyers increased activity as trade buyers looked to establish footholds in the UK market before the completion of Brexit.

Deals Completed By International Acquirers



Healthcare IT & Technology

Healthcare technology and services provider Clanwilliam Group have acquired Dictate IT, a provider of digital dictation and transcription solutions to healthcare organisations. This was the eighteenth acquisition made by Clanwilliam as part of their M&A strategy. Activity from the group will continue as they have secured an additional €300m of funding to enable further acquisitions and refinance their existing facilities.

Datix merged with Canada-based RL Solutions in a strategic move which made them the largest company exclusively focused on patient safety software for healthcare, serving over 3,000 clients worldwide. Prior to the merger, TA Associates invested in the business to assume joint control alongside Five Arrows, a Rothschild Private Equity firm.

International provider of healthcare workforce management software, Allocate Software, was acquired by Vista Equity Partners for an estimated £220m. The investment will be used to support Allocate's next phase of strategic growth through geographical expansion and product innovation.



Have acquired

PORTMAN
dental care

For undisclosed value

CAPVEST

Have acquired



For undisclosed value

Limerston Capital

Have acquired

PRISM MEDICAL UK
Helping to transform lives every day

For undisclosed value

Clanwilliam group

Have acquired

dictate.it

For undisclosed value

VISTA EQUITY PARTNERS

Have acquired

ALLOCATE

Estimated £220m GBP

Other Selected Deals Of Interest

Philips Acquired Remote Diagnostic Technologies

Electronics and healthcare giant Philips has added a new business to their Therapeutic Care Group with the acquisition of Remote Diagnostics Technologies (RDT), which reported a turnover of £17.6m in 2018. RDT design and manufacture remote monitoring and resuscitation equipment and will strengthen Philips' position in the €1.4bn resuscitation and emergency care market, expanding their portfolio and existing capabilities. In H2 2019, Philips advanced their digital strategy by acquiring a US-based cloud-enabled enterprise imaging solutions business.



Have acquired



Your life With care Anywhere

For undisclosed value

Award-Winning Contract Medical Device Manufacturer Acquired In £22m Deal

Gooch & Housego Plc have acquired Integrated Technologies Limited, an award-winning contract medical device design, development and manufacturing partner. The transaction was financed with £14m paid upfront and a further £8m earn-out dependent on the company's two-year performance, potentially representing an **8.8x** EBITDA multiple. This deal significantly expands Gooch's Life Science product offering, constituting part of their plan to move to a larger systems-based product range, where there should be higher margins than their component and instrumentation manufacturing operations.



Have acquired



For £22m GBP

Pharma Services Provider Expands Distribution Capabilities

Dublin-based Uniphar Group bolstered its distribution services with the acquisition of SISK Healthcare from the SISK Group in an £87m deal. This is Uniphar's largest acquisition to date and follows on from their acquisition of specialist medical device distributor, Macromed. The transactions fit within Uniphar's strategy of building a strong European platform from which they will be able to grow their healthcare service operations in the future. Growth opportunities continue to be on the horizon as Uniphar completed a further deal using funding from their IPO.

Orbis Advise The Shareholders Of Homes Caring for Autism



Have acquired



For £12m GBP

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 £12m with financial advice to shareholders provided by Orbis Partners.

Clairfield & Orbis Transactions



Have acquired



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 Steve.

Contact

Shah Zaki

Partner

T: +44 (0) 121 234 6075

E: szaki@orbisfcf.com

Steve Nock

Associate Director

T: +44 (0) 121 234 6083

E: snock@orbisfcf.com

Orbis is an independent corporate finance advisory firm, working with business owners, management teams and investors to advise them through every aspect of corporate finance.

The partners have over 100 years of deal-making experience and combine their broad network of global relationships with deep sector knowledge and investor skills to deliver a specialist M&A experience.

Orbis is the UK partner for Clairfield International, a global investment bank, offering clients access to over 400 corporate finance professionals situated in over 20 countries across the globe.

Orbis Partners : Services

A complete range of M&A services providing a wealth of experience to our clients

- Company Sales**
- Extensive mid market M&A expertise and experience across the team.
 - International reach – 23 countries and growing.
 - Over 90% of all sale mandates involve an overseas party.

- Acquisition Support**
- Listed and private clients.
 - Research and origination - internal research team and tools.
 - Strategic and financial assessment.
 - Deal management.

- Due Diligence**
- Experienced and informed advice.
 - Extensive experience within the UK and of international transactions.
 - Tailored reports.
 - Partner led.

- Management Buy Out**
- Deal leadership and fund raising.
 - Align interests with management team.
 - Co-investors on 15 deals.

- Capital Raising**
- Supporting existing business to fund development.
 - Supportive investor bringing focus on value creation.
 - Co-investors on 3 deals.

- Business Improvement**
- Independent advice and planning strategy led by sector insights.
 - Turnaround and profit improvement credentials.
 - Leading the team through uncertainty whilst developing a game plan.
 - Co-investors and principal.

Orbis Partners : Sectors

Experience across a range of sectors

Industrial

Business Services

Technology, Media
and Telecoms

Healthcare

Food & Consumer

