

Trends driving sector M&A

Healthcare Services



HIGHLY ACQUISITIVE MARKET FOR SPECIALIST HEALTHCARE SERVICES

Consolidation opportunities in specialist healthcare services – fertility



Fragmented markets offering services which have high barriers to entry underpinned by strong market growth continue to attract investment. Demand for fertility services is rising significantly as fertility rates continue to fall due to sedentary lifestyles, growing public awareness, greater accessibility and improvements in treatment plans; over 80,000 IVF cycles were performed in 2017-18 in the UK alone. This is a highly regulated sector where the private pay market is well established, accounting for 60% of cycles.

Successful investments that have proven the buy and build opportunity have created deal momentum. In April, pan-European private equity (PE) firm Silverfleet Capital acquired a majority stake in the UK's largest IVF chain, CARE Fertility, from Bowmark Capital. The investment will expand CARE Fertility's current platform of nine branded clinics and 13 satellite offices across the UK and Ireland (the most recent acquisition was Bath Fertility in March). Operators and PE are also attracted to the ability to create a pan-European (or wider) provider. Specialist Nordic-based investor Impilo, which invested in Ultrasound Direct in 2017, acquired UK-based The Fertility Partnership (TFP), which has expanded from the UK to Poland, in March. This was quickly followed by TFP's acquisition of Waterland Private Equity-backed VivaNeo, which operates fertility clinics across Austria, Denmark, the Netherlands and Germany.

Investment is also being made into adjacent fertility services. Foresight Group has made a growth capital investment in Fertility Focus, a leading fertility monitoring technology specialist. We expect high M&A activity to persist as businesses that offer personalised, transparent, effective and flexible treatment plans using the latest scientific and technological advancements will continue to peak institutional appetite.

Private equity-backed dental practice consolidation continues



The dental care operating environment remains 'hot', driven primarily by active trade buyers (such as Bupa) and significant amounts of dry powder for healthcare service multi-site businesses. The European dental market has seen recent deals with pricing at 15x EBITDA and above; pricing levels are typically driven by scale, quality of earnings and future inorganic and organic growth opportunities. G Square Healthcare Private Equity recently acquired UK-based Dental Care Group, a high-performing, technology-enabled and clinician-led business comprising 21 leading dental practices in East and South East England. Dental Care Group offers an opportunity for value creation through continued organic growth, refining and differentiating the service offering, and executing a successful buy and build strategy. It has already completed a follow-on deal with the acquisition of Colchester-based Country Park Dental Practice.



The volume of deals in the healthcare services sector is at its highest level since 2016. Specialist services, which are typically fragmented, are supporting broader consolidation. Private equity and strategic acquirers are competing for assets and this is presenting a great opportunity for business owners and management teams.

JUSTIN CROWTHER
PARTNER

Rising interest in home healthcare



The social care market is facing inescapable pressure from evolving demographics. Commissioners are continually looking for new solutions, with the optimum situation being able to care for patients effectively in the home. Businesses like The Good Care Group (TGCG) offer personalised, affordable and clinically-led care solutions in the home and are strongly placed with well-invested platforms to accelerate growth and become the partner of choice for local authorities, the NHS and self-pay individuals desiring greater independence. TGCG, rated 'Outstanding' by the Care Quality Commission, attracted the attention of the international facilities management group Sodexo, which acquired the business to expand its live-in care operations in the UK (alongside Prestige Nursing + Care, its existing presence in the UK) and to offer home care solutions to consumers with complex care needs.

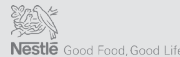
Competition for specialist care assets is rising



The need for quality, specialist care is being propelled by the UK's growing population and the significant, and increasing, demand underpinning high occupancy levels in high-acuity and niche services. This demographic pressure has started to shift power to providers as commissioners frequently struggle to find suitable local placements. Sandcastle Care is a great example of a business supplying a service that is meeting an unmet need. The business provides specialist nurturing therapeutic residential care for some of the most vulnerable young people in society across 18 sites in the North of England. Recently backed by Waterland Private Equity in an off-market deal, the group will look to expand its regional presence while maintaining its high standards of care that make it a partner of choice with local commissioning groups.

With the combination of demand drivers, regulatory developments and often attractive margins, children's services remain marketable and competition for assets in this sector is increasing. There are a number of PE-backed assets looking to secure incremental revenue and profit through M&A while enhancing and expanding services available to payors and end users.

Veterinary services are still a sellers' market



Favourable tailwinds including a highly fragmented landscape, the deregulation of clinic ownership, the ongoing humanisation of pets and highly attractive margins for operators mean private equity are still competing for high quality assets. EQT, which acquired IVC in December 2016, continues to benefit from these dynamics and recently announced it had secured a strategic partner in Nestlé through the sale of a minority stake to help support its next growth phase. The combination will enable IVC to leverage Nestlé Purina's expertise in animal health and nutrition while securing the latest scientific innovations, as well as gain access to Nestlé Purina's niche product offering to optimise the level of veterinary care the business can provide. This highlights an interesting theme within the veterinary market where consumers want a one-stop supplier of innovative products, solutions and personalised medicines that will meet the specific needs of their pets.

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