



Healthcare Newsletter



Overview of M&A and Capital Raising in the UK Healthcare Sector



Recent Transactions

- Business Growth Fund's £3.85 million investment in Dolphin Homes, a specialist care provider for young adults with complex health needs.
- Autism care provider Orbis Education & Care has been sold to August Equity for £28 million.
- CareTech Holdings has acquired specialist care provider, Selbourne Care, for £17 million.



Sub-sectors to watch

- The medical device segment is where Adam Street is expecting an increasing number of deals in 2017 and beyond. Medtech companies will continue to be courted by both trade acquirers and private equity.

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Key observations

On the back of strong momentum in 2016, the M&A environment in 2017 has continued to be favourable for healthcare companies to pursue significant transactions. This is partly because deal-making will be required for many business to both adapt to the healthcare landscape and to achieve their strategic objectives. Moreover, the sheer weight of capital in the private equity industry available for acquisitions and investment is increasingly driving the M&A agenda. We anticipate a slow-down in activity as a consequence of the UK general election and initiation of Brexit negotiations, with transactions taking longer to complete rather than drying up entirely.

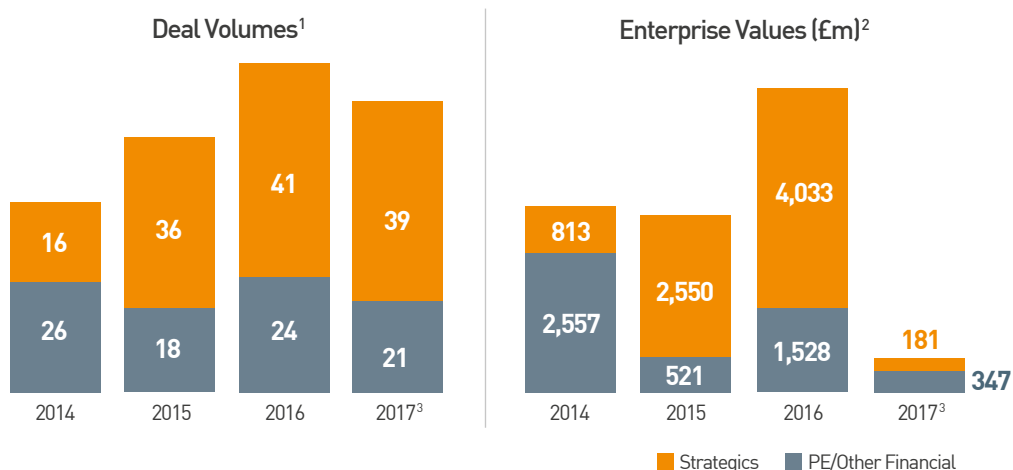
Healthcare is a sector of a strong defensive nature, typically with high barriers to entry and stable growing demand dynamics. In addition, sub-sectors have their own attractive elements, be it the real estate component making the financing and stability of care home deals attractive, or roll-up opportunities such as in domiciliary care.

A key trend is the emergence of Medtech as a prominent investment theme for both private equity, as well as trade buyers, who are keen to expand into this sector but lack the expertise, resources and time to develop it organically. This is evidenced by the uptick in deals in this segment. On the demand side, we see people living longer and the pressures made on the medical and healthcare profession becoming greater.

A recent key deal is the acquisition of listed UK healthcare company Circle Holdings by Penta Capital and Toscafund. Circle grew from a small start-up, backed by private equity investors, into a company running several hospitals. This led to the company's subsequent listing, to then delisting returning to a group of similar private investors.

The backdrop for 2017 remains one of low financing costs driving corporates and private equity, often both with a strong war chest and the willingness to spend cash. A hardening of banks' lending criteria in the near term could potentially impact the amount of leverage in transactions and increase the cost of funding.

Healthcare specialists, Adam Street Advisers, is at the forefront of these trends and advises both private equity and trade buyers looking for investment or acquisition opportunities in Europe.



¹ Adam Street has excluded single asset transactions for deal volumes calculation
² Data for enterprise values includes disclosed values only
³ Data as at 14 July 2017

Areas of Opportunity

The domiciliary care market remains a segment that is consolidating, evidenced by two key transactions. Sodexo expanded in the private-pay home care market in the UK with the acquisition of Prestige Nursing + Care, a leading UK home care provider with a 44 branch network. Furthermore, Mitie Group has sold its UK social care division, Complete Care, to Apposite Capital, a specialist healthcare investor.

The elderly and specialist care market was very active over the latest period with a flurry of deals closing since the last newsletter. Durham-based Highlea Homes, which provides accommodation for people with disabilities, has been acquired by National Care Group. HC-One bought Helen McArdele Care, which focuses on providing residential, dementia, nursing as well as respite care in care homes. Methodist Homes acquired Silk Healthcare, a care home operator in the north east of England with four homes for 320 residents. Eighteen care homes in Cheshire, with a total of 683 beds, have changed hands from CLS Care Services to Croftwood Care. New investment vehicle, Saludem Healthcare, acquired specialist care operators Pathways and Modus and

CareTech Holdings acquired Selbourne Care, a provider of specialist social care services, for £17 million.

Dental, Diagnostic and Primary. A key deal in the primary care market was the Circle Holdings public to private transaction. Penta Capital and Toscafund Asset Management acquired listed healthcare company Circle Holdings, at an enterprise value of £76 million. The Fertility Partnership acquired Ultrasound Direct, which operates more than 80 clinics across the UK, and Impact Healthcare REIT made its debut on the London Stock Exchange raising £160 million.

The Medical Devices and Technology and other segments witnessed many transactions, notably the following: Medical Imaging Partnership acquired Nuada Medical diagnostic imaging business. Ottobock acquired BeBionic from Steeper, thus further strengthening its position as a market leader in upper limb prosthetics. Phoenix Equity Partners announced the investment in Rayner Surgical Group, a leading developer and manufacturer of ophthalmic implants and



Rumours

- The Regard Partnership is in the final stages of being sold.
- Clearwater Care is in the final stages of being sold by Synova Capital.

pharmaceuticals. Ansell Limited a global leader in protection solutions acquired Nitritex, a fast-growing, UK-based manufacturer of premium cleanroom and healthcare life sciences consumables. Drive DeVilbiss Healthcare acquired Sidhil Group worldwide manufacturer of hospital and long-term care beds, pressure prevention products and a range of aids for daily living. Molecular Products Group, leading manufacturer of advanced chemistry-based products serving the healthcare, defence and industrial markets, was sold to Arlington Capital Partners. SMC expanded its drug delivery capabilities with the Oval Medical Technologies acquisition.

Accessing Development Finance

CASE STUDY



THE FACTS

MP Care is a family owned care home business with activities in the elderly care market focusing on general nursing and dementia care. It owns and operates 20 care homes with over 900 beds. The business has a strong reputation for providing quality care with the split between the local authority and privately funded patients standing at circa 80:20. MP Care has an annual turnover of just over £40 million and is making EBITDA of circa £8 million.



THE OBJECTIVE

The owners of the business approached Adam Street to come up with a funding option to help them develop additional care homes and expand the group to £50 million turnover over the next three to five years. Adam Street worked with the management team to develop a robust growth plan before approaching our network of healthcare investors.



THE asa SOLUTION

The family did not want to put their own assets at risk and so asked Adam Street to come up with a solution. As a first step, we advised the family to create a new company for the new development.

Our network of investors varies and includes equity ranging from high net worth individuals, to passive institutional investors and active investors that would roll-up their sleeves and help with the strategic direction of the business. The family had reservations regarding control provisions that would have come into effect as a result of a private equity investment and so preferred the high net worth route.

Adam Street approached our network of wealthy individuals and successfully raised the development capital needed within a few weeks. Investors into the project benefited from various tax incentives helping reduce the cost of capital to MP Care. MP Care funded the construction of a number of care homes and retained 100% ownership and control of the homes at completion.

Deal Tracker

Date	Bidder	Target	EV (£m)	Target Description
Jul-17	City & County Healthcare Group	Constance Care	-	Domiciliary Care
Jul-17	The Regard Partnership	Adelphi Care Services	-	Learning Difficulties
Jun-17	Business Growth Fund	Dolphin Homes	-	Learning Difficulties
Jun-17	August Equity	Orbis Education & Care	28.0	Learning Difficulties
Jun-17	Sanctuary Housing Association	Embrace Group (35 residential care homes and supported living scheme)	-	Elderly Care
Jun-17	CareTech Holdings	Selbourne Care	16.9	Learning Difficulties
Jun-17	Prospects Group	Homes 2 Inspire	11.4	Childrens Care Homes
Jun-17	Linnaeus Group	Village Vet	-	Veterinary Care
Jun-17	Endless Private Equity	Capita's healthcare recruitment arm	25.0	Recruitment
Jun-17	Medvivo Group	Expert-24	-	Consultancy
Jun-17	Vaccination UK	Sussex Travel Clinic	-	Primary Care
May-17	Panakes Partners, Earlybird, IP Group and Finance Wales	Alesi Surgical	-	Medical Devices
May-17	Private Group Led by Peter Dines and Jonathan Leonard	Integrated Care Clinics	-	Rehabilitation
May-17	Direct Healthcare Group	Kirton healthcare	-	Medical Devices
May-17	Omega Healthcare Investors	Gold Care Homes	90	Elderly Care
May-17	Sanctuary Group	Three turnkey properties from LNT Care Developments	-	Elderly Care
May-17	Hill Care	Six Four Seasons homes	-	Elderly Care
May-17	Social Housing REIT	Five supported living properties	6.1	Supported Living
May-17	InnovaDerma	Ergon Medical	1.0	Medical Devices
May-17	Salutem Healthcare	Pathways Care	-	Learning Difficulties
May-17	Schoen Klinik Verwaltung GmbH	Newbridge Care Systems	-	Eating Disorder
Apr-17	Ramsay Health Care UK	Clock House Healthcare	-	Primary Care
Apr-17	Jacobs Holding AG	Southern Dental	-	Dental Care
Apr-17	Benslow Management Company	Jade Country Care	-	Care Homes
Apr-17	Salutem Healthcare	Modus Care	-	Learning Difficulties
Apr-17	NNS Holdings, Vostok New Ventures and Kinnevik	Babylon Healthcare	-	Medtech
Apr-17	Heidelberg Engineering	Medisoft	-	Medtech
Apr-17	Civitas Social Housing	Supported Living Property Portfolio	11.5	Supported Living
Apr-17	Management Vehicle	Amberleigh Care	-	Mental Health
Apr-17	G Square	Keys Group	-	Learning Difficulties
Apr-17	Linnaeus Group	Shires Vets	-	Veterinary Care
Apr-17	Sodexo SA	Prestige Nursing + Care	25.0	Domiciliary Care
Apr-17	Elysium Healthcare	Badby Park	-	Mental Health
Apr-17	The Fertility Partnership	Ultrasound Direct	-	Fertility Clinics
Apr-17	Medical Imaging Partnership	Nuada Medical's MRI business	-	Medical Scanning
Mar-17	Penta Capital Partners; Toscafund Asset Management	Circle Holdings	76.1	Primary Care
Mar-17	Hollingswood Care Home	Elmcare	-	Elderly Care
Mar-17	Private Group Led by Bridges Evergreen	Reflexion Care Group	-	Learning Difficulties
Mar-17	Target Healthcare REIT	Two Care Homes in Wimborne	-	Elderly Care
Mar-17	Apposite Capital	Mitie Group (Complete Care Holdings, MiHomecare)	-	Domiciliary Care
Feb-17	Petrichor Opportunities Fund	LumiraDx	-	Medtech
Feb-17	St Cloud Care	LRH Homes	70.0	Elderly Care
Feb-17	National Care Group	Highlea Homes	-	Mental Health
Feb-17	Haus Kohlscheid	Internos Spezialfondsgesellschaft	-	REITs / Property
Feb-17	East & West Healthcare	Mews Nursing Home	-	Elderly Care
Feb-17	OH Assist	Working On Wellbeing	-	Health Services
Feb-17	Elysium Healthcare	Raphael Healthcare	-	Mental Health
Feb-17	Oasis Healthcare Group	Cranmore Excellence In Dentistry	-	Dental Care
Feb-17	Management Vehicle	RSL Steeper Group	-	Medical Devices
Feb-17	MMO International	Medstrom	-	Medical Devices
Feb-17	Qualia Care	Elder Homes Bradford	-	Elderly Care
Jan-17	Phoenix Equity Partners	Rayner Surgical Group	-	Medical Devices
Jan-17	Ansell	Nitritex	57.0	Medical Equipment
Jan-17	Primary Health Properties	Carden Medical Investments	10.0	Primary Care
Jan-17	HC-One	Helen McArdle Care	-	Elderly Care
Jan-17	InHealth Group	Care UK's community-based CATS and diagnostic services in the North West	-	Health Services
Jan-17	Methodist Homes	Silk Healthcare	-	Elderly Care
Jan-17	Drive DeVilbiss Healthcare	Sidhil Group	-	Medical Devices
Jan-17	Tracscare Group	Embrace (Portfolio of Supported Living Services and a Specialist ABI Service)	-	Elderly Care
Dec-16	Arlington Capital Partners	Molecular Products Group	-	Medical Devices
Dec-16	Care Management Group	Sevilles	-	Domiciliary Care
Dec-16	Mediclinic Middle East	Medical Centres	-	Primary Care
Dec-16	Primary Health Properties	New Alderley House	-	Primary Care

“The greatest wealth is health.”

VIRGIL



Deal Tracker continued

Date	Bidder	Target	EV (£m)	Target Description
Dec-16	SMC	Oval Medical Technologies	-	Medical Devices
Dec-16	Private Group led by EQT	Independent Vetcare	-	Veterinary Care
Dec-16	Croftwood Care (Cheshire)	CLS Care Homes	22.6	Elderly Care
Dec-16	Cygnnet Health Care	Cambian's adult services business	377.0	Mental Health
Dec-16	Healthcare Ireland	Kingsway Nursing Home; Braefield Nursing Home; Slemish Private Nursing Home	-	Elderly Care
Nov-16	Bupa Finance	Oasis Healthcare	835.0	Dental Care
Nov-16	Life Healthcare Group Holdings	Alliance Medical Group	760.0	Medical Scanning
Nov-16	Interlock Medizintechnik	Clinipak	12.0	Medical Devices
Nov-16	Tracscare Group Limited	New Bridges Specialist Care	-	Mental Health
Oct-16	Lone Star	Quercus Healthcare Fund	-	Elderly Care
Oct-16	BC Partners Limited	Priority Group (22 hospitals)	320.0	Hospital Group
Oct-16	Bupa	The Links and The Lindsay Care Homes	-	Care Homes
Oct-16	Octopus Healthcare	Three care homes in South East England (Apache Capital)	30.0	Elderly Care
Sep-16	Nestle Health Science S.A.	Phagenesis Limited	-	Medical Devices
Sep-16	SYNLAB International GmbH	Synergy Health Laboratory Services Limited; Genon Laboratories Ltd	-	Laboratory Services
Jul-16	The Carlyle Group	Akari Care	-	Elderly Care
Jul-16	Harwood Capital LLP; Continental Investment Partners SA	Source BioScience plc	66.6	Laboratory Services
Jul-16	Charles Taylor Plc	CEGA Group	29.8	Health Services
Jul-16	Steris plc	Medisafe Holdings	27.0	Medical Equipment
Jul-16	Mediline Nurses and Carers Limited	North West Community Services	-	Domiciliary Care

Select ASA Group Engagements



About ASA Group

The ASA Group is regarded as one of the leading advisers in the healthcare and education sectors and has a global network of acquirers and investors that we are in regular contact with. Our team of 70 professionals includes highly experienced M&A, private equity and debt advisers. As sector specialists we are ideally positioned to advise shareholders and management teams on a wide range of transactions.

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