



Eclipse  
Corporate Finance

Healthcare M&A Review  
Q1 2023



# 1. Overview

# Q1 2023 overview

## Deal Volumes

- The first quarter of 2023 has seen a solid start to the year, with robust levels of M&A and investment across the UK healthcare sector
- Despite deal volumes being down from the peaks of early 2022, the sector continues to remain resilient, which is attracting investors and acquirers in an otherwise challenging economic environment

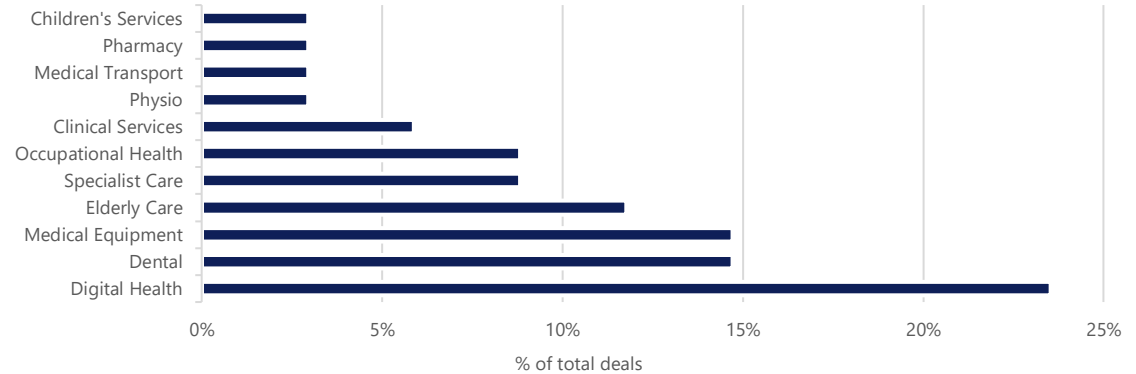
## Sub-sector Activity

- Digital health has seen significant levels of M&A and was the most active sector in Q1, with digital solutions that create efficiencies across both the NHS and private healthcare highly sought after
- The dental sector continues to see consolidation by a number of private equity-backed operators, however challenges within mixed and NHS practices will drive a greater focus on the acquisition of private practices going forward
- Buoyed by recent announcements of government support, the occupational health market is also seeing increased levels of transaction activity

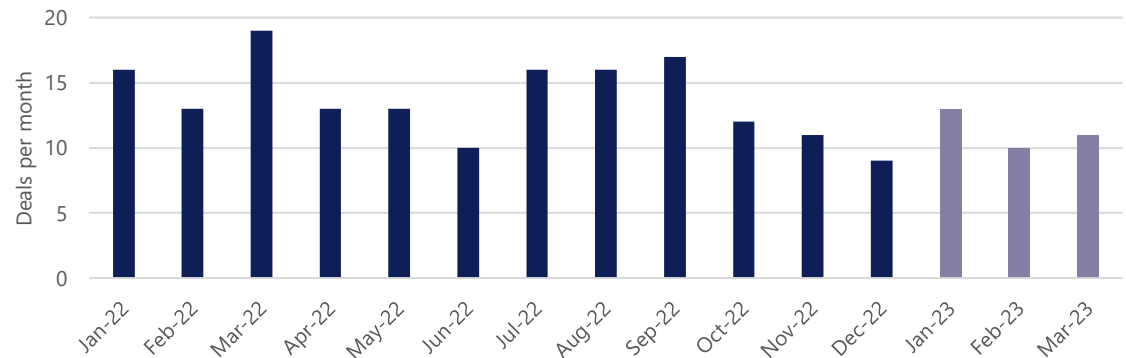
## Valuations

- Rising interest rates have had the knock on impact of softening valuations slightly, however to a much lesser extent than in other sectors
- The resilience of the healthcare sector and scarcity of high quality acquisition opportunities is ensuring that valuation levels remain robust and attractive for vendors

## Split of deals by sector



## Deals by month





## 2. In Focus Sectors

# In Focus: Physio & MSK Services

## Private Equity-Backed Operators



## Key MSK Digital Health Offerings



The UK physiotherapy and MSK market has seen considerable change in recent years. A number of the largest operators have recently received private equity backing, as investors are attracted by strong market growth drivers. Unlike many other areas of the healthcare market where private equity activity is prevalent however, the UK physio market has not seen the same number of “buy and build” strategies deployed by PE-backed players.

Of the five key operators who have received private equity investment in recent years, only Sano have undertaken an aggressive acquisition strategy, with the others less active from an M&A perspective. This is largely due to the fact that market trends have allowed these larger operators to grow organically, without the need to lean on acquisitions to deliver a successful growth strategy.

The core physio/MSK market has seen expansion through continued growth in outsourced NHS services, combined with strong demand from the PMI market, and a greater focus on MSK conditions amongst employers. As a result, the major operators have been successful in achieving significant contract wins from the NHS, large insurers and corporates, providing strong contracted revenue streams. This has also led to service diversification, with most major operators now providing mental health services and psychological therapies, with some moving further afield into clinical specialisms such as dermatology, ophthalmology and diagnostics.

This is creating an interesting dynamic, where the service offerings of these operators is starting to converge with PE-backed providers of other community-based clinical services (such as ophthalmology and diagnostic imaging), as platforms originating from different niches look to capitalise on the increasing use of outsourcing by the NHS. This could create opportunities for the merging of complementary community-based healthcare providers in due course, providing interesting exit options for the incumbent private equity houses.

Aside from service diversification, digital offerings will be key in creating efficiencies across MSK care pathways in both the NHS and PMI market in the future. Independent technology platforms such as Phio from EQL, Physio Wizard and GetUBetter are growing rapidly through the provision of software directly to the NHS and insurers, as well as by partnering with the large PE-backed operators. These technology platforms may themselves become targets for mid-market private equity in due course as they continue to scale.

# In Focus: Homecare

The UK homecare market has seen contrasting approaches from investors and acquirers in recent years.

Traditionally, local authority funded homecare services have been seen as less attractive to investors due to thin margins and rising staff costs, with private/live-in services and complex provision more sought after.

Complex homecare in particular has seen significant investment recently, with various private equity-backed operators such as Acuity Care Group (aka Bespoke Health & Social Care), Active Care Group and Routes Healthcare all maintaining a core focus on higher acuity care. Larger operators such as City & County have also grown significantly in the complex segment with acquisitions of specialist providers including Complete Care and Interserve Healthcare.

Whilst still seen as attractive, M&A activity on the private/live-in care side has been more limited, with Limerston's Trinity Homecare remaining the most active acquirer as it bolsters its presence across the south of England.

The more unexpected development has been the ongoing consolidation of more "vanilla" homecare businesses by a handful of operators such as Cera and Clece Care. The rise of Cera has been particularly noteworthy, raising \$320m in 2022 to support the continued expansion of the business. Cera plans to generate scale through multiple acquisitions, whilst deploying digital health technology in order to create efficiencies and increase margins. It will be fascinating to see if this approach delivers the desired financial results, in an area of the market that has otherwise struggled to deliver profits for operators.





# 3. January snapshot

# Notable sector deals: January 2023



## PAM Group's acquisition of MedProtect

- An interesting deal for PAM Group, with the acquisition of mobile health screening services provider MedProtect
- PAM Group, which took on investment from LDC in 2021, is one of the UK's largest occupational health providers, employing over 700 people
- The business has undertaken various acquisitions in recent years to diversify its service offering, including Concept Northern and 66Fit
- We expect to see further deals across the occupational health sector in 2023, with consolidators such as Marlowe and PAM Group remaining active, whilst we also anticipate operators from adjacent sectors entering the market through acquisition



## Acquisition of ProDental CPD by Agilio Software

- Another successful deal for Agilio Software, the compliance software provider for dental and private health operators, as it continues to undertake an aggressive buy & build strategy
- ProDental CPD offers a clinical learning platform which is complementary to Agilio's existing product, iLearn, and will enhance the business' presence in this area
- Agilio has undertaken numerous acquisitions since August Equity's initial investment in 2019, broadening the end markets served and the functionality of its software



## DNV's acquisition of MBI Healthcare Technologies

- Another deal highlighting the attractiveness of software, technology and data services which support the NHS in addressing the elective care backlog
- Through the use of AI-backed technology, MBI Healthcare Technologies supplies healthcare providers with an accurate view of patient waiting lists, preventing inefficiencies caused by incorrect data
- The acquisition by DNV, the quality assurance and risk management provider, aims to scale MBI's solutions in the UK as well as targeting international growth
- We expect to see significant further M&A activity across this area of the market in 2023, as digital transformation of the NHS is fast-tracked



THE ROYAL  
BUCKINGHAMSHIRE  
HOSPITAL

THE  
New Foscote  
HOSPITAL

## New Foscote Hospital commences buy & build strategy

- The first deal for The New Foscote Hospital as part of a new buy & build strategy, with the acquisition of the Royal Buckinghamshire Hospital (RBH)
- RBH, based in Aylesbury, is a centre of excellence for spinal and neuro rehabilitation, treating patients from across the globe
- The New Foscote aims to recognise synergies between RBH and its existing operations in Banbury and London, in addition to making significant investment into the infrastructures, staffing and services
- The deal is the start of the clinician-owned group's ambitious plans to acquire private healthcare facilities across the UK



# Healthcare market activity: January 2023

## Private Equity Activity

Sub-sector	Target	Acquirer / Investor	Exiting PE
Dental	St Michael's Dental Practice & Orthodontics	Portman Dental (Core Equity)	N/A
Medical Products	Therapy Equipment	ESAB Corporation	OVM
Occupational Health	MedProtect	PAM Group (LDC)	N/A
Software	Oomph	Person Centred Software (Cow Corner)	N/A
Software	ProDental CPD	Agilio Software (August)	N/A

## Venture Capital Activity

Target	Description	Lead Investor	Investment
CareLineLive	Home care management system	Oakglen	£3m
Inflow	Platform to manage ADHD using CBT techniques	Octopus Ventures	\$11m
IQ Endoscopes	Single use endoscopy device	BGF	£5.2m
Peppy	Digital health app supporting menopause, fertility and men's/women's health	Albion VC	\$45m

A blue-tinted photograph of a modern building with a grid of windows, reflected in water. The text "4. February snapshot" is overlaid in white.

## 4. February snapshot

# Notable sector deals: February 2023



## System C's acquisition of Clevermed

- An interesting deal for System C with the acquisition of Clevermed, a provider of electronic maternity and neonatal records
- Clevermed's flagship product, BadgerNet, is used by nearly every neonatal unit in the UK, as well as numerous maternity units
- The acquisition enhances System C's maternity offering, with the ultimate goal of delivering integrated digital solutions that span the entire patient journey from prenatal services to end of life care
- The deal highlights the continued interest from corporate acquirers in software providers delivering electronic patient records to the NHS



## £10m investment into Dr Doctor led by YFM

- A significant funding round for Dr Doctor, the provider of digital care solutions which increase communication and engagement between patients and clinicians, managing 25% of NHS outpatient appointments
- With NHS backlogs at all time highs, Dr Doctor's offering is key in driving efficiencies across NHS services, as well as providing better access to care
- The funding will be used to expand the business' sales and development teams, make greater investment in the product and continue to scale services across the NHS
- The deal is another example of investor appetite for software and services which help to alleviate pressures on the NHS



## Acquisition of Diamond Whites by Impress

- A significant deal for Europe's leading chain of orthodontic clinics, Impress, acquiring Diamond Whites in a deal worth over €30m
- Founded in 2012 as a provider of teeth whitening products, London-based Diamond Whites has subsequently expanded into invisible aligners
- The acquisition will see Impress add oral care, whitening products and cosmetic dental treatments to its service offering, which will extend to over 60 cities across the UK
- The deal follows Impress' \$50 million Series A funding round in 2021, as the business has expanded its presence across Europe and the USA



## Merger of E-Zec Medical and ERS Medical

- A significant merger between E-Zec Medical Transport and ERS Medical, creating the UK's largest provider of specialist transport services to the NHS and local authorities
- The enlarged business serves more than 50 commissioning bodies with the support of 2,500 specialist employees, from 55 operational sites nationwide, generating revenues in excess of £100m
- The deal delivers considerable geographical expansion and creates the unequivocal industry leader
- The deal was funded by E-Zec's incumbent investor Cairngorm Capital, with debt provided by Thincats

# Healthcare market activity: February 2023

## Private Equity Activity

Sub-sector	Target	Acquirer / Investor	Exiting PE
Aesthetics	Aesthetic Technology	Omni Partners	N/A
Dental	Byrnes Dental Laboratory	Corus (Care Ventures)	N/A
Dental	Diamond Whites	Impress (LBO France)	N/A
Digital Health	Dr Doctor	YFM Equity Partners	N/A
Dom Care	Stepping Stones Services	Optimo (Oxygen EP)	N/A
Medical Transport	ERS Medical	E-Zec (Cairngorm)	N/A
Residential Care	BN Care	BGF	N/A

## Venture Capital Activity

Target	Description	Lead Investor	Investment
Doctify	Global platform for patient reviews	Beringea	\$10m
Healistic	App for home delivery of medication within 45 minutes	N/D	£1m
Phlo	Digital Pharmacy	Thairm Bio	£10m
ReadyGo Diagnostics	Diagnostics business that detects infectious diseases	Foresight	£1m
Re:course AI	AI platform for healthcare training	Par Equity	£3.5m
Syndi Health	Digital mental health platform for employees	Plug and Play Founders Factory	\$2m
Vidivet	Remote vet appointments platform	Angel Investors	£310k



# 5. March snapshot

# Notable sector deals: March 2023



## Medigold's acquisition of Health Management

- A major acquisition for BGF-backed occupational health provider, Medigold, with the carve-out of Health Management from US corporate, Maximus
- Health Management brings significant scale, generating turnover of c.£30m, but has been heavily loss making in recent years
- The combined business becomes the largest independent occupational health provider in the UK, with a workforce of over 1,100, servicing 3,500 customers and c.4.5 million employees across the country
- The deal marks an active start to the year for occupational health, having seen Medigold's competitor PAM Group make a more modest acquisition in January



## Acquisition of Naytal by the Maven Clinic

- A strategic deal for the Maven Clinic, the world's largest virtual clinic for women's health, as it acquires London-based digital health company Naytal
- Naytal provides on-demand access to women's and family health experts, covering fertility and pregnancy through to postpartum care and menopause
- The transaction will enhance Maven's ability to service its membership base in the UK and expand the client base further
- This follows Maven's significant fundraise of \$300m late last year, with the business now supporting members in over 175 countries across the globe
- The deal is another example of the attractiveness of digital health services targeting fertility and women's health



## Acquisition of Schoen Clinic London by Fortius Clinic

- The acquisition of the Schoen Clinic London represents a major strategic move for Fortius Clinic, the UK's largest orthopaedic MSK group
- Schoen Clinic is a dedicated orthopaedic hospital in the heart of London and will provide Fortius with a "Centre of Excellence" in orthopaedics in central London, offering an end-to-end clinical pathway
- The transaction is a logical extension for Fortius, which became part of European diagnostics and outpatient services provider Affidea in 2021
- The deal highlights strong ongoing M&A activity across clinical services, with both private pay and outsourced NHS services sought after



## Montreux's acquisition of Zero Three Care

- An interesting deal for Montreux's fixed yield fund which focuses on acquiring smaller businesses across the specialist care sector
- Zero Three operates ten care homes and two supported living locations, providing care to young adults with learning disabilities and complex needs
- With an exclusive focus on the UK health & social care sector, Montreux has now made over 20 acquisitions across specialist care
- The broader specialist care market's resilience through challenging times has made it increasingly attractive to investors and acquirers, with particular interest from infrastructure investors in recent years due to stable returns

# Healthcare market activity: March 2023

## Private Equity Activity

Sub-sector	Target	Acquirer / Investor	Exiting PE
Children's Services	A Wilderness Way	Sovereign Capital	BGF
Digital Health	FingerPrint Global	Halcyon (Aliter)	N/A
Digital Health	Naytal	Maven Clinic (General Catalyst)	N/A
Occupational Health	Health Management	Medigold Health (BGF)	N/A
Pharma Services	MAP Patient Access	Kester Capital	N/A
Physio	Back in Action UK	Sano Physio (Solingen)	N/A
Specialist Care	Zero Three Care	Montreux Capital	N/A

## Venture Capital Activity

Target	Description	Lead Investor	Investment
Antiverse	Antibody drug discovery platform	Development Bank of Wales	\$3m
CanSense	Blood test to detect bowel cancer	Mercia	£1.5m
GenoME	Ovarian cancer diagnostics	Deepbridge	£1.4m
HelloSelf	Digital therapy and coaching platform	Octopus Ventures	£17m
Nuvision	Ocular wound dressing and contact lenses	Mercia	£1.1m
SafeAP	Non-surgical aesthetic treatments	Jenson Funding Partners	£250k



# Eclipse

## Corporate Finance



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