Investment themes
Mapping the changes in portfolio mix

Who owns what
Intelligence tables from LaingBuisson

Management advisors
Who and why

SECOND EDITION

Private Equity in Healthcare

Independent. Intelligent. Insightful.

Asset-lite or asset backed

Infrastructure funds have led a return to asset backed investments

LaingBuisson
Healthcare intelligence

The leading adviser to the UK healthcare sector

Rothschild & Co is one of the world's largest independent financial advisory groups, with 2,800 people in over 40 countries worldwide. Our Global Advisory business has an impartial and insightful perspective on M&A, strategy and financing advisory to help our clients formulate and achieve their strategic goals.

We advise on more healthcare deals in the UK and in Europe than any of our competitors. This provides our dedicated healthcare team of over 30 bankers in London with exceptional insight into the sector, and the experience to advise on the most complex transactions.

The Cambian Group (2016)

- Adviser to Cambian on the £377m disposal of its adult services business to Cygnet Health Care, a subsidiary of Universal Health Services

Oasis Healthcare (2016)

- Adviser to Bridgepoint and management on the £835m sale of Oasis Healthcare to Bupa

Alliance Medical Group (2016)

- Adviser to M&G Investments and management on the £760m sale of the business to Life Healthcare Group

Acorn Care and Education (2016)

- Adviser to Ontario Teachers' Pension Plan and other shareholders on disposal of Acorn to the National Fostering Agency

Abbey Care Homes (2016)

- Adviser to Abbey Care Homes and Lifestyle Care on the disposal of a 10-care home portfolio to Healthcare Homes

The Priory Group (2016)

- Adviser to Advent International and management on £1.5bn sale of Priory to Acadia Healthcare

Care UK (2015)

- Adviser to Bridgepoint and Care UK on the disposals of its Learning Disabilities and Mental Health and Care at Home divisions

Cancer Partners UK (2015)

- Adviser to Apposite Capital on the disposal of Cancer Partners UK to GenesisCare

Autism Care UK (2015)

- Adviser to Maria Mallaband Care Group on the disposal of Autism Care UK to Lifeways

Nuffield Health (2015)

- Adviser to Nuffield Health on its debt facilities

Voyage Care (2014)

- Adviser to HgCapital and management on the £375m sale of the business to a consortium of Partners Group, Duke Sreet and Tikehau

Maria Mallaband Care Group (2014)

- Adviser to Maria Mallaband Care Group on the sale and leaseback of 23 care homes to HCP

rothschild.com

Private equity continues to be highly relevant to healthcare investing across services, medtech and pharma. However, healthcare services remains the dominant sub sector and represents 80% of portfolios and significant capital deployed. Nevertheless, in Europe Bain and Cinven's Stada take-private was a pharma asset and the largest single private equity investment of the year. Despite that, PE have their strongest track record in healthcare services both via buy-and-build to create many of the largest providers today, and also with growth capital.

This report looks at the landscape, the trends, the investors and the data on the market as we enter 2018.

> HEALTH AND SOCIAL CARE... NEEDS MAJOR INVESTMENT AND INNOVATION... PRIVATE EQUITY IS PROVIDING BOTH
>
> Tim Hames
> BVCA Director General

Focused healthcare investors

More healthcare-only funds emerge

Private Equity in Healthcare

SECOND EDITION

Private equity has and continues to play an integral part in acquiring and investing in portfolio companies that provide healthcare – PE backed businesses represent nearly 5% of all healthcare in the UK so are a significant part of the market.

We have taken a look at the landscape and the key drivers of the market, and in particular where the focus of investment is and how it has changed. After a quieter 2015, activity picked up significantly in 2016 and in 2017 there was a further acceleration with 22 transactions where PE invested.

The question investors are asking is whether this is a sellers' market, and if they are buyers, how can they justify the price and remain confident of the returns.

Despite the expectation that asset backed providers would be out of favour with PE as a result of their exposure to government reimbursement and lower underlying market growth rates, significant capital continues to be invested in this area. Combined, specialist care and elderly care account for 31 portfolio companies.

The public bond markets have also been open to this sector (Care UK, Voyage (who refinanced), Bupa, Four Seasons), although performance for investors has been varied and volatile at times.

There are now nearly 140 portfolio companies across healthcare owned by PE in the UK.

What is interesting is how the profile of that portfolio has changed from last year – today the largest number of portfolio companies (16) are active in specialist care and (15) in elderly care. The asset intensive segments have made a come-back, supported by the entry into the market of infrastructure buyers such as Antin buying Kisimul and AMP Capital acquiring Regard.

However, pharma services (15) continues to attract investment, capitalising on a sector that is global and underpinned by an outsourcing trend and technology innovation combined with a cash rich customer base looking for cost savings.

Asset-lite business models continue to be backed across a number of sub segments – IVF, children's services (including fostering), diagnostics (often technology enabled), staffing and homecare. The last sector, despite recent challenges such as Mitie exiting that market (having acquired its homecare business from private equity (August), and then selling it for a nominal sum back to private equity Apposite)), still has investors buying opportunistically (Aurelius acquiring Allied Healthcare) or looking for successful alternative models (such as Healthcare at Home's focus on higher acuity).

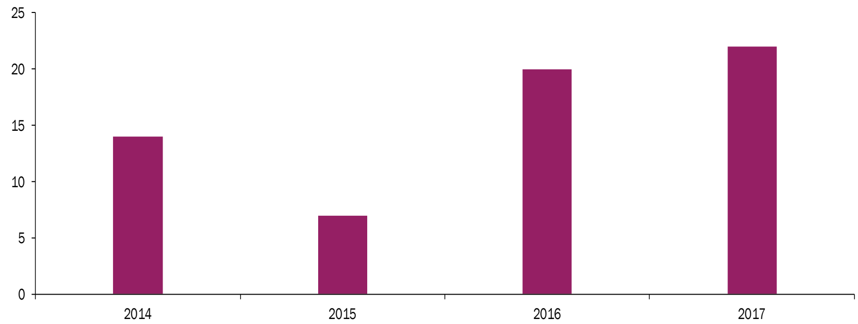
Henry Elphick, CEO, LaingBuisson

> THE QUESTION INVESTORS ARE ASKING IS WHETHER THIS IS A SELLERS' MARKET

Transaction have been broadly spread across all sub sectors – hospitals (Circle take private), social care (Apposite/Swanton Care, Bridges/Shaw, Salutem/Clearwater, Fremont/Porthaven), dental (Jacobs/Southern Dental, CBPE/Rodericks), pharma services (Avista/Envigo, CapVest/Nextpharma), and vetinary (Inflexion/Medivet). PE investors who were able to move quickly, appeal to management teams and see value continue to acquire, but with more success on asset-lite businesses – Nordic Capital acquired Alloheim, a German OpCo elderly care provider in Germany from Carlyle and the dental chain Hesira from Oaktree, following EQT's acquisition of Curaeos a few months earlier. BC Partners acquired a portfolio of hospitals from Priory to form Elysium Healthcare (leveraging its previous ownership of Partnerships in Care) and has continued to acquire asset this year (Bradby Park, Lighthouse, Raphael Healthcare). In pharma services Vitruvian acquired Phlexglobal to add to CRF Health, while Ardian/GHO acquired Envision Pharma last year (leveraging GHO's deep knowledge of the CRO and pharma services sector)

2017 and the start of 2018 have been very active, but the backdrop of tightening interest rates, the end of QE and the return of inflation contrasts with plenty of dry powder for private equity funds and an economy that continues to perform strongly.

UK HEALTHCARE TRANSACTIONS INVOLVING PRIVATE EQUITY
2014-2017



LaingBuisson CEO, **Henry Elphick**, looks at changes in private equity healthcare investing

Healthcare investors

For those looking to deploy capital and invest in private equity, there are only a handful of sectors that attract significant interest, namely energy, technology and healthcare, and nearly 20% of investors have this single sector exposure.

While there have been private equity funds focused primarily or exclusively on healthcare in the US for many years, until recently that had not been the case in Europe.

The US is a larger, deeper, more active market. So much so, that a not-for-profit trade association called the HCPEA (Healthcare Private Equity Association) exists with a mission to support the healthcare private equity community in the US and Canada.

Founded in 2010 and based just outside Boston, it is the first sector-focused trade association in private equity and aims to promote a greater understanding of private equity's contribution to the healthcare economy by supporting initiatives that make healthcare an appealing industry for investment.

It also provides professional development opportunities to members and facilitates collaboration between investment professionals and the larger healthcare community. As part of that programme of support it publishes a quarterly M&A deal tracker, healthcare segment spotlights (i.e. behavioural health, dental) and regulatory updates as well as hosting events at the biggest industry conference, the JP Morgan in January in San Francisco and the Jefferies in June in New York.

Who are its members?

HCPEA's 63 (up from 57 last year) member firms must be focused on investing in leveraged buyouts and late stage growth equity, require a minimum of two healthcare-related portfolio companies and are among the best known, most respected private equity firms employing over 400 investment professionals and invest across healthcare services, information technology, pharmaceuticals and medical devices amongst others.

Interestingly, the six firms which left the HCPEA in 2017 were all focused exclusively on the US market. Of the 12 which joined, 50% have a significant business presence and assets in Europe as well, demonstrating the increasingly global nature of healthcare investing.

The European landscape

40% (up from 34% last year) of HCPEA member have an office in the UK, and 30% (up from 25% last year) of them have an office elsewhere in Europe as well, so although a US focused association, it's membership is increasingly trans-atlantic in profile. New joiners from Europe in 2017 include heavyweights Cinven and CVC, and existing members such as EQT, Apax and SV Health Investors, were all founded in Europe whilst others such as Advent International are more active in Europe than the US.

One of the key themes emerging in healthcare investing is that it is becoming increasingly global, and that funds are adapting to reflect that. While the largest funds groups such as Blackstone, KKR, Apax, Advent International, Bain and EQT can afford a global infrastructure, there are European funds that are increasingly

50% OF NEW HCPEA MEMBERS HAVE A EUROPEAN PRESENCE… DEMONSTRATING THE INCREASINGLY GLOBAL NATURE OF HEALTHCARE

active in the US, with names such as Cinven, BC Partners, CVC and Nordic Capital investing on both sides of the Atlantic.

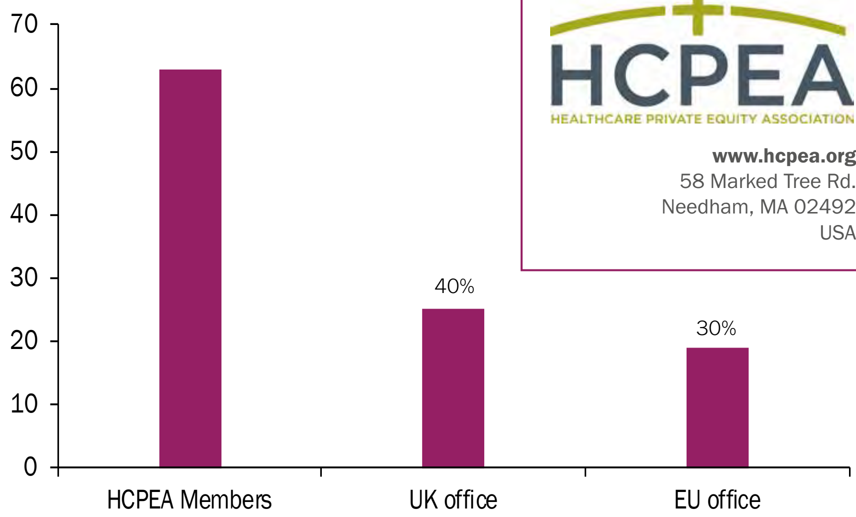
Perhaps a more interesting development is that of funds focused exclusively on healthcare and Europe. Until now, a handful of generalist funds have had a very strong track record in European healthcare such as Bridgepoint, Cinven, BC Partners, Blackstone, CVC, Hg Capital and 3i.

What has been a more recent trend is the emergence of healthcare-only funds in Europe, three headquartered in London and one in France, and two of the four founded by former 3i investment professionals with others founded by a former Apax and Nomura professional.

All four funds have seen a healthy deal flow, three have raised larger second funds and the two longest established also having a strong track record of exits. G Square the sale of Spain's leading elderly care provider, SAR Quavitae, to another private equity firm, PAI Partners, and more recently Artemis to Montagu Private Equity and Mikeva to Attendo. Apposite includes the sale of by the bridge to Cambian and Cancer Partners UK to Genesis.

More recently, Dominic Murphy, formerly of KKR, announced his plans to form 8C Capital and raise a €1bn healthcare focused fund.

HCPEA MEMBERSHIP
MEMBERS AND GEOGRAPHIC PRESENCE



HCPEA
HEALTHCARE PRIVATE EQUITY ASSOCIATION
www.hcpea.org
58 Marked Tree Rd.
Needham, MA 02492
USA

SOURCE HCPEA

HCPEA Member Firms
2017

Name	UK office	EU office (ex. UK)
Accelmed	N	N
Advent International	Y	Y
Altamont Capital Partners	N	N
Apax Partners	Y	Y
Ares Management	Y	Y
Arsenal Capital Partners	N	N
Audax Private Equity	N	N
Bain Capital	Y	Y
Beecken Petty O'Keefe	N	N
Blackstone	Y	Y
Cimarron Healthcare Capital	N	N
Cinven	Y	Y
Clayton Dubilier & Rice	Y	Y
Cressey & Company	N	N
CVC	Y	Y
Deerfield Management	N	N
DW Healthcare Partners	N	N
EQT	Y	Y
EW Healthcare Partners	Y	N
Flexpoint Ford	N	N
Frazier Healthcare Partners	N	N
FFL Partners	N	N
General Atlantic	Y	Y
GI Partners	Y	N
Goldman Sachs Private Equity	Y	Y
Granite Growth Health Partners	N	N
GTCR	N	N
Harren Equity Partners	N	N
Harvest Partners	N	N
Health Enterprise Partners	N	N
HealthInvest Equity Partners	N	N
Hellman & Friedman	Y	N
H.I.G. Capital	Y	Y
J.H. Whitney & Co.	N	N
JLL Partners	N	N
KKR	Y	Y
Lee Equity Partners	N	N
Linden Capital Partners	N	N
LLR Partners	N	N
Madison Dearborn Partners	N	N
MBF Healthcare Partners	N	N
McKesson Ventures	N	N
Nautic Partners	N	N
New Mountain Capital	N	N
New Spring Capital	N	N
OMERS Private Equity	Y	Y
Ontario Teachers' Pension Plan	Y	N
Pamplona Capital Management	Y	Y
Pritzker Group Private Capital	N	N
The Riverside Company	Y	Y
Revelstoke Capital Partners	N	N
The Riverside Company	N	N
Spindletop Capital	N	N
Summit Partners	Y	N
Sverica Capital Management	N	N
SV Health Investors	Y	N
TA Associates	Y	Y
Thomas H. Lee Partners	N	N
TPG	Y	Y
Vesey Street Capital Partners	N	N
Warburg Pincus	Y	Y
Welsh, Carson, Anderson & Stowe	N	N
WindRose Health Investors	N	N

8C Capital
7th Floor,
17 Old Park Lane,
London, W1K 1QT
UK

Founded 2018
Profile A new fund currently raising capital is 8C Capital, founded by Dominic Murphy, formerly of KKR and still a board member of Walgreens Alliance Boots, his most high profile investment.

Key people Dominic has partnered with another former KKR executive, Kugan Sathiyanandarajah, who is leading on healthcare, and is aiming to raise a new €1bn fund.

appositecapital.com
Genesis House
17 Godliman Street
London, EC4V 5BD
UK

Founded 2006
Profile Apposite raised $200 million for its first fund. The firm went on to raise a top-up vehicle to buy a portfolio of healthcare assets from 3i Group in 2009 and its current fund reached its first close in 2016 and is targeting £125m. Apposite Capital solely focuses on healthcare (covering healthcare services, digital health, social care, medical products and pharma) and invests £10-20m over the life of each investment but an initial investment can be £5m or less. They work closely with management teams providing operational support and strategic guidance as much as capital to together build market leading companies, and can invest in minority, growth, buyout or buyin deals in high potential revenue-generating companies across Europe.
Investments Swanton (2017), mihomecare (2017), Medical Imaging (2017), NIM Genetics (2017).
Realised by the bridge (2015), Cancer Partners UK (2015), Ulthera (2014), SureCalm (2012).
Key people David Porter (ex Nomura Principal Finance Group), Sam Gray (ex DB and UCB) and Rory Pope (ex Advent and BGF).

archimed-group.eu
Terra Mundi
2, place de Francfort
69003 Lyon
France

Founded 2014
Profile Initially a smaller fund with an initial €150m, in September 2017 it completed fundraising in just four months of a new €315m fund when it also hit its hard-cap. Commitments from around 30 investors, mainly endowments, foundations, fund of funds, family offices, banks, insurers and sovereign wealth funds from Europe and the US. Archimed focuses on smallcap and midcap companies and invests equity in established and profitable companies within the healthcare sector, principally in Europe across diagnostics, pharmaceutical research, homecare, orthopaedics, animal health, occupational health, care delivery services, cardio-vascular devices and food safety. Its strategy is to enhance the development of the European Healthcare sector by supporting sector champions. The fund will make investments of between €5m and €50m in companies with revenues of between €10m and €35m.
Investments Micromed (2016), HIS (2016), Fytexia (2016), Polyplus-Transfection (2016), Deallus Consulting (2015), Primo Group (2015), Rehab Works (2015).
Realised citieffe (2014).
Key people Denis Ribon (ex 3i), Robin Filmer-Wilson (ex Barings PE, TCR), Vincent Guillaumot (ex 3i).

gsquarecapital.com
17c Curzon Street
London, W1J 5HU
UK

Founded 2007
Profile Initially backed by anchor investor Goodgrower, the vehicle of the Gallardo family from Spain, based in Barcelona and fully dedicated to healthcare investments. The Gallardo family's principal investment is the listed Spanish pharma company, Almirall (market cap €1.5bn). G Square Capital I raised €209m in September 2011. In February 2017 G Square Capital II hit its hard cap of €350m from a diverse cross-section of North American and European institutional investors. The fund invests in mid-cap European companies of all segments of the healthcare industry, services and products, in buy-out or growth capital transactions G Square invests between €30 and €50m of equity per deal, and can bring additional co-investment from its LPs.
Investments Tracscare (2014), CDC (2016), Unicare (2016)
Realised Artemis Kliniken (2011, sold 2015), Zahnarztzentrum (2010, sold 2015), Mikeva (2012, sold May 2017), SAR Quavitae (2009, sold 2016).
Key people Laurent Ganem (ex Apax), Renaud Dessertenne (ex SG and DB), Ted Smith (Operating Partner).

ghocapital.com
44 Davies Street
London, W1K 5JA
UK

Founded 2014
Profile Backed by Dennis and Mireille Gillings who founded respectively Quintiles and HUYA Bioscience International. Focus is on thematic investment in mid-market companies poised for growth, and given the Quintiles (now IQVIA) heritage, there is strong domain knowledge around the pharma services sector.

Investments Caprion Biosciences (2016), DDC or DNA Diagnostics Center (2015), Envision Pharma (2016), Quotient Clinical (2015), VISUfarma (2016).
Key people Alan MacKay (ex 3i), Andrea Ponti (ex JPM and GS), Mike Mortimer (ex Quintiles), Mike Turner (ex 3i) and Mark Braganza (ex TPG).

Selected Recent Healthcare Private Equity Deals

Date	Company	Country	Buyer	Estimated Value £m GBP
17 January 2018	Compagnie Stephanoise de Sante	France	Eurazeo	88
20 December 2017	Regard Partnership	UK	AMP Capital	365
4 December 2017	Alloheim Senioren-Residenzen	Germany	Nordic Capital	n/a
1 December 2017	Shaw Healthcare	UK	Bridges	10
16 November 2017	Oberberg Klinik	Germany	Trilantic Europe	179
9 November 2017	Clearwater Care	UK	Salutem Healthcare	n/a
8 November 2017	Porthaven	UK	Fremont	300
19 October 2017	Crawford Scientific	UK	Limerston Capital	n/a
12 October 2017	Curaeos	Netherlands	EQT	n/a
28 September 2017	BMI Healthcare (46.3% Stake)	UK	Netcare	98
13 September 2017	Rodericks Dental	UK	CBPE	n/a
21 August 2017	Envigo	UK	Avista	n/a
11 August 2017	Lighthouse Healthcare	UK	Elysium (BC Partners)	45
23 July 2017	Kisimul	UK	Antin Infrastructure	260
20 July 2017	Swanton Care & Community	UK	Apposite Capital	n/a
10 July 2017	STADA	Germany	Cinven-Bain consortium	4,592
28 June 2017	NextPharma Technologies	UK	CapVest	n/a
24 June 2017	Otto Bock HealthCare (20% Stake)	Germany	EQT	n/a
16 June 2017	Circle (73.25% Stake)	UK	Penta; Toscafund	56
12 June 2017	Lucid Group Communications	UK	LDC	11
09 June 2017	SERB Laboratories	Belgium, France	Charterhouse; Jeremie Urbain	220
08 June 2017	DomusVi	France	ICG; Mubadala; Yves Journel; CDC	1,139
22 May 2017	DentalPro (85% Stake)	Italy	BC Partners	323
18 May 2017	Genden	UK	August Equity	NA
12 May 2017	TBS Group	Italy	Permira	152
28 April 2017	Southern Dental	UK	Jacobs Holding	n/a
27 April 2017	Colisee Patrimoine	France	IK Investment; Teycheney Family	550
07 April 2017	Badby Park	UK	Elysium (BC Partners)	n/a
31 March 2017	Keys Group	UK	G Square	17
28 March 2017	ConvaTec (19.95% Stake)	UK	Novo A/S	1,012
17 March 2017	Tunstall (24.9% Stake)	UK	Tunstall (Senior lenders)	n/a
10 March 2017	New Reflexions	UK	Bridges	6
06 March 2017	Vitalia (80% Stake)	Spain	CVC Capital	223
01 March 2017	Complete Care/ MiHomecare	UK	Apposite Capital	0.01
14 February 2017	Raphael Healthcare	UK	Elysium (BC Partners)	n/a
06 February 2017	Medivet	UK	Inflexion	n/a
31 January 2017	Rayner Surgical	UK	Phoenix Equity	n/a
25 January 2017	Fishawack	UK	LDC	38
22 January 2017	Cerba	France	Partners Group; Public Sector Pension Investment Board	1,557
13 January 2017	Colosseum Smile	Norway	Jacobs Holding	n/a
10 January 2017	Helen McArdle Care	UK	HC-One (Formation Capital)	n/a

The private equity course developed at Oxford over a remarkable fifteen years is not just one of the first such courses ever offered in a business school, but also claims to be one of the most advanced and comprehensive offered in the world. Course leader **Ludovic Phalippou** gives an overview of his latest book, which forms a core of the learning on offer

Private Equity Laid Bare

My book, *Private Equity, Laid Bare*, is the opposite of about everything you'd expect from a PE textbook.

It starts with the cover: countryside, bare vs the usual urban setting, sky scrapers, bling-bling.

The writing style is informal and makes complex constructs as simple as possible: Alice explains how to conduct the Leveraged Buy-Out (LBO) on a house located in Wonderland.

It covers both failed and profitable deals, always shows both sides of the argument.

For instance, it describes the current tensions on fees and expenses, using a dialogue between Alice (the general partner, or GP) and Hatter (limited partner, or LP) to highlight each point of view in an engaging way.

Hashtags pepper the text to express feelings (and shorten the text).

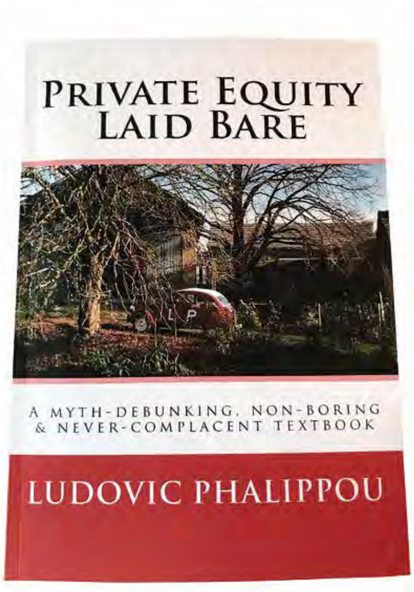
There are no sections and sub-sections; it is all about reaching a natural flow, avoid the usual dictionary-style.

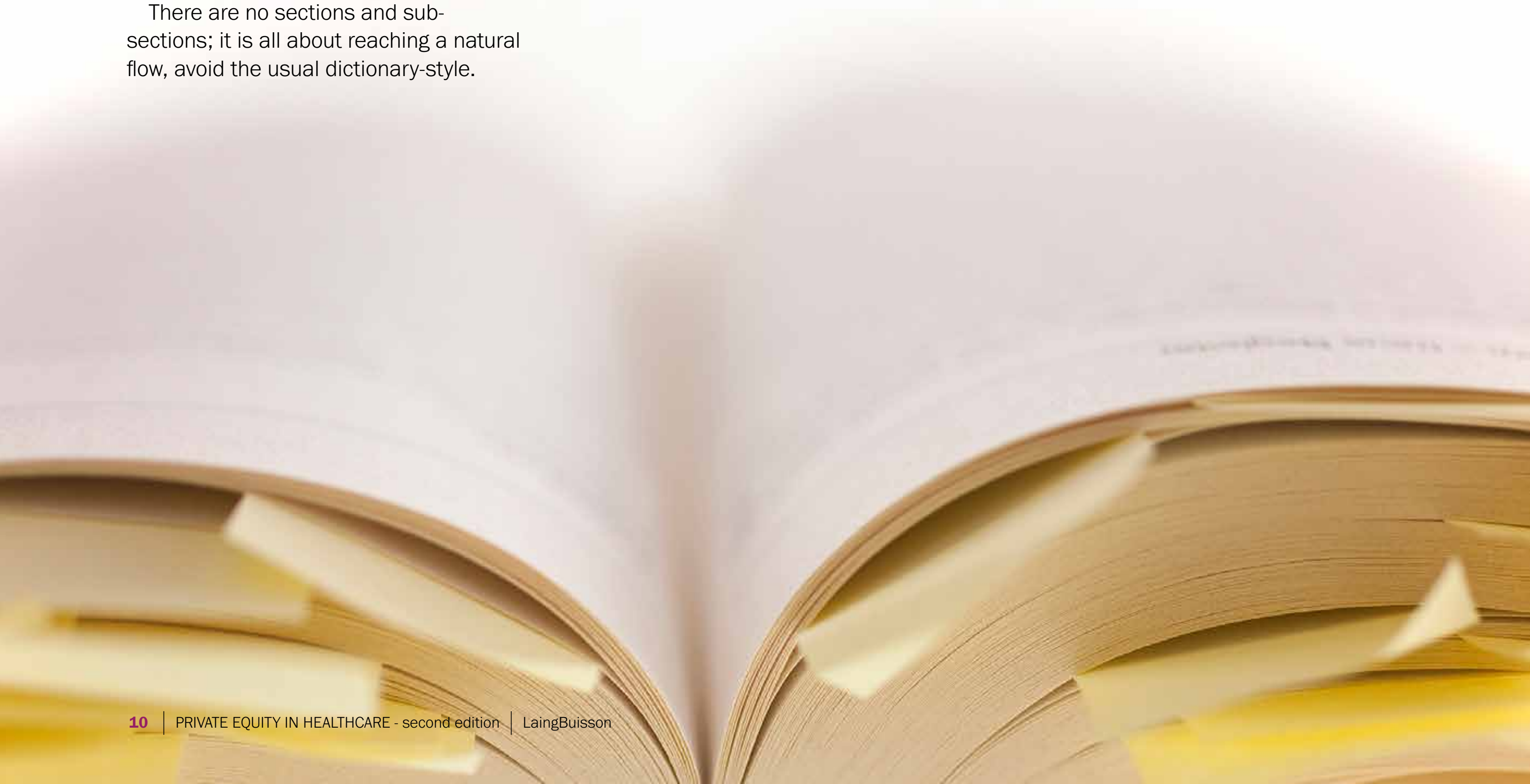
The book is constantly updated and low cost thanks to the use of Amazon self-publication tools; note that books in Private Equity cost between £60 and £700… this one is less than £20.

The book is also unique in that it spends an equal amount of time on GP and LP issues - instead of adopting a GP-only view) - but remains short (the whole of the PE industry, with all the jargon, in less than 200 pages).

Plus, it is fun. Content rich with a light style, rather than taking a dry style in order to mask light content. Case studies do not waste space with anecdotes - case studies are broken down to one-page max pieces, giving nothing but relevant information.

It employs role plays as a learning tool, and shows original and confidential documents (anonymised) to see practice from up close.





Eight key learning points

1. The amount of debt in an LBO positively affects the value added only if the target was bought below its competitive value. Implications: i) when asset prices are at all-time highs (like now) there should be less (not more) leverage used in LBOs; ii) the primary determinant of leverage in an LBO should be the likelihood the company was bought on the cheap. A company bought at a competitive auction, for example, should be less levered.

2. The usual decomposition of value added into leverage, multiple arbitrage and earnings growth does not make any sense conceptually and its practical implementation (via a value bridge) is biased to exaggerate the contribution of earnings growth.

3. Most of the controversies around LBOs are when companies end up financially bankrupt. A financial bankruptcy is one that would not have happened without the extra debt from an LBO. I show that most bankruptcies in PE are of this type. These bankruptcies should actually not be the controversial ones since a purely financial bankruptcy should not, in principle, disrupt the underlying business. There should just be a change of ownership (to some of the debt claimants). If there is a disruption, attention should turn to bankruptcy laws, not PE.

4. Presenting fees as 2-20 is misleading. Headline fees are remotely related to the actual fee bill. Fees depend on how every single clause is written and how each element is defined. Contracts are incredibly difficult to read and understand. Hence, the magnitude of the fees is very difficult to anticipate. Another consequence is that recording (and discussing) headline numbers is pointless. LPs claiming victory because headline management fees went down is misguided.

5. Portfolio company fees and expenses (and fund expenses) have been swept under the carpet up until recently. These practices open the door to massive conflicts of interests for GPs.

6. The commonly held belief that PE fund performance is staggering, especially for top quartile funds, is mainly based on IRRs. IRRs are not rate of returns and can readily be manipulated. When performance is measured properly, numbers are a lot more sobering and realistic.

7. The fees, conflicts of interest and performance evidence lead a number of investors to avoid PE funds; thereby following the Canadian model by investing directly in companies. The main challenge and pitfall is to realize that human resource decisions are de facto long term portfolio allocation decisions, which significantly restrict tactical asset allocation choices for many years to come.

8. Valuation is to be thoughtful or not to be. I warn on pitfalls of using the usual NPV and Comparable approaches. I describe the conceptual framework with which to approach LBO modelling and valuation.

You can contact the author on: ludovic.phalippou@sbs.ox.ac.uk; Twitter @PELaidbare and on Facebook (PE Laid Bare)


Ludovic Phalippou

Designed for an MBA course on private equity, *Private Equity Laid Bare* aims to familiarise any reader with the jargon and mechanics of private equity using simplified examples, real-life situations and results from thorough academic studies.

The intention is to have a book that can be read more like a novel than like a regular textbook. In order to have long-lasting impact on readers, its approach is in making concepts as simple as possible, boiling everything down to the essence, going straight to the point, and, most importantly, writing in an informal and hopefully entertaining way. The objective is for the reader to open this book with anticipation of having a good educational time.

Private Equity Trade Associations in the UK and Europe

www.bvca.co.uk
53-64 Chancery Lane
London, WC2A 1QS

Founded 1983
Number of members 700, including 300+ private equity firms

The British Private Equity & Venture Capital Association (BVCA) is the industry body and public policy advocate for the private equity and venture capital industry in the UK.

Like the industry it represents, the BVCA has changed immeasurably since its foundation over 30 years ago, as the sector has grown into one of the success stories of the British economy. The Association aims to promote understanding around the activities of its members, and promote the industry to entrepreneurs and investors as well as to Government, the EU, trade unions, international media and the general public by communicating the industry's impact and reinforcing the crucial role its members play in the global economy as a catalyst for change and growth.

In the early eighties, the BVCA's primary objective was to secure recognition from the government and policy organisations. Today, the BVCA has become the respected voice representing a world-class industry, as well as a model for new and existing national private equity and venture capital associations across the globe.

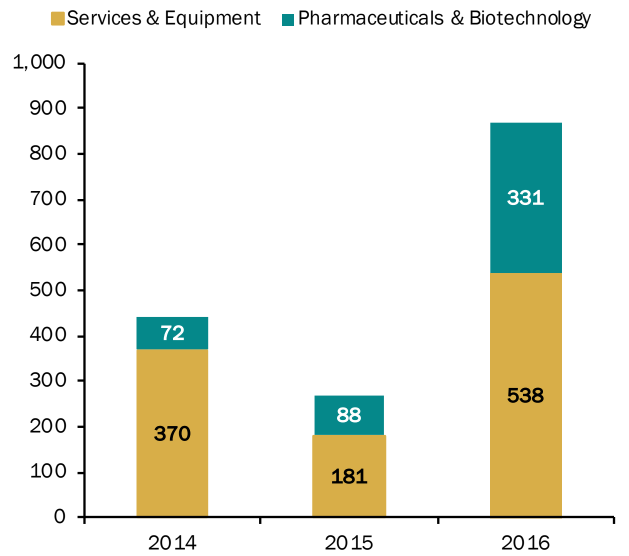
Membership continues to grow and comprises more than 700 influential firms, including over 300 private equity and venture capital houses, as well as institutional investors, professional advisers, service providers and international associations. The Chair this year is Helen Steers, a partner at Pantheon, who takes over from Alan MacKay, one of the founders of healthcare focussed fund GHO Partners.

BVCA in healthcare

For three decades the BVCA have delivered authoritative research and analysis, proprietary publications, specialist training, topical conferences and best practice standards, and currently publish the BVCA Guide to Investing in European Healthcare. The BVCA defines healthcare as healthcare equipment and services as well as pharmaceuticals and biotechnology which covers providers, medical equipment, medical supplies, biotechnology and pharmaceuticals.

Healthcare has been impacted as much as any sector by the UK's decision to leave the European Union and Noelle Buckley, Director of Research at BVCA has written that the outcome of the 2016 US elections has brought about a wave of uncertainty that continues to be felt across the entirety of the financial services industry. Despite the deep political rifts exposed both at home and abroad, the UK's private equity and venture capital industry has continued to demonstrate its strength in the face of instability, with global investment by BVCA members at its highest level since the financial crisis, and the greatest amount divested in the industry since the BVCA began collecting data. This is also supported by investment activity in healthcare, where the amount invested has continued to increase.

UK PRIVATE EQUITY HEALTHCARE INVESTMENT
£M



SOURCE BVCA

There has been a marginal increase in fundraising from UK investors to £2.7bn, with UK pension funds raising the most money for the asset class since the financial crisis at £839m. The trend towards increased pension fund allocation is not just concentrated in the UK, representing a third of all global fundraising in 2016 at just under £2bn.

This demonstrates that despite the overall fall in fundraising, the asset class continues to attract large institutional investors who recognise the potential for solid returns.

Another striking trend for 2016 was the record £29bn divested, exceeding the £21.6bn divested in 2014 as firms continue to return value to their investors. The most active exit route in 2016 was the sale of quoted equity post flotation at £12.3bn, followed by trade sales and sales to other private equity firms. The IPO market has also shown its continued strength, with flotations at their highest levels at £3.1bn.

With regards to investment by industry sector, 2016 saw consumer services more than double to £2.9bn, with healthcare also seeing similar increases at £869m. While high-tech investments decreased marginally to £916m in 2016, biotechnology has experienced an unprecedented surge, growing from £12m in 2015 to £200m this year.

While there is no doubt the industry will continue to be faced with the challenges of political uncertainty that lie ahead, private equity and venture capital has demonstrated its capacity to adapt to difficult times - a strength that is reassuring for the future. Enhanced portfolio management and operational improvements will be more important than ever as the industry continues to transform businesses, create employment and deliver returns.

ANOTHER STRIKING TREND FOR 2016 WAS THE RECORD £29BN DIVESTED, EXCEEDING THE £21.6BN DIVESTED IN 2014

Recent headlines surrounding Four Seasons Health Care (owned by Terra Firma) and the potential for another Southern Cross style collapse have again concentrated the media and politicians on the role of private equity in the health and social care sector.

Independent research from LaingBuisson was commissioned by the BVCA and published back in July 2012, and many of the conclusions then are uncannily as applicable now. The research concluded that the interests of private equity backers of healthcare companies are well aligned with the public interest in maintaining operationally efficient businesses offering good quality services.

At the time, private equity investee companies in UK healthcare had annual revenues of £6.7 bn, representing 4.8% of all public and independent sector supply of the relevant markets. Most healthcare and special education companies backed by private equity relied heavily on public sector spending and the minority that had a large component of private funding included acute medical surgical hospitals, care homes for older people and dentistry.

There were several market drivers common to most segments of the broad health and social care market and six years later very little has changed:

- Demographics, with the ageing population expected to drive underlying demand for health and social care upwards for the foreseeable future
- Severe financial constraints over the next five years at least, as government as the payor for the bulk of health, social care and special education seeks to eradicate the public expenditure deficit
- An efficiency imperative for the NHS to make £20bn of efficiency savings
- A continuing need to replace or upgrade sub-standard or inappropriately used healthcare assets
- A trend towards outsourcing (to independent sector providers) of publicly funded healthcare and special education services
- A trend towards consolidation within those segments of the independent sector healthcare market which are currently immature

Services & Equipment	2014	2015	2016
Number of companies	76	56	59
% all Private Equity Investment	10%	7%	8%
Amount invested £m	370	181	538
% all Private Equity Investment	8%	3%	8%
Average investment £m	4.9	3.2	9.1

Pharmaceuticals & Biotechnology	2014	2015	2016
Number of companies	58	64	63
% all Private Equity Investment	8%	8%	9%
Amount invested £m	72	88	331
% all Private Equity Investment	2%	1%	5%
Average investment £m	1.2	1.4	5.3

All Healthcare	2014	2015	2016
Number of companies	134	120	122
% all Private Equity Investment	18%	15%	17%
Amount invested £m	442	269	869
% all Private Equity Investment	9%	4%	12%
Average investment £m	3.3	2.2	7.1

SOURCE BVCA

The key contributions of private equity were seen as:

- An important source of capital to fund both new capacity and upgrading of assets to meet user needs, at a time when other sources of capital are highly constrained
- An important source of innovation and system change which was and is a widely recognised need across all market segments as well as capital investment in new services, to which private equity backed companies were and are well placed to respond
- Platforms for consolidation. This is particularly important in fragile, highly fragmented segments such as domiciliary care, where micro-providers do not have the financial strength to invest in new technology and systems. A typical pattern is for owner founded businesses to reach a limit on growth based on the founder's management capacity, access to capital and appetite for risk. They cease to invest in new capacity and do not benefit from economies of scale which can be passed on to commissioners. Private equity has a role in taking these companies to the next stage of development
- Reconfiguration of services. Looking forward, private equity could potentially play an important role in achieving the government's objective of migrating services out of NHS hospitals and into safe, more convenient and more economical community based settings

Interestingly, there is no case in which a capital restructuring has resulted in significant 'service discontinuity' in the form of precipitate closures of services on which vulnerable people rely.

In every restructuring, and in the case of Southern Cross as well, the main if not the sole consequence has been losses to investors and the banks which provided debt funding.

Within the care home sector, the inadequate level of fees paid by most local authorities is a key contributory factor to instability and the occasional capital restructuring. The government's position is that it provides sufficient funding for local authorities and that purchasing decisions are best made at a local level, while most local authorities counter that their funding is insufficient to pay higher fees.

In 2012 and today in 2018, LaingBuisson consider that both central and local government should look urgently at proactive policies aimed at delivering stable and adequate fees in order to re-establish investor confidence in the publicly paid care home market.

The hope is that the Green Paper on Social Care that started in the Cabinet Office, and has now moved to the Department of Health, will deliver a solution to this.

BVCA

2017 Chair

Helen Steers

PARTNER, PANTHEON

CAREER

Leads Pantheon's European primary investment activity and chairs the European Investment Committee, member of the International Investment Committee and the Co-investment Committee. Joined Pantheon in 2004 from **Russell Investments** in Paris. 1994-1999 Director, European Private Equity with the **Caisse de dépôt et placement du Québec**. 1989-1994, senior investment manager at the **Business Development Bank of Canada** in Montréal. Chair of the British Venture Capital and Private Equity Association. Board member **Invest Europe** and Chair of the **Limited Partners Platform Council**. Co-founder **Level 20**, a non-profit making organisation that has been set up to encourage women to succeed in the private equity industry.

EDUCATION

BA and an MA in Engineering from the University of Cambridge, MBA from the University of Western Ontario in Canada. Bilingual in English and French.

INVEST EUROPE

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Founded 1983
Number of members 650

Formed in 1983, it was until 2015 known as the European Private Equity and Venture Capital Association (EVCA), before rebranding as 'Invest Europe: The Voice of Private Capital' on 1 October 2015.

Invest Europe is the association representing Europe's private equity, venture capital and infrastructure sectors, as well as their investors and is non-profit organisation with 25 employees in Brussels, and sees itself as the guardian of the industry's professional standards by demanding accountability, good governance and transparency from its members.

> IN 2016, 27% OF CAPITAL WAS INVESTED IN HEALTHCARE AND BIOTECH

Its members take a long-term approach to investing in privately held companies, from start-ups to established firms.

Invest Europe claim "they inject not only capital but dynamism, innovation and expertise" and that "this commitment helps deliver strong and sustainable growth, resulting in healthy returns for Europe's leading pension funds and insurers, to the benefit of the millions of European citizens who depend on them".

Invest Europe aims to make a constructive contribution to policy affecting private capital investment in Europe, in part by providing information to the public on its members' role in the economy.

It has a very strong research department and provides the most authoritative source of data on trends and developments in the industry - for example it has just published an interesting and highly topical report on Implications for PE of the UK leaving the EU.

Europe remains the world's largest single market with an open economy, stable political system, a proud history of innovation and a highly educated workforce. EU-wide growth is expected to reach 1.7% in 2017, according to European Commission figures, suggesting that continued monetary easing and positive economic sentiment is putting the region on a solid path to further growth. With forecasts for further growth in 2018 and beyond, which factor in the Brexit effect and other potential political developments, economic prospects for the region are promising. Europe's innovation and start-up activity spans a variety of sectors.

Fundraising and investment

In 2016, total fundraising reached €73.8bn, the highest level for Europe since 2008 and a 37% increase on 2015. Almost 400 funds raised new capital, a 9% decrease compared to 2015, indicating a trend towards larger funds.

European private equity and venture capital funds raised around €240bn over the past four years - more than twice the amount raised from 2009 - 2012 and institutional investors from outside Europe contributed more than 40% and buyout fundraising increased by 71% to €56.3bn, driven by larger funds.

With data on more than 1,200 European private equity firms, the 2016 statistics cover 88% of the €600bn in capital under management in Europe. In 2016, most capital was invested in ICT (44%), followed by biotech and healthcare (27%), with the rest largely spread across consumer goods and services, energy and environment, business products and services, financial services and transportation. Healthcare represented 11% by value and 14.4% by number of transactions.

INVEST EUROPE

2016 Chief Executive

Michael Collins

CAREER

Joined Invest Europe in 2013 as Public Affairs Director. Promoted to Deputy Chief Executive in 2015. Previously Managing Director for European Government Affairs at **Citigroup**.

More than ten years of Brussels experience including four years as Financial Counsellor at the **UK Permanent Representation to the EU** where he led a team responsible for macroeconomic, taxation and fiscal policy, as well as financial services regulation, which included negotiations on the creation of AIFMD.

EDUCATION

First class degree from Wadham College, University of Oxford.

LaingBuisson

iLaingBuisson®

Healthcare Intelligence

LaingBuisson, the leading health and social care market intelligence provider, has been serving clients for over 30 years, providing insights, data and analysis on health and social care market structures, policy and strategy. We are the chosen provider of independent sector healthcare market data to the UK Office for National Statistics (ONS) and work with providers, commissioners, payors, manufacturers, investors, regulators and advisors. We help our clients to understand their markets, make informed decisions and deliver better outcomes through market intelligence, consulting and data solutions.

Market Intelligence

Knowledge is at the heart of what we do. Our consultants publish over 20 regularly updated market reports on health and social care, our market journals provide monthly news and analysis and share policy updates from our Westminster policy consultancy, and we host conferences and awards

- Market reports - in depth analysis of key markets
- Market journals - Care Markets and Healthcare Markets
- Policy - insights from our independent cross-party Westminster policy consultancy, Public Policy Projects
- Conferences - regional, national and international conferences, seminars and roundtables covering individual markets, investing and real estate
- Awards - recognising the leading providers and advisors

Consulting

We advise leading health and social care clients on the full spectrum of market analysis, covering quality, data, policy, markets and human capital. We provide knowledgeable, fact-based insight to make the right choices and implement strategies successfully

- Quality - mock CQC and Ofsted type inspections
- Data - market mapping and data
- Policy - policy consultancy and due diligence
- Market - strategic and operational consulting and commercial due diligence
- Human capital - market talent mapping, pay benchmarking, management referencing, board compensation
- Partnership - we frequently work in partnership with leading strategy and management consulting firms

Data Solutions

Our data solutions are based on our proprietary provider, pay and other datasets. The iLaingBuisson portal hosts cloud-based software solutions that enable clients to analyse and export data and deliver sophisticated insights. We continue to develop our analytics using data mining, Bayesian analysis and machine learning

- Care*Search* - provider market database
- Care*Monitor* - care quality database
- Care*CostBenchmarks* - care home cost model
- Care*Directory* - provider financials and contacts
- HEPS - marketing contact database for Healthcare, Education and Public Sector
- CareHomeAdvisor.com - consumer portal
- Care*Sustain* - market supply and demand model

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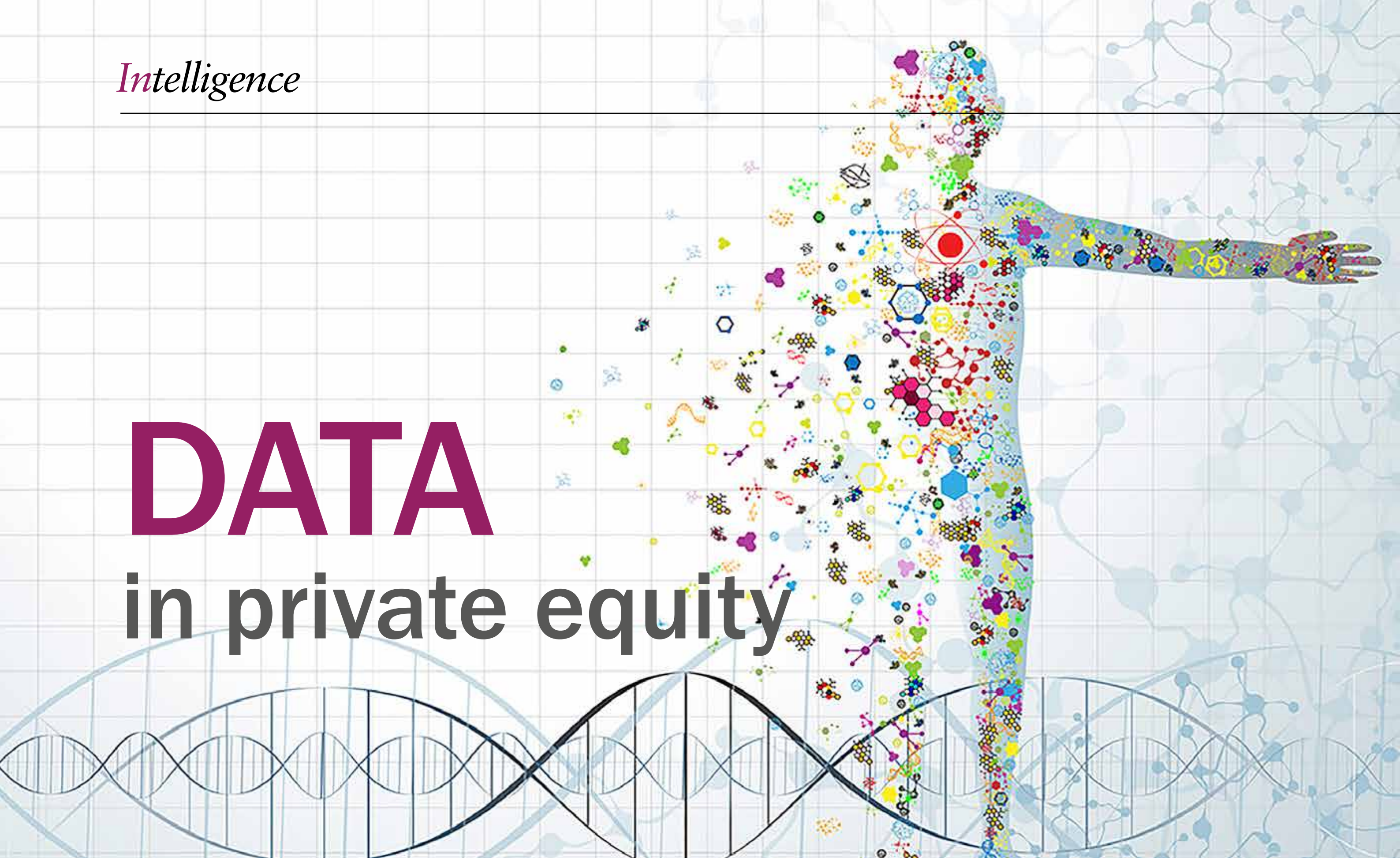
Office for National Statistics

Chosen provider of independent sector healthcare market data to the ONS



DATA
in private equity

While LaingBuisson is the leading provider of data on healthcare markets, Preqin is the equivalent source of data and intelligence for private equity

From Private Equity Intelligence to Preqin

Preqin was founded by Nick Arnott and Mark O'Hare and traces its roots back 14 years, when the company was launched as Private Equity Intelligence.

Private equity was the sole area of focus at the time and its first product, Performance Analyst, used Freedom of Information Act legislation in the UK and US to gain performance data on private equity fund performance from public pension plans.

This made it possible to view fund performance data for thousands of private equity vehicles at the fund level. Other products providing a list of fund managers on the road seeking capital and a database of institutional investors active in private equity soon followed.

Preqin extended its scope to include real estate in 2006, hedge funds in 2007, infrastructure in 2008 and private debt in 2014.

As a result of the change in focus from private equity to all alternative assets, the company changed its name to become formally known as Preqin in 2008.

Today Preqin is the alternative assets industry's leading source of data and intelligence

Preqin's products and services are used by more than 47,000 professionals located in over 90 countries for a range of activities including investor relations, fundraising and marketing, and market research. Preqin's data and analysis is available via online databases, publications and complimentary research reports.

Preqin's data and statistics are regularly quoted by the financial press and leading alternative assets professionals from around the world rely on Preqin's services daily. A dedicated team of multilingual analysts strategically placed in key industry centres across the globe enables the company to contact industry professionals directly and forge relationships which yield the most timely, high quality and exclusive data available. Analysts also monitor regulatory filings, make FOIA requests and track news sources every day, ensuring information on all firms, investors, deals and service providers is as comprehensive and accurate as possible.

Prequin Healthcare Investment Data

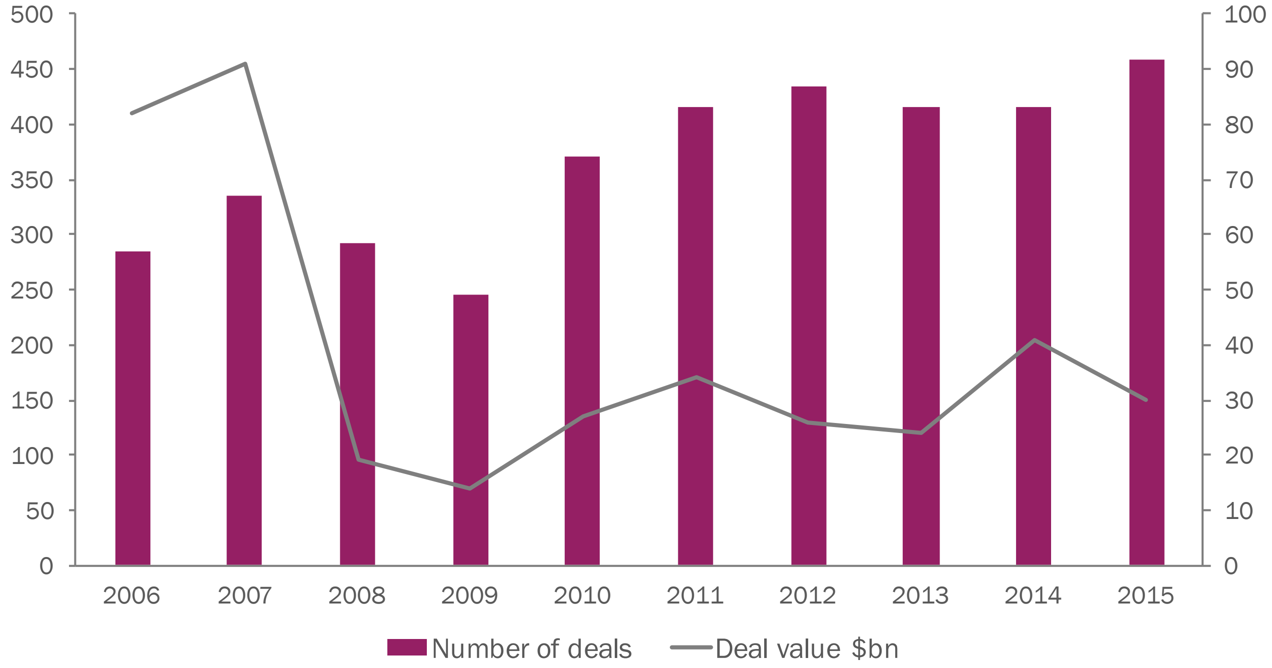
As healthcare has increased its profile as an investment sector, so has the data available and Preqin now publish regular updates. An recent report on buyout activity in healthcare highlighted rising living standards in emerging market economies and heightened cost-sensitivity induced by ageing populations in advanced economies as providing private equity investors with numerous opportunities in the healthcare[1] industry.

Despite increased competition among investors, historical data shows that private equity fund manager interest in the sector remains high, with healthcare investments accounting for an average of 11% of both the number and aggregate value of private equity deals across all industries since 2006.

Preqin's Private Equity Online contains detailed information on 3,669 private equity-backed transactions in the healthcare industry since 2006, worth a total of $386bn.

Following the sharp reduction in aggregate deal value from 2007 to 2008 (-79%), deal flow started to recover in 2009. The aggregate value of healthcare transactions rose from $13.2bn in

HEALTHCARE PRIVATE EQUITY DEALS
2006-2015



SOURCE PREQUIN

2009 to $34.8bn in 2011, alongside a 70% increase in the number of deals, surpassing pre-crisis levels of deal activity in the sector.

The new environment for private equity-backed healthcare deals centres around more transactions being completed at lower values; the average deal size of healthcare transactions in 2006 and 2007 was $288m and $270m respectively, far higher than $100m in 2014. 2015 witnessed a record number of healthcare deals, however aggregate deal value was 28% lower than the post-crisis peak in 2014 ($41.4bn) and represents a 67% fall on the record $90.3bn seen in 2007.

Within the healthcare industry, healthcare companies (including hospitals, health centres & clinics, nursing homes, dentists etc) continue to attract the most attention from private equity GPs. Investments in such entities accounted for 235 of the 459 transactions made in 2015. Furthermore, the total value of those deals accounted for 34% of the aggregate deal value within the wider healthcare industry, totalling $10.2bn. The pharmaceuticals sector witnessed the strongest growth in aggregate value between 2014 and 2015; investments in the sector totalled $10bn last year, double the value of deals completed in the previous year.

Geographically, fund managers exhibit a strong preference for healthcare opportunities in the more developed regions of North America and Europe; deals in these regions represented a combined 85% of deal activity in 2015. Despite North American and European transactions accounting for the largest proportion (69%) of aggregate deal value in 2015, both regions experienced an eight percentage point fall in their share of total value from 2014.

Correspondingly, the proportion of aggregate value represented by Asian transactions nearly doubled over the year to 24%, surpassing the 20% recorded by European healthcare buyout deals.

[1] Preqin's definition of healthcare encompasses sectors such as biomedical, biotechnology, healthcare IT, life sciences, medical devices, medical instruments, medical technologies, pharmaceuticals and healthcare (incl. hospitals, health centres & clinics, nursing homes, dentists, general healthcare providers, etc.)

The Management Buyout

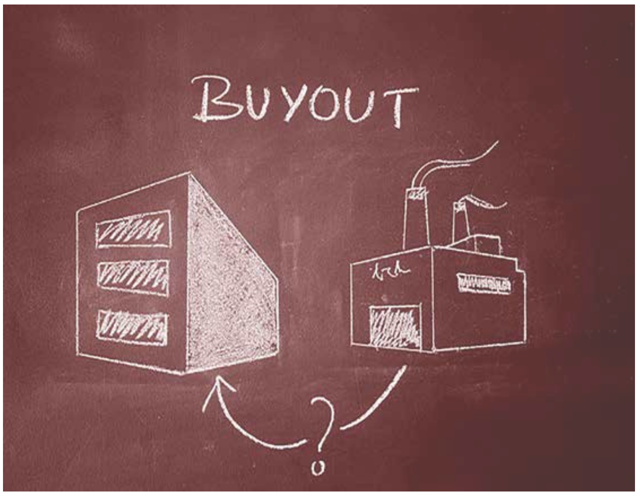
Institutional investors are increasingly prevalent in the corporate takeover world, be they private equity firms, family offices or other professionally managed funds. They differ from 'trade' purchasers in a number of ways, but in particular in terms of how they regard management teams. Their philosophy is that management teams are their partners not simply employees. Their investment appraisal of a target company gives a far greater weighting to the quality of the management team, and their relationship with them, than a 'trade' purchaser might.

They therefore look to incentivise management with an equity based scheme while also asking them to invest their own money in the business. This achieves three key aims:

- **Carrot** - if the business plan is delivered and the company is sold successfully, then management teams can make life-changing sums of money
- **Stick** - management have their own money at risk and will likely work hard to protect that investment
- **Glue** - with management invested alongside the institutional investor, their interests are more closely aligned and management are less likely to leave the company as they would risk losing significant potential rewards

Getting good advice

Given the potential sums of money involved, such a transaction is likely to be the most financially important in the management team's lives. It is also a highly pressured period for management, with multiple demands on their time. A professional advisor, who specialises in advising management teams in these circumstances, can be pivotal not only to help management get the best possible equity package from a new owner but also to help them navigate the long and stressful deal process with clarity and confidence.



Key issues to consider

There will be many financial matters to consider in a transaction, but also some more human issues, such as:

- Balance of equity allocation across the team
- Succession and/or recruitment planning
- Management of any personal requirements in the team
- Relationship with Investment Partner
- Chairman selection

Valued by all parties

If the management advisor does their job well, they will be valued not just by the management team but by all parties to the deal.

- The management team will have a more valuable equity package and because they feel confident that they have understood everything about the deal, they will start their new partnership with energy and motivation
- The purchaser understands the value in inheriting a team in that frame of mind and values the role the advisor plays in bringing them to that point
- The vendor needs management to do most of the work to prepare the company for sale and therefore to drive the best possible sale price, so they recognise the value in having a management team who feel their interests are being fairly considered in the deal process

The management advisor needs to work within the overall deal process, dovetailing with other advisors, particularly the vendor's sale advisor.

We at Cornerstone believe strongly that this requires the management advisor to adopt a collaborative style, not a combative one. Our long experience tells us that the best deals happen when trust is strong on all sides. We get the best deals for our clients by building trust with the purchaser, the vendor and their respective advisors.

The Management Buyout Case Study

CHILTERN

In January 2014, Chiltern International, a UK based Contract Research Organisation, was sold to the Myers Business Trust ("MBT") by the UK private equity firm Kester Capital and a group of private investors for c.£130 million. Cornerstone Corporate Finance advised the management team, led by Executive Chairman Nick Thornton and CEO Jim Esinhart.

The business was sold via an auction process, with a shortlist of bidders taken through to a second round of the auction. Cornerstone started work with management well before the process started, helping management think through a range of issues and their potential ramifications under a private equity style deal.

In conjunction with management's lawyers, we also prepared a 15-page term sheet outlining the core aspects of the equity package that we then negotiated fully (and agreed) with each of the shortlisted bidders.

A number of issues arose during the process, all of which Cornerstone had to manage, for example:

- The senior management team of seven people were located across four different countries in three time zones, which impacted communication and tax planning
- While management were also selling shareholders, each had different personal circumstances and so needed bespoke structuring in areas such as re-investment levels
- Being a family office, MBT had no fixed exit horizon (as with a private equity investor) so we had to negotiate and agree liquidity protections for management after an agreed period

In August 2015 Chiltern acquired a US competitor, Theorem Clinical Research. Shortly afterwards Cornerstone advised again on the restructuring of management's equity arrangements to accommodate team changes and to include a number of key Theorem staff.

The company was sold in August 2017 to LabCorp Inc for $1.2bn in cash, resulting in life-changing payouts to the senior management team.

Management often have significant financial and emotional capital tied up in their businesses, making high quality independent advice essential. There are a number of advisors to management team on their incentive arrangements in buyouts, restructurings, and underwater equity schemes, including subscription levels, economics and broader commercial terms and while many turn to the large accounting firms, there are also a number of specialists who are increasingly international in their outlook:

Callisto
Advisor to Management teams

callisto-finance.com
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75116
Paris

Founded 2005
Profile Based in Paris, Callisto has conducted about a hundred mandates on behalf of management teams of mid and large cap companies, in both primary and secondary Buy-Outs, including the management team of healthcare companies SGD Pharma, OGF, Novacap, IBA Molecular, Ceva, Arkopharma and Rexam Healthcare.
Key people Hervé Couffin and Eric Delorme - both of whom have extensive investment banking and private equity backgrounds as former-partners of a leading European buyout firm.

CORNERSTONE
CORPORATE FINANCE

cornerstone-cf.co.uk
22a St James's Square
London, SW1Y 4JH
UK

Founded 2000
Profile Cornerstone is a niche corporate finance boutique, specialising in advising management teams. It advises on deals over £50m in value, across all sectors. Having also been investors and bankers in previous careers, its partners are uniquely placed to be able to advise clients on all aspects of a transaction, translating deal jargon and key issues into plain English.
Key people Ben Hewetson - previously Teachers' Private Capital (PE: Head of Europe); HgCapital (PE: Partner, Head of Leisure); Bankers Trust (Leveraged Finance); Charterhouse Bank (M&A); Coopers & Lybrand.

JAMIESON

jamiesoncf.com
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UK

Founded 2005
Profile Jamieson has built a strong reputation advising management teams in healthcare, including the management of Unilabs, Independent Vetcare, Oasis Dental Care, Elysium Healthcare, PCI Pharma, bpl, Kinapse, Lima Corproate and LGC. In 2017 the firm opened an office in New York and merged with MPT based in Frankfurt with the aim of capitalising on the growing private equity and M&A sector in Germany and Austria which has seen deals almost double in number and value compared to 2016.
Key people Set up by Iain Jamieson, former Chief Executive of Deloitte Corporate Finance.

Healthcare investing has a regular annual rhythm of events. Depending on your market or sub market of interest, there are a number of conferences and trade shows that any investor, advisor or company should attend.

The guide below highlights a selection of the key ones in 2018

In the *diary*

Date & Country	Conference	Focus	Description
8-11 January, San Francisco	**36th Annual JP Morgan Healthcare Conference**	Investing – all healthcare	The largest and most informative healthcare investment symposium in the industry, the annual JP Morgan Healthcare Conference brings together industry leaders, emerging fast-growth companies, innovative technology creators, and members of the investment community. Now with 10,000 attendees and over 450 companies, the conference began in 1983 when hosted by Hambrecht & Quist (H&Q) which was acquired by Chase in 2000, who were themselves acquired a year later by J.P. Morgan. In its infancy, the conference featured just 20 companies, had about 200 attendees and focused on the biotech industry. Today, while it is still at the Westin St. Francis in San Francisco, the conference brings thousands of investors from around the world together. The hundreds of companies presenting run the gamut, from start-ups to those with more than $300 billion in market cap, and encompass the entire global healthcare landscape, including pharmaceutical firms, healthcare service providers, profit and not-for-profits, and medical device companies. A number of other conferences and events have grown up around the JP Morgan conference making this the key event in the calendar.
21-22 February, Chicago	**McGuireWoods & RSM US 15th Annual Healthcare and Life Sciences Private Equity and Finance Conference**	Investing – mid market private equity	A two-day healthcare-focused private equity, lending and finance conference hosted by a leading law firm and accounting firm focused on the mid-market. The focus is on exploring new ways to successfully close transactions and achieve growth and includes presentations by companies seeking investment or financing. With the healthcare and life science markets in a period of dramatic change the conference seeks to identify successful private equity funds who can still execute deals and achieve capital growth by implementing the right strategies in the right markets.

Date & Country	Conference	Focus	Description
22 February, New York	**10th Annual ACG Healthcare Conference**	Investing – mid market private equity	"Where Private Capital Meets the World", this conference provides a unique opportunity to meet leading healthcare private equity firms and other senior healthcare-related professionals, and to hear the latest news from the healthcare market. ACG New York is the largest association of middle market deal making and corporate professionals in New York, with more than 1,000 members across all industry sectors. ACG New York facilitates long term relationship building, driving middle-market growth.
5-9 March, Las Vegas	**HIMSS**	Trade show - HCIT	"Where the World Connects for Health" A unique combination of world-class education, cutting-edge products and solutions, and unique networking opportunities aimed at solving the biggest health information and technology challenges with 1,300+ vendors, hundreds of special programs, and endless networking events.
7-9 March, Dallas	**NIC Spring Investment Forum**	Investing - Healthcare Real Estate	This is the only conference that brings together leaders in seniors housing, skilled nursing, healthcare, home health and homecare, finance and care coordination to share game-changing ideas and cutting-edge success strategies. The conference is a key event focused on coordinated care, developing partnerships across sectors and the challenges and opportunities for innovation in both seniors housing and care and healthcare. As acuity levels are rising with the aging population and the pressure to decrease healthcare costs continues to escalate, innovation is happening at an increasingly rapid pace and new strategies to bridge seniors housing, long-term care and healthcare are needed.
13-16 March, Cannes	**MIPIM**	Trade show - Healthcare Real Estate	Established in 1990, MIPIM gathers the most influential international property players from the office, residential, retail, healthcare, sport, logistics and industrial sectors for four days of networking, learning and transaction. Across the days there are 24,200 participants, 3,100 exhibiting companies and over 360 keynote speakers with a dedicated healthcare panel.
17-19 April, Dublin	**The MedTech Strategist Innovation Summit Dublin 2018**	Investing - medtech	This investment and networking event is recognised by the medical device industry as the leading medical technology investment forum in Europe. It is hosted by David Cassak and Stephen Levin, co-editors-in-chief of The MedTech Strategist, who have more than 25 years of experience. The two-and-a-half-day forum features presentations by 40+ early-stage medical device companies from around the world, along with thought-leading guest speakers, on-stage interviews with key device executives and VCs, and insightful and timely panel discussions, all providing candid insight on topics of utmost importance to all stakeholders in the rapidly evolving global device marketplace.
24-26 September, Philadelphia	**The Medtech Conference, powered by AdvaMed**	Trade show - medtech	Supported by AdvaMed, this is the "must-attend" event for any medtech company. The MedTech Conference brings together more than 1,000 companies in a uniquely multifaceted environment for business development, capital formation, innovative technology showcasing, worldclass educational opportunities and networking. An event rich in international flavour and featuring a deep, diverse attendee list that includes influential policymakers, business executives and media, The MedTech Conference seeks to advance industry discussion from key perspectives through detailed panel sessions, executive forums and more.
9-11 October, Madrid	**CPhI**	Trade show - pharma	CPhI Worldwide is the largest pharma conference in Europe and now co-located with ICSE, InnoPack, P-MEC and FDF. It hosts more than 45,000 visiting pharma professionals over three days with 2,500+ exhibitors from 153 countries at the event to network and take advantage of more than 150 free industry seminars. Attending CPhI Worldwide is the most cost effective way to establish new business relationships, meet with global partners and stay updated on the latest industry trends. Every sector of the pharmaceutical market is represented under one roof and the exhibition showcases cover the whole spectrum of pharmaceutical manufacturing and ingredients sourcing, offering products and services that cover the entire supply chain. CPhI Worldwide: for pharmaceutical ingredients; ICSE: for outsourcing solution providers, contract manufacturing and services; InnoPack: for pharmaceutical packaging and drug delivery systems; P-MEC: for pharmaceutical machinery, technology and equipment; Finished Dosage Formulation (FDF): for every aspect of the finished dosage supply chain.

Date & Country	Conference	Focus	Description
17-19 October, Chicago	**NIC Fall Conference**	Trade show - Healthcare Real Estate	Since 1993 NIC has been committed to facilitating connections between investors, operators, and developers in the seniors housing and care sector. The conference explores the financing and investment aspects of the sector and gives insight into trends shaping the industry via insightful breakout sessions and networking events designed to connect key industry players, capital providers, and thought leaders. The NIC Fall Conference (formerly, the National Conference) is the premier networking event where seniors housing operators, owners and capital providers come to get deals done and start conversations about the maturation of the space, industry trends and the opportunities ahead. With 3,000 attendees, there is also a pre-event boot camp for about 100 industry newcomers which walks participants through a case study of whether or not to invest in, or develop a particular property.
October, London	**MIPIM UK**	Healthcare Real Estate	MIPIM UK is the largest and most insightful property event for professionals with the most comprehensive conference programme in the real estate industry. It is the leading property summit for all key stakeholders in UK real estate to connect and do business. With over 3,250 participants and 350 investors and financial institutions, it now has dedicated healthcare session.
12-15 November, Dusseldorf	**Medica**	Trade show – medtech	Medica is the world's largest medical trade fair in the world – it attracted more than 5,100 exhibitors from 70 countries in 17 halls event for the medical sector. For more than 40 years it has been firmly established on every expert's calendar with leading individuals from the fields of business, research, and politics alongside tens of thousands of national and international experts and decision-makers from the sector. An extensive exhibition and an ambitious program — which together present the entire spectrum of innovations for outpatient and clinical care — await you in Düsseldorf.
November, London	**9th Jefferies Healthcare Conference**	Investing – all healthcare	The Jefferies Conference is the largest healthcare-dedicated conference in Europe and has established itself as the JP Morgan equivalent on this side of the Atlantic. In 2017 it hosted 350 participating companies, 1,400 attendees and 3,400 investor and business-to-business meetings. The event featured leading public and private companies from the pharmaceutical, biotechnology, generics, consumer health, animal health, medical technology and healthcare services sectors from the United States, Europe, Africa, Middle East, Latin America, Russia, India, Israel, China and Japan.

Conferences and Networking

2018

Childcare Report Launch
13th February
KPMG Number Twenty, London

Healthcare Real Estate Conference
24th April
Grand Connaught Rooms, London

Social Care Conference
16th May
One Drummond Gate, London

UK Healthcare Market Review Launch
21st June
GVA Offices, London

Housing with Care Conference
27th September
Savills 33 Margaret Street, London

Private Acute Healthcare Conference
11th October
Royal Society of Medicine, London

LaingBuisson Awards
15th November
Park Plaza Westminster Bridge, London

Journals

Market Reports

Social Care

- Adult Specialist Care
- Care Home Pay Survey
- Care of Older People
- Childcare
- Children's Services
- Homecare and Supported Living
- Housing with Care

Healthcare

- Dentistry
- IVF Services
- Flexible Staffing
- Health Cover
- Mental Health Hospitals
- Out of Hospital Services
- Private Acute Medical Care
- Private Acute Medical Care - Central London
- Retail Pharmacy

How do private equity owners benchmark on Quality

Private equity argues strongly that the incentives under which they operate ensure that their activities are well aligned with the public interest. From the perspective of the popular media, there are plenty of stories to support their thesis that private equity acquire assets, over leverage them, starve them of capital and deliver poorer services as a result. The headlines from Southern Cross, Castlebeck and now Four Seasons support this in the public eye. Their arguments could apply equally to any sector, but of more interest, much of the empirical evidence supports the positive impact of private equity in healthcare. So, what are those arguments?

PROS

1. With property arbitrage no longer a potential source of value, for the foreseeable future at least, the only practicable way that private equity companies can profit from the companies they back is by building their long term value through organic growth, strategic acquisitions and strong operational management.

2. Quality of service is recognised as being of prime importance in healthcare. In a highly regulated sector with a high media profile, where significant quality failures can be severely punished (e.g. Castlebeck), maintaining a reputation for good quality of care is of prime importance in sustaining the long term value of healthcare businesses.

3. Private equity companies have a strong financial incentive to sustain quality over the medium to long term, since they make their returns by holding their investments for several years and the best price on exit is likely to be achieved if there is at that time a realistic prospect of further value growth for the acquirer. For example, Priory under Advent International's ownership invested heavily in quality.

4. Short term cost cutting is not generally a sensible option in healthcare. The dangers of cost cutting to relieve short term financial pressures are demonstrated in the case of Southern Cross where a failure to invest in maintenance capital expenditure as a response to financial stress was a major factor in the downward spiral in occupancy rates in a competitive market where other providers were maintaining physical standards.

5. Private equity companies have a deep knowledge of the companies they back and the sectors in which they operate, and they focus strongly on recruiting and retaining excellent management who are rewarded on successful exit and crystallisation of value. Private equity companies contrast their approach with large institutional investors in public companies who perhaps exercise more arms' length oversight and are content to adopt bonus arrangements which do not always reflect long term value creation and are frequently determined more by management than by owners.

Counterarguments to this accepted thesis come from those who claim healthcare is intrinsically different from other sectors of the service economy, and the role of private equity, and for-profit companies generally, should be limited on both moral and empirical, efficiency grounds.

However, two points stand out in support of a view that the way in which private equity promotes efficiency in healthcare is broadly benign and non-disruptive to the UK public:

CONS

1. Vulnerable people and the services they rely on are not put at risk by the activity of private equity companies. There is no case in which any private equity failure or restructuring since 2008 has resulted in significant 'service discontinuity' in the form of precipitate closures of services on which vulnerable people rely. In each of the seven business failures and restructurings which have taken place involving (broadly defined) private equity backed companies, the main if not the sole consequence has been losses to investors and banks. The underlying reason for this is that there are limited alternative uses for healthcare assets, and there is usually greater value preserved by continuing to use the assets to deliver healthcare, even if their full debt burden can no longer be serviced.

2. Successful private equity enterprise in the UK will almost always support UK employment. In a highly regulated sector where promotion of quality it key, any scope for reducing front line staff numbers is very limited. Moreover, there is no possibility of private equity, or indeed any other for-profit company that extends its footprint in healthcare, to move employment overseas. With occasional exceptions, such as some telehealth activities, it is clearly not possible to move healthcare services for UK residents to areas where labour costs may be lower.

In summary, there are strong a priori reasons for supposing that, in the post global credit crisis environment, the interests of private equity backers of healthcare companies are well aligned with the public interest in maintaining operationally efficient businesses offering good quality services.

Commenting on reports that private equity avoids tax in health and social care investments, BVCA Director General Tim Hames said:

'Health and social care remains a sector in need of major investment and innovation to cope with sweeping demographic changes. Private equity is providing both when other sources of capital are constrained and local authority budgets squeezed. Private equity backed providers deliver a level of investment, innovation in services and training of staff which often out performs public provision. They are able to do so by channelling capital from literally hundreds of investors from around the world.'

Care Monitor, England

sponsored by civica

CQC ratings of care home providers for older people including dementia (by beds)

Rank	Δ April 2016	Provider	# homes	% good or outstanding	% not inspected
1	3	Sunrise Senior Living	24	92%	0%
2	1	Runwood Homes	60	88%	3%
3	-2	Excelcare	33	88%	0%
4	8	Avery Healthcare	52	83%	21%
5	1	Methodist Homes	82	83%	1%
6	2	Anchor	121	79%	8%
7	-5	Sanctuary Care	93	78%	0%
8	7	Care UK	110	78%	7%
9	New entry	Minster Care	56	76%	63%
10	3	Caring Homes	52	76%	4%
11	5	Bupa Care Homes	138	74%	9%
12	-2	Barchester Healthcare	165	72%	0%
13	5	Shaw healthcare	41	71%	0%
14	-5	Orders of St John Care Trust	70	71%	3%
15	-4	Maria Mallaband & Countrywide	74	65%	15%
16	-9	HC-One	275	64%	17%
17	-3	Four Seasons Health Care	224	64%	3%
18	2	Larchwood Care	50	56%	0%
19	-2	Orchard Care Homes	49	50%	6%
20	New entry	Akari Care	36	43%	3%

CQC ratings of nursing care home providers for older people including dementia (by beds)

Rank	Δ April 2016	Provider	# homes	% good or outstanding	% not inspected
1	New entry	Gracewell Healthcare	18	100%	22%
2	4	Sunrise Senior Living	14	86%	0%
3	-2	Excelcare	18	83%	0%
4	0	Methodist Homes	33	82%	0%
5	6	Care UK	91	80%	9%
6	10	Caring Homes	43	76%	5%
7	8	Bupa Care Homes	131	74%	9%
8	1	Sanctuary Care	43	72%	0%
9	4	Avery Healthcare	28	71%	25%
10	2	Shaw healthcare	24	71%	0%
11	-4	Barchester Healthcare	142	70%	0%
12	-9	HC-One	191	63%	22%
13	-11	Orders of St John Care Trust	30	62%	3%
14	5	Larchwood Care	21	62%	0%
15	-1	Four Seasons Health Care	175	60%	3%
16	New entry	Healthcare Homes	18	59%	6%
17	-9	Maria Mallaband & Countrywide	60	56%	17%
18	-8	Bondcare	19	42%	37%
19	-1	Priory	27	41%	0%
20	-15	Akari Care	23	35%	0%

CQC ratings of residential care home providers for older people including dementia (by beds)

Rank	Δ April 2016	Provider	# homes	% good or outstanding	% not inspected
1	0	Sunrise Senior Living	10	100%	0%
2	2	Somerset Care	21	95%	0%
3	8	Avery Healthcare	24	95%	17%
4	6	Quantum Care	26	92%	4%
5	12	B & M Care	25	91%	8%
6	-1	Runwood Homes	52	87%	0%
7	2	Abbeyfield Society	56	85%	5%
8	-5	Sanctuary Care	50	84%	0%
9	-2	Methodist Homes	49	83%	2%
10	-2	Barchester Healthcare	23	83%	0%
11	1	Anchor	121	81%	8%
12	1	Orders of St John Care Trust	40	79%	3%
13	1	Four Seasons Health Care	49	77%	0%
14	5	Care UK	19	73%	0%
15	0	Minster Care	42	71%	67%
16	New entry	Shaw healthcare	17	68%	0%
17	-11	HC-One	84	64%	6%
18	-2	Orchard Care Homes	30	63%	10%
19	1	Larchwood Care	29	52%	0%
20	New entry	Ideal CareHomes	17	31%	6%

Care Monitor, England

LaingBuisson Healthcare intelligence

sponsored by civica Transforming the way you work

CQC ratings of adult specialist care home providers (by beds) [1]

Rank	Δ April 2016	Provider	# homes	% good or outstanding	% not inspected
1	New entry	Elysium Healthcare	18	100%	11%
2	7	Care Management Group	60	96%	5%
3	2	Caring Homes	55	96%	0%
4	-3	Voyage Care	255	95%	1%
5	-1	Mencap	82	95%	7%
6	-3	The Disabilities Trust	36	94%	0%
7	4	Regard	66	94%	2%
8	New entry	Pathways Care	43	93%	0%
9	-3	Lifeways	79	92%	20%
10	-3	Choice Care	59	91%	22%
11	-9	Hft	39	89%	3%
12	2	Allied Care	38	87%	0%
13	-3	PrimeLife	29	86%	0%
14	-2	Exemplar Health Care	26	86%	19%
15	New entry	Cygnet Health Care	37	86%	24%
16	New entry	Healthcotes	47	86%	26%
17	-1	CareTech Community Services	131	85%	0%
18	-3	Priory (fka Craegmoor)	202	85%	5%
19	-2	Leonard Cheshire Disability	82	79%	0%
20	-2	Sussex Health Care	14	62%	7%

CQC ratings of homecare providers (by revenue)

Rank	Provider	% good or outstanding	% not inspected
1	Alternative Futures	100%	25%
=	Dimensions	100%	14%
=	Helping Hands	100%	73%
=	Mencap	100%	9%
=	Creative Support	98%	21%
6	Homeinstead Senior Living	96%	18%
7	Bluebird Care	94%	14%
8	Turning Point	93%	17%
9	Voyage Care	92%	5%
10	Community Integrated Care	89%	18%
11	Lifeways	88%	7%
12	Allied Healthcare	79%	8%
13	Mears Care	76%	22%
14	Sevacare	76%	15%
15	City & County Healthcare	76%	13%
16	Carewatch Care Services	71%	19%
17	Westminster Homecare	67%	14%
18	MC Care (fka MiHomecare)	38%	20%
19	Age UK	33%	0%
20	Clece Care Services	0%	50%

NOTES 1 INCLUDES ADULTS UNDER 65, BRAIN INJURY REHABILITATION, EATING DISORDERS, LEARNING DISABILITIES, MENTAL HEALTH, PHYSICALLY DISABILITIES, SENSORY IMPAIRMENT AND SUBSTANCE MISUSE

SOURCE LAINGBUISSON'S CARE MONITOR **DATA CORRECT AS OF 1 FEBRUARY 2018**

Mastering an objective view in a sea of subjectivity

Private equity companies recognise that quality of care is fundamental to building the long term value of the companies they back.

However, there are at present no internally or externally produced quality indicators which enable service users and public sector commissioners easily to compare quality across providers in any of the healthcare markets. Moves to standardise the reporting of quality accounts or annual reports of quality by providers, should help to improve the transparency of quality between different types of providers and help drive commissioning on the basis of quality and outcomes. Private equity investors have argued that the Government, as part of its NHS information strategy, should ensure that the reporting of clinical outcomes data is easily comparable at provider level.

To fill this void, last year LaingBuisson launched a new consumer-facing website supported by leading charities and trade associations which enables users to better understand who are the best long term care providers, and in due course it will be expanded to homecare, extra care and hospital care.

In an age where we are becoming increasingly reliant on online consumer feedback to make life-changing decisions, knowing what advice to heed or disregard can be difficult. But how would you go about finding a care home that caters for both the health and social needs of the individual concerned and has a reputation and quality mark you can trust?

By providing an alternative to the 'Tripadvisor-style' websites and taking a more objective approach, a new online portal developed by LaingBuisson is aiming to do just that. Carehomeadvisor.com enables consumers to find independent, impartial and up-to-date information on every registered care home in the UK, whether residential or nursing-led.

Emma Challans, who is consumer champion and ambassador for Care Home Advisor (CHA), came up with the idea for the portal and teamed up with LaingBuisson in 2016 to make her idea a reality. She said: 'By working with LaingBuisson that idea - or dream if you like - is starting to come to fruition in an even more advanced way than I originally imagined'.'Together we identified a unique opportunity that will add value to the consumer, the commissioners and the providers.'

Rejecting the Trip Advisor-style model of providing direct consumer feedback, together Miss Challans and LaingBuisson agreed that a more objective approach was needed when it comes to helping people make informed life decisions. Consumer feedback needs to be moderated, and perceptions of care are often subjective, influenced by how polite staff have been or the quality of food rather than an informed understanding about the quality of care.

In contrast, CHA aggregates quality performance data on individual care homes in real-time via Application Program Interfaces or APIs from independent sources that include The Care Quality Commission (CQC), the Food Standards Agency (FSA), NHS Choices and the independent consumer satisfaction survey Your Care Rating (YCR), which is run by Ipsos MORI.

LaingBuisson then combine that information with data from its own proprietary survey data and each care home is awarded a unique quality star rating and score out of 100. Miss Challans, who has worked in health and care for over 15 years and is currently deputy COO at a large NHS foundation trust, sees this as a distinguishing feature compared to other care home information providers.

She said: 'This information has been through a robust governance framework of auditing comments and feedback from consumers. It means the information sourced has been validated for accuracy and relevance.'

She added: 'The added value of that, is it's about giving the consumer, commissioners and providers an insight into the quality of a care home and the service being delivered. 'For example, if I was a member of the public looking for a care home for a family member, I could look at what the latest CQC and FSA ratings were combined with objective consumer insight and this might help me to decide which care home I choose.'

LaingBuisson is continually refining the key performance indicators. Something that could trigger a negative outcome might be, for example, if a care home doesn't have a registered home manager.

LaingBuisson CEO Henry Elphick said they wanted to develop a service that was in keeping with the company's reputation for the provision of authoritative market intelligence and data. He said: 'We wanted to develop something that was as arms-length and as objective as possible and that approach has meant we are getting broad support from organisations such as Age UK, Independent Age, Saga, Your Care Rating, Care England and the National Care Forum as well as the larger providers, many of whom such as Four Seasons and HC-One, are private equity owned.'

'What we are trying to do is pull data from multiple sources in real time, and build an algorithm based on all the data available to us, to give as objective and impartial a view on whether a care home is any good or not.' 'We're often told that the most efficient markets are transparent markets, and the purpose of this is to make the provision of elderly care as transparent as possible for the consumer.'

Maintaining independence means that unlike other care home information websites, on CHA there will be no front page advertising. Objectivity is also important - although care homes will be able to upload specific types of information, such as photographs of refurbishments or menus, they will have no means of changing their performance ratings or even the name and address of the facility. Indeed, their performance ratings are updated in 'real time.' So, for example, if a care home's FSA score drops from five to one or vice versa, it will appear on the CHA website at the same moment as it appears on the FSA website. As part of the process of improving quality of care, while it is important to give patients or family members the opportunity to comment on their experience of care homes, there are pitfalls to providing unverified consumer feedback in certain circumstances, Miss Challans said.

She said: 'You have to be very careful about how information is presented and you have to ask what added value it brings. 'CHA is not about naming and shaming - it's about improving quality across care homes'. 'It's about giving consumers, commissioners and providers the opportunity to gather independent, impartial, real time advice in relation to care homes, which is based on both consumer and business intelligence.'

She added: 'We've got some fantastic care homes. In the news all we hear about are how poor they are, but we don't celebrate the success stories.'

Taking the long view, she said she hoped CHA is the start of a greater movement across how the quality of care has the opportunity to improve through real time, objective consumer and business insight'. 'There's so much that can be done with it moving forward,' she said, 'and if it works and it's something that people want, the opportunities are considerable.

Emma Challans, ambassador
Carehomeadvisor.com

CMA focused on protecting the consumer

On 2 December 2016 the CMA launched a UK-wide market study into care homes (including nursing homes) for the elderly to examine how well the market is working, including whether care home providers are treating residents and their representatives fairly.

Responses were received from a number of organisations - see column one of the table.

On 1 June 2017, the CMA confirmed they would not be making a market investigation reference, and on 14 June 2017 they published an update paper on their care homes market study setting out the findings and future focus and possible recommendations.

Included was a detailed market feedback study conducted by Ipsos MORI and a financial analysis paper. This resulted in more responses from the industry - see column two of the table.

Problem solving

The CMA identified two broad areas where they found problems in the market:

1. Those requiring care need greater support in choosing a care home and greater protections when they are residents.

2. The current model of service provision cannot be sustained without additional public funding; the parts of the industry that supply primarily local authority1 (LA)-funded residents are unlikely to be sustainable at the current rates LAs pay. Significant reforms are needed to enable the sector to grow to meet the expected substantial increase in care needs.

Commenting further in regard to what measures could be introduced to resolve these matters the CMA report made three comments:

- Enhanced planning at local level, so LAs can make accurate and meaningful forecasts of future needs, and plan how best to meet them

- Oversight of LAs' commissioning practices to ensure LAs are supported in drawing up their plans, and that these plans are drawn up and carried out

- There is greater assurance at national level about future funding levels, by establishing evidence-based funding principles, in order to provide confidence to investors

Responses to the CMA investigation

Organisation	Dec 2016	June 2017
ADASS and LGA	√	√
Age UK	√	√
Alzheimer's Society	√	
Anthony Collins Solicitors		√
Avery Healthcare Group		√
Barchester Healthcare	√	√
Brighterkind		√
Bupa	√	√
Care and Social Services Inspectorate Wales		√
Care England	√	√
Care Forum Wales	√	
Care Inspectorate	√	√
Care Provider Alliance		√
Care Quality Commission	√	√
Care UK	√	
Citizens Advice	√	√
College Fields Nursing Home		√
Commissioner for Older People NI		√
Consumer Codes Approval Board		√
COSLA	√	
Four Seasons Healthcare	√	√
Hampshire Trading Standards Service		√
HC-One		√
Healthwatch Lincolnshire	√	
Home of Comfort		√
Independent Age		√
Lancashire Care Association	√	√
Later Life Ambitions		√
Local Government and Social Care Ombudsman		√
Methodist Homes Association	√	√
National Care Association	√	
National Care Forum		√
NI Health and Social Care Board		√
Orders of St John Care Trust	√	
Pinders		√
Priory Group	√	
Relatives and Residents Association		√
Scotland Excel	√	
Scottish Care	√	√
Society of Chief Officers of Trading Standards in Scotland		√
Which?		√
Your Voice Matters	√	√

When private equity goes public

Private equity has been instrumental in building some of the leading healthcare providers in the UK and Europe. The "circle of life" for many of these companies has been consolidation with leverage, a sale to a larger PE fund with more consolidation and leverage and then either a public market exit (Cambian, Attendo, Spire), a sale to a public company (Alliance Medical, Priory, Partnerships In Care, Cygnet) or occasionally a restructuring (Southern Cross, Four Seasons and Alliance Medical).

The table below highlights seven M&A transactions over the last ten years in the UK market. Every one with the exception of UHS/Cygnet, has had private equity involvement.

Netcare acquired General Healthcare Group with Apax, Apax was the seller of Capio UK, Partnerships In Care was sold by Cinven, Priory was sold by Advent International, Alliance Medical was a restructured DIC deal that M&G sold out of, and Cambian's largest shareholder is still GI Partners.

Add to the list the IPO of Spire (backed by Cinven) and the recent acquisition of Elysium Healthcare by BC Partners (who also owned GHG and PiC in the past), and of course the Blackstone roll up and IPO of Southern Cross, and private equity's contribution to shaping the UK market has been significant.

Today, NMC, Mediclinic and Spire are three acute hospital providers listed on the London Stock Exchange, and 2 of them are very international in their profile. Equally, investors can also invest directly in international companies with a significant presence in the UK (Ramsay, HCA, Acadia, UHS, Tenet).

In an age when nation states seem intent on building walls, business is increasingly looking outwards, crossing continents to build scale and bigger brands. Investment in IT and streamlined procurement processes means providers operating across multiple geographies can now benefit from buying in bulk and that, in turn, is starting to deliver bottom line growth.

LaingBuisson
Healthcare intelligence

Deals which changed the market

Date	Acquirer	Target	Enterprise Value (£m)	EBITDA multiple
Apr 2006	Netcare	General Healthcare Group	2,200	13.4
Nov 2007	Ramsay Health Care	Capio	193	6.9
Jun 2014	Acadia	Partnerships in Care	395	8.9
Sept 2014	UHS	Cygnet Health	205	8.6
Jan 2016	Acadia	Priory Group	1,510	11.3
Nov 2016	Life	Alliance	760 - 800	12.7-13.3
Dec 2016	UHS/Cygnet	Cambian Adult Services Business	377	15.6

SOURCE LAINGBUISSON DATABASE

Life Healthcare

Operates private hospitals, primary care, occupational therapy and long term care facilities. Entered the diagnostics market with the acquisition of Alliance Medical in 2016.

Geographies	India, South Africa, Poland, UK
CEO	Pieter Phillipus van der Westhuizen
Revenue (2016) ZAR	20,967m
EBITDA	4,193m
Market Cap	37,242m
Dividend	92.00
Yield (%)	4.8

Alliance Medical – Intelligent imaging

UK Alliance Medical provides diagnostic and molecular imaging services to private and public healthcare systems in the UK, Ireland, Italy, Spain and Northern Europe.

CEO	Guy Blomfield
Revenue (2016) GB£	219m
EBITDA (2016)	60m
Market Cap	n/a
Dividend	n/a
Yield (%)	n/a

UHS – Universal Health Services, Inc

One of the largest behavioural healthcare providers in the US, UHS operates acute care hospitals, behavioural health centres, surgical hospitals, ambulatory surgery centres and radiation oncology centres.

Geographies	US, Puerto Rico, US Virgin Islands, UK
CEO	Alan Miller
Revenue (2016) US$	9,766m
EBITDA	1,588m
Market Cap	10,774m
Dividend	0.10
Yield (%)	0.34

Cygnet Health Care

Cygnet Health operates 47 facilities with more than 1,700 beds, including 19 mental health hospitals and two registered nursing homes providing long term and respite care for private fee-paying elderly residents. Acquired Cambian's adult care business for £377m at the end of 2016.

CEO	Tony Romero
Revenue (2016) GB£	179m
EBITDA (2015)	40m
Market Cap	n/a
Dividend	n/a
Yield (%)	n/a

Ramsay Health Care (Australia)

Global hospital group owning and operating a comprehensive range of healthcare facilities.

Geographies	Australia, France, Indonesia, Malaysia, UK
CEO	Craig Ralph McNally
Revenue (2017) AUS$	8,705m
EBITDA	1,230m
Market Cap	13,950m
Dividend	00.72
Yield (%)	2.2

Ramsay Health Care (UK)

Ramsay Health Care UK operates 30 independent hospitals and around 900 beds providing treatment to both NHS and private patients.

CEO	Andrew Jones
Revenue (2016) GB£	422m
EBITDA (2016)	51m
Market Cap	n/a
Dividend	n/a
Yield (%)	n/a

HCA – Hospital Corporation of America™

Owns and operates approximately 169 hospitals and approximately 116 freestanding surgery centres.

Geographies	United States, UK
CEO	R Milton Johnson
Revenue (2016) US$	3,968m
EBITDA	7,820m
Market Cap	30,080m
Dividend	n/a
Yield (%)	n/a

MEDICLINIC INTERNATIONAL

Operates private hospitals and, after an abortive bid last year, holds a 29.9% stake in UK hospital operator Spire Healthcare.

Geographies	South Africa, Namibia, Switzerland, UAE
CEO	Danie Meintjes
Revenue (2016) GB£	2,107m
EBITDA	493m
Market Cap	4,140m
Dividend	3.20
Yield (%)	1.26

Spire Healthcare

Spire Healthcare is listed on the London Stock Exchange and operates 39 independent hospitals with 1,869 beds across the UK.

CEO	Justin Ash
Revenue (2016) GB£	926m
EBITDA	171m
Market Cap	n/a
Dividend	n/a
Yield (%)	n/a

NETCARE

You're in safe hands

Operates private hospitals and emergency services through its subsidiaries. Also operates primary care facilities and trains medical professionals.

Geographies	South Africa, UK
CEO	Richard Friedland
Revenue (2016) ZAR	34,125m
EBITDA	5,539m
Market Cap	33,275m
Dividend	57.00
Yield (%)	4.36

BMI Healthcare

General Healthcare Group through its subsidiary BMI Healthcare Ltd operates 56 hospitals with around 2,600 beds in the UK treating a mix of private and publicly funded patients.

CEO	Karen Prins
Revenue (2016) GB£	896m
EBITDA (2016)	69m
Market Cap	n/a
Dividend	n/a
Yield (%)	n/a

HCA

Owns and operates 10 private hospitals with around 790 beds primarily in central London. Unlike the other major private hospital groups, HCA does very little NHS work outside of its partnerships with NHS PPUs.

CEO	Michael Neeb
Revenue (2016) GB£	698m
EBITDA	n/a
Market Cap	n/a
Dividend	n/a
Yield (%)	n/a

ACADIA HEALTHCARE

Provider of behavioural healthcare services, including inpatient psychiatric facilities, residential treatment centres, group homes, substance abuse facilities and facilities providing outpatient behavioural healthcare services.

Geographies	US, Puerto Rico, UK
CEO	Joey Jacobs
Revenue (2016) US$	1,794m
EBITDA	405m
Market Cap	3,359m
Dividend	n/a
Yield (%)	n/a

PRIORY GROUP OF COMPANIES

Partnerships in Care

Where better comes together

Acadia's two UK operating companies Priory Group and Partnerships in Care (PiC) merged in December 2016 and subsequently sold 22 hospitals as Elysium to BC Partners. The enlarged Priory Group operates 257 facilities including mental health and learning disability homes and acute mental health hospitals with over 4,500 beds.

CEO	Trevor Torrington
Revenue (2016) GB£	Priory Group 571m PiC 236m
EBITDA	n/a
Market Cap	n/a
Dividend	n/a
Yield (%)	n/a

Sweden-based healthcare provider operating hospitals, primary care and specialist clinics in collaboration with public healthcare.

Geographies	Sweden, Norway, France, Germany
CEO	Thomas Bergland
Revenue (2016) **SEK**	14,069m
EBITDA	1,070m
Market Cap	6,571m
Dividend	n/a
Yield (%)	n/a

GEORGIA HEALTHCARE GROUP

Operates in two segments: healthcare services and medical insurance. The former includes inpatient and outpatient medical services. Recently acquired pharmacy firm ABC.

Geographies	Georgia
CEO	Nikoloz Gamkrelidze
Revenue (2016) **GB£**	433m
EBITDA	23m
Market Cap	454m
Dividend	n/a
Yield (%)	n/a

MOTHER & CHILD GROUP OF COMPANIES

Specialising in healthcare for women and children, MD Medical Group, which operates the Mother and Child chain of clinics, has 31 medical including four hospitals and 27 outpatient clinics.

Geographies	Russia
CEO	Mark Kurtser
Revenue (2016) **RUB**	12,179m
EBITDA	3,670m
Market Cap	44,186m
Dividend	n/a
Yield (%)	n/a

FRESENIUS

World leading global healthcare company operating private hospitals, dialysis, drugs, medical devices and healthcare facilities management.

Geographies	Europe, Asia-Pacific, North America, Latin America, Africa
CEO	Stephan Sturm
Revenue (2015) **EU€**	27,995m
EBITDA	5,125m
Market Cap	40,876m
Dividend	0.55
Yield (%)	0.74

IDH INTEGRATED DIAGNOSTICS HOLDINGS

Provides a full range of diagnostic services ranging from basic to molecular tests. Also offers immunology and radiology services.

Geographies	Egypt, Sudan, Jordan
CEO	Hend El Sherbini
Revenue (2016) **US$**	1,171m
EBITDA	30m
Market Cap	645m
Dividend	0.28
Yield (%)	6.03

nmc healthcare

NMC Health operates through two segments: healthcare and distribution & services. The healthcare provides diagnostic services and operates hospitals, day surgery centres and pharmacies. Distribution includes pharmaceutical goods and medical equipment.

Geographies	UAE, Spain
CEO	Prasanth Manghat
Revenue (2016) **US$**	1,221m
EBITDA	300m
Market Cap	3,350m
Dividend	0.28
Yield (%)	0.42

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CareMarkets **Index**

February 2018

Company	Sub Sector	Ticker	Stock Exch.	Local Currency: Share price	Local Currency: Market Cap (m)	Technical: % of 52-wk high	Technical: YTD (%)	TTM Fundamentals (GBP m): Market Cap	Net Debt	EV	Sales	EBITDA	EBITDA margin	Net Debt/ EBITDA	Valuation: EV/ Sales	EV/ EBITDA	PE Ratio
Acadia Healthcare	Mental Health	ACHC	NMS	$33.2	$2,917	61.1%	1.7%	2,223	2,436	4,659	2,159	438	20.3%	5.6x	2.2x	10.6x	339.2x
Ambea	Elderly Care	AMBEA.ST	STO	82 kr	5,524 kr	78.4%	10.8%	513	181	693	502	38	7.6%	4.7x	1.4x	18.2x	62.8x
Attendo	Elderly Care	ATT.ST	STO	86 kr	13,808 kr	78.1%	-1.9%	1,281	269	1,550	985	114	11.5%	2.4x	1.6x	13.6x	19.8x
Cambian Group	Children's Services	CMBN.L	LSE	184p	£339	77.6%	-6.2%	339	Cash	217	798	78	9.7%	Cash	0.3x	2.8x	-7.7x
Capita	Outsourcing	CPI.L	LSE	366p	£2,440	50.7%	-8.8%	2,440	1,632	4,071	4,607	515	11.2%	3.2x	0.9x	7.9x	-21.7x
CareTech Holdings	Specialist Care	CTH.L	LSE	429p	£324	93.1%	-0.2%	324	123	447	157	N/A	23.3%	3.3x	2.8x	12.2x	16.5x
Humana AB	Elderly Care	HUM.ST	STO	58 kr	3,061 kr	71.8%	4.7%	284	145	429	620	36	5.8%	4.0x	0.7x	11.9x	14.3x
Korian	Elderly Care	KORI.PA	PAR	€ 27	€ 2,194	85.2%	-7.1%	1,967	2,124	4,091	2,735	378	13.8%	5.6x	1.5x	10.8x	16.0x
Le Nobel Age	Elderly Care	LNA.PA	PAR	€ 56	€ 545	81.8%	-4.8%	488	54	542	445	49	10.9%	1.1x	1.2x	11.2x	22.7x
Maternus-Kliniken	Elderly Care	MAK.F	FRA	€ 2	€ 46	86.6%	0.0%	41	(1)	41	113	10	8.8%	Cash	0.4x	4.1x	33.0x
Mears Group	Homecare	MER.L	LSE	347p	£357	64.3%	-15.3%	357	(64)	293	940	48	5.1%	Cash	0.3x	6.1x	16.6x
McCarthy & Stone	Retirement	MCS.L	LSE	145p	£779	72.6%	-8.1%	779	28	807	624	93	14.8%	0.3x	1.3x	8.7x	11.3x
Orpea	Elderly Care	ORP.PA	PAR	€ 102	€ 6,150	94.6%	3.4%	5,513	3,957	9,470	2,677	477	17.8%	8.3x	3.5x	19.9x	44.2x
Serco	Outsourcing	SRP.L	LSE	98p	£1,080	65.7%	-0.6%	1,080	195	1,275	3,026	63	2.1%	3.1x	0.4x	20.1x	-19.4x
Universal Health Services	Mental Health	UHS	NYQ	$117.3	$10,489	90.4%	2.8%	7,994	3,086	11,080	7,706	1,304	16.9%	2.4x	1.4x	8.5x	14.6x
Median						78.1%	-0.6%	779	188	807	940	85	11.2%	3.3x	1.3x	10.8x	16.5x
Mean						76.8%	-2.0%	1,708	1,012	2,644	1,873	260	12.0%	3.7x	1.3x	11.1x	37.5x
OTHER																	
Civitas Social Housing	Specialist Care Real Estate	CSH.L	LSE	110p	£384	99.3%	-0.3%	384	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dignity	Funeral Services	DTY.L	LSE	970p	£484	34.8%	-46.7%	484	521	1,005	325	118	36.4%	4.4x	3.1x	8.5x	8.0x
Health Italia	Financial Services	HI.MI	MIL	€ 110	€ 289	99.3%	-0.3%	0	0	0	0	0	0.0%	0.0x	0.0x	4.0x	64.2x
Impact Healthcare REIT	Elderly Care Real Estate	IHR.L	LSE	106p	£170	100.0%	0.2%	170	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Target Healthcare REIT	Elderly Care Real Estate	THRL.L	LSE	114p	£286	98.7%	0.0%	286	29	315	23	18	79.1%	1.6x	13.7x	17.3x	14.9x
Median						99.3%	-0.3%	286	29	315	23	18	36.4%	1.6x	3.1x	8.5x	14.9x
Mean						86.4%	-9.4%	265	183	440.0	116.1	45.5	38.5%	2.0x	5.6x	9.9x	29.0x
MARKET INDEX																	
FTSE 250		**^FTmc**	**FGI**	**20,646.6**		**98.4%**	**0%**										
FTSE 100		**^FTSE**	**FSI**	**7,731.0**		**99.2%**	**1%**										

NOTES TTM TRAILING TWELVE MONTHS **EBITDA** EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTISATION **YTD** YIELD TO DATE
PE CURRENT SHARE PRICE DIVIDED BY ITS PER-SHARE EARNINGS **PEG** PRICE/EARNINGS TO GROWTH RATIO
DATA CORRECT AS OF 1 FEBRUARY 2018

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HealthcareMarkets **Index**

February 2018

Company	Sub Sector	Ticker	Stock Exch.	Local Currency: Share price	Local Currency: Market Cap (m)	Technical: % of 52-wk high	Technical: YTD (%)	TTM Fundamentals (GBP m): Market Cap	Net Debt	EV	Sales	EBITDA	EBITDA margin	Net Debt/ EBITDA	Valuation: EV/ Sales	EV/ EBITDA	PE Ratio
Capio	Hospitals	CAPIO.ST	STO	46.6 kr	6,571.0 kr	87.4%	5.8%	587	336	923	1,338	96	7.1%	3.5x	0.7x	9.7x	21.4x
Craneware	HCIT	CRW.L	LSE	1,780p	£479.9	94.4%	21.5%	480	Cash	442	41	12	29.8%	Cash	10.6x	49.9x	49.2x
Dedicare AB	Staffing	DEDI.ST	STO	112.4 kr	791.6 kr	68.3%	15.9%	71	Cash	64	70	8	11.3%	Cash	0.9x	8.1x	13.0x
EMIS	HCIT	EMIS.L	LSE	780p	£493.8	75.4%	-22.8%	494	Cash	483	159	42	26.1%	Cash	3.0x	11.6x	27.4x
Feelgood Svenska AB	Occupational Health	FEEL.ST	STO	3.4 kr	348.7 kr	68.8%	13.3%	31	4	36	59	3	4.8%	1.5x	0.6x	12.4x	1.4x
Fresenius Medical Care	Ambulatory Clinics	FME.DE	GER	€ 91.4	€ 28,075.3	98.8%	4.1%	24,674	6,094	30,768	15,934	2,928	18.4%	2.1x	1.9x	10.5x	22.0x
Fresenius SE & Co	Hospitals	FRE.DE	GER	€ 69.4	€ 38,401.8	86.6%	6.6%	33,749	15,841	49,590	28,939	5,323	18.4%	3.0x	1.7x	9.3x	22.0x
Georgia Healthcare Group	Hospitals	GHG.L	LSE	345p	£454.3	85.5%	-2.8%	454	80	534	191	23	11.8%	3.6x	2.8x	23.7x	60.8x
GHP Specialty Care AB	Hospitals	GHP.ST	STO	9.0 kr	616.6 kr	61.8%	-0.8%	55	(2)	53	87	3	3.6%	N/M	0.6x	17.1x	149.3x
Integrated Diagnostics Holdings	Diagniostics	IDHC.L	LSE	$464.5	$69,675.0	88.1%	-0.1%	50,007	Cash	49,997	11	3	22.8%	Cash	4,486.5x	19,636.8x	6,006.5x
Luz Saúde	Hospitals	LUZ.LS	LIS	€ 2.9	€ 277.1	85.3%	-4.9%	244	230	473	404	44	11.0%	5.2x	1.2x	10.7x	17.1x
Medica Group	Diagniostics	MGP.L	LSE	160p	£178.0	66.2%	-22.4%	178	9	186	30	9	30.7%	0.9x	6.2x	20.3x	80.9x
Mediclinic International	Hospitals	MDC.L	LSE	626p	£4,615.1	70.3%	-3.6%	4,615	1,692	6,307	2,871	493	17.2%	3.4x	2.2x	12.8x	66.9x
Medicover AB	Hospitals	MCOV-B.ST	STO	70.9 kr	3,649.2 kr	99.9%	12.5%	326	7	333	485	46	9.6%	0.1x	0.7x	7.2x	29.4x
NMC Health	Hospitals	NMC.L	LSE	3,380p	£6,904.9	95.5%	17.2%	6,905	754	7,658	1,017	215	21.2%	3.5x	7.5x	35.5x	60.8x
Pihlajalinna Oyj	Hospitals	PIHLIS.HE	HEL	€ 15.0	€ 309.2	82.3%	12.4%	272	31	303	369	29	8.0%	1.1x	0.8x	10.3x	32.9x
Ramsay Health Care	Hospitals	RHC.AX	ASX	$69.0	$13,949.7	90.6%	-1.6%	8,024	1,304	9,328	5,007	708	14.1%	1.8x	1.9x	13.2x	29.3x
Rhoen-Klinikum	Hospitals	RHK.SG	STU	€ 31.0	€ 2,075.8	99.2%	3.4%	1,824	Cash	1,577	1,171	91	7.8%	Cash	1.3x	17.4x	1,297.4x
Spire Healthcare Group	Hospitals	SPI.L	LSE	254p	£1,019.5	70.2%	0.2%	1,020	432	1,451	938	159	16.9%	2.7x	1.5x	9.1x	37.8x
UDG Healthcare	Pharma Services	UDG.L	LSE	801p	£1,989.1	83.2%	-4.8%	1,989	48	2,037	1,072	132	12.3%	0.4x	1.9x	15.5x	31.5x
MEDIAN						85.4%	1.8%	540	230	729	444	45	13.2%	0.4x	1.8x	12.6x	32.2x
MEAN						82.9%	2.5%	6,800	1,791	8,127	3,010	518	15.1%	2.3x	226.7x	997.0x	402.8x
OTHER																	
Assura	Primary Care Real Estate	AGR.L	LSE	61.6p	1018.6p	91.5%	-3.7%	1,019	565	1,583	76	66	86.9%	8.5x	20.8x	23.9x	8.0x
CVS Group	Vet	CVSG.L	LSE	1,177.6p	752.6p	78.5%	13.1%	753	84	837	272	39	14.4%	2.1x	3.1x	21.3x	64.9x
Dignity	Funeral Services	DTY.L	LSE	929.0p	463.9p	33.3%	-49.0%	464	521	984	325	118	36.4%	4.4x	3.0x	8.3x	7.6x
Health Italia	Financial Servives	HI.MI	MIL	€ 4.9	€ 277.6	85.6%	-6.2%	244	Cash	244	19	4	21.0%	Cash	13.0x	61.6x	126.2x
Primary Health Properties	Primary Care Real Estate	PHP.L	LSE	116.9p	699.6p	102.4%	2.2%	700	706	1,405	70	62	87.7%	11.5x	20.0x	22.8x	11.2x
MEDIAN						85.6%	-3.7%	700	543	984	76	62	36.4%	6.5x	13.0x	22.8x	11.2x
MEAN						78.3%	-8.7%	636	469	1,011	152	58	49.3%	6.6x	12.0x	27.6x	43.6x
MARKET INDEX																	
	FTSE 250	**^FTmc**	**FGI**	**20,591.7**		**98.1%**	**-0.6%**										
	FTSE 100	**^FTSE**	**FGI**	**7,650.1**		**98.2%**	**-0.5%**										

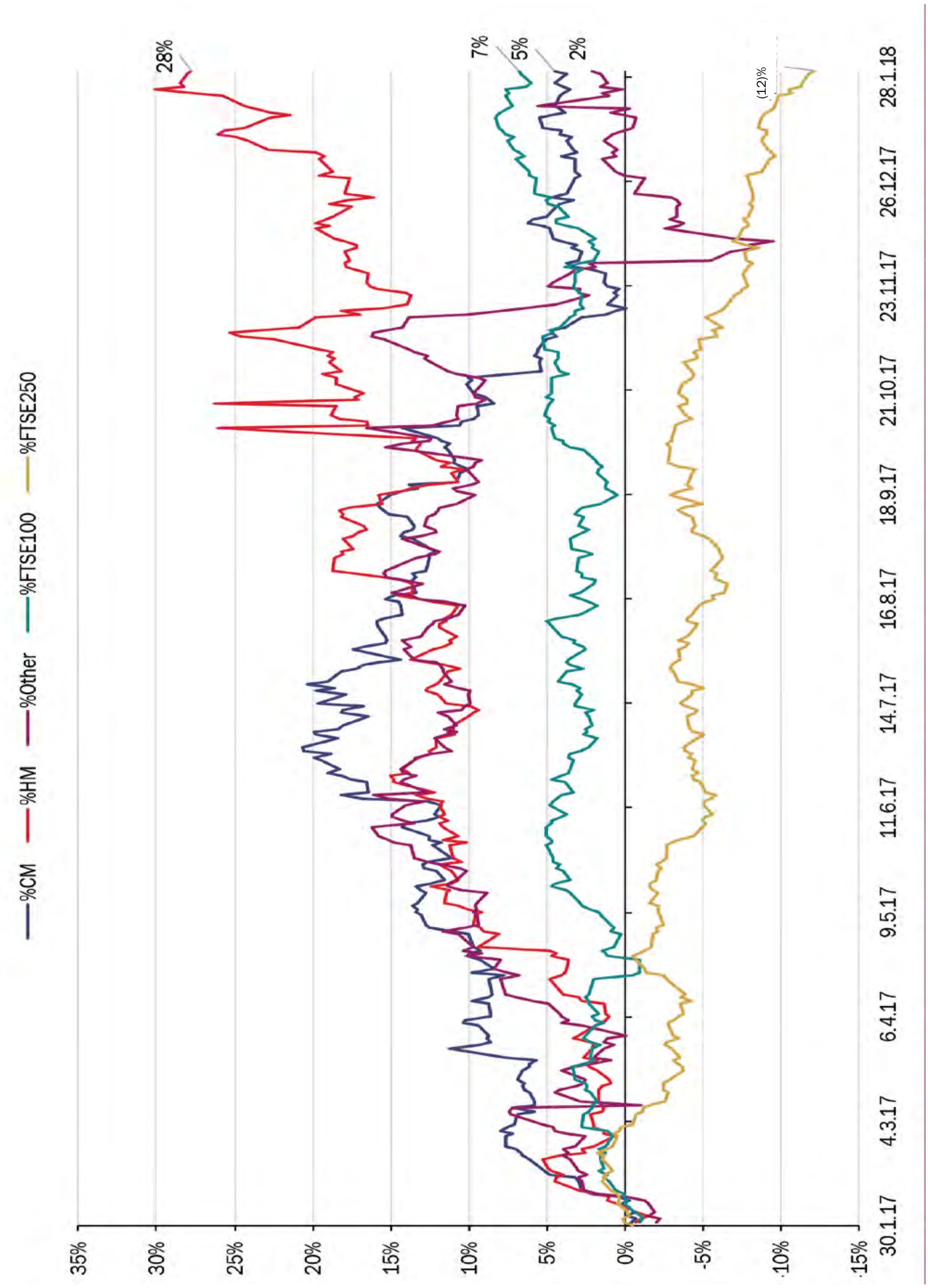
NOTES

TTM TRAILING TWELVE MONTHS **EBITDA** EARNINGS BEFORE INTEREST, DEPRECIATION AND AMORTISATION
YTD YIELD TO DATE **PE** CURRENT SHARE PRICE DIVIDED BY ITS PER-SHARE EARNINGS **PEG** PRICE/EARNINGS TO GROWTH RATIO

DATA CORRECT AS OF 1 FEBRUARY 2018

Health and Care returns against FTSE

February 2018



CM CareMarkets ACADIA HEALTHCARE, AMBEA, ATTENDO, CAMBIAN GROUP, CAPITA, CARETECH HOLDINGS, KORIAN, LE NOBEL AGE, MEARS GROUP, ORPEA, SERCO, UNIVERSAL HEALTH SERVICES, MCCARTHY & STONE, HUMANA AB, MATERNUS-KLINIKEN

HM HealthcareMarkets CAPIO, CRANEWARE, EMIS, GEORGIA HEALTHCARE GROUP, INTEGRATED DIAGNOSTICS HOLDINGS, MEDICA GROUP, MEDICLINIC INTERNATIONAL, MEDICOVER AB, NMC HEALTH, RAMSAY HEALTH CARE, RHOEN-KLINIKUM, SPIRE HEALTHCARE GROUP, UDG HEALTHCARE, DEDICARE AB, GHP SPECIALTY CARE AB, PIHLAJALINNA OYJ, LUZ SAÚDE, FEELGOOD SVENSKA AB (EXCLUDING FRESENIUS MEDICAL CARE, FRESENIUS SE & CO)

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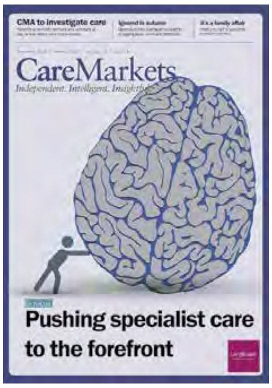
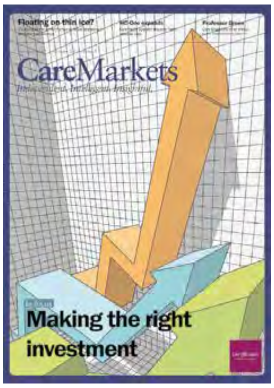
DATA CORRECT AS OF 1 FEBRUARY 2018





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Meet... Hedley Goldberg

A weak government, political uncertainty and imminent withdrawal from the world's largest trading block could make for an unsettling investment environment. But Hedley Goldberg, managing director and head of healthcare at Rothschild tells Healthcare Markets' **Maria Davies** that investor appetite for high quality assets will make 2018 a busy year in the UK healthcare sector

It's going to be a busy year for M&A activity in the healthcare sector, according to managing director and head of healthcare services at Rothschild Hedley Goldberg, when thinking about how 2018 is going to play out.

Goldberg started covering healthcare services at Rothschild in 2003 and in the last three years alone has completed more than 30 transactions in the sector, including high profile deals such as Bridgepoint's sale of Oasis to Bupa, the sale of Priory to US healthcare giant Acadia and the sale of Alliance Medical to Life Healthcare.

Goldberg says it was both the level of activity and the variety that attracted him to the healthcare market.

And there has been plenty of M&A activity across various sub-sectors over the last 12 to 18 months. In dentistry, there has been the acquisition of Oasis and of course Curaeos by EQT while Jacobs Holdings has bought Colosseum and Southern Dental, as well as assets in Switzerland and Italy. The mental health sector has seen continued consolidation, with the sale of Cambian's adult services to Universal Health Services and the emergence of a highly acquisitive new operator in Elysium.

Plus, there has been increased momentum in the imaging and lab markets, with Life Healthcare's acquisition of Alliance Medical and aggressive roll-ups by Unilabs and Synlab across Europe.

More consolidation

According to Goldberg, both dentistry and mental health are likely to see further activity this year as consolidation continues in what have been historically fragmented markets. Although many of the big transactions in these sectors have been done for the time being, he says there is still appetite, as well as room, for the roll-up of good quality assets.

I WOULD SAY APPETITE FOR HEALTHCARE IS VERY STRONG AND YOU'VE GOT MANY MORE KINDS OF BUYERS NOW

'We will see a high level of activity across healthcare this year,' he says. 'There are certain parts of the sector which are small or well consolidated but I think we will get M&A everywhere.'

Following the CMA review, Goldberg says major operators are more cautious about M&A in the hospital sector. However, despite already being well consolidated, he would not rule out further deals in the sector.

'I would say investment appetite for healthcare is very strong at the moment,' he tells HM. 'And you've got many more kinds of buyers now. Private equity is still there but we've also seen growing presence from trade and longer term capital funds.'

New investors

Many of the large-scale healthcare transactions in recent years have gone to trade buyers, particularly overseas operators looking for growth platforms in Europe. However, the recent emergence of infrastructure funds, such as AMP Capital which entered the UK market with its acquisition of specialist care provider Regard at the end of last year, is increasing the competition for larger healthcare assets.

'With the larger assets, in particular, it is difficult to achieve high levels of organic growth,' explains Goldberg. 'But infrastructure funds – and many long-term capital structure funds - have the right kind of capital for these assets. They're highly defensive, cash generative businesses but the organic growth is not double-digit and that suits long-term capital funds where the return criteria can be lower, provided the asset is of the top quality.'

'A lot of private equity have made good returns with these assets I just think a lot of these companies have got bigger and it's difficult to grow them at the same rate,' he says. 'As these companies get larger being able to double their size through M&A becomes more difficult. At the smaller end of the market, private equity is as active as it's always been.'

On the asset light side of the market, in areas such as vets and dentistry, private equity remains active and has been aggressively focused on roll-ups.

And, he adds, there are a growing number of targets for investors. 'Good assets sell well,' he says. 'People are looking for quality, so they need to provide good quality of care, have good CQC ratings, and strong management teams.'

However, provided these criteria are met, investor interest remains strong. And, according to Goldberg, this is driving strength in valuations as investors dig deep to buy up consolidation platforms on the asset light side and stable cash flow businesses on the asset-backed side of the market.

'Healthcare and the continued provision of healthcare is one of the biggest challenges for every country in the world,' he says. 'There is a significant demographic impact and the cost of medical care gets ever higher. Private capital should have a role everywhere to make sure that healthcare is delivered and that cost is contained. There is still strong overseas interest in the UK market from a combination of trade private equity buyers and alternative forms of capital. There is interest in healthcare across the board in global terms and the UK has always been one of the most active markets.

This interview was first published in the February 2018 edition of LaingBuisson's healthcare business journal Healthcare Markets.

To find out more visit www.laingbuissonnews.com

Meet... Hedley Goldberg

Career
Managing Director, Rothschild (June 2001 - present)
Merger & Acquisition Team, Baring Brothers (1998 - 2001)

Currently reading *The Goon Squad* by Jennifer Egan and *East West Street* by Philippe Sands
www.linkedin.com/in/hedley-goldberg-9a32b2/

LaingBuisson
Healthcare intelligence

Healthcare Private Equity Portfolios by Fund

Fund	Year	Name	Est Cost (£m)	Sector	Sub sector
Agilitas	2016	Exemplar Health Care	150	Healthcare Services	Specialist Care
Alchemy	2015	Orchard Care Homes		Healthcare Services	Elderly Care
AMP Capital	2017	Regard Partnership	365	Healthcare Services	Specialist Care
Antin Infrastructure	2017	Kisimul	260	Healthcare Services	Children's Services
Apax	2006	General Healthcare Group	2,200	Healthcare Services	Hospitals
Apposite Capital	2017	MiHomecare	1	Healthcare Services	Homecare
Apposite Capital	2016	Medical Imaging Partnership		Healthcare Services	Diagnostics
Apposite Capital	2017	Swanton Care & Community		Healthcare Services	Specialist Care
Ardian	2016	Envision Pharma		Healthcare Services	Pharma Services
August Equity	2012	Aspirations Care		Healthcare Services	Specialist Care
August Equity	2017	Genden Holdings		Healthcare Services	Dental
August Equity	2013	Sonnet Care Homes		Healthcare Services	Elderly Care
August Equity	2015	VetPartners		Healthcare Services	Vetinary
August Equity	2014	Westpoint Veterinary		Healthcare Services	Vetinary
Aurelius	2015	Allied Healthcare	19	Healthcare Services	Homecare
Aurelius	2016	The Hospital Group Healthcare		Healthcare Services	Cosmetic surgery
Aurelius	2015	Transform Cosmetic Surgery		Healthcare Services	Cosmetic surgery
Avista	2017	Envigo		Healthcare Services	Pharma Services
AXA	2017	Retirement Villages Group	100	Healthcare Services	Elderly Care
Bank of Ireland	2010	Ultralase		Healthcare Services	Opthalmology
Baronsmead VCT	2013	Create Health (29.00% stake)	17	Healthcare Services	IVF
Baronsmead VCT	2012	Happy Day Nurseries		Healthcare Services	Childcare
BC Partners	2016	Elysium Healthcare	320	Healthcare Services	Mental Health
Beringea	2014	Disposable Cubicle Curtains		Medtech	DME
BlueGem Capital	2008	The Private Clinic (98.00% stake)		Healthcare Services	Cosmetic surgery
Bowmark	2012	Care Fertility	52	Healthcare Services	IVF
NBGI Ventures	2009	Quanta Fluid Solutions		Medtech	Dialysis
Bridgepoint	2010	Care UK	442	Healthcare Services	Elderly Care
Bridges	2014	Alina Homecare (75.00% stake)		Healthcare Services	Homecare
Bridges	2017	New Reflexions		Healthcare Services	Children's Services
Bridges	2017	Shaw Healthcare		Healthcare Services	Elderly Care
Caledonia Investments	2013	Choice Care Group	86	Healthcare Services	Specialist Care
CapVest	2017	NextPharma Technologies		Healthcare Services	Pharma Services
Carlyle	2016	Akari Care		Healthcare Services	Elderly Care
Carlyle	2011	IDH	412	Healthcare Services	Dental

LaingBuisson
Healthcare intelligence

Healthcare Private Equity Portfolios by Fund

Fund	Year	Name	Est Cost (£m)	Sector	Sub sector
CB Care Limited	2007	Mental Health Care	255	Healthcare Services	Mental Health
CBPE Capital	2017	Rodericks Dental		Healthcare Services	Dental
CBPE Capital	2012	Assisted Reproduction & Gynaecology Centre		Healthcare Services	IVF
CBPE Capital	2015	OH Assist		Healthcare Services	Occupational Health
CBPE Capital	2016	SpaMedica		Healthcare Services	Opthalmology
Charme Capital	2017	Witherslack		Healthcare Services	Children's Services
Charterhouse	2008	Tunstall Group (61.00% stake)	515	Medtech	Telehealth
Court Cavendish	2014	HC-One	477	Healthcare Services	Elderly Care
DeA Capital	2013	Corin	35	Medtech	Ortho
Duke Street	2014	Voyage Care	375	Healthcare Services	Specialist Care
Elysian Capital	2013	Accelyon		Healthcare Services	Distribution
Elysian Capital	2014	Wellbeing Software	30	Healthcare Services	HCIT
Elysian Capital	2010	Vertical Pharma Resources		Healthcare Services	Pharma Services
EQT	2017	Independent Vetcare		Healthcare Services	Vetinary
Exponent	2015	BBI Diagnostics	105	Medtech	Diagnostics
Five Arrows	2011	The Binding Site	200	Medtech	Diagnostics
Five Arrows	2013	Datix	100	Healthcare Services	HCIT
Formation Capital	2014	HC-One	477	Healthcare Services	Elderly Care
Fremont Realty Capital	2017	Porthaven Care Homes	300	Healthcare Services	Elderly Care
G Square	2017	BetterCare Keys	17	Healthcare Services	Specialist Care
G Square	2014	Tracscare		Healthcare Services	Specialist Care
GHO Capital	2016	Envision Pharma		Healthcare Services	Pharma Services
GHO Capital	2015	Quotient Sciences		Healthcare Services	Pharma Services
GI Partners	2011	Advanced Childcare	25	Healthcare Services	Children's Services
Graphite Capital	2013	City & County Healthcare	120	Healthcare Services	Homecare
Great Point Partners	2014	Softbox Systems		Healthcare Services	Pharma Services
H2 Equity	2016	GBUK		Healthcare Services	Distribution
H2 Equity	2014	NRS		Medtech	DME
Hamilton Bradshaw	2010	DRC		Healthcare Services	Staffing
Harwood Private Equity	2016	Source BioScience	67	Medtech	Diagnostics
Hermes Private Equity	2006	ILG		Healthcare Services	Specialist Care
Hg Capital Mercury	2016	Evaluate	70	Healthcare Services	Pharma Services
HgCapital	2016	Kinapse		Healthcare Services	Pharma Services
HgCapital	2014	Allocate Software	91	Healthcare Services	HCIT
Hutton Collins	2012	Healthcare At Home		Healthcare Services	Homecare

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Healthcare intelligence

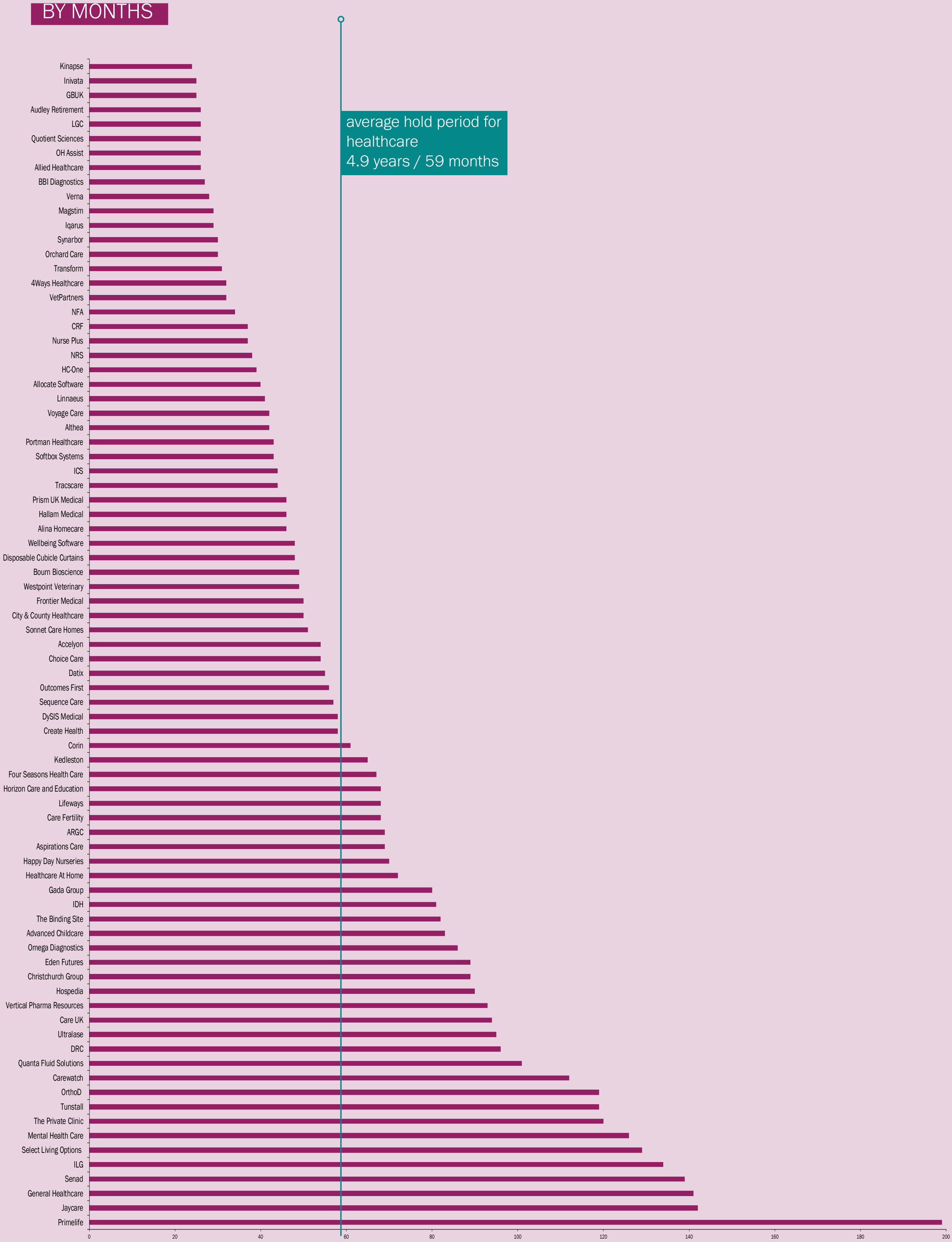
Healthcare Private Equity Portfolios by Fund

Fund	Year	Name	Est Cost (£m)	Sector	Sub sector
Inflexion	2017	Medivet		Healthcare Services	Vetinary
Jacobs Holding	2017	Southern Dental		Healthcare Services	Dental
Kester Capital	2013	Frontier Medical	51	Medtech	Hospital Equipment
Key Capital Partners	2014	Hallam Medical		Healthcare Services	Staffing
KKR	2016	LGC	800	Medtech	Diagnostics
LDC	2017	Fishawack	38	Healthcare Services	Pharma Services
LDC	2017	Lucid Group Communications		Healthcare Services	Pharma Services
LDC	2014	Prism UK Medical	31	Medtech	DME
Legal & General Group	2017	Inspired Villages	40	Healthcare Services	Elderly Care
Limerston Capital	2017	Crawford Scientific		Medtech	Diagnostics
Living Bridge (fka Isis)	2014	Portman Healthcare		Healthcare Services	Dental
Living Bridge (fka Isis)	2016	Four Eyes Insight		Healthcare Services	Consulting
Lonsdale Capital Partners LLP	2016	Care in Bathing		Medtech	DME
Lundbeckfond Ventures	2013	DySIS Medical		Medtech	Diagnostics
Lyceum	2008	Carewatch	37	Healthcare Services	Homecare
Lyceum	2013	Sequence Care (fka Curocare)		Healthcare Services	Specialist Care
Marlin Equity Partners, LLC	2010	Hospedia	6	Healthcare Services	HCIT
Maven Capital Partners UK LLP	2016	Westfield Medical		Medtech	Hospital Equipment
Merseyside Special Investment Fund Limited	2017	The Bodyline Clinic		Healthcare Services	Cosmetic surgery
Metalmark	2016	Premier Research Group		Healthcare Services	Pharma Services
Metric Capital	2012	Kedleston		Healthcare Services	Children's Services
MML Capital Partners LLP	2015	Iqarus		Healthcare Services	HCIT
Mobeus	2014	Bourn Bioscience		Healthcare Services	IVF
Mobeus	2010	Omega Diagnostics (9.80% stake)		Medtech	Diagnostics
Montagu	2016	Funeral Services Partnership	75	Healthcare Services	Deathcare
Montreux	2018	Active Assistance		Healthcare Services	Specialist Care
Moorfield	2015	Audley Retirement Villages	158	Healthcare Services	Elderly Care
Nordic Capital	2011	The Binding Site		Medtech	Diagnostics
Nordic Capital	2018	Hesira		Healthcare Services	Dental
Nordic Capital Fund VII LP	2011	The Binding Site	200	Medtech	Diagnostics
NorthEdge Capital LLP	2016	Direct Healthcare Services		Medtech	Hospital Equipment
Novo A/S	2017	ConvaTec Group PLC (19.95% stake)	6277	Medtech	Hospital Consumables
OMERS	2012	Lifeways	210	Healthcare Services	Specialist Care
Palamon	2011	IDH	410	Healthcare Services	Dental
Palatine Private Equity LLP	2015	Verna		Healthcare Services	Specialist Care

Healthcare Private Equity Portfolios by Fund

Fund	Year	Name	Est Cost (£m)	Sector	Sub sector
Partners Group	2014	Voyage Care	375	Healthcare Services	Specialist Care
Penta Capital Partners	2017	Circle (73.25% stake)	76	Healthcare Services	Hospital
Permira	2014	Althea Group		Healthcare Services	Hospital Equipment
Phoenix Equity	2017	Rayner Surgical		Healthcare Services	Opthalmology
Phoenix Equity	2017	Sygnature Discovery		Medtech	Diagnostics
Pollen Street Capital	2001	Primelife	4	Healthcare Services	Elderly Care
RBS Equity Finance	2011	Gada Group		Healthcare Services	Distribution
RBS PE	2006	Jaycare		Medtech	DME
Safanad	2014	HC-One Limited	477	Healthcare Services	Elderly Care
Solingen	2016	Burgess Diagnostics		Healthcare Services	Vetinary
Sovereign	2015	Synarbor	18	Healthcare Services	Staffing
Sovereign	2014	Linnaeus (fka Willows)		Healthcare Services	Vetinary
Sovereign	2010	Christchurch Group	17	Healthcare Services	Mental Health
Sovereign	2010	Eden Futures (fka Eden Supported Living)	20	Healthcare Services	Specialist Care
Sovereign	2013	Outcomes First (fka Hillcrest, Options Group)	80	Healthcare Services	Children's Services
Sovereign	2007	Select Living Options Limited	11	Healthcare Services	Staffing
Sovereign	2014	Nurse Plus		Healthcare Services	Staffing
Sovereign	2010	Xendo	23	Healthcare Services	Pharma services
Spring Ventures	2016	Home from Hospital		Healthcare Services	Homecare
Stage Capital	2012	Horizon Care and Education		Healthcare Services	childcare
Stirling Square	2015	National Fostering Agency	400	Healthcare Services	Children's Services
Synova Capital	2015	4Ways Healthcare		Healthcare Services	Hospital Equipment
Synova Capital LLP	2016	Oakland Primecare		Healthcare Services	Elderly Care
Telegraph Hill Partners	2015	The Magstim Company Ltd		Medtech	Hospital Equipment
Terra Firma	2012	Four Seasons Health Care	825	Healthcare Services	Elderly Care
The Riverside Company	2008	OrthoD Group Ltd	48	Medtech	Ortho
Three Delta LLP	2006	The Senad Group Limited	120	Healthcare Services	Children's Services
Tikehau Capital	2014	Voyage Care	375	Healthcare Services	Specialist Care
TowerBrook	2014	Independent Clinical Services		Healthcare Services	Staffing
TPG Capital	2016	LifeArc		Medtech	Diagnostics
Vitruvian	2012	Healthcare at Home	190	Healthcare Services	Homecare
Vitruvian	2015	CRF	320	Healthcare Services	Pharma services
Vitruvian	2016	Phlexglobal	200	Healthcare Services	Pharma services
Volpi Capital	2016	Medinet Clinical Services		Healthcare Services	Hospital
Woodford Patient Capital	2016	Inivata		Medtech	Diagnostics

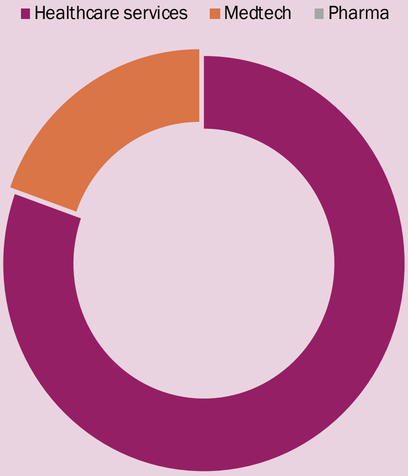
UK HEALTHCARE PRIVATE EQUITY PORTFOLIO COMPANIES BY HOLD PERIOD
BY MONTHS



Healthcare Private Equity Portfolios by Sector

Sector	%	Number of companies
Healthcare services	80%	111
Medtech	20%	27
Pharma	0%	0
	100%	138

HEALTHCARE PRIVATE EQUITY PORTFOLIOS BY SECTOR

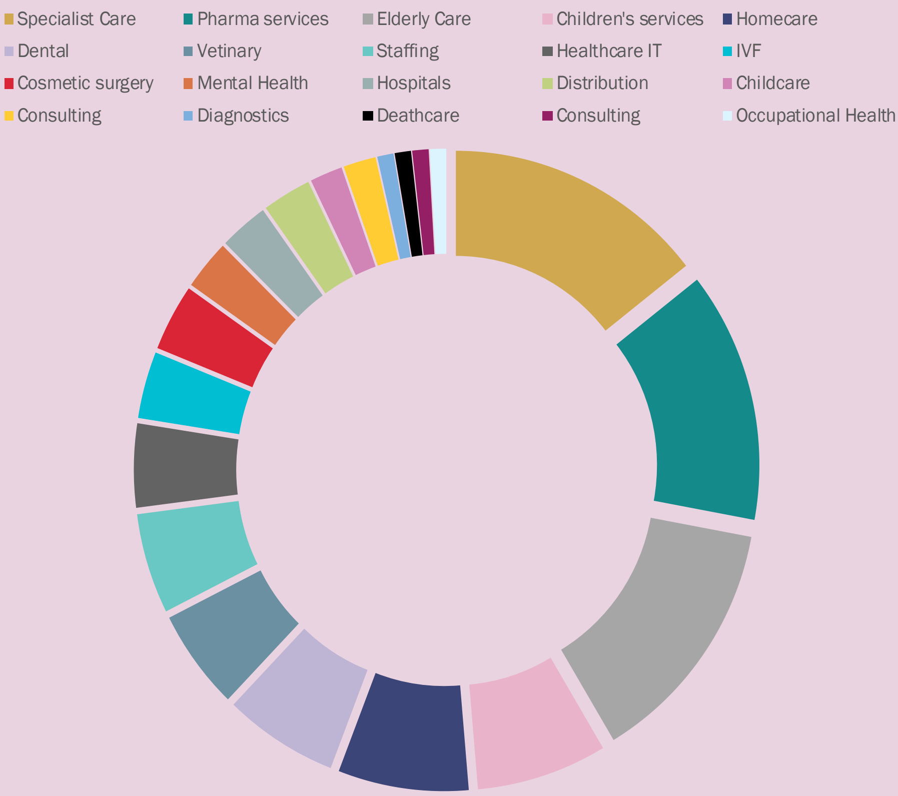


SOURCE LAINGBUISSON

Healthcare Services Portfolios by Sub-Sector

Sub-Sector	%	Number of companies
Specialist Care	14%	16
Pharma services	14%	15
Elderly Care	14%	15
Children's services	7%	8
Homecare	7%	8
Dental	6%	7
Vetinary	5%	6
Staffing	5%	6
HCIT	5%	5
IVF	4%	4
Cosmetic surgery	4%	4
Mental Health	3%	3
Hospitals	3%	3
Distribution	3%	3
Childcare	2%	2
Consulting	2%	2
Diagnostics	1%	1
Deathcare	1%	1
Consulting	1%	1
Occupational Health	1%	1
	100%	111

HEALTHCARE SERVICES PORTFOLIOS BY SUB-SECTOR



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