Investors in Healthcare

EUROPE

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European Healthcare Investor Association

Delivering for investors in Healthcare

The largest association of private capital providers investing in healthcare companies in Europe

www.ehia.org

European Healthcare Investor Association

Contents

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Welcome

European Healthcare Investor Association ("EHIA") is the largest association of private capital providers investing in healthcare companies in Europe. Our aim is straightforward - to facilitate deals and promote the sector. We do this through building our community, convening content and advocating for the sector by providing networking and knowledge opportunities to our members, delivering events and sector focussed market data and analysis, and promoting a better understanding of investors' contribution to the healthcare economy.

Who we are

We are a not-for-profit trade association owned by over 65 members including private equity, infrastructure and sovereign funds, foundations and family office investors, senior managers, advisors and other members of the healthcare investing community, all focussed on building successful healthcare businesses.

What we do

We help our members to invest capital and expertise into building great healthcare businesses and generating returns. Our members take a long-term approach to investing in privately-held companies, injecting not only capital but dynamism, innovation and expertise. This commitment helps create healthy and sustainable companies, securing millions of jobs and delivering strong returns for their investors such as leading pension funds and insurers whose members depend on them for their retirements.

"Looking across the portfolios of investor member firms, both specialists and generalists, it is clear to see the strength and depth of high-quality high-growth businesses that flourish within the healthcare sector.

As a founder partner of healthcare specialist GHO Capital it has been a joy to see a thriving EHIA - nurturing awareness and mutual respect among the many successful investment professionals focused on healthcare and based in Europe"

ALAN MACKAY
Chair, European Healthcare Investor Association

How we work

We have an integrated strategy combining information sharing, networking events, and a focussed digital offering. We actively communicate with our members on LinkedIn and email, and have launched Investors in Healthcare, the Official Journal of the Association. This is a Google News approved digital business intelligence platform delivering news, data and analytics. This knowledge creates actionable insights for investors, senior managers and advisors in the sector and access to the journal is complimentary to our members, with subscriptions available for non-members.

Key to delivering for our members are our partners who not only provide valuable content, but host many of our events. EHIA works closely in partnership with a range of strategic partners in the advisory community including McKinsey & Company (strategy consulting), J P Morgan (investment banking), McDermott Will & Emery (legal), Compass Carter Osborne (executive search), Marwood Group (regulatory consulting), Knight Frank (real estate), RSM Ebner Stolz (accounting), and Marsh (insurance).

History

The concept of the EHIA was inspired by the Health Care Private Equity Association ("HCPEA") based in Virginia in the US. The HCPEA was the first industry focused professional association for private equity founded in 2010 and is a dedicated network that supports the needs, knowledge, and relationships of the healthcare private equity community.

HCPEA
HEALTHCARE PRIVATE EQUITY ASSOCIATION

Discussions were had with the HCPEA about extending their membership to Europe. However, their mandate as a US based 501(c)(6) professional/business association made this challenging, and so in 2021 the EHIA was founded.

"As the Executive Director I am focussed on delivering for our members. Key to that is having an ongoing dialogue directly with as many of them as possible and my door is always open.

Our strategic partner McKinsey have worked closely with us to develop a strategy for the Association as a convener and an informer of healthcare investors. My remit is to deliver on that strategy by providing valuable benefits for our members.

I am excited by the future - our reputation, membership and the quality and quantity of what we are able to deliver are all growing – and I look forward to developing the association further"

SARAH WARD
Executive Director, European Healthcare Investor Association

Launched initially as the European Healthcare Private Equity Association with a virtual wine and cheese tasting during Covid lockdown, it was a 100% virtual, attending a virtual JP Morgan Healthcare Conference, hosting webinars and partnering for the virtual McDermott Healthcare Private Equity Europe conference.

Since then the world has returned to normal and the Association has rapidly evolved. What emerged was a clearer roadmap including a name change, from the European Healthcare Private Equity Association to the European Healthcare Investor Association. Apart from being shorter and simpler, it also reflected the increasingly diverse membership as foundations, Sovereign funds and infrastructure investors joined - all active healthcare investors but not technically private equity.

Our strategy

McKinsey & Company undertook a five-week strategy project to benchmark the association against other similar organisations and interview members on what they would like the association to offer.

Member feedback

'Something like this is needed in a European context – I believe in the underlying purpose of EHIA'

'This isn't an industry that organizes itself well so there are some real opportunities for EHIA in Europe'

'EHIA is a great concept – it's still early in its maturity, but it's an idea everyone can get behind'

'EHIA could do a lot just by orchestrating members to share existing knowledge' ■

Our purpose

Our mandate covers:

Private capital not public equities

- All geographies in Europe
- All sectors of healthcare including life sciences and healthcare services
- All investors including private equity, sovereign funds, foundations and family offices ■

Focus of investors, geography and markets is broad

Our coverage is deliberately broad, both in terms of geography by being pan-European (and not too London centric), and in terms of market sub-sector coverage including Life Sciences and Pharma, Healthcare Services and Veterinary, but with an emphasis on growth markets of interest to members such as pharma services, tech enabled models and capex-lite clinic delivered services (for example fertility, dentistry and diagnostics).

That mandate to broaden the membership continues with a focus on family offices and the healthcare real estate investor market that underpins many of the healthcare services investments, as well as expanding the individual members who are current or former CEOs, Chairs or Non Executive Directors of healthcare companies.

Communicating with our membership

Members are time poor, and therefore focussed, relevant content available in an easily digestible format is key. Perhaps as a result of the "virtual" start to the organisation, communication has by necessity been digital – via an active LinkedIn feed with over 6,000 followers and growing, via a members and non-members monthly newsletter with deals, people moves and market reports, and online via the website with a Resource Hub with a growing library of member only content and Investors in Healthcare, the association's online journal.

1 COMMUNITY

Networking at all levels in a neutral environment

As an independent non-aligned neutral participant in the market the EHIA offers a unique platform to facilitate bringing people together.

At the senior level, smaller networking dinners for partners in funds enables them to have confidential conversations, but also to get to know their peers in a non-deal environment. Assets are often sold to and from peers in the sector, and the benefit of a personal relationship outside of a transaction can be very valuable.

Below partner, deal teams have also expressed an interest in meeting their peers and also in having access to events with a particular focus – for example we now run an annual Women in Healthcare Investing networking drinks with Level 20 (https://www.level20.org/), a not for profit that encourages participation by women in private equity, especially in leadership positions, with a goal for women to hold at least 20% of senior positions.

There are many women in finance and investing events, but feedback was that having a sector focus made it much more relevant and useful to those who attended.

More generally, we aim to host events at all the major healthcare conferences (such as JP Morgan in San Francisco and Jefferies in London), trade shows (such as CPHI and MEDICA) and investor events (such as SuperReturns) during the annual calendar, and increasingly to enable senior managers to access the association and meet with investors as well. We are also event partners for the McDermott flagship Healthcare Private Equity Europe conference and the Basel Healthtech Conference and continue to look for new opportunities.

2 CONTENT

Relevant, timely, accessible

Increasingly, EHIA is becoming the focal point for sector relevant content and the useful point of distribution of content to a small, focussed and high quality audience. We are indebted to our strategic partners for the high quality of the content we share through webinars and events.

Webinars have included an in depth series on pharma services from McKinsey (all available on demand from the Resource Hub on the website), podcasts with SAID Business School, webinars from McDermott on legal changes and from their healthcare conference and more. Particularly popular are our "Meet your Members" portfolio company spotlight webinars, where the CEO of a portfolio company and the partner who led the investment are interviewed for an hour and present the investment case with a live Q&A. Well ahead of any sale process, this is a unique forum to update the investor community of developments in a portfolio company.

Selected Meet Your Members webinars include:

PORTFOLIO COMPANY	FUND
Rodenstock	Apax
DORC	Eurazeo
Sterling Pharma Solutions	GHO Capital
Atida	Marcol Health
Advanz Pharma	Nordic Capital
Clearview Healthcare Partners	GHO Capital

Many of our partners also produce excellent sector research including Marwood (regulatory), Knight Frank (real estate) and JP Morgan (economic) and more, again all available in the Resource Hub.

3 ADVOCACY

No lobbying, just positive profile building

Some members are part of larger financial institutions with their own government affairs and lobbying policy, and if the EHIA were to lobby this would create conflicts. In any event, Invest Europe (https://www.investeurope.eu/), the British Private Equity & Venture Capital Association (https://www.bvca.co.uk/) and other national private equity associations already exist to lobby on behalf of the sector. The EHIA therefore focuses on promoting healthcare investing more broadly, with an emphasis on the companies being built, innovation, quality of care, new products being developed, people being employed, jobs being created, investment being made and the tax being paid and returns being generated for fund investors.

In conclusion

There is a real opportunity for the healthcare investing community in Europe to raise its profile and to build on the success it has already achieved. The EHIA has been created to help facilitate that and has an exciting program of new initiatives including a members directory, an asset portfolio database, an expansion into real estate and early stage venture investing and broadening membership more actively to current and former senior managers of member portfolio companies.

If you would be interested to join, please do contact Sarah Ward and we would be delighted to speak to you. ■

Five alphas:

Essential capabilities to succeed in the next era of private capital

McKinsey & Company

Authored by: Aly Jeddy, John Kelleher, and Ju-Hon Kwek with Louis Dufau

The next era of private capital will look different from the last. Five core capabilities can determine which managers capture strong returns, growth, and profitability in these changing times.

Private markets assets under management (AUM) have experienced explosive growth over the past decade, increasing, our analysis shows, from $3.8 trillion[1] in 2014 to $13.1 trillion[2] during a period of historically low interest rates and expanding deal volumes, and an increasingly globalized economy. Macroeconomic conditions over the next decade will be quite different.[3] Private markets have entered a slower era of growth, with near-term fundraising challenges. Yet it is our view that private markets' AUM could triple (again) to over $30 trillion by 2034, supported by new investment needs, new sources of capital, and private capital's "governance advantage,"[4] which continues to create superior returns for the industry relative to public market comparables.

Firms that don't, at a minimum, triple in size over the next ten years could structurally lose market share, find it increasingly difficult to remain relevant for large capital allocators, and face challenges in attracting and retaining some of the best talent entering the industry.

Based on our extensive experience across the private markets ecosystem, serving general partners (GPs), institutional investors, private- wealth intermediaries, and traditional asset managers, we believe firms in the next decade will need to leverage what we call the "five alphas" to outperform. Excelling against two or three alphas while meeting a (high) minimum acceptable standard on the rest can create a path to outsize growth and returns.

Sales alpha

Sales alpha is the extent to which firms are able to raise more capital on better terms than their "fair share" (for example, for a given track record of performance and set of market conditions).

The power of sales alpha is clear in the current fundraising drought. From 2021 to 2023, total capital raised by private markets firms declined by 17 percent per annum to a little over $1 trillion, but the number of funds launched declined by 39 percent per annum.[5] Last year, the top 25 private markets managers accounted for 41 percent of overall fundraising, compared with average levels of 29 percent over the prior decade,[6] with even wider gaps among leaders and laggards in specific asset classes such as infrastructure.

Firms that are able to buck capital droughts build capital-raising machines that do the following:

- expand their geographical reach (for example, beyond US public pension funds to sovereign-wealth funds in the Middle East and Southeast Asia)
- use insurance balance sheets as a source of both permanent capital and material management fees, particularly for credit and real estate strategies
- tap into the vast ultra-high-net-worth families and retail-investors market[7] (which some private asset managers expect to account for more than 30 percent of their fundraising going forward[8])
- innovate with new product vehicles to meet new investor needs, such as nontraded real estate investment trusts (REITs), business development corporations (BDCs), and interval funds and other semiliquid structures, which reached around $241 billion in private markets AUM in the United States alone in 2022[9]
- begin to access large corporate entities as a new source of strategic capital

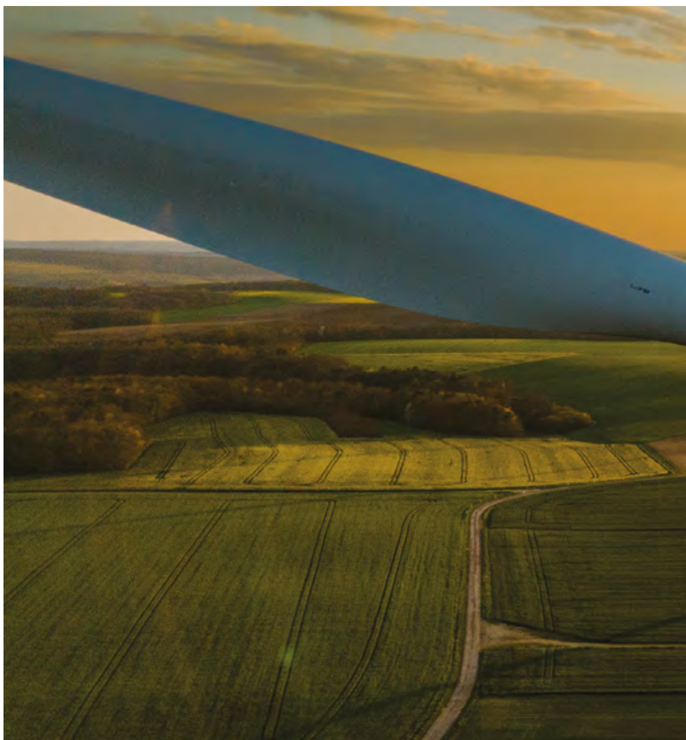
"From 2021 to 2023, total capital raised by private markets firms declined by 17 percent per annum to a little over $1 trillion, but the number of funds launched declined by 39 percent per annum"

Firms with strong sales alpha are not necessarily the top quartile funds in every vintage; instead, they may have developed strong brands and deliver on their performance objectives in ways that meet the needs of limited partner (LP) portfolios. For example, they may consistently deliver 900 basis points of outperformance relative to public markets at scale over extended periods, or they may provide material upside in favorable market conditions (for example, 30 percent-plus) while capping the downside to a pension's hurdle rate (for example, 8 percent).

These firms often develop product suites and a capital structure they can adapt to match capital to the opportunity set, as well as client coverage and engagement models that are both systematized and segmented. They also embrace the mindset that raising capital is as critical to a firm's success as investing capital. They invest in their distribution engines accordingly, with investment teams carving out 15 to 25 percent of their time for fundraising, and they take a strategic approach to partnerships with institutional limited partners, wealth intermediaries, and large companies.

Sourcing alpha

Sourcing alpha is the ability to manufacture new bespoke investment exposures (that is, specific return, risk, and duration profiles) rather than rely solely on intermediated deal flow. To achieve sourcing alpha, firms need a high degree of creativity to craft attractive transactions, paired with a sophisticated capital allocation process. They also need a broad product suite to meet different investor needs.



Next-generation sourcing creativity, for example, was observed in a number of recent partnerships between large infrastructure platforms and established companies across industries such as semiconductors, fiber, power generation, and life sciences. Among the examples are Brookfield's $15 billion investment in Intel's manufacturing expansion,[10] KKR's purchase of 30 percent of Telenor's fiber business,[11] BlackRock's Gigapower joint venture with AT&T,[12] and Blackstone's financing deal with Moderna.[13] Such opportunities stem from employing ecosystem- level approaches to sourcing, spanning multiple sectors and themes, as well as innovative capital structure angles (such as common equity, preferred equity, or project-level debt financing). In this way, firms can create larger deals that are derisked and divorced from the cyclicality of a given sector.

Firms will need to shift their approaches to sourcing away from a sector-specific view and toward the functional ways that opportunities present themselves in the market (for example, digitization and decarbonization). Firms can introduce more fluid collaboration across investment teams. They should employ talent with diverse skill sets - including individuals with corporate-development experience and a partnership/M&A mindset and experience - who can work with traditional deal partners.

Sourcing alpha can be generated through partnerships - between venture firms and university labs, for instance, or between credit managers and originators of liabilities. For good examples, consider Apollo Global Management's 28 partnerships leading to $200 billion in asset-backed origination as of November 2023,[14] or Centerbridge's partnership with Wells Fargo[15] to secure direct-lending opportunities. Those capable of producing sourcing alpha can pair this opportunity-manufacturing engine with a "return tranching" capability that carves out a given transaction into distinct exposures that can be matched to each investor's parameters (return, duration, liquidity) and packaged into portfolios meeting specific investment objectives.

"Sourcing alpha can be generated through partnerships - between venture firms and university labs, for instance, or between credit managers and originators of liabilities"

Operational alpha

This source of alpha - also described as postacquisition value creation - takes on new importance in an era of higher interest rates, inflation, and uncertain public market exits. Consider this example: a private equity transaction with typical leverage must achieve a two to four times increase in cash flow CAGR over the course of its holding period if it is to absorb a 400-basis- points increase in the cost of debt, without eroding its original planned return.[16] If public market uncertainty adds another year to the holding period, about 10 percent more in incremental earnings will be required to produce that same return. The problem is compounded when adding inflation and longer investment horizons (created by the rise of permanent capital vehicles, co-investors with patient capital, long-dated funds, and continuation vehicles).

"Plain vanilla" operational improvements (such as G&A trimming and pricing enhancements) are now table stakes. Achieving outsize returns from operational alpha will require firms to develop the conviction to underwrite and the muscle to deliver truly transformational change. They can do this by, among other initiatives, creating new business models, divesting

portfolios at scale, reducing the drag on working capital, building new businesses and launching new products, delivering technology improvements beyond enterprise resource planning systems and cloud transformations, and securing major capital efficiency improvements. Part of the muscle should come directly from the portfolio company CEO, who has an outsize impact on any deal's performance as the integrative executive and the "face of the business" to its owners.

For private markets firms, distinctiveness in operational alpha requires the following:

- a precise view of each asset's full potential across all strategic, commercial, and operational transformation levers
- a disciplined approach to maximizing the return on intervention - in our experience, few assets account for a disproportionate share of the potential equity value gained in a given fund
- an "exit first" mindset that factors in the future asset owner's objectives in the pacing and ambition of value creation initiatives and matches the delivery of that value to anticipated exit windows
- a talent network to source new and replacement board members and management teams
- a proven approach to upskill CEOs across operating essentials (that is, a set of capabilities that are proven to move the needle on company performance, such as rapid resource allocation) and an ecosystem of third- party partners who optimize expertise, reduce the fixed cost to the firm, and link their compensation to the achievement of specific outcomes

Exit alpha

Firms producing exit alpha are able to monetize assets successfully in a range of ways and market conditions. As one CEO told us, "DPI[17] has become the new IRR, so mastering exits is now both the alpha and omega in private markets investing."

Exit alpha matters, especially now, when rapid changes in the macroeconomic environment are having an outsize impact on the liquidity of private markets.

In 2021, favorable market conditions propped up overall global exit volumes to record highs (approximately $2 trillion, compared with $1 trillion in 2020[18]) and helped some firms post their highest fund realizations ever. In 2023, all three traditional exit pathways - secondary buyouts, sales to strategics, and IPOs - floundered, and volumes collapsed, both in absolute terms to $840 billion,[19] as well as on a relative basis (falling to 1.4 percent of the overall AUM versus a 3.3 percent average over the prior decade[20]).

> *"In 2023, all three traditional exit pathways – secondary buyouts, sales to strategics, and IPOs – floundered, and volumes collapsed, both in absolute terms to $840 billion, as well as on a relative basis"*

Firms that demonstrate exit alpha develop a range of exit routes, such as:

- GP-led continuation vehicles (which, at volumes of $48 billion[21] in 2023, are emerging as a distinct sub-asset class)
- long-hold institutional structures, potentially with long-term, yield-oriented payouts
- retail-oriented vehicles that have been used as exit pathways in credit but require further evolution before they can be applied to private equity and infrastructure

These firms also perform a systematic and disciplined re-underwriting of each investment every six to 12 months, based on consideration of their go-forward returns, outlook for capital market sentiment, portfolio-level risks, and the overall fund deployment and realization profile.

Most of all, GPs that achieve exit alpha are always obsessing about who the next owner of their assets could be and how to go about returning cash to the fund and its limited partners. This focus could be a major source of differentiation in the next era, given investors' increased preference for true cash returns over paper gains.

Organizational alpha

Organizational alpha involves designing the firm's structure and operating model around three elements:

- client-centricity, with a capital-solutions mindset that designs new strategies and products to meet the needs of LP portfolios and delivers nontraditional structures (for example, separate accounts, co-investments) that support LP investment objectives
- repeatability, with just enough process to compensate for the loss of proximity in a growing firm, maintain a consistently high bar for investment performance, and eliminate damaging outcomes
- scalability, with a modular architecture to acquire and integrate new assets and new talent, investments in data and technology to strengthen the firm's spine, and strong governance and succession planning at all levels (not just at the top) to preserve entrepreneurialism in a bigger firm

Successful firms have engineered and industrialized their flagship processes end to end (investment and portfolio committees, client engagement, partner elections, compensation) to create consistent outcomes while preserving their cultural fabric as they scaled.

The private capital industry has grown from strength to strength over the past half century. Near-term fundraising challenges notwithstanding, we expect the industry's growth trajectory to continue over the long term.

The five alphas we describe in this article touch every important facet of a private markets firm: fundraising, investments (and how firms go about sourcing their deals), operations, exits, as well as the organizational structure and operating model. Firms that build the capabilities needed to achieve these alphas have the potential to become the next generation of outperformers in private investing. ■

Aly Jeddy and Ju-Hon Kwek are senior partners in McKinsey's New York office, where Louis Dufau is an associate partner. John Kelleher is a senior partner in the Toronto office.

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1 Based on Preqin data.
2 As of June 30, 2023. See "McKinsey Global Private Markets Review 2024: Private markets in a slower era," March 28, 2024.
3 Reasons include higher interest rates (estimated to settle 150 to 250 basis points above levels experienced over the 2010–20 super cycle, per a McKinsey survey of 200 institutional investors conducted in January 2024); higher growth in select developed countries (for example, the United States); reengineering of supply chains, which triggered structural realignment of manufacturing capacity; rise of a new middle class in select growth markets (for example, Middle East, South East Asia); and a shift toward a lower-carbon economy.
4 This governance advantage includes but is not limited to: a dynamic and disciplined capital allocation approach to select the right sectors at the right price, a very disciplined approach to operational execution and performance management (which can be applied over longer horizons), and flexibility in exit timing and liquidity pathways (which can lead to material multiple expansion).
5 Based on Preqin data, as of first quarter 2024.
6 Analysis based on Preqin data for funds where size data is available as of quarter one 2024.
7 US wealth management client assets reached $44.8 trillion in 2022 (with wealth intermediaries such as private banks, independent and regional broker–dealers, RIAs, and wire houses).
8 "KKR & Co., Inc. (KKR) CEO Scott Nuttall on Q3 2021 results - earnings call transcript," Seeking Alpha, earnings conference call, November 2, 2021.
9 US alternative investments 2023: The expanding reach of private capital, Cerulli Associates, 2023.
10 "Brookfield Infrastructure signs definitive agreement with Intel," Brookfield press release, August 23, 2022.
11 "Telenor establishes fibre company in Norway," Telenor press release, October 7, 2022.
12 "Gigapower joint venture from AT&T and BlackRock launches," AT&T press release, May 11, 2023.
13 "Blackstone Life Sciences announces collaboration to support Moderna's Influenza program," Blackstone press release, March 27, 2024.
14 "Platform origination deep dive," Apollo Global Management, November 2023.
15 "Centerbridge Partners and Wells Fargo enter strategic relationship focused on direct lending to middle-market companies," Wells Fargo press release, September 26, 2023.
16 Depending on underwriting assumptions. Range retained assumes a base case with 5 percent EBITDA CAGR, 3 to 4 times net debt to EBITDA at entry, six-year holding period, 1.5 times minimum debt coverage ratio, and constant entry and exit multiples.
17 Distributed-to-paid capital is a term used to measure the total capital returned by a private equity fund to its investors up to a certain time.
18 Based on Pitchbook data, as of March 2024.
19 Based on Pitchbook data, as of March 2024.
20 Based on Preqin data, as of March 2024.
21 PJT Park Hill Q1 2024 Secondary Market Insight, PJT Partners, April 2024.

Transitioning from Executive to Non-Executive: *advice, insights, and lessons learned from current plurals*

Compass Carter Osborne

Private equity has long understood the importance of non-executive chairs in driving value creation and ensuring robust governance, particularly in the highly regulated health and social care sectors. However, the market for candidates who meet the often-exacting requirements of private equity sponsors operating in this space is becoming increasingly competitive, making the need to cultivate a broader pool of talent to ensure a sustainable pipeline of qualified non-executive chairs greater than ever.

Investors, directors and other key stakeholders from across the sector were brought together by Compass Carter Osborne at a recent round table event to discuss the challenges and opportunities in non-executive chair appointments and explore how the strategic aims of private equity can be aligned with the aspirations of successful CEOs looking to make the transition to portfolio careers.

There is no lack of executive talent in the sector, but figures presented to the panel by Compass Carter Osborne suggest that investors continue to favour the appointment of seasoned non-executives. Of the 17 chairs that Compass Carter Osborne has placed in the last 12 months, none were first-timers. In contrast, 24 of the 46 new chairs appointed at publicly traded companies over the same period were serving in the role for the first time.

The panel agreed that the capital structure and need for immediate value creation mean private equity-backed health and social care businesses often require different characteristics from a non-executive chair to their listed counterparts. And, in a world where speed is of the essence, investors are much less willing to take risks on inexperienced candidates, especially in portfolio companies with less seasoned management teams.

What investors want

'You need to have a chair who can understand and explain to often first-time management teams about the importance of pace eating into the capital structure,' said one panellist. 'Sometimes, the management team just cannot comprehend that, and the chair has to guide them on that journey. That's where possibly a more experienced chair, or more experienced private equity non-executive is important.'

Indeed, participants said the ability to instil a sense of urgency into the business was a key reason many private equity sponsors prefer to avoid novices in chair roles. 'They need to understand the value creation strategy and how the maths work and to be able to communicate that to the management team,' said one panel member.

On the flipside, investors said experienced non-executive chairs were often needed to balance the eagerness of founding entrepreneurs and ensure they take a more process and data driven approach to growth.

Described by one participant as 'a blend of art and science combined into the alchemy of the team', this finely calibrated selection process has to take into account the specific value creation strategy of individual businesses, as well as cultural fit, team dynamics, and skills blend. Panellists said the process was bespoke every time, but agreed that the capacity to make sound judgment calls on people as well as act as a conduit between management and the private equity sponsor were as important as the ability to drive performance.

'The chief executive tells the private equity sponsor 80% of what's going on. They tell the chair 90%. So, you've got a gap of 10%, where the chair and the private equity sponsor are trying to triangulate to understand what the 100% is. That triangle of a relationship is incredibly important to the success of the business,' said one participant.

This finely tuned balance is perhaps a key reason why private equity sponsors place so much emphasis on experience. One panellist told the round table that in most cases, they will have identified a potential chair before the deal goes live. 'It's a really important part of our investment case, and I'm looking for people who usually know the sector or sub-sector,' they said.

Some investors said they were willing to look outside of the sector if a particular skill was required to complement the management team, such as a non-executive chair with a legal background to help drive a buy and build strategy. Others told the round table they were happy to appoint first-time chairs provided they could partner them with experienced non-executive directors in a mentorship capacity.

'I'm more relaxed about first chair roles,' said one panellist. 'If they have had a CEO role under private equity ownership then they will have seen how it works. And again, it comes back to the structure of the board. You might have another non-executive who has stepped back from chair roles and can help guide them. As long as they have a private equity background, so they understand the urgency and the investment case and what the game is.'

However, some participants said there was often real nervousness about being the first to appoint even the most talented former CEO. 'They may have made a successful exit and be pretty well known in the sector, but there's always someone who has to take that first risk to appoint them as chair,' said one panellist. 'We often advise people that getting a Trustee role might help get that ball rolling and then it's an easier sell into a non-exec role.'

"The chief executive tells the private equity sponsor 80% of what's going on. They tell the chair 90%. So, you've got a gap of 10%, where the chair and the private equity sponsor are trying to triangulate to understand what the 100% is"

Fostering talent at executive level

Despite private equity's clear preference for more seasoned non-executives, there was broad consensus among the panel that these are in increasingly short supply, accelerating the need to develop talent at executive level.

Panellists said encouraging CEOs to seek mentorship and access a diverse range of experience could help foster a new generation of non-executives. One participant advised would-be chairs to seek charity trusteeships while still in executive roles, while others recommended building varied networks to get into the orbit of investors.

Some on the round table also shared their early experiences in non-executive roles. Not all were positive, but the cumulative learning was seen as an important factor in growing a successful portfolio career.

'It was fairly soon after taking on my first non-executive role and having a successful exit, that I took on my first chair role. You

learn so much from working with different management teams, different boards and different investors,' said one participant. 'Looking back, that's what's allowed me to take on different roles and challenges.'

In addition, participants said CEOs looking to make the transition needed to develop a growth mindset.

'You need to think back to the things you did in your first job: you were hungry, you sought feedback, you were curious, and you learned,' said another panel member. 'If you adopt that mindset and seek mentorship there are loads of people who have been chairs and executives before to draw on. I think naturally as you become more senior you feel like you should have all the answers, but you don't. And so going and seeking that mentorship is critical.'

Indeed, panellists said that continual learning was essential even after securing a first non-executive chair role.

'It can be daunting when you first enter the orbit of investors, you need to be able to understand what some of the terminology means, then set about running the business in a right and proper way and delivering value from that,' said one panellist. 'Value creation also comes through running the business, and making sure you pay attention to all your key metrics.'

One of the biggest difficulties for first-time chairs transitioning from CEO can be knowing when to get involved and when to step back. And, according to some panel members, this can spell make or break for relationships with the management team. 'One of the hardest things is watching [management] do something you don't agree with. You don't think it's going to work. But if you go and intervene every single time you're not being a non-executive anymore. It's a very difficult and very finely judged call about when to hang back and when to step in. But even when you step in, you've got to do it in a certain way. And what's really key is that you build relationships so that you can have difficult conversations without falling out with people,' said one participant.

Understanding the fine details

Long gone are the days when non-executive chairs could sit back and receive their remuneration packages for attending the monthly board meeting, signing the odd document and absolving themselves of

> *If, as anticipated, transaction activity picks up in the second half of the year, the competition for non-executive directors could accelerate significantly"*

responsibility when things go wrong. In 2003, the Higgs report emphasised the need for non-executive directors to be independent and to be ready to challenge the decisions made by the executive team. As one panellist pointed out 'the term non-executive does not mean not involved'.

Executives and non-executives have the same duties underlying their roles, albeit that in corporate governance terms, those roles diverge between the day-to-day and the strategic.

'You can't sit back and say, I'm a non-executive and, therefore, it doesn't matter. If you're taking the view that you effectively don't need to know the information and the executive team have got it covered, that's a warning sign. And in fact, in a number of corporate failures, one of the real trigger points was that there was no outside, by which I mean non-executive, challenge to the executive team,' one participant told the round table.

Panellists also recommended that new chairs challenge what they are being told by the due diligence, as well as ensure they understand the exit strategy from the outset.

'Never get into something unless you know how you're going to get out of it,' advised one participant. 'That means having that total clarity on is this a hold, is this an in and out? Understanding who you're going to be selling it to, what format it's going to be taking and then understanding the equity piece is how you actually sell the role to the executive team you're bringing in.'

Growing the talent pool

Given the financial risks and broad skillsets required from non-executive chairs, it is understandable why investors typically seek highly experienced candidates who can not only drive value creation but also navigate the financial and cultural complexities of the business and, in many cases, co-invest. However, in spite of the challenges, the panel heard that there are opportunities to build a new generation of non-executive chairs in the sector, provided investors are more willing to start thinking outside the box.

Indeed, according to one panellist, private equity sponsors' asks are often so high that candidates who meet 99% of the criteria are still ignored.

Insight from Compass Carter Osborne revealed a high degree of consistency in the candidates it is asked to find: no first-time chairs; buy and build experience and the ability to fit the culture. However, it said the toughest ask was often finding specific sub-sector experience.

'Everybody says they would be interested in seeing people from out of sector and we can expend a tremendous amount of energy selling the sector to people who've never experienced it or never considered it previously, but when the rubber hits the road, they are the ones that get rooted out of the process,' said the company.

If, as anticipated, transaction activity picks up in the second half of the year, the competition for non-executive directors could accelerate significantly. While there might not be an outright shortage of talent within the sector, the available capacity is diminishing, meaning private equity investors may need to be more courageous in considering candidates from outside the sector or appointing first time chairs from within.

And, as one participant pointed out, in reality that risk may not be as great as it might appear: 'We've done a lot of talk here about structuring skills and experience and all the rest of it, but actually a bright, good human being will on the whole learn what to do and do it really well.' ■

Going private...going public

Following three years of take privates, the public markets are making a cautious return with the successfull IPO of Galderma (EQT) and the opening up of the follow-on market.

From 2020-2023 the pace of take private transactions accelerated as the mispricing of public equity and the availability of leverage enabled private equity to offer material premiums to where stocks traded, and for strategics to purchase assets, often with the benefit of significant synergies.

In terms of subsectors, pharma services and life sciences were the main targets, with real estate and healthcare services driven assets more a focus for acquirors with significant ownership of the target already and seeing a value play in a take private (MSC/Remgro and Mediclinic and the Sheikh brothers and Caretech).

With some €25bn+ of tradable equity leaving the European listed sector just in healthcare over those three years, the universe of investable stocks for public investors continued to shrink. This is reflective of a broader, potentially existential, threat to the public markets as liquidity and research dry up. Does this really matter?

> *“IPOs in “circle of life” may in fact be back with the success of Galderma and a couple of recent announcements of PE backed IPO mandates being awarded to investment banks, with more likely to be in the pipeline – this may herald a return to the public markets of key assets.”*

The reduction in the listed ecosystem has numerous ramifications in terms of:

- Economic growth, given that small & midcap companies generally are growing, whereas many of our larger companies are shrinking their workforce.
- Lower attraction of the EU (versus the US) as a listing venue, particularly as many companies leaving the market are in growth sectors.
- Reduction in sector peers and depth of knowledge, which further reduces the attraction of listing. This is most obvious in the healthcare sector with the recent departures of companies opposite.
- Negative impact on a broad range of professional services firms, which is a particular area of expertise and knowledge
- Reduction in corporation tax due to the new ownership structure (eg Asda & Morrisons).
- Reduced importance of capital markets in international indices, resulting in lower attention from international investors.
- Quoted companies generally have conservative balance sheets, enabling greater capability to manage economic shocks and interest rate cycles. The benefit of permanent capital should not be underestimated.
- There is a change from broad to narrow ownership.
- Circularity of negativity, whereby valuations are low, liquidity is depressed and companies exit the market as long-term prospects/ valuation are not being adequately recognised.

IPOs in "circle of life" may in fact be back with the success of Galderma and a couple of recent announcements of PE backed IPO mandates being awarded to investment banks, with more likely to be in the pipeline - this may herald a return to the public markets of key assets.

However, an IPO exit is not always straightforward - it remains exposed to macro and political volatility and it does not allow a full exit for the investors - but it can be a useful for very large assets and in providing some competitive tension in a sale process. The recent sale of Sunrise Medical (Nordic Capital) to Platinum Equity was also a proposed Euro 2bn IPO with BofA, UBS and Jefferies bookrunners.

2024 IPOs - Gone Public

COMPANY	IPO EV ($M)	SECTOR	OWNER	GLOBAL CO-ORDINATORS
Alef Education Holding	2.27bn	Healthcare	Private	EFG, FADB
Cinclus Pharma	128mn	Life Sciences	Flerie Invest, Sofinnova Partners, HealthCap	CB, BG
Fakeeh Care Group	13.66bn	Healthcare	Private	HSBC
CVC	22.1bn	Healthcare	CVC	GS, JPM, MS
Galderma	20bn	Pharma	EQT, ADIA, GIC	LAZ / GS, MS, UBS
Schott Pharma	4.54bn	Pharma	Carl Zeiss Foundation.	DB, BofA, BNP

2025 Pipeline - Going Public

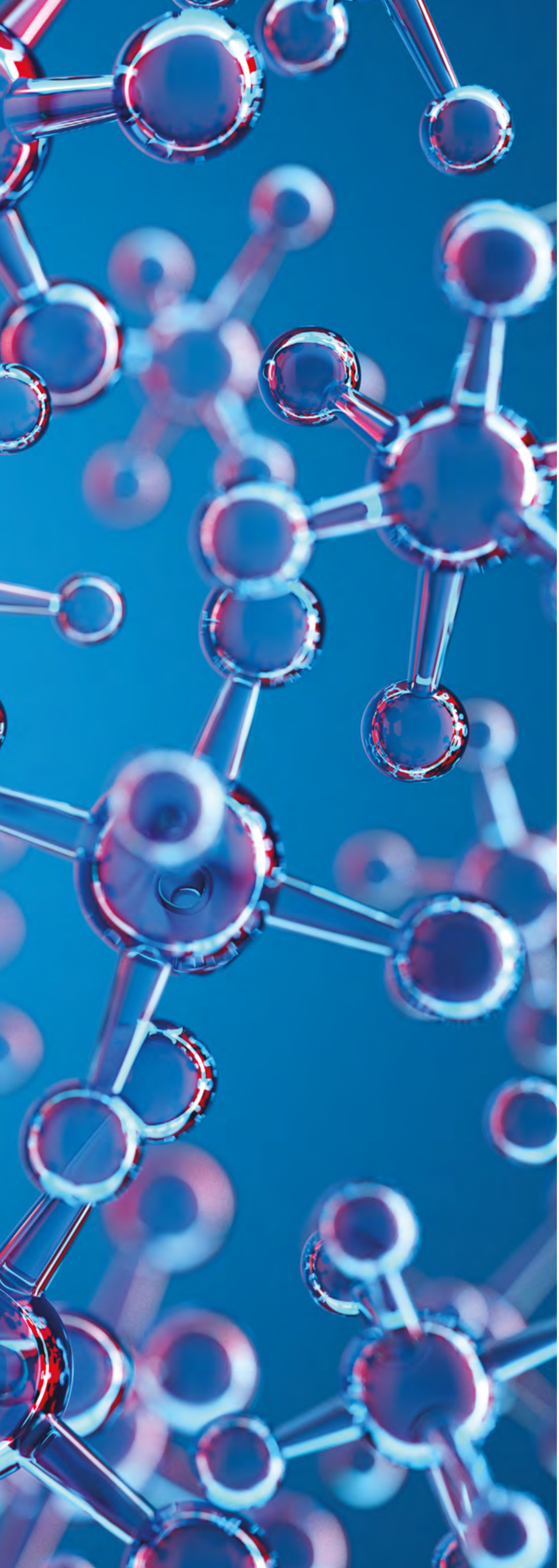
COMPANY	EST IPO EV ($M)	SECTOR	OWNER	GLOBAL CO-ORDINATORS
Stada	16bn	Pharma	Bain, Cinven	ROTH / JPM, MS, JEF
Luz Saúde	107mn	Healthcare	Fidelidade	CITI, UBS
Hales Group	57mn	Social Care	Kilani, Euroblue Investments	TBC

2020-2023 - Take Privates

DATE	COMPANY	VALUE	SECTOR	ADVISOR	ACQUIROR	ADVISOR
Sep-23	Synlab	€2.2bn	Diagnostics	LAZ	Cinven	MACQ/DB
Aug-23	Instem	£203m	Pharma Services	ROTH	ARCHIMED	MOE
Aug-23	Ergomed	£703m	Pharma Services	JEF	Permira	ROTH
Aug-23	abcam	$5.7bn	Life Sciences	MS/LAZ	Danaher	JEF/BAR
Aug-23	Civitas Social Housing	£485m	Healthcare Real Estate	PG/LIB	CK Asset Holdings	HSBC
Apr-23	Dechra Pharma	£4.6bn	Animal Health	INV	EQT/ADIA	MS/JEF/BofA
Apr-23	Medica	£269m	Diagnostics	EVER/NUM/LIB	IK Partners	JEF
Jun-22	CareTech	£870m	Healthcare Services	PG/NUM	Sheikh Family	DB/CITI/LAZ
Jun-22	EMIS	£1.3bn	HCIT	DB	United Health	RW
Dec-21	Clinigen	£1.6bn	Pharma	NUM/RBC	Triton	JPM/HSBC/BAR
Jul-21	Vectura	£1bn	Pharma	ROTH/JPM	Philip Morris	BofA
Jun-22	Mediclinic	£2bn	Healthcare Services	MS/UBS/STANB	MSC/Remgro	UBS
May-21	UDG Heathcare	£2.9bn	Healthcare Services	GS/ROTH	Clayton Dubilier	DB/CITI/JPM
May-20	Huntsworth Health	£400m	Healthcare Services	ROTH	Clayton Dubilier	HL/BofA/RBC/BAR

Biotech meets BioSec

Geopolitical Impacts on Biotech Supply Chains & Clinical Trials



Marwood

*Authored by: Nayan Ghosh,
Josh Hansan, Mark Galay,
Vikas Yadav, and Rosa Juarez*

Over the last few years, the biotech market has grappled with a global pandemic, numerous drug shortages, burdensome supply chain disruptions, escalating trade tensions, and a difficult funding environment. Underlying these broader issues is the threat to each nation's *biosecurity*.

Historically, the term has mostly referred to practices that prevent the spread of harmful pathogens, such as disinfection or quarantine. Today, nations have broadened the term to encompass practices that improve the health of their biotech industries. After all, fostering domestic biotech innovation with self-sustaining, high-quality supply chains inarguably does bolster a nation's biosecurity.

On the other hand, enabling a country's biotech startups to access foreign, low-cost supplies and services also fosters domestic innovation. Providing citizens with expedited access to breakthrough treatments approved in foreign countries also bolsters a nation's biosecurity.

China, as the world's fastest-growing hub for biotech development, manufacturing, and research services, is now causing western nations to grapple with this delicate balance; some through domestic stimulus and others through punitive restrictions. As the current market leader in biotech innovation, the US seems to favor the latter approach.

The US BIOSECURE Act

On September 10, the US House of Representatives overwhelmingly passed the BIOSECURE Act on a suspension vote of 306-81, partially as a result of growing, bipartisan anti-China sentiment. In its current form, the BIOSECURE Act would prohibit executive agencies from providing loans, grants or subsidies or procuring or obtaining equipment or services from "Companies of Concern" (CoCs) [Table 1]. It would also prohibit executive agencies from entering into, extending, or renewing contracts that require the direct use of equipment or services from CoCs, such as contract research, development or manufacturing organizations, or entering into contracts with entities that use equipment or services from CoCs, such as biotech sponsors.

The most notable of these listed CoCs is WuXi Apptec and its subsidiary Wuxi Biologics, a leading global contract research, development, and manufacturing organization (CRDMO). WuXi is notorious for undercutting Western CRDMO competitors on price, thus enabling a global array of pre-market biotech sponsors to limit the costs of their R&D in a difficult funding environment.

Although BIOSECURE is still subject to amendment, would not affect existing contracts until 2032, and could potentially still allow US insurers to cover products developed using CoC products or services, its likely passage by year-end would have significant implications for the global biotech market that will be explored later in this piece.

In addition to BIOSECURE, the House has also focused on the use of China-based clinical trials for purposes of US FDA submissions. In August 2024, the Select Committee on the Chinese Communist Party (CCP) sent a letter to the FDA requesting information on research conducted in China. The lawmakers expressed national security concerns with U.S. drug manufacturers conducting clinical trials with Chinese military organizations. Without naming names, this letter called out Alzheimer's research being conducted with People's Liberation Army (PLA) hospitals and schools (Eli Lilly's TRAILBLAZER study), called out a cancer clinical trial conducted with a hospital owned by an entity on the Commerce Entity

> *"WuXi is notorious for undercutting Western CRDMO competitors on price, thus enabling a global array of premarket biotech sponsors to limit the costs of their R&D in a difficult funding environment"*

TABLE 1
"Companies of concern"

CHINESE "COMPANIES OF CONCERN"	DESCRIPTION	MARKET CAP	REVENUE
药明康德 WuXi AppTec	Leading Chinese provider of R&D & manufacturing services to pharma and biotech companies	$22.8B	$5.7B
WuXi Biologics Global Solution Provider	WuXi Apptec subsidiary CRDMO providing R&D and manufacturing solutions for biotech clients	$9.4B	$2.4B
BGI	Provides clinical molecular diagnostic solutions and high-throughput sequencing research services	$2.8B	$614M
MGI	Provides genomic sequencing services, instruments, and reagents for biotechnology R&D	$3.4B	$411M
Complete Genomics	MGI subsidiary offering a range of end-to-end next-generation sequencing for spatial transcriptomics	$108M	$19M

List (Pfizer's axitinib HCC study), and called out manufacturers who conduct research in the region surrounding the Uyghur genocide.

The Senate companion bill to the BIOSECURE Act, the Prohibiting Foreign Access to American Genetic Information Act, will likely be reconciled to directly mirror the House bill, pending further amendments.

The Proposed EU Critical Medicines Act

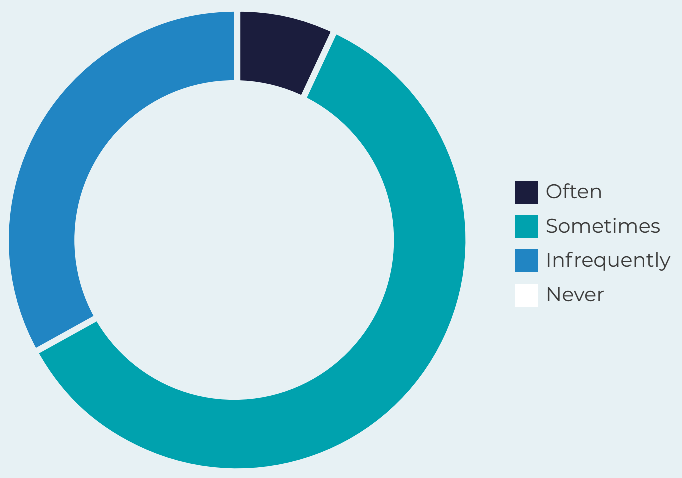
While the BIOSECURE Act is the main focus of sponsors trying to stay cost-conscious, there are also policy initiatives in the EU and UK that are similarly hoping to reduce reliance on foreign markets. However, unlike in the US, these initiatives focus more on the *carrot* than the *stick* – stimulus through investment and funding vehicles.

The European Economic and Social Committee (EESC), a body of the EU, adopted an opinion in December 2023 that proposes several mechanisms to ensure stability of medicine supply.

The EU's lead rapporteur for this opinion, Lech Pilawski, stated, "We are jeopardising our citizens' health by relying on external suppliers for essential pharmaceuticals. Europe cannot afford to gamble with the lives of its citizens. We must act now to ensure that Europeans have access to the medications they need."

The EESC proposes a Critical Medicines Act to address this issue. It includes the following measures to combat this issue and strengthen the domestic supply of biotech advanced pharmaceutical ingredients (APIs):

- **Enhanced EU Funding:** The Critical Medicines Act aims to establish a new EU mechanism to promote the development and production of APIs in Europe. This will be backed by enhanced EU funding for research and development of APIs, infrastructure development and operating costs
- **Investment in Innovative Production Technologies:** The proposed Act will promote investment in research and development for innovation in new manufacturing practices via encouragement of collaboration between academics, industry and other stakeholders to enhance adoption of cutting-edge production technologies
- **Adoption Of Fair Pricing Mechanisms:** Ensuring patients have equitable access to medicines and APIs and finished medicines remain affordable is a key priority. The Act will include provisions for ensuring this via competitive bidding processes, pricing controls in Member States and enhanced adoption of generic alternatives where feasible.



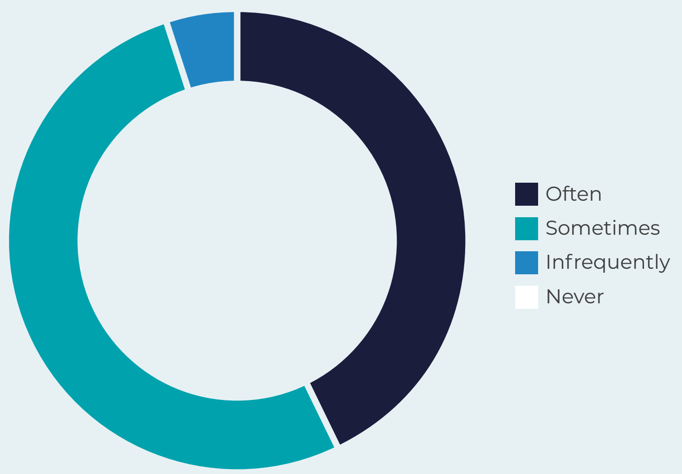


FIGURE 1 (TOP) Frequency of BIOSECURE Supply Chain Discussions

FIGURE 2 Frequency of BIOSECURE Clinical Trial Discussions

The EESC postulates that relocation of biotech API production to Europe will have several tangible benefits for the EU, namely:

- Stimulation of economic activity and resulting growth
- Generation of new employment for EU nationals
- Increased competitiveness of the EU against non-EU peers especially the USA and China
- Potential reduction in pharmaceutical production costs
- Increased resilience of the EU medicines supply chain to external shocks
- Enhancement of EU status as an industrial leader

> *We are jeopardising our citizens' health by relying on external suppliers for essential pharmaceuticals. Europe cannot afford to gamble with the lives of its citizens. We must act now to ensure that Europeans have access to the medications they need"*

The United Kingdom can also be expected to mirror the EU Critical Medicines Act if it is passed – the country has not deviated significantly from EU policy despite Brexit.

On the clinical trial side, however, the European Medicines Agency (EMA) has been increasingly open to accepting data from foreign clinical trials, provided they meet specific ethical and scientific standards set by the EMA. The EU has also signed mutual recognition agreements (MRAs) with third-country authorities such as those in Australia, Canada, Israel, Japan, New Zealand.

Similarly, the UK's Medicines and Healthcare products Regulatory Agency (MHRA) has been adapting its approach to acceptance of data from foreign clinical trials. In order to streamline the regulatory approval process, the MHRA has introduced the International Recognition Procedure (IRP) which allows the MHRA to leverage approvals from trusted regulatory partners in countries such as Australia, Canada, the European Union, Japan, Switzerland, Singapore, and the United States. However, China remains notably absent from the EMA and MHRA's cross-border streamlining of regulatory approvals.

Non-Asian Relocation Targets

Tier 1	United States
Tier 2	UK Germany Canada Australia
Tier 3	Mexico France Poland Italy Spain Czech Rep.

Higher likelihood
Lower likelihood

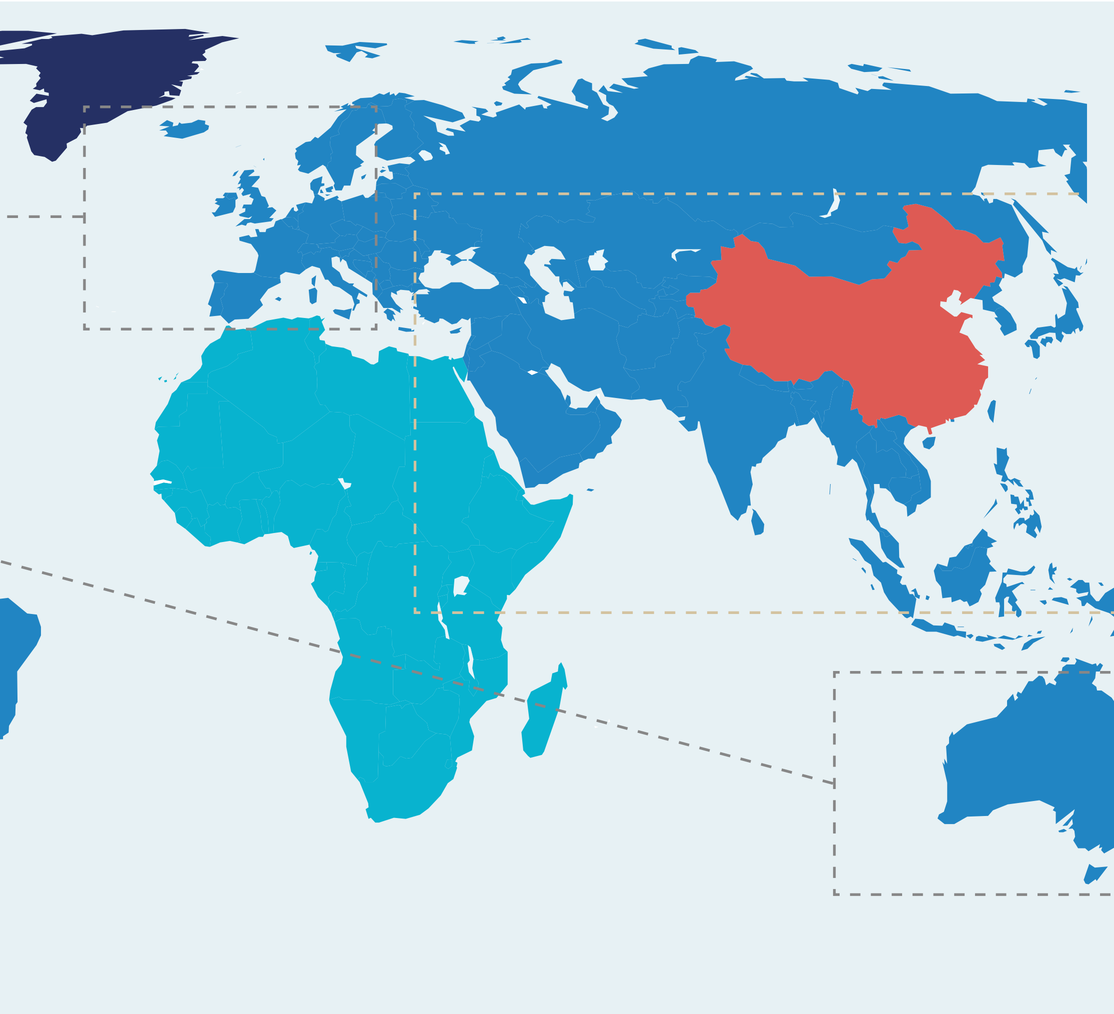
FIGURE 3
BIOSECURE Impact on CRDMO Relocation, by continent (N=37)

The Biotech Sponsor's Perspective

Marwood sought to better understand how biotech sponsors are planning to respond to these geopolitical dynamics, if at all. Marwood gathered perspectives from supply chain, procurement, and clinical trial operators at biotech sponsors (N=37) to better understand how foreign contracting trends are being impacted.

First, Marwood confirmed what many in the industry have known for some time – Chinese CRDMOs offer significantly lower prices. Chinese CDMO services and supplies are considered to be 34% cheaper and CRO services are considered to be 31% cheaper than those of US or European counterparts. However, some noted WuXi's cheaper prices come at a greater risk, citing unreliability, spotty quality management, and lack of IP protection as the primary reasons why they would seek to contract more expensive ex-China alternatives.

For the time-being, sponsors' focus on BIOSECURE's impact seems to be more concerned with impact to biotech supply chains for both pre-market and in-market products. Supply chain operators noted



Asian Relocation Targets

Tier 1	South Korea
Tier 2	Japan Taiwan Thailand India
Tier 3	Philippines Malaysia Singapore Indonesia Vietnam

meeting on a more frequent basis to discuss the impacts of BIOSECURE relative to clinical trial operators [Figures 1 & 2]. Similarly, 56% of supply chain operators with Chinese suppliers noted that they would move their supplier contracts out of China within the next decade, while 61% of clinical trial operators said the opposite of their Chinese CRO contracts.

Across clinical trial and supply chain operators, the most common reasons cited for maintaining Chinese contracts are existing China-based subsidiaries, licensing agreements, cost-savings, and plans for Chinese market access given the size of the market. Those who anticipated replacing their Chinese contracts with ex-China CRDMOs noted a preference for expanding the scope of their existing ex-China contracts rather than contracting with new organizations, particularly for CRO services.

Marwood also sought more clarity regarding sponsor geographic preferences as they evaluated new CRDMO contracts. By continent, the majority of sponsors indicated an interest in North America (54%), followed by Europe and Asia (both 35%), followed by Australia and South America (both 16%). Only 11% of sponsors are interested in relocating contracts to Africa. Of ex-Asian countries, a majority indicated an interest in the US (76%). Of Asian countries outside of China, sponsors are most interested in South Korea (69%). See Figure 3 for a detailed breakdown.

Conclusion

While the international push towards national biosecurity evolves, it is important to keep abreast of not only this complex issue, but also how biotech sponsors plan and adapt to it. Although the BIOSECURE and Critical Medicines Acts are still in their early innings, the biotech sector rewards operators that think far into the future, from discovery to development to life cycle management.
In response to these global policy, supply chain, and trade dynamics, Marwood has observed biotech operators do just that. As biotech funding begins to thaw, and the cost-conscious "virtual biotech" becomes the emerging standard, there is a clear opportunity for CRO and CDMO platform investments that can be as forward-looking as their biotech clients by remaining conscious of these broader global dynamics. ■

European Healthcare Real Estate

Market update

Knight Frank

Authored by: Ryan Richards,
Associate Knight Frank

The case for healthcare investment remains relatively consistent across European geographies and investors. The sector benefits from solid fundamentals, including but not limited to demographic shifts, long income and social impact. Healthcare presents a broad range of investment opportunities across elderly care, adult supported, primary care, private hospitals, and childcare.

Whilst 2023 saw an increase in the level of private capital outpace REITs and institutional investors, we are now back to a market state where institutional and listed capital is once again active. The graphic below highlights seven factors that continue contributing to the case for healthcare.

THE CASE FOR HEALTHCARE AS AN INVESTMENT

1 DEMOGRAPHIC SHIFT
UK over 85 population is set to increase from 1.7 million to 3.7 million in 2050.

An aging population means increasing demand for residential care, primary care and acute hospital services.

2 INVESTMENT PERFORMANCE
Total returns measured 4.4% in 2023, higher than many core property sectors.

Returns are historically stable, offering investors protection and diversification.

3 DEMAND FOR SAFE HAVENS
Broader UK real estate offers security and liquidity in a global downturn.

UK healthcare's long-term and often government-supported income offers further defence.

4 LONG-TERM INCOME
Weighted average unexpired lease terms (WAULT) average 25-30 years in the residential care and hospital sectors.

Leases are commonly indexed-linked to inflation.

5 SECURE INCOME
Operator revenue is reinforced by a healthy mix of self-funded care and publicly-funded care.

Income is supported by high occupancy and patient demand across the healthcare arena.

6 STRUCTURAL CHANGE IN REAL ESTATE
Real estate investors already de-risking from traditional sectors such as retail into alternatives like healthcare.

7 SOCIAL IMPACT
The influence of impact or ESG investing in real estate is growing at a faster pace than ever.

A range of investors are now focusing on social infrastructure investments, and healthcare is part of this.

United Kingdom:

Unsurprisingly, UK healthcare markets have felt various pressures over the past years; however, a broader lens shows this to be more of a real estate trend than a healthcare one. Despite this, the sentiment remains positive, and the view is that healthcare's fundamental drivers, such as demographics, long-term income, and ESG credentials, present an undeniable case. 2023 carried on 2022's trend of general uncertainty, with investors stepping back to gauge markets; we saw recorded volumes close at circa £1.2bn. We did, however, see the continued movement towards normality in operator trading, which is a welcome boost to sector confidence. Overseas capital flows into the UK dipped again in 2023, accounting for 25% of transactions, down from 31% and even further from its long-term average. Average annualised returns sat at 4.4% at the end of Q4 2023, up from 3.50% in the previous period. This, as always, highlights the healthcare sector's strength in terms of stability of returns. The overall outlook for the healthcare sector is undoubtedly positive, with key market participants already transacting in 2024.

As with the previous two years, the 2024 Wealth Report presented compelling evidence of the growing recognition of healthcare as a leading sector (Fig. 1). Our Attitudes Survey highlighted that healthcare ranked second with 13.2%, just slightly behind the living sector's 13.8% in terms of investor demand. More interesting is that the living sectors demand comprises PRS, Senior Living, and Student, suggesting that healthcare remains a standout choice on an absolute basis.

Following the trend in healthcare's total returns from 2012 and the contribution of income and capital returns towards this. Income return has been a fundamental factor in total returns able to trend above CPI, except for two periods. This consistency is a further testament to the sector's long-term income credentials (Fig. 2).

Our 2024 healthcare capital markets sentiment survey further highlights the reasoning behind the sector's positive sentiment. The responses highlight an average cost of debt at 4.6%, with an average remaining term of 5 years, and 33% of respondents suggesting no reliance on debt. This direct and on-the-ground insight indicates that the sector may be more insulated from the current climate than presented by some. In addition, loan-to-values have come in, suggesting a reduction in overall debt or improvements in asset values. The survey responses highlight a strengthening in average portfolio rent covers, signalling an improvement in underlying operations (Fig. 3).

FIGURE 3
2024 Healthcare capital markets survey

100%
Average rent collection percentage for participants' portfolios

2.20x
Average rent cover across survey participants' portfolios

4.6%
Average cost of debt among survey participants

94.3%
Average percentage of survey participants' debt that is hedged

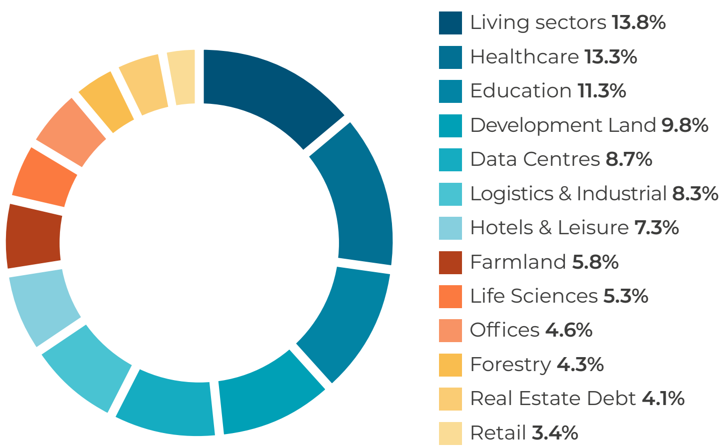
34%
Average loan to value among survey participants

33%
Percentage of survey respondents that report no use of debt

5.0
Average years remaining on term of survey participants' debt facilities

Source: Knight Frank Research

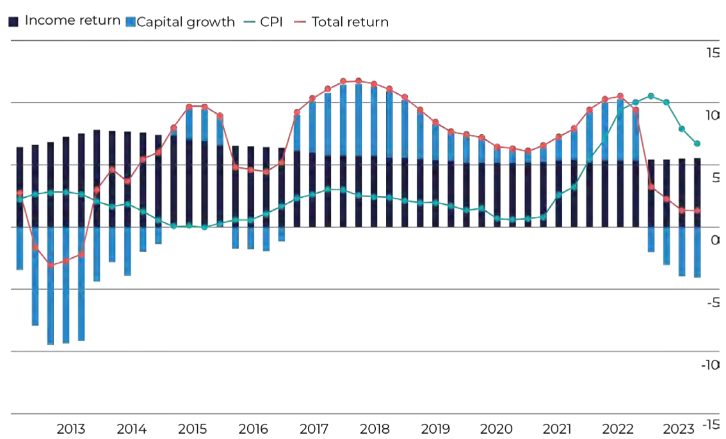
FIGURE 1
Sectors in demand



Source: Knight Frank

> *Healthcare property investment volumes, unlike other conventional asset classes such as offices, have risen steadily over the past five years"*

FIGURE 2
Healthcare returns vs CPI (2012-2023)



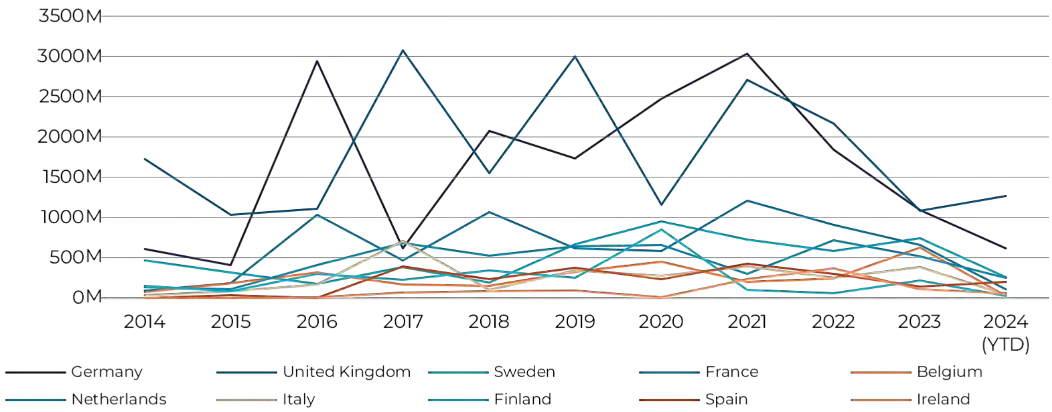
Source: Knight Frank Research

Continent Outlook

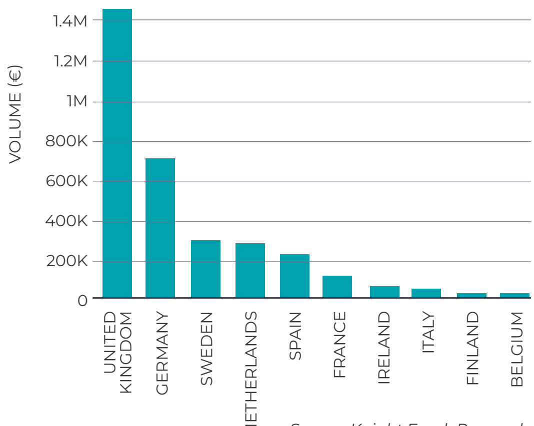
According to Real Capital Analytics, 2023 ended with European transaction volumes across healthcare-related real estate of circa. €5.8bn. This is approximately 32% down on the €9.37bn recorded in 2022, which somewhat mirrors the trends seen across all real estate markets; therefore, investors can take solace in the fact that this was more of an economic 'blip' and that the fundamentals of the sector remain. In the year through to Q3, 24 volumes sit at €2.6bn, with a few portfolio transactions complete / pending in Q4 **(Fig. 4)**.

Healthcare property investment volumes, unlike other conventional asset classes such as offices, have risen steadily over the past five years. From €700m in 2017, investment in France has almost doubled, reaching €1.4 billion in 2022. The increase has been supported by approximately €500m in portfolio disposals, including the Heka portfolio sale to PRIMONIAL REIM for €135m. The sector remains favourable to investors looking to diversify their holdings by adding more robust and resilient asset classes.

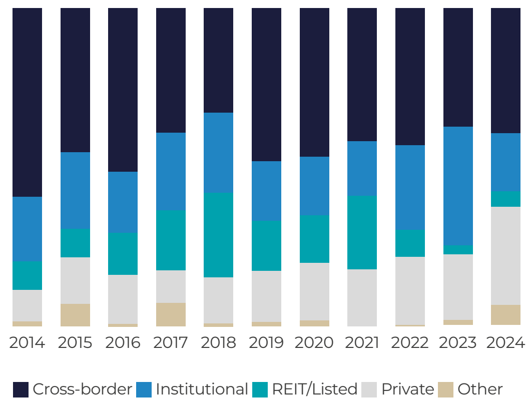
Several geographies are still considered relatively immature when it comes to healthcare, while some of the more established geographies are still somewhat fragmented. For example, the fact that the top five UK operators account for 13% of beds compared to a market like France, where this number is closer to 30%, means there are opportunities for consolidation across operator platforms. This trend may emerge as the popularity of WHOLECO and management agreement deals grows amongst the larger specialist investors. Germany has also seen growing cross-border demand, with Civitas breaking into the market with a circa. €300m deal for a portfolio of assisted living and elderly care assets. Spain, which is currently one of the smaller markets and possibly one that is



Source: Knight Frank Research



Source: Knight Frank Research



Source: Knight Frank Research / Real Capital Analytics

poised for growth, has attracted attention from overseas capital, with Octopus recently announcing the opening of a new Madrid office with a focus on healthcare.

The charts above show the UK and Germany as the top geographies in terms of transaction volumes in the year through to Q3 2024, whilst institutional and cross-border investors seem to be the most active buyer type. It is also worth noting the presence of the Nordics, with Sweden ranking third for year-to-date transactions **(Fig. 4 and 5)**.

Overall, despite the past and future headwinds faced by the sector, there are many promising takeaways. The first is that both mature and immature markets present opportunities in their own right. Whether it is the opportunity for consolidation in the larger but still fragmented markets or growth prospects of the smaller markets, investors certainly have options in deploying capital with a long-term focus. Secondly, we have seen the sector significantly recover from recent shocks relative to the more conventional sectors, providing further comfort to new and pre-existing investors. ■

↑
FIGURE 4 (top) European Healthcare Transactions by Country 2014-24

FIGURE 5 (bottom left) European Healthcare Transactions by Country 2024

FIGURE 6 (bottom right) European Healthcare Buyer Composition

Healthcare investing increasingly global

How geographic boundaries are changing in private capital healthcare investing

Authored by: Sarah Ward, Executive Director of EHIA

Investors looking for outperformance when investing in private equity often look for single sector exposure – in fact nearly 20% of investors have this single sector exposure and it is to a handful of sectors, namely energy, technology and healthcare.

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 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 by Brian Miller of Linden Capital Partners and based just outside Washington DC in Virginia, it was 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, such as the JP Morgan conference in January in San Francisco and the Jefferies conference in June in New York.

HCPEA members

HCPEA's 105 investor 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.

Collectively, HCPEA member firms have over $4.3 trillion AUM and are invested in 1,500+ healthcare businesses.

The European landscape

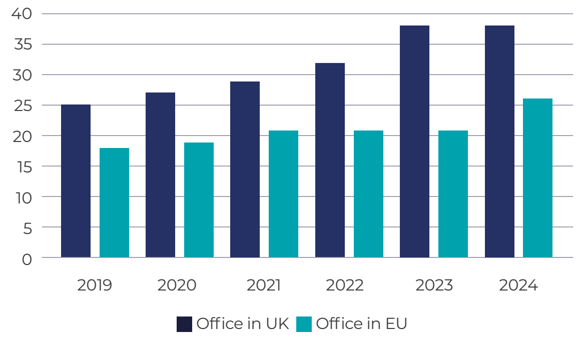
Nearly 40% of HCPEA member have an office in the UK, 21% of them have an office elsewhere in Europe, and 10% are also members of the EHIA. Existing members such as Apax, Cinven, EQT, Nordic and SV Health Investors were all founded in Europe while others such as CVC and Advent International are more active in Europe than the US. Novo Holdings, a holding and investment company that is responsible for managing the assets and the wealth of the Novo Nordisk Foundation (currently €149bn) is the world's largest philanthropic enterprise foundation focussed on healthcare (more than twice the size of the Bill & Melinda Gates Foundation and the Wellcome Trust) and is a member of both the HCPEA and EHIA, having started in Copenhagen, and now expanding in the US with offices and teams.

Going Global

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 fund managers such as Advent International, Apax, Bain, Blackstone, Hellman & Friedman and KKR have invested globally across sectors and asset classes for some time, there are now larger European funds that are increasingly active in the US and often have fully staffed offices, with names such as Bridgepoint, BC Partners, Cinven, CVC, EQT and Nordic Capital investing on both sides of the Atlantic. Driving this has been the focus on investment themes such as pharma services, HCIT and medtech that are by their very nature global and where an understanding of and position in the US market is often critical for success. Perhaps a more interesting development is that of funds focused exclusively on healthcare and Europe. Historically, 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. Now there are emerging health-care-only funds in Europe, three with headquarters in London, one in France, and one in the Netherlands. The founders of these funds come with established track records in the industry, having held investment positions with firms such as 3i (ARCHIMED and GHO Capital Partners), Apax (G Square) and Nomura (Apposite). These funds have seen a healthy deal flow, three have raised larger second funds and the two longest established also have a strong track record of exits.

% of HCPEA members with offices in UK and Europe (exc.UK)



HCPEA member firms 2024

NOTE: Firms in bold are members of EHIA

Firm Name	Office In UK	Office In EU
Abry Partners	Y	N
Advent International	Y	Y
Advocate Aurora Enterprises	N	N
AEA Growth	Y	Y
Apax Partners	Y	Y
Ares Management LLC	Y	Y
Arsenal Capital Partners	N	N
Ascend Partners	N	N
Assured Healthcare Partners	N	N
Audax Private Equity	N	N
Bain Capital	Y	Y
Blackstone Group	Y	Y
Blue Sea Capital	N	N
BPOC	N	N
Brookfield Asset Management	Y	N
Centerbridge Partners	Y	N
Charlesbank Capital Partners	N	N
Cinven	Y	Y
Clayton Dubilier & Rice	Y	N
Comvest Partners	N	N
Concord Health Partners	N	N
Coppermine Capital	N	N
Court Square Capital Partners	N	N
The Cranemere Group	Y	N
Cressey & Company	N	N
CRG	N	N
Curewell Capital	N	N
CVC Capital Partners	Y	Y
CVS Health Ventures	N	N
Deerfield Management	N	N
DW Healthcare Partners	N	N
EQT	Y	Y
EW Healthcare Partners	Y	N
Fengate Asset Management	N	N
FFL Partners	N	N

Firm Name	Office In UK	Office In EU
Flexpoint Ford	N	N
Frazier Healthcare Partners	N	N
General Atlantic	Y	Y
GIC	Y	N
GI Partners	Y	N
Goldman Sachs Asset Management	Y	Y
Granite Growth Health Partners	N	N
Great Hill Partners	N	N
Gryphon Investors	N	N
Harren Equity Partners	N	N
Harvest Partners	N	N
HealthEdge Investment Partners	N	N
Health Catalyst Capital	N	N
Health Enterprise Partners	N	N
Hellman & Friedman	Y	N
H.I.G. Capital	Y	Y
InTandem Capital Partners	N	N
Invidia Capital Management	N	N
Kelso & Company	N	N
KKR	Y	Y
Leavitt Equity Partners	N	N
Lee Equity Partners	N	N
Linden Capital Partners	N	N
Lorient Capital	N	N
Madison Dearborn Partners	N	N
Martis Capital	N	N
MBF Healthcare Partners	N	N
Morgan Stanley Capital Partners	Y	Y
Mubadala Investment Company	Y	Y
Nautic Partners	N	N
Nordic Capital	Y	Y
Northlane Capital Partners	N	N
Norwest Venture Partners	N	N
Novo Holdings	Y	Y
Oak HC/FT	N	N

Firm Name	Office In UK	Office In EU
Oak Hill Capital	N	N
Odyssey Investment Partners	N	N
ONEX	Y	N
Ontario Teachers' Pension Plan	Y	N
Partners Group	Y	Y
Patient Square Capital	N	N
Peloton Equity	N	N
Permira Advisers	Y	Y
PSP Investments	Y	N
Revelation Partners	N	N
Revelstoke Capital Partners	N	N
Ridgemont Equity Partners		
The Riverside Company	Y	Y
Sheridan Capital Partners	N	N
Stonepeak Partners	Y	N
Stone Point Capital	N	N
Summit Partners	Y	Y
Sverica Capital Management	N	N
SV Health Investors	Y	N
Thomas H. Lee Partners	N	N
Thompson Street Capital Partners		
TowerBrook Capital Partners	Y	Y
TPG	Y	Y
Trilantic North America	N	N
Varsity Healthcare Partners	N	N
Vesey Street Capital Partners	N	N
Vestar Capital Partners	N	N
The Vistria Group	N	N
Warburg Pincus	Y	Y
Water Street Healthcare Partners	N	N
Webster Equity Partners	N	N
Wells Fargo Strategic Capital	N	N
Welsh, Carson, Anderson & Stowe	N	N
WindRose Health Investors	N	N
Zenyth Partners		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Green shoots foretell busy year for healthcare deals in 2025

McDermott, Will & Emery

As we enter the final quarter of 2024, we can reflect on a busy year that has been characterised by a steady uptick in deal activity in the healthcare and life sciences sectors across Europe. While transactional volume remains somewhat depressed and challenges continue to exist for dealmakers, the good news is that the green shoots we are seeing now are indicative of what is now widely expected to be a busier year for investors in 2025.

In mid-September, McDermott once again hosted our annual Healthcare Private Equity Europe conference at The Langham hotel in London, bringing together hundreds of healthcare professionals to not only take the temperature of the market but also identify the challenges and opportunities that lay ahead. Joined by keynote speaker, the Right Honourable Rory Stewart OBE, who outlined some of the challenging macro and geopolitical headwinds facing investors, we explored a range of hot topics with our panels of lawyers, bankers, investors and healthcare professionals.

The conversations were wide-ranging and hugely insightful, covering everything from private equity trends in life sciences and pharma to the future of medicine and the current shape of the financial markets. The evolving regulatory backdrop was a theme across many panels, as was a sense that we can look forward to a period of more active transactional activity in the months and years ahead.

The deal environment for healthcare and life sciences

Reflecting on the current market conditions for healthcare and life sciences, deal activity remains highly selective. Over the past few years, investing in European healthcare has been shaped by a tight credit market, a shortage of healthcare workers, rising labour costs and digital transformation shaping the opportunity set across our industry. While healthcare deal activity has been declining globally since 2021, European volumes remain higher than pre-pandemic levels, with 17 deals closed in the first half of 2024 and 38 in the whole of 2023, versus 33 in 2019 and 20 in 2018.

> *"While healthcare deal activity has been declining globally since 2021, European volumes remain higher than pre-pandemic levels, with 17 deals closed in the first half of 2024"*

The deal mix in Europe has shifted, however, from buyouts to more strategic M&A as the macro environment has changed and private equity firms have faced constraints on capital. European deal activity has also increasingly focused on biotech and pharma services deals since 2022, with biotech accounting for 72 of the top 100 European healthcare deals in the first half of 2024.

Sharon Lamb, partner and head of UK healthcare at McDermott, says: "Looking forward, the sentiment we are hearing is of cautious optimism. Right now, despite sluggish M&A, multiples are holding up as we observe investment committees continue to hold their bar to prioritise premium assets. We can also see that most investors are still prioritising value creation, with a growing appetite for technology and services deals and strengthening investor sentiment across Europe, North America and Asia Pacific."

Private equity fundraising for specialist healthcare funds was robust in 2023/24, albeit our audience was split on the likelihood of it rebounding to bumper 2021 levels within the next three years, with 53 percent saying it would be unlikely. LPs are focused on performance, are hungry for distributions, and are increasingly keen on co-investment opportunities.

Fatema Orjela, private equity partner at McDermott in London, says: "For where we are in the cycle, LPs are particularly keen to

see returns and are pushing hard for exits. GPs appear to be seeing stabilisation of the financial performance and balance sheets of their portfolios having moved past some of the headwinds of the pandemic."

She adds: "Good management teams remain focused on operational effectiveness and staying resilient to continued cost pressures, including interest rates, wage inflation and increased capital costs, albeit with a bit of breathing room for operational growth investment. The stage is certainly set for a clearing of the logjam, with there being sufficient demand to buy and sell, and high quality assets available to trade hands to the ultimate benefit of LPs."

As the macro backdrop gets clearer, our panellists were optimistic about transactional activity picking up in the next 12 months, particularly in the mid-market, though deal timelines may remain elongated. The bifurcation that we currently see in the deal landscape, whereby premium assets find strong demand and enjoy solid valuations while second-tier deals are much harder to get away, looks set to be a feature for some time to come. In all, 58 percent of our audience felt the deal market of 2025 would most closely resemble 2019, rather than 2021 or 2023.

> *"58 percent of our audience felt the deal market of 2025 would most closely resemble 2019, rather than 2021 or 2023"*

While any deal recovery tends to move slower in Europe than North America, thanks to different levels of risk appetite and stakeholders typically taking a more considered approach before leaping into innovation, some regulatory headwinds may slow US activity.

Krist Werling, partner and co-head of McDermott's private equity practice group, says: "There are some pretty significant regulatory swings taking place in the US, with an effort from certain states and the federal government to seek more transparency from private equity, in healthcare services in particular. For example, the California legislature last session proposed legislation that would require approval of any new healthcare services transactions that involves funding from a private equity or hedge fund-thankfully, the legislation was not signed by the California Governor but is an example of the focus on PE investment in healthcare in the US."

The regulatory landscape also remains challenging for cutting edge companies in Europe, with developing legislation in relation to devices, AI, data privacy and cybersecurity all impacting. There is a need for further harmonisation and regulatory change creates some opportunities, with regulators engaged in addressing issues to enhance patient outcomes.

What's next for medtech

The pace of innovation in medtech continues to revolutionise approaches to healthcare and drive deal opportunities. The level of innovation that has taken place in the past decade is incredible and the amount of capital that has been invested in tech-fuelled healthcare is also driving an exciting new era, with deepening scientific understanding of disease and the rate of new drug development escalating.

We see a growing focus by companies on the experiences of end users and moving up the value chain to 'own the patients'. We also expect more deals in 2025 as medtech becomes a growing element of healthcare and pharma services, fuelled by AI and personalisation trends.

There is a lot of optimism about the application of AI tools across healthcare but investors are cautious. In the medtech space, there are many tools already being used in the R&D space, but issues of liability arise as AI involvement shifts from clinical decision-making into diagnostics.

Jamie Ravitz, partner and co-head of the life sciences industry practice at McDermott, says: "Medtech is now an embedded part of both healthcare services and pharma services, as we move through an truly dynamic period of medical innovation. We have seen more deals this year and AI is a key tailwind accelerating activity into 2025, with lots more investment going into new tools and personalisation technologies. There are plenty of exciting trends for investors to get behind moving forward."

> *"The Right Honourable Rory Stewart OBE outlined some of the challenging macro and geopolitical headwinds facing investors"*

Buy and build in pharma services

In a challenging exit environment, at a time when transactions have been hard to execute, we have seen investors dedicating more time to value creation plans as hold periods have lengthened. Investor priorities over the past few years had put a focus on cost rationalisation, but we now see more attention being paid to top-line growth and increasing appetite for add-on M&A.

Pharma services has proved to be a particularly attractive sector for buy and build strategies, given the recognition of an underlying need for better medicine to reach more patients, driven by more innovation and new ways of doing things.

We have observed something of a macro shift in innovation in Europe, as it increasingly shifts its centre of gravity away from big pharma companies and into leaner biotech businesses. These biotechs have less inclination to invest in large-scale operations, creating opportunities for smarter commercial approaches working with partners in pharma services.

Buy and build strategies work well for investors in pharma services, given the existence of clear well-tested playbooks and the evident benefits gained from scale, geographical presence and access to additional technologies that allow companies to stay with customers for longer.

"There is a continuing desire to work with partners," says Ellie West, private equity partner at McDermott, "as both big pharma and smaller biotech businesses look to do things faster and more effectively. Covid led a shift to decentralised trials using a hybrid approach integrating in-person and online delivery, and that short-term disruption has driven a long-term opportunity."

Investors are particularly keen to pursue buy and build strategies in the less cyclical parts of the value chain, with generalist funds increasingly moving to support commercialisation strategies as more specialist investors eye opportunities in areas like vaccines and emerging therapeutics.

Integration is critical to the delivery of these strategies, with culture a key element that should be a focus during acquisitions, particularly on cross-border mergers. The most successful deals involve starting early, building a shared vision and ensuring management support is aligned around a flexible mindset.

Navigating a successful exit

The current challenges in the exit environment remain a critical lynchpin to unlocking further deal market activity in 2025, with financial sponsors under pressure to return capital to LPs so that liquidity can in turn be recycled back into further fundraising. Exits have been difficult to achieve for some time and sponsors are therefore sitting on assets for longer than they would like to as they wait for the landscape to improve.

A survey of attendees at HPE Europe found that 65 percent of our audience blamed high valuation expectations as the biggest challenge for exits today, followed by capital market uncertainty, high interest rates and a lack of buyers.

Successful exits are best achieved when sellers are not under pressure for a sale, when the buyer universe is strong and there are multiple bidders interested, and when the asset and the marketing story are in optimum shape. The number one advice to sellers is to ensure they build options, recognising that has been difficult in the last few years while capital markets uncertainty has been hindering the ability of sellers to run dual-track processes.

"Covid led a shift to decentralised trials using a hybrid approach integrating in-person and online delivery, and that short-term disruption has driven a long-term opportunity"

We also asked our audience where they expected to see the most exit activity over the next 24 months, with 55 percent predicting the most exits will come from biosciences, 23 percent pointing to healthcare services, 18 percent to tools and diagnostics and a further 5 percent expecting deals in specialist pharma. Certainly it is true that biotech start-ups are finding themselves in structural need of capital and that sector lends itself to more transactions, so we expect it to remain a busy market in 2025.

Michal Berkner, partner in the London transactions practice at McDermotts, says: "For those considering the best time to exit, there are really three key things that need to come to pass. First, the business needs to be ready, with a strong track record, good current trading, and a clear value proposition for a new investor. Second, the buyer universe needs to be in good shape, whether the target acquirer is a financial sponsor or a strategic, and finally, finance needs to be available. It is a good idea to begin building banking relationships a year or two ahead of time in order to build options at a time when there is more focus on due diligence and processes are taking longer."

Looking forward

Healthcare has proved something of a bright spot in a difficult European M&A landscape through 2024, with a fair amount of transactions happening as the financing markets have reopened and bilateral M&A has occurred even while new sponsor-to-sponsor deals have been limited.

The valuation gap has been a key impediment but we now see that barrier easing. Ayman Mahmoud, co-head of the London transactions group and the London finance, restructuring and special situations group, at McDermott, says: "Ever since Covid there has been a layer of macro uncertainty around base rates and national elections that has led to a lack of visibility for investors and has elongated that bid-ask spread. There is now a clear desire to get stuff done, but people are waiting for a bit more visibility. We hope we will get to that point soon and we expect more confidence to drive more deals next year."

With interest rates starting to come down and finance available, we share the views of our peers in looking forward to a busy year for healthcare and life sciences investing in Europe in 2025, with many exciting opportunities on the horizon. ■

Unlocking value in MedTech:

A review of sectors in value creation

RSM Ebner Stolz

Authored by:
Alexander Wenzel, Pranshu Rohatgi and Julian Bergmeister

1 The relevance of the MedTech industry

The global Medtech industry is experiencing steady growth and transformation, driven by technological advancements and changing healthcare needs. The global market is expected to reach almost 650 bn€ in 2024 with a CAGR of 6%.

The MedTech industry in Europe, and particularly in Germany, is experiencing strong growth, driven by innovation, an aging population, and increasing demand for healthcare solutions. Germany's strong infrastructure, skilled workforce, and leading research institutions position it as a key player in medical technology development. With approximately 26% of the global market share, Germany offers vast opportunities, especially within Small and Mid-sized companies, and continues to grow as the second-largest market after the US.

M&A continues to be a key driver of growth within MedTech. Evolving regulatory landscape, new technologies, and a strong consumer demand has been steadily driving the deal volume within the industry. While M&A has largely been driven by consolidation and bolt-on acquisition by strategic player, Private Equity's (PE) interest and activity in this sector has been continuously increasing despite several challenges. Strict approval processes and compliance requirements, particularly from the European Union, can slow down product development and market entry. Despite these hurdles, the sector remains attractive due to its long-term growth potential and attractive margins.

2 Classifying key MedTech sub-sectors and their attractiveness

MedTech industry is highly diversified with several players active and focusing on different sub-sectors in the industry. Broadly speaking, MedTech can be classified into 7 key sub-sectors as depicted in Figure 2 opposite.

In our analysis, we have examined key financial and strategic metrics to assess each of the above sub-sectors and analyze their attractiveness for investors. The data includes the number of MedTech in Europe from 2018-2024 including total deal value, profitability (EBITDA margin), typical valuation multiples (EV/EBITDA and EV/Revenue), growth rates (3-year CAGR), and key M&A trends. Each segment was analyzed based on these parameters to provide insights into their market performance, growth potential, and overall investment attractiveness. The goal is to identify opportunities and challenges for investors within the MedTech space, highlighting sectors with high growth and profitability that are particularly suited for investments.

Laboratory equipment has been the most active segment with 933 deals and a total deal value of €28.1 billion between 2018 and 2024. Players within the sector boast a solid EBITDA margin of 17.7%, indicating strong profitability reflecting in strong valuation metrics with an EV/EBITDA ratio of 15.5x and an EV/Revenue of 2.7x. With a growing market and strong supporting market trends, this a highly attractive sector for investment due to its steady growth and increasing deal activity.

Along similar lines, almost 448 deals with a total value of €9.9 billion were executed

FIGURE 1 Overview of the European MedTech market

THE EUROPEAN MEDTECH MARKET IS THE 2ND LARGEST AFTER THE USA WHEREAS GERMANY IS THE MOST IMPORTANT EUROPEAN MARKET BY MARKET SIZE, NUMBER OF COMPANIES AND EMPLOYEES

880k+ employees in the MedTech industry, with Germany as the #1 employer

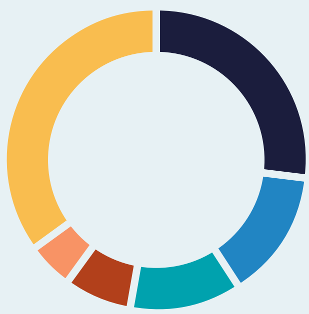
37k+ MedTech companies, with Germany as the #1

90% of the MedTech companies are small and medium sized companies (SMEs)

€160BN in size as of 2023[1]

26% of global market share

2ND largest MedTech market after the US



European market share in revenues 2023:

- Germany **26.5%**
- France **14.0%**
- Italy **12.3%**
- UK **6.8%**
- Netherlands **5.1%**
- Others **35.3%**

Sources: 1. BVMED 2023

	# Deals (2018-2024)	Total Deal value (2018-2024, in bn EUR)	EBITDA margin	EV / EBITDA	EV / Revenue	3Y CAGRs	M&A Trend (2022-2024 vs. 2019-2021)	Overall attractiveness
Laboratory equipment	933	28.1	17.7%	15.6x	2.7x	6.4%	↑	◕
Medical Imaging	448	9.9	10.1%	11.8x	2.1x	11.4%	↑	◕
MedTech IT & services	460	10.2	12.5%	15.5x	2.6x	7.8%	→	◑
Medical Diagnostics	278	13.8	21.9%	15.0x	4.6x	-5.2%	↓	◕
Medical consumables	304	35.8	20.0%	10.7x	1.9x	4.0%	↓	◔
Medical services	278	3.0	9.7%	8.4x	1.2x	7.1%	↑	◑
Physiotherapy / Orthopedic devices	n/a	n/a	19.0%	14.2x	2.8x	10.6%	→	◑

in the Medical Imaging sub-sector. While EBITDA margin is relatively low at 10.1%, it is experiencing one of the highest growth rates, with a 3-year CAGR of 11.4%. Its EV/EBITDA is 11.8x and EV/Revenue is 2.1x, reflecting moderate but still attractive valuation levels. The M&A outlook for the sector is positive, with expected growth in deal activity in Q4 2024 and going forward in 2025. Overall, imaging is attractive due to its high growth potential, despite its lower profitability.

MedTech IT & services has been one of the most active sub-sector in the last years with almost 460 deals, totaling €10.2 billion in value. Valuations are strong, with an EV/EBITDA ratio of 15.5x and an EV/Revenue of 2.6x, matching the levels of the Laboratory equipment sector. The 3-year CAGR is 7.8%, indicating robust growth in the sector. Although M&A activity is expected to remain stable rather than increase because of relatively low market fragmentation and higher technological barriers, IT remains an extremely attractive sector due to its healthy growth rate and solid valuations. The solid valuations are linked to the increasing importance of digital healthcare solutions and the digital transformation in the healthcare sector as well as the artificial intelligence trend, which is also extremely relevant in the field of medical technology.

The Medical Diagnostics sub-sector is the most profitable sub-segment with an

FIGURE 3
Sub-sector attractiveness

FIGURE 2
Overview of Key MedTech sub-sectors

MEDTECH IS HIGHLY DIVERSIFIED RANGING FROM LABORATORY EQUIPMENT TO CONSUMABLES AND SERVICES IN HEALTHCARE FACILITIES

LABORATORY EQUIPMENT
Lab equipment serves a wide variety of functions ranging from analysis to filtration, cooling to pipetting, and more

MEDICAL IMAGING
Medical imaging includes X-rays, CT scans, MRIs and ultrasounds

MEDTECH IT & SERVICES
mHealth, mobile IT and portable technologies key MedTech IT components

MEDICAL DIAGNOSTICS
Clinical chemistry, immunology, cytology, infections, genetic and microbiology are key areas within diagnostics

MEDICAL CONSUMABLES
Medical supplies include care products, hygiene products and consumables used in hospitals, patient clinics etc.

MEDICAL SERVICES
Medical Services include medical analyses and expert opinions, as well as consulting services in healthcare facilities

PHYSIOTHERAPY / ORTHOPEDIC DEVICES
Orthopedic Devices, Orthoses and Prostheses, Orthopedic Implants and Trauma Products

EBITDA margin of 21.9%, reflecting excellent profitability and value creating opportunities for players active in this field. Valuations are also robust, with an EV/EBITDA of 15.0x and an EV/Revenue of 4.6x. However, the sector is shrinking, with a negative 3-year CAGR of -5.2%, and deal activity is expected to be moderate and even decline from 2022-2024. Despite strong profitability, the Medical Diagnostics sector is less attractive due to its regulatory hurdles, strong upfront capital investment leading to a declining growth and deal activity.

The Medical consumables segment leads in terms of deal value, with €35.8 billion spread across 304 deals indicating the dominance of large and mega deals. The sector has attractive profitability, with an EBITDA margin of 20%, although its valuation metrics are lower, with an EV/EBITDA ratio of 10.7x and an EV/Revenue of 1.9x. Growth is moderate, with a 3-year CAGR of 4.0%. Asia has been a hub and growth engine for global medical consumables market and European competitors have continued to lose their market share over the last years. This trend and dominance of Asian players is expected to continue leaving European players looking for value creating opportunities to counter this Asian dominance.

Medical Services have seen 278 deals with a total value of €3.0 billion. The sector has the lowest EBITDA margin at 9.7%, reflecting lower profitability compared to other segments. Its valuation multiples are also the lowest, with an EV/EBITDA ratio of 8.4x and an EV/Revenue of 1.2x. Despite these challenges, the sector is growing at a healthy pace with a 3-year CAGR of 7.1%, and M&A trends are expected to improve between 2022 and 2024. While its margins are lower, the sector's growth and positive M&A outlook make it moderately attractive for investors.

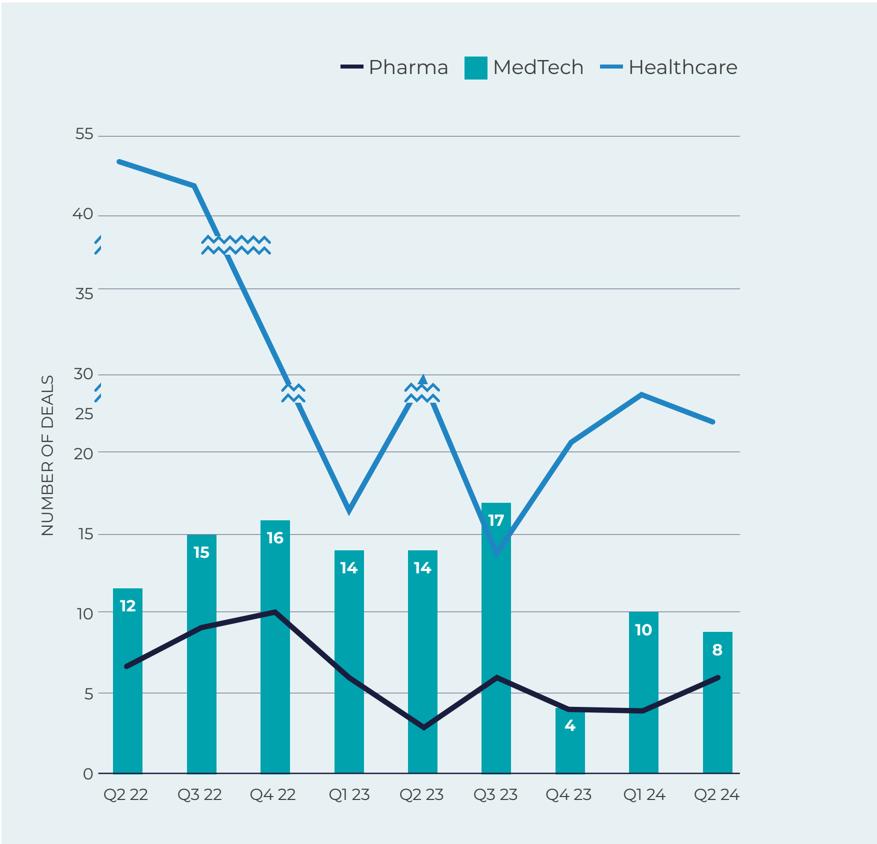
Although deal activity and total value data are not available for this segment, Physiotherapy/Orthopedic devices shows strong profitability with an EBITDA margin of 19%. Its valuation metrics are also attractive, with an EV/EBITDA ratio of 14.2x and an EV/Revenue of 2.8x. The sector is experiencing significant growth, with a 3-year CAGR of 10.6%. M&A activity is expected to remain stable, without significant increases or decreases. Overall, this sector is highly attractive due to its high growth potential and strong profitability, even though M&A trends are neutral. In addition, the fragmentation in this market, as well as in the Laboratory equipment sector, makes this sector attractive for M&A transactions.

3 Key take aways - from investor's perspective

Overall, our research and analysis clearly demonstrate that Europe remains an attractive market for MedTech innovation, both for developing, manufacturing, and launching products. This is clearly demonstrated via strong market growth CAGRs across sub-sectors. Driven by high-tech hubs, strong talent pools, local and EU support, in combination with progressive healthcare systems, MedTech offers investors unique and sufficient investment opportunities to create long-term value. This is clearly demonstrated in the healthy private equity deal activity in MedTech especially when compared to sectors like Pharma and Chemicals (see Figure 3). With increasing regulatory and policy ambiguity in Healthcare, investors increasingly looking at growth oriented, profitable and value creating sector like MedTech.

The findings indicate that the MedTech industry offers various opportunities for Private Equity (PE) investors, depending on the segment's profitability, growth potential, and M&A trends. Segments like Laboratory Equipment, MedTech IT & services, and Physiotherapy/Orthopedic devices are particularly attractive for PE due to their

FIGURE 4
Overview of private equity deal activity



strong growth trajectories, solid profitability, and favorable valuations. These sectors offer significant potential, driven by both organic growth and increasing M&A activity.

On the other hand, Imaging presents an opportunity for growth-focused PE firms, as it boasts one of the highest growth rates (11.4%) but with slightly lower profitability, signaling a chance to optimize margins through operational improvements.

For Medical Diagnostics, while its profitability is the highest, the shrinking market (-5.2% CAGR) and declining M&A activity suggest that PE firms would need to focus on turnaround strategies or explore niche areas within the sector to capture value. Medical consumables and Medical Services offer moderate opportunities with steady growth but lower profitability and valuations, making them suitable for PE firms seeking value investments with a focus on scaling and operational efficiencies.

Overall, PE investors can find significant value in MedTech by targeting sectors with strong fundamentals like Laboratory equipment and MedTech IT & services, or by focusing on growth opportunities in Imaging, while remaining cautious on declining segments such as Medical Diagnostics. The diverse opportunities allow for a range of investment strategies from growth capital to buy-and-build, depending on the segment. ■

FIGURE 5
Overview of investor focus in MedTech

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Alexander Wenzel is a Partner at RSM Ebner Stolz Management Consultants and advises companies on mergers and acquisitions along the entire M&A process. His focus is on medium-sized transactions in the chemicals, pharma and medtech industry segments. He can draw on two decades of experience as a consultant, including for PwC, Fortis Bank and Ernst & Young, in the corporate finance and M&A market, during which he has successfully accompanied and completed numerous transactions. Alexander Wenzel holds a degree in business administration with a focus on finance and accounting from Goethe University in Frankfurt.

PRANSHU ROHATGI
Pranshu Rohatgi is a Senior Manager at RSM Ebner Stolz Management Consultants and advises companies in the chemicals, pharma and medtech sectors throughout the entire M&A process. He has decades of experience in the chemical industry, both as a consultant and as a research and business analyst. He has worked for the Boston Consulting Group, PwC and Deloitte, among others. Pranshu Rohatgi studied Chemical Engineering at the Indian Institute of Technology, Kanpur and International Business at the Grenoble Ecole de Management.

JULIAN BERGMEISTER
Julian Bergmeister is a Consultant at RSM Ebner Stolz Management Consultants and advises companies on mergers and acquisitions along the entire M&A process. His focus is on medium-sized transactions in the chemicals, pharma and medtech industry segments, among others. Since his start 2.5 years ago, he has already successfully accompanied more than 10 projects. Julian Bergmeister studied business administration with a focus on finance at the University of Münster and the University of Cologne and graduated with a Master of Science.

GHO's Andrea Ponti reflects on passing the FairJourney baton to Partners Group

Investors in Healthcare interview

Authored by: Nick Herbert 1st August 2024

In July, GHO Capital Partners, a European specialist healthcare investor, sold a majority stake in Portugal-based CRO, FairJourney Biologics, to Swiss private equity firm Partners Group. It partially brought an end to a relationship that saw GHO acquire a major stake in the biotech company in 2020 – GHO Capital made a meaningful reinvestment alongside Partners Group and FairJourney founder and CEO António Parada.

Founded in 2012 by scientists Parada and Maria Pajuelo, Porto-based FairJourney has grown into a leading end-to-end solutions partner to leading biopharma companies in the field of antibody discovery and development. It accelerates its clients' projects from idea to lead candidate, ready for regulatory submission and clinical trials.

FairJourney supports more than 250 clients across the globe, with the company discovering over 1,000 lead antibody candidates on behalf of pharmaceutical groups since inception. Some 14 disclosed antibody therapies are currently in active clinical development to treat unmet patient needs across oncology, immunology, and cardiovascular disease.

On partnering with FairJourney, GHO supported the management team transform the business, broadening its service offering and geographic footprint.

Investment was made in a world class R&D facility in Porto and Iontas was acquired in 2020. Iontas added patented innovative antibody discovery technology and further R&D labs.

Investors in Healthcare's Nick Herbert caught up with Andrea Ponti, GHO's managing partner and founder, to find out more about what determined the initial decision to invest in FairJourney and why now is the right time to seek a new investment partner for the company.

Ponti is an influential figure in healthcare investing. He founded dedicated European healthcare investment banking franchises at both JP Morgan and Goldman Sachs, and has advised on some of the most significant M&A transactions across leading pharmaceutical, medical device and hospital companies both in Europe and globally.

IIH: What factors decided the initial investment in FairJourney?

Andrea Ponti: The 21st century is the century of biologics. So, as a specialist healthcare equity investor that likes to invest in high growth areas of the sector, in companies that have the capacity to internationalize, we were looking for anything and everything in the biologic space: manufacturing, technical, research, etc.

Over 30 years in the healthcare markets, I've been fortunate enough to have built up an extensive network of friends, ex-colleagues and ex-clients in the VC world. So, when I asked my contacts about the companies they go to for help with research and development or manufacturing, several of them pointed us in the direction of FairJourney Biologics, based in Porto. Everybody agreed that they were a phenomenal business that helped clients identify all kinds of antibodies used to target various different diseases.

That prompted us to get on a plane and meet with FairJourney's CEO, António Parada, to find out more about his ambitions for the company, and to discover whether we could help with capital, or the network we have in the healthcare space, for M&A.

Sure enough, he had ambitions to grow. He had acquisition targets that he wanted to pursue. And, as a result, he needed capital. After a few months of talking, we came to an agreement whereby we would buy some shares from Parada and co-founder, Maria Pajuelo, and invest in the business. In addition, we would methodically start going through the various different acquisition opportunities that he'd had to pass up on over the previous few years due to a lack of available capital.

IIH: What led to the decision to exit?

AP: We made one acquisition in 2020 – Iontas, a CRO based in Cambridge, that had a particular technology – and we looked at a series of other M&A opportunities. But when we went into due diligence, we realized that instead of spending lots of money to buy those companies, there was enough capacity, capability and know how in-house to build from scratch.

> *"The 21st century is the century of biologics"*

Rather than put in a lot of money to acquire businesses around Europe –something that would take up valuable management time without adding much value –we ended up working with Parada and the team at FairJourney to expand the suite of products of services at the company.

With our support, Parada and his team expanded from its initial offering of discovery services and into small scale manufacturing, to characterization, testing, and cell line development.

As a result, FairJourney could offer a broader range of services to its existing clients and appeal to a broader universe of customers. And that fuelled impressive growth in the business – it has grown by 50% per year over the last five years, and done so with a significant profit margin.

As time progressed, more M&A opportunities started to present themselves that actually made a lot of sense. The problem was we'd invested all the money out of that fund and we didn't have the capital to continue supporting the M&A growth of the business. Given that context, we needed to find another investor with the kind of capital to support the growth of the company. The best way to do that was to find a different shareholder.

So, that's what we did.

IIH: Was timing of the exit deal purely strategic or was it determined by market conditions?

AP: As mentioned, the problem was we'd invested all the money out of that fund and we didn't have the capital to continue supporting the M&A growth of the business. Given that context, we needed to find another investor with the kind of capital to support the growth of the company.

It remains a difficult environment for M&A and volumes remain low. It's only the best businesses that trade and, thankfully, we had one of those top-notch businesses in our portfolio – FairJourney. Despite the very difficult market conditions, we thought we had a business that would easily attract a new partner. And so it proved. We started the process in January.

IIH: What challenges did you need to overcome and how did you decide when the company was ready for a sale?

AP: The first challenge was the market environment. The second challenge was educating the market about the company.

There are some companies that everybody knows about and understands, but FairJourney is a very technical company. It's doing very well and has grown out of the small, Portuguese company category but, nevertheless, it is relatively unknown to many. That meant we had spent time educating the market about the company, explaining what it did and why it was differentiated.

Few people could believe that a company like FairJourney could grow at 50% a year for years on end. We needed to explain how the firm had accomplished that level of growth and how, under Parada's guidance, it was going to continue growing at the same rate in the future. That was probably the biggest challenge.

We spent a fair amount of time, along with JP Morgan, helping Parada and the management team articulate just how they had managed to achieve such impressive growth levels in the past and how they were going to continue to do so in the future. There were quite a lot of potential buyers expressing an interest in finding out more about the business and we relied quite heavily on JP Morgan's advice to help us articulate the story.

Once we had figured out how best to help people understand the growth drivers of the business, that's when we were ready to sell.

IIH: What made Partners Group the best suitor?

AP: They made the best proposal. They moved fast. They understood the space – they have a dedicated healthcare team. They did a lot of homework that brought them up to speed on the company's technology, its capabilities and the market environment. They have the same aspirations to deliver on ambitious growth targets in the future as we, and Parada, had over the last few years.

And they are enthusiastic about providing the capital for the acquisitions that will realise those ambitions. That was the clincher.

They believe in the company and they put themselves in a position where the company believed in their ability to support them in the same way that we had. We had a number of proposals, but Partners Group was the one that suited both us, as investors, and Parada and the management team.

"The first challenge was the market environment. The second challenge was educating the market about the company"

IIH: You made significant returns from your investment in FairJourney. Was it better than expected?

AP: In general, I think it was, especially given market conditions.

IIH: Did you learn any lessons that you can carry over into your next investment?

AP: Investing is not rocket science. It's about finding a business that has a competitive advantage and one that's run by people who are willing and able to take advantage of that competitive advantage.

With FairJourney, for example, we found a company with very, very, very good scientific capabilities and had built the right infrastructure to deliver discovery and small-scale production in a very efficient industrially-scaled manner. They had moved away from an academic lab-type operation to become a much more finely-tuned commercial operation run by a very ambitious management team that had proved it can grow the business aggressively.

It's those ingredients that determined our investment in FairJourney and would be determinant in us making any other investments.

The lesson is: if you back the right company with the right management team, and one that has the ingredients to differentiate itself from the pack and serve clients in the right way, then you win all day every day.

IIH: What's next? Are you still mostly interested in biologics?

AP: We're interested in any and all the areas that are fast growing: biologics; vaccines;peptides and the use of peptides; mRNA; personalized medicine; cell & gene therapy. All the areas that are getting huge amounts of investment in the discovery and development of new treatments that in some cases can be curative.

We're interested in investing in companies that will enable those investments to come to fruition and to successfully deliver medicines and treatments for patients in a very cost-effective way. Ones that will improve the patient experience as well as reduce the cost of healthcare delivery in Europe and the rest of world. Those are our humble objectives. ■

Healthcare and life sciences:

How to navigate risk and insurance considerations across an investment lifecycle

Marsh

Authored by: Tom Burrell, Jenny Yu and Philip Dearn

Investors and divestors embarking on acquisitions and disposals within the healthcare and life sciences industries face multiple risk issues. Comprehensive risk management and thorough due diligence are imperative to identifying and addressing potential threats — and will be paramount to the success of any transaction.

The following topics involve essential risk and insurance issues that buyers and sellers must consider when undertaking an acquisition or divestment of a business within the healthcare or life sciences industries:

Workforce risks

Talent sourcing and retention can be difficult within the healthcare and life sciences industries. As people costs often make up a significant part of operating expense and balance sheet liabilities, failing to adequately address this risk can have negative impacts on the success of the business being acquired or divested.

Staffing issues in the healthcare and life sciences industries vary broadly. Businesses will compete for lower-paid workers with the retail and hospitality sectors, and with the tech sector for highly skilled employees. Compounding this, competition also exists between public and private companies — domestically and internationally.

If the target's workforce does not possess the necessary skills to fulfil the target's

Intellectual property (IP)

For organisations within the life sciences industry, IP usually constitutes a significant portion of their portfolio and assets, and can include patents, trademarks, and trade secrets. It is crucial that healthcare and life sciences companies — especially more innovative ones — protect these investments.

Risk transfer is a cornerstone to mitigating threats surrounding IP. Where cost effective, IP insurance can help organisations reduce risk and provide coverage for legal costs associated with IP disputes, including litigation and defence fees. Additionally, while helping to reduce the threat of external companies infringing on IP, insurance can also help protect against potential infringement of others' IP — a significant liability issue.

business plan, this can create issues — particularly in the healthcare and life sciences spaces where personnel with the required skills can prove difficult to recruit. Further issues that can affect recruitment and staff retention include demographic challenges, care industry payrates, changes in immigrations law, and funding rates from the NHS.

Workforce issues also can have implications for environmental, social, and governance (ESG) strategies. The growing importance of ESG policies and ratings for investors has the potential to disrupt transactions and devalue deals. Furthermore, in the UK, staffing issues within the healthcare sector can be significantly affected by NHS policy, which introduces political risk to organisations.

TOM BURRELL

JENNY YU

Digital risks

As the healthcare and life sciences industries evolved, companies have diversified how they provide services to serve patients. Many organisations have adopted digital approaches that involve remote monitoring, telemedicine, or eHealth — solutions likely to be administered via email, internet, apps, or telephone. While these changes will transform business processes and activities, the risk profiles of companies will also change, introducing new threats that require appropriate mitigation.

Healthcare businesses possess vast quantities of sensitive, personal patient data, which can be perceived as valuable by bad actors and lead to targeted hacking attempts. Privacy leaks and cyberattacks can be costly, both financially and for reputation, and require vigilant mitigation. Furthermore, cyberattacks can result in patients being denied care or given substandard treatment, which can have severe negative health repercussions.

Cyber vulnerabilities and risks can be inherited through transactions that traditional due diligence may miss or inadequately quantify. This could potentially increase the likelihood of cyberattacks or other cyber incidents, which can cause significant losses that may destroy deal value post-acquisition. As digital risks increase, insurance policies must keep pace with change — particularly for issues such as artificial intelligence.

Historic liabilities

Treatment of historic liabilities under sale documentation should also be a key area of focus for investors. Whether acquiring, divesting, or bolting-on a business, investors need to pay close attention to risks they are exposing themselves to, especially where the business has been trading for many years or has made multiple acquisitions. Historic liabilities are of particular concern to both healthcare organisations — where legacy service user liability is key — and life sciences companies — where legacy products liability is a focus.

Product liability risk is a major concern for businesses operating in the pharmaceutical and medical device sectors. Because legacy claims can be large in these industries, it is important when investing to secure sufficient insurance coverage and appropriate limits; review policy exclusions, which are often extended; and ensure the retroactive date aligns with the company's historical operations. Additionally, insurance pricing may be high as there can be limited appetite within the insurance market for life sciences products perceived as high risk, such as implantables, opiates, and blood-derived products.

Thorough due diligence is required to identify potential problems — unknown issues arising after deal completion can be costly to defend. Issues that will cause concern to investors include abuse of service users, outdated cover, lack of records of historic insurance, medical negligence, or inconsistency of levels and type of insurance.

While identifying potential problems is important, developing solutions and mitigation is equally so. Business leaders must understand the risks and insurability of the target business and how coverage can offer protection. Organisations in the healthcare and life sciences sectors do not typically have insurance programmes that dovetail, introducing potential gaps and overlaps. As insurance in such situations can be complex, expertise is required to ensure coverage secured is appropriately structured. For healthcare providers, the distinction between a business' medical professional liability insurance and that of self-employed clinicians, is a key example of this. Private hospitals, dental corporates, care providers, and cosmetic surgery providers should all have a clear understanding of this risk. Historic abuse coverage is another key area of focus.

PHILIP DEARN

Operational and supply chain risks

Businesses need to understand and manage risk within their end-to-end business ecosystem. For life sciences and healthcare companies, operational and supply chain risks could result in quality control issues, supply disruptions, regulatory compliance failures, and product recalls.

To mitigate these risks, companies should develop a comprehensive risk management strategy that includes robust quality control processes, supplier diversification, continuous monitoring, regulatory compliance, contingency planning, and appropriate employee training. Additionally, considering insurance options for business interruption, product recall, and supply chain disruptions can provide financial protection.

SERVICES OFFERED BY MARSH

Failing to address the above risks can be costly and threaten the value derived from transactions. To help ensure success, investors and divestors should explore available risk mitigation options.

Marsh has extensive experience in supporting our clients at all stages of the investment lifecycle. Our holistic services can support businesses in areas including insurance, workforce, risk management, and advisory services pre, during, and post transactions.

To discuss any of the risks outlined above, please contact your Marsh adviser.

Investors in Healthcare

Meet Investors in Healthcare Editor, Nick Herbert

investors in healthcare®

investorsinhealthcare.com

Investors in Healthcare® is a Google News approved digital business intelligence platform delivering news, data and analytics. This knowledge creates actionable insights for investors, senior managers and advisors in the sector.

As the official journal of the European Healthcare Investor Association, the largest association of its kind in Europe, it is the leading independent convener of knowledge for the sector using a MAP framework - Markets (overviews, deep dives and discounts to key industry events), Assets (M&A, company profiles and deals database) and People (moves, directory of leading managers, investors and advisors), supplemented by additional insights and trend analysis from expert advisors. League tables of M&A, equity, debt and real estate deals and a 4,500+ article archive is fully searchable by market, geography and topic.

Investors in Healthcare's editor, Nick Herbert, has over 35 years' experience in the global financial markets, as both a practitioner and journalist. He started work as an investment banker in London in the 1980s before joining International Financing Review (IFR), the leading capital markets weekly magazine, to report on debt capital markets and derivatives.

He moved to Singapore in 2000 to manage IFR's financial markets editorial team throughout Asia, before returning to London in 2009 to take up the position of publisher for Reuters Capital Markets Publications.

From 2015, he has been covering global capital markets, ESG finance and healthcare capital raising on a freelance basis. He joined Investors in Healthcare in 2024.

"People are living longer but often with chronic health conditions and this is adding an additional burden to already stretched public healthcare systems. Private finance can help address the challenge by supplying the capital that enables the development of new drugs, new technology, and new practices that raise the standards and lower the cost of healthcare provision," said Nick.

"At Investors in Healthcare, we provide the transparency on deals, trends and practitioners in the private healthcare sector to support an efficient, ethical and sustainable allocation of capital that, ultimately, improves lives."

Investor Members

Advent International 40 EST. 1984	Apax Partners	Apposite Capital LLP	Ardian
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Note: A small number of members have requested that their membership is not made public and therefore they are not represented here.

Our Strategic Partners

European Healthcare Investor Association is partnered with leading advisors in strategy consulting, law, real estate, investment banking, political & regulatory, executive recruitment, accounting and insurance. Our partners are a key source of market insights for members and co-host many of our events.

McKinsey & Company

McKinsey & Company is a global management consulting firm committed to helping organizations create Change that Matters. In more than 130 cities and 65 countries, our teams help clients across the private, public and social sectors shape bold strategies and transform the way they work, embed technology where it unlocks value, and build capabilities to sustain the change. Not just any change, but Change that Matters –for their organizations, their people, and in turn society at large.

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J.P. Morgan is a leader in investment banking, commercial banking, financial transaction processing and asset management. We serve millions of customers, predominantly in the U.S., and many of the world's most prominent corporate, institutional and government clients globally. Through continued investments, business initiatives and philanthropic commitments, we aim to help our employees, customers, clients and communities grow and thrive.

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McDermott Will & Emery

McDermott, Will & Emery lawyers work seamlessly across practices, industries and geographies, having 20+ locations and more than 1,400 lawyers globally. Their health private equity team collaborates with those at the forefront of health and life sciences innovation to foster the unique partnerships and business ventures that are transforming healthcare. As the industry's top-ranked law firm for health and life sciences ventures, they have advised on hundreds of healthcare deals covering the full range of health and life sciences services, life sciences tools and pharma services, medtech, hospital and behavioural health services, inpatient/outpatient services, laboratory services, information technology, business processing outsourcing and more.

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MARWOOD GROUP

The Marwood Group is a healthcare-focused advisory and consulting firm headquartered in New York City with offices in Washington, D.C. and London. With a deep understanding of the influence policy, politics and market dynamics have on reimbursement, regulation, and business performance, Marwood Group supports their client's investment decisions in assets across Europe and the United States. Marwood provides investors and operators with policy, regulatory, funding and reimbursement analysis, assessing the risk and opportunities that result from government action on the national or local level. A multi-lingual European team brings years of relevant healthcare expertise to every engagement.

marwoodgroup.com

Knight Frank is one of the world's leading independent real estate consultancies, with a healthcare team consistently ranked as the UK's no.1 healthcare property consultancy. Advising annually on £12BN of UK healthcare assets, and $40BN globally, Knight Frank's expertise extends across the full spectrum of healthcare subsectors, including care homes, specialist care & mental health, independent hospitals, primary care surgeries, children's nurseries and specialist education. As valuer to the majority of the UK's major operators, funds, investors and lenders in the healthcare space, Knight Frank healthcare is now extending its presence in Europe, drawing upon a multi-service solution that adds value at every stage.

knightfrank.co.uk/commercial/healthcare

Compass Carter Osborne delivers exceptional C-suite and executive leadership talent to the investor backed global healthcare and life sciences sectors. From traditional equity and VC funding through to REITs and infrastructure entrants, CCO is trusted by the investment community to facilitate the placements of elite talent, and have a substantive track record across funding cycles supporting more than 200 leadership hires in the last two years. CCO is recognised as the most knowledgeable, experienced, and well-networked executive search and advisory services firms in its specialist niche, most recently awarded search firm of the year at the HealthInvestor awards.

compasscarterosborne.com

RSM Ebner Stolz is the leading multidisciplinary mid-market advisory and audit firm in Germany. They work closely with their clients to gain a thorough understanding of their business and provide customized solutions. Their teams of experts help clients manage transformational measures, navigate the complex regulatory landscape and promote sustainable growth. Healthcare, Pharma and MedTech represent key sectors and the advisory practice in transactions and corporate finance has grown substantially over the past years. They have deep expertise both of the deals environment as well as recent regulatory and commercial market trends with which they navigate clients through a fast-paced and dynamic healthcare and medical industry environment.

ebnerstolz.de/en

Marsh's HealthCare Practice helps clients define, design, and deliver solutions that meet the unique needs of providers and payers alike. With an in-depth understanding of today's healthcare challenges, their extended team of insurance and healthcare professionals works with clients to define the organisation's risk profile. Then they use the industry's most powerful analytics to help you quantify risk and determine how much to mitigate, retain, or transfer.

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Member Benefits

EVENTS & NETWORKING

- Invitations to **exclusive dinners, breakfast seminars, networking drinks** and report launches including:
  - Investors in Healthcare Gala Dinner in London (during Jefferies)
  - Women in Healthcare Investing networking events
  - Investors in Healthcare drinks in San Francisco (during JP Morgan)
  - Healthcare Services & Real Estate Dinner in London (during HBI)
  - Healthcare Investing in Germany Networking Dinner in Dusseldorf (during Medica)
  - Investors in Healthcare drinks in Amsterdam (during HLTH)
  - European Healthcare & Life Sciences Investor Symposium in Frankfurt, Paris and London
  - Healthcare Investing Networking Dinner in Milan (during CPHI)
- Discounts to **industry events** including:
  - Complimentary tickets to McDermott's HPE Europe Conference London (value £695 per ticket)
  - Complimentary tickets to Basel Healthtech Conference
  - Discount to SuperReturn International Berlin (£1,200 per ticket)
  - Discount to HLTH Europe Amsterdam

CONTENT & COMMUNITY

- Access to exclusive Member-only Webinars and On-Demand content including:
  - Meet Your Members
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  - Legal Insight with McDermott Will & Emery
- Monthly newsletter containing:
  - Member-only content
  - Industry event calendar
  - Latest transactions, with advisors and valuations
  - Sector appointments
- Complimentary Enterprise subscription to **Investors in Healthcare**, providing sector focussed news, data and analysis (value £1,495 p.a.)
- Industry engagement, sector news through web site, newsletters and LinkedIn: 11,000 followers
- Promotion of your brand and investment activities to the EHIA community
- Membership includes access for an extensive number of team members per organisation (discretionary)

Sector Focus

HEALTHCARE SERVICES

HEALTHCARE

- Hospital and Clinics
- Mental Health
- Dental
- Fertility
- Clinical Labs
- Diagnostics
- Staffing
- Primary Care
- Pharmacy
- Insurance
- Cosmetic and Aesthetics
- Consumer Healthcare
- Distribution
- Digital Health/ Healthtech
- Funeral Services

SOCIAL CARE & EDUCATION

Social Care
- Care Homes
- Homecare
- Complex Behavioural Care
- Supported Living
- Retirement Housing

Education
- Fostering
- SEN Schools
- Children's Residential Services
- Nurseries

LIFE SCIENCES & PHAMA

LIFE SCIENCES

IVD
- Reagents
- Tools

Medtech
- Diagnostics
- Medical Devices and Implants
- Hospital Equipment
- Healthcare IT

PHAMA

Manufacturing
- Generics
- Specialty Pharma
- OTC

Services
- CRO/CMO/CDMO
- Bioinformatics
- Medical Communications

VETERINARY

- Veterinary Clinics
- Animal Health

Event Roundup

European Healthcare Investor Association provides its members with invitations to exclusive healthcare breakfasts and dinners, report launches, and networking drinks receptions. We are continually enhancing our portfolio of networking events.

Over the past 12 months, we have hosted a range of events that were very attended and generated exceptional feedback for the quality of the content, and the excellent peer-to-peer networking opportunity. Additionally, we represented EHIA at a number of industry events including Arab Health, IPEM, MTIP Healthtech, HLTH Europe, CPHI and Medica. These events were located in wide ranging locations including Dusseldorf, London, San Francisco, Cannes, Basel, Dubai, Amsterdam, Frankfurt, Paris and Milan.

Healthcare Investing in Germany Networking Dinner. November 2023

during MEDICA

Hosted by: **RSM Ebner Stolz**

Investors in Healthcare Annual Dinner. London. November 2023

during Jefferies London Healthcare Conference

Supported by: **JP Morgan**, **McKinsey & Company**, **McDermott Will & Emery** and **Compass Executives**

Scheduled to coincide with the middle day of the Jefferies London Healthcare Conference, European Healthcare Investor Association hosted an exclusive invitation-only dinner for healthcare investors supported by J.P. Morgan, McKinsey & Company, McDermott Will & Emery and Compass Executives. Now established as EHIA's flagship annual event, the dinner was held in the spectacular Great Hall at JP Morgan's 60 Victoria Embankment venue, and provided an excellent opportunity for over 150 CEOs and private equity investors to network and discuss healthcare investment trends and opportunities.

Investors in Healthcare Drinks. San Francisco. January 2024

during JP Morgan Healthcare Conference

Supported by: **Compass Executives, Marwood Group,** and **Latham & Watkins**

Investors in Healthcare Drinks. Dubai. January 2024

during Arab Health

Supported by: **Bevan Brittan, Colliers** and **BSA**

Healthcare Services and Real Estate Networking Dinner. London. June 2024

during HBI

Supported by: **JP Morgan,** and **McKinsey**

Healthcare Investing Networking Dinner. Milan. October 2024

during CPHI

Hosted by: **Portolano Cavallo**

Women in Healthcare Investing Networking. Paris. October 2024

Supported by: **Marwood Group, Level 20** and **Bridgepoint**

In the Diary

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.

EHIA offers significant discounts to many of these events for our members. A full calendar of relevant events is published on our official journal **Investors in Healthcare**.

Investors in Healthcare Conference

3 June 2025, Dartmouth House, London.
The leading conference for private capital in healthcare.

Investors in Healthcare, in association with European Healthcare Investor Association, in partnership with Rothschild & Co and BCG, and supported by Marwood Group, AON and Compass Carter Osborne, is launching a new healthcare investor conference with a difference.

This CEO and partner-level event will be hosted in an elegant townhouse in the heart of London's Mayfair, providing a private and intimate environment for networking and understanding market trends. One-on-one meetings will be available for all participants.

Rich with relevant, curated content and 100% investor and portfolio company focussed, it will feature two tracks, one dedicated to Life Sciences & Pharma, and another to Healthcare Services & Real Estate.

Each track will cover selected markets, beginning with our Knowledge Partner presenting insights on market size, growth, participants and key drivers/areas of focus for investors. This will be followed by individual company presentations, Q&A sessions, and panel discussions addressing key investor themes.

The conference will conclude with alfresco networking drinks in the stunning courtyard of the conference venue, Dartmouth House.

conference.investorsinhealthcare.com

EHIA

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