

INDUSTRY UPDATE

QUARTER 1  
YEAR 2024

# Healthcare

Gerald Edelman has significant experience in the Healthcare sector, with our Corporate Finance team having successfully completed two related transactions at the outset of the year.

Our latest industry update offers a comprehensive review of the UK healthcare landscape, spotlighting recent M&A activity, as well as prevailing trends and an outlook for the future.



## Market Overview

The UK healthcare industry continues to be in the spotlight due to staff shortages, backlogs of procedures and uncertainty surrounding government policy due to the upcoming general election. Persistent underfunding continues to disrupt efficiency in the sector, with NHS waiting lists projected to hit their highest level on record in 2024. As a result, demand for medical technology (“MedTech”) and private sector practices has surged, attracting investors from both domestic and international markets.

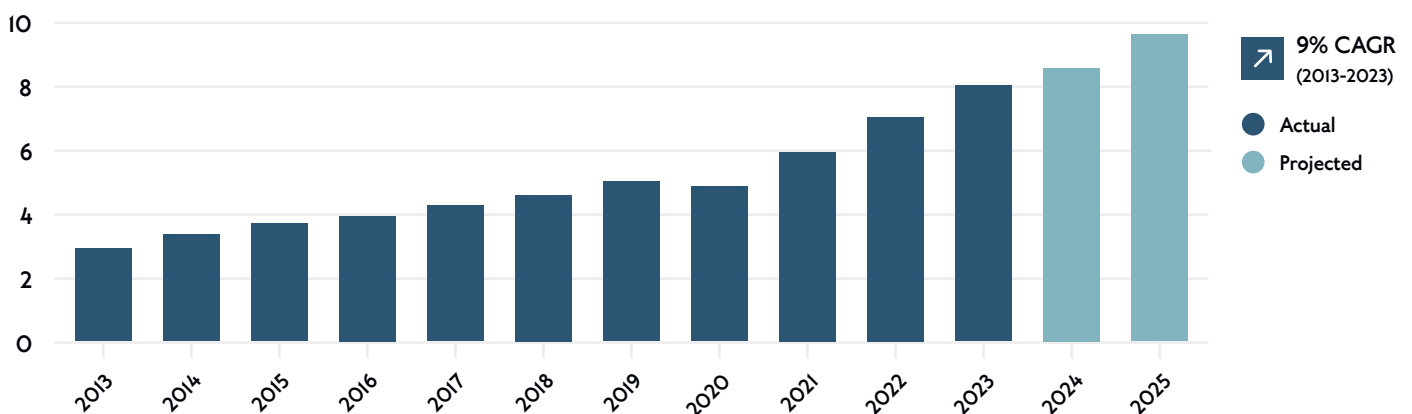
In November 2023, NHS staff in England delivered the highest monthly number of treatments on record. However, waiting lists are projected to peak at more than eight million people by summer 2024 due to staffing shortages amid ongoing pay disputes and strike action. The effects of the backlog caused by the pandemic are still being felt, and public sector officials have pointed towards the UK’s ageing population as a medium to long-term issue that will continue to drive demand for specialist treatments.

The average GP now serves 2,292 patients, reflecting a **7.1% increase since 2019**. Despite government efforts to attract private practitioners and ease system strain, the goal of hiring 6,000 extra GPs by 2024 remains unmet. With the upcoming general election approaching, the NHS will be firmly under the spotlight, as candidates are expected to present major funding proposals and legislative changes to alleviate pressure on the healthcare system. With inherent uncertainty in the public sector, opportunities will arise for investors looking to capitalise on the evolving landscape.

## Private Sector Growth Opportunities

Amid mounting pressure on the NHS, public-private integration within the healthcare sector has increased considerably. Data from the NHS Digital Health Episode Statistics reveals a substantial increase in spending on outsourcing to organisations from the independent sector. By 2023, this expenditure surged to £14.7 billion, **exhibiting a remarkable 106% increase from 2014 figures**. This increase highlights the growing reliance on collaboration between the public and private sectors to alleviate strain on the NHS, and provides an exciting avenue for potential foreign investment.

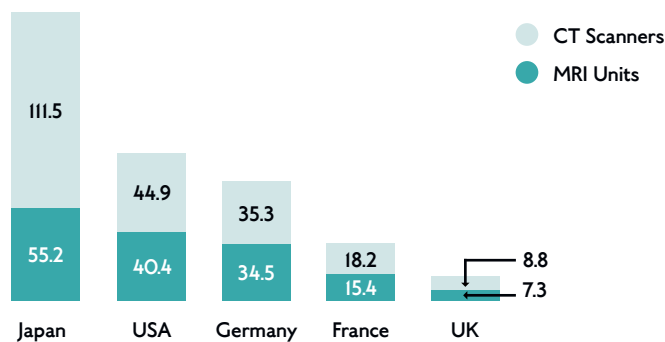
### No. of People on NHS Waiting Lists (m)



## Medical Equipment

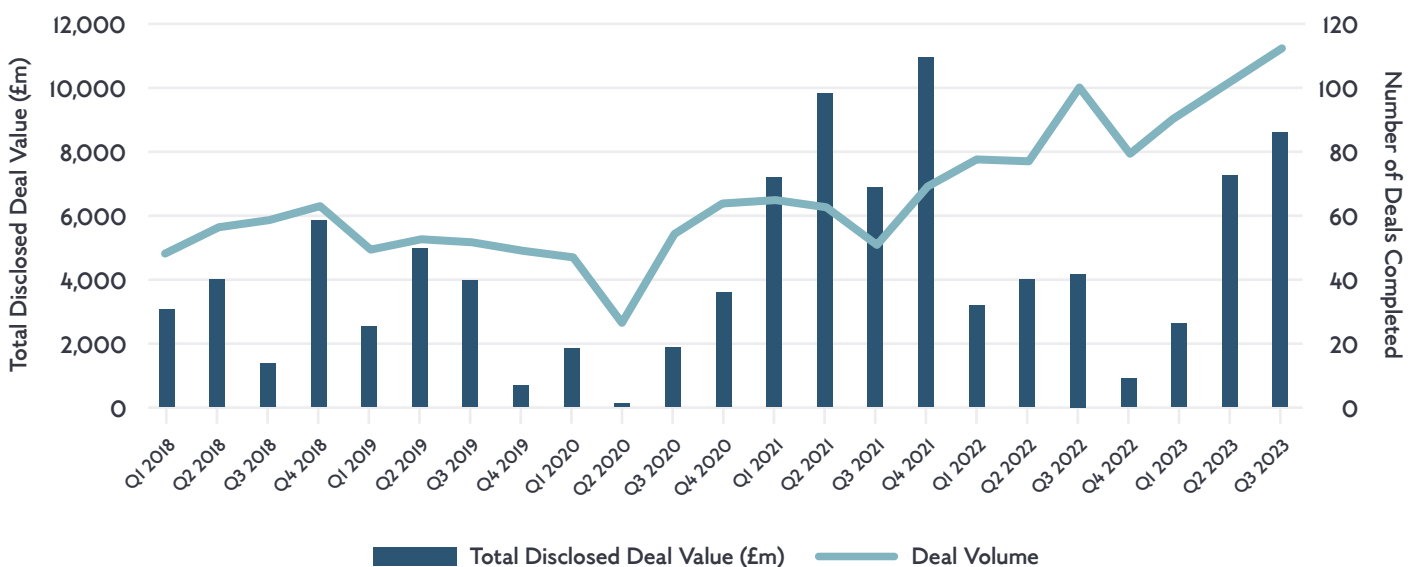
There has also been a marked increase in investment in medical equipment and infrastructure from both the private and public sectors. Historically, domestic investment into medical equipment has lagged behind other G7 countries, with the lack of diagnostic equipment per capita accentuating the patient bottleneck in the NHS. The Department of Health and Social Care also released its **inaugural MedTech strategy roadmap in 2023 unveiling a £650 million investment package** that is earmarked to tackle pivotal challenges within the sector.

### CT and MRI scanners (per million head of population, 2021)



- UK diagnostic capabilities rank bottom for G7 nations
- c30% of MRI and CT scanners to soon be decommissioned
- NHS resource budget to increase to £160bn in 2024-25

### Announced Healthcare Deals (2018-2023)



Internationally, the UK medical equipment market was valued at £14.5 billion in 2023 and is expected to demonstrate a cumulative annual growth rate (CAGR) of 5.64% through 2024-2028.

In recent years, the UK has emerged as a focal point for innovation, positioning itself as the third largest MedTech exporter in Europe. Projections from the **Department for International Trade indicate that global MedTech revenue is poised to surpass £500 billion by 2026**, and investors in the UK and abroad will look to position themselves as the frontrunners in this emerging space.

## M&A Activity
















290 private healthcare transactions completed in the UK to Q3 2023, a significant increase from the same period in 2022, both in terms of deal volume and value. This was in stark contrast to the wider market, which struggled throughout 2023 due to turbulent economic conditions.

We expect to see a continued appetite for M&A across healthcare with the economic environment settling and the government expected to commit further funding to the NHS. We have already seen larger care home operators such as HC-One announce plans to dispose of non-core assets due to inflationary pressures, and it is anticipated that there will be further churn in healthcare real estate as care home operators plan the divestiture of underperforming assets. This should create ripples across the sector, as demand for quality medical equipment and personnel increases.

## Selected UK Target Healthcare M&amp;A Transactions (Last Twelve Months)

Date	Target	Buyer	Buyer HQ	Target Description	Deal Size (£m)
Feb 24	 BlackBerry Clinic	 Bupa		Multi-disciplinary healthcare provider	Undisclosed
Jan 24	 Business Health	 ZELLO Optimising Performance		Provider of occupational health and medicals for the workforce	Undisclosed
Jan 24	 MIS HEALTHCARE	 H2   Equity Partners		Distributor and service provider for the diagnostic imaging market	Undisclosed
Dec 23	 LumiraDx™	 Roche		Manufacturer and distributor of point-of-care diagnostics company	232
Aug 23	 CALON CARDIO	 ASHINGTON LABORATORY PLC		Manufacturer of implantable cardio pumps	39
Aug 23	 LIFECAST BODY SIMULATION	 3B Scientific		Provider of lifelike medical simulators	Undisclosed
Aug 23	 Primary Care Physio	 BGF		Provider of first-contact physiotherapy (FCP) and podiatry services	8
Jul 23	 Adaptix Transforming Radiology	 Avingtrans		Developer of 3D X-ray technology	3
Jul 23	 Yourgene Health	 NOVACYT GROUP		Develops diagnostic and screening solutions for reproductive health	27
Jul 23	 ADDITIVE INSTRUMENTS	 SmithNephew		Manufacturer of orthopaedic devices, sports medicine and arthroscopic technologies, and wound-care solutions	10
Jun 23	 Lightpoint MEDICAL	 Telix		Manufacturer of intra-operative cancer detection technology	27
May 23	 4ways tele-diagnostics, your way	 evidia		Operator of a teleradiology platform intended for radiology departments across the United Kingdom	198
Mar 23	 FingerPrint Medical Driving Change Through Data	 Aliter Capital		Provider of specialised audit and lifecycle tracking solutions for sterilisation and decontamination of surgical instruments	6



Feb 23				Manufacturer of prosthetics, orthotics and assistive technologies	Undisclosed
Feb 23				Molecular diagnostics research	Undisclosed
Jan 23				Manufacturer of suction, oxygen therapy and regulation products	Undisclosed
Jan 23				Cosmetic dental laboratory	Undisclosed
Jan 23				Manufacturer of medical diagnostic products focused on the detection of cancers and immune disorders	2,300

Advised by Gerald Edelman Corporate Finance Team

## Outlook

Looking ahead, the UK healthcare sector faces challenges such as the growing strain on the NHS and staffing shortages, but also opportunities. Collaborative efforts between public and private entities are crucial for sustainable solutions and quality patient care. The medical equipment market is set for sustained growth to address procedural backlogs. Integrating public and private sectors in procurement presents opportunities due to historical underfunding.

M&A activity in healthcare remains robust, driven by economic stability and government support. Increased funding before the next general election will likely fuel transactional activity, with opportunities

across healthcare subsectors. MedTech and medical equipment sectors are likely to continue to drive transactional activity, attracting national and international investors. It is anticipated that this trend will persist as the government intensifies efforts to fully digitise the NHS, aiming to enhance efficiency and streamline healthcare delivery.

Whilst the healthcare sector navigates through the current turbulent period, opportunities await strategic investors who ride the current private sector and MedTech wave that looks to be reshaping the future of healthcare delivery in the UK.



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## GERALD EDELMAN CORPORATE FINANCE

Our 20+ Corporate Finance team is sector agnostic, working with businesses across all sectors (e.g. Business Services, Consumer, Healthcare, Technology, etc.). The team focuses on transactions with a target deal size of £5 million to £100 million (small to medium size businesses).

The team is divided into two 'sub-teams': Deal Advisory and Transaction Services.

### Deal Advisory

#### Pre-sale planning

Working with businesses prior to a sale or investment exercise to maximise value and enhance market appeal

#### M&A advisory (sell-side)

Supporting clients through every stage of the process, including preparing marketing materials, identifying potential buyers, negotiating terms, and overseeing due diligence and legal procedures to a successful completion

#### M&A advisory (buy-side)

Providing strategic advice and support to clients and management teams wanting to acquire business interests

#### Capital raising advisory

Working with businesses to help raise funds (equity or debt), whether for specific initiatives or to invest in growth and development

#### Management Buyouts (MBOs)

Supporting management teams with all aspects of buying a business

### Transaction Services

#### Due diligence

Providing financial and tax due diligence support to buyers

#### Buy-side support

Assisting buyers during the acquisition process, including transaction structuring, and identifying and delivering tax efficiencies

#### Vendor support

Assisting vendors during the sale process with services such as vendor due diligence

#### Valuations

Undertaking valuations of ordinary shares and more complex securities ahead of transactions, as well as management incentive schemes

#### IPO support

Assisting at every stage of an IPO process including strategic planning, regulatory compliance, and undertaking the role of reporting accountant

#### Forensic accounting

Performing financial analysis, investigations, or valuations in the context of legal disputes

### Clients

- Founders/entrepreneurs/business owners
- Management teams
- Financial investors

### Clients

- Corporates
- Search funds
- Private equity firms