

BDO's quarterly Healthcare M&A Highlights provides a snapshot of mergers and acquisitions in Australasia, with a specific focus on Australia.

M&A TRANSACTIONS

Deal activity

Q2 2019 saw 11 announced deals, representing an 8% decline, compared to the 12 deals announced in Q2 2018. The overall deal value (disclosed) also declined 65% from Q2 2018.

Activity in Healthcare Providers was weaker with 3 deals (undisclosed values) in Q2 2019, compared to the 5 deals (\$461m) in Q2 2018. This is reflective of rising operating costs and contracting company margins in the sub sector. The Royal Commission inquiry into the Aged Care sector caused further uncertainty, resulting in companies committing less capital in Q2 2019 (decline in deal volume from 3 in Q1 2019 to 1 in Q2 2019).

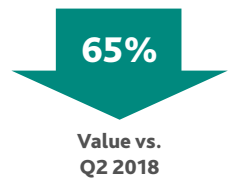
Despite the pressures faced in the Healthcare industry, private equity remains active, contributing six of the eleven announced transactions in Q2 2019. Healthcare providers and diagnostic imaging clinics have attracted the most interest by private equity firms in recent quarters. Potential increases in Medicare funding in 2019 could spark more activity.

Largest acquisition

Australian private equity firm, CHAMP Private Equity acquired an undisclosed controlling stake in Cell Care Australia Pty Ltd for \$100 million. Cell Care Australia collects, processes and stores blood and tissue from umbilical cords. The stem cells extracted are used to treat blood cancers and other serious medical conditions. The acquisition will allow CHAMP to expand Cell Care Australia's client base internationally.

Disclosed deal value

\$332m
across Australasia



Deal volume



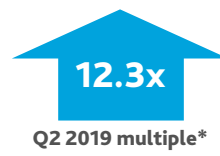
11 DEALS
announced in Q2 2019

Average deal size

\$66m
for disclosed transactions



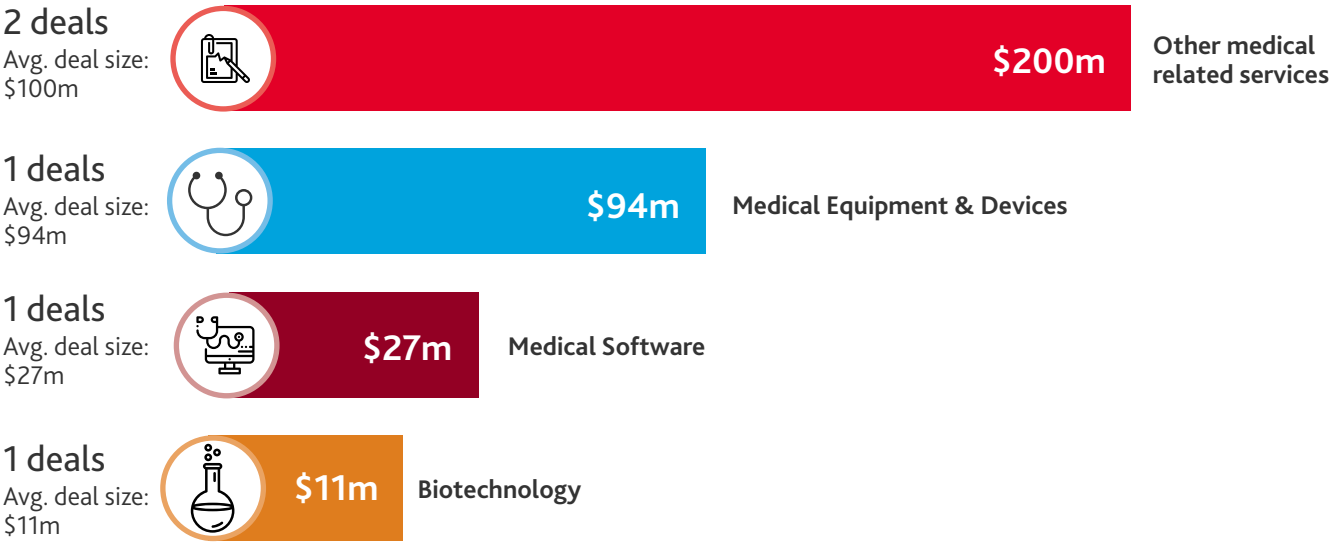
Median EV/EBITDA multiple for ASX listed Healthcare companies



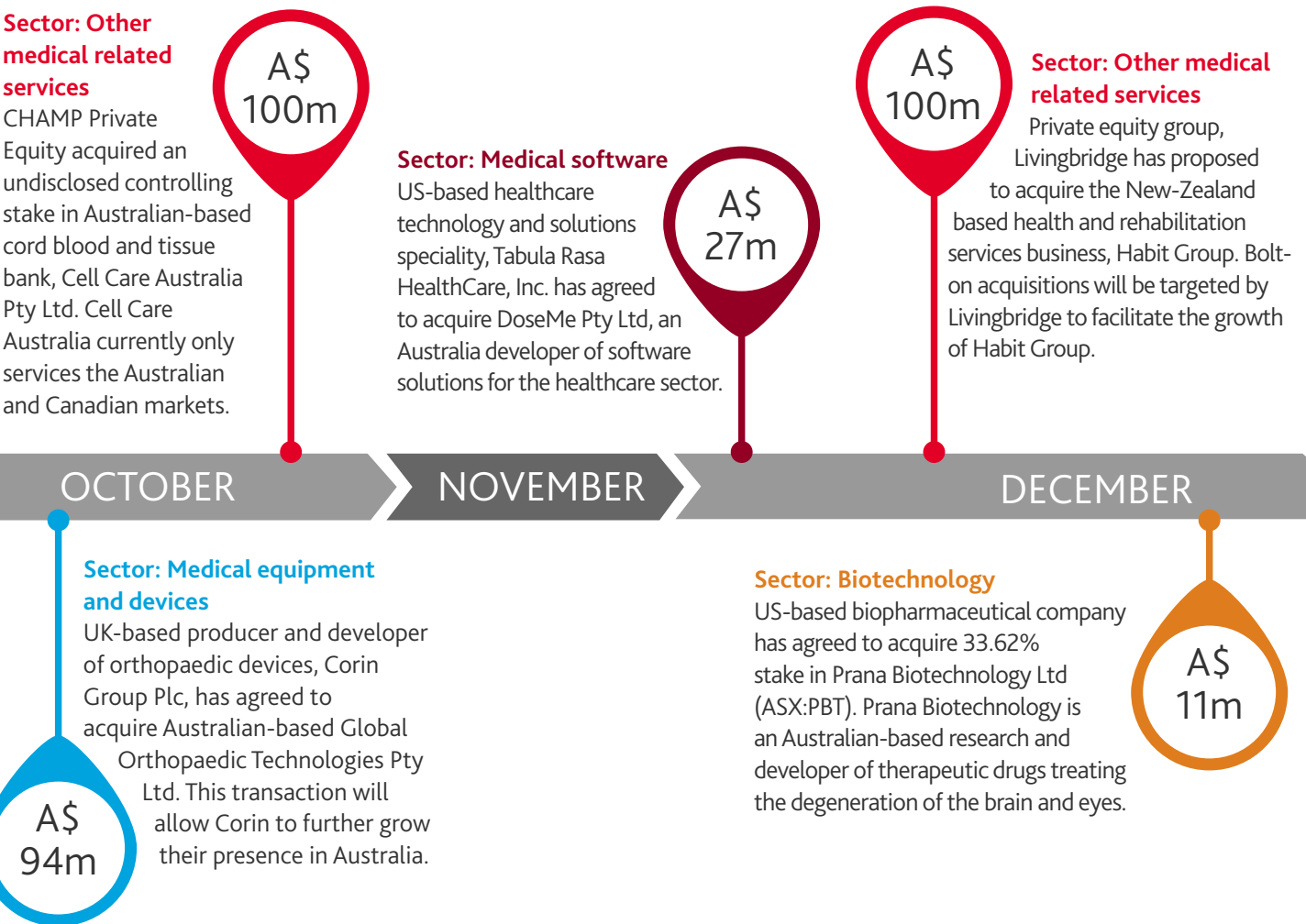
INCREASED
from 11.7x in Q2 2018*

TOP SECTORS BASED ON DISCLOSED DEAL VALUE

Disclosed deal value was concentrated in the Other medical related services sub sector which recorded a total of two disclosed deals representing c.\$200 million. Notable deals, not included in the values below, were the acquisition of Device Technologies Australia by a Malaysian-based private equity firm, Navis Capital Partners Limited and St Vincent's Health Australia acquisition of a 50% shareholding in The Holy Spirit Northside Private Hospital Limited.



TOP 5 DEAL ANNOUNCEMENTS



Sources used: Mergermarket, S&P Capital IQ and BDO Analysis

* Note: Companies without comparable multiple data have been excluded (e.g. those with negative earnings in one quarter)

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