

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

After exponential growth in deal activity in the last 18 months, the Healthcare sector is beginning to cool off from the record highs seen in 2018 (50 deals in Q4 2018). Announced deal volume for Q3 2019 declined to 5 from 18 deals in Q3 2018. However, the disclosed deal value increased by 54% from Q3 2018 driven by this quarter's largest deal (Brookfield Asset Management's offer to acquire Healthscope Limited, \$4.4bn deal value).

The decline was particularly significant in the Biotech, Healthcare providers and Aged Care sub-sectors. We expect the deal activity in Aged Care to remain depressed as the industry digests the Royal Commission's investigation into aged care.

Despite the pressures faced in the Healthcare industry, private equity remains active, accounting for 40% (2 of the 5) announced transactions for the quarter.

Largest acquisition

Brookfield Asset Management, a Canada-based global alternative asset manager made a competing offer to acquire Healthscope Limited (ASX: HSO) for \$2.465 per share, a premium to the offer made by BGH Capital and its consortium of partners at \$2.36 per share.

Brookfield is said to be attracted to Healthscope's geographic spread of 43 hospitals, particularly the flagship facilities in metropolitan centres that have limited competition. Healthscope is the second largest private hospital operator in Australia and the largest pathology services provider in New Zealand.

Disclosed deal value

\$4.4bn

across Australasia

54%

Value vs. Q3 2018

Deal volume

72%

Volume vs. Q3 2018

5 DEALS

announced in Q3 2019

Median EV/EBITDA multiple for ASX listed Healthcare companies

11.5x

Q3 2019 multiple*

DECREASED

from 12.7x in Q3 2018*

TOP SECTORS BASED ON DISCLOSED DEAL VALUE

Disclosed deal value was concentrated in the Hospitals sector due to Healthscope-Brookfield deal representing \$4.4 billion. Notable deals, not included in the values below, were the acquisition of Wellness Lifestyle Australia Limited by Healthcare Australia Pty Limited and TPG Capital Asia's (China-based fund) acquisition of a 35% stake in Safe Work Laboratories Pty Ltd.

1 deal

Avg. deal size: \$4,353m



\$4,353m

Hospitals

1 deal

Avg. deal size: \$13m



\$13m

Other Medical related services

1 deal

Avg. deal size: \$8m



\$8m

TOP 5 DEAL ANNOUNCEMENTS

Sector: Other Medical Related Services

Eurofins Australia New Zealand Holding Pty Ltd has agreed to acquire Chemical Analysis Pty Limited, an analytical laboratory outsourcing service provider from iX Biopharma Limited (Singapore) for a total consideration of \$13m.

A\$ 13m

Sector: Aged Care

Healthcare Australia Pty Ltd. has acquired Wellness & Lifestyles Australia Ltd, provider of Aged Care services, from Advent Partners Pty Ltd for an undisclosed consideration. The acquisition will help Healthcare Australia to expand in verticals such as Allied, Corporate Health, NDIS, Homecare, GP Practices and Aged Care.

Undisclosed

Undisclosed

Sector: Other Medical Related Services

US-based private equity firm, TPG Capital LP through TPG Capital Asia (China-based fund), acquired 35% stake in Safe Work Laboratories for an undisclosed consideration. Safe work is an Australia-based provider of clinical laboratory testing services. The acquisition is in line with TPG's strategy of expanding its businesses in Australian markets.

JANUARY

FEBRUARY

MARCH

Sector: Hospitals

Canada-based asset manager, Brookfield Asset Management has made an offer to acquire up to 100% of Healthscope Limited for approximately \$4.4bn.

A\$ 4.4bn

Sector: Healthcare Providers & Services

Diagnostic imaging group, Capital Health Limited acquired Four radiology clinics from Victorian Xray Group Pty Ltd, an Australia-based company providing medical imaging and diagnostic services, for a total consideration of \$8m. The transaction is inline with Capital Health's growth strategy and will extend Capital Health's network into Carlton.

A\$ 8m

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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