

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

Q1 2019 saw 13 announced deals, representing a 19% decline, compared to the 16 deals announced in Q1 2018. The overall deal value (disclosed) also declined 33% from Q1 2018. This was driven primarily by decreased transaction activity within Healthcare providers & services and medical software.

A key observation is the increased number of transactions within the Hospitals segment, with three transactions reported in September 2018 alone, totalling \$419 million. Q1 2019 saw increased private equity deals activity, totalling 80% of disclosed deal value. Private equity deals were particularly concentrated in the *Hospitals* and *Medical Software* sub sectors.

Healthcare continues to see a rise in valuation multiples (median industry EV/EBITDA multiple of 14.0x), supporting a positive industry outlook for 2019.

Largest acquisition

Pacific Equity Partners announced their proposed acquisition of 87% in Evolution Healthcare. Evolution Healthcare operates eight private hospitals in Australia. The total deal value is approximately \$300 million and will provide expansion capital for its Royston, Bowen and Grace hospitals in Australia and New Zealand.

Disclosed deal value

\$784m

across Australasia

33%

Value vs. Q1 2018

Deal volume

19%

Volume vs. Q1 2018

13 DEALS

announced in Q1 2019

Average deal size

\$98m

for disclosed transactions

8%

Avg. deal size vs. Q1 2018

Median EV/EBITDA multiple for listed Healthcare companies

14.0x

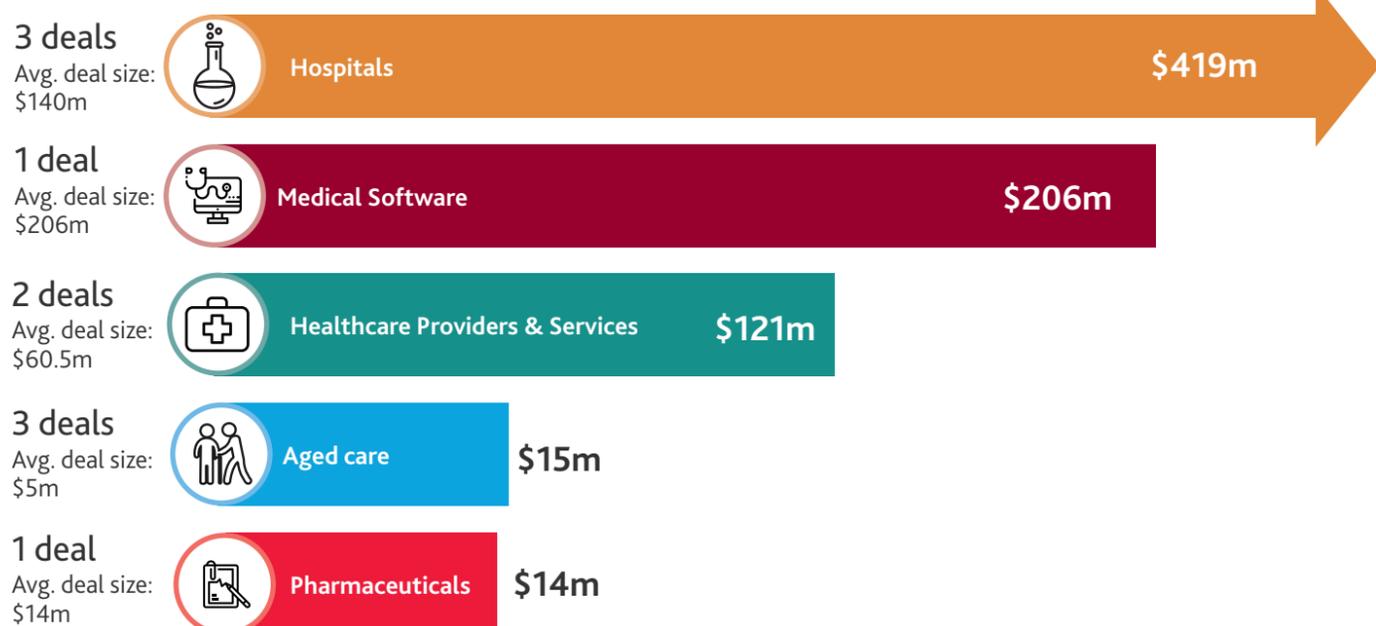
Q1 2019 multiple*

INCREASED

from 13.8x in Q1 2018*

TOP SECTORS BASED ON DISCLOSED DEAL VALUE

Disclosed deal value was concentrated in the *Hospitals* and *Medical Software* sub sectors which recorded a total of four disclosed deals representing c.\$625 million. Notable deals, not included in the values below, are the acquisitions of a 70% stake in Australia Vitamin and Sports Nutrition by Verita Healthcare Group Ltd, and the acquisition of four residential aged care facilities of Ark Health Care by Tierra Health for undisclosed amounts.



TOP 5 DEAL ANNOUNCEMENTS

Sector: Healthcare Providers & Services

Liverpool Partners and Adamantem Capital Management, announced an acquisition of 100% stake in **Zenitas Healthcare Ltd** (ASX:ZHL), which has a total enterprise value of \$121 million. Zenitas is engaged in allied health and medical services business.

Sector: Healthcare providers & services

Orion Health Group has entered into an agreement with private equity technology investor **Hg** to acquire majority ownership of **Orion Health's Rhapsody** business and a minority interest in **Population Health** from for a total consideration of \$206 million. Orion Health is a listed New Zealand (NZE:OHE) based healthcare software company.

Sector: Hospitals

Proposed acquisition of 87% in **Evolution Healthcare** by **Pacific Equity Partners**. Evolution Healthcare operates eight private hospitals in Australia. The total deal value is approximately \$300 million which will be used for further expansion.

Sector: Hospitals

Primary Health Care Limited (ASX:PRY) announced its acquisition of **Montserrat Day Hospitals**, an Australia-based operator of specialist day hospitals and haematology / oncology clinics for a total consideration of \$95 million.

Sector: Hospitals

Cura Day Hospitals Group acquired **Perth Eye Centre**, an Australia-based hospital providing ophthalmology services, for a consideration of \$24 million. The acquisition will lead to expansion of Cura's portfolio to 21 facilities nationally strengthening its position as leading hospital group.

Sources: 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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