

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

Healthcare deal activity has increased, with 50 announced deals in Q4 2018, compared to the 28 deals announced in Q4 2017. There has been increased transaction activity within radiology, dentistry and dermatology, driven by consolidation in the fragmented subsectors.

A key observation is the increased number of transactions within the medical cannabis segment, with 5 transactions reported in Q4 2018.

Healthcare continues to see increased deal activity and higher valuation multiples (median industry EV/EBITDA multiple of 12.7x), supporting a positive industry outlook for 2019.

Largest acquisition

The announced \$1.9bn acquisition of ASX-listed Sirtex Medical Limited (Sirtex) by CDH Investments (a major Chinese alternative asset management firm) and China Grand Pharmaceutical & Healthcare marked the largest disclosed deal in Q4 2018. Sirtex is an Australian-based company engaged in the research and development of medical products for the treatment of liver cancer. The acquirers are aiming to introduce Sirtex's key products into the Chinese market and capitalise on the high demand and minimal competition in the industry.

Disclosed deal value

\$2.3b

across Australasia

-30%

Value vs. Q4 2017

Deal volume

79%

Volume vs. Q4 2017

50 DEALS

announced in Q4 2018

Average deal size

\$65m

for disclosed transactions

-78%

Avg. deal size vs. Q4 2017

Median EV/EBITDA multiple for listed Healthcare companies

12.7x

Q4 2018 multiple*

INCREASED

from 11.7x in Q4 2017*

TOP SECTORS BASED ON DISCLOSED DEAL VALUE

Disclosed deal value was led by the Biotechnology sector due to the announced \$1.9bn acquisition of Sirtex. However, deal concentration occurred within the *Healthcare providers and services* sector with 22 announced transactions, predominantly in radiology, dentistry and dermatology clinics. Notably, 5 transactions occurred within the medical cannabis sector (listed below under "other medical products").

3 deals

Avg. deal size: \$638m



Biotechnology

\$1,915m

22 deals

Avg. deal size: \$20m



Healthcare Providers & Services

\$240m

8 deals

Avg. deal size: \$12m



Medical Equipment & Devices

\$69m

3 deals

Avg. deal size: \$11m



Medical Software

\$32m

5 deals

Avg. deal size: \$5m



Other medical products

\$19m

TOP 5 DEAL ANNOUNCEMENTS

Sector: Healthcare providers and services

Smiles Inclusive (ASX:SIL) listed in April 2018, raising \$35m to fund the acquisition of 52 dental practices, creating its initial portfolio of practices.

A\$ 66m

Sector: Medical equipment and devices

Integrated healthcare equipment and services provider **Paragon Care Limited (ASX:PGC)** announced the acquisition of **REM SYSTEMS Limited**, a New Zealand based medical distribution company supplying hospitals, day surgeries, medical practices and health clinics.

A\$ 55m

A\$ 1.9b

Sector: Biotechnology

CDH Investments and China Grand Pharmaceutical & Healthcare have entered into a binding Scheme Implementation Deed with **Sirtex Medical Limited (ASX:SRX)**, a global life-sciences company, which develops and delivers oncology treatments, particularly for liver cancer.

APRIL

MAY

JUNE

Sector: Healthcare providers and services

ComfortDelGro Corporation Limited, a bus and taxi operator, announced the expansion into non-emergency patient transport services through the acquisition of **National Patient Transport Pty Ltd.**

A\$ 30m

Sector: Healthcare providers and services

Integral Diagnostics Limited (ASX:IDX) announced the acquisition of **Special Radiology Group, Trinity MRI and Cavendish Radiology**, which comprise the leading specialist radiology clinics in Auckland, New Zealand.

A\$ 97m

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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