

Q&A

Investing in healthcare

Real Deals speaks to partners Aziz Ul-Haq and Christian Bruning, and investment director Matt Newbold, to assess the main drivers of M&A in the sector, what LDC looks for and what the future holds

13

LDC healthcare investments since 2017

£500_m

combined enterprise value of healthcare investments since 2017

133%

average revenue growth for exited healthcare investments

2.5x

average returns generated by exited healthcare investments

LDC is an active investor in the healthcare sector. What's your view on the current level of M&A activity and the main market drivers?

Aziz Ul-Haq: Healthcare is one of the UK economy's biggest sectors and investor appetite has never been higher. We see a market that is robust and resilient, and recognise the huge opportunity for innovative problem solving to drive growth.

We know growth is driven by long-term demand and this is especially true during times of significant change. We've invested £350m in medium-sized UK-based healthcare businesses since 2013 and have seen a lot of success because businesses need a long-term partner to invest, support and provide stability as they grow.

Matt Newbold: One area that's driving private investment in the sector, and something that has been accelerated by the pandemic, is the development of at-home testing and the benefits this can bring both in terms of convenience and relieving pressure on hospitals and GP surgeries.

Christian Bruning: Real Digital (RDI), a 2021 LDC investment, is a good example of this. RDI is a specialist data and fulfilment business that is helping its healthcare clients grow the home-testing and screening market, having developed the National Bowel Cancer Screening Programme with the NHS.

When investing in a business, the team is just as important as the company itself. What do you look for in a new investment?

Bruning: The healthcare sector often has business leaders who have worked in the industry over many years, starting their company after



Left to right: Christian Bruning, Aziz Ul-Haq and Matt Newbold

spotting a problem or gap that needed addressing. As a result, there are lots of purpose-driven leaders who want to make a real difference, with a genuine focus on high quality and clinical governance. This is really attractive.

Newbold: We invest in businesses that are run by teams with a strong track record and those that can point to future opportunities, to scale their companies. This could be through an effective buy-and-build strategy or targeting international expansion.

What are the key themes, challenges and opportunities you see across LDC's healthcare portfolio?

Ul-Haq: One of the main opportunities across our current portfolio of 11 healthcare businesses is the use of innovation to differentiate and drive scale. For example, in January 2022, we invested in EMS Healthcare (EMS), one of the UK's leading providers of mobile clinical solutions, focused on making healthcare and clinical trials more accessible. We're backing the management team to expand its range of bespoke services and facilities, including diagnostics,

which can be configured to suit a range of healthcare needs and clinical environments. Our support is helping EMS to deliver the NHS-Galleri Trial, a new way to screen for cancer, and we've already helped the business grow revenues to £24m last year.

Newbold: Acquisitions are also an effective route to growth. We supported the management team of healthcare equipment manufacturer Prism Medical who acquired four complementary businesses during our partnership. This, along with new product launches and expanding internationally, led to a 54% increase in revenues to £40m.

Bruning: As for challenges, healthcare is not alone in facing a talent shortage. There's a real demand for highly qualified people with a combination of industry experience and commercial acumen, so managing recruitment and retention to support growth is one of the key challenges facing business leaders across the healthcare sector.

What's your outlook for the sector over the next five years?

Ul-Haq: The UK has a world-

renowned pharmaceutical industry, and pharma services is certainly an area of healthcare we spend a lot of time in. Given its standing on the international stage, expansion overseas remains one of the key growth opportunities, often enhanced by a focused M&A strategy.

We have considerable experience in supporting UK healthcare businesses on their international journey. An example is our £38m investment in UK-headquartered global healthcare communications agency Fishawack Health, supporting the management team's international buy and build strategy. We provided £18.5m of follow-on funding for five acquisitions, which helped Fishawack cement itself as a key player in North America and Europe.

LDC is an investor in medium-sized businesses in the UK and since 2013 has invested more than £350m into the healthcare sector.

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