

SECTOR REPORT

Healthcare

In this first in a series of LDC sector reports, we examine the opportunities for growing healthcare businesses and look at how private equity investment can help.

UK healthcare has evolved into a global pioneer. Innovation continues to transform the sector, creating many routes to growth. And with a rising focus on digital transformation and testing at home, increased public awareness surrounding health issues and wellbeing, and an ageing population creating opportunities for outsourcing of services – demand has never been greater.

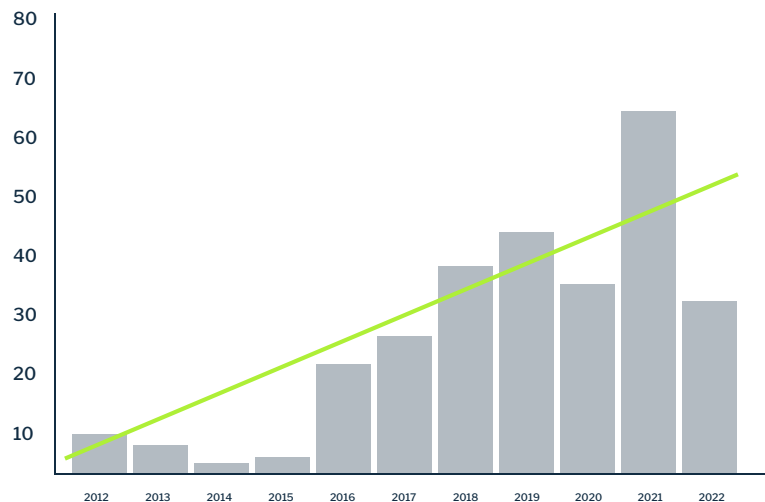
From all corners of the UK, LDC has worked in partnership with some of the most ambitious business leaders across sub-sectors including healthcare services, pharma services and MedTech & devices. Using our experience in the sector, our regional teams continue to support a range of growth strategies across our portfolio – whether expanding through organic growth, pursuing buy-and-build, developing new products, or entering new overseas markets.

Since 2017:

- 13** LDC healthcare investments
- £500m** combined entry enterprise value of healthcare investments
- 31** bolt ons
- 175%** average revenue growth for exited healthcare investments
- 94%** average headcount growth for exited healthcare investments
- >2.5x** average returns generated by exited healthcare investments

Volume of UK Mid-Market Healthcare Investments

At market level, the volume of UK mid-market private equity healthcare investments has increased from an average of four per year 2012-2015, to an average of 42 per year 2019-2022*.



*Based on analysis of Unquote data of UK private equity healthcare investments with an EV of £10m - £100m between 2012 and 2022

Investing in Healthcare



LDC Partners Aziz UI-Haq and Christian Bruning, and Investment Director Matt Newbold, spoke to Real Deals to assess the main drivers of M&A in the sector, and discuss what an investor looks for in a private equity equity partner.

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 UI-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: 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 management team is just as important as the company itself. What do you look for in a new investment?

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

Matt 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.

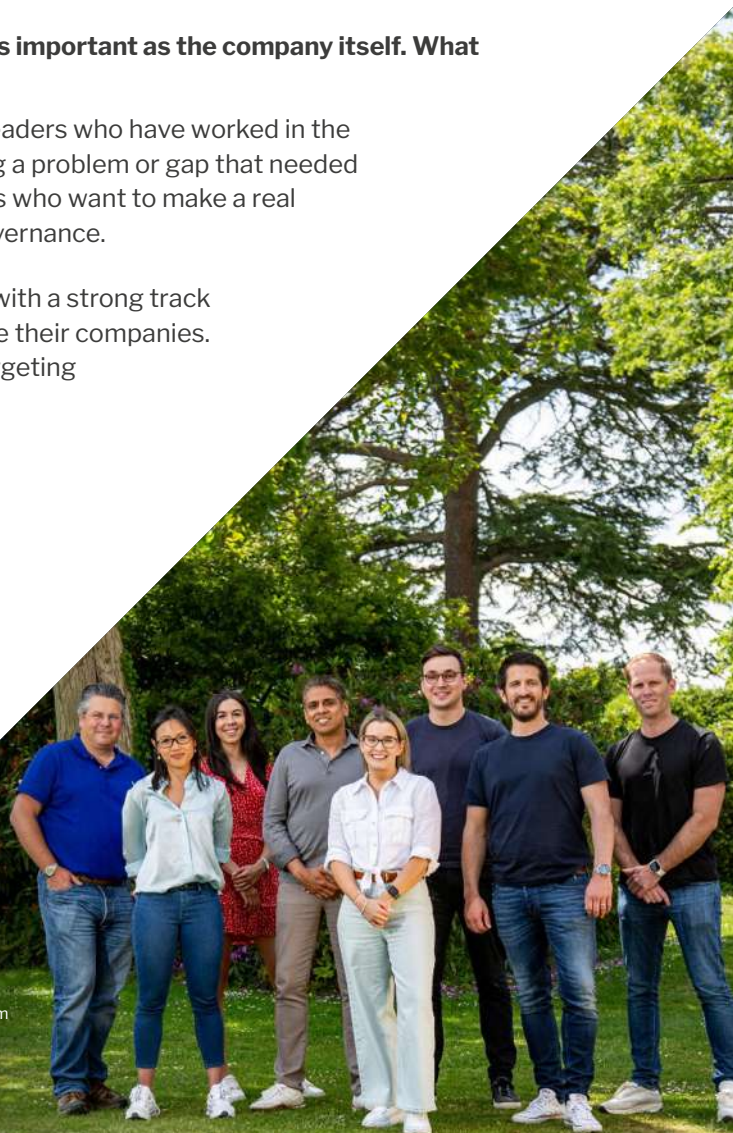
What's your outlook for the sector over the next five years?

Aziz UI-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.



As featured in Real Deals
Healthcare Sector Report
– Q2 23

LDC's Healthcare Sector Team
– from left to right: Christian
Bruning, Nicole Wong, Emma
Borrie, Aziz UI-Haq, Jennifer
Hatton, Josh Wachman, Matt
Newbold, Grant Goodwin



Portfolio Spotlight: RDi



RDi is the UK's leading automated, data-led healthcare fulfilment specialist. The business develops customised and compliant kitting for the pharma services sector, solving complex logistical and technological challenges for patient sample collection.

For nearly two decades, RDi has supported healthcare systems in providing patient and population testing solutions and services. The business works with large healthcare organisations to operate pioneering home-testing kit programmes, supporting screening programmes such as bowel cancer and general wellness. LDC invested in RDi in 2021.

Since LDC's investment, RDi has expanded significantly, bolstering the senior team and increasing headcount from 82 to 130. Revenues have increased from £18m to £25m, and healthcare as a proportion of core business has shifted from 22% to over 70%.

RDi's rapid growth has been accelerated by the successful acquisition of diagnostic sample collection and transport packaging provider MedDX in 2022, and of biological sample packaging provider Shuttlepac in 2023. Both acquisitions have significantly broadened RDi's portfolio of healthcare kitting and component capabilities, enabling it to better serve the evolving needs of its customers. The acquisitions have also created greater visibility and control over RDi's supply chains and attracted a broader portfolio of customers.

RDi is well positioned to take advantage of the phenomenal global interest in healthcare screening, testing and monitoring as early-detection continues to rise up the agenda of individuals, companies and governments. The business is expanding into the US market, the largest market in the world for home-testing kits. It plans to set up a manufacturing presence there in the next 12-18 months to meet the needs of large pharmaceutical companies.

The business is also highly focused on sustainability, and on reducing the use of plastics by minimising the size of its kits, components and packaging.

“ LDC backed our business in 2021, and supported us during the Covid-19 pandemic, a particularly challenging period. When it came to the acquisitions of MedDX and Shuttlepac, LDC provided a framework to facilitate the integrations of these businesses, which was hugely beneficial. It can be daunting going into an acquisition for the first time, especially during a period of rapid growth, but LDC's experience reassured us and really helped to accelerate our journey.

“Looking ahead, we are really excited about the opportunity in the US, where a number of major pharmaceutical companies are interested in using our automation capability. Again, LDC is helping to open this door for us, and we wouldn't be growing in this way without their support.”

Chris Tagg, Chief Strategy Officer, RDi



How Buy and Build Can Fuel Global Growth



During our many years of investing in the healthcare sector, helping our portfolio companies to make acquisitions has been a key driver for growth – especially internationally.

Fishawack Health: Realising International Ambitions

Following our initial investment in medcomms agency Fishawack Health in a £38m transaction, we provided £18.5m of follow on funding so the management team could complete five key international acquisitions.

During our three-year partnership, the business increased revenues by 300% and headcount by 250%, firmly cementing itself as a market leader in North America and Europe.

Today, the organisation serves more than 100 customers across 300 different drug compounds, including all of the top 20 global pharmaceutical companies and a range of innovative biotech and medical device companies.

“ With the financial and strategic support of LDC we have been able to set the wheels in motion on our ambitious expansion plans.”

Oliver Dennis, Co-founder and CEO, Fishawack Health

Synexus: Expanding an International Network

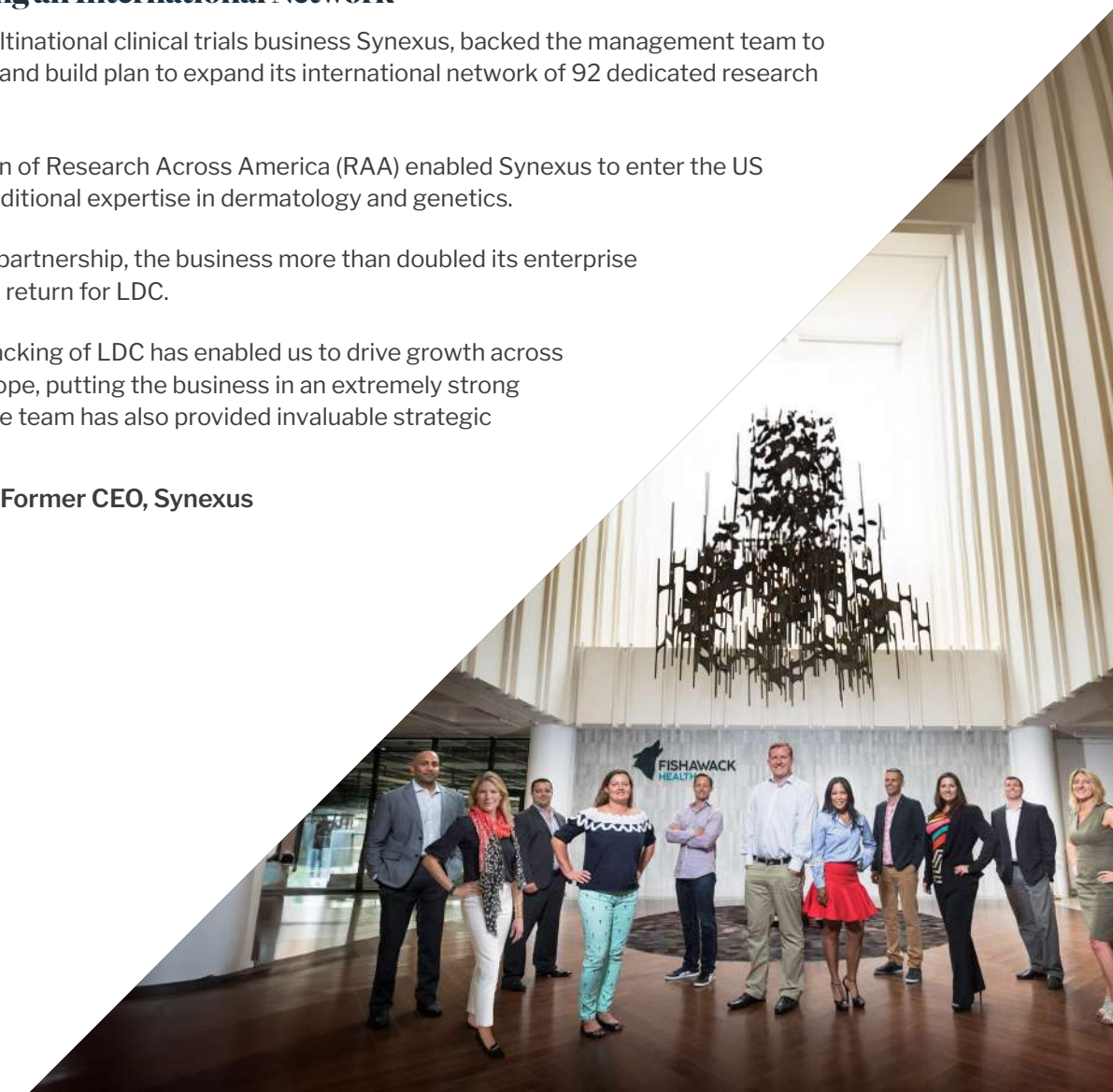
LDC's investment in multinational clinical trials business Synexus, backed the management team to execute a targeted buy and build plan to expand its international network of 92 dedicated research centres.

The strategic acquisition of Research Across America (RAA) enabled Synexus to enter the US market and provided additional expertise in dermatology and genetics.

Following an 18-month partnership, the business more than doubled its enterprise value, generating a 2.3x return for LDC.

“ The financial backing of LDC has enabled us to drive growth across the US and Europe, putting the business in an extremely strong position, and the team has also provided invaluable strategic support.”

Christophe Berthoux, Former CEO, Synexus



Quantum Pharmaceutical: From Buy and Build to IPO

Quantum, a trusted manufacturer and supplier of unlicensed medicines and hard-to-source products, had a strategic buy and build plan to grow the business.

During our five-year partnership, revenues grew by 145% and headcount more than tripled to 300, alongside several acquisitions that saw Quantum broaden its service offering.

Our exit saw Quantum successfully complete an IPO, which valued the firm at £130m and supported Quantum's strategy to develop its product base and range across its five core business units.

“ LDC has been an extremely supportive partner in providing the necessary investment to deliver a number of strategic acquisitions and provide transformative change to our facilities and product offering.”

Andy Scaife, Former Chief Executive Officer, Quantum Pharmaceutical

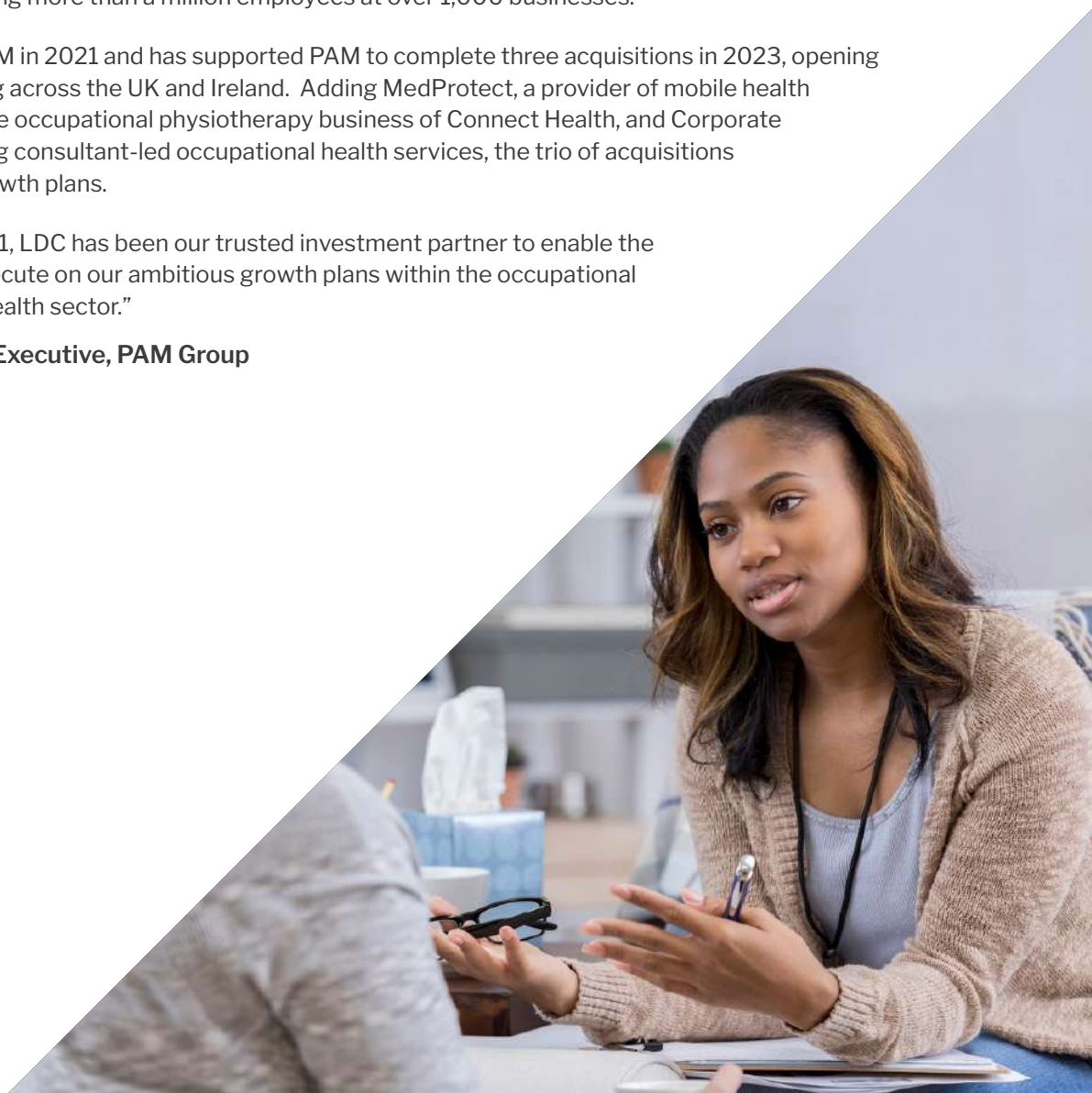
PAM Group: Expanding Across the UK and Into Ireland

Headquartered in Warrington, PAM is a leading preventative healthcare specialist. It offers a full-service of integrated occupational health programmes to clients which include leading blue-chip and public sector organisations, supporting more than a million employees at over 1,000 businesses.

LDC partnered with PAM in 2021 and has supported PAM to complete three acquisitions in 2023, opening up their service offering across the UK and Ireland. Adding MedProtect, a provider of mobile health screening, alongside the occupational physiotherapy business of Connect Health, and Corporate Health Ireland, providing consultant-led occupational health services, the trio of acquisitions complement PAM's growth plans.

“ Since June 2021, LDC has been our trusted investment partner to enable the business to execute on our ambitious growth plans within the occupational health and corporate health sector.”

James Murphy, Chief Executive, PAM Group



Making a Sustainable Impact in Healthcare



ESG is a strategic priority for businesses across the UK economy – and those in the healthcare sector are no different. We actively support our portfolio companies on their ESG journey at every stage of the investment lifecycle – helping them to grow sustainably, build their resilience and successfully transition to a low carbon economy.

EMS Healthcare: A Journey to Net Zero

Headquartered in Cheshire, EMS is one of the UK's leading providers of mobile clinical solutions to the healthcare sector. Since partnering with LDC in January 2022, the management team has been able to successfully accelerate the integration of ESG into its business model – helping the business grow sustainably and support its transition to a low-carbon economy.

With the help of LDC's ESG assessment – which all LDC portfolio companies benefit from – EMS identified smart ways of reducing its environmental impact without losing commercial and strategic focus.

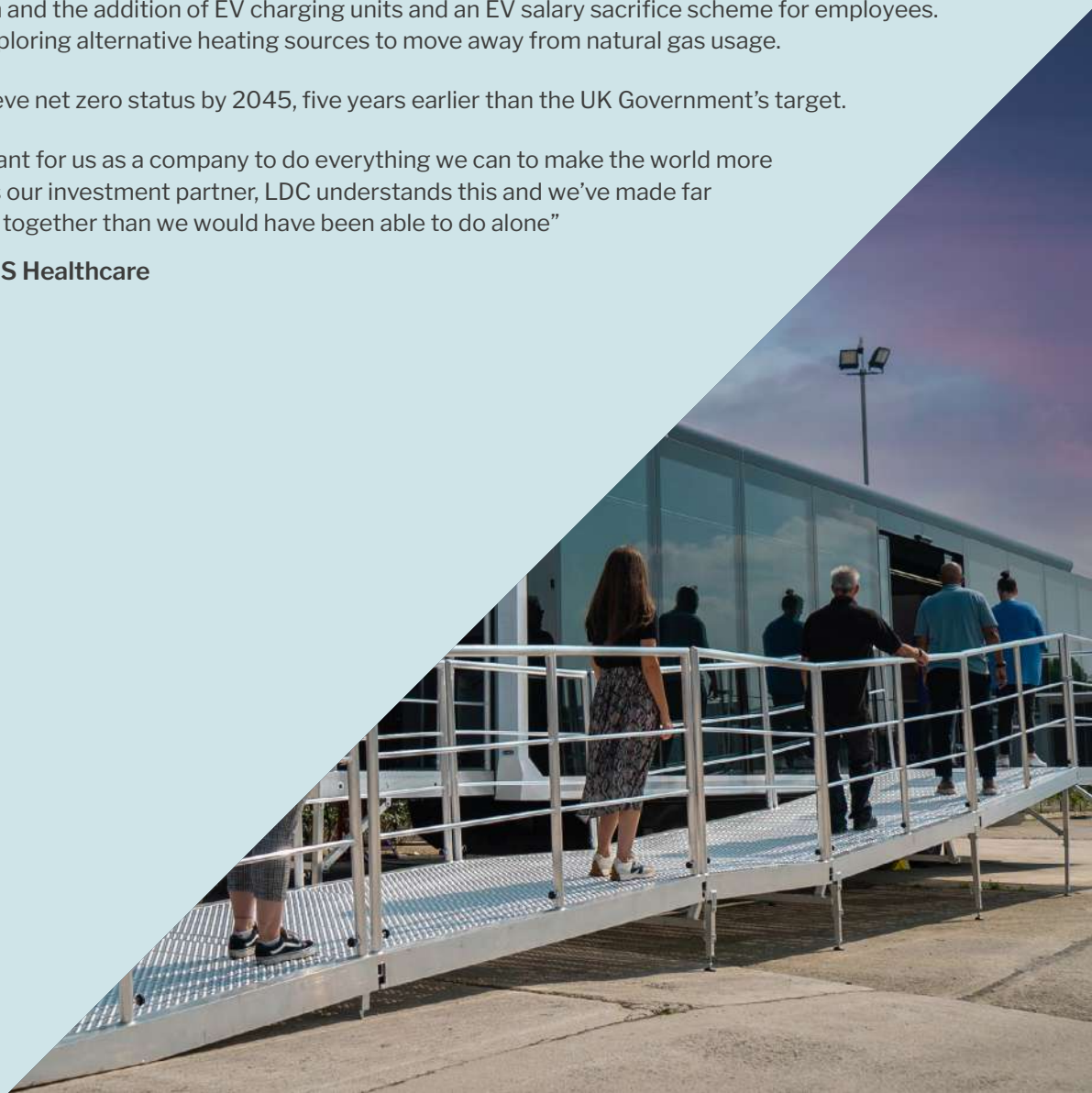
Completing a life-cycle assessment of its mobile medical units and vehicles, EMS identified emissions hotspots across the value chain. EMS's first self-drive solar powered unit came into service last year and all its welfare units have been fitted with solar panels, reducing reliance on and use of diesel generators by 40-60%, depending on the season.

Other improvements include the installation of 280 solar panels on the head office roof to generate 74% of EMS's electricity consumption and the addition of EV charging units and an EV salary sacrifice scheme for employees. The company is also exploring alternative heating sources to move away from natural gas usage.

EMS is on track to achieve net zero status by 2045, five years earlier than the UK Government's target.

“ It's very important for us as a company to do everything we can to make the world more sustainable. As our investment partner, LDC understands this and we've made far more progress working together than we would have been able to do alone”

Keith Austin, CEO, EMS Healthcare



Kingswood: Reusing, Recycling, Reducing Carbon Footprint

Since LDC's investment in mobility specialist Kingswood in October 2021, the management team has been able to accelerate the integration of ESG into its business model. This will reduce Kingswood's carbon footprint by 25% in the next two years.

A key initiative was moving production to a new 50,000 sq ft manufacturing site in Brierley Hill, West Midlands. The site, identified by LDC, has been designed to optimise efficiency and features solar panels on the roof. Thanks in part to the move, the distance driven by Kingswood's fleet will reduce by over 100,000 miles a year, saving 48 tonnes of CO2 in vehicle emissions and reducing Kingswood's vehicle fuel bill by 10%.

When Kingswood delivers to customers' houses, they also take their old furniture away. This used to go to landfill, but now goes to households in need, thanks to a partnership with the Reuse Network. Over the course of next year, this will save 25 tonnes of waste from landfill, helping over 800 families in the process.

“ LDC has been brilliant every step of the way,” he says. “For us to have our investment partner providing advice and support on ESG as we take these steps is reassuring and a massive help.”

Jeremy Rolph, Managing Director, Kingswood

PAM Group: Doing the Right Thing

In June 2021, LDC backed a management buyout of PAM Group – the largest privately owned occupational health company in the UK. With our support, PAM launched a new social value blueprint, ‘Do The Right Thing’ – a commitment to helping its 650-strong workforce, clients, stakeholders and communities to live better, healthier and happier lives.

The commitment includes giving each employee 1.5 days paid leave to volunteer for a good cause, providing an annual charity fund worth £12,000, working with job centres to provide training for the unemployed and adopting the real living wage for all employees and associates.

The team is also setting clear targets for carbon reduction – committing to keeping travel to a minimum and incorporating low carbon technology and renewable energy systems.

“ Our business is committed to helping its clients, colleagues and local communities live better, healthier and happier lives.”

James Murphy, CEO, PAM Group

“

We have an important role to play at a critical time for the economy. Through our investment activity and portfolio support, we have the ability to positively influence the environmental, social and governance contribution of the businesses we back, which is a responsibility we take seriously.”

Toby Rougier, Chief Executive, LDC

Helping Founder-Led Businesses to Scale



Founder-led businesses have often been built over many years, from the ground up. Ambitious leaders running their own business want help to grow, but understandably without losing their way of doing things.

TMC Pharma Services: Scaling Up the Right Way

TMC helps small biotech companies to develop innovative treatments for rare diseases and oncology. Thanks to the leadership of Co-Founder and CEO Julie Matthews and COO Carol Woodward and their team, TMC is already an established global player in this vital yet specialist area of the healthcare sector.

In 2022, the ambitious team chose a private equity partnership to help the company deliver on its potential.

LDC made an £18m minority investment in TMC to expand internationally and to double the number of full-time employees it has over the next five years.

Since partnering with LDC a little over a year ago, TMC has already started to increase its international focus – 80% of customers are now based in the US – and has grown its headcount by 20%. TMC has also significantly strengthened its leadership team to support this growth, with biotech industry veteran Gordon Cameron joining as a Non-Executive Director and four seasoned and talented industry executives joining the board.

“ Our strong growth over the last year, supported by LDC’s experience and network, has meant we’ve built the perfect platform to accelerate our international growth.”

Julie Matthews, CEO, TMC Pharma Services

Lucid Group: Growing the ‘Consultancy of the Year’


LDC backed Lucid’s Co-Founders Dennis O’Brien and Jan Steele, investing £11m for a minority shareholding in the healthcare communication specialists.

During a four-year partnership with LDC, revenues grew from £12m to more than £29m. The group launched into new markets in Singapore and Dubai, adding to its established presence in the US. This was underpinned by acquiring and integrating two specialist agencies – HealthCare21 and Bluedog – adding significant technical and creative capabilities.

Lucid was recognised for its growth when it secured industry awards, winning Medical Education Consultancy of the Year in both 2018 and 2019 at the Communiqué Awards.

“ We always had a vision that we wanted to be the best global communications consultancy changing patient outcomes. LDC has a great team with unrivalled experience in helping management teams to grow their businesses through acquisitions.”

**Dennis O’Brien,
Co-Founder,
Lucid Group**



From left to right: Andrew Green, Julie Matthews, Stewart Sharpe and Carol Woodward – TMC Pharma

A Non-Executive Viewpoint: Adding Value to Healthcare Businesses



Currently Non-Executive Director of EMS Healthcare, Christa Echtle has 20 years' experience working with healthcare companies with private equity investment. During her time in Non-Executive Director or Chair roles, she has helped management teams with a range of board-level decisions and overseen seven exits.

How Non-Executives Add Value in the Healthcare Sector

Prior to becoming a Non-Executive Chair in 2003, Christa was a CEO of a specialist healthcare recruitment company. When that business moved to private equity ownership, the role of a non-executive appealed as a way to apply her sector expertise across a range of businesses.

“There isn't a 'typical day' as a non-exec, and it's important to let the management teams get on with the day to day. What a non-exec should offer is critical thinking – it's not always about the right answers – but about asking the right questions.

“Having worked with several private equity firms, my view is that LDC's people help the firm find its meaning and focus in their chosen market, making the company stand out from competitors.

“What non-executives rate and need is access. LDC has an approachability, responsiveness and timely input which is essential for business. It's open and collegiate.”

Taking Advantage of Technology Development

“Technology will undoubtedly continue to play an ever more significant role in healthcare. There are numerous opportunities for healthcare companies to invest in technology, and the benefits can be significant in terms of efficiency gains – getting the right systems, supported by employees with the right training and experience is vital, and business leaders need to be able to make an informed choice about what technology is the best fit for their company.

“With such a range of choice, the difficult bit is assessing which opportunities will actually have traction into the future. You're really betting on the future.

“Without doubt, one of the biggest benefits of working with private equity is the strategic understanding and market knowledge that can help unlock opportunities, including investing in new technology and innovation.”



Changing the Face of Healthcare

“ Technology is also changing the way healthcare is administered. The concept of ‘hospital at home’ is a good summary of the direction healthcare is headed.

“The focus is increasingly on the patient, with more procedures administered by the patient. That means the remoteness of service will leap forward too.

“The growth potential in healthcare is huge because there is going to be a radical change in how it is delivered. Healthcare provision is in the process of being reconstructed – so unless you are in need of a critical intervention, you won’t see the inside of a hospital. The door to this is well and truly open – helped by what happened during the Covid-19 period with testing at home, remote GP appointments and the like.”

Navigating International Expansion

“ From previous experience I know that expanding internationally can be a fantastically interesting opportunity, but the management team really needs to understand the markets it wants to expand into. Detailed research at the start will prevent many difficulties later on.

“International expansion is demanding and difficult – whether organically or through buy and build. There are differences in language, culture, processes and procedure to contend with. As to an M&A strategy, the management team needs to be clear on its purpose - is it a financial play or a value proposition? Start with why and establish the narrative.

“That’s where choosing the right private equity partner comes in. LDC’s track record of implementing buy and build strategies in a number of markets and geographies was one of the reasons I wanted to work with them.”

Building Trusted Relationships in Healthcare



The key to the success of any private equity investment is partnership. We're proud to partner with ambitious management teams to help them accelerate the growth of their businesses.

“ Our partnership with LDC provided the financial firepower and strategic guidance we needed to kick-start an acquisitive growth strategy and the team's support has been instrumental in helping us to achieve our ambitions.”

**Stuart Meldrum, CEO,
Prism Medical UK**

“ We are an ambitious business with a clear mission to bolster our fleet and range of services. LDC is the perfect partner to help us to realise our full potential and meet the growing needs of healthcare providers and their patients.”

**Keith Austin, CEO,
EMS Group Solutions**

“ We really like LDC's collaborative approach to private equity investment. Their track record in supporting healthcare businesses to grow speaks for itself. We can't wait to see what we will achieve together.”

**James Murphy, CEO,
PAM Group**

“ This new partnership marks an important step on our journey that will energise our future expansion plans. I am looking forward to the new perspectives and experience that LDC will bring to help guide our growth strategy.”

**Jeremy Rolph, CEO,
Kingswood**

“ With the financial and strategic support of LDC, we were able to set the wheels in motion on our ambitious expansion plans.”

**Oliver Dennis, Co-founder and CEO,
Fishawack Health**

“ The backing of LDC enabled us to drive growth across the US and Europe, putting the business in an extremely strong position. The team has also provided invaluable strategic support.”

**Christophe Berthoux, Former CEO,
Synexus**

“ The LDC team was authentic, approachable and very enthusiastic about our business. They offered not only financial investment, but strategic and tactical support.”

**Jan Steele, Founder,
Lucid Group**

“ We partnered with LDC to help us expand our product range and accelerate our international expansions plans. Today, we're a growing international business that serves most of the world's leading pharmaceutical businesses.”

**Chris Eccles, CEO,
ChargePoint**

“ Our relationship with the team at LDC dates back to 2018 so having them on-board as an investment partner is an important milestone as it will help to support us all in delivering our vision for the business and our patients.”

**Prof Andrew Walton, Founder and
Group Executive Director,
Connect Health**

“ LDC has proved itself a highly effective partner, providing the capital, expertise and support Aesica needed to create significant and sustainable growth and leave us with a strong platform from which to drive further success.”

**Dr. Robert Hardym, CEO,
Aesica**

Our Healthcare Team



Thanks to our scale, experience and success, we have a significant understanding of how to help healthcare businesses across the UK to grow. Our teams live and work in their local areas, combining regional relationships, sector knowledge and national scale.



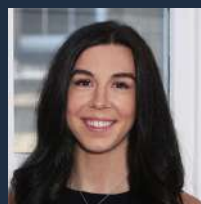
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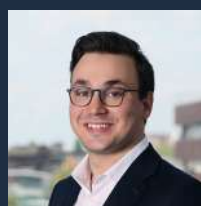
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