

Buy and build: how can M&A drive growth in UK healthcare?

Aziz Ul-Haq, partner at leading private equity investor LDC speaks to HealthInvestor UK about how bolt-on acquisitions are driving growth in UK healthcare and the role private equity can play.



Bolt-on acquisitions have been a big driver of UK M&A in recent years. Has that also been the case in the healthcare sector?

Investor appetite in UK healthcare has never been stronger, and bolt-on acquisitions are undoubtedly contributing to a robust and fast-growing M&A market.

According to PwC, the value of healthcare transactions in the UK saw the strongest growth of any sector between 2022 and 2023, rising from £8.6 billion to £15.4 billion.

During that period, we've continued to see a healthy volume of buy-and-build activity in subsectors including healthcare services, pharma services, and medtech and devices, as management teams look to capitalise on opportunities in the growing sector while adding value to customers.

How are UK healthcare businesses using buy-and-build to support their growth strategies?

Bolt-on acquisitions are one of the most popular and effective routes to growth for healthcare companies because they can be used to achieve a wide variety of objectives, from expanding geographically to diversifying products and services, to improving sustainability credentials.

Many UK-based healthcare businesses, including in the pharma and communications spaces, have offerings that are transferable to the US and EU, and buy-and-build can facilitate their entry into these markets.

For example, we invested in healthcare communications agency Fishawack to help the management team extend the business's global footprint. During our three-year partnership, we provided an additional £18.5 million of follow-on funding to support five international acquisitions. This supported Fishawack to increase revenue by 300% and headcount by 250% over the period and helped the business to establish itself as a key player in North America and Europe.

We're also seeing healthcare companies use buy-and-build to access the products and services they need to take advantage of changing market conditions. Since the pandemic, RDi, a specialist data and fulfilment business in our portfolio, has seen a phenomenal rise in interest in healthcare screening, testing and monitoring and is setting its sights on expansion in the US market, the largest market in the world for home-testing kits.

In 2023, we supported RDi to complete two acquisitions – transport packaging provider MedDX, and biological sample packaging provider Shuttlepac. Both bolt-ons are helping RDi to broaden its kitting and component capabilities and enhance its offering to healthcare providers, enabling it to meet this growing demand and attract a broader portfolio of customers.

How can private equity support healthcare business's buy-and-build strategies?

Partnering with a private equity investor with the right experience can give management teams not only the capital but the strategic support they need to make their buy-and-build strategy a success.

At LDC, we've been partnering with healthcare businesses for more than 20 years and have specialist teams based across the UK that support our portfolio companies throughout the entire lifecycle of an acquisition.

Our origination team supports management teams to map out existing markets, explore new territories, review potential areas for growth and identify targets. Upon completion of an acquisition, our team of value creation partners supports post-acquisition integration, working with management to ensure both businesses come together cohesively.

How do you see the role of private equity partners in healthcare M&A evolving?

Today, healthcare businesses, like companies in most other sectors, are under pressure to adopt new technology and ways of working to increase capacity and efficiency, but assessing which opportunities will be right for the company is rarely straightforward.

Private equity investors with relevant sector experience, strategic understanding and market knowledge are often well positioned to help business leaders and management teams unlock M&A opportunities, invest in the most effective new technology and capitalise on opportunities to drive growth via a focused M&A strategy.

LDC is an investor in medium-sized businesses in the UK and since 2012 has invested more than £347 million into the healthcare sector. Read more at: ldc.co.uk/sector/healthcare/