

DATA DISPATCH

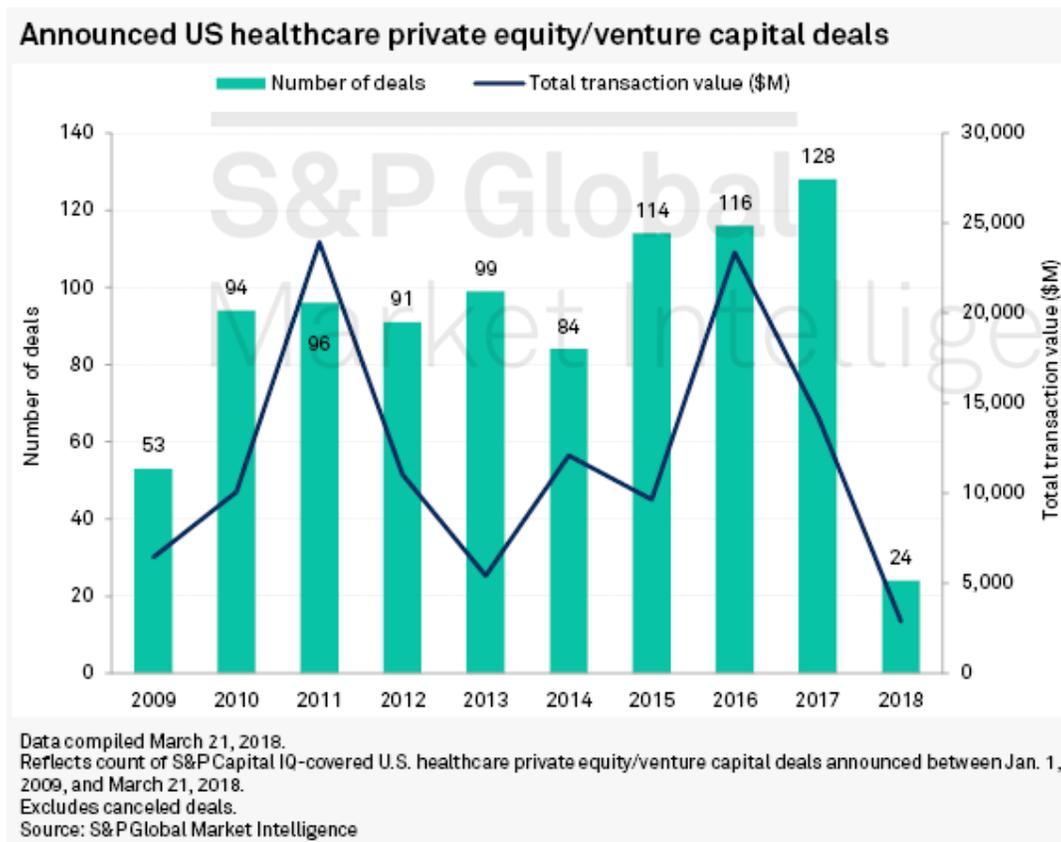
Healthcare's inefficiencies make sector appealing to private equity

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By Camilla Yanushevsky and Etain Lavelle

After a banner year for private equity and venture capital investment in the healthcare sector, the appetite for deal activity is set to continue as players look to capitalize on inefficiencies in the U.S. market.

Announced private equity and venture capital U.S. healthcare deals reached an all-time high in terms of number of deals in 2017, with 128 deals valued at approximately \$14.2 billion announced last year, according to an S&P Global Market Intelligence analysis.



Deal activity year-to-date has also been keeping pace, with 24 deals worth approximately \$2.9 billion announced as of March 21, S&P Global Market Intelligence data shows.

YTD announced US healthcare private equity/venture capital deals

Buyer/investor (ticker-exchange)	Target (ticker-exchange)	Announcement date	Deal status	Transaction value (\$M)
Pharos Capital Group LLC	Horizon Oncology Research LLC	03/19/18	Completed on 03/19/18	NA
Apax Partners LLP	Vyaire Medical Inc.	03/19/18	Pending	435.0
Prairie Capital LP	Family Allergy & Asthma	03/19/18	Completed on 03/15/18	NA
Platinum Equity LLC	LifeScan Inc.	03/16/18	Pending	2,100.0
ICV Partners LLC	Outpatient Imaging Affiliates LLC	03/13/18	Completed on 03/13/18	NA
Gryphon Investors Inc.	Matrix Initiatives Inc.	03/12/18	Completed on 03/12/18	NA
Gen Cap America Inc.	Circharo Acquisition Corp.	03/12/18	Completed on 03/12/18	NA
Patricia Industries	Sarnova Inc.	03/12/18	Pending	NA
KIC Ventures	NanoFuse Biologics LLC	03/12/18	Completed on 03/12/18	NA
NexPhase Capital	Gulf Coast Pain Institute	03/12/18	Completed on 02/26/18	NA
KKR & Co. LP (KKR-NYSE)	Heartland Dental LLC	03/07/18	Pending	NA
Stonehenge Partners Inc.	Queen City Hospice LLC and Capital City Hospice	03/07/18	Completed on 03/07/18	NA
Promus Equity Partners LLC	Quest Products Inc.	03/05/18	Completed on 03/05/18	NA
JLL Partners; Water Street Healthcare Partners	Dohmen Life Science Services	02/20/18	Completed on 03/19/18	NA
RA Capital Management LLC	Ra Pharmaceuticals Inc. (RARX-NasdaqGM)	02/16/18	Completed on 02/14/18	15.0
Stone Point Capital LLC	Genex Services LLC	02/09/18	Completed on 03/09/18	NA
BC Partners	ZEST Anchors LLC	02/08/18	Pending	NA
Clearlake Capital Group LP	ProVation Medical Inc.	01/11/18	Completed on 03/09/18	180.0
Lateral Investment Management LLC	Assets and Business of Green Valley Hospital LLC	01/08/18	Pending	31.5
Renovus Capital Partners	Continuing Education Alliance LLC	01/08/18	Completed on 01/08/18	NA
Francisco Partners Management LLC	Connecture Inc. (CNXR-OTCPK)	01/04/18	Pending	111.2
Five Arrows Managers (USA) LLC	The Stepping Stones Group LLC	01/04/18	Completed on 01/04/18	NA
Centre Lane Partners LLC	Alternative Biomedical Solutions LLC	01/04/18	Effective	NA
NovaQuest Capital Management LLC	Viamet Pharmaceuticals Inc.	01/03/18	Pending	NA

Data compiled March 21, 2018.

Reflects S&P Capital IQ-covered U.S. healthcare private equity/venture capital deals announced between Jan. 1, 2018, and March 21, 2018.

Excludes canceled deals.

NA = not available

Source: S&P Global Market Intelligence

Meanwhile, North America-focused private equity healthcare fundraising continued apace, with aggregate capital raised also reaching new highs in 2017, research firm Preqin reported.

One hundred sixty three funds worth an aggregate \$89.8 billion closed in 2017, compared to 209 funds worth an aggregate \$76.1 billion in 2016, according to Preqin.

Healthcare is subject to a lot of uncertainty, but, among all the sectors, has one of the biggest opportunities to improve inefficiencies, David Piasecki, chief investment officer of private equity firm ElmTree Funds LLC, told S&P Global Market Intelligence in an interview.

"[The patient] gets a bill for \$900 and the next thing they know the insurance company paid \$170 and \$730 has disappeared. People don't understand. When you see something like that it tells you there is tremendous inefficiency in the pricing structure of that product," Piasecki said.

Piasecki added that private equity firms have the ability to remove the middlemen, lower costs and leverage some of the profits for themselves.

Looking forward, Piasecki foresees that private equity healthcare deal activity will continue to grow unabated, specifically in the pharmaceuticals, biotechnology and healthcare technology industries.

According to the executive, there has already been a bit of tapering in real estate healthcare construction which, he believes, may be correlated to an increase in investment in telemedicine — the remote diagnosis and treatment of patients in real time.

Managing director and co-head of EY Parthenon Group's healthcare practice Dan Shoenholz also said he thinks deal

activity in 2018 will stay at around the same pace seen in 2017.

"I might say that there are fewer assets of quality. However, the appetite is really hungry," Shoenholz said.

Part of that demand, according to Shoenholz, has come from the arrival of new funds, the capital of which catalyzes M&A activity, he explained.

"I think we'll swing it," he said during an interview. "If PE legitimately lands their fair share of [corporate asset sales] we could see a push to another high."

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