



HPE NEW YORK 2021 TOP TAKEAWAYS

THE NEED FOR SPEED: CRITICAL ISSUES FACING BUYERS

In today's supercharged private equity market, being a buyer is a tricky position. It's tough to win deals and even more challenging to get them signed and closed on sellers' extremely tight deadlines. Krist Werling, partner and co-head of the Private Equity Practice Group at McDermott, was joined by industry leaders to discuss these issues and the dynamics facing those on the buy side of healthcare private equity. The panel included:

- Paige Daly, Partner, Harvest Partners
- Sean Dempsey, Partner, Sheridan Capital Partners
- Carmine Petrone, Managing Director, Advent International
- Neel Varshney, MD, Founding Partner, Patient Square Capital

Why Buy in Healthcare Now

1

Tailwinds are strong and, more importantly, a number of subsectors are ripe for innovation. Real growth is happening in ways that make the entire system better. The keys to success? Hunt for areas of real, long-run growth and do your homework up front.

Take a Thesis Approach

2

An industry-thesis approach fits very well with current market dynamics. Buyers must identify businesses that fit their unique scenarios, act with conviction and really lean in.

Opportunities Follow the Pandemic

3

As we reflect on the events of 2020 and their impacts on businesses, we see that those business models with recurring aspects offer the organic growth we're looking for—and the ability to accelerate that growth with acquisitions. By examining our portfolio of businesses in the provider or product spaces, identifying pain points and looking to the broader tech-enabled sector, we can leverage those theses that are trending now.

Dental Is an Attractive Space

4

Given the volume of dental deals we've seen, it's important to study companies well before they come to market. If you're learning about a company only when it comes to market, you've already lost—in fact, your competitors at the forefront of this sector are tracking the companies they're interested in so closely that it inspires many of the white papers they write. Do your research: You should be aware that something is coming to market long before it actually does. But even then, providers must be lined up earlier than ever before, as the speed of and high conviction in the market can be challenging.

Existing Investors Are Staying On

5

An interesting trend emerging among investors is their desire to *stay* in the investment. As buyers are working on deals, they're not just onboarding management teams, they're also having constructive, ongoing dialogue with current investors on how they would work together moving forward. While this may take additional time to navigate, it's a trend that will continue as more and more buyers want to stick with their winners, especially where they believe growth will continue.

Strategic Buyers Are Flush with Cash

6

A major challenge to finding good deals in today's market is that strategic buyers are fairly flush with cash coming out of 2020 and are looking to expand. The competitive dynamics are uneven across the sectors; there is more activity in products and less in pharma services, where the IPO market is more compelling. Public investors also want growth, so bankers are being thoughtful about how they're structuring these processes. If it's a good creative platform, you don't need to have a sponsor and a strategic process running simultaneously — in fact, there's really no incentive for a standalone sponsor to engage in that scenario.

Larger Funds Are Wading into the Middle Market

7

Larger fund managers are showing increased interest in lower middle market deals. Some dedicated funds and larger sponsors are retaining management teams and looking at smaller deals for some of the buildups in healthcare services. This trend is pushing some middle market buyers to look at opportunities in the lower range. Either way, the keys to differentiation include bringing a plan to the table for accelerating growth out of the gate and leaning into your convictions about great businesses.

Health IT and Telehealth Are Creating Value

8

In *The Next Evolution of Healthcare Private Equity* report from WSJ Intelligence and McDermott, healthcare IT and telehealth stood out as the subsector that would get the most attention from investors over the next three years. We're now seeing opportunities moving up to a size and scale at which a flagship fund can invest, as well as a host of smaller yet very interesting

startups. At the same time, the pure tech funds are as relevant as ever. It's hard to ignore the amount of value that's been created or the continuing opportunities.

[MWE.COM/HPENEWYORK2021](https://mwe.com/hpenewyork2021)

©10/24/2021 McDermott Will & Emery. McDermott Will & Emery conducts its practice through separate legal entities in each of the countries where it has offices. For a complete list visit mwe.com/legalnotices.

**McDermott
Will & Emery**