

Large scale European healthcare services M&A is back in town



Expanded session coverage
The 2025 Healthcare
M&A Landscape

Large scale healthcare services M&A has been mostly on hold in Europe for almost three years now. Despite all the economic and geopolitical uncertainty the world is currently facing, 2025 will probably see more activity.

Excluding IPOs, not much significant European healthcare services deal activity took place in Q1 2025. But, just a few days into Q2, things look to be picking up, with some major deals already underway. Meanwhile deal activity is entirely on hold in the US given all the US policy uncertainty.

Hedley Goldberg, Global Head of Healthcare for Rothschild & Co., shared with delegates and with HBI what the deal environment is likely to have in store for us throughout 2025.



Alternative exit routes are emerging

Successful healthcare IPOs and growing interest from long-term capital sources are creating new options for PE exits. These alternative pathways are crucial for sustaining the investment cycle as traditional PE-to-PE transactions decline.

Strategic consolidators have the field

Large operators like Mehiläinen and Affidea are capitalising on adjusted valuations to accelerate European expansion.

Goldberg shared how dry powder coupled with adjusted seller expectations signals Europe's healthcare M&A market is primed for revival.

The most notable European deal is the acquisition of CEE groups Regina Maria and MediGroup by Mehiläinen, Finland's largest private healthcare group, announced on Tuesday April 1. Regina Maria is a Romanian private hospital group with around €400 million revenue. MediGroup is a private hospital group in Serbia with around €50 million revenue.

Both are being acquired from CEE-focused PE firm MidEuropa, who also sold Diagnostyka, Poland's largest labs group, in an IPO earlier this year.

A sale process for a minority stake in Luz Saude, Portugal's second largest private hospital group with around €700 million revenue, has also recently been launched by its insurer owner Fidelidade, with several major multinational PE groups reportedly putting in bids. Fidelidade initially planned to put Luz Saude up for IPO in 2024 but postponed this indefinitely due to unfavourable market conditions.

Hedley Goldberg, Partner and Global Head of Healthcare Services at investment bank Rothschild and Co, advised MidEuropa on the Regina Maria sale. At HBI's 2025 conference last week, he explained to attendees why 2024 was "pretty tough" for those in the M&A business, and why 2025 will probably be better.

The macroeconomic situation improved throughout 2024, with both inflation and borrowing costs coming down. Meanwhile the financial performance of healthcare operators has generally remained robust throughout the past few years; healthcare operators have generally been able to pass on cost increases to payors. And there's still a \$1.4 trillion pile of dry powder held by PE firms globally that is waiting to be deployed.

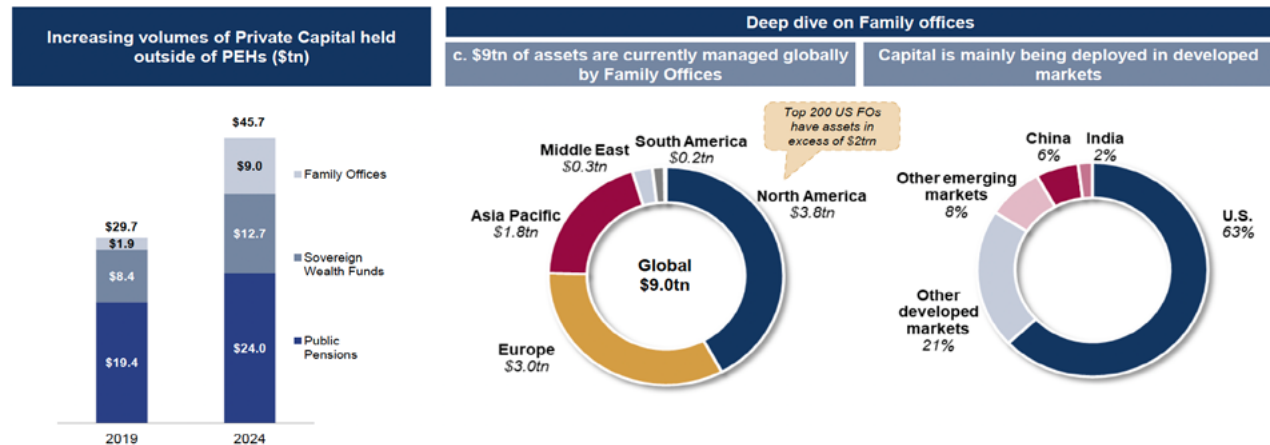
Despite this, there have been only four major (\$500m+) healthcare services transactions since HBI's previous conference, in June 2024: the acquisition of Greek hospital group HHG by UAE-based healthcare conglomerate Purehealth, the acquisition of UK nursing home group Care UK by US REIT Welltower, and the IPOs of Polish diagnostic laboratory group Diagnostyka and medical products and solutions distributor Asker.

Notably, in none of these, nor in Mehiläinen's recent acquisitions, has the acquirer been a private equity firm. The same goes for all of the major North American healthcare services acquisitions since June 2024.

"PE has been pretty much absent at the larger end of market for the last year in Europe and North America (in APAC there have been PE acquisitions; what distinguishes APAC is high levels of organic growth).

Long-term Capital

Family offices have become one of the fastest growing pockets of strategic capital as their appetite for direct investment has increased



Sources: KKR – Family Capital Survey 2023, Goldman Sachs – Family Office Investment Insights 2023, Pitchbook, Preqin, Highworth, Confidential

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"I think that's going to change," he added.

Currently PE is down on deployment: "Typically one would expect 20% of investor capital to have been returned to investors four years after it is raised, but only 12% of the 2020 global PE vintage has been deployed to date. And there's another big PE fundraising cycle coming next year.

"The pressure on PE to sell assets is therefore acute and there needs to be realisations this year."

However, the fact that there's \$4 trillion of unrealised assets sitting in PE portfolios compared to only \$1.4 trillion of dry powder means PE acquisitions cannot be the only sale option for those unrealised assets.

"Probably the number one concern amongst investors is around exit options," Goldberg said. "When we're talking to PE firms they say 'I'm buying this business on \$75 million EBITDA. I'm going to take it to \$200 million. What do I do with it then?'"

At last year's HBI conference, Goldberg emphasised the need for more exit options, with IPO being the most obvious of these. Since then there have been two major IPOs in the sector.

"The success of the Diagnostyka and Asker IPOs is hugely significant and should start to give PE confidence to invest, even though it is a limited sample size of only two companies," Goldberg said.

"I think we're going to see more of this. There are a lot of companies that could go down this route: there are 750 privately held US healthcare services companies with over \$500 million revenue, and 350 in Europe with over \$250 million." Another option is to sell to strategics. The number of acquisitions by larger operators consolidating European markets has been increasing in recent years.

"You're starting to see some big beasts entering the jungle. The existence of that food chain (for want of a better metaphor), where smaller assets can sell to large scale operators and not rely on more PE, is important," Goldberg said.

"More and more companies are reaching the €200–300 million EBITDA range. The reduction in multiples means there will be more of these, as it has allowed larger companies to turbocharge M&A, particularly in a more benign borrowing environment: the bigger you are, the more you have to do to be able to grow at 10% per annum, so the bigger groups are almost hardwired to grow by M&A. I think this is quite positive for the industry."

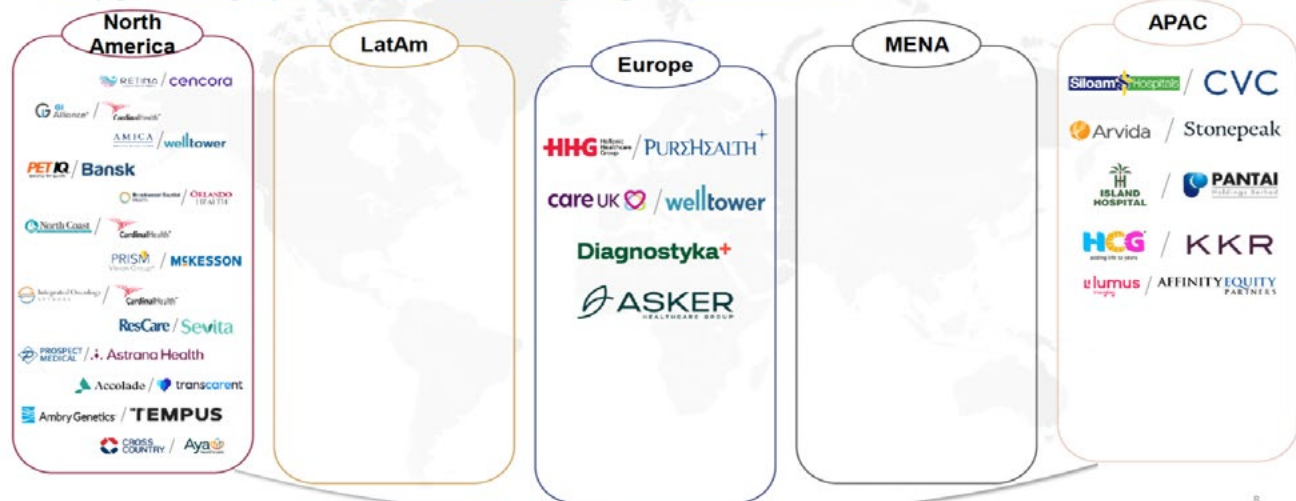
A prime example of this is Mehiläinen. Speaking about its acquisitions of Regina Maria and MediGroup, Janne-Olli Järvenpää, CEO of Mehiläinen, told HBI:

"Many private equity-owned assets are looking to sell, but there aren't many interested buyers. This puts industrial (strategic) consolidators like Mehiläinen in a good position. Valuations have dropped, and sellers' price expectations have adjusted, which should lead to more deals in the coming months."

Deal volume and investor targets have been impacted globally

Global snapshot – deal activity by region ($\geq$ €500m) since June 2024...i.e. EVERYTHING

Only private equity activity has been in higher growth APAC markets



Source: Mergermarket, CapIQ, BIS Market
Notes: Announced (and/or not yet closed) or completed transactions with disclosed transaction values above €500m

Another prime example is pan-European group Affidea, which started out as a diagnostic imaging group but in recent years has been expanding into various outpatient specialties. Affidea has just acquired Uroviva group, a 16-clinic urology network in Switzerland.

"Mehiläinen and Affidea are both vying to be leading out of hospital care providers in Europe. Both are acquiring and growing at pace," Goldberg said.

Another important development in terms of capital availability is that there's a growing appetite for direct investment into healthcare from long-term capital, i.e. pension funds, sovereign wealth funds and family offices.

These institutions have huge amounts of capital to deploy. The top 200 US family offices alone have \$2tn.

"I can say from what we're seeing in the pipeline that it is coming," Goldberg said. "Their desire to go direct could change the industry significantly."

With the increasing appetite for IPOs, as well as major acquisitions by strategics and direct investments by long term capital, there should be sufficient exit options for PE-owned European healthcare services firms to support a relatively healthy level of deal activity over the coming years.

However, the presence (or lack) of potential acquirers isn't the only prerequisite for deals to take place. Goldberg highlighted a

couple of other important factors which haven't quite fallen into place.

One issue is that it is still expensive for operators to expand through roll-up acquisitions and greenfields. "The price of add-ons needs to fall, and build costs need to fall. I don't think build costs have fallen or will fall, which, for return on capital, makes things complicated, but it also makes what's already built more valuable," Goldberg said.

Bid-ask spreads have been narrowing somewhat, though: "Seller price expectations are attenuating, and I think buyer price expectations have also gone up. Last year we saw a lot of people putting cheeky offers on assets and not getting very far. What we're starting to see at the moment is a bit of a meeting in the middle."

There also needs to be a certain amount of governmental, regulatory and funding stability for deal activity to take place. "At the moment this is not particularly great, particularly given the recent change in the US government and successive elections in many countries," Goldberg said.

However, he added that money "has to find a home and generate returns" and healthcare is facing less headwinds than other sectors — "It's worth remembering that healthcare operators are not steel or car or champagne exporters, buffeted by the latest pronouncements from the US government on tariffs."