

Europe creating more healthcare specific funds

In the US, healthcare focused private equity funds have existed for some time. In Europe, Gilde Healthcare began a sector-specific approach in 2000 followed by Apposite Capital in 2006 and G Square Capital a year later.


Seven years later, Archimed Group and GHO began their operations, joining this niche sector and starting their fundraising for healthcare focused funds. In 2018, Dominic Murphy looked to set up a €1 billion fund called 8C Capital but had

to cancel the plan after the co-founder decided to return to KKR.

The latest fund to tap into the growing potential of the European healthcare market is Evolve Healthcare Partners.

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Healthcare intelligence

Healthcare focused private equity firms

	Barcelona Spain evolvehcp.com	Key people	Jordi Sabé (ex KPMG and GE), Thomas Eichholtz (ex-Almirall and Pfizer), Christian Mazzi (ex Bain & Co.), Ferdinand Mayer (ex Nomura and Piper Jaffrey)
		Founded	2019

Profile

Profile Evolve HealthCare Partners is a mid-market private equity firm founded by former international C-level healthcare executives and investors that aims to support European healthcare companies with growth acceleration and/or strategic repositioning ambitions, both organically or via M&A (commercial infrastructure build-up, geographic expansion, innovation play, consolidation -build ups- and transformational M&A). Evolve HealthCare Partners' investment thesis covers the different segments within the healthcare space (specialty pharma, medtech/healthcare IT and healthcare services) by applying a hands-on/operational approach given the nature and strong industry background of its founding partners.



Novel approaches to value creation in healthcare private equity

Healthcare returns have historically outperformed and outgrown other sectors on the back of inherently stronger fundamentals. This has increased investor interest in the sector and led to a proliferation of private equity firms with varying degrees of specialisation in healthcare.

Even though investors have enjoyed strong returns, there are doubts about the sustainability of these returns in an increasingly competitive market with greater valuations and higher leverage levels. Healthcare is predicted to continue to outgrow other sectors, but private equity firms are going to have to rethink their value creation strategy and identify pockets of value that go beyond operational improvements and are more focused on improving the growth profile of the investee companies.

Evolve Healthcare Partners offers a new approach to creating such value in an increasingly competitive market. Evolve comprises four partners combining over 70 years of international experience in

healthcare and covering C-level roles in corporate strategy, BD, M&A, commercial operations, innovation, finance and investment positions.

The partners have worked together at various stages of their professional

careers and now are guiding Evolve in focusing on mid-market, profitable healthcare companies in the specialty pharma, healthcare services and Medtech/HCI space with key growth ambitions focused on Europe and revenues of up to €200 million.

Its first fund will focus on growth and buy-out investment strategies, with a clear priority on the quality of the asset and therefore agnostic to deal structure (majorities and/or minorities).

PE funds in Europe that have been focused around healthcare have been very successful over the past decade and have made substantial returns that have allowed them to raise large funds of up to €1 billion.

This has helped them in transitioning to the upper/middle market and competing with larger generalist PE funds but leaving behind an equity gap in the middle/lower market for firms; this is where Evolve deploys its expertise.

The strong corporate track record of the partners helps Evolve to develop proprietary deal-flow and focus on the key value creation levers in order to enhance the growth profile of its investments.

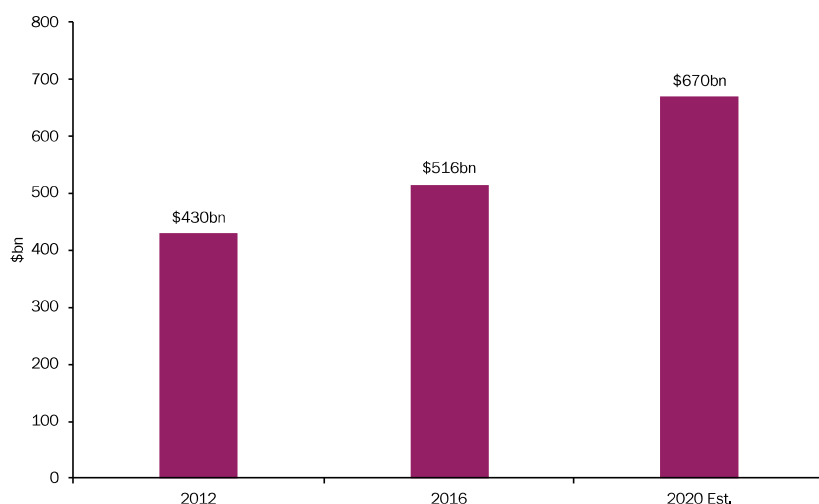
In addition to traditional levers such as capital structuring, balance sheet optimisation, M&A, cost optimisation, cash management, etc., Evolve has a more pragmatic and hands-on approach, supporting management teams in the execution of their strategic plans in the following aspects as well:

a. Base business

Commercial improvements mainly focused on go-to-market strategies (locally and internationally), strength of product or service portfolio and therapeutic area presence, sales force effectiveness, market access/pricing, customer experience and international product rollouts.

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US HEALTHCARE COMPANIES EBITDA



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b. Inorganic growth

M&A strategy and screening, synergies' identification / capture, due diligence and post-merger integration. The latter involves tuck-ins and transformational deals with different strategic rationale (geographical expansion, portfolio diversification, product roll-out/launch or new segments entrance).

from healthcare providers on the other. In such conditions, an in-depth operational understanding of the underlying markets and businesses will become paramount in order to drive topline growth and operational leverage. Successful models have existed in the US for many years (e.g. Roundtable Healthcare Partners) but have not yet successfully been replicated

in Europe. Evolve is well-placed to apply differentiated investment strategies focused on improving the growth profile of companies in the healthcare space and thus being able to generate above-industry average returns to investors in a sector that continues to progress and inspire.

c. Innovation strategy

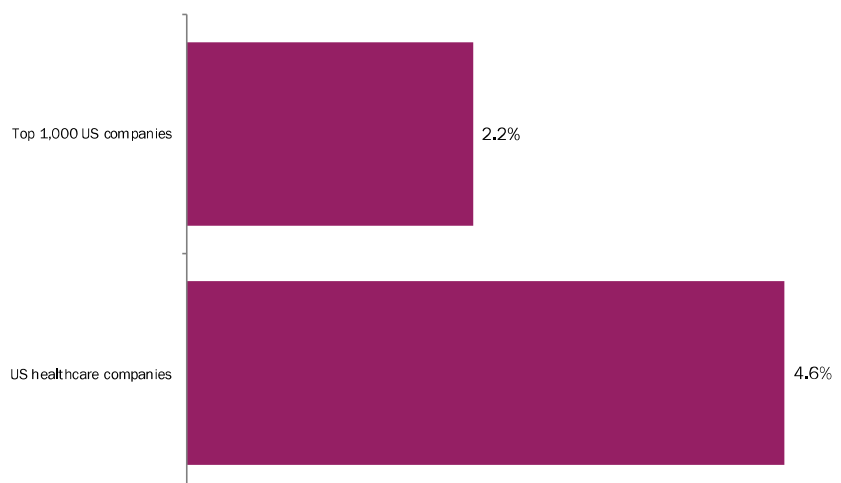
Change of the innovation model in alignment with the overall business plan to increase productivity and reduce capital intensity.

d. Organisational design/ effectiveness

Organisational and structural changes that are consistent with the above intended value creation levers.

The market is becoming increasingly competitive, with full pricing on competitive deals on the one hand and an increased emphasis on value-for-money

EBITDA CAGR, 2012-16



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