



Healthcare in a post-COVID-19 world

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June 2022

Agenda



1

Looking back at COVID-19 (and Ukraine), what just happened...

2

What does this mean for Healthcare? (*and why does everybody keep buying hospitals – even shipping companies?!*)

3

Recent deal activity

4

Current snapshot of debt and equity markets

5

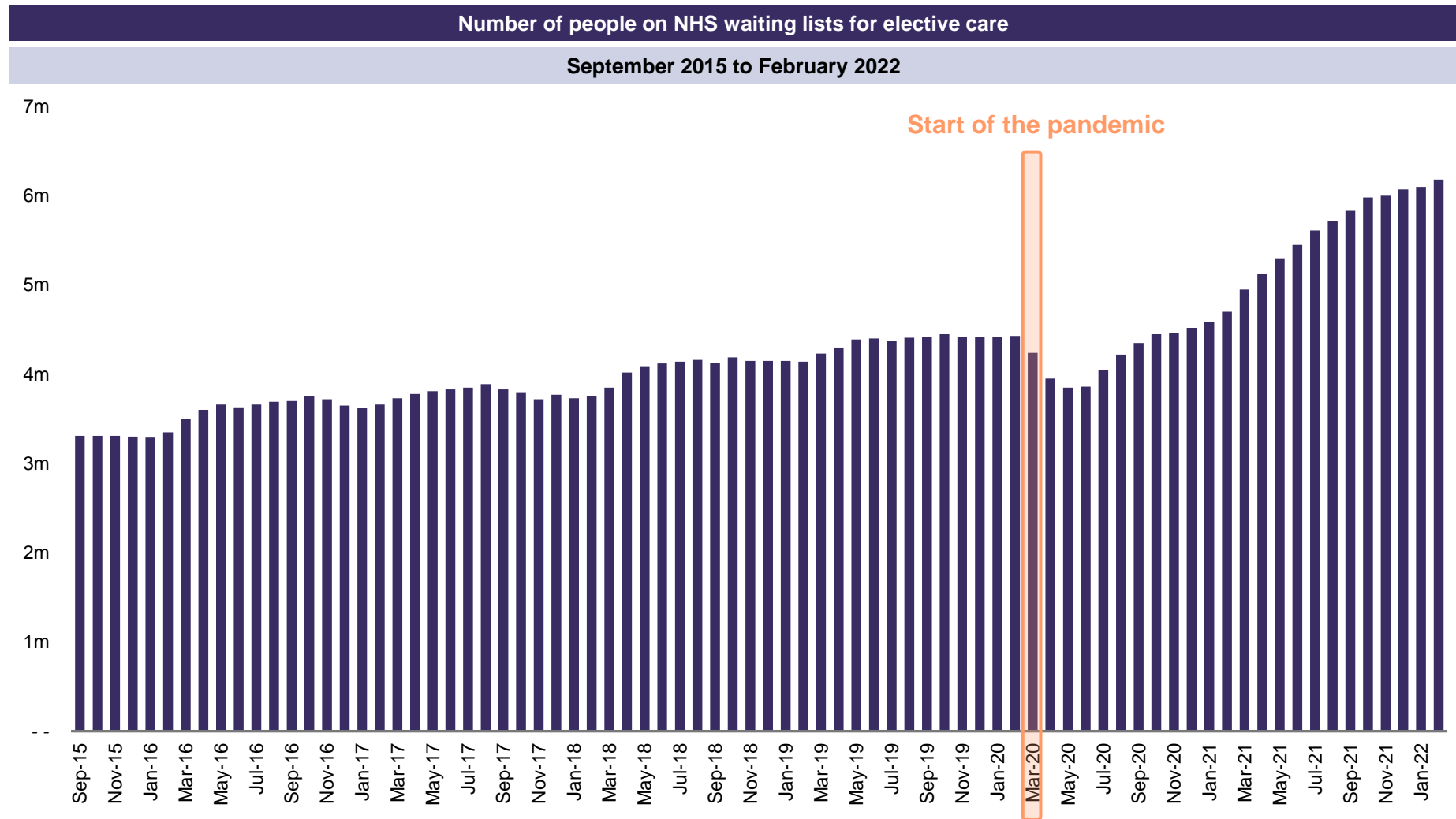
Predictions...

1

Looking back at COVID-19 (and Ukraine), what just happened...



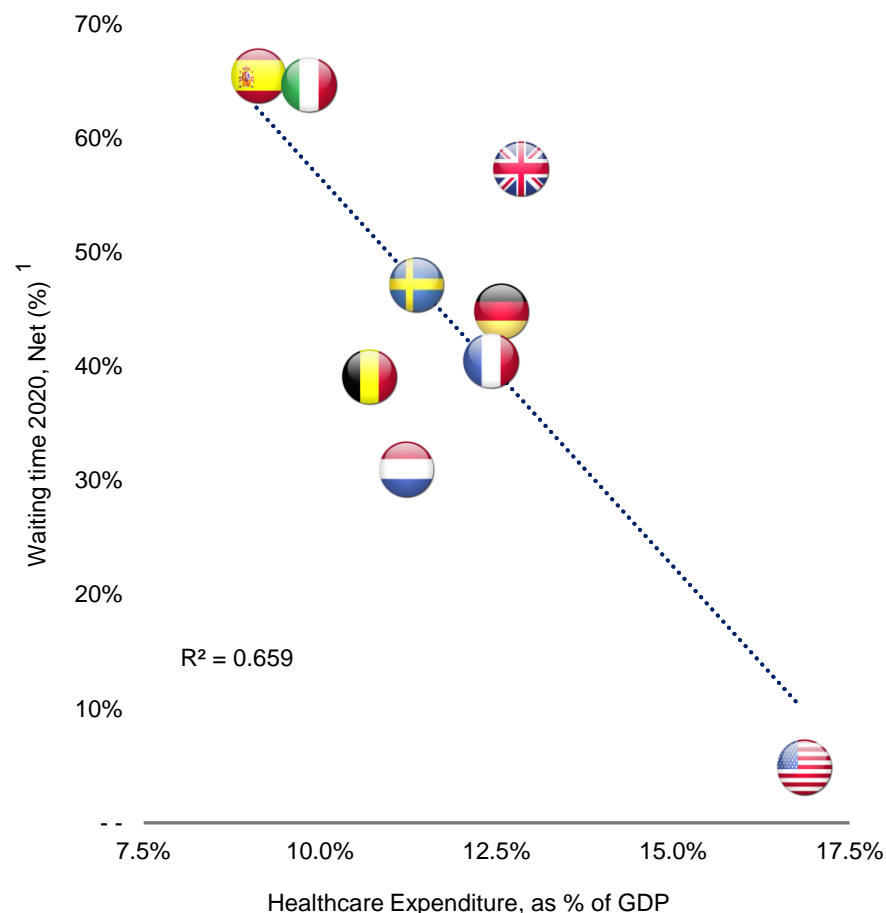
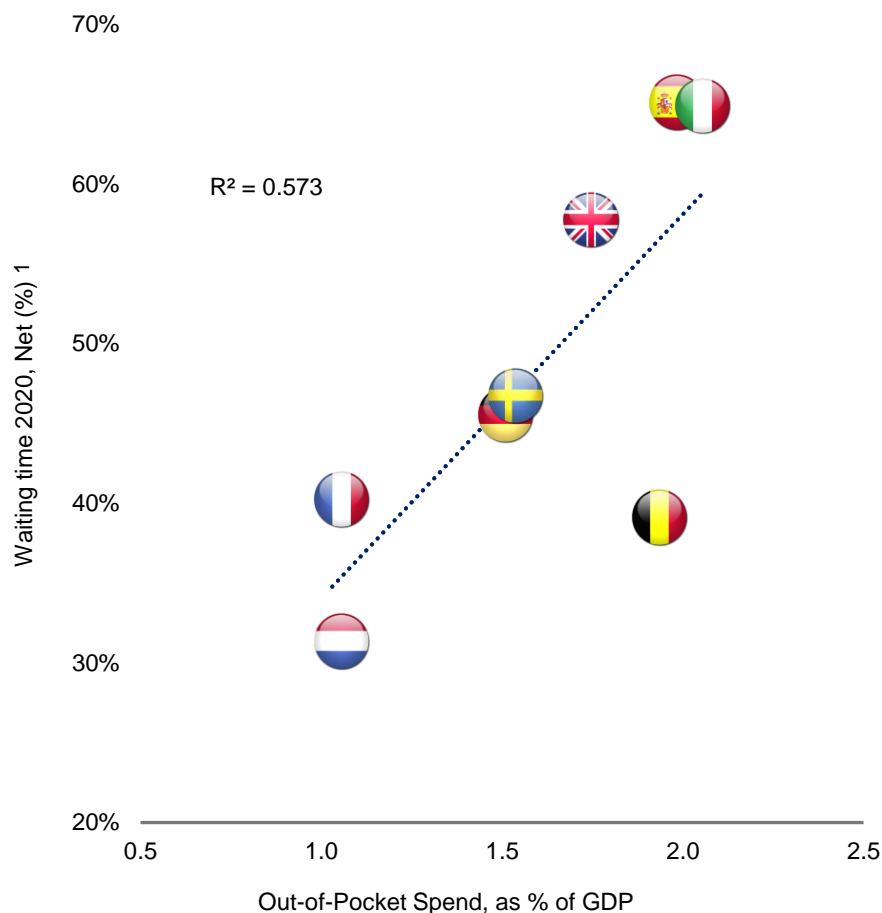
Hospitals closed during COVID-19, leading to a significant backlog of procedures...





...which resulted in longer (albeit perceived) waiting times and a shift towards increased out-of-pocket Healthcare spend

Question: "Waiting times to get an appointment with doctors are too long in my country?"

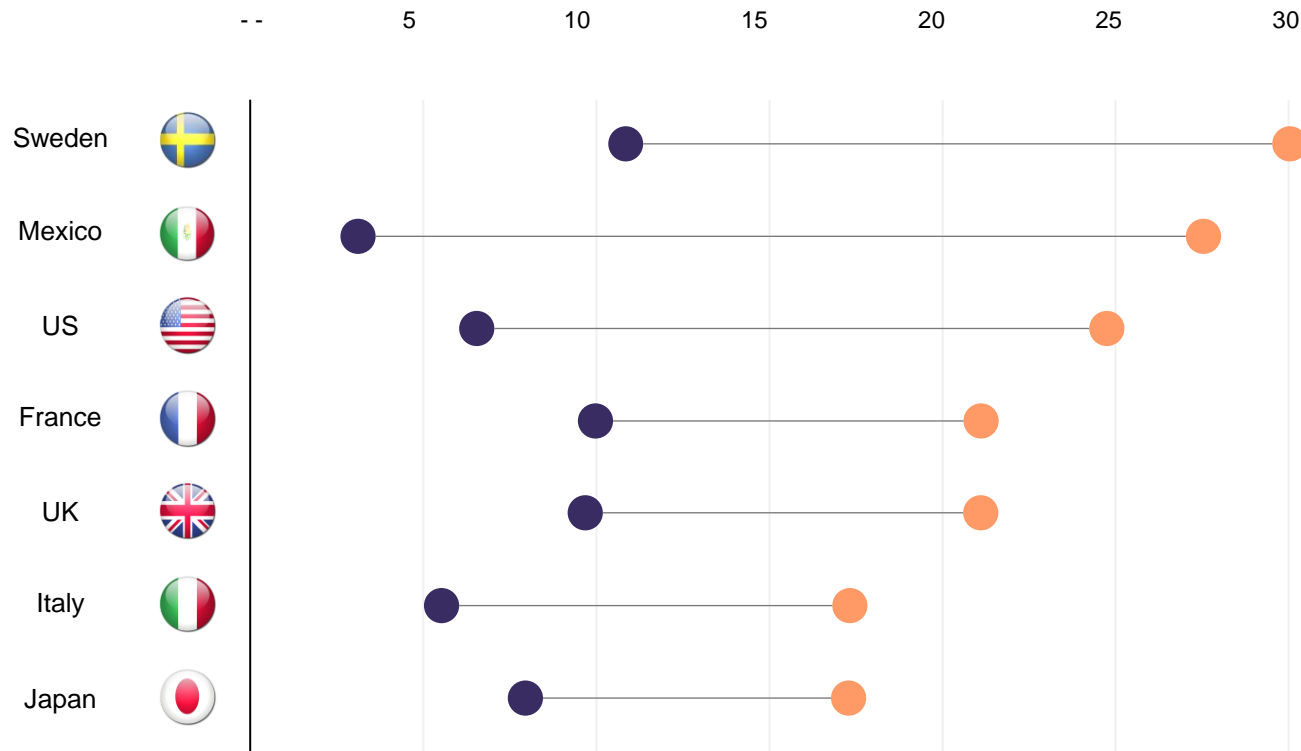


Prevalence of anxiety and depression is more than double the levels observed prior to the pandemic



Prevalence rate (%) of symptoms of depression

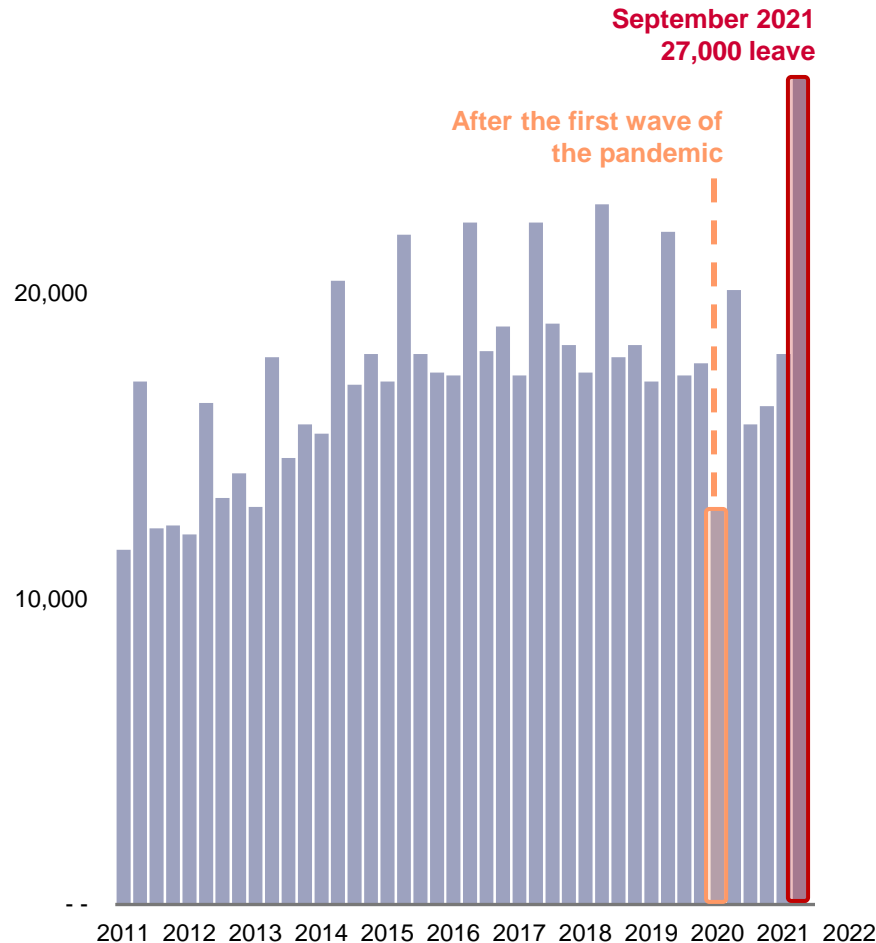
Pre-COVID-19 vs. 2021 / 2020





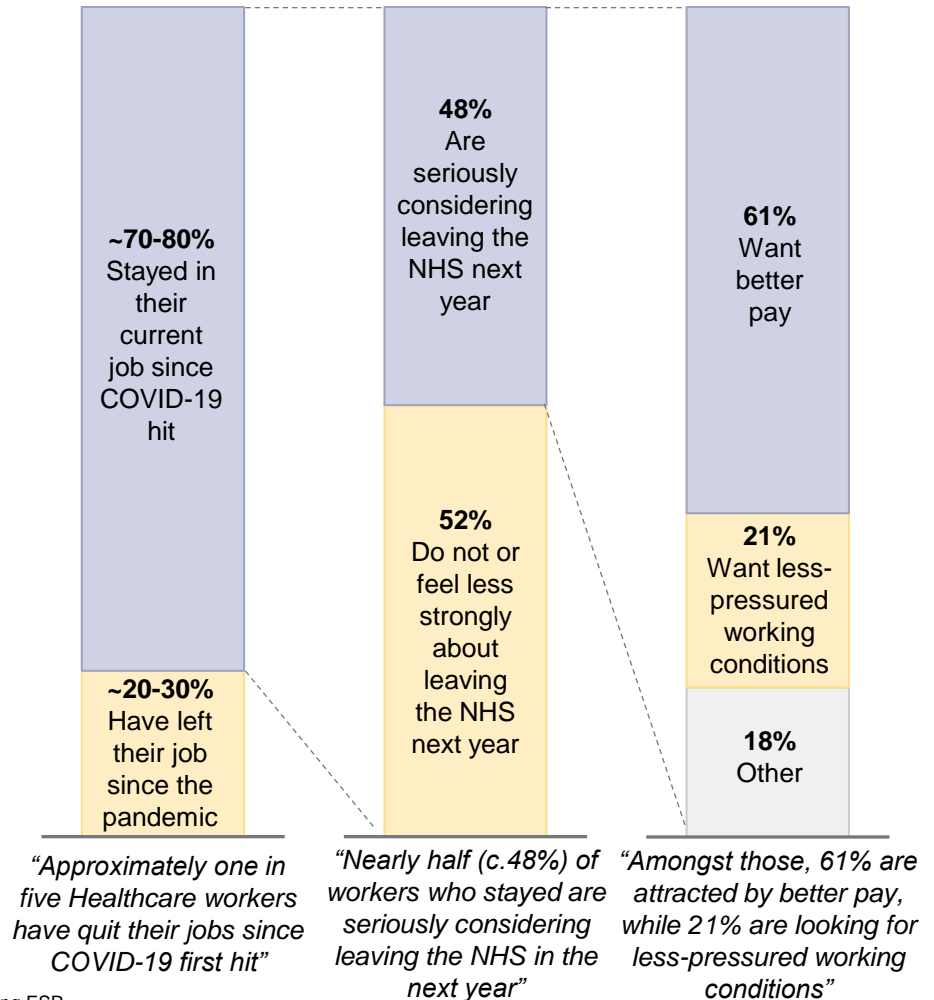
There has been an exodus of NHS workers leaving the Healthcare sector, primarily due to low pay and high work pressure

Total voluntary resignations for NHS staff¹



UNISON survey findings

UNISON survey of over 9,000 UK NHS workers (29 March 2022)

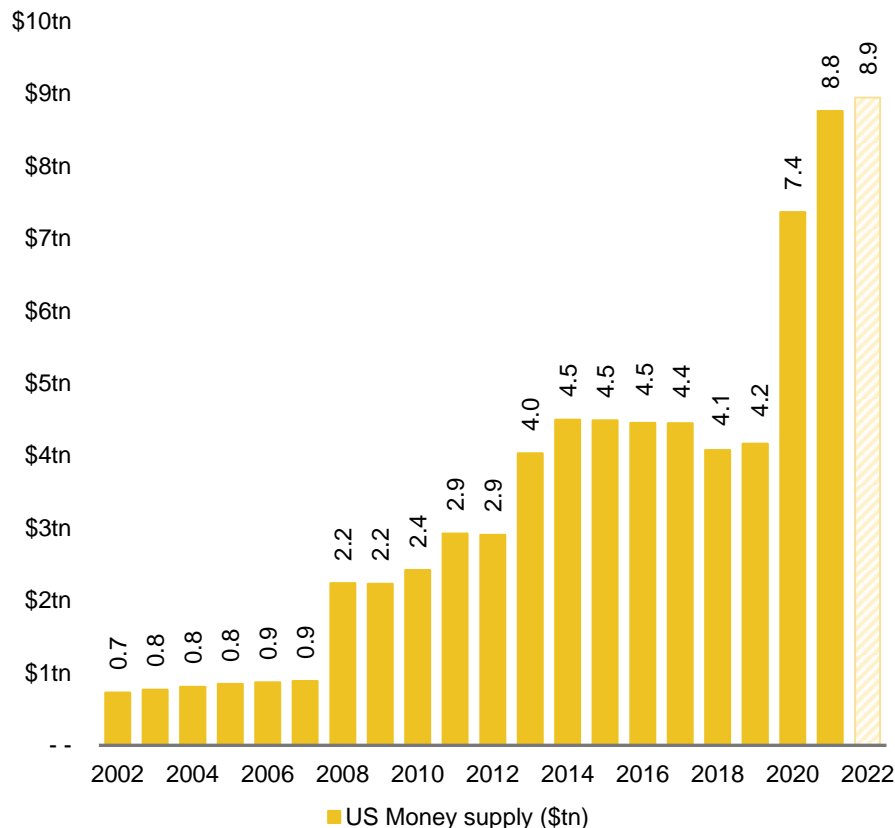




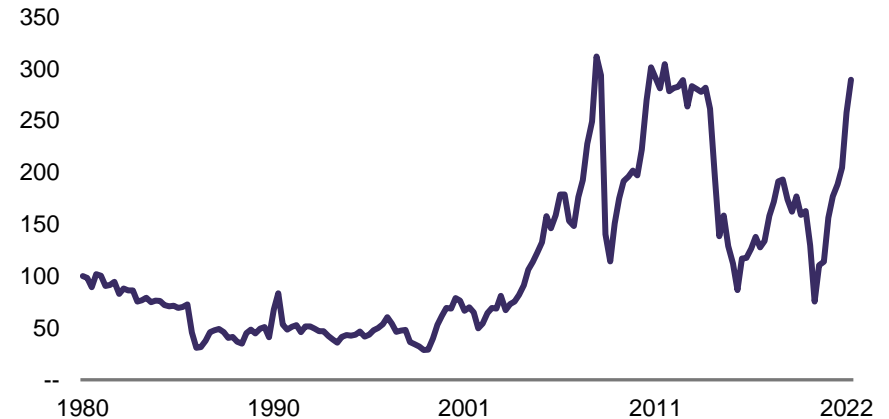
Corrupted supply chains and the huge amount of money printed has resulted in inflation and a potential recession

US Money Supply

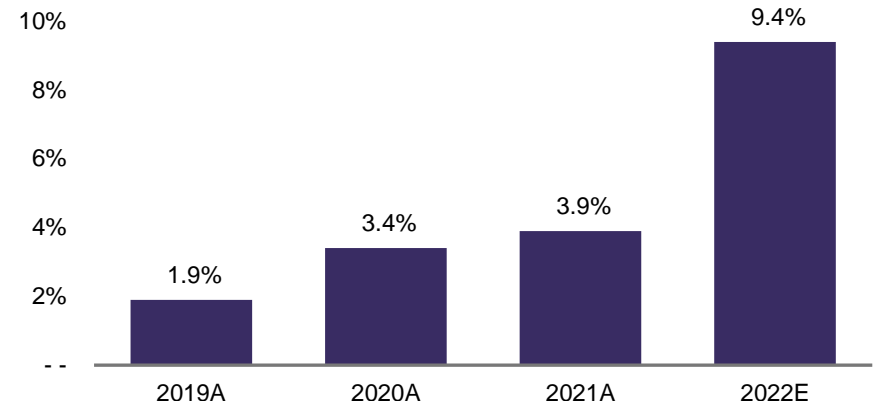
Federal Reserve's total assets (less eliminations for consolidation) over time (in USDtn)



World Energy Prices - Oil, Gas & Coal index (1980 = 100 base)



US Food Inflation – All Food (Y-o-Y % change)



2

What does this mean for Healthcare? *(and why does everybody keep buying hospitals – even shipping companies?!)*



Investors perceive Healthcare companies as safe investments during inflationary times

Damodaran on the importance of pricing power



“Pricing power matters a lot during times of rising prices as companies that can pass inflation through to customers are more protected from inflation”

~ Aswath Damodaran

<https://pages.stern.nyu.edu/~adamodar/>

Factors that determine pricing power in general are highly applicable to Healthcare companies

Discretionary /
Non-discretionary
demand



If the product or service you offer is one that your customers need, and cannot delay purchase, you will have more pricing power

Competition



Companies in a competitive business will have less pricing power than otherwise similar companies with less competition

Regulation



Companies that face price regulation, from governments or regulatory authorities, will be at the mercy of regulatory pricing decisions



Healthcare procedures are generally a necessity, not subject to the laws of demand and supply, and could have more severe consequences if postponed (even if elective)



Although fragmented, the Healthcare market tends to be dominated by a select number of key players and the increase in build costs is expected to create new competitive barriers



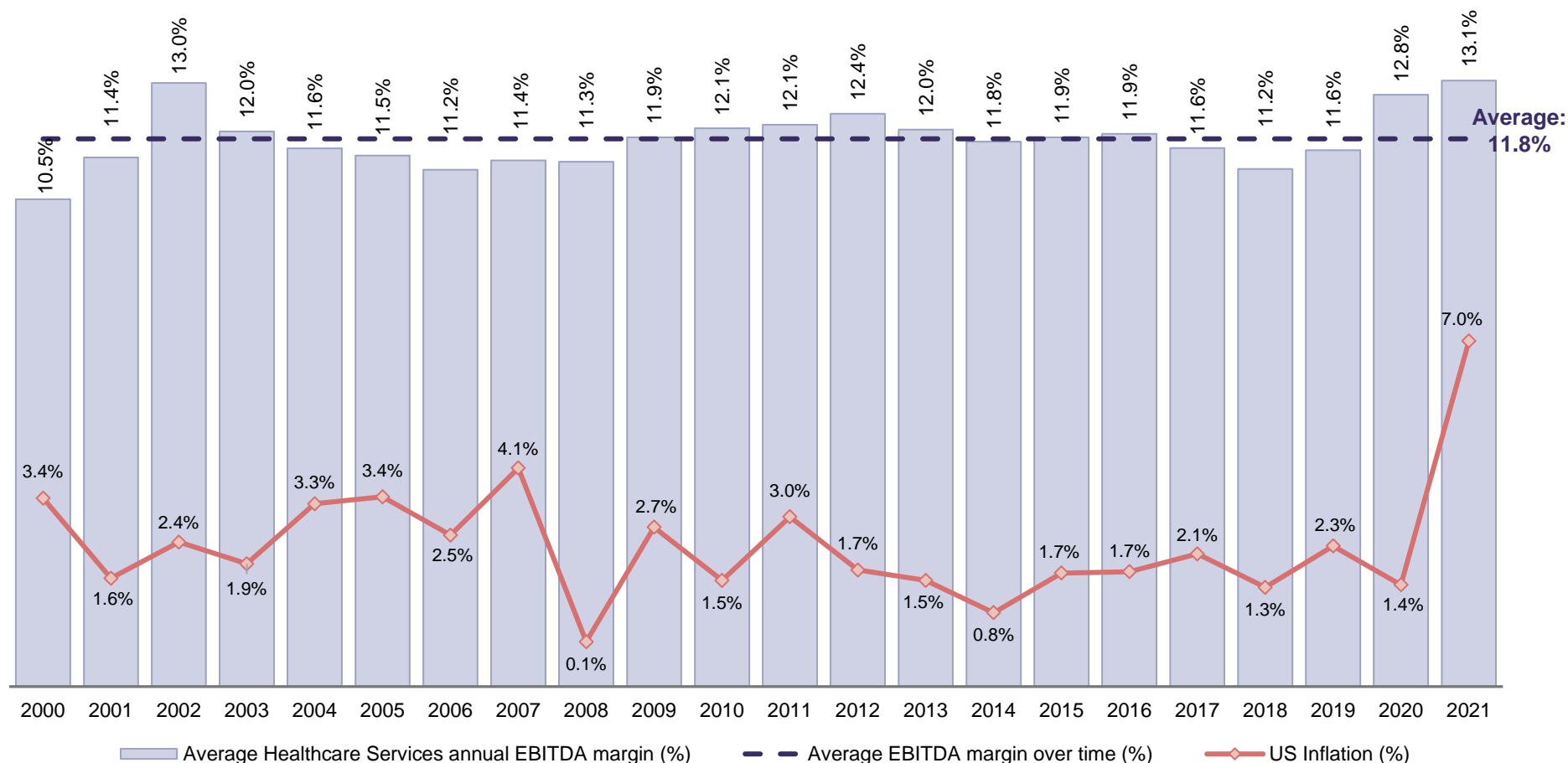
Fees charged by Healthcare companies are often limited by government reimbursement rates, however the fee increases in the Healthcare industry are closely following inflation



HCS companies remain resilient in times of inflation

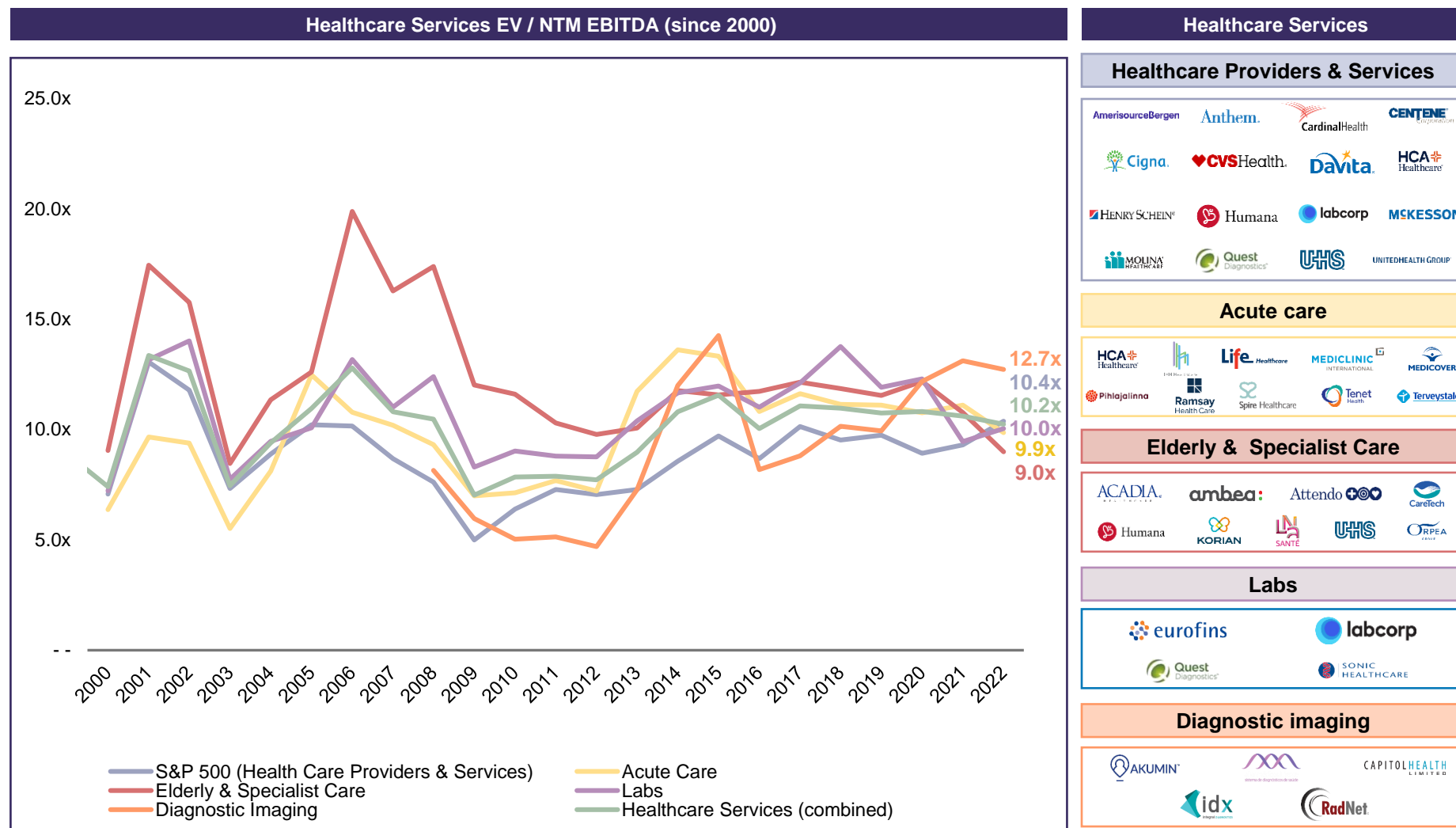
The average EBITDA margin of Healthcare Services companies has remained resilient both throughout economic crises and during times of high / low inflation

Average Healthcare Services EBITDA margin (%)¹



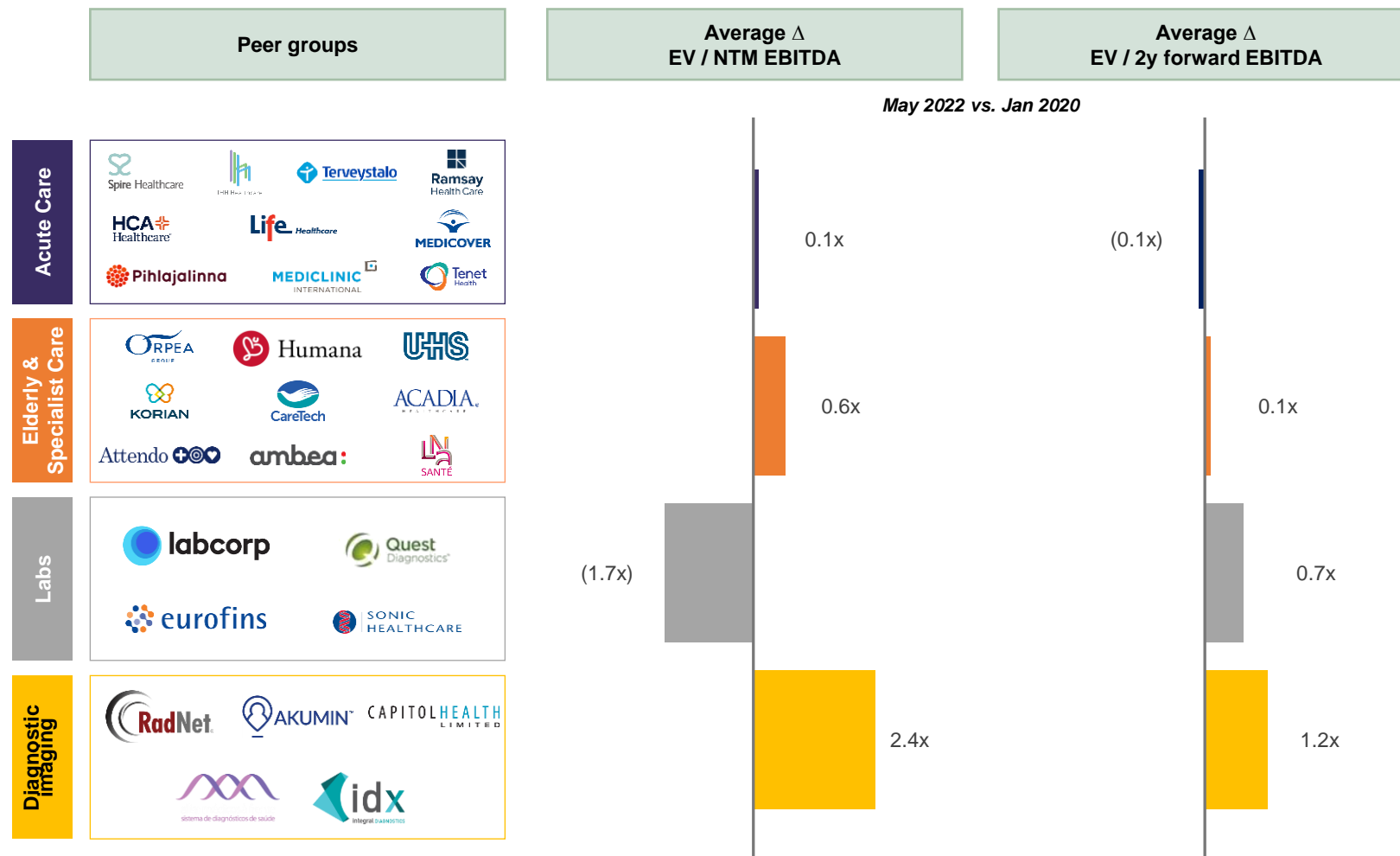


This is why valuation multiples for Healthcare Services companies remain relatively stable over time...














...and valuation levels have already recovered to pre-pandemic levels across Healthcare Services sub-sectors





Healthcare Services companies have shown resilience through past crises

Dot-Com Bubble						Global Financial Crisis					
Industry ¹	Avg. EV / NTM EBITDA (Mar-2000)	Avg. EV / NTM EBITDA (Mar-2001)	Avg. Δ EV / NTM EBITDA	Avg. NTM EBITDA growth (%)	Net debt as % of EV (Mar-2001) ²	Industry ¹	Avg. EV / NTM EBITDA (Mar-2008)	Avg. EV / NTM EBITDA (Mar-2009)	Avg. Δ EV / NTM EBITDA	Avg. NTM EBITDA growth (%)	Net debt as % of EV (Mar-2009) ²
 Communication Services	13.2x	13.0x	(0.2x)	+24.9%	2.8%	Communication Services	8.9x	5.7x	(3.2x)	+17.6%	21.1%
 Consumer Discretionary	10.7x	11.7x	1.0x	+0.0%	53.0%	Consumer Discretionary	9.6x	7.0x	(2.6x)	(5.2%)	42.5%
 Consumer Staples	11.8x	12.5x	0.8x	+9.7%	15.3%	Consumer Staples	9.9x	7.9x	(2.0x)	+12.5%	12.3%
 Energy	9.2x	7.9x	(1.3x)	+55.3%	6.7%	Energy	6.5x	4.8x	(1.7x)	(22.7%)	6.2%
 Health Care (excl. HCS)	15.3x	15.5x	0.2x	+18.0%	1.3%	Health Care (excl. HCS)	12.8x	8.7x	(4.0x)	+21.8%	3.3%
 Healthcare Services	7.1x	13.1x	6.0x	+9.1%	2.6%	Healthcare Services	7.6x	5.0x	(2.6x)	+11.5%	32.2%
 Industrials	7.0x	8.1x	1.1x	+7.6%	53.1%	Industrials	8.4x	6.5x	(1.9x)	+4.6%	53.1%
 Information Technology	24.8x	14.6x	(10.2x)	+24.6%	n.m.	Information Technology	10.2x	7.9x	(2.4x)	+1.7%	n.m.
 Materials	6.7x	7.6x	1.0x	+17.8%	35.2%	Materials	7.8x	5.9x	(1.9x)	(12.4%)	37.1%

Source Factset

Note:

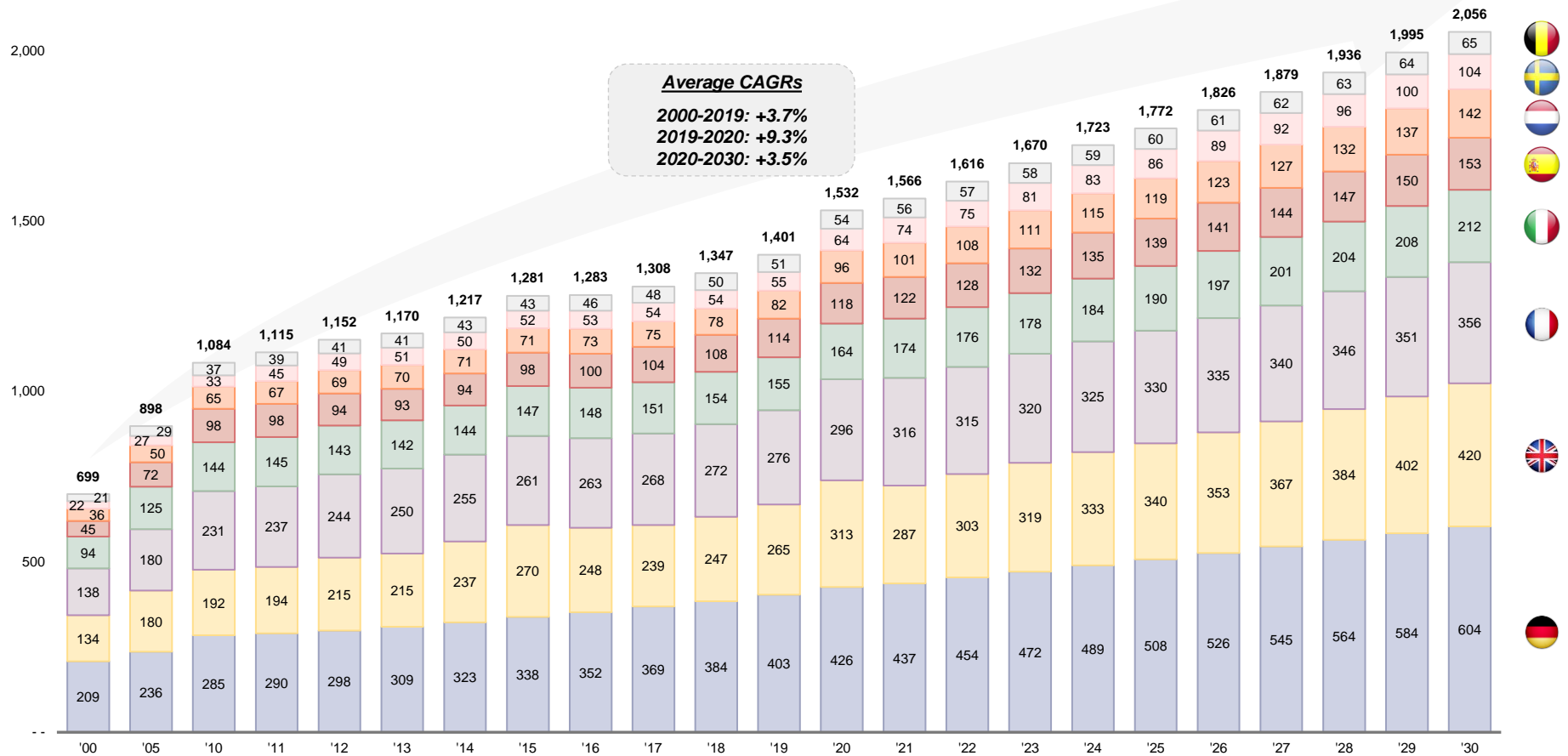
1. Sector peer groups based on the S&P 500 constituents for the respective industry classification
2. Average Net Debt / Average EV for each respective industry classification



Healthcare companies are expected to grow further as they are underpinned by strong demand drivers

Increasing demand and expenditure on Healthcare is expected to continue in the forthcoming years¹

Total Healthcare expenditure, EUR billions



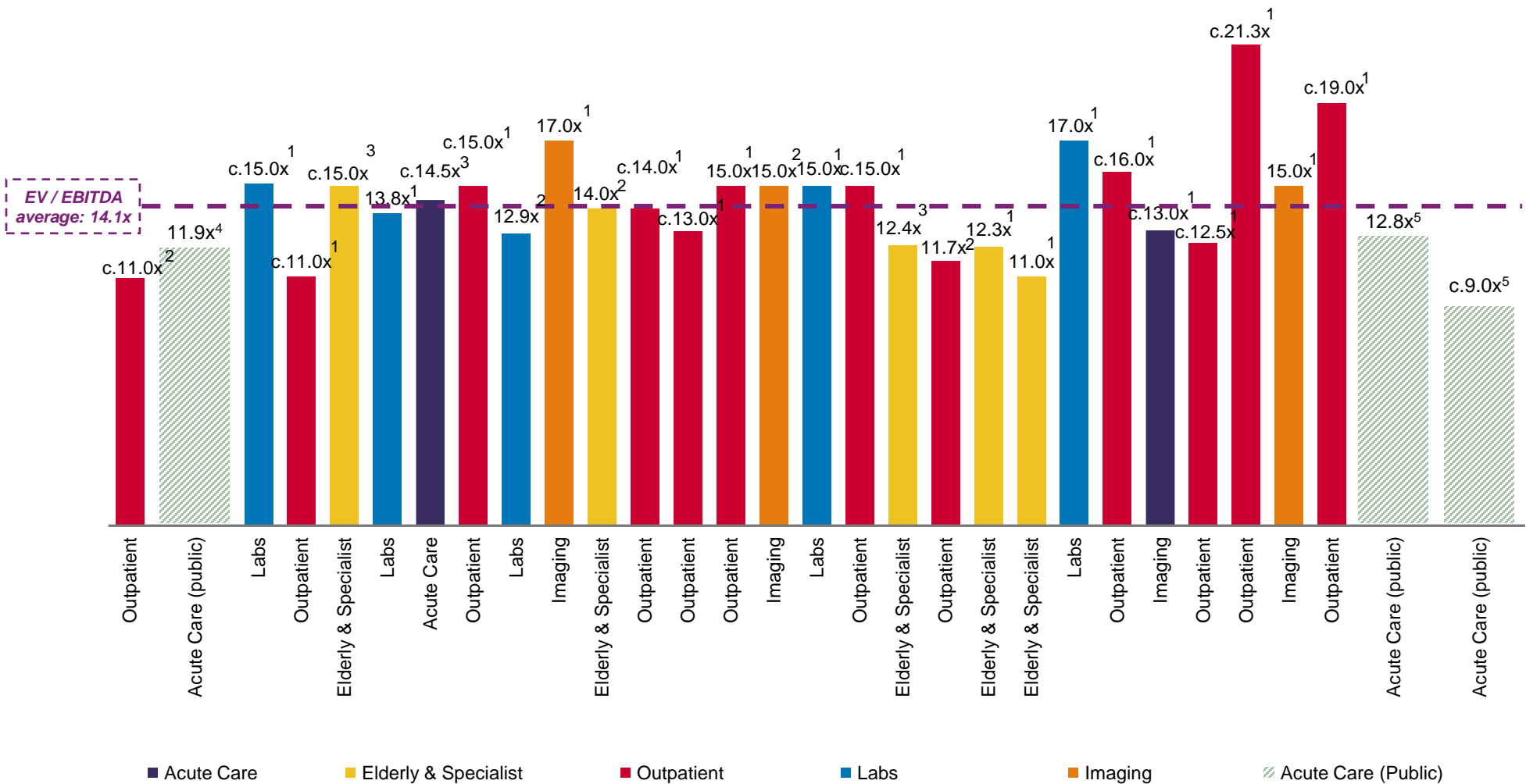
3

Recent deal activity



Selected LTM M&A deals in Healthcare Services

EV / Pricing EBITDA



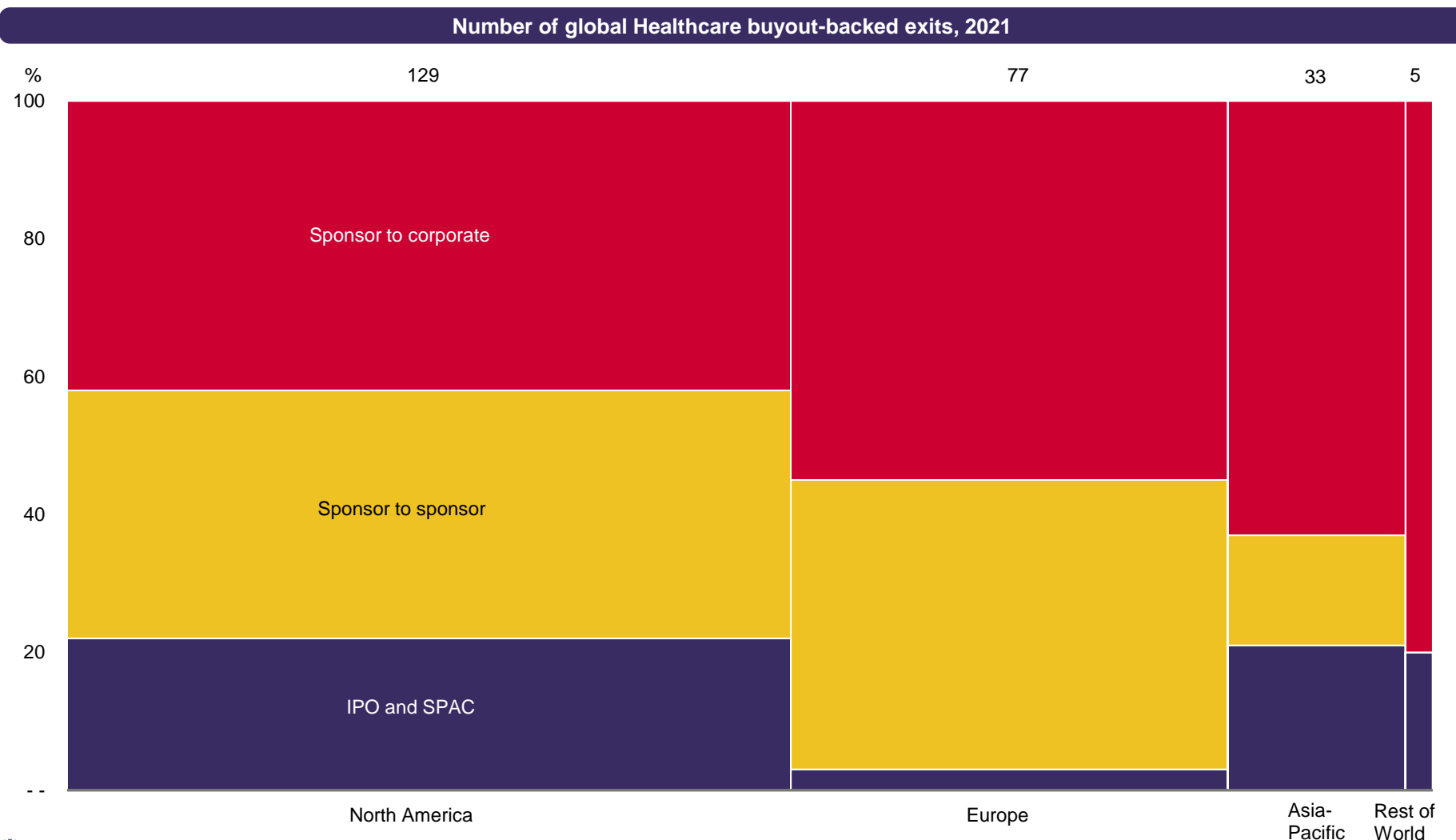
Notes

- 1 Current Multiple
- 2 Historical Multiple
- 3 Forecast Multiple

- 4 Multiple based on 2019 EBITDA
- 5 NTM multiple



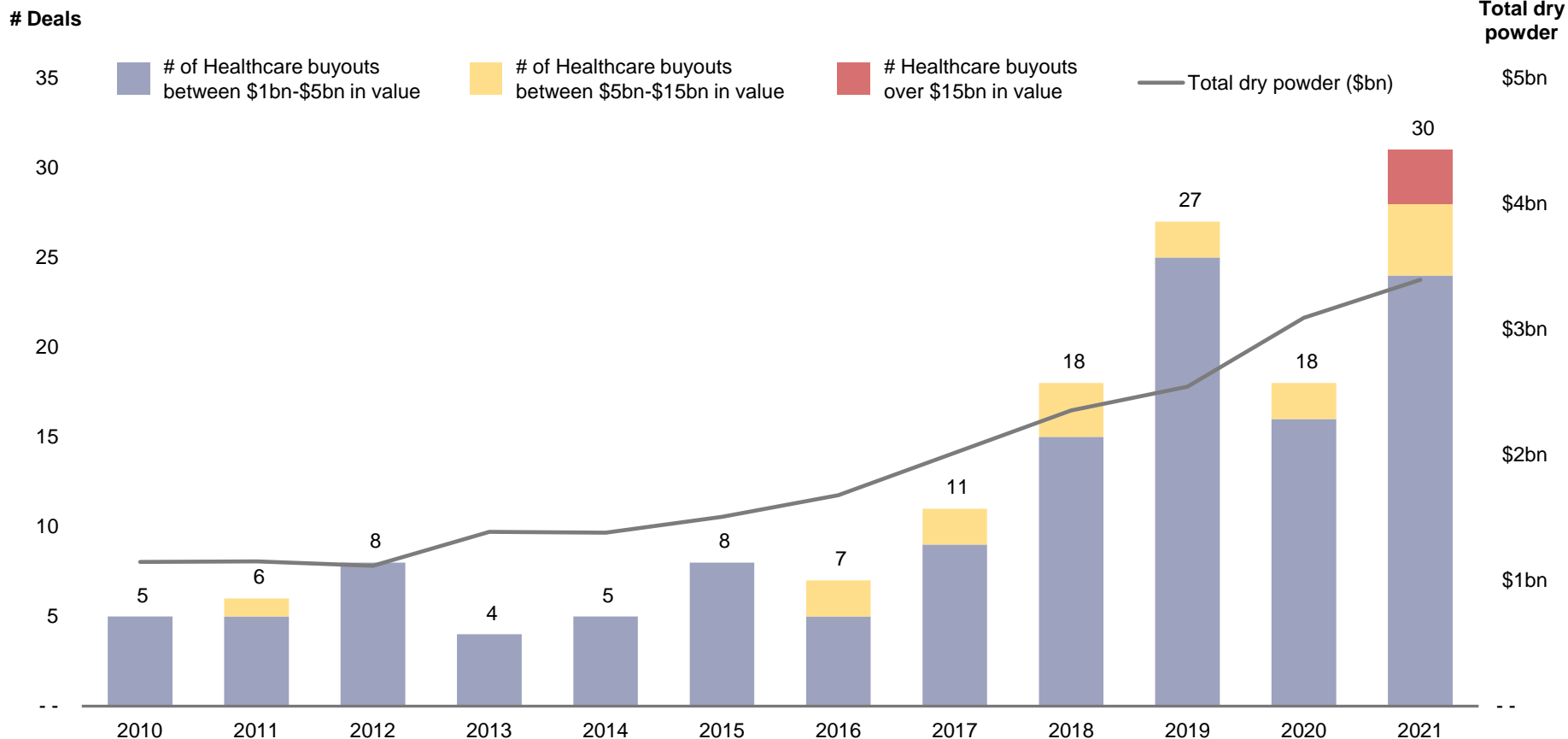
Continuing a trend started in 2019, sponsor-to-corporate deals is the largest share of exits





Healthcare megadeals rebounded to a record level, and increase in dry powder has led to bigger and bigger deal sizes

Number of global Healthcare buyouts above \$1 billion in value



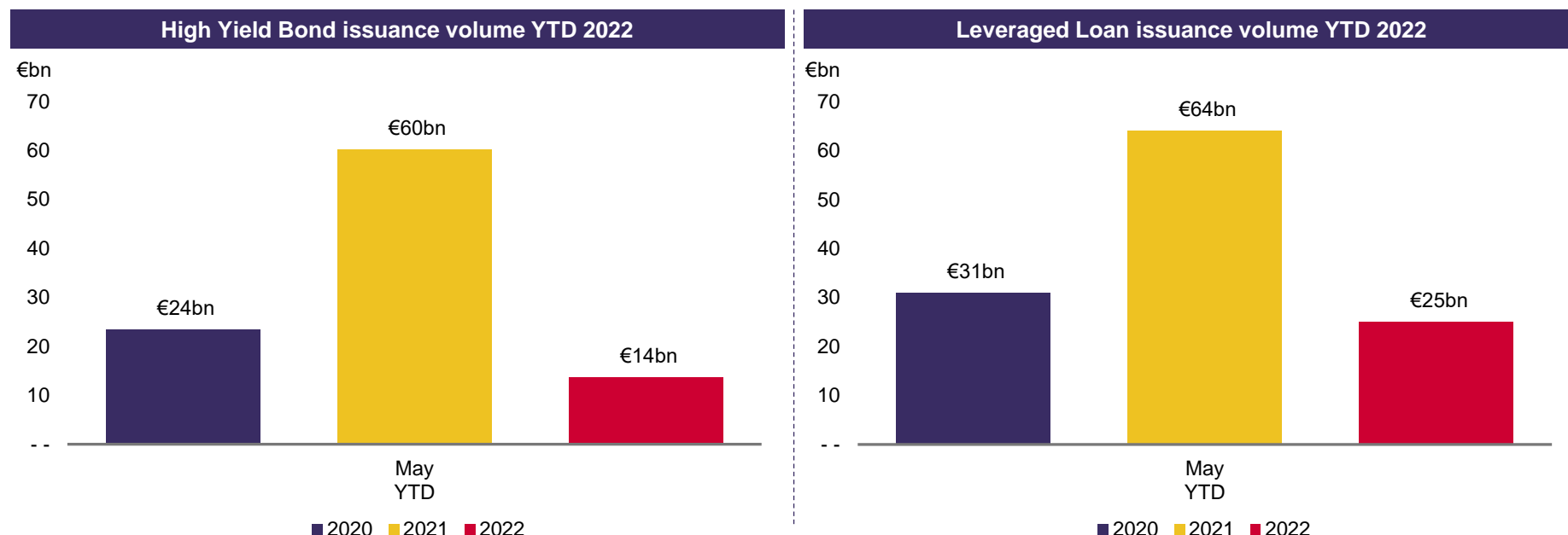
Sources: Dealogic; AVCJ; Bain analysis; Preqin

Notes: Excludes spin-offs, add-ons, loan-to-own transactions, and acquisitions of bankrupt assets; numbers based on announcement data; includes announced deals that are completed or pending, with data subject to change; deal value doesn't account for deals with undisclosed values; total buyout deal values updated based on Dealogic 2021 sponsor classifications

4

Current snapshot of debt and equity markets

European debt markets continue to be buffeted by rising rates, inflation, an expected consumer recession, and restructurings



Commentary

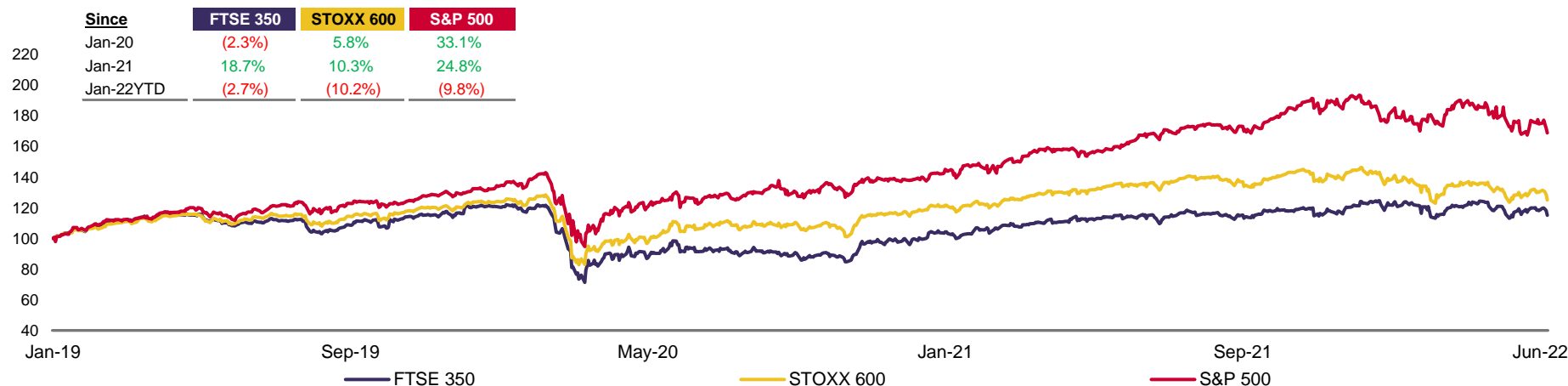
- Loan and bond volumes down over 60% and 75% respectively versus the same period last year
- Banks are increasingly cautious towards underwriting new transactions
- Private credit has remained robust and is gaining market share amid rising volatility and disruption
- Despite a sizeable pipeline of c.€40bn across loans and bonds, near-term activity in the capital markets is expected to remain subdued



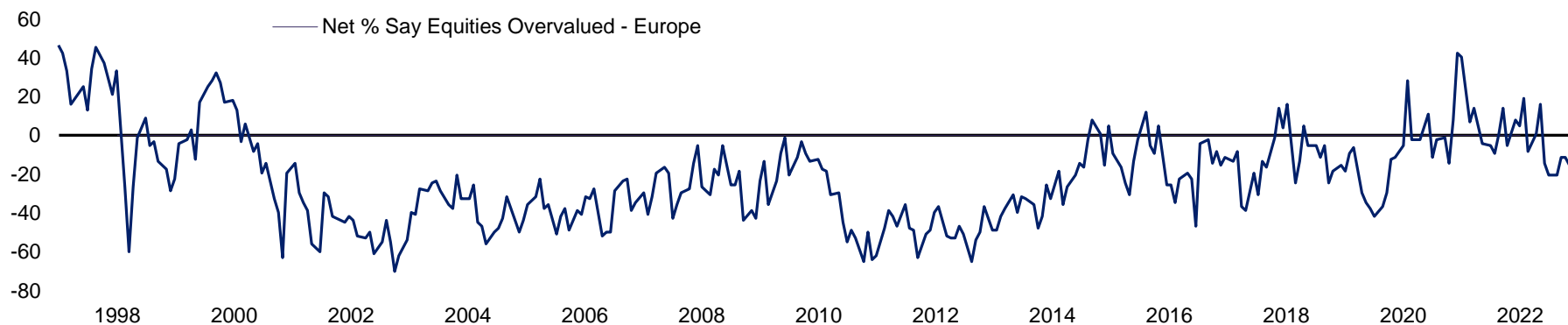
Equity market update

Despite the recent drop, many investors see stocks as overvalued

Indices remain near record highs, despite macro concerns in 2022 YTD (rebased to 100)



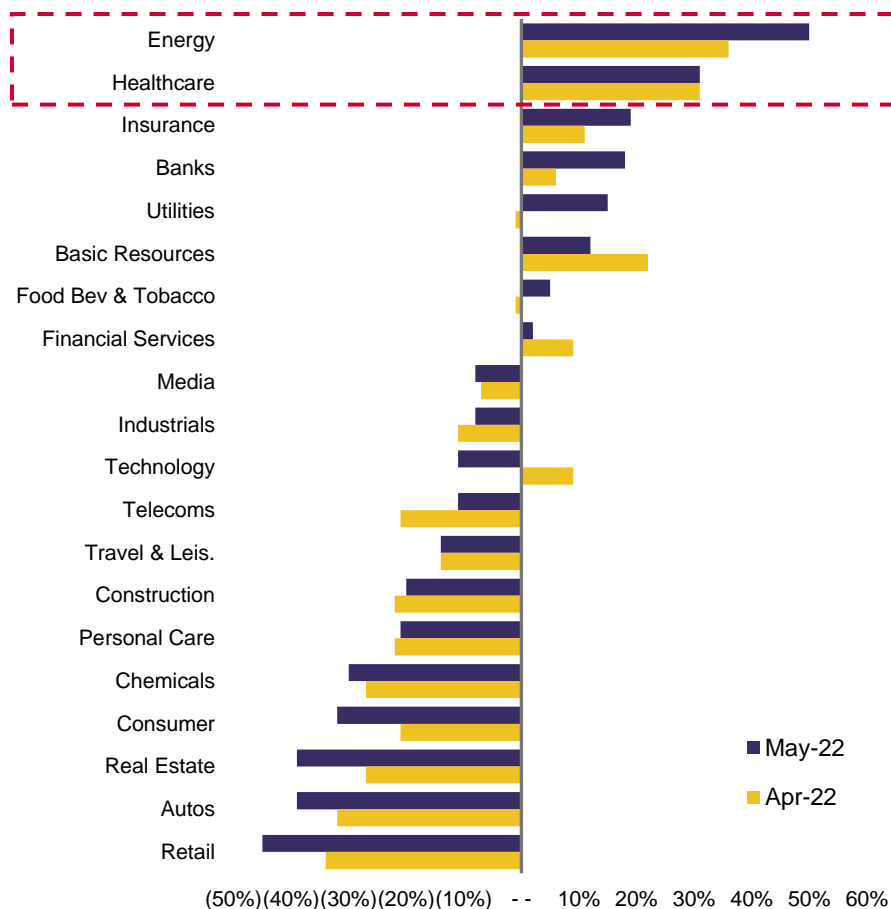
European investors are concerned going into 2022, with a net 10% seeing equities as “Overvalued”, suggesting further potential downside to current valuation levels



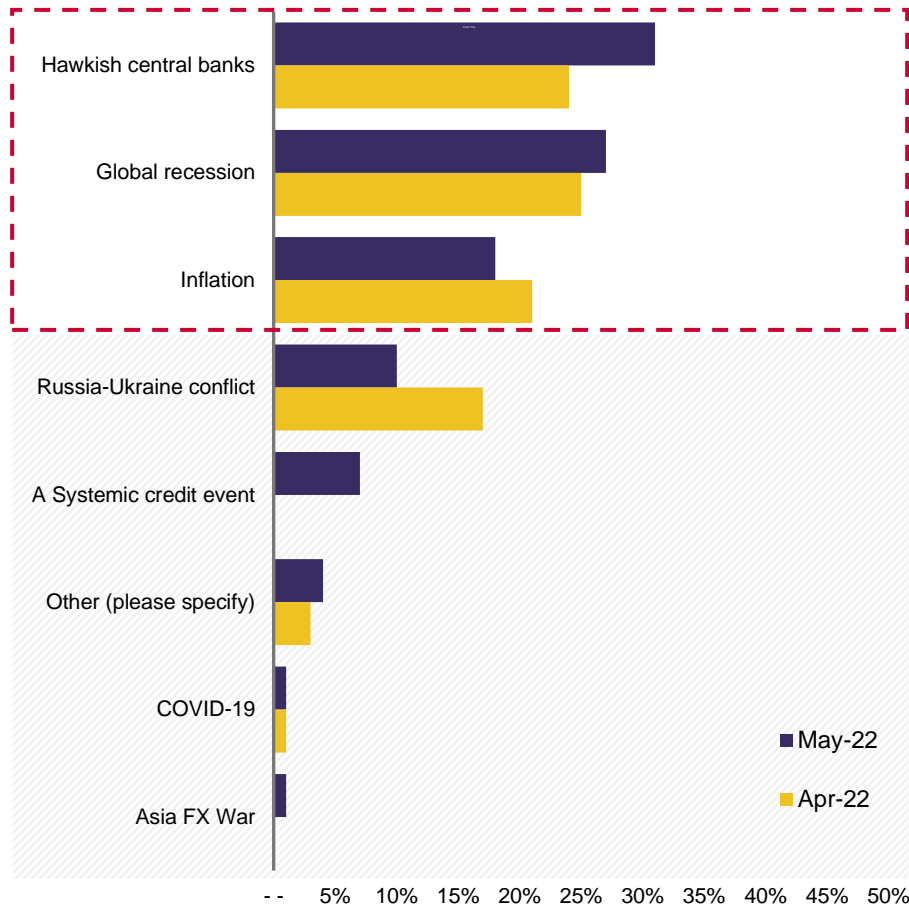


Key investor themes and concerns looking ahead to the end of 2022

Energy and Healthcare represent the largest overweight sectors¹



Inflation is one of the top-three risks that investors see in the market – with the associated rate hike trajectory also in focus²



5

Predictions...

Predictions for 2022



1

Overall, M&A deal activity is expected to slowdown in H2 2022...

2

...however Healthcare deal activity will remain pretty robust

3

Demand for resilient best-in-class Healthcare assets will sustain valuation premia....

4

...a potential reduction in the availability of credit is the most significant risk



Q&A

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