December 2018 | 19th edition | ey.com/ccb

# Health highlights
# Global Capital Confidence Barometer


**Gregg Slager**
EY Global Health Transaction Leader, Transaction Advisory Services
gregg.slager@ey.com
+1 212 773 8041


### A note from Gregg Slager, EY Global Health Transaction Leader

## In an age of M&A complexity, do you pause or proceed?

The health industry has historically been largely unaffected by the transformative impacts of technology. Not so anymore. The pace and pervasiveness of digital disruption – combined with a rush of nontraditional players entering the market – is threatening growth across the sector. In response, we're seeing health organizations turn to dealmaking to pursue opportunities in new markets while shedding assets at risk of disruption.

With pipelines stable, expectations for M&A continue to remain strong, as 44% of health organizations expect to pursue mergers and acquisitions in the next 12 months. Health executives say seeking an integrated solution and moving beyond their comfort zone are their primary considerations for dealmaking. This aligns with a global trend toward rising incomes in developing markets, and an increase in universal coverage. The fastest way to access these markets is through acquisition. Meanwhile, the streamlined, convenient experiences consumers have in other sectors, such as online banking and retail, have them demanding more from their health care. As a result, health organizations are looking for targets that help them to adopt a more customer-centric business model.

On the flip side, health organizations are using regular portfolio reviews to continually assess their strategic priorities and address investor demands to balance investments with the capital available to finance them. For 71% of executives, these reviews have identified assets ripe for divestment, either because they are underperforming or because they are at risk of disruption.

To maximize the synergies of their acquisitions, 43% of health organizations say they are starting the integration process earlier in the deal life cycle. The findings suggest, however, that they still have work to do, as more than half of health executives admit having achieved lower synergies than those identified.

As we look ahead to 2019, it appears as if private equity will be the big story. More than one-third of health organizations see private equity increasing their activity in the sector, particularly in the home health and behavioral health segments. More than half say they will increase the competition for assets.

Overall, after recent strong quarters of dealmaking, we expect a continued steady pace in the year ahead.

### Top five investment destinations

1. United States
2. United Kingdom
3. Canada
4. Brazil
5. France

Health executives remain optimistic about the future growth of the health sector, but disruptive forces could pose near-term risks to growth. Meanwhile, regulatory intervention, identified as the top risk to M&A activity in the next year, is also the top reason health executives cite for failed acquisitions. As a result, health organizations are reviewing their portfolios more regularly and identifying assets that are ripe for divestment, either because they are underperforming or at risk for disruption.

**44%**
intend to pursue M&A in the next 12 months.

**34%**
highlight disruptive forces as the top near-term risk to growth in the health sector.

**50%**
see regulation and political uncertainty as the biggest risk to dealmaking in the next 12 months.

**26%**
cite regulatory intervention as the top reason a planned acquisition failed.

**61%**
are reviewing their portfolios at least every six months.

**39%**
have identified assets at risk of disruption to divest.

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EYG no. 012667-18Gbl

1808-2856410

ED None



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