

Committed Capital

A GLOBAL PRIVATE EQUITY PODCAST

COMMITTED CAPITAL PODCAST SERIES:

A Strong Recovery? PE Life Sciences and Healthcare Investment Opportunities in 2021



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On January 27, 2021, Dechert's Private Equity group presented "A Strong Recovery? PE Life Sciences and Healthcare Investment Opportunities in 2021," an episode of the firm's Committed Capital Podcast Series. The episode was hosted by Robert Darwin (moderator), a partner in the firm's London office, and featured Dr. Mark Braganza, a healthcare investor (formerly of TPG and GHO Capital), Charles Kennedy, M.D., Managing Partner & Chief Executive Officer, Blue Ox Healthcare Partners, LLC, and Matthew Strassberg, Partner, Mid Europa Partners.

This broadcast summarized key themes and opportunities affecting private equity investment in life sciences and healthcare and how the market is shaping up in the U.S. and Europe, in 2021 and beyond.

HIGHLIGHTS FROM THE EPISODE

2020 Deal Activity

Deal activity in 2020 generally tracked activity levels in the private sector as a whole. Volumes initially fell as a result of the cross-sector pause on activity, however this was promptly followed by a countercyclical rebound in H2, largely due to an increase in private sector procedures, in part to alleviate the backlog in the state sector. This dynamism, however, led to a mismatch between sellers' view of their own assets as resilient and the concerns of buyers who queried the basis of 2020 valuations.

2021 Outlook

The growing use of information technology in the industry and the consequent acceleration of product development, as seen in the application of mRNA to COVID-19 vaccine development, will continue to attract significant amounts of capital. In the U.S., the Biden administration will likely expand and reinforce the Affordable Care Act, which may in part lead to an increased focus on how innovation is brought to the market. In Europe, healthcare continues to be an attractive market for private investment and the outlook remains good for growth. In part this is due to regulatory stability, but also to the presence of certain continuing underlying themes, such as ageing populations. An increased interest in diagnostics (and ongoing COVID-19 testing) and the outsourcing of manufacturing could also result from last year's trends and challenges. On the other hand, certain key risks threaten growth: governments could take an increasingly strategic approach to healthcare as they seek to 'protect' their populations; clinical trials have been disrupted by the ability to select participants, particularly in the field of oncology; and, as discussed above, valuations may mask critical inefficiencies.

2025 and Beyond

In the U.S., the system is likely to pivot towards affordability and the introduction of value based incentives, aligning the industry more closely with healthcare systems in other countries. Preventative medicine could become more commercially viable with the development of molecular diagnostics, identifying chronic conditions before they reach a need for emergency treatment, and therefore delivering greater value for healthcare payors. In Europe, governments may build upon the symbiotic relationships developed with private operators following the successes during the COVID-19 crisis, leading to private players playing a bigger part in provisioning.

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