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Strong M&A levels in healthcare sector to sustain in 2024 and beyond

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One of the notable strategies in healthcare M&A is the demerger of consumer healthcare businesses from pharmaceutical and medical device companies



The healthcare industry is undergoing a seismic transformation globally, and India's healthcare sector, in particular, has become a focal point for significant mergers and acquisitions (M&A).

Over the past four to five years, India's healthcare landscape has been a hotbed for M&As. These robust deal activities underscore a compelling momentum in the Indian healthcare sector, driven by numerous factors poised to sustain strong M&A levels well into 2024 and beyond. Some of these deals have not only consolidated market presence but have also ushered in novel dimensions in multispecialty healthcare, setting new benchmarks for operational excellence and patient-centric care.

Value Creation in Healthcare M&A:

- The essence of M&A in Indian healthcare lies in unlocking substantial value through synergies, operational optimisation, and elevating patient care standards. Beyond financial gains, these strategic moves aim to catalyse innovation, drive advancements in R&D, and ensure the delivery of cutting-edge healthcare solutions across diverse demographics. Moreover, major Indian pharmaceutical companies, supported by strong financial positions, are actively engaging in acquiring brands to strategically strengthen their portfolios and reinforce their market positions. Private equity activity in the Indian domestic formulations space is witnessing additional acquisitions, indicating a robust effort to enhance capabilities and expand product offerings.

- As technology merges with medicine, healthcare offers vast opportunities. Partnerships between healthcare and tech-driven innovations are shaping holistic healthcare ecosystems. Rising demand for specialised services, telemedicine's growth, and value-based care models are driving healthcare M&A. Prioritising transformative integrations empowers swift, impactful changes, ensuring lasting value for organisations and communities.

Seizing Opportunities and Embracing Trends:

- Within complex supply chains, collaborations and joint ventures in life sciences and healthcare have notably increased. Joint ventures are pursued to access technology and expand market reach. Investors are actively involved in minority investments, especially in founder-led businesses, seeking partnerships while retaining partial control.

- Operational challenges due to labour shortages and wage inflation, combined with reduced governmental fiscal support, are straining hospital operators worldwide. These pressures on funding and profitability might lead to heightened restructuring efforts and potential distressed M&A activities within the healthcare sector.

- Robust M&A activities are observed in pharma B2B activities driven by PE funds and corporates leveraging industry fragmentation for strategic consolidations. The rising demand for integrated services fuels acquisitions to bridge service gaps.

- Nutraceutical ingredients in India are witnessing substantial growth prospects. Domestic companies serving a global clientele expect expansion due to rising preventive healthcare awareness. Inbound M&A interest is rising as overseas firms are eyeing Indian assets for niche products, expanded manufacturing, and revenue growth.

- Fiscal and operational challenges are prompting increased interest in digital healthcare. Telehealth and analytics firms are sought-after assets, and tech players are eyeing opportunities in healthcare tech solutions. The rise of generative AI is driving healthcare providers to integrate AI tools like virtual assistants and chatbots, prompting M&A, partnerships, and alliances for adopting advanced AI capabilities.

- Specialist care providers like private clinics, dermatology, ophthalmology, and veterinary services, operating across fragmented markets, are undergoing continued consolidation. Dealmakers focusing on roll-ups in these sectors are emphasising integration and value creation to attain desired margins, preparing for future exits.

The healthcare industry is undergoing rapid and profound changes, driven by factors such as technological innovation, regulatory pressure, consumer demand, and market dynamics. To adapt and thrive in this environment, healthcare organisations are increasingly pursuing M&A as a strategic tool to transform their businesses and create value for their stakeholders.

One of the notable strategies in healthcare M&A is the demerger of consumer healthcare businesses from pharmaceutical and medical device companies, which reflects a broader shift towards focused business units and value creation. By separating these segments, companies can unlock value, streamline operations, and allow each segment to thrive independently.

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