

Healthcare Information Technology

German Sector and M&A Report

2019

The rise of 'Digital Health' and its impact on software firms

Healthcare IT has experienced strong growth in recent years, but its peak still lies ahead. The transformation of the healthcare industry into 'Digital Health' is expected to maintain its momentum in the coming years and will involve fundamental change for providers of software in the healthcare industry. This makes it the perfect time to redefine their role in the market.

The global market for Healthcare IT software has seen a strong rise of M&A activity and startup funding over recent years. Average multiples of around 25x EBITDA, payed in the framework of Healthcare IT acquisitions, reveal the attractiveness for investors. In the field of health digitization, Germany seems to be lagging behind and has a mostly unconsolidated market structure with few large players and a wide field of small but highly specialized providers. The digital transformation of healthcare will push software developers – small and large – into seeking partnerships and cooperation. Thus, the German market is expected to enter into a far-reaching consolidation process which would bring both opportunities and risks for software companies.

Key insights:

- A high degree of fragmentation and specialization: small developers lack the efficiency and overall ability to serve the growing demands of their growing customers. On the other hand, large providers often lack the specific know-how they need to stay competitive.
- Strong innovation pressure: software providers will undergo an extensive modernization process investing into the development of new products and technology to keep up with an increasingly demanding market. Small providers might be unable to meet this challenge alone.
- Cost pressure: healthcare providers have to cope with constant cost pressure, which they pass on to their software suppliers. Thus, efficiency and synergy will be key to survival for such supplier to an extent never before felt on the market.
- Healthcare consolidation: the consolidation in the healthcare sector leads to large cross-sector providers that require much more complex solutions and services. Software suppliers have to adapt to these rapidly changing demands.



Matthias Holtmeyer
Partner, Capitalmind

"The competitive landscape is shifting quickly for Healthcare IT providers as customers become more demanding and value conscious. Operators need to respond to these developments as in many cases, old business models no longer work. PE is targeting proven concepts with growth potential, which is giving the M&A market and valuations a major boost."

Key takeaways



Growth

The global market will be growing at an extraordinary CAGR of ~20% until 2020. Some segments grow at even higher growth rates such as Mobile or Wireless Health.



M&A

Global M&A activity has seen a sharp rise within the past 5 years. While the US market is still ahead, European providers have started intensifying their purchasing behavior regarding smaller competitors.



Trends

Digitization is the megatrend that will substantially change healthcare and its various processes. Representing a huge opportunity, the digital revolution at the same time involves strong challenges for Healthcare IT providers.



Prospects

Digital Health providers are facing strong innovation and cost pressure. They will have to adapt fast to radically changing market conditions.

Our selected deals in Healthcare IT

Healthcare Software

Healthcare Software

Business Software

Education Software

Healthcare Software

Workflow Software

If you would like to discuss this report in more detail or opportunities for your business, please get in touch



Matthias Holtmeyer

Partner

+49 30 278 909 15

matthias.holtmeyer@capitalmind.com

Matthias is a Partner of Capitalmind, focused on the Healthcare and TMT sectors. He has been an M&A advisor for 20+ years, and leads our Berlin office, with direct access to some of the most dynamic and fastest-growing companies in Europe.

Before joining Capitalmind, Matthias was a founding Partner of a German M&A boutique, focused on transactions in the mid-market. And before that he spent 13 years with KPMG, where he rose to become Partner, leading the Healthcare sector in their corporate finance department. Matthias began his career as an IT-Consultant for Coopers & Lybrand.



Ron Belt

Managing Partner

+31 73 623 8774

ron.belt@capitalmind.com



Jean-Arthur Dattée

Partner

+33 14 824 6288

jean-arthur.dattee@capitalmind.com



Stig Madsen Lachenmeier

Managing Partner

+45 20 433 373

stig.madsen.lachenmeier@capitalmind.com

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INDUSTRIALS



TMT

's-Hertogenbosch, The Netherlands

Reitscheweg 49
5232 BX 's-Hertogenbosch
T +31 (0)73 623 87 74

Paris, France

151, boulevard Haussmann
75008 Paris
T +33 1 48 24 63 00

Frankfurt, Germany

Sonnenberger Straße 16
65193 Wiesbaden
T +49 611 205 4810

Amsterdam, The Netherlands

Vreelandseweg 7
1216 CG Hilversum
T +31 (0)73 623 87 74

Copenhagen, Denmark

Strandvejen 60
2900 Hellerup
T +45 20 433 373

Berlin, Germany

Schumann Straße 17
10117 Berlin
T +49 611 205 4810