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The New Healthcare (Fourth of a Series)

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We continue our special series on COVID-19 impacted healthcare, with a private equity conversation. Our guest is the partner of a NY-based firm. He has over two decades of experience investing in healthcare businesses.

How did the current crisis unfold for you and your firm?

“For the first couple of weeks it was a 100% focus on the portfolio,” he told us. “We ran scenarios to see how things might be impacted. Our portfolio was actually pretty resilient in retrospect, so we were able to pretty quickly turn our attention to new investing opportunities.

“Our team has significant investing experienced; we’ve all invested through the Great Recession. We know these are the moments when, if you didn’t invest, you’d wish you had.”

Were some sub-sectors affected more than others? “We had been spending time around medical education and specifically conference and live meetings,” he said. “For the time being we have determined that many of those businesses will be challenged. They will certainly try to move online, but we think there are complexities for many of those business, given meeting structures and the data and analytics skills necessary to be successful.”

How about sellers? “We’re beginning to see a flow of founder deals. This crisis was a catalyst to owners of businesses that had not yet brought on an institutional partner. The crisis has influenced them to think about diversification.”

What’s happening with valuations? “If a business is COVID-impacted, there’s not much to do right now. No one’s going to market unless it’s a rescue. If it’s done well, there’s plenty of dry powder on the sidelines. Time to recovery is critical. If the business rebounds quickly, that’s value-enhancing.”

“Even if an effective vaccine is found,” he said, “behavior may permanently change around some companies. For example, we’ve wanted patients to engage digitally with healthcare resources, but adoption has been very slow. Now they are realizing the experience is pretty good. And it’s not just telemedicine, but communication overall.”

What’s been your biggest surprise? “How quickly the credit and equity markets rebounded. It makes sense to a point. Markets are always looking ahead beyond the immediate challenges to the upside. But at what price and at what level?”

Our partner concluded: “The most disappointing aspect of all this has been the rise in infections when basic public health warnings were ignored. We had the data showing it didn’t have to be this way.”

? Next week: We conclude our series with a look at the M&A pipeline.