

Pharma, medical & biotech

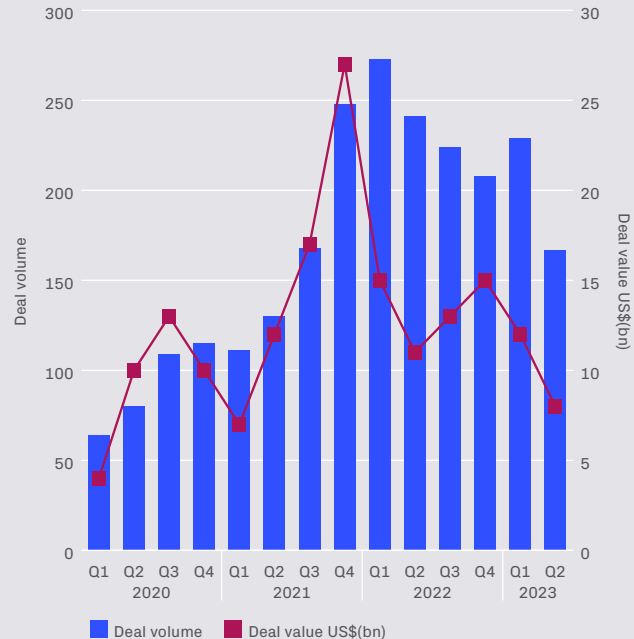
# APAC's emerging markets are a hotbed for healthcare growth

Deal activity in the pharma, medical & biotech (PMB) space was a little lackluster in H1, as regulatory scrutiny delayed some large deals globally and higher interest rates made the financing environment more challenging.

In APAC, 396 PMB deals were announced in H1, down 23% from the 514 recorded during the same period last year. Aggregate deal value was somewhat more resilient, falling by 20% from US\$26bn in H1 2022 to US\$21bn through the first six months of this year, with Q1 accounting for the bulk of this activity (229 deals worth a combined US\$12bn).

Only three deals announced in APAC's PMB sector in H1 eclipsed the US\$1bn threshold, one each involving assets in Australia, India, and South Korea. One point of pride, however, is the regional industry's appeal to overseas bidders, with acquirers from the US and UK participating in the fifth, sixth, and seventh largest deals logged in H1.

## PMB M&A activity, 2020-HY 2023



Source: Mergermarket

## Regulatory hurdles

The largest of APAC's PMB transactions in H1 saw Australian Clinical Labs (ACL) offer to acquire national medical center operator Healius through an all-share takeover worth just under US\$2.2bn. Healius is Australia's second-largest pathology provider and ACL is the third-largest, with national market shares of 28% and 14%, respectively.

The deal is proving somewhat contentious. Healius rebuffed the original offer, advising its shareholders not to take any action and describing ACL's bid statement as "misleading", "inadequate", and "not taking place in an efficient, competitive, and informed market". The Healius board also unanimously recommended to reject a revised second offer, while ACL maintains the proposed merger represents "the most value accretive option available to Healius shareholders".

If the two rivals were to merge, the combined business would become Australia's largest pathology services provider, with 171 labs and 3,413 collection centers across the country. ACL estimated the expected cost synergies from a successful merger would be between US\$53.5m-US\$77.5m, though this point may prove moot—the Australian Competition and Consumer Commission has said the merger would lessen competition in the pathology services space and "could lead to adverse consequences for patients". The regulator is unlikely to give the deal the green light.

## PMB top sectors by value | HY 2023

	US\$(m)
China	5,934
Australia	3,268
South Korea	2,964
Singapore	2,567
USA	2,486

## PMB top sectors by volume | HY 2023

	Deal count
China	147
Japan	100
India	36
Australia	27
USA	24

## Emerging market boom

Temasek, the sovereign wealth fund of Singapore, acquired an additional 41% stake in India-based Manipal Health Enterprises for just over US\$2bn from investors including PE firm TPG and the National Investment and Infrastructure Fund, India's own sovereign fund, in what was the second largest APAC PMB deal in H1 and likely the largest to come to fruition.

The deal cements Temasek's majority control in one of India's largest hospital chains, boosting its stake to 59%, while TPG will reinvest via a successor fund. Manipal is one of the biggest healthcare providers in India, serving more than 5m patients annually across a pan-Indian network of 29 hospitals across 16 cities with more than 8,300 beds, 4,000 doctors, and an employee headcount in excess of 12,000.

APAC's final PMB deal worth over US\$1bn announced in H1 arose in South Korea, with PE firms MBK Partners and UCK Partners acquiring a 65.05% stake in Osstem Implant, the country's top dental implant maker. The deal paves the way to delist the company from Kosdaq, South Korea's tech-heavy small-cap focused bourse. The share deal was followed by a second tender offer between 22 March and 11 April for a further 10.62% stake. The two tender offers increased the consortium's ownership to 93.97%. In January 2022, trading in shares of Osstem Implant was suspended after the dental implant maker revealed itself the victim of the largest-ever embezzlement scandal for a Korean listed company.



## Low fertility rates drive structural demand

The outlook for PMB M&A in H2 is brighter than it was for the first half of this year. Investors remain eager to expand into emerging markets with increasingly affluent populations and high growth potential, such as in Southeast Asia and India, while low fertility rates and rapidly aging societies in countries like South Korea and Japan will continue to create long-term structural demand for healthcare services.

Cross-border M&A dealmaking is expected to increase in markets with more friendly regulatory environments, while weaker equity markets globally and subsequently depressed share prices may see listed companies increasingly targeted in take-privates.

Additionally, growing demand for personalized medicine and innovative treatment approaches is driving demand for smaller-sized strategic M&A deals of companies that own cutting-edge technologies and intellectual property rights linked to new revenue streams and services in submarkets such as biotechnology and gene therapy.

## PMB top 10 announced deals, HY 2023

	Announced date	Bidder company	Target company	Target dominant country	Vendor company	Deal value (US\$m)
1	20-Mar-23	Australian Clinical Labs Ltd.	Healius Ltd. (100% Stake)	Australia		2,174
2	10-Apr-23	Temasek Holdings Pte. Ltd.	Manipal Health Enterprises Pvt. Ltd. (41% Stake)	India	National Investment and Infrastructure Fund Limited; TPG Inc.	2,001
3	25-Jan-23	MBK Partners Inc.; UCK Partners	Osstem Implant (65.05% Stake)	South Korea		1,466
4	29-Mar-23	HMC Capital Ltd.; HealthCo Healthcare & Wellness REIT	Medical Properties Trust (Healthscope hospital portfolio) (100% Stake)	Australia	Medical Properties Trust, Inc.	802
5	25-May-23	Medtronic Plc	EOFlow Co., Ltd. (71.09% Stake)	South Korea	Jesse J Kim (Private Individual); Luis Malave (Private Individual)	718
6	24-Mar-23	Bain Capital L.P.	Estia Health Ltd. (100% Stake)	Australia		629
7	12-May-23	AstraZeneca Plc	Lixin Pharmaceutical Technology (Shanghai) Co., Ltd. (LM-305) (100% Stake)	China	Lixin Pharmaceutical Technology (Shanghai) Co., Ltd.	600
8	09-Jun-23	Hahn & Company	Lutronic Corp (80.26% Stake)	South Korea		595
9	22-Mar-23	Shanghai Shengbang Private Equity Management Co., Ltd.	Southern Shuanglin Bio-pharmacy Co., Ltd. (20.99% Stake)	China	Zhejiang United Investment Group; Hangzhou Zhemin Investment Management Consulting Co., Ltd.	558
10	22-Feb-23	China Resources Medical Holdings Co., Ltd.	China Resources Healthcare (Liaoning) Group Co., Ltd. (76.1% Stake); Shenzhen China Resources Healthcare Industry Investment Co., Ltd. (100% Stake)	China	LR Management	492

## PMB league tables

### Financial advisors by value

HY 2023	HY 2022	Company name	Value (US\$m)	Deal count
1	8	Goldman Sachs & Co	4,116	5
2	-	Gresham Advisory Partners	2,803	2
3	33	NH Investment & Securities Co	1,618	2
4	-	JPMorgan	955	2
5	3	UBS Investment Bank	921	5
6	34	Sumitomo Mitsui Financial Group	750	2
7	40	Jefferies	750	1
8	21	China International Capital	591	3
9	-	Maxa Capital	591	2
10	37	CITIC Securities Co	577	2

### Financial advisors by volume

HY 2023	HY 2022	Company name	Value (US\$m)	Deal count
1	1	Deloitte	122	6
2	11	Goldman Sachs & Co	4,116	5
3	5	UBS Investment Bank	921	5
4	4	China Renaissance Holdings	67	4
5	2	PricewaterhouseCoopers	25	4
6	13	China International Capital	591	3
7	8	Ernst & Young	139	3
8	12	Nomura Holdings	110	3
9	7	Haoyue Capital	56	3
10	3	CEC Capital Corp	25	3

### Legal advisors by value

HY 2023	HY 2022	Company name	Value (US\$m)	Deal count
1	15	Shardul Amarchand Mangaldas & Co	2,564	7
2	8	AZB & Partners	2,357	6
3	10	Gilbert + Tobin	2,275	3
4	5	King & Wood Mallesons	2,214	3
5	63	Trilegal	2,038	2
6	32	J Sagar Associates	2,001	1
7	1	Kim & Chang	1,775	6
8	4	Lee & Ko	1,715	4
9	-	Yoon & Yang	1,471	2
10	2	Ropes & Gray	1,411	4

### Legal advisors by volume

HY 2023	HY 2022	Company name	Value (US\$m)	Deal count
1	1	Khaitan & Co	182	8
2	33	Haiwen & Partners	165	8
3	-	Shihui Partners	58	8
4	8	Shardul Amarchand Mangaldas & Co	2,564	7
5	3	AZB & Partners	2,357	6
6	6	Kim & Chang	1,775	6
7	2	Fangda Partners	812	6
8	-	AnJie Broad Law Firm	128	6
9	5	Jingtian & Gongcheng	76	6
10	41	Cyril Amarchand Mangaldas	170	5



#### About this report

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For a full version of the Mergermarket M&A deal database inclusion and league table criteria, go to: [www.mergermarket.com/pdf/deal\\_criteria.pdf](http://www.mergermarket.com/pdf/deal_criteria.pdf)

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