

April Blog- 2024 RxCel Partners

Ongoing macroeconomic uncertainty is creating unprecedented times for the PE Buyout world. PE managers should use this as an opportunity to redouble their efforts across all diligence measures (Market, Strategy, Talent, Technology, Operations and Financial)

On my recommended list of must do's—are more rigorous operational efficiency diligence, the appointment of outside advisors and early identification of potential external BOD/Advisory members and thoughtfully identifying ways you plan to work with the management team for enhanced engagement.

Buyout managers can bring a range of compelling capabilities to their portfolio companies, especially to smaller and mid-market companies and their internal operating teams. The three that are top of mind are in the areas of: Procurement, Executive Talent and External Network Partners.

It won't be easy to adapt and evolve Value Creation processes and practices, but investment managers that succeed have an opportunity to close the gap between the current state of value creation and historical returns that outperform their peers.

Q1 2024 was not pretty in Healthcare Investing

Deal activity dipped below trend lines—and accounted for just 12% of deal count and just 10% of PE deal value, compared with an average of 15% respectively for both measures for the past three years. Not a big surprise given-distress in the provider markets caused by elevated labor and debt service costs, flat to declining reimbursements and the difficulty of executing roll-ups in a high-interest rate environment. The exception: HC services and HCIT (788 Deals in 2023)

What to expect for the remainder of 2024

- Slower Deal volume,
- Persistent inflation, moderating interest rates, geopolitical challenges
- LP driven pressure to return funds balanced by a desire to achieve return objectives
- Talent shortages
- More sponsor to sponsor transactions and secondary growth
- Value Creation Plans become MORE CRITICAL to execute flawlessly
- Dry powder accumulates further
- Artificial Intelligence gathering some momentum in healthcare
- Healthcare jobs have and will continue to show real net growth in 2024 (1/4 of all new jobs created in 2023 were in HC)
- Watch the Feds closely, a lot of discussion around Anti-Trust and HC profiteering

How can RxCel Partners help you in this challenging environment?

- Executive Search in US and UK/EU for C-suite to Board healthcare executives
- Consulting projects around M&A/ Diligence and Leadership Assessment
- Identification of Operating Partners, Interims and External BOD candidates
- Human Capital Advisory Programs- including Leadership Development and Transitions, Diversity, Culture Alignment, Sales Force Effectiveness, Succession Planning, Executive Coaching

Reach out if I can help your investment firm, increase your ROI on Human Capital and Alignment within your healthcare portfolios.

All the best, Jim

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Whether you are starting the M&A Journey or gearing up for scale, RxCel's blend of expertise, connections and seasoned CEO and CHRO global expertise allows us to focus on transactional complexities around Talent, Culture, Leadership and Team Development.