

## Deal activity and market update in health and social care sector

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In the last nine months of 2021 we saw a huge amount of activity across all sub-sectors of health and social care. In the face of the COVID-19 pandemic the sector has demonstrated real resilience and continues to perform well against the backdrop of ever-rising demand.

The M&A activity in the sector has been driven by anticipated PE exits and a huge amount of liquidity from a larger pool of investors and funders – including a fair few new entrants to the market who have struggled to deploy their capital elsewhere during the pandemic. This liquidity is primarily focussed on quality assets backed by a quality and experienced management team. Inevitably this has driven up multiples for these quality assets which in turn drives more activity.

In this active market, expectations need to be managed in terms of the timeline of deals – diligence requirements have been increasing and subsequently deals have been taking longer and costing more. But if you can stomach the delays and costs there are great deals to be done.

However, the sector is not without its challenges – with recruitment and retention of staff harder than ever and an incredibly tough regulatory environment this sector is not for the fainthearted. Where M&A activity is proposed, businesses are encouraged to work with investors/funders who know and understand the health and social care sector and as a result will react in a rational and informed way if things run off course. To support this, it is also key for a business to negotiate breathing space into any defaults in documentation – for example time to pull together an action plan in reaction to a rating downgrade/inspection.

A real positive story but not one without challenge. We look forward to guiding more businesses, funders and investors through these challenges in 2022.

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