

PureHealth acquisition of Circle Health reflects growing opportunities between UK and Middle East

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PureHealth's acquisition of Circle Health is part of a broader trend - increasing collaboration between the UK and the Middle East. Clare Auty and Mark Hughes, partners at Browne Jacobson, spoke about the challenges and opportunities faced by the respective healthcare sectors from a closer relationship in the LaingBuisson's Healthcare Markets International journal.

In August, PureHealth, the largest integrated healthcare network in the United Arab Emirates (UAE) – majority-owned by Abu Dhabi-based investment and holding company ADQ, agreed to acquire Circle Health Group from Centene Corporation for around £950m.

The acquisition formed part of PureHealth's global expansion plans. It also reflected the trend towards a closer relationship between the UK and Middle East healthcare sectors. It's part of broader efforts by the UK Government to both strengthen ties with the region, and to promote a domestic life science research and development sector.

Deeper ties

In 2021, the UK Office for Investment and Abu Dhabi's Mubadala Investment Company, one of the world's biggest sovereign investors, signed a long-term investment agreement aimed at deepening existing UK–UAE trade and investment links.

An £800m commitment from Mubadala to invest in UK life sciences over five years was the initial focus for the partnership, with the sum to be deployed alongside the UK's £200m life sciences investment programme announced in 2020.

Those numbers were supplemented last year with the UK announcing up to £200m in support of NHS-led health research into diagnostics and treatment and £60m to help expand life sciences manufacturing.

The announcements reflect the Government's more outward looking trade strategy as it emerges from its post-Brexit years of political instability.

"The UK is seen as benign investment regime and more open to business to the Middle East than other parts of the world," said Hughes. "We're seeing greater collaboration between the UK and the region and we're seeing the collaboration work both ways."

Brand UK

Brand UK has long had resonance in the Middle East when it comes to quality healthcare and expertise, and many private and public healthcare companies have already established a presence in the region.

London's Moorfields Eye Hospital built on its world-wide reputation to open a branch in Dubai in 2006. That was followed up in 2015 with the eye specialist forming a partnership with Abu Dhabi's leading privately owned healthcare development and investment company, United Eastern Medical Services (UEMedical), to establish Moorfields Eye Hospital Centre.

King's College Hospital, meanwhile, opened in Dubai in March 2019, and Great Ormond Street Hospital has a Gulf office that provides advice to those seeking treatment in London.

While healthcare funding in the UK is continually under pressure, spending in the Middle East is increasing as countries in the region target the development of a homegrown, sustainable and high-quality healthcare sector providing wider access to the local population.

"We're seeing a lot of joint ventures, partnerships and collaboration from the UK public and private sectors into markets that want a respected name, their expertise and skills," said Auty. "We've got a lot of work going on over there."

It's not all just one way traffic.

"Rather than the interest being driven by the exportation of UK skills, we're seeing some private clinics from UAE and the Middle East wanting to enter the European market," said Auty. "They see London as being a starting point for their European or global expansion."

London is already well known for its private health care market, particularly in the UAE. The UAE is already predisposed to investing into the UK and it's something the UK Government is keen to encourage. Brand NHS, brand Harley Street and other private medical practices in the UK have a good reputation for clinical excellence in the UAE.

Healthcare also appeals to investors into the UK as a diversity play.

Caveat emptor

While the UK's reputation for clinical excellence and its life sciences ambitions provides investors with attractive opportunities, investing in the UK healthcare sector also has its challenges.

"There is sometimes a perception in overseas market that private hospitals operate the same way as they do overseas without the understanding as to how much revenue comes from NHS funded care," said Auty. "They see NHS contracting with the private sector as being a steady income stream, which makes it a secure investment, but there is limited room to negotiate with the NHS."

While the NHS doesn't always pay the highest rates, it does give certainty in terms of contracting and income streams – something that gives a welcome degree of certainty in uncertain times.

"Having that underpinning of a public funder helps in any investment decision and the mixed funding model you see in the likes of CircleBMI, makes UK healthcare appealing," she said.

There are also potential synergies to be realised from acquiring a large hospital group for a company like PureHealth, with its network of healthcare-related subsidiaries. There are also opportunities to grow in an expanding market or by increasing market share.

"Healthcare is seen as a relatively secure place to invest your money, long term. And particularly with hospitals and care homes, you've got the added benefit of a 'bricks and mortar' asset," said Hughes. "And then you've got links with life sciences and health tech that can be developed within a hospital group."

The UK healthcare sector presents opportunities for a wide range of investors, both international and domestically, from PE to institutional investors and from life sciences startup to hospital groups. Big ticket acquisitions may be few and far between on the current market environment, however, due to the high cost of borrowing. But for investors from the Middle East, for sovereign wealth funds that aren't tied to funding in the same way as other investors, the UK healthcare sector remains a relatively safe place to invest.

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