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## Advent sees opportunity in healthcare payments, corporate carveouts

*Managing partner John Maldonado shares his insight into the firm's healthcare investment strategy, writes Sarah Pringle*

**O**n the heels of its eighth healthcare deal of the year, senior members of Advent International told Buyouts the firm is eyeing opportunities for future deal-making involving U.S. healthcare payments companies and corporate carveouts from Europe's large cap drugmakers.

"Competition is fierce and it requires us to pick our spots," said John Maldonado, Advent Managing Partner and head of North American healthcare efforts. "We're not trying to cover the waterfront."

The Advent playbook? "Let's not wait for a banker to bring around an hors d'oeuvre platter; let's pursue what we like aggressively," Maldonado said.

The sheer financial and demand pressures that are put on healthcare systems around the world are butting up against budgetary constraints, continuing to lend to interesting opportunities that support the industry's transformation, added Tom Allen, who as a managing director out of Advent's London office leads European healthcare efforts.

Allen pointed to Advent's thematic focus on patients' growing demand for post-acute care in outpatient settings. Two investments this year aligned with that theme: Its purchase of Dallas home health provider AccentCare, and its acquisition of Bonitas through existing platform Deutsche



Advent Managing Partner John Maldonado

Fachpflege Gruppe, which provides outpatient intensive care in Germany.

As the firm evaluates interesting hunting grounds, Allen said, "what tends to get us excited is a company-specific strategy. We're micro over macro."

Continuing its healthcare deal tear, Advent on Monday agreed to buy a stake in Bharat Serums and Vaccines, an India-based biopharma company specializing in women's healthcare. Including Bharat, Advent has invested or committed \$2.3 billion across the healthcare ecosystem year-to-date, the Boston-headquartered firm said.

The investment was also its eighth in healthcare in 2019, following U.S. deals for AccentCare and Definitive Healthcare, a

provider of data, intelligence and analytics on the healthcare provider market.

In Europe, Advent in addition to Bonitas struck new platform investments in dental services company Vitaldent and Industria Chimica Emiliana, an Italian producer of chemicals used to treat gastroenterological conditions. Advent's Zentiva also agreed to carve out and acquire Alvogen's Central and Eastern European generics business.

Elsewhere, Advent bought BioDuro, a Chinese contract research and development organization.

Advent's majority investment in Spectrum Equity's Definitive is particularly emblematic of the proactive lens through which the firm invests, Maldonado said: "Definitive was a very closely guarded secret. The owners did a good job keeping it under lock and key."

Advent in early June preempted the sales process for Definitive in a deal valued at around \$1.7 billion, sources familiar with the matter told Buyouts at the time. Other parties in the mix submitted indications of interest just days earlier in the range of \$1.4 billion, they said.

That may certainly look like an aggressive move from an outsider's perspective. But, as Maldonado put it, "there's always a story behind a story."

Advent's tech team had previously evaluated a company sharing a similar

business model, TA Associates' DiscoverOrg, which ultimately selected Carlyle to partner with in March 2018.

"[DiscoverOrg] went for a terrific price and multiple, but more importantly, a year after it traded, it continued to thrive," he said. "That only [intensified] our interest in Definitive. It was one of the things that tipped us off."

Definitive is also an example of how Advent has found success by reaching across isles, Maldonado said. The firm's healthcare, technology and financial services teams collaborated on Definitive, while on the pharma and contract manufacturing side, its healthcare team has often partnered with its industrial team, he said.

As a former owner of payment integrity firm Cotiviti, one priority area for future investment remains healthcare payments, Maldonado said, pointing to the opportunity to team up with Advent's financial services platform.

Maldonado said Advent this year looked

at health-fintech companies Zelis Healthcare and RedCard, as well as healthcare Software-as-a-Service provider Waystar, having also previously examined the latter's predecessor companies.

In Europe, Allen said as North American drug pricing remains under pressure, its leading many large cap pharma companies to restructure and consider streamlining their portfolios. In the year ahead, this ought to be an interesting source of activity and create a pipeline of potential carve-out opportunities, he said.

Advent ought to know, having invested in the generics space since the 1990s.

Regional generic pharma businesses require rapid decision-making and thus can be better positioned as smaller, independent companies, Allen said. By carving out businesses like Zentiva—the European generics company it bought from Sanofi in 2018—you can think about capital allocation in different ways and launch products more quickly, he said: "When you have

these businesses inside a large, innovative pharmaceutical business, there's just a different set of priorities."

Zentiva has grown rapidly over the last 12 to 18 months, striking four add-ons since Advent's initial investment.

Most recently, Zentiva in October clinched a deal for Alvogen's Central and Eastern European business. The carve-out was arguably Advent's most challenging healthcare deal of the year, the investors said.

While Advent began spending time with Alvogen a year ago, it was in the midst of trying to complete its \$2.2 billion carveout of Zentiva, Allen said: "You're doing those bilateral deals and trying to do them fast, but also don't want to compromise any diligence."

"We're buying businesses with the idea they'll double or triple in size," Maldonado said.

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*A complete list of Advent's investments is available upon request.*