

TOP TAKEAWAYS



HPE New York 2020: Big Bankers Breakfast Discussion

In this lively panel session, global heads of healthcare at top banks analyzed the current market climate for healthcare services investing and provided their invaluable insights on hot sectors, growth strategies and the dealmaking outlook for 2021. McDermott counsel **Charlie Ditkoff** moderated this panel featuring **Daniel Decelles**, global co-head of healthcare investment banking at Jefferies; **Matthew McAskin**, senior managing director at Evercore; **Jim Forbes**, vice chairman of Morgan Stanley; **Mark Francis**, managing director and head of the healthcare group at Houlihan Lokey; and **Chears Porter**, head of the healthcare and life sciences group at Harris Williams.

1

The public markets have recovered remarkably from the lows of March and April 2020 and are currently seeing unprecedented deal activity, Mr. McAskin said. However, amid that activity, “there is no one solution that is working,” he said. “We are seeing financing work, we are seeing creative transaction structures work, and we’re seeing a resurgence of initial public offerings and special purpose acquisition companies like we have not seen for years or for decades. It’s a very confusing time for a lot of people, because **we’re seeing these micro-cycles occurring very quickly.**”

2

As might be expected in light of the Coronavirus (COVID-19) pandemic, valuations for tech-enabled healthcare businesses have risen significantly this year, and that trend will likely continue into 2021. “I think there’s a fundamental paradigm shift in terms of delivery of care that is getting investors to focus less on EBITDA and more on revenue,” Mr. Forbes said. “**That intersection where technology meets healthcare is a fundamental change.**” Similarly, public valuations in the home healthcare sector saw dramatic increases. “There is a lot of support, both in the debt and equity markets, for healthcare services businesses that people think are going to be survivors and growers coming out of this environment,” Mr. Decelles said. “**It all ties back to value-based care**—where are you going to get the most bang for your buck in delivering that care? Some of it’s going to be over the phone, and some of it’s going to be in your home.”

3

The private market too is seeing strong deal activity, in part due to pent-up demand from the slowdown early in the pandemic. “There is **scarcity value for quality assets that have done well through the COVID-19 period,**” Mr. Porter said. “A lot of these really great quality business have come to market at the same time in the last 10-week period, and it’s driving a lot of competition. The challenge on our side of the coin is to create the engagement with the right people in the right situations, and to deliver the right certainty for our clients in this market where people are picking their spots.”

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Across all of today’s attractively priced deals, **the unifying theme is quality and growth,** Mr. Francis said. “That’s what people are really focused on today in terms of investment thesis,” he said. “If you look at it from a sponsor perspective, as they look at the landscape, there are just too many deals and not enough time to chase them all. They’ve got to pick their spot, they’ve got to be aggressive, and they’ve got to find an angle or a way to create a competitive advantage.”

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