

EY-Parthenon research

Background

In their commercial diligence experience with private equity (PE) firms, EY-Parthenon teams frequently encounter questions about how to best align potentially divergent interests between health care companies and PE firms. As a result of their research, they have found:

- ▶ Health care PE activity has grown substantially
- ▶ Returns have been attractive to PE firms

These findings raise the question:
What do health care companies think about PE investment?

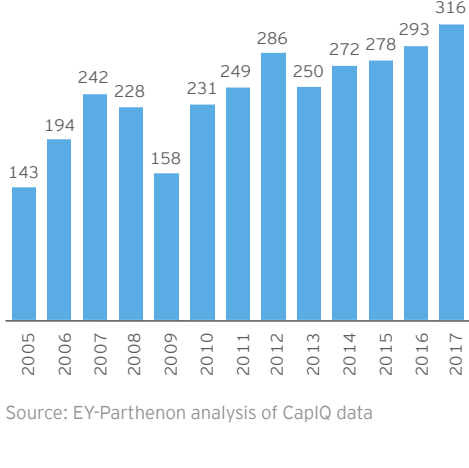
About the study

This study was conducted between July and November 2017, comprising an online, self-administered survey of 84 executives who were either currently working or had recently worked at a private equity-backed health care company in the United States; a follow-up survey of 49 respondents (in November 2017) providing further detail; and in-depth interviews with 12 current and former health care executives.

More than 80% of respondents were C-suite executives, including CEOs, CMOs, CFOs and COOs, and a similar percentage had experienced two or more rounds of PE investment.

Private equity presence

1 PE deal volume in health care has grown substantially.



Source: EY-Parthenon analysis of CapIQ data

2 PE's presence in sector-leading companies* is pervasive.

Of the top 10 companies in each sector, number with PE backing**

Dental	10
Dermatology	10
Physical therapy	9
Urgent care	8
Eating disorders	7
Substance abuse treatment	6
Emergency department staffing	6

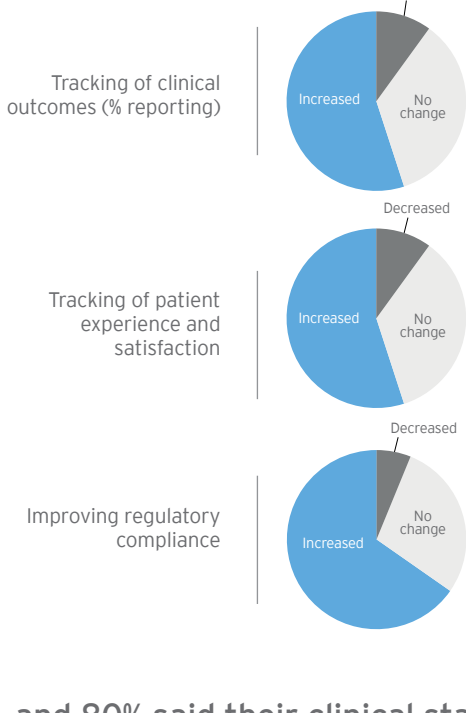
* Measured by the total number of (US) facilities

** At any point in the company's history

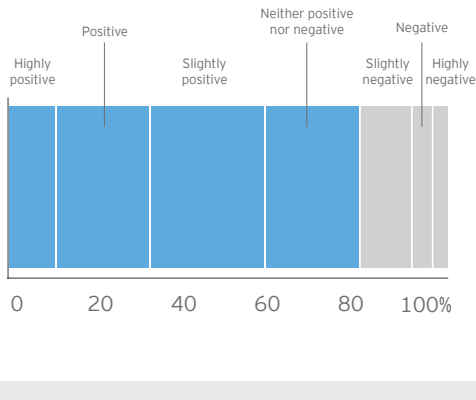
Source: EY-Parthenon research and analysis

The views of health care executives

3 Most executives reported increased investment in clinical metrics and compliance systems by PE investors ...



4 ... and 80% said their clinical staff had positive or neutral views of PE.



5 Health care executives gave PE high marks on multiple fronts, and 90% said PE had an overall positive impact on their business.



6 Surveyed executives are highly likely to consider future PE investments.

Q: "How likely are you to consider a PE investment for your current company or in a different company, where 0 = not at all likely and 10 = extremely likely?"

