

## COVID-19 Coronavirus Business Impact Broadcast Series

### Healthcare Investing for PE: Short-Term Tactics; Long-Term Strategies

FRIDAY, APRIL 24, 2020

On April 24, 2020, Dechert's Private Equity group presented "Healthcare Investing for PE: Short-Term Tactics, Long-Term Strategies," an episode of the firm's COVID-19 Coronavirus Business Impact Broadcast Series. The episode was hosted by Greg Scherneck (moderator), a partner in the firm's Philadelphia office; Robert Darwin, a partner in the firm's London office; and Susan Hendrickson, a partner in the firm's Princeton office.

This broadcast summarized the impact of the COVID-19 crisis on the healthcare industry, with particular focus on the consequences for private equity healthcare investors and their portfolio companies.



#### HIGHLIGHTS FROM THE EPISODE

##### Healthcare investing in 2019 and the impact of the COVID-19 pandemic

2019 was a very strong year for private equity transactions in the healthcare industry, with deal volume growing in both Europe and the U.S. However, the COVID-19 pandemic has had a significant impact on deal activity in 2020. Consistent with transaction flow in other industries, the vast majority of auctions for healthcare assets are currently on hold or have been delayed, in large part due to the difficulty of pricing COVID-19 risk and the inaccessibility of debt markets to buyers.

##### Impact on PE Sponsors – Transactions in the Pipeline and Portfolio Company Management

We are receiving a large number of queries from clients relating to transactions that have signed but not yet closed. Material adverse effect clauses, closing mechanics, reps and warranties and interim covenants are all coming under close scrutiny – in the healthcare sector as in other industries – especially by buyers who may be looking to avoid closing signed deals. Private equity funds are closely managing costs and cash in their portfolio companies in the near term, with less current emphasis on new transactions.

##### Outlook

There is no doubt that COVID-19 will create long term shifts in the healthcare industry. We have seen various aspects of healthcare regulation temporarily relaxed to encourage a swift response to the crisis, particularly in relation to telemedicine, an area that was growing strongly before COVID-19 and which we expect to grow exponentially following this crisis. Healthcare regulatory regimes will be re-examined in light of our experience of COVID-19, which could lead to more permanent change. The value of national independence and sufficient capacity in certain healthcare services to governments has been reinforced by this pandemic, which may lead to opportunities for private capital, but also potentially greater levels of foreign direct investment regulation as political focus remains on the sector.