

# Australian Private Equity & Venture Capital in the Pink of Health

**In the first of a three-part sector series jointly produced by the Australian Investment Council and Preqin, we dive further into the Australian private equity & venture capital space by zooming into the healthcare sector**

The healthcare industry in Australia is globally recognized as a hub for world-class medical research, robust infrastructure and a strong intellectual property regime. These factors have propelled Australian healthcare into a booming industry, making waves in the country’s private equity & venture capital landscape. It dominated the buyout deals space in 2017 and 2018 and continues to see a healthy deal pipeline to date.

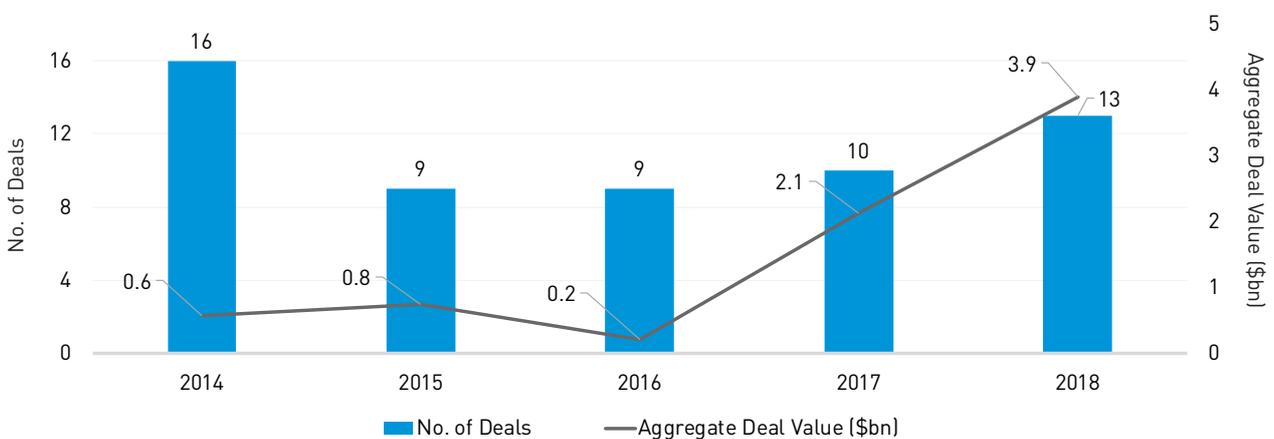
The aggregate value of private equity-backed buyout healthcare deals grew exponentially from \$0.2bn in 2016 to nearly \$4bn in 2018, as shown in the chart below. The number of deals has been on a steady rise since 2015.

Private equity funds are also seeing new investment opportunities sprouting from emerging segments such as biotechnology and pharmaceuticals within the healthcare sector.

Venture capital funds have maintained a focus on investing in biotech and healthcare-related early-stage companies.

Healthcare has traditionally been a key focus area for Australian venture capital funds, which have backed dozens of new drugs and medical devices from initial lab research through to commercialization, and the launch of products to end-users. The largest venture capital deals completed in the sector over the past five years have focused on medical devices and equipment.

**Private Equity-Backed Buyout Deals in Australian Healthcare, 2014 - 2018**



Source: Preqin Pro. Data as of June 2019

These include the AUD 53mn Series D funding round for Saluda Medical, led by Action Potential Venture Capital (GlaxoSmithKline's strategic venture capital fund), and the AUD 25mn Series B financing of Vaxxas, a developer of needle-free vaccine delivery systems.

Investor sentiment, both domestic and offshore, has been bullish.

On the home ground, 54% of active Australian-based investors (i.e. limited partners such as super funds) have indicated a preference for the healthcare sector. Equally, offshore investors are looking for similar opportunities across industry sectors.

The recent AUD 5.7bn buyout of Healthscope by Canada-based fund manager Brookfield Asset Management, and the AUD 1.9bn acquisition of ASX-listed Sirtex Medical by China-based private equity firm CDH Investments, are indicative of growing foreign investor interest.

One of the main drivers for this positive backdrop is the nature of healthcare assets. They tend to offer steady cash flows and stable long-term growth, as they

are supported by underlying social factors such as an ageing population and a rising demand for quality care. These qualities contribute to the healthcare sector's resilience amid market uncertainty, making it an attractive sector for investors as an effective form of diversification and hedging.

The low-risk environment in Australia is also conducive to producing privately backed companies with attractive fundamentals. Global and domestic private equity & venture capital players will most likely look to take advantage of this and continue making investments in the sector.

Furthermore, the fourth industrial revolution has already taken root in Australian healthcare, which sets up the industry for further expansion. It also positions the country to become the destination of choice for global private capital investors looking for opportunities in the sector.

To read more highlights of the private equity & venture capital industry in Australia, please take a look at our **2019 Yearbook**<sup>1</sup>.

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<sup>1</sup><https://www.preqin.com/insights/special-reports-and-factsheets/2019-yearbook-australian-private-equity-venture-capital-activity-report/25988?rid=685>