Health & Education

2023/2024 Sector Review/Outlook

2023/2024 Macro Outlook

The UK economy outperformed expectations in 2023. That bellwether of how middle England feels, house prices, were forecast to drop by 8%. In reality, they dropped by 1.8%. Whilst GDP was forecast to drop 1%, it looks like it may have grown by a mighty 0.5%. If we delve a little deeper that growth came in the first half of the year; Q3 showed a 0.1% fall followed by a 0.3% fall in Q4. Following this weakness, the Bank of England is projecting GDP to gradually pick back up, as shown in the forecast summary table from the BoE's February report.

The fall in energy prices, coupled with the dramatic rise in the cost of borrowing, pulled down headline inflation to 4.0% in December 2023 from its 11.1% peak in October 2022. This is still the highest of the G7, which many economists attribute to frictions in the movement of people and trade and replicates the situation that prevailed before the advent of the European single market, which the older amongst us will recall as a period when we had higher inflation and interest rates than Germany and pressure on the pound.

With the sharpest rate tightening cycle since the 1980s concluded, the question has now moved to: "when will the rates start to drop?" Whilst many commentators are pressing that to be sooner rather than later, central banks around the world having been caught out by inflation's surge, are signalling a more cautious approach. UK core inflation was still 5.1% at the end of 2023, due to the effects of the tight labour market, strong services price inflation and the need for firms to pass higher costs onto consumers. Although, the genie of inflation appears to be finally contained, many are concerned it could jump straight back out the bottle – the US grew by a staggering 3.3% in Q4 23.

Whilst UK performance has hardly been stellar, 2023 thankfully has left us all in about the same place as when we started the year which, when you consider the strong headwinds, is cause for a minor celebration. However, the UK's outlook remains weak and vulnerable to shocks: headwinds remain; the >30% corporation tax increase which will strip c.£20 billion p.a. of cash from companies and their shareholders; the cost of borrowing remains high; and we still do not have enough workers to meet the needs of the economy.

The effects of these factors continue to stall economic recovery as consumers and businesses have limited confidence or spending power and are faced with more volatile markets and hostile borrowing conditions, some of which are still to flow though. Around 1.5 million fixed-rate mortgages are set to expire in 2024 which will result in higher mortgage payments for these UK households, further depressing real household incomes with a consequent effect on economic growth. Little wonder the OECD is forecast a low, 7% growth for 2024.

Source: https://commonslibrary.parliament.uk/research-briefings/sn02802/#:~:text=The%20MPC's%20cycle%20of%20rate,reaching%202.8%25%20in%20Q1%202025.,

It is not surprising that many commentators are suggesting inflation could undershoot the target of 2% and are pressing for monetary and fiscal easing; the long-term doves at Capital Economics forecast base rates of 3% by the end of 2025. The Bank of England now expects inflation to fall to its 2.0% target briefly in Q2 2024 before rising again and reaching 2.8% by Q1 2025; it has warned that a reduction in rate is not an automatic consequence of hitting the 2% target and the MPC now predicts it is unlikely to trigger any significant cuts before 2025, when GDP growth is expected to rise to 1.8%.

So, what does 2024 look like? Pretty much the same as 2023 – an uncertain world grappling with increased nationalism, unpleasant headlines and the push-me-pull-you of inflation caused by scarce resources vs. interest rates.

BoE Forecast Summary Table

Shown in (%)	2024 Q1	2025 Q1	2026 Q1	2027 Q1
GDP	0.0 (0.2)	0.5 (0.0)	0.8 (0.6)	1.5
Modal CPI inflation	3.6 (4.4)	2.8 (2.5)	2.3 (1.9)	1.9
Mean CPI inflation	3.7 (4.4)	3.0 (2.8)	2.3 (2.2)	1.9
Unemployment rate	4.4 (4.4)	4.7 (4.8)	4.9 (5.0)	4.9
**Excess supply/Excess demand	-0.25 (-0.25)	-0.5 (-1)	-1 (-1.5)	-0.75
Bank Rate	5.1 (5.3)	3.9 (5.0)	3.3 (4.4)	3.2

**Figures in parentheses show the corresponding projections in the November 2023 Monetary Policy Report*

*** Per cent of potential GDP. A negative figure implies output is below potential and a positive that it is above.*

Global 2024 Trends

One of the key issues facing developed economies is a shortage of workers and, for many, AI appears to be the solution; as was the case with industrialisation in the 18th and 19th centuries in the UK, when the country was forced to innovate to offset its comparatively small and expensive workforce. The answer then was using the cheap energy that came from its abundant supplies of coal, exploited by new industrial machines to increase efficiencies exponentially. With the cost of technology now being so cheap and cost of labour so high, little wonder there is so much excitement.

AI - A Minefield?

AI was the buzzword throughout 2023 with the launch of Open AI's ChatGPT in November 2022, attracting huge attention. AI development is accelerating exponentially and will doubtlessly increase its influence on business operations during 2024. However, it is also a widely adopted acronym, not always merited – Not everything badged GTI was great to drive!

Generative AI ("GenAI"), a little-known term before Chat GPT's stratospheric launch, is distinct from what we traditionally thought of as "AI". "Traditional" AI analyses large datasets and tells you what it sees whilst GenAI carries out the same process and then goes on to create entirely new data, often in response to a simple question. GenAI certainly appears to be the "real McCoy" however it is raising a number of serious issues ranging from the fear it will ultimately bring an end to civilisation to who owns its output. Some regulations concerning its development, how it can be trained, and how it can be acquired are already in place but are not yet tried and tested, many leading lights are calling for a moratorium on its development to enable regulation to catch up. Lawsuits have content owners such as the New York Times suing OpenAI and Microsoft over the use of its content to train generative artificial intelligence and large-language model systems, a move that could see the company receive billions of dollars in damages. Until this issue is resolved the questions of copyright infringement and who owns what IP remain largely unanswered. This does not put investors at ease and undoubtedly complicates how businesses incorporating GenAI can be valued.

Whilst it is clear that huge strides will be taken in relatively short time frames, those concerns over IP ownership and worries that new models or applications will surpass existing models makes the assessment and timing of adoption of GenAI solutions highly risky, especially for those in the lower mid-market. Why invest in your own solutions when ultimately there is risk of being leap-frogged by a far cheaper solution?

Consequently, we expect to see a developing picture of mixed adoption, as those with sufficient resources to invest, and/or those which have access to suitable data, aim to get first mover advantage whilst others wait and see. Those that press on will typically be larger businesses, cash rich or backed by large PE firms, who can leverage across an extended portfolio or specialist, younger, firms operating in niches which can rapidly own a market. The opportunities for those younger, agile businesses to take risk and steal a march by early adoption will be too enticing for owners and investors. As ever there will be winners and losers, but doubtlessly new megaliths will appear. That said, here in the UK there is far more caution around venture funding for early stage/start-ups seeking to beat the incumbent leaders.

Doing nothing can be as risky - businesses stuck in the middle could be rapidly surpassed by substitute solutions or suffer a slow decline. Judging when and how much to invest will need skill and some luck. Some early adopters will surely steal a march, even if they subsequently get consolidated or switch technology; others will face considerable uncertainty and failure.

Internet of Things

The 'internet of things' ("IoT") , whilst separate from AI, will enable AI solutions to develop. Put simply, IoT is a collective network of connected devices and the technology that facilitates communication between them and the cloud. This helps automate systems as well as gather large quantities of data from all areas of the network. This data can then be used by GenAI to deliver quality data, solutions and services to businesses and consumers for little cost – this may prove to be one of its primary sources of value as the technology develops. Currently, the data used to train GenAI models may be a better commodity to invest in than the AI itself. This will become even more valuable as AI-generated content continues to proliferate online; GenAI models trained on online content will eventually start using AI-generated content as its training data, leading to what Cornell University researchers have called 'model collapse' where GenAI models enter a kind of echo chamber, only able to parrot the same data as each other.

For SMEs facing relatively restricted resources from which to allocate, laying the groundwork in the business for later adoption can include addressing weaknesses and thinking through automation across infrastructure, IT service management, and cybersecurity, amongst others. Preparing for the leap that will arrive is likely a more certain investment in the short term.

Global 2024 Trends

Systemic & Geo-economic Risks Coupled with Restrictive Interest Rates

2024 will see the biggest year for elections in history, with four billion people due to vote in national elections. With this comes the potential for huge geo-economic risks due to potential re-alignments of foreign and economic policy if countries vote for the wave of nationalistic leaders gaining prominence around the world.

The Financial Stability Board (FSB), a Swiss international body set up by the G20, is concerned that almost half of global assets ($239.3trillion) are now located within the shadow banking system, up from $60 trillion since 2010; one of the drivers of the growth has been the desire to escape banking regulation and capital requirements. Through the use of structured finance vehicles and financial holding companies, firms can increase their leverage, which increases not only their expected returns but also their exposure to aggregate risks; the 2008 financial crisis was triggered by panic in the shadow banking system which flooded over into the regulated sector. The subsequent increased regulation of the banks has, on the face of it, protected government and consumer's, but the increased costs of doing business as a bank has driven many of those with capital to seek greater returns, hence the shadow banking system's four-fold increase.

Shadow banking does, however, remain closely interconnected with the banks so, if we see another failure, then the 2008 crash could be repeated. Of particular concern is that much of the long-term lending is supported by short-term funding, so panic could spread rapidly if there is capital flight (as indeed Silicon Valley Bank experienced in microcosm in March 2023) which could pull the world into recession. One current example of this is the level of debt secured against property in China, where 40% of the country's loans are tied up in shadow banking activities; the country's largest property developer, Evergrande, was recently ordered to liquidate with more than $300bn in liabilities.

2023 saw the developed world facing low consumer confidence and an unpredictable investment environment due to inflation and interest rates. With the anticipated reduction in global interest rates, confidence is expected to improve throughout 2024, with consumer spending projected to rise world wide. Business leaders are expected to continue to take a cautious view, with many firms holding back financing and capital investment until there is more clarity on the availability of labour, and cost of capital and a reduction in the risk of geo-political shocks.

2024 is expected to see a dynamic shift in tax policies to transform governments grappling with fiscal challenges. Governments will need to strike a delicate balance between securing tax revenues and fostering a competitive business landscape in which firms and individuals feel motivated to increase their efforts and productivity.

Sustainability and Transparency

Despite pressure from the right in the US, Sustainability and Carbon reduction are expected to remain at the forefront of decision-making globally, with increasing pressure on boards from shareholders and regulators to turn pledges into measurable action. Firms increasingly need to integrate sustainability considerations into their core strategies, not only to comply with regulations, but to meet the rising expectations of an increasingly environmentally conscious public.

Investment in carbon reduction is accelerating; 2023 saw investment into renewable energy ($1.1 trillion) exceeding the amount spent on carbon-based energy for the first time. Investments supporting zero-carbon progress are expected to accelerate in 2024 as countries, firms and consumers must make changes to keep the promises made by central governments; key to this is measuring the true carbon usage.

A systemic shift towards transparency is underway, with businesses of every size bracing over greater scrutiny of sustainability practices. The EU's Corporate Sustainability Reporting Directive (CSRD) comes into effect in 2024 for all large or listed businesses with operations in Europe, thereby picking up many US, Chinese and UK firms.

Health Overview 2023

As we continue into 2024, the sector remains buoyant. Long-term growth is dependent on developing cost-efficient healthcare solutions that target key demographics. An example of this is the aging population leading to a higher number of care-intensive patients in hospital and the associated increased costs of their care. The aim of efficient care is to provide solutions to keep elderly patients in their homes to reduce the number of patients in hospital, hospices & care homes. These facilities are all asset-intensive businesses that are debt reliant and would have been impacted greatly by the high interest rates that we have seen throughout 2023.

Life insurance providers are, unsurprisingly, encouraging positive health habits from their policy holders. Direct Line life insurance provides access to smart health apps and private GP appointments to its 1.2 million customers – a common theme across many providers - with other popular benefits including discounts on gym memberships and on wearable Healthtech such as fitness watches and heart rate monitors. Vitality, for instance, has an extensive reward scheme and aims its monthly rolling policies at individuals in their 20s and 30s. Wearable Healthtech, whilst an established space, also saw continued success over 2023, with market-leader Garmin announcing its consolidated revenue in Q3 2023 being up 13% on the previous year at USD 1.28bn.

Over the last year we saw great success for Danish pharmaceutical company, Novo Nordisk, which hit $500 billion in market value due to the recent international resurgence of its type-II diabetes and weight-loss drug, Ozempic. This injectable GLP-1 agonist has seen great recent commercial success and is the highest valued pharmaceutical company in Europe. The high demand for Ozempic is a reminder of the state of health of the population, and that use of chronic medication is on the rise. Throughout 2024, we can expect to see a continuation in the success of these long-term medicine providers, with focus being placed on the efficiency and value of production of the products on offer, to try to meet this high demand.

We also saw an increase in the accessibility of at-home health testing. UK-based Hertility Health, whilst established in 2018, successful gained £1.9 million through its third round of fundraising in May 2023. Hertility Health is a key player in the UK Femtech space; an area that has seen increased VC funding. Octopus Ventures has provided £5.8m of capital to Femtech start-ups and are the biggest providers in this emerging space.

2023 also saw more practical 3D printing in the healthcare sector and this is a versatile solution to increase resources and curb waiting times. 3D printing has been approved for producing personalised dental implants and prosthetics, and manufacturers of 3D printers are well placed as larger hospitals look to invest in this to improve their in-house robotics.

Health Sector: Key Themes for 2024

Telemedicine

- IoT continues its march into telemedicine, for example wearable devices are increasingly used to remotely monitor patient stats and keeping them on virtual wards (at home). Virtual wards are a win-win for the health provider and the patient as the costs of care are reduced whilst the patient remains in the comfort of their home - a benefit that will prove valuable for elderly care.

- Last year, the ONS published that 53% of those who are inactive because of long-term sickness had reported that they suffered from 'depression, bad anxiety or nerves', and highlights the need for services and Apps such as Companion, which delivers expert-led online training to help improve and sustain the mental wellbeing.

Solutions for the Administrative Crisis

- There are significant investments being made in HR solutions and other administrative processes to reduce the burden on healthcare professionals and address workforce lethargy/productivity. Whilst this will be difficult to integrate into mainstream healthcare, ventures such as ADP UK are aiming to automate payroll and human capital organisation, so that medical professionals can focus on patient care.

- Solutions have been developed to reduce the number of missed appointments (122 million p.a) in the NHS , these include apps, remote appointments and other telemedicine options for patients.

AI & Machine Learning in Healthcare

- Large dataset analysis is the key strength for AI and machine learning, providing accurate analysis of the huge datasets, and is leading to rapid development in diagnosis and efficient drug development. AI-assisted mammography, for example, has already shown promising results, proving to be just as accurate as a standard double reading, but taking a fraction of the time.

- Medical Robotics are progressing and are being used for medical training, research and treatment. In recent news, we have seen the first human receive a "brain chip" the 'Neuralink' – co founded by Elon Musk. Whilst these implants are at the forefront of healthcare technology, there have been similar advances made by competitors such as Synchron, who received £190mn in funding for its electrodes that can detect electrical activity in the brain. Musk may not be the first to produce these chips, but he has the popularity and funds to contribute greatly this novel space. Currently, Neuralink has approximately £700m in backing, having received 7 rounds of fundraising.

Preventative Healthcare

As the general population becomes more health-conscious, consumers are increasingly ready to invest in their health. The rise of personalised medical advice is a particularly exciting area of preventative healthcare.

- ZOE is an at-home personalised nutrition tool, used to monitor blood glucose levels and to provide specific meal recommendations. When consumers purchase the kit, they sign up to a membership to gain access to the nutrition plan. By early 2024, ZOE has raised £81min venture capital, and is growing rapidly.

- The NHS is leveraging technology to improve preventative healthcare. Digital services, such as the NHS App and online consultations, are being developed to make health services more accessible. These technologies also support self-management of health, enabling individuals to monitor their health conditions and lifestyles.

Education Overview 2023

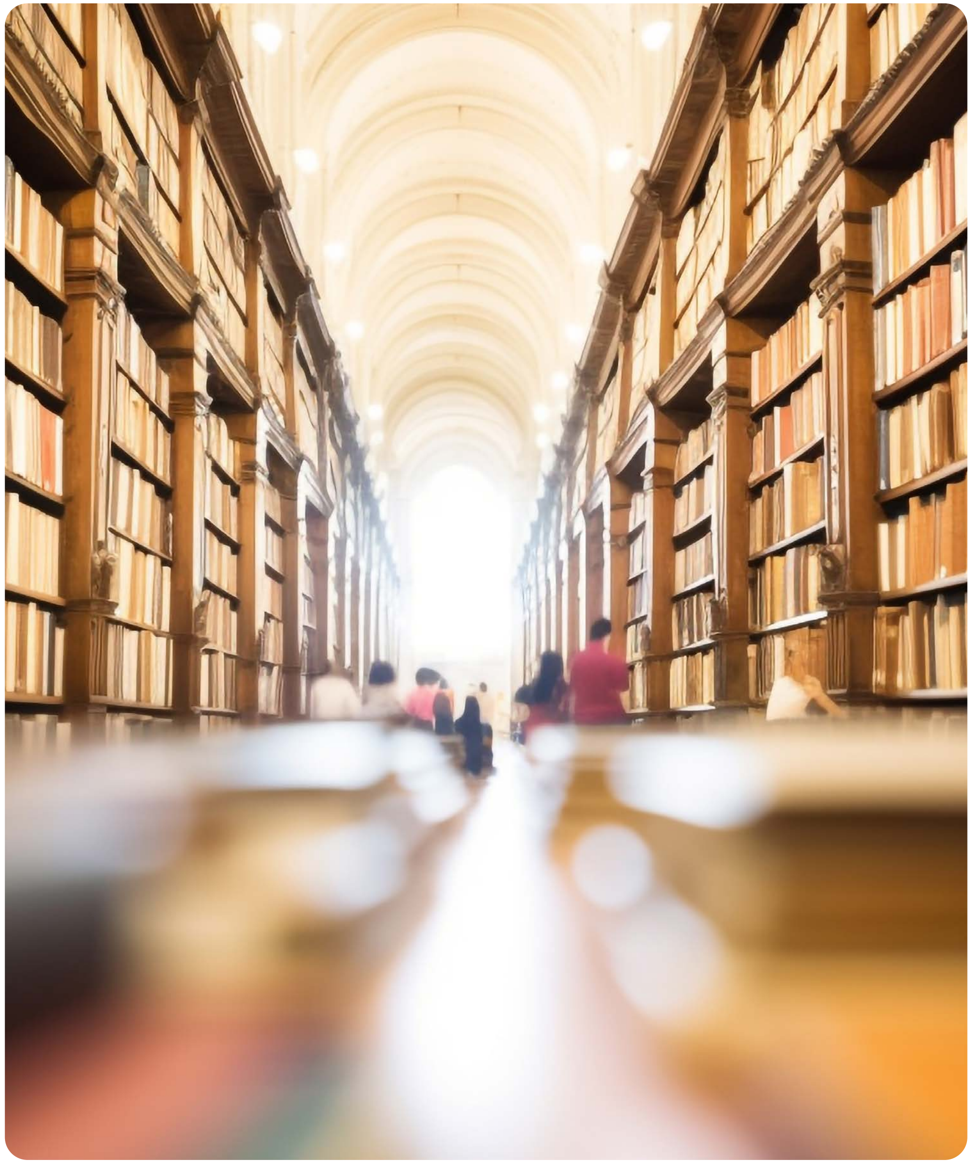
Global leaders are emerging due to continued consolidation of smaller and regional players. Examples of this are in school management information systems and UK private schools. Harrow and Brighton College, and universities such as UAL, are expanding and opening schools internationally. The UK's globally respected education system serves as a model for leading economies like China and India.

The pandemic significantly increased the adoption of peer-to-peer learning, which has now become integral to post-school education and training. This approach facilitates flexible learning practices and fosters learning through creative exchanges and conversations.

The digital revolution has introduced new educational opportunities, including digital teachers. These virtual aids enhance learning through machine-learning techniques, providing additional support and increasing accessibility to education. They can also identify when a student needs human educator support and facilitate this interaction. With 53% of undergraduate students using adaptive study tools (The Times, Jan 2024) it is clear that there is demand for B2C Edtech in the UK, but there is still room for growth.

Over the past year, the sector has been characterised by expansion and the integration of technological solutions. These themes will continue to shape and evolve the educational landscape, transforming its global structure through both traditional and innovative pathways.

In the context of health training, these themes have significant implications. The sector's growth and the quality of healthcare services are directly tied to the evolution of education. As such, nurturing students at all levels, from traditional classrooms to peer-to-peer online platforms, and leveraging advancements like digital teachers, are crucial. By embracing these changes, we can ensure a robust and adaptable workforce, ready to meet the challenges of tomorrow's healthcare landscape.



Education Sector: Key Themes for 2024

Edtech & Online Learning

- New technology is pivotal in the adaptive learning sector, ensuring a class can easily mould their own personal learning paths without sacrificing on team learning structures. We expect to see adaptive learning tools grow in popularity throughout 2024 for in-class and at-home study.

- Whilst the metaverse and virtual reality ("VR") are both exciting areas of Edtech that often hit the headlines, we do not expect this to become mainstream in 2024. Instead, the focus will be on downloadable products and apps which are more efficient to monetise. Zzish for example, is an angel-backed start-up which operate question banks that increase accessibility for students and streamline tasks for teachers.

Integrating Edtech into Mainstream Education

- In 2024, as technology continues to evolve rapidly, firms will be actively exploring ways to make their tools an integral part of a school's resources. The goal is not just to supplement the existing curriculum, but to embed technology into the fabric of education, enhancing teaching and learning experiences. The trend of moving public exam preparation materials online is expected to continue. A case in point is Examfly, an Irish start-up that secured EUR 1.5 million in seed funding in early 2024. This followed a slower fundraising year in 2023 compared to previous rounds in 2020. This trend indicates that, while the investment climate in the Edtech sector experienced some uncertainty, investors remain interested and are willing to provide capital once stability is perceived.

Staffing Solutions and Life-Long Learning

- Education and healthcare intersect with the training of medical professionals. With the NHS facing projected staff shortages exceeding 570,000 by 2036, there's an increased need for UK-based healthcare training, potentially supplemented by technology for flexible learning and progression.

Regulation and Sustainability in Education

- Governments are increasingly recognising the importance of sustainability education in response to an accelerating rate of environmental change. For example, the UK department of education has developed a sustainability and climate change strategy to help the education sector and children's services systems inspire action on the international stage.

Health & Education Overview

Key Themes

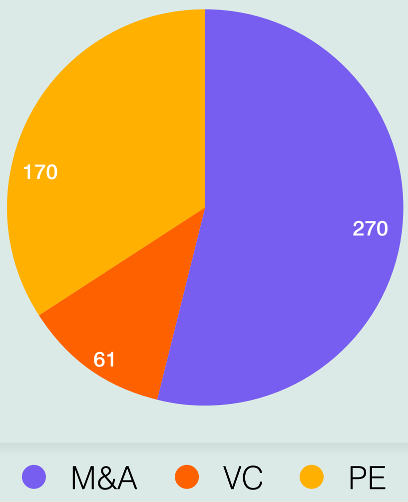
Telemedicine, AI and Machine Learning in Healthcare

Solution for Administration on Crisis & Preventative Healthcare

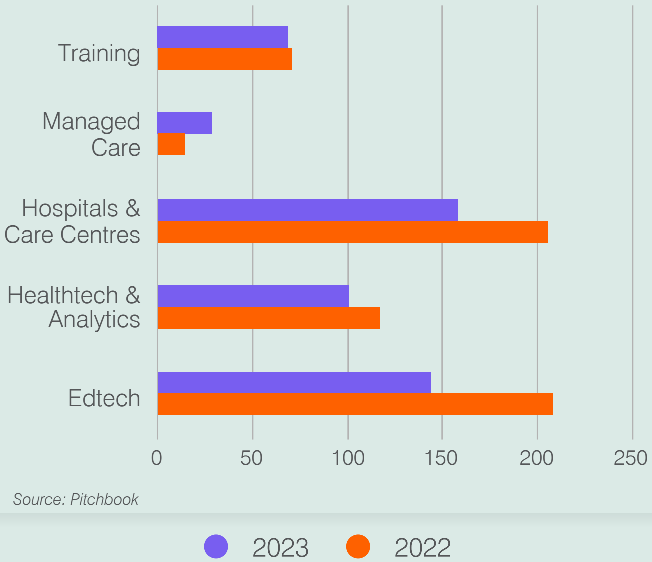
New Tech in Edtech and Blended Learning

Experimental Education & Adaptive Learning

Spread of deal type activity in 2023



Number of deals per subsector in 2023 vs 2022



Source: Pitchbook

- With the exception of Managed Care, 2023 saw lower activity in the sector than we have seen over the past few years when there was a rapid change in business models and methods of delivering services during, and following, COVID.
- The need to develop and adopt new models to meet ongoing healthcare demands is, however, accelerating as healthcare costs spiral, but visibility of the long-term winners is not yet clear. As a result, there is an asymmetry in price expectations between vendors, notably those experiencing pandemic success, and investors. Until there is a narrowing of these expectations, trade-led transactions are expected to pick up some of the slack. Global Healthtech deals nearly halved between 2022 and 2023. The investments have been made and it's now time to see who are the winners. The Lex column at the FT called this "survival of the fittest".
- With a more health-conscious population, there is a rise in consumer demand for wearable Healthtech and personalised medicine. This is consistent with the tone for consumers of telemedicine, who are looking for efficient, remote healthcare. This new wave of B2C sales in the UK is positive for Healthtech ventures going into 2024.
- Similarly, blended approaches to education are still popular, as Edtech firms look to integrate into mainstream education. A digital divide amongst students is emerging: according to The Times, 53% of undergraduates have adopted adaptive Edtech tools into their studies. This highlights the popularity of machine learning tools within the education sector, but also that there is still plenty of space for new ventures.

Selected Transaction

March 2023

techstars_

acquired

Handl Health

Techstars backs innovative technology, this year investing in five health companies, with Handl Health being the most successful of its transactions. The company has set out to produce a transparency platform to aggregate and contextualise price transparency, insurance and demographic data to guide healthcare and purchasing decisions. Whilst it is still in its very early stages, with only 11 members of staff, Handl Health's growth story demonstrates the sector's 2024 sentiment.

Deal size: £1.2m	Revenue Multiple: 1.91x	EBITDA Multiple: 42.9x

Listed Multiples in Health and Education

Healthtech

- Healthtech took a small reduction in public EBITDA multiples towards the end of last year. As a whole, however, Healthtech is far more nuanced and targets a global market with fluctuating needs. BioRez aims to address the needs of an aging population, being a developer of bio-inductive implants that harness the bodies regenerative capacity to rebuild functional tissue and improve musculoskeletal outcomes. The company was acquired in 2022 for $250.5m. Whilst this is a demonstration of a high-value and established company within the space, smaller startups will agitate the market, driving competition.

Managed Care

- Managed Care maintained steady multiples throughout the year, although not as high as adjacent verticals, investors are still seeing reliable returns and a steady stream of income - we would suggest that this will continue into 2024. Although staffing remains an issue within the sector, development will continue to push boundaries and help to shape and future proof the sector - for example new tools are being established that quickly detect disease. A new system developed by Johns Hopkins University detects sepsis hours earlier than traditional methods might, reducing the chance of patient's death by 20%; AI systems process a patient's medical history and current symptoms providing a warning to the health team that a patient may be at risk of sepsis.

- Automation will reduce the need for back-office workers, ensuring companies' resources can be more focused on developing their care practices. This has been seen in multiple care facilities as they establish online platforms to register patient details, notes and concerns, the fast integration of which has ensured that families and carers have in-depth information regarding any updates or changes to the patients care program.

Hospitals and Care Centres

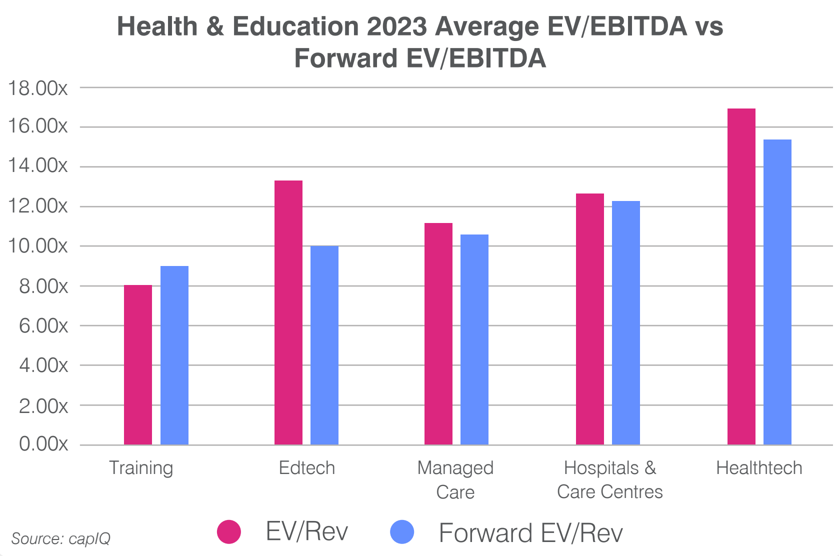
- Throughout 2023, we saw a shift away from Physician Practice Management (PPM) investments, with company valuations being held up by debt-funded, inorganic growth, coupled with debt driven capital structures and a low level of capital assets that result in plummeting EBITDA multiples. The pivot away from PPM providers has resulted in a dip in multiples and can be expected to continue to decline into 2024 as investors instead choose to back Healthtech and pharma services.

Edtech

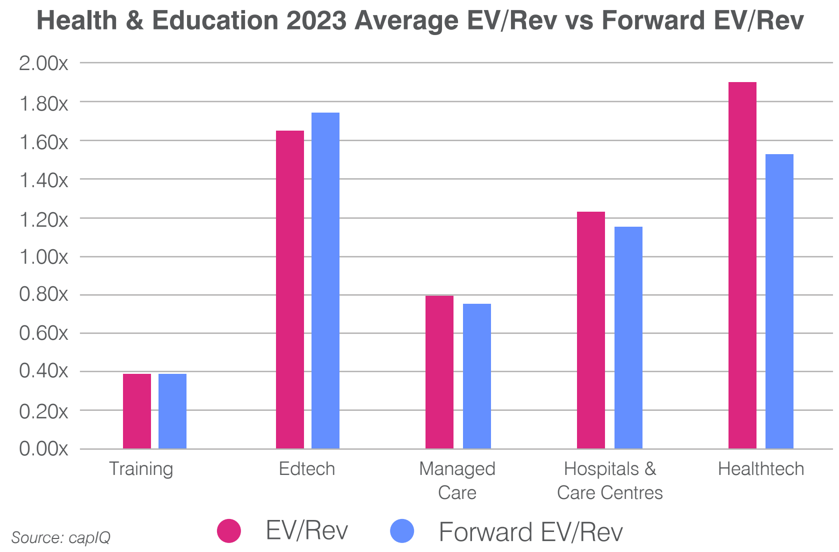
- Edtech demonstrated similar fluctuation patterns in 2023 and 2022; the multiples begin to climb annually at the same time schools determine their new tools for that academic year. Since 2020, Edtech has begun to dominate, and e-learning is predicted to grow to $462.6 billion by 2027.

Training

- Training multiples remain steady with a small upward slope towards the end of 2023, a trend likely to continue throughout 2024 as businesses seek to address staff skill shortages through training. As companies begin to shift to a more ESG-focused leadership, we are starting to see some uptick in training offered more broadly which could in turn push up multiples.



Source: capIQ



Source: capIQ

Active Investor and Buyers UK and USA

Active PE/VC Investors in the past 12 months	Subsector	Number of Investments in 2023
Gener8tor	Edtech	7
Y Combinator	Healthtech	4
Patheon International	Hospitals and Care Centres	2
Techstars	Managed Care	5
Andreessen Harowitz	Training	8

Source: Pitchbook

Active Trade Investors in the past 12 months	Subsector	Number of Acquisitions in 2023
Houghton Mifflin Harcourt	Edtech	2
EVA Pharma	Healthtech	1
Novant Health	Hospitals and Care Centres	3
American Heart Association	Managed Care	1

Source: Pitchbook

Throughout 2023, deal volumes were propped up by VC and accelerator firms, building the future of the Health & Education landscape by backing high-impact startups. Trade deals continued, albeit at a much lower level than previous years. 2023's early-stage funding will help to set up 2024 and 2025 with a larger deal landscape:

- Gener8tor is an investor and accelerator firm that supports start-ups through accelerator/ incubator funds. Over 2023, the company was very active in the Edtech space and invested in AI and analytics companies that support children's learning and engagement both inside and outside of the classroom. Other early-stage startup funds, such as Techstars, followed similar trends, with huge investment into the Edtech sector throughout 2023.

- 2023 saw the largest number in the Heathtech sector coming from the US' National Science Foundation (NSF). The NSF's investment demonstrates the projected growth and a clear path to societal health improvement. Y Combinator acts as an investor and mentor to early-stage startups, taking companies through a six-month kick-start cycle. Investors like Y Combinator, coupled with government-funded backing, are helping to establish and grow the sector, making it a particularly exciting space to watch.

- Patheon International's two deals within the Hospital & Care Centre sector are very different, one a consultant in specialist medical and surgical eye care, the other a healthcare delivery network consisting of hospitals, rehabilitation and behavioural healing hospitals and additional sites of care. The juxtaposition of these two companies and their specialist nature highlights the market attitude of investing in a range of high-quality assets.

- Similarly, within Managed Care, Techstars is a pre-seed backer with an evolved mentorship program. It backs management tech that supports the organisation and connectivity of managed care, helping to sustain productivity and efficacy.

- Andreessen Horowitz is an IT-focused, seed-stage investor whose activity within the training sector over 2023 has been prolific, with deal sizes ranging from c.£1m to c.£600m.

As expected, the trade side was a quieter over 2023. Whilst the majority of deals within the training vertical have been PE-based due to the investment required to facilitate the technological changes occurring, there is still strong interest for high-quality deals within the space:

- Activity in the Edtech space is currently far more PE/VC weighted, however, companies such as Houghton Mifflin Harcourt are active acquirers. This trend is expected to increase in importance as start-ups grow and founders and investors look for exits.

- EVA Pharma is just one of several Healthtech companies that have invested in a company to grow its tech stack offering and increase market dominance.

- Novant Health has been acquiring US-based hospitals and managed services throughout 2023. With its services spread throughout the US, Novant and similar firms are expected to show continued interest in the M&A space throughout 2024.

- The American Heart Association invests in companies whose ethos is to drive social change within care, its recent investment into ConnectCareHero marked the company's third investment of 2023, having invested >£3m over the year.

Selected Transaction - Corporate

Investor	Target
ellucian	TRIBAL

Edtech

May 2023

Tribal Group has been acquired by Ellucian via its financial sponsors Blackstone and Vista Equity Partners. Its synergies lie within the data management and student information software (SIS) solutions between educators and pupils. Whilst Ellucian has a wider range of services and solutions, its acquisition of Tribal Group will support growth in the data management and design of its SIS portfolio.

Deal Size: £172m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Investor	Target
Caretaker Medical	Baxter

Healthtech

April 2023

Baxter International is a key player in the trade space, having completed 12 deals worth >8bn since 2020. Most recently, its Series B funding pushed Caretaker Medical to a total of £8m raised since inception. Although for only a minority share, large companies like Baxter International are spotting the potential in the Healthtech market and investing accordingly. Caretaker medical produces technology to support the automation of reporting, analysis of pulse decomposition and AI algorithms, all sent through a wireless finger monitor to slimline patient testing within hospitals.

Deal Size: £6m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Investor	Target
Led by Bioluminescence Ventures	SURGE

Hospitals and Care Centres

May 2023

Surge Therapeutics' £26m series B funding round was backed by a host of VC firms putting the company's post valuation at £105 million. Backers included Intuitive Ventures, Khosla Ventures, Pitango Venture Capital, 8VC, Alumni Ventures, DHVC, KdT Ventures, Camford Capital, and Piedmont Capital. The funds will be used to continue the development of the company's immunotherapy process, transforming its patients' journey through the hospital and care centre sector.

Deal Size: £26m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Investor	Target
American Heart Association	Connect CareHero

Managed Care

March 2023

Connect care hero acts combat to senior living isolation, which it does through digitalised activities, virtual classes and culturally engaging programs. Its aim is to keep older adults socially engaged and, in June 2023, the company received seed round funding of £1.4m, backed by six investors including alphabet and American Heart Association.

Deal Size: £1.4m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Source: Pitchbook

Selected Transactions - Private Equity

Healthtech – April 2023

Investor	Target
Panacea Venture Healthcare & undisclosed investors	Human Longevity

Human Longevity sits as a good demonstration of the modern biotech renaissance. Its work is set to transform genealogy to support personalised treatment plans and preventative care models. There are predictions that the anti-aging-geno-editing market could reach $64bn by 2026. Startups such as Human Longevity are expected to receive huge amounts of backing throughout 2024 and reach the clinics by 2025. There is capacity for this market to continue expanding over the next 20 years, making it an area of interest to health companies, both in and outside of the biotech sphere.

Deal Size: £12m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Managed Care – March 2023

Investor	Target
techstars_	Handl Health

Techstars has invested in five health companies. Handl Health being the most successful of Techstars transactions. The deal comprised $1.12m in funding, supported by $1m of debt financing. The company has set out to produce a transparency platform to aggregate and contextualise price transparency, insurance and demographic data to guide healthcare and purchasing decisions. The SaaS-based model has ensured the company maintains high multiples, steady growth and retains a longstanding customer base.

Deal Size: £1.2m	Revenue Multiple: 1.91x	EBITDA Multiple: 42.94x

Training – April 2023

Investor	Target
Led by Reach Capital	Springboard

Springboard is an online training forum that guarantees its users a job at the end of a nine-month course. Backed by four investors for its series B2 venture funding round, the company's appeal to investors is driven through its in-depth upskilling with one-to-one mentorship. The platform focuses on helping people break into in-demand tech careers such as data science, UK design and software engineering.

Deal Size: N/K	Revenue Multiple: 105.63x	EBITDA Multiple: N/K

Hospitals and Care Centres – February 2023

Investor	Target
Alaris Equity Partners, Brookfield	sonobello

Sono Bello is an inpatient aesthetic surgery practice intended to provide personalised body transformations. As investor priorities have changed, backing in aesthetics has grown throughout 2023. Sono Bello is a successful example of prolific growth within the sector, having raised c.£600m in PE Growth funding in 2023.

Deal Size: £600m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Edtech – March 2023

Investor	Target
Led by Reach Capital	AfterSchool HQ – Your home for afterschool experiences

Afterschool HQ was designed to connect young people with engaging after-school and summer learning programmes. It streamlines the process of finding and paying for activities for children. The company's simplistic idea, with high-quality digital execution, will increase the uptake in after-school programmes, encouraging child development and easy-access payments for both parents and those running the classes.

Deal Size: £9m	Revenue Multiple: N/K	EBITDA Multiple: N/K

Source: Pitchbook

Polestar: Uncompromised Advice

Selected Polestar Health and Education Transactions

Mental Wellbeing Support Provider
M&A
COMPANION

Home Care Management Software
M&A
CareLineLive

Prosthetic and Orthotic Care
Exit
ProActive Prosthetics
making more possible

Adult Education and Skills
MBO
New CareerSkills

Arts and Crafts Educational Supplier
MBO & Debt Advisory
specialist CRAFTS ART DESIGN

Private Hospital
Debt Advisory
KIMS HOSPITALS™

Private Hospital
Debt Advisory
THE LONDON CLINIC

Education Software
Exit
engage

Mission: to guide shareholders to achieve their business goals and give our people rewarding and purposeful work.

Polestar is a mid-market corporate finance boutique providing advisory services to businesses across our five key sectors: Business Services; Software, Media & Technology; Manufacturing & Distribution; Health & Education; and Sustainability.

Our team comprises six M&A and corporate finance professionals with many decades of experience in lead advisory services including debt and equity raising, corporate restructuring, buyside advisory and management buyouts.

Since inception, we have completed more than 200 deals with a combined value of >£6bn worth of transactions. Over the years we have won a number of awards, most recently the Insider Media South East Dealmakers Awards for Corporate Finance Advisory Team of the year 2023. The key to our success is that we will always advise as if we would do the deal on the table; on occasions, we have followed that up by co-investing. We pride ourselves on building an inclusive and exciting environment for all our staff, the heart of which is in our Guildford office. The culture we have developed focuses on personal development offering the opportunity to both learn and grow. In our work we follow three key principles - collaboration, innovation and creativity.

These principles underpin the work we undertake as every deal has its unique challenges and nuances that must be navigated and overcome. Like the Polestar, otherwise known as the North Star, used by maritime navigators as a constant for plotting their route, we will pilot you safely to your destination.

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