Health & Education

H1 2025 Sector Review

Macro Summary: H1 2025

UK Performance

- UK economy grew 0.7% in Q1 2025, led by services, manufacturing and strong household spending; exports surged ahead of tariff changes
- Momentum slowed in Q2, with April GDP contracting 0.3% amid fiscal headwinds, labour market softness & global trade uncertainty

Global Growth Outlook

- Revised downward: The World Bank and Morgan Stanley both project global GDP growth at 2.3–2.5% in 2025, down from 3.5% in 2024
- Drivers of Slowdown:
    - Trade shocks from U.S. tariffs (10-25% baseline, with reciprocal rates up to 54% on Chinese goods) are disrupting global supply chains
    - Investment flows are weakening, particularly in developing economies reliant on export-led growth

Inflation & Monetary Policy

- Tariff-driven cost pressures remain a near-term risk, especially in sectors like electronics, automotive, and pharmaceuticals
- Policy divergence: While the BoE and ECB are cautiously easing, the Fed remains hawkish amid U.S. fiscal uncertainty and tariff-induced inflation
- Globally, inflation is predicted to ease to ~4.2% in 2025, with advanced economies returning to target faster than emerging markets – will be interesting to see how this pans out once the US's 'reciprocal' tariffs take effect in August

Sources:
Forecasts for the UK economy – a comparison of independent forecasts (HM Treasury)
World Economic Situation and Prospects 2025 – Mid-Year Update (UN
https://www.gov.uk/guidance/data-use-and-access-act-2025-data-protection-and-privacy-changes)

Sustainable Development & Inequality

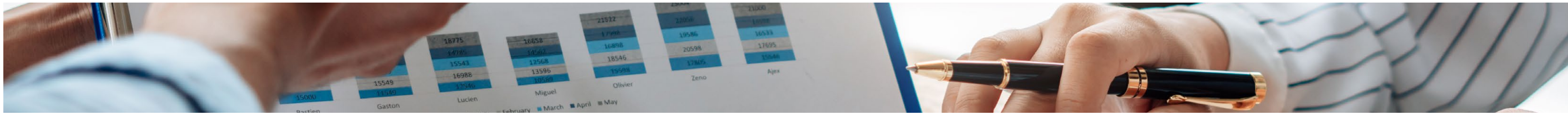
- SDG progress off track: According to the UN's 2025 SDG Progress Report, none of the 17 goals are on course to be met by 2030
    - East and South Asia show the fastest progress, while conflict-affected and fiscally constrained nations are falling further behind
- Fiscal space is a key constraint: Over half the world's population lives in countries unable to invest adequately in SDG-aligned infrastructure

Data & AI Policy Changes

- Data reform: New UK Data (Use and Access) Act 2025 (DUAA) law updates UK GDPR - requires revised privacy policies & Data Subject Access Request (DSAR) processes
- AI & automation expands opportunities across businesses but increases compliance requirements & risks
- Stricter cookie & direct marketing rules expected - prepare for consent changes
- Cross-border data provides easier international transfers, but safeguards needed. Businesses need to monitor legislation in all jurisdictions in which they operate

Strategic Implications

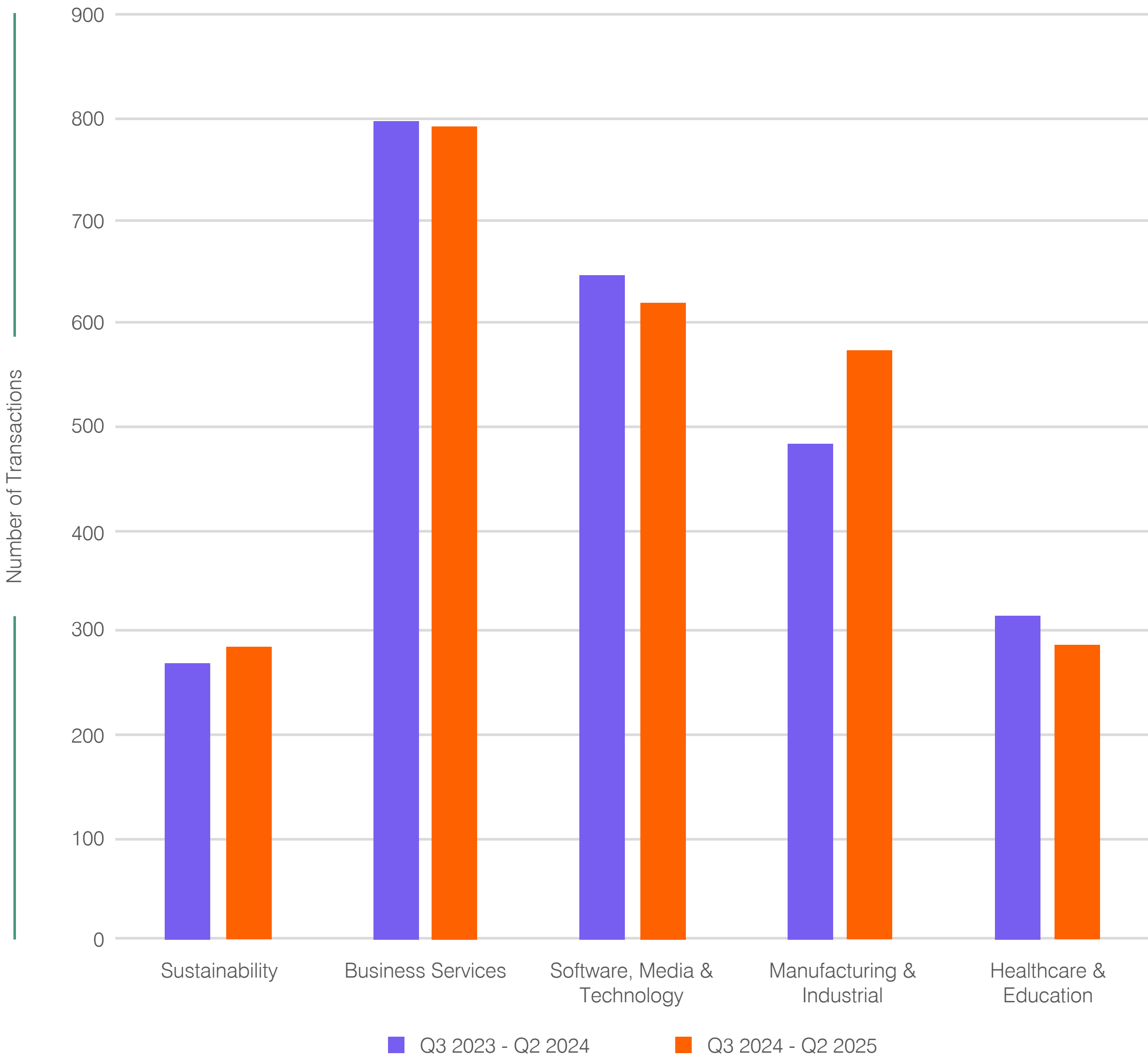
- For UK-based investors and advisors: The UK's relative macro-stability, combined with its separation from EU trade policy, may position it as a safe harbour for international capital, particularly in ESG-aligned sectors
- For legal and financial professionals: Expect heightened demand for cross-border structuring that navigates tariff regimes, and for due diligence on ESG compliance as sustainability reporting becomes a differentiator



UK M&A Overview

- Modest increase in deal activity in the UK: PE and M&A volumes saw a slight year-on-year rise overall
- Activity increased from Q1 to Q2, with momentum expected to accelerate through H2 2025
    - Boosted by rate cuts, dry powder pressure, strategic expansion, and valuation clarity
- Manufacturing & Industrial led growth: driven by tech investment, rising demand, and pro-growth policies
- Corporate buyers dominate: 62% of UK deals in H1, in line with the 2-year average of 63%
- Private Equity rebalances: Strong performance in Q1 2024 initially signalled a change in the balance across M&A landscape
    - Activity is now tracking historic norms – buyout accounts for 31% of deals in H1 with remaining 7% being follow on Growth Capital deals

UK Deal Activity Year on Year



Source: Pitchbook

Key Themes across Healthcare

US Policy Impact Around the World

- Changes to healthcare delivery regulations create market instability for international businesses
  - Players selling into the US must navigate shifting rules around reimbursement, data privacy & clinical trial standards
- Trump administration implemented a 15% cap on indirect costs for all National Institute of Health grants – previously the indirect costs limits were based on actual documented expenses and sat around 30-50%
  - Costs typically include infrastructure, administration and facilities costs of maintaining cutting-edge labs
- Office of Research & Development faces budget cuts:
  - Fewer resources for early-stage research
  - Delays in innovation pipelines
  - Reduced collaboration opportunities for global partners
- As US research capacity declines, European and Asian hubs may gain prominence and attract talent, funding and partnerships from players seeking stability

Announced improvements to the NHS spark opportunities for traditional healthcare industries

- £1.5bn investment to expand surgical capacity through new hubs and cutting-edge diagnostic equipment—enabling 1.2 million additional tests annually
- £2bn+ committed to fast-track digital health innovation to modernise NHS systems and services
- NHS to expand virtual care with AI-driven triage and diagnostics to cut delays and improve access
- Virtual wards and local diagnostic hubs to be scaled nationwide to reduce hospital pressure and wait times

MedTech & FemTech Investment

- FemTech and AI imaging analysis identified as high-growth sectors with strong commercial and clinical potential
- Launch of a £30 million VC-backed fund in partnership with NHS Trusts to support early-stage Medtech startups
  - Managed by Meridian Health Ventures – linked to leading institutions: King's College London, Guy's and St Thomas's NHS Trust, University College London & Cedars-Sinai
  - Targets innovative Health Techs with potential for NHS and/or US hospital adoption where solutions can improve patient outcomes, reduce NHS costs, or scale internationally

Mental Health & Workforce Challenges

- Increasing demand and complexity in community mental health services
- Persistent staff shortages and burnout are major barriers to care delivery and access

Sustainability & Infrastructure Modernisation

- NHS committed to net-zero emissions by 2030.
- Investment flowing into decarbonisation, modular construction, and digital-first care environments to reduce impact on environment from built assets

Government Inquiry to Vets

- Calls for regulatory reform from independent vets and pet-owners, especially around non-vet ownership of practices
- Recent CMA report highlights the broad agreement for the need for greater transparency in pricing and treatment options
- Many pet owners are unaware they can buy medicines online – often end up paying significantly more at clinics
- End-of-life services flagged as an area with limited competition where pet owners may be overpaying
- Regulations are to be tightened to resolve these issues, but will need consideration of smaller practices where the cost of compliance may pose a barrier to entry

Sources:
https://www.arnoldporter.com/en/perspectives/advisories/2025/02/impact-of-trump-directives-on-scientific-research-in-the-us
https://competitionandmarkets.blog.gov.uk/2025/06/10/addressing-concerns-in-the-veterinary-sector/
https://bvu.org.uk/wp-content/uploads/2025/05/BVU-member-survey-results-and-report-relating-to-CMA-investigation-PUBLISHED-27_05_2025.pdf
https://www.hae.org.uk/wp-content/uploads/2025/03/Spring-Statement-2025-Speech-Documents-260325.pdf

Key Themes across Education

Skills-First Education Models

- Shift from qualifications to competency-based learning across sectors
- Employers prioritise demonstrable skills over traditional degrees

Micro-Credentials & Modular Learning

- Surge in demand for stackable, short-form qualifications aligned with industry needs
- Great for upskilling in AI adoption, employee welfare and ESG

AI - Powered Personalisation

- Generative AI and adaptive platforms are mainstream and used for lesson planning, real-time feedback, and tailored learning journeys
- Particularly helpful for language learning

Hybrid & Immersive Learning

- Virtual reality tools gaining traction in vocational training and STEM education; hybrid delivery models now standard in further education

Mental Health & Neurodiversity Inclusion

- Institutions embed wellbeing frameworks and inclusive teaching to support diverse learners and reduce attainment gaps

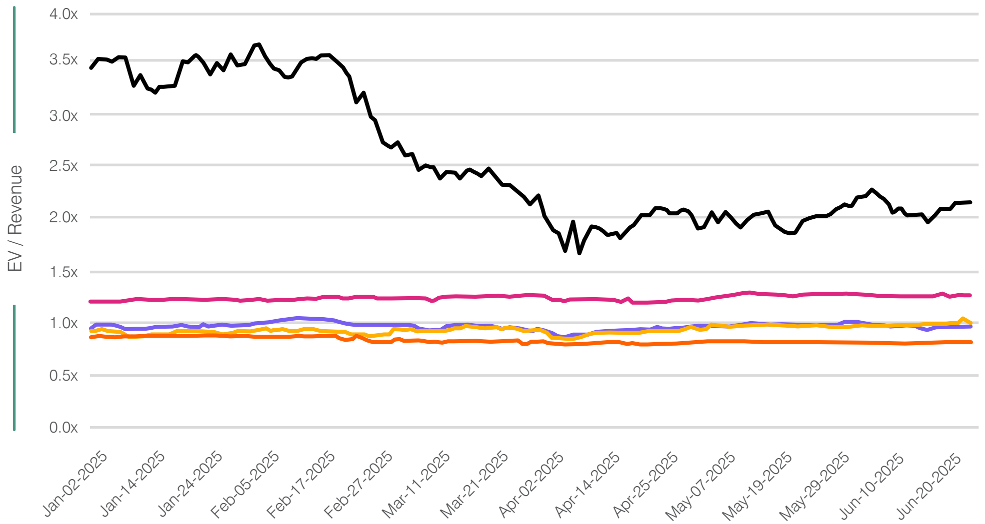
Sustainability & Climate Literacy

- Green skills and climate education integrated across curriculums
- Growing demand for educators trained in sustainability

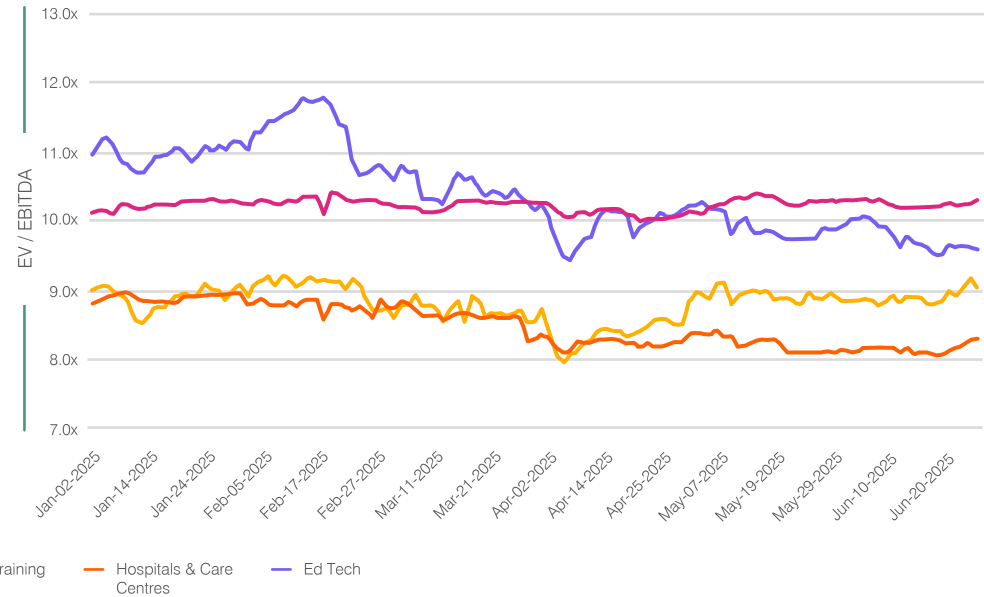
Sources:
https://assets.publishing.service.gov.uk/media/6863f18b3464d9c0ad609ddf/Skills_England_-_sector_evidence_on_the_growth_and_skills_offer.pdf
https://www.gla.ac.uk/study/uofgupskilling/
https://www.kcl.ac.uk/study/professional-education/microcredentials
https://www.bera.ac.uk/blog/challenges-for-climate-change-and-sustainability-education-in-england-reflections-on-teachers-practices-and-priorities-for-policymakers
https://epi.org.uk/annual-report-2025/

Public Market

H1 2025 Revenue Multiples



H1 2025 EBITDA Multiples*



Source: S&P 500 - CapIQ

** NB: Health Tech not included due to impact of loss making businesses*

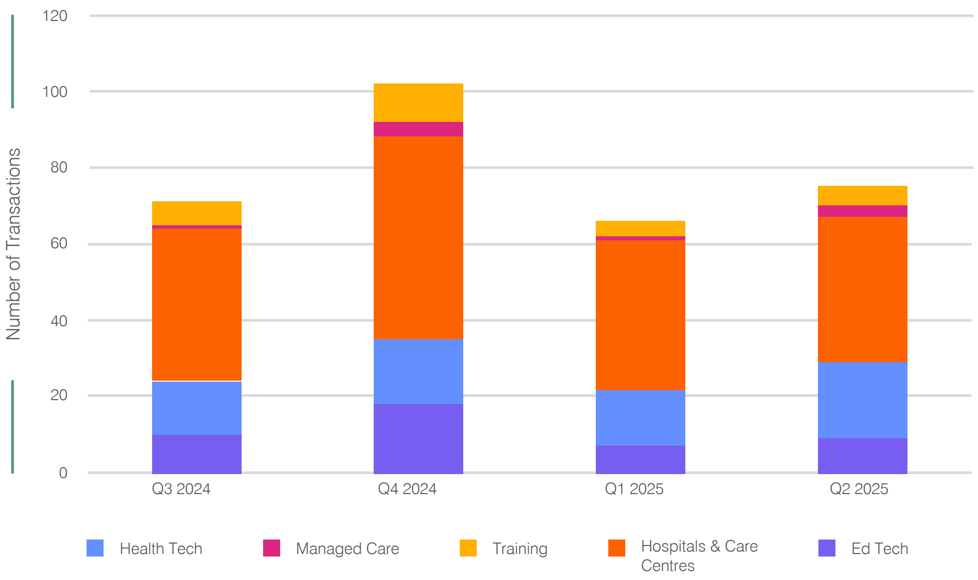
Traditional Healthcare slows: Growth is stalling in Hospitals & Care Centres, and Managed Care, which are debt-heavy and sensitive to high interest rates. BoE rate cuts offer some relief, but M&A remains key to growth.

Variable growth expected across HealthTech & Ed Tech, as these verticals innovate quickly:

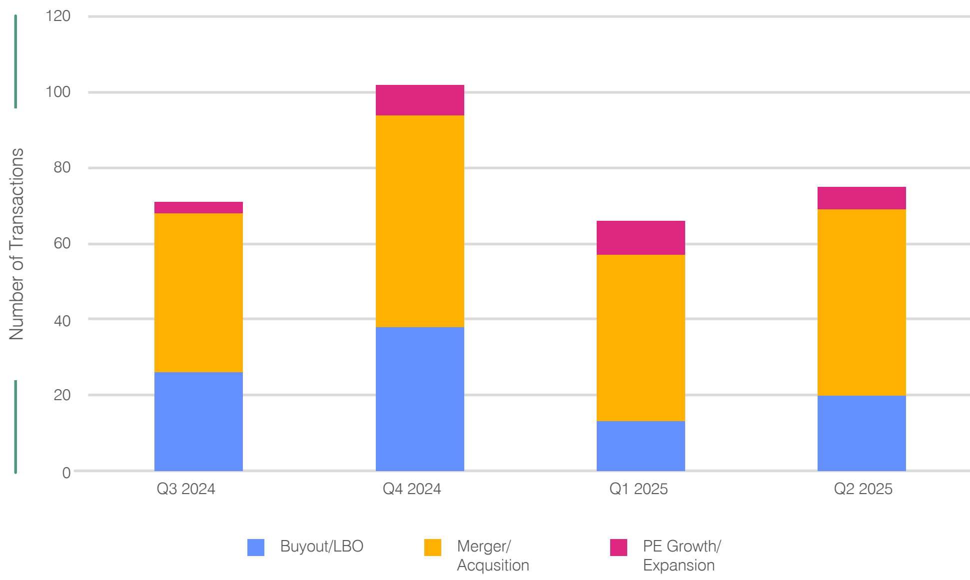
- Will be interesting to see which types of tools gain traction and stick, and which will fade as hype gives way to analytics - already seen to some extent in the decline in health tech revenue multiples
- Cuts to U.S. research funding could eventually shift biotech innovation towards the UK, and open up long-term opportunities. However, with the health tech sector currently unsettled by new U.S. policies and a sharp decline in investor confidence, this transition may take time to materialise

M&A Activity

Health & Education UK Deals by Subsector



Health & Education UK Deals by Type



Source: Pitchbook

Healthcare:

- PE firms increasingly active in the UK healthcare market and seek to consolidate fragmented sectors such as care homes, dental practices, and specialist clinics – again as these are labour intensive sectors with rising operational costs
- Rising cross-border deal activity as global confidence in UK Health Tech innovation increases; Oxbridge R&D known for its strong regulatory environment and digital infrastructure

Education:

- Consolidation in nursery sector driven by increased operational costs and margin squeeze – players seek to expand regional footprints to capitalise on economies of scale
- Medium-sized nursery groups have notably increased acquisition activities, rising from 5% of nursery transactions in 2023 to 19% in 2024
- Consolidation will continue this year - In their annual sentiment survey, Christie & Co found that 62% of childcare and education providers are planning to buy or sell in 2025

Sources:
https://www.nurseryworld.co.uk/content/features/buying-and-selling-the-year-has-already-begun-at-a-fast-pace
https://www.eclipsecf.com/post/january-2025-healthcare-m-a-snapshot
https://www.viperequitypartners.com/viper-insights/healthcare-ma-trends-2025-specialty-consolidation

Active Investors & Acquirors

Acquiror		Target	Acquisition Date	Deal Type	Subsector
AKKR ACCEL-KKR		CareLineLive	01/04/2025	Buyout/LBO	HealthTech & Analytics
YFM Equity Partners		Audiological Science	24/02/2025	Buyout/LBO	HealthTech & Analytics
Foresight		NorthWest EHealth	01/04/2025	PE Growth/Expansion	HealthTech & Analytics
Foresight		Functional Gut Clinic	02/04/2025	PE Growth/Expansion	Hospitals & Care Centers
BGF		Connected Health	20/01/2025	PE Growth/Expansion	Hospitals & Care Centers
BGF		OCL Vision	26/02/2025	PE Growth/Expansion	Hospitals & Care Centers
SCOTTISH DENTAL CARE	BGF*	Musselburgh Dental Clinic and Implant Centre	02/04/2025	Buyout/LBO	Hospitals & Care Centers
BIRA Care Homes		Field Farm House Residential Home Hereford Living	14/04/2025	Merger/Acquisition	Hospitals & Care Centers
EXPANDING HORIZONS		Enable Care Services	22/05/2025	Merger/Acquisition	Hospitals & Care Centers
EXPANDING HORIZONS		Cupcakes ‘N’ Dinosaurs	01/04/2025	Merger/Acquisition	Training
ACHIEVE PARTNERS		Wise Music Group (Digital Education)	09/01/2025	Buyout/LBO	EdTech
onetouch we care more	August Equity*	Qintil	25/06/2025	Buyout/LBO	EdTech

Source: Pitchbook

**Add-on Sponsor*

UK Deals in Healthcare & Education

Target	Deal Date	Deal Size (£m)	Post Value (£m)	Valuation/ EBITDA	Valuation/ Revenue	Deal Type	Investor/Acquiror	Subsector
Total Drive Software	14/03/2025	7.5	7.5		6.8x	Merger/Acquisition	Software Circle	EdTech
OrganOx	24/02/2025	113.7		*20x (2023 Accounts)*	3.8x	PE Growth/Expansion	Avidity Partners, BGF (Financial Services), HealthQuest Capital, Lauxera Capital Partners, Longwall Ventures, Oxford Technology Management, Oxford University Innovation, Sofina, Soleus Capital, Technikos, University of Oxford	HealthTech & Analytics
Synergy LMS	13/05/2025	107.2	107.2	8.1x	2x	Merger/Acquisition	K Bro Linen	HealthTech & Analytics
Antev	28/04/2025	57.5	302.5			Merger/Acquisition	Medicus Pharma	HealthTech & Analytics
Induction Healthcare Group	10/04/2025	9.7	9.7	(Loss making)	0.8x	Merger/Acquisition	VitalHub	HealthTech & Analytics
Charac	03/04/2025	1.5	7.7			PE Growth/Expansion	Undiclosed Investor	HealthTech & Analytics
NorthWest EHealth	01/04/2025	0.2				PE Growth/Expansion	Foresight Group	HealthTech & Analytics
Geri Care Health Services	25/01/2025	10.3				PE Growth/Expansion	InvAscent	Hospital & Care Centres
Functional Gut Clinic	02/04/2025	5.8				PE Growth/Expansion	Foresight Group	Hospital & Care Centres
Care First	06/05/2025	0.4	0.4		0.1x	Merger/Acquisition	Optima Health	Hospital & Care Centres
The Business of Creativity	28/05/2025	15	15			Merger/Acquisition	Whalar	Training

Source: Pitchbook