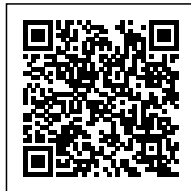


PORTUGUESE HEALTHCARE M&A ON THE RISE - ABREU

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The need for reorganisation of the healthcare sector in Portugal has resulted in a significant number of acquisitions in the industry

M&A activity in the Portuguese healthcare sector is on the increase due to a number of factors, including growing demand for private healthcare and the need of smaller companies to join forces in order to meet this rising and "more stringent" demand, according to Abreu Advogados. "It's been a very good year for M&A across a number of different sectors such as real estate, technology, hospitality and tourism," says José Maria Corrêa de Sampaio, partner at Abreu Advogados. "However, we have seen a particularly large number of M&A deals taking place in the healthcare sector." Fellow Abreu Advogados partner Inês Sequeira Mendes says that the sector has been the scene of a large volume of smaller acquisitions involving a range of different service providers. But while healthcare assets are often seen as a key part of an investor portfolio, especially in times of economic recovery, lawyers say it is significant that some of the M&A activity in Portugal has been due to the need for the sector to reorganise itself. "As a result of enduring the crisis and

having to understand the needs of the population, the Portuguese healthcare market has suffered such pressure that it has had to restructure itself," says Sequeira Mendes. The state has been under continual pressure to improve the quality of, and access to, healthcare while containing costs – a difficult task, according to Sequeira Mendes, given that the healthcare system is comprised of three coexisting systems: the national health service; a special subsystem service for certain professions; and voluntary private health insurance. "It's understandably been difficult for the state to ensure that in all areas of health it can take care of all the different activities on its own," she adds.

Health insurance worries

In addition, some M&A activity has been triggered by the ongoing public versus private healthcare debate, specifically the trend for people "who previously went to the public sector now changing to private," says Sequeira Mendes. The sector has also been affected by changes in insurance provision, specifically private healthcare insurance providers with very good health insurance policies that are competing with each other in terms of coverage and prices. "You will continue to have changes in insurance policies," says Sequeira Mendes. "Over the last year, this has created more competition between the operators in the market as one of the issues that was targeted was healthcare," she adds. "Like education, health insurance worries people a great deal as, due to constraints in the public sector, it's seen as quite important to have access to the private sector – in terms of quality and success, the private sector has proven to be quite competitive."

Change in mentality

M&A growth in the healthcare sector is not surprising given that the activity is meeting a huge public demand, says Corrêa de Sampaio. "Demography definitely has something to do with it as people are getting older and healthcare services are more and more required, so all the insurance systems and the state have to support these kinds of services," he says. "The services, and the people that require these services, are creating opportunities within this field." However, smaller companies operating within the healthcare sector have had to reorganise in order to meet this demand, adds Corrêa de Sampaio. "That's why we're seeing so many small companies being transferred as the market is no longer able to support them offering some of the healthcare services as previously provided." In addition, not only are some healthcare companies joining forces, there has also been a change in their mentality, according to Sequeira Mendes. "As in other sectors, there are companies that survived the crisis but have found it difficult to obtain financing," she says. "But within the healthcare sector, there are small businesses – groups of doctors or very specialised people who understand they cannot continue as they are – that have been able to catch the attention of investors because they are good solid companies with good prospects for growth." Consequently, it is anticipated that there will continue to be a considerable number of deals in the healthcare sector in the foreseeable future. Corrêa de Sampaio says: "This is an M&A market where the demand is still growing."