



The German care market in the wake of digital transformation

The M&A perspective

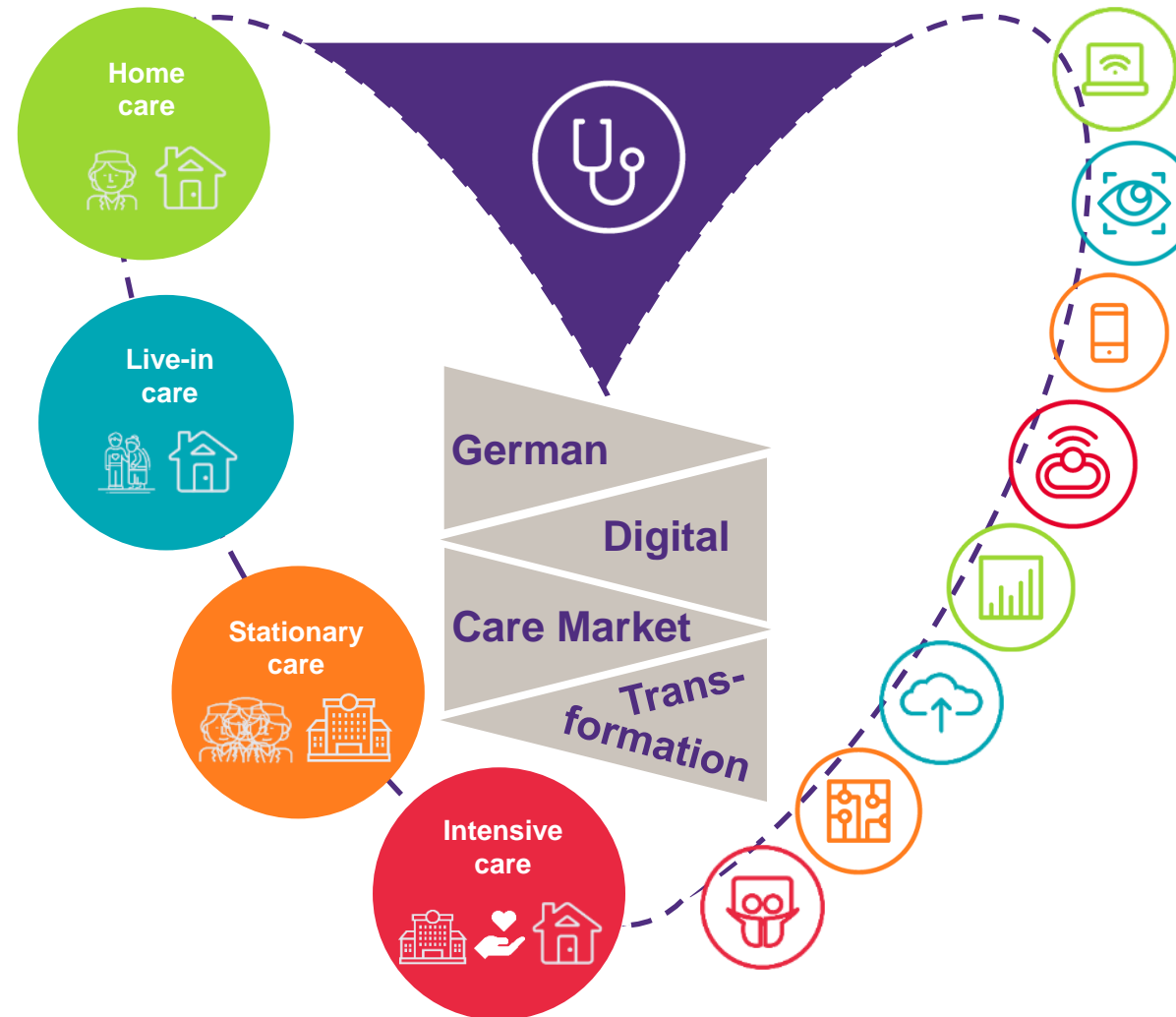
Updated industry snapshot

Hamburg, June 2023

The German care market in the wake of digital transformation

The German care market is undergoing a continuous change. The Covid19 aftermath as well as higher staff and energy costs are putting the care market in a stress situation. Investors will need long-term perspectives to take benefit of the current transformations.

- The number of people in need of care will continue to rise sharply, and with it the demand for nursing staff as well.
- In order to improve the situation in the care market, Germany introduced new laws aimed at helping nursing home operators.
- In 2023, many **nursing home operators** are facing financial difficulties as consequence of the Covid19 outbreak, staff shortage and increasing energy prices. The players that were acquisitive in the recent past and have managed to ensure a strong occupancy rate are expected to benefit from the current situation to further consolidate their market position.
- We noticed a slowed transaction activity in the last years in non-clinical **intensive care market**.
- The consolidation of the **home care** market is currently still proceeding in the background. Family offices and small private equity investors have already invested in this sector and first relevant players appeared in the market.
- At present, the **live-in care** sector is mainly driven by companies situated in Eastern Europe and the Balkan countries, but also companies with staff sourcing in ASEAN countries.



The digital transformation of the care industry is advancing amid the current market difficulties. Digitalization of health administration and apps on prescriptions are key drivers in the current environment.

- Given the staff scarcity, increased care system costs and financial difficulties in certain care segments, the government sets the digital transformation as one of the key solutions to solve the above problems. This is also the reason for the continuous improvement of the legislation to accommodate the digitalization of care, but also various supporting financing programs.
- The new legislation aims to further develop and expand the functions of electronic patient file and electronic prescription, telemedicine and other digital solutions.
- The digital health market developed further but was also affected by the drop in valuation and fallen venture capital investments. Although there are still successful digital businesses evolving, the frequency of large ticket values decreased in the last two years.
- The convergence of care and the digital world will lead to an increasing number of M&A transactions.



**Status quo and development
of the German care market**



The structure of the German care market

Care services are considered the third largest sector in the German healthcare market. Due to the demographic change and the continuously growing demand for care, the German care market engaged on a growth path for years and key market segments are expected to continue their positive development. In our view, home care services are going to benefit from the reimbursement structural changes and the current inflationary movements.

The care market is an attractive playground for all care market players

Strong growth sector: The care service sector is a key growth area in the German healthcare market. The latest available market reports expected a growth in market size from 60.1bn EUR in 2019 to 85bn EUR in 2030 (at a CAGR of 3.20%).

Growing demand: At the end of 2021, Germany had 5.0 million of people in need of care. This number is expected to rise to about 6.0 million by 2030.

High economic importance: Between 1999 and 2021 the number of caregivers more than doubled to a level of over 800,000. With regard to the increasing need for care, about 160,000 additional caregivers are expected to be needed by 2030.

Market overview



~ 67.1 billion EUR
Market volume (at the end of 2020)



5.0 million people in need of care
in Germany (at the end of 2021)

Breakdown of patients by type of care (Status quo, December 2021)



84% taken care of at home
(c. 4.17 million people), thereof:



c. 2.55 million people
by relatives or live-in caregivers

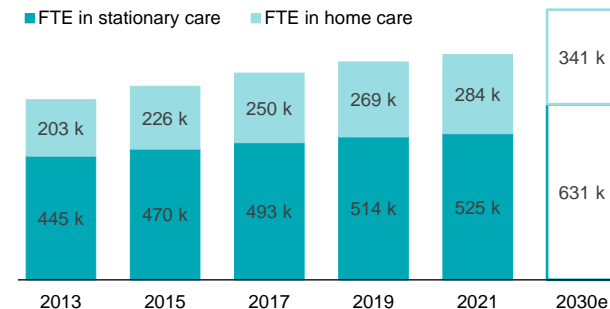


c. 1.05 million people
by relatives together with home care providers



16% cared for in stationary nursing homes
(c. 793.461 people)

Demand for caregivers continuously increases



Source: Destatis; Note: We assumed the average of 50% working time for the part-time employees (2021: St. C. 577 k; H. C. 318 k) to derive FTEs

- Based on the consensus of care market experts more than 20% additional caregivers will be needed by 2030. We have correspondingly applied this conservative estimate to the available caregivers from 2021.
- If in 2021 more than 13% of the caregivers were foreigners, we expect the additional demand to be largely covered by foreign temporary workers that migrate to Germany.

Competitive landscape and M&A drivers in the care service sector

The domestic demographic development and the size of the German care market offer great potential for consolidation in all segments of the care industry.

- Despite the high transaction activity (>220 transactions) over the last twelve years, stationary care still offers good consolidation potential. Compared to the other types of care, we are talking about a relatively consolidated market.
- Medium-sized private equity investors continue to rely on buy-and-build strategies to build up larger stationary care providers. The major pan-European market players tend to generate more transactions in Germany over the last three years and tend to buy medium-sized to large nursing home operators.
- The expansion of German stationary care providers required a high level of capital commitment through the acquisition of nursing homes and related real estate properties (subsequently sold in separate real estate deals). Given the rise in interest rates during 2022, we expect more investor scrutiny in such decisions.

Stationary care



- The home care market represents the largest segment of the care market but is also highly fragmented and characterized by numerous small providers. From 2018 to 2021, the number of home care providers increased by 13%. There is no company accounting for a market share of 5%.
 - As the entry barriers in this market are low, the consolidating entities would need to offer an attractive infrastructure for the future holding in addition to the purchase price.
 - Over the last three years we did notice more investors that attempted to consolidate the non-intensive care market. While some of these investors were not that sophisticated, we estimate that the scarcity of specialized personnel and the increased financing costs can be key factors impeding a strong consolidation tendency.

Home care



- In relation to the number of patients, the non-clinical intensive care market is quite small.
- The relatively high reimbursements that result from the more complex disease level of the patients lead to a high interest of financial investors.
- While the top ten players amount for around 20% of the intensive care patients (as a consolidation result), the other players are relatively small with turnover figures below 20 mEUR for intensive care segment.
- After a PE-driven strong consolidation phase with movements in the top ten ranking, we have noticed a rather slowed activity during the last years. While smaller transactions still happened in the last years, the next PE-driven transaction wave is still to take place in the short to medium term as the Private Equity firms approach the end of their holding period for the current participations.

Intensive care



- The shortage of qualified personnel and the particular burden of 24/7 care entails that a large number of caregivers are being recruited not only in Eastern Europe and the Balkan countries, but also in countries like Philippines. Therefore, the majority of care providers of live-in care are usually temporary caregivers from these countries.
 - Even if this means that little movement is to be expected in Germany, a few VC investments as well as strategic initiatives in online employment platforms have already been observed.
- Additionally, strategic partnerships have also been reported, such as the one between the Dortmund SHD Group and the Polish CareWork Group. They have established an international cooperation under the joint umbrella organization Arbeitlandia GmbH.

Live-in care



M&A activity of the last five years (1/2)

Selected transactions in the German care market

Date	Acquirer	Acquirer - Shareholders	Target	Core activity	Stationary care	Assisted living	Day care		Non-intensive home care	
					# of beds		Services	places	Services	patients
May-23	Pflegewerk mbH	Private	assisty-care GmbH	Home care	-	n.a.	n.a.	n.a.	n.a.	n.a.
May-23	Azaé Pflegedienst GmbH	Private (A2micile Gruppe)	Rückenwind Pflegedienst GmbH	Home care	-	n.a.	n.a.	n.a.	n.a.	n.a.
Apr-23	Hera Residenzen Pflege	Private	2 nursing homes of Märchenmühle GmbH	Home care	-	-	-	-	-	170
Mar-23	LebenPlus Pflegeverbund	Private	Steffis Pflegeteam GmbH	Home care	-	-	-	-	-	150
Feb-23	Kardia GmbH	Private	Bethke GmbH	Home care	-	-	-	-	-	80
Jan-23	Domidep	PE backed (I Squared Cap.)	Lilien Pflegegesellschaft	Stationary care	210	52	-	-	-	-
Jan-23	aiutanda	Private	Pflegedienst Hartwig Müller	Home care	-	-	-	-	-	n.a.
Dec-22	Domus Cura GmbH	Private	Haus Sonnenblick	Stationary care	95	-	-	-	-	-
Dec-22	aiutanda	Private	aleesia	Home care	-	-	-	-	-	n.a.
Oct-22	Hera Residenzen Pflege	Private	Schiller Pflege- und Gesundheitsdienste	Home care	-	-	-	-	-	237
Sep-22	aiutanda GmbH	Private	Kunze Gruppe	Home care	-	-	-	-	3	620
Aug-22	Bonitas	Private	Lembke Häusliche Kranken- u. Altenpflege	Home care	-	-	-	-	n.a.	130
Aug-22	Domus Cura	Private	Seniorzentrum Resdienz Sonneneck	Stationary care	-	130	-	20	-	126
Jul-22	Villa Vitalia	Private	Pflegeheim Bella Vita	Stationary care	58	-	-	-	-	-
Jun-22	VidaCura	Private	Seniorenzentrum Holle	Stationary care	71	-	-	18	-	35
Jun-22	VidaCura	Private	Askanierhaus GmbH	Stationary care	253	90	n.a.	60	n.a.	292
May-22	aiutanda GmbH	Private	Helske People Care	Home care	-	-	-	-	n.a.	450
May-22	Hera Residenzen Pflege	Private	Pro Vital Pflege- und Gesundheitsdienste	Stationary care	-	118	-	-	-	-
Jan-22	wecare Gruppe	PE backed (Quadriga Cap.)	Vehreschild Gruppe	Stationary care	271	-	-	-	-	-
Nov-21	Domus Cura	Private	Haus Obentraut	Stationary care	101	-	-	-	-	-
Nov-21	aiutanda GmbH	Private	HELSKE People Care GmbH	Home care	-	-	-	-	-	247
Oct-21	VidaCura	Private	WH Care Holding	Stationary care	1.169	138	-	40	-	-
Sep-21	Cosmea Pflege Holding	Private	Pflegeperfekt GmbH & Co. KG	Home care	-	-	-	-	-	146
Sep-21	Perpetua Holding GmbH	PE Investor	Artemed Pflegezentren GmbH & Co. KG	Stationary care	589	45	-	-	-	-
Jul-21	DomusVi Gruppe	Private	advita Pflegedienst GmbH	Stationary care	1.000	1.700	-	1.500	37	3.000
Jun-21	Alloheim Residenzen	Private	2 nursing homes of Cura Sana	Stationary care	158	21	-	-	-	-
Jun-21	wecare Gruppe	PE backed (Quadriga Cap.)	Gama Holding GmbH	Stationary care	400	25	-	-	-	-
Jun-21	Careciano GmbH	Private	Muus Unternehmensgruppe	Stationary care	390	100	-	-	-	-
May-21	opseo Gruppe	PE backed (Ergon Capital)	Hamacher Gesundheitsdienste	Intensive care	-	-	-	-	-	102
May-21	MENetatis Gruppe	Private	Cura Sana Einrichtungen	Stationary care	216	-	-	45	-	-
Apr-21	Korian SA	Private	Intensivpflegedienst Lebenswert (IPDL)	Intensive care	-	-	-	-	1	113

We note a continuous steady M&A activity in the care sector, however very large PE deals were missing over the last two years. Hence, the PE firms are expected to put their care participations on sale over the next two years.

- While the activity level in the first months after the Covid19 outbreak was largely driven by companies acquired out of insolvency, the M&A activity level normalized starting with Q4 2020 and continued at pre-pandemic levels.
- We note the continuing consolidation trend that is driven by the larger pan-European care providers, but also increased M&A activity by privately-owned stationary care groups. The number of transactions backed by financial investors has declined compared with the period before Covid19 outbreak.
- Over the last two years, the M&A activity with home care providers tends to increase.
- The optimization of the balance sheet of stationary care providers through the sale of real estate portfolios continued in 2022 with c. 50 real estate (RE) transactions. Given the geo-political and macro-economic changes from 2022, the several increases in the interest rate in 2022 and the expected continued trend in 2023 can lead to financing difficulties for investors in care RE. In short term, we expect more scrutiny on quality and lower valuations.

M&A activity of the last five years (2/2)

Selected transactions in the German care market

Date	Acquirer	Acquirer - Shareholders	Target	Core activity	Stationary care	Assisted living	Day care		Non-intensive home care	
					# of beds		Services	places	Services	patients
Mar-21	CURATA Care Holding	Private	Seniorenresidenz Lehnshulzenhaus	Stationary care	138	-	-	-	-	-
Jan-21	Schönes Leben Gruppe	PE backed (Waterland PE)	SPIES KG	Stationary care	462	-	-	-	-	-
Dec-20	Alloheim Residenzen	Private	Elisabeth Alten- und Pflegeheim	Stationary care	174	-	-	-	-	-
Nov-20	AUCTUS Capital Partners AG	PE Investor	Mirabelle Holding GmbH	Stationary care	407	-	-	-	-	91
Nov-20	Domidep	PE backed (ISquared Cap.)	Römergarten Residenzen und Ba-Wü	Stationary care	1.360	123	-	-	-	-
Sep-20	CURATA Care Holding	Private	6 nursing homes & 1 home care provider of KMG	Stationary care	450	-	-	-	-	67
Aug-20	Korian SA	Listed	Ambulanter Krankenpflegedienst Emmy Hensel	Home care	-	-	-	-	-	125
Jul-20	Convivo	Private	AWO Wohn- und Pflegezentrum (WuPZ) Röbel	Stationary care	69	33	-	-	-	-
May-20	Cosiq GmbH	Private	Alten- und Pflegeheim St. Elisabeth gGmbH	Stationary care	90	-	-	-	-	-
May-20	Domus Cura GmbH	Private	Pflegezentrum Hüffenhardt	Stationary care	135	-	-	4	-	-
Apr-20	MCC Seniorenresidenzen	Private	Altera Senioren-Domizil Wertheim GmbH	Stationary care	106	18	-	-	-	-
Apr-20	Korian SA	Listed	Pflegesparte der QualiVita AG	Stationary care	767	n.a.	1	n.a.	3	308
Jan-20	Quadriga Capital	PE investor	Medical Senioren-Park Holding GmbH & Co. KG	Stationary care	1.190	10	n.a.	15	n.a.	n.a.
Jan-20	Argentum Pflege Holding	PE backed (Trilantic Cap.)	DPUW (Armonea Deutschland)	Stationary care	2.952	n.a.	n.a.	n.a.	n.a.	n.a.
Jan-20	Alloheim Residenzen	PE backed (Nordic Capital)	Mohring Gruppe & Vital Wohnen Gruppe	Stationary care	1.176	287	2	n.a.	2	n.a.
Dec-19	Alvia Capital GmbH	PE investor	JWO Hamburg Care GmbH	Home care	-	-	-	-	-	217
Oct-19	Schönes Leben Gruppe	PE backed (Waterland)	MEDIKO Pflege- und Gesundheitszentren	Stationary care	2.000	n.a.	n.a.	n.a.	n.a.	n.a.
Sep-19	United Healthcare Partners	Private	Healthcare Deutschland GmbH	Home care	-	-	-	-	-	10.000
Jul-19	Kos SpA	Private	Charleston Holding GmbH	Stationary care	3.856	393	n.a.	38	5	230
May-19	Alloheim Residenzen	PE backed (Nordic Capital)	Pro Talis Gruppe	Stationary care	1.100	54	2	n.a.	1	n.a.
Jan-19	EMVIA LIVING	PE backed (Chequers Cap.)	Aventinum Management GmbH	Stationary care	153	98	n.a.	24	1	n.a.
Jan-19	Dorea GmbH	PE backed (Creadev)	Abendfrieden Gruppe	Stationary care	92	46	n.a.	64	n.a.	n.a.
Jan-19	Contilia Gruppe	Charitable / non-for-profit	Altenzentrum St. Elisabeth Duisburg	Stationary care	186	-	-	-	-	-
Dec-18	Korian SA	Listed	Schauinsland GmbH	Stationary care	350	~250	1	n.a.	n.a.	200
Dec-18	Dorea GmbH	PE backed (Creadev)	Seniorenheime von Cura Sana	Stationary care	604	-	-	-	-	-
Dec-18	Advent International	PE investor	Lavorel Medicare / Bonitas	Intensive care	-	-	-	-	n.a.	4.000
Nov-18	Groupe Maisons de Famille	PE backed (Creadev)	DOREA Holding GmbH	Stationary care	5.500	~500	9	n.a.	12	1.000
Nov-18	Orpea	Listed	7 nursing homes of Axion-Gruppe	Stationary care	985	-	-	-	-	-
Nov-18	Alloheim Residenz	PE backed (Nordic Capital)	CMS Unternehmensgruppe	Stationary care	2.000	300	1	n.a.	1	n.a.
Sep-18	opseo	PE backed (Ergon Capital)	Linde REMEO Deutschland GmbH	Intensive care	97	-	-	-	1	35
Jul-18	Korian SA	Listed	PflegeExperten Kutlu GmbH	Intensive care	-	-	-	-	2	25

The different levels of consolidations in the four care sub-sectors are driven by the market consolidation stage, availability of sizeable targets and the overall market attractiveness in the eyes of foreign strategic investors.

- Out of the 30 sizable transactions we looked at in the pre-pandemic period, the majority took place in the stationary care sector.
- The driving forces behind the consolidation represent larger pan-European care providers as well as financial investors, who are geared to a buy-and-build-strategy.
- As part of the optimization of the German investments, the balance sheet of stationary care providers is being streamlined by the sale of real estate portfolios. The number of such transactions has risen sharply during the low interest years and exceeds the number of corporate transactions.
- The number of home care and intensive care transactions was limited given the limited size of the target companies.
- Round about six months from the Covid19 outbreak of March 2020, many player from the care market, and particularly the intensive care and stationary care providers, have been busy introducing strict measures to prevent chain infections and related high death toll, hence protecting their reputation.

Nursing home operators are facing financial difficulties

Scarcity of specialized personnel, consequences of Covid19 outbreak and high energy prices on the background of the ongoing war in Ukraine forced many nursing home operators over the recent years to either close some of their nursing homes or to reduce the number of operated beds for senior residents. A first wave of financially distressed companies started in 2023.

Current status in the German stationary care market

- According to the Nursing Home Rating Report 2022, the economic situation of German nursing homes is deteriorating continuously since 2016 and currently every fifth nursing facility is at risk of insolvency. While in 2016 around ten percent of the nursing homes still posted an annual loss, in 2019 this figure was around 26.5%. In addition, around 20% of the facilities were in the economic "red zone" in 2019, which indicates an increased risk of insolvency.
- Increased gas and electricity prices, as well as the qualified staff shortage and increased personnel expenses, expensive Covid19 infection control measures are key reasons for the current liquidity problems of the nursing home operators.
- The main reason for the increased personnel expenses is the obligation for nursing homes and outpatient care services to pay their nursing and care staff according to collective agreements, which has been in effect since 01.09.2022. This led to salary increases of up to 30%.

Occupancy rate is a key KPI reflecting the current financial solidity

- The occupancy rate decreased after the Covid19 outbreak. The negative impact of Covid19 infections in hot spots like nursing homes made the relatives of care patients reluctant in choosing this care alternative. Furthermore, the affordability of a nursing home place decreased due to the rising costs and more of the current patients became depended on the state support during the last year. Staff shortages in the whole care market seems to be however also a determinant factor.
- In an interview published in several publications at the end of May 2023, the president of the German professional association of private providers of social services bpa stated that the lack of care givers is the main cause for the lower occupancy rate.
- In the same interview it was also noted that an occupancy rate below 80% normally leads a nursing home into financial difficulties. When Convivo Group filed for insolvency, it was noted that its occupancy rate fall from the previously planned 95% to 70%, which tends to confirm the above.

Major insolvencies in the beginning of 2023 and stated reasons

- On 05.01.2023, Curata Care Holding, the 16th largest nursing home operator with more than 40 care facilities in Germany, filed for insolvency in self-administration for itself and several subsidiaries. Reason for financial difficulties are the negative impact of Covid19 pandemic, the sharp rise in energy costs and other general price increases, exacerbated by the shortage of qualified nursing staff. These developments led to a lower occupancy.
- On 23.01.2023, Convivo Group filed for insolvency. The group provides care for more than 18,000 people in around 100 care facilities. The Group pointed out the low occupancy rates in the stationary care sector as the reason for insolvency. In addition, the German government's care reform and the employment of temporary workers had caused high costs. By the beginning of May is clear that insolvency administrator cannot find a solution for the disposal of the whole group, however enough interest can be found for the disposal of individual assets / locations.
- On 15.03.2023, the nursing home operator Hansa Group also filed for insolvency in self-administration. The goals are the financial reorganization of the group as well as the preservation of the 23 senior care homes with 2,000 beds and related jobs. According to the Hansa Group, the main reason for difficult financial situation is the increase in cost for energy, materials, rents and personnel over the last few months.
- On 29.03.2023, Novent Unternehmensgruppe, an operator of 16 nursing homes filed for insolvency in self-administration. Reasons are the shortage of qualified staff, higher personnel expenses due to collective agreements as well as increasing energy costs.
- On 20.04.2023, Doreafamilie has filed for insolvency protective shield proceedings in self-administration for 25 entities of its group. The Group is under economic pressure due to massive cost increase for rent, personnel, energy and materials. This is also a consequence of the lower occupancy rate and related lower revenue after Covid19.

Old and new regulations should create a solution to counteract the current financial difficulties in the care market

As a result of the domestic demographic changes and the shortage of professional nursing staff, Germany introduced various laws over the last few years and recently with an aim to improve the state of the German care system and to make nursing job more attractive.

Fachkräfteeinwanderungsgesetz (FEG)

- The law for qualified workers from non-EU countries has been introduced on 01.03.2020. The aim of this law is to increase the immigration of qualified workers from third-world countries to Germany. Therefore, the requirements for the issuance of a residence permit have been adjusted. Most of the changes are reflected in the Residence Act (AufenthG).
- The Act enables qualified foreign professionals, regardless of their nationality, to seek and find employment in Germany. This means, that skilled workers can now also enter Germany to look for a job. It also contains measures to strengthen the integration process, such as accelerated recognition of foreign qualifications and the promotion of learning German.
- The FEG makes also changes to the professional and training regulations of various medical and nursing professions in order to facilitate faster entry into the profession in Germany.

Pflegeberufegesetz (PfIBG)

- The “Pflegeberufegesetz” came into force in January 2020. The aim of this law is to strengthen the care, adapt it to the new challenges and make nursing job more attractive.
- In order to further develop the nursing training and make it more appealing for future nursing professionals, the nursing training programs previously regulated separately in the Nursing Care for the Elderly Act and in the Nursing Care Act have been combined in a new Nursing Professions Act. Also, the training fees are not longer charged, and the trainees are entitled to an appropriate training allowance.
- The financing of nursing trainings is financed uniformly by state funds, which ensures the high-quality training throughout the Germany.
- Furthermore, the nursing training is now recognized in all EU member states.

Pflegeunterstützungs- und -entlastungsgesetz (PUEG)

The law on Care Reform (PUEG), adopted by the German government in April 2023, will be in force from 01.01.2024. The focus of this act is to bring improvements to the German care system. The objectives of the PUEG law are:

- Home care is to be strengthened and family caregivers are to be relieved. Therefore, as of 01.01.2024, the care allowance and outpatient benefits in kind will be increased by 5%. Furthermore, the cash and non-cash benefits are to be regularly adjusted in line with general price trends in the future. The first increase in benefits is to take place on January 1, 2025. The price trend will not yet be calculated, but all cash and non-cash benefits will be increased by a flat rate of 5%. On January 1, 2028, and every three years from then on, benefits will be adjusted to reflect price trends over the past three years.
- Long-term care insurance is to be strengthened through more revenue. The general contribution rate will be increased moderately by 0.35 p.p. as of July 1, 2023. This measure will result in additional revenue of 6.6 bn EUR per year.
- Working conditions for professional care givers are to be improved through increased digitalization measures. Digital services for those in need of care and caregivers are to be made more accessible and easier to use. Furthermore, in order to improve and strengthen the care system and to support its digitalization, a Center of Excellence for Digitization and Nursing will be established. In addition, the active support program for digital and technical acquisitions in care facilities will be expanded until the end of the decade. Around 300 mEUR are to be allocated to this active support program that is intended to relieve the burden on care staff.
- The procedures for determining the need for care, which are currently very complex and non-transparent, will be adjusted.
- From 01.01.2024, relatives will be entitled to care allowance for up to 10 working days every year, what means that they will no longer be limited to a one-time allowance.

A woman with dark hair tied back, wearing teal scrubs, is looking intently at a large digital display. The display shows a complex, blue-toned data visualization, possibly a map or a network diagram. The background consists of horizontal blinds, suggesting an office or control room environment. A purple banner is overlaid across the middle of the image, containing the title text and a logo.

Digital transformation in the German care market



Framework conditions for digitalization of the healthcare industry (1/2)

Ever since 2019, the German regulatory bodies are improving the legal environment for the use of digital technologies in the healthcare and care service sector. These framework conditions combined with associated financial subsidies created a dynamic business environment that attracted start-ups and established providers of digital care solutions. However, the delay in the implementation of electronic recipes slowed down the development of a sustainable digital ecosystem.

Pakt für den öffentlichen Gesundheitsdienst (ÖGD)

- In 2021, the German government allocated through the program „Pakt für den öffentlichen Gesundheitsdienst“ total funds of 4 bnEUR for modernization, digitalization and qualified personnel. The funds are to be spread over 6 years, until 2026. The first goal, which was also achieved, was for the federal states to fill until the end of 2021 at least 1,500 new permanent full-time positions with physicians, specialist and administrative staff.
- 800 mEUR of the amount stated above can be invested by the federal states in the digitalization of the health authorities. Thereof, 80% of the funds are to be used by the health authorities for their own and decentralized digitalization measures and 20% of the funds must be used for centralized digitalization measures. In 2022, a total of 263 projects were approved and supported with a funding totaling 389 mEUR.

Das Gesundheitsdatennutzungsgesetz (GDNG)

- A central data access and coordination point will be established to provide access to research data from various sources (e.g., cancer registries, health insurance data). Linking of different data sources is enabled via research pseudonyms. The data will remain stored in a decentralized manner.
- Lead privacy oversight for interstate research projects will be expanded to include all health data.
- The Research Data Center Health (FDZ) at the BfArM is being further developed: In the future, the research industry will also be able to submit requests for data access there.
- Data release from the electronic patient record (ePA) will be simplified and can be controlled in a user-friendly manner in the ePA app (opt-out). In the future, pseudonymized ePA data will be automatically retrievable via the FDZ for research purposes.
- By the end of 2026, it is expected that more than 300 research projects with health data are to be realized by the new Research Data Center Health.

Pflegepersonal-Stärkungsgesetz (PpSG)

- The law for strengthening the caregivers (Ger. Pflegepersonal-Stärkungsgesetz) came into force in January 2019 and is intended to contribute to better care and support caregivers to offer better care quality services. The regulation aims to achieve improvements in the daily lives of caregivers in non-intensive and stationary care through better staffing and working conditions.
- Digital solutions for care documentation, billing of care services, internal quality management, shift and tour planning as well as interdisciplinary cooperation with doctors and rehabilitation clinics can result in better care services. Furthermore, digital e-learning services can help to relieve the burden on caregivers. To support the implementation of digital solutions, the care insurance is co-financing each care facility (home or stationary care) with up to 12,000 Euro, or 40% of a total investment amount of 30,000 Euro.

Digitale-Versorgungs-Gesetz (DVG)

- The law of digital provisions (Ger. Digitale-Versorgungs-Gesetz) which has been in force since December 2019, improves the framework conditions for the digital transformation of the healthcare system in Germany. Costs for the use of reimbursable digital health applications are covered by the statutory health insurance.
- In order to promote the development of digital medical products, tele medical procedures and IT-supported procedures in medical care, the DVG enables health insurance companies to invest up to 2% of their financial reserves in equity funds or investments.
- According to the research made by Handelsblatt in October 2022, the public health insurance companies hardly invest any money in venture capital funds. Until October 2022, only the public health insurance companies Barmer and IKK invested in digital health funds. Both health insurance companies participated in the first closing of the Earlybird Health II Fund (April 2022).

Framework conditions for digitalization of the healthcare industry (2/2)

One of the most relevant regulations for the digitalization of care was the introduction of DVPMG in June 2021. While the change in regulatory environment follows the previous efforts to promote digital technologies in the healthcare and care service sector, there are still certain difficulties in its implementation, especially with respect to the electronic patient file. Nevertheless, innovative startups and existent players are already competing in shaping the future digitalization landscape.

Digitale-Versorgung-und-Pflege-Modernisierungs-Gesetz (DVPMG)

- With the “Act on the digital modernization of care and nursing”, which has been in force since June 2021, the Federal Ministry of Health intends to follow up on the Digital Care Act (DVG) and the Patient Data Protection Act (PDSG).
- The main goal of this act is to expand digitalization in the care and healthcare sector. In particular, the DVPMG expands the functions of electronic patient record (ePA) and the electronic prescription (eRezept), develops further telemedicine, introduces digital care applications and promotes the extensive connection of care to the telematics infrastructure (TI).

DVPMG: Telematics infrastructure and telemedicine

- The telematics infrastructure (TI) forms the foundation for digitalization in the German healthcare system. It is designed to enable collaboration and networking between doctors, nurses, hospitals, pharmacies and health insurers within Germany. By connecting all medical practices and hospitals, TI ensures that medical documents can be sent to treating physicians quickly and easily, as well as in a secure manner. This should prevent multiple examinations and make healthcare system more efficient.
- In the future, video consultations are to be expanded in the same way as on-site consultations. It will also soon be possible to determine incapacity for work during remote treatment, which will relieve the burden on medical practices and give patients more flexibility in their medical care. In the future, healthcare providers and midwives will also be allowed to offer telemedicine treatments.

DVPMG: Electronic patient file and e-prescription

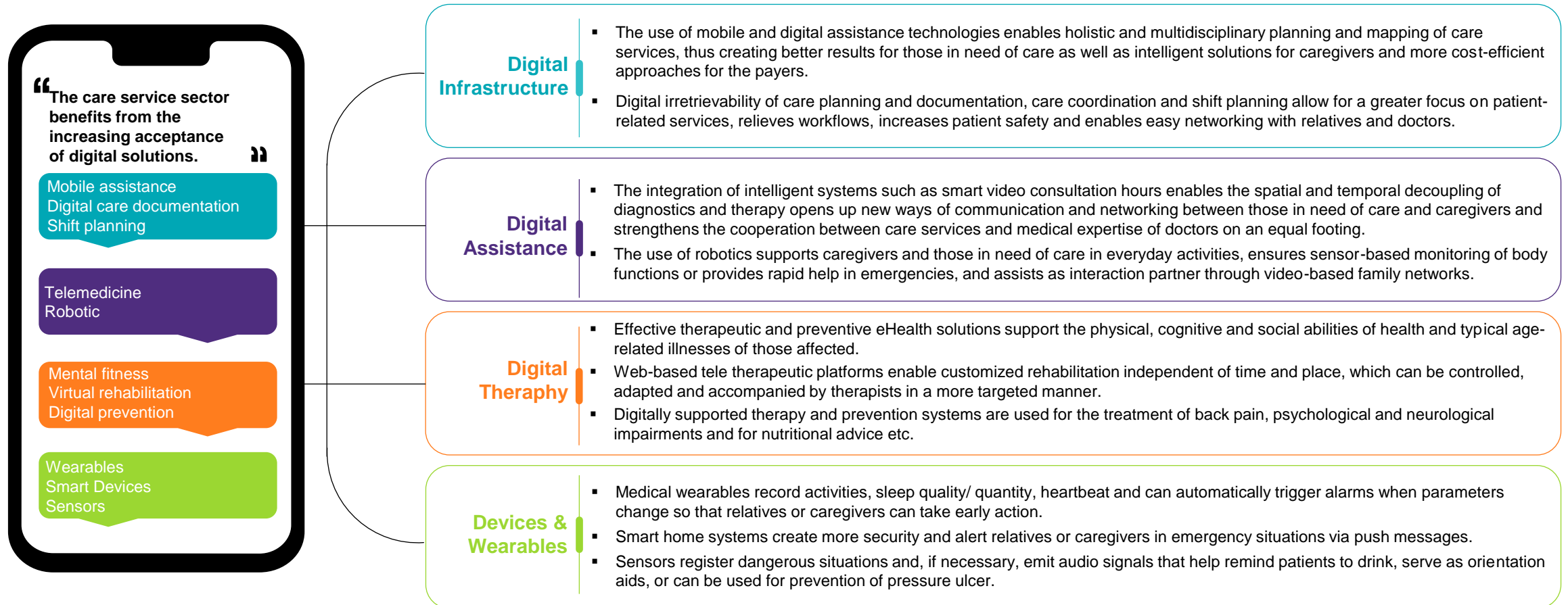
- Starting with 01.01.2021, the use of electronic patient file is voluntarily, except the obligation of the hospitals to use ePA since 01.01.2022. By 31.12.2023, the electronic patient file will be set up for all statutorily insured people (opt-out). By the end of 2025 it is expected that 80% of ePA users who are on medication therapy should have a digital medication summary.
- It is up to the patient to decide whether and which data the electronic patient file will be filled with and who is being allowed access. The implementation of additional functions of the electronic patient file such as the vaccination pass, maternity pass or the health record for children is still to be regulated.
- The e-prescription needs to have a QR code so that the patients can either use it via app on their smartphone or take it in the classical way as a paper printout at the doctor's office. According to gematik, it will be possible to redeem electronic prescriptions with the electronic health cards from the middle of 2023 onwards.
- Next to e-prescription for prescription drugs, all other services such as remedies, aids or home care are to be gradually prescribed electronically.

DVPMG: DiPAs and DiGAs – Die “App auf Rezept”

- The law for digital care applications (DiPAs) is in force since October 2022. The goal is to increase the usage of mobile devices or web applications by people in need of care in order to stabilize or improve their own state of health as well as to improve communication with care professionals and relatives. Upon application by the person in need of care, the care insurance fund decides on the necessity of providing the person in need of care with a DiPA. If they approve the usage of DiPA, the person in need of care is entitled to reimbursement of expenses for DiPA of up to 50 EUR per month. The prerequisite for the reimbursement is that the DiPA is listed in the directory of reimbursable digital care applications at the Federal Institute for Drugs and Medical Devices (BfArM)
- The same applies to digital health application (DiGA). A digital health application (DiGA) is an app and/or web application. It is designed to help detect disease or monitor or treat a disease. A DiGA runs on a cell phone, tablet, laptop or PC. Doctors or psychotherapists can prescribe a DiGA and the health insurance company then covers the costs. For this, the application must usually be certified by the BfArM (Federal Institute for Drugs and Medical Devices).

Showcasing the potential of digitalization for the care service sector

The use of digital technologies and applications becomes increasingly important for the care service sector and represents a way of counteracting demographic change and the associated challenges of aging population. The spectrum of eHealth solutions that support everyday life, aim to redefine patient-related activities for caregivers in the shortest possible time and to maintain the independence of those in need of care.



Finance raisings of German start-ups – Elderly care (1/3)

We have decided to split the transactions by the patients' target groups. This way we are differentiating between the digital solutions for elderly care and those that have a broader scope, solutions that equally help the younger generation and the older patients.

Date	Financing round	Financing volume	Start-up	Description	Investors	Cat.
Feb-23	Seed	2 mEUR	Careloop	Online solution for recruitment, training and integration of international caregivers	Redstone, EnjoyVenture, IBB Ventures among others	D.I.
Jan-23	Corp. Round	1 mEUR	Nui Care	An App that helps family caregivers with home care challenges	ADAC	D.A.
Nov-22	Seed	> 1 mEUR	sciendis GmbH (Wundera)	Mobile application that enables easy-to-use management with AI-based documentation of chronic wounds in care	TGFS Technologiegründerfonds, Adesso Ventures	D.A.
Aug-22	Seed	6.6 mEUR	Marta	Software for the live-in care market that empowers caregivers and helps seniors find care givers	Capnamic Capital, Almaz Capital, Verve Ventures, etc.	D.I.
Oct-22	Series A	27 mEUR	Patronus	Digital watch to improve elderly care and wellbeing	Singular, Burda Principal Invest, etc.	D.W.
Aug-22	n.a.	>1 mEUR	DeinePflege	Provides advices to people in need of care and their relatives on the best care options for them, maximizes their financial support and takes over the bureaucracy involved in organizing care	proSenio Gruppe, Schülke & Mayr, etc	D.I.
Jun-22	Seed	>1 mEUR	eCovery	Training app for rehabilitation	1750 Ventures, Adesso Ventures, etc.	D.T.
Mar-22	Pre-Seed	0.5 mEUR	voize GmbH	Application that allows caregivers to fill out forms through domain-specific speech recognition	Y Combinator Management LLC	D.I.
Dec-21	Series A	23.5 mEUR	Kenbi	Digitaly driven care provider offering full range of professional care-services-at-home	Heartcore Capital A/S, Headline, Partech Partners SAS etc	D.A.
Nov-21	Seed	>1 mEUR	Cliniserve	Task management and communication application software for hospital nurses and patients	Bayern Kapital GmbH, Plug and Play, LLC, Miele Venture Capital GmbH	D.I.
Nov-21	Series A	6 mEUR	Lindera GmbH	App to reduce the risk of falls among elderly people	Rheingau Founders GmbH	D.T.
Jul-21	Series A	> 3 mEUR	Nui Care	An App that helps family caregivers with home care challenges	zwei.7, Mustard Seed Maze (MSM)	D.A.
Nov-20	Seed	>1 mEUR	Myosotis GmbH	SaaS solution for direct digital communication between caregivers, relatives and the ecosystem of service providers in nursing homes	BonVenture-Gruppe, Venture Capital Fonds Axel Springer Plug & Play, Think Health, etc.	D.A.
Aug-20	Pre-Series A	>1 mEUR	RetroBrain R&D GmbH	Gesture-based therapeutical video games for elderly people	Catalpa Ventures GmbH & Co. KG, Almaro Holding AG, among others	D.T.
Nov-19	Series	n.a.	Talea Pflege	Innovative network for non-intensive care	Holtzbrinck Ventures, Cherry Ventures, etc.	D.I.
Nov-19	Seed	1.1 mEUR	CUREOSITY	VR-based therapy for people with neurological problems	Rhein Invest GmbH	D.T.
Feb-19	Series A	> 1 mEUR	Lindera GmbH	App to reduce the risk of falls among elderly people	Rheingau Founders, DPF AG, etc.	D.T.
Oct-18	Series B	6 mEUR	libify	Manufacturing of mobile emergency, location and tracking systems	Yabeo, coparion, Heliad, Bayern Kapital	D.W.
Oct-18	Series B	4 mEUR	pflege.de	Support portal for people in need of care and caring relatives	Holtzbrinck Digital, Hanse Ventures, etc.	D.A.
Apr-18	Seed	1.6 mEUR	Media4Care	Assistance systems for the care of elderly people with dementia	Ananda Ventures, IBB Beteiligungsges, etc.	D.A.

The possibility of reimbursements by health insurance companies and the increased traction of digital therapy solutions often lead to above-average growth and a relatively short time horizon until the companies achieve positive profitability. While the transaction count does not indicate a lower interest level, we note that financing levels below 2 mEUR are normally insufficient to buy the startups time to turn profitable through their business model. In the last three years, we've only seen two mid-size and two relatively large financing rounds in the elderly care target group.

Digital Infrastructure (D.I.): In spite of certain difficulties in the recent past, the introduction of electronic patient file has started and the roll-out is expected to reach 80% by the end of 2024. This has a direct positive impact on the number of financing rounds in digital infrastructure. It is expected that the number of financing rounds in the areas of cyber security and telematic infrastructure will increase in the future.

Digital Assistance (D.A.): Providers of telemedical software and hardware are benefiting from the proof of concept during Covid19 pandemics and the updated regulation regarding digital healthcare.

Digital Therapy (D.T.): The number of financing rounds for providers of health apps for prevention, detection, monitoring, treatment or alleviation of diseases increased as well after the change in regulatory environment.

Devices & Wearables (D.W.): The strong development of smart watches and the corresponding eHealth applications are key reasons for the reduced number of financing rounds in this area.

Finance raisings of German start-ups – App-based solutions and telemedicine (2/3)

The financing rounds depicted below are having a broader care approach, being equally suitable for the younger generation and the older patients.

Date	Financing round	Financing volume	Start-up	Description	Investors	Cat.
Mar-23	Vent.	2 mEUR	Afadocs.com	SaaS-based health practice management and automation software platform	BayBG, Bayern Kapital	D.I.
Mar-23	Series A	9.4 mEUR	Doctorly	Cloud-based practice management platform for doctors, a health app for patients, and a platform for the wider health industry	WELL Health Technologies, Horizons Ventures; The Delta, Speedinvest among others	D.I.
Mar-23	Pre-Seed	2.5 mEUR	Oska	Combination of health app, health coach and algorithm to help kidney patients	LBBW Venture Capital GmbH; BM H Beteiligung among others	D.T.
Feb-23	Seed	3 mEUR	VisionHealth / KATA	Developed inhalation assistant for treatment of patients with chronic respiratory diseases	DB Speciality Invest	D.A.
Jan-23	Seed	> 0.5 mEUR	PraxisEins	Develops software-enabled outpatient solution	HTGF among others	D.I.
Nov-22 /Dec-21	Series B	42 mEUR	Temedica	Health-related insights on issues such as disease progression, treatment effectiveness, patient journeys & medication adherence	MIG Capital, Santo Venture Capital, G+J Digital Ventures GmbH, etc	D.T.
Oct-22	Series A	17.7 mEUR	Anvajo	Platform for chronic kidney disease prevention, monitoring and screening	Elber Beteiligungen, Think.Health among others	D.T.
Jun-22	Series A	6.3 mEUR	HiDoc Technologies	Personalized care app for people with chronic gastrointestinal issues	Johnson & Johnson Innovation - JJDC, Inc., Asabys Partners, Dr. Schär AG	D.T.
May-22	Series A	10 mEUR	Fosanis GmbH (Mika)	AI-based digital therapy that supports cancer patients and caretakers with information and treatment options	Debiopharm, Ship2B Ventures, EquityPitcher Ventures, Ananda Impact Ventures	D.T.
May-22	n.a.	> 1 mEUR	Perfood GmbH	AI-powered method developed to create personalized, blood glucose-stabilizing nutritional therapies	BonVenture Management GmbH	D.T.
Dec-21	Series B	25 mEUR	Mimi Hearing	Digital hearing tests, hearing-ability-based sound personalization	MIG Capital among others	D.A.
Dec-21	Series B	10 mEUR	Humanoo	Automated corporate wellness digital solution for productive teams & healthy people	SwissHealth Ventures, Helsana Health Invest, Sanitas, Verve VC among others	D.T.
Apr-21	Series C	65 mEUR	kaia health	Digital therapeutics to manage chronic diseases	Optum Ventures, IdInvest, 3VC, etc	D.T.
Apr-21	Series A	n.a.	Medipee	Digital Urinalysis	Geberit, WBG among others	D.I.
Jun-20	Series B	23 mEUR	kaia health	Digital therapeutics to manage chronic diseases	Optum Ventures, Idinvest, Capital300, etc.	D.T.
May-20	Seed	1.6 mEUR	Sympatient	Medical VR applications to improve mental health	Investiere (CH), IFB Innovationsstarter GmbH	D.T.
Apr-20	Seed	1 mEUR	VisionHealth / KATA®	Developed inhalation assistant for treatment of patients with chronic respiratory diseases	Dr. Georg Matheis, Sanner Ventures, etc.	D.A.
Jan-20	Series B	6 mEUR	Selfapy	App to help people with depression, anxiety disorders or burnout	SHS, High-Tech Gründerfonds, etc.	D.T.
Sep-19	Series A	7.5 mEUR	kaia health	Digital therapeutics to manage chronic diseases	Optum Ventures (US)	D.T.
Jun-19	Series A	6.3 mEUR	HiDoc Technologies	Personalized care app for people with chronic gastrointestinal issues	Johnson & Johnson Innovation, Asabys Partners, Atlantic Labs	D.T.
Apr-19	Seed	> 0.5 mEUR	mediaire GmbH	AI solution for an assessment of radiological images	High-Tech Gründerfonds, Privatinvestoren	D.A.
Jan-19	Series A	9 mEUR	kaia health	Digital therapeutics to manage chronic diseases	Balderton Capital (UK)	D.T.

Source: Grant Thornton research, pflegemarkt.com

The trend to digitalization in the care and healthcare areas is continuing and also benefiting from the increased acceptance gained during the pandemic restrictions. Given the larger addressable market across all ages of population, this segment tends to attract more attention than the elderly care market alone. Hence, we note higher ticket sizes and more financing rounds during the last three years.

Digital Infrastructure (D.I.): Few start-up financing rounds in this area show a relatively high competitive intensity and little disruptive potential. As mentioned on the previous page, we do expect that the current roll-out of the electronic patient file will generate further attractivity for new business models, amongst others in the areas of telematic infrastructure and cyber security.

Digital Assistance (D.A.): Providers of telemedical software and hardware are benefiting from the proof of concept during Covid19 pandemics and the updated regulation regarding digital healthcare.

Digital Therapy (D.T.): Providers of prescription-based health apps for prevention, detection, monitoring, treatment or alleviation of diseases will increasingly benefit from the trend to an increased use of digital solutions.

Devices & Wearables (D.W.): Smart watches and the availability of numerous eHealth applications are strong market entry barriers for alternative devices for the care users.

Finance raisings of German start-ups (3/3) – Healthcare

The financing rounds depicted below refer to more specific healthcare problems and are suitable for the younger generation and the older patients.

Date	Financing round	Financing volume	Start-up	Description	Investors	Cat.
May-23	Series C	100 mEUR	Patient21	Digital healthcare platform	Pitango, Bertelsmann Investments, Artian	D.I.
May-23	Series A	7 mEUR	HelloBetter	Psychological online courses accompanied by psychologists and psychotherapists	VC MassMutual Ventures, HealthCap, Sparrow Ventures among others	D.T.
Mar-23	Series A	12 mEUR	Deepc	Develops AI software for diagnostics in radiology	Sofinnova Partners among others	D.I.
Mar-23	Series C	44 mEUR	Medwing	Job platform for the personnel in the health care sector	Cherry Ventures, Atlantic Labs among others	D.I.
Feb-23	Series A	> 7 mEUR	Selfapy	Offers online courses to treat depression and behavioral disorders	Medice, HS Capital, Think.Health among others	D.T.
Feb-23	n.a.	0.5 mEUR	memodio	App for prevention of dementia	HPI Seed Fund, der FMWStiftung among others	D.T.
Nov-22	Seed	10 mEUR	Neotiv GmbH	Digital solutions for the early detection and follow-up of memory problems	High-Tech Grunderfonds, Capricorn Partners, bmp Ventures among others	D.A.
Jun-22	Seed	> 1 mEUR	eCovary	Training app for rehabilitation	1750 Ventures, Adesso Ventures among others	D.T.
Apr-22	Series B	50 mEUR	Avi Medical	Medical consultation application for patients that offers online appointments and video call options	Picus Capital, heal.capital, Addition Ventures, Vorwerk Ventures, Eurazeo Investment Manager	D.T.
Mar-22	Pre-Seed	2.5 mEUR	Levy Health	Software for infertility diagnostics and individual therapeutic strategies	Atlantic Labs, Calm Storm VC among others	D.T.
Mar-22	Seed	6.2 mEUR	DasLab	Platform that bridges the gap between medical diagnostic tests and the latest approaches to healthcare at-distance	Speedinvest, Kaya Ventures, All Iron Ventures among others	D.I.
Feb-22	Series B	120 mEUR	Ada Health	Healthcare information and intelligence management solutions	Farallon Capital, Red River West, etc.	D.I.
Dec-21	Seed	7 mEUR	Medkitdoc	Digital platform for remote medical consultation	Vorwerk Ventures, Acton Capital, etc.	D.A.
Nov-21	Seed	2.3 mEUR	Avelios Medical GmbH	Software platform that digitalizes all the processes of hospitals and other health care providers	Revent Capital GmbH, High-Tech Grunderfonds	D.I.
Jan-21	Series A	5 mEUR	Recare Holding GmbH	B2B internet software platform that facilitates patient transfer from hospitals to care providers	BRÜCKENÖPfe GmbH, Tech Beteiligungen GmbH	D.I.
Aug-20	Series A	12.7 mEUR	Klara	Doctor-patient communication technology that uses artificial intelligence to automate processes	Gradient Ventures, Frist Cressey Ventures, FirstMark Capital, Lerer Hippeau among others	D.A.
Jul-20	Seed	c. 0.5 mEUR	eCovary	Training app for rehabilitation	TGFS Basic, Angel Investors	D.T.
Apr-20	Seed	n.a.	Robotise GmbH	Designs, manufactures, and deploys service robots at public venues and commercial sites	Bayern Kapital GmbH	D.A.
Jan-20	Series B	18.9 mEUR	Oviva AG	Digital patient-oriented therapy for changing nutritional behaviour	Eight Roads, Partech Ventures, etc.	D.T.
Jan-20	Series A	5.3 mEUR	Goreha GmbH	Operates Caspar Health, a SaaS platform for virtual rehabilitation	Atlantic Labs, Ananda Ventures GmbH, etc.	D.T.
Nov-18	Series A	7 mEUR	TeleClinic GmbH	Platform for remote treatments and online prescriptions	Idinvest Partners SA, Digital Health Ventures	D.A.
Jan-18	Seed	n.a.	Neotiv GmbH	Digital solutions for the early detection and follow-up of memory problems	High-Tech Grunderfonds	D.A.

The possibility of reimbursements by health insurance companies and the increased traction of digital therapy solutions often lead to above-average growth and a relatively short time horizon until the offering companies achieve positive profitability. These advantageous framework conditions are leading to a lively interest in financing digital solutions at the interface between the care industry and the healthcare sector.

Digital Infrastructure (D.I.): Few start-up financing rounds in this area show a relatively high competitive intensity and little disruptive potential. The introduction of the electronic patient file is expected to generate new financing rounds in the area of cyber security and the connection of care market players to the telematics infrastructure.

Digital Assistance (D.A.): Due to current restrictions caused by the Covid19 pandemic and the improvement of the legal basis, providers of tele medical software and hardware are in great demand.

Digital Therapy (D.T.): Providers of prescription-based health apps for prevention, detection, monitoring, treatment or alleviation of diseases will increasingly benefit from the current legal situation, which is also evident from the financing rounds of 2020.

Devices & Wearables (D.W.): Smart watches and the availability of numerous eHealth applications are strong market entry barriers for alternative devices for the care users.

European acquisitions in light of the digitalization of the care sector (1/2)

We have split the acquisitions in the European market by the patients' target groups. The acquisitions depicted below refer to the transactions in the care sector.

Date	Acquirer	Type	Target	Transaction volume	Target description	Cat.
May-23	Nexus AG (CH)	Listed	SmartLiberty SA (CH)	n.a.	The communication and safety solution for long-term care	D.I.
Apr-23	Compugroup Medical (DE)	Listed	m.Doc (DE)	n.a.	Digital health platform that helps in patient communication and care delivery across all stages of outpatient, inpatient, and post-hospital care	D.I.
Mar-23	Arche MC2 (FR)	Private	Solware Life (FR)	n.a.	Develops software for EHPADs and structures and services dedicated to supporting people with disabilities	D.I.
Nov-22	ResMed (US)	Listed	Medifox Dan (DE)	950 mEUR	Developes medical devices and software applications	D.I.
Okt. 22	myneva Gruppe (DE)	PE backed (Summa Equity)	MOCCA Software GmbH (AT)	n.a.	Offers software solution for better scheduling for caregivers and emergency call system for patients	D.I.
Sep-22	Alfa eCare AB (SE)	PE backed (Main Capital)	Avancit AB (SE)	n.a.	Solutions to improve the quality of work processes for personal assistance care providers through a platform	D.I.
Apr-22	Main Capital (NL)	PE investor	VideoVisit Ltd (FI)	n.a.	Provides software platform to digitalise both healthcare and social care visits, including primary care, home care, etc	D.I.
Mar-22	Tunstall (UK)	Private	BeWo-Begleitet Wohnen (DE)	n.a.	Provides telecare and telehealth solutions	D.A.
Nov-21	Best Buy, Inc. (US)	Listed	Current health (UK)	400 mEUR	Care-at-home technology platform that brings remote patient monitoring, telehealth, and patient engagement together	D.A.
Sep-21	SDB Groep (NL)	Private	Infent B.V. (NL)	n.a.	Offers BI solutions for disabled care, elderly care, and rehab	D.I.
Jul-21	Rigeto GmbH (DE)	PE investor	Pflegehelden (DE) Franchise	< 10 mEUR	Nursing, home healthcare staff arrangements and placement services	D.I.
Jun-21	Summa Equity (SE)	PE investor	Myneva Group (DE)	n.a.	Offers software solutions for the social care market	D.I.
May-21	Visma AS (NO)	Private	Ecare Software B.V. (NL)	n.a.	Software solution for nursing homes and home care industry	D.I.
Jan-21	Hartmann Group (DE)	Listed	Pflege.de (DE)	n.a.	Platform that offers counseling services, old age home services, and special living services	D.I.
Sep-20	myneva Group (DE)	PE backed (BID Equity)	SWING Ges. für EDV-Systeml.(DE)	n.a.	Software provider for the home care segment	D.I.
Jun-20	Alfa Group (SE)	PE backed (Main Cap.)	Joliv (SE)	n.a.	SaaS eHealth solutions for the elderly care market	D.I.
Jun-20	Korian (FR)	Listed	Technosens (FR)	n.a.	Digital solutions for nursing homes and for "senior ready" living spaces	D.I.
Apr-20	Addnode (SE)	Listed	IntraPhone AB (SE)	n.a.	Develops mobile solutions for housing care and personal assistance	D.I.
Jan-20	MediFox (DE)	PE backed (HG Capital)	DAN Produkte (DE)	n.a.	Software for shift planning and care documentation	D.I.
Dec-19	MediFox (DE)	PE backed (HG Capital)	COMfuture GmbH (DE)	n.a.	Develops software solutions for non-intensive care providers and nursing homes	D.I.
Sep-19	Brighter AB (SE)	Listed	Camano AB (SE)	n.a.	Develops smart solutions for digital home care	D.A.
Dec-18	myneva Group GmbH (DE)	PE backed (BID Equity)	CareCenter Software GmbH (AT)	n.a.	Software provider for social care segments such as elderly care, social care and youth shelter	D.I.

Source: Grant Thornton research, pflegemarkt.com

The transaction activity of digital solution providers for the care industry reflects the maturity of the different solutions as well as the market penetration. Out of 21 transactions we observed over the last 5 years, 10 transactions were backed by private equity investors.

The majority of takeovers is in the field of **Digital Infrastructure (D.I.)**. The market for digital infrastructure is characterized by different software and mobile solutions for caregivers and senior patients, which reduce inefficiencies and costs and allow for higher quality and more personalized care for senior patients.

Contact restrictions during and after Covid19 outbreak as well as improved regulatory environment increased the attractiveness of the market for **Digital Assistance (D.A.)**. While there were not so many transactions in this field in the past, we expect to see more acquisitions in the coming years.

The niches for **digital therapy (D.T.)** are yet too specific and we have not yet seen any M&A aggregators to consolidate several solutions in one platform. Given the German health and care reimbursement system and considering the economies of scale, we do expect that such one-in-all platforms will be appearing in the market over the next years.

Devices & Wearables (D.W.) have a very strong entry barrier into the market given the strong penetration of smart phones and health/care-related apps. Not surprisingly, there were no transactions observed in this area in the recent past.

European acquisitions in light of the digitalization of the healthcare sector (2/2)

The transactions depicted below refer to the broader healthcare market. They are nevertheless significant for this report given their parallel contribution to the improvements in the care market.

Date	Acquirer	Type	Target	Transaction volume	Target description	Cat.
May-23	Phol-Boskamp (DE)	Private	Kalmeda (Mynoise) (DE)	n.a.	The mobile tinnitus therapy on prescription	D.T.
May-23	VideoVisit Ltd (FI)	PE backed (Main Capital)	Applikator Aps (DK)	n.a.	An online healthcare software that offers telehealth solutions, such as video, chat, messaging, digital rehabilitation tools, etc	D.I.
Apr-23	Equasens Société anonyme (FR)	Public	Pratilog (FR)	n.a.	Management software for the management of practices of physiotherapists and medical practitioners, and nursing practices	D.I.
Mar-23	UnipolSai (IT)	Listed	DaVinci Healthcare S.r.l. (IT)	n.a.	Digital healthcare platform that simplifies access to health	D.I.
Mar-23	Maven Clinic (UK)	Private	Naytal (UK)	n.a.	Online Women's Health Clinic	D.I.
Mar-23	Sillo Holding B.V. (NL)	Private	Doctolib SAS (FR)	n.a.	Develops messaging app for healthcare professionals	D.I.
Feb-23	Unmind Ltd (UK)	PE backed	Floe Interactive Limited	n.a.	Mental health platform for organizations and therapists	D.I.
Dec-22	Evry B.V. (NL)	Private	Health Cloud Initiative BV (NL)	n.a.	Software that helps healthcare employees with the administrative work	D.I.
Nov-22	Main Capital Partners (NL)	PE backed	UHB Consulting AG (DE)	n.a.	Develops software solutions for hospitals, rehabilitation clinics, and other institutions in the healthcare sector	D.I.
Aug-22	Main Capital Partners (NL)	PE backed	Avanty BV (NL)	n.a.	Software solutions for healthcare professionals	D.I.
May-22	E.Novation Group (NL)	PE backed (Main Capital)	Funatic B.V. (NL)	n.a.	Enables healthcare institutions to give their patients online access to their medical data through a patient portal or app	D.I.
Mar-22	myneva Group (DE)	PE backed (Summa Equity)	Fastroi (FI)	n.a.	Care management software provider in the domiciliary and residential care and child welfare in Finland	D.I.
Feb-22	x-tention (DE)	Private	InterComponentWare AG (DE)	n.a.	Provides eHealth software solutions to healthcare organizations	D.I.
Jan-22	bioniq (UK)	Private	Loewi (DE)	n.a.	Personalized nutrition	D.I.
Nov-21	DocPlanner Group (PL)	Private	jameda GmbH (DE)	n.a.	Operates a physician rating and search platform for patients	D.I.
Nov-21	Logex Group (NL)	PE backed	Coins (DE)	n.a.	Develops business intelligence for health providers	D.I.
Oct-21	Main Cap. Partners (NL)	PE backed	Zaurus (NL)	n.a.	Provider of digital consulting rooms to healthcare professionals	D.I.
Oct-21	Zorgi (BE)	Private	Mobitrace (BE)	n.a.	App NurseFlow is used for all bedside activities that allows nurses and healthcare teams to work efficiently and safely	D.A.
Jan-21	Main Capital Partners (NL)	PE backed	Boomerweb (NL)	n.a.	E-health specialist, helping increase medication safety, improve wound care and enable remote counselling	D.A.
Jul-20	Zur Rose Group AG (CH)	Listed	TeleClinic GmbH (DE)	n.a.	Platform for remote treatments and online prescriptions	D.A.
Jul-20	AVECTRIS AG (CH)	Private	LOGICARE AG (CH)	n.a.	IT services in the healthcare sector	D.I.
Apr-20	Essity AB (SE)	Listed	NovioScan B.V. (NL)	6.5 mEUR	Smart and wearable ultrasound solutions for health problems	D.W.
Apr-20	Main Capital (NL)	PE backed	Alfa Kommun & Landsting (SE)	n.a.	Software solutions for public and private healthcare providers	D.I.
Feb-20	Korian (FR)	Listed	move in med (FR)	n.a.	Develops eHealth solutions to improve care pathway of patients with chronic diseases	D.A.

Source: Grant Thornton research, pfelegemarkt.com

The transaction activity of digital solution providers addressing both the healthcare and care markets is driven by the larger addressable market. Listed companies and private equity investors are primarily responsible for the consolidation of the market.

The high number of takeovers in the field of **Digital Infrastructure (D.I.)** highlight the urge to acquire market share. The target companies often have complementary solutions or cover obvious market niches.

The attention that is paid to **Digital Assistance (D.A.)** has benefited greatly from the limitations caused by the Covid19 pandemic. We expect though that a need for more efficiency in hospitals and care institutions will lead to further transaction activity in the years to come.

Providers of **Digital Therapy (D.T.)** are less often considered as takeover targets because the market penetration of such solutions is not yet completed. We expect to see healthcare players acquire startups with good products, but we would not be surprised if some PE will see untapped potential in the aggregation of several related therapies.

As mentioned on the previous page, the limited disruption potential in the market segment of **Devices & Wearables (D.W.)** inhibits the development of attractive takeover targets.

How disruptive innovation can revolutionize the healthcare system

The care service sector will benefit directly from the disruptive movements in the healthcare system. It is expected that any breakthrough in the following areas will lead to timely replications in the care service sector.

Genomics

- Advances in the decoding of the human genome can, in certain cases, lead to a definite diagnosis and targeted treatments based on both the patient's DNA and the disease.

Neuroscience applications

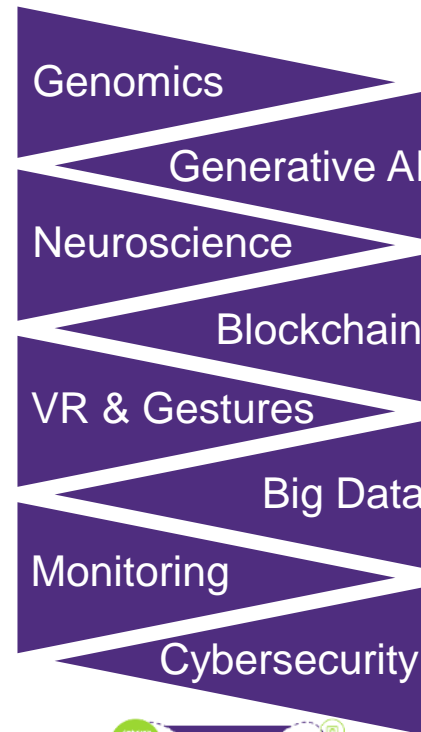
- The congruence between neuroscience and current technical solutions (such as VR-technology) may lead to better rehabilitation of stroke patients or new treatment options for patients with mental disorders.

Gesture recognition

- Touch-free and gesture-based interaction will familiarize older patients with the digital environment. Preventive digital applications for care patients or smart glass controls for impaired people can enable them to become more independent.

Digital monitoring and rehabilitation

- The availability of user-friendly digital catalogues would speed up the discharge of patients from rehabilitation clinics and thus lead to significant cost savings. At the same time, health remains the top priority.



Generative AI

- The use of generative AI and automated translations has a huge potential to increase interoperability between all stakeholders involved in the healthcare and care systems as well as to reduce administrative burden.

Blockchain technology

- The exchange of empirical data in decentralized networks promotes the development of AI-supported early diagnosis of age-related diseases. As a result, preventive medical check-ups can be carried out in a more targeted manner.

Big Data

- As data collection and evaluation increases, new prediction models for individual care needs will soon be developed. Insurance companies will then be able to design individual premiums.

Cybersecurity related to patient data

- The smooth exchange of data requires uniform coding and secure encryption of patient files. The greater the confidence in the secure management of data, the greater the benefit for predicting the diagnosis.

Our M&A services



We support you until the transaction is brought to a successful end

Markets and competitive conditions are evolving rapidly. Established business models are suddenly outdated. In this context, transactions play an important role in the continued development of companies. We are up to date with the new developments and are here to support you achieve your transactional goals.

Sell-side M&A

- To bring your transaction to a successful end, we support you with a comprehensive range of advisory services. We understand the value drivers and sector in which you operate.
- We support you in identifying your key business and strategy drivers and build a consistent and value driving equity story.
- We take care of the entire coordination of the M&A transaction process: beginning with building the equity story and the indicative valuation, to developing the go-to-market documents, the identification and approach of potential investors, up to the negotiations and successful closing.

Buy-side M&A

- To support you in reaching your growth ambitions, we identify potential strategic and financial investors based on pre-defined specific criteria.
- Together, we develop a search profile for your target company, followed by a thorough profiling of selected companies and the approach of suitable candidates directly by our team or via our international contact network.
- A tight and result-oriented project management as well as a coordinated and customized approach guarantee the success of your project.

Finance raising

- Optimized financing structures are decisive for the success of a company.
- We have extensive experience with the preparation of business plans and company valuations as well as with the preparation and coordination of the strategy and go-to-market documents. Moreover, we have both strong local and international knowledge and relationships with strategic and financial investors. This makes us the best partner to support you in your journey to find the best possible financing for your growth.

Transaction advisory

- We offer integrated due diligence services and transaction related advice. With our financial, tax, legal, commercial and IT experts, we are able to provide the basis for your decision from a single source.
- We build up on the findings from the tax due diligence and advise you on tax structuring matters of the acquisition.
- Additionally, we support you during the sell-side process by creating fact books or conducting a vendor due diligence. We anticipate information needs of potential buyers and proactively identify red flags in order to optimize the transaction price.



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Your M&A team focused on the care market and its digital transformation

Dear Sir or Madam,

We would like to introduce you to Grant Thornton and would be pleased if you would consider our transaction services for your future investments. Of course, we are available for an introduction talk and welcome the opportunity to accompany you or your company in creating value through M&A.

Our approach is pragmatic and business oriented. A comprehensive understanding of the targeted strategy and the needs you have as a potential entrepreneur or investor, serve as a basis of our approach. This is complemented by:

- profound expertise in the care market and technology
- fundamental experience in M&A transactions and finance raisings
- a partner-led approach that enables us to meet your expectations
- a special focus that enables us to deliver precise and timely results.

We have gained strong know-how through executing many transactions and supported owner managed businesses in M&A and finance raising processes over the years. Moreover, we understand the value drivers and sector in which you operate and customize our services to your needs.

We look forward to hearing from you.

Kind regards,

Your M&A team

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