

Capstone Partners Reports: Health Services Businesses Increasingly Target Healthcare IT Market

BOSTON, MA, U.S., July 10, 2024 /EINPresswire.com/ -- Capstone Partners, a leading middle market investment banking firm, released its July 2024 Healthcare Information Technology (IT) Market Update, reporting that acquisition activity in the Healthcare IT market has remained strong year-to-date (YTD), primarily driven by healthcare services businesses targeting IT



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David DeSimone, Managing Director, Capstone Partners

providers to offset labor shortages. In addition, heightened adoption of artificial intelligence (AI) and machine learning (ML) has provided participants with significant revenue and merger and acquisition (M&A) opportunities, a trend Capstone heard echoed at the 2024 [Healthcare Information and Management Systems Society \(HIMSS\)](#) conference. Elevated sector demand has been supported by healthcare services companies looking to remedy inefficiencies from ongoing labor shortages through advanced technology such as AI and ML. AI has increasingly permeated the Healthcare IT sector as

participants have leveraged custom algorithms to improve preventative care, risk assessment, patient engagement, and cybersecurity. While AI development in many industries has yet to materialize in revenue gains, early AI adoption in the Healthcare space has accelerated the technology's financial viability.

M&A activity in the Healthcare IT market has rebounded YTD, with 98 transactions announced or completed. While full-year 2023 remained flat, YTD volume has increased year-over-year (YOY). In comparison, total M&A activity in the U.S. and Technology, Media & Telecom industry has declined 16.1% and 10.3% YOY, respectively, during the same period. Healthcare industry defensibility and digital transformation tailwinds have supported elevated transaction activity in the sector. In addition, healthcare services companies have increasingly opted to acquire technology assets rather than develop new systems in-house for speed of implementation. Strategic buyers have continued to comprise the majority of YTD sector deals, albeit by a slim margin. Private strategics have represented more than one-third of deals to-date, often rolling up middle market (less than \$500 million enterprise value) competitors with advanced capabilities such as AI and ML to boost technology stacks. Private equity firms have increasingly targeted the Healthcare IT sector, with 48 transactions announced or completed YTD. This marks

an increase of 45.5% compared to YTD 2023. Sector participants' ability to showcase sticky customer bases, recurring revenue, and advanced technology capabilities has piqued heightened private equity investment in the space. While private equity has continued to utilize add-on transactions, platform acquisitions in the sector have tripled YOY. Elevated fundraising levels and vast amounts of dry powder have enabled sponsors to pursue scalable platform opportunities. Public strategic buyer activity has experienced the largest decline YTD, falling 31.8% YOY. Public market volatility has inhibited many public players' available acquisition capital. Select public companies in the space have pursued sponsor backing via take-private transactions to fund acquisition pursuits.

"While the Healthcare industry historically has not been the fastest adopter of technology, the significant efficiencies and cost savings of AI in Healthcare IT have made this sector one of the most fertile for AI development and revenue expansion, as evidenced by the fast-growing wallet share enjoyed by AI-driven technologies," said Capstone Managing Director David DeSimone, the lead contributor in the newly released report.

Also included in this report:

- Key themes from the 2024 HIMSS conference.
- Why AI is projected to comprise an increasing share of global sector revenue.
- How sector M&A multiples have fared through YTD compared to historical averages.
- Why venture capital firms have continuously shied away from early-stage startups in the sector.

To access to full report, [click here](#).

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